

# MongoDB, Inc. NasdaqGM:MDB

## FQ4 2020 Earnings Call Transcripts

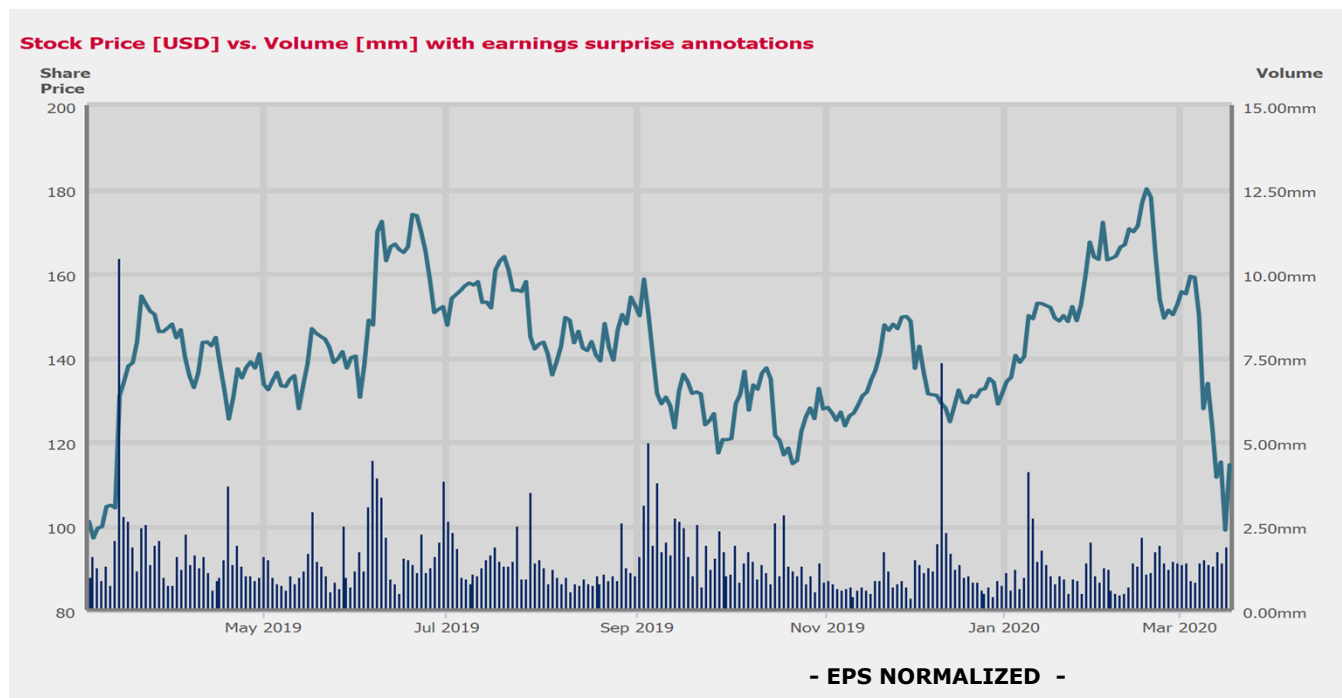
Tuesday, March 17, 2020 9:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ4 2020-			-FQ1 2021-	-FY 2020-	
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	ACTUAL
<b>EPS Normalized</b>	(0.28)	(0.25)	NM	(0.24)	(1.02)	(1.00)
<b>Revenue (mm)</b>	110.66	123.52	▲ 11.62	115.14	408.89	421.72

Currency: USD

Consensus as of Mar-16-2020 10:24 AM GMT



	CONSENSUS	ACTUAL	SURPRISE
<b>FQ1 2020</b>	(0.24)	(0.22)	NM
<b>FQ2 2020</b>	(0.28)	(0.26)	NM
<b>FQ3 2020</b>	(0.28)	(0.26)	NM
<b>FQ4 2020</b>	(0.28)	(0.25)	NM

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# Call Participants

## EXECUTIVES

**Dev C. Ittycheria**  
*President, CEO & Director*

**Michael Lawrence Gordon**  
*COO & CFO*

## ANALYSTS

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

**Brent Alan Bracelin**  
*Piper Sandler & Co., Research  
Division*

**Heather Anne Bellini**  
*Goldman Sachs Group Inc.,  
Research Division*

**Jon Philip Andrews**  
*Needham & Company, LLC,  
Research Division*

**Patrick D. Walravens**  
*JMP Securities LLC, Research  
Division*

**Raimo Lenschow**  
*Barclays Bank PLC, Research  
Division*

**Richard Hugh Davis**  
*Canaccord Genuity Corp.,  
Research Division*

**Rishi Nitya Jaluria**  
*D.A. Davidson & Co., Research  
Division*

**Sanjit Kumar Singh**  
*Morgan Stanley, Research Division*

**Tyler Maverick Radke**  
*Citigroup Inc, Research Division*

## ATTENDEES

**Brian DenyEAU**  
*ICR, LLC*

# Presentation

## Operator

Good day, and welcome to the MongoDB Fourth Quarter and Full Year Fiscal 2020 Earnings Conference Call. [Operator Instructions] Please note, this event is being recorded.

I would now like to turn the conference over to Mr. Brian Denyeau from ICR. Please go ahead.

## Brian Denyeau

*ICR, LLC*

Thank you, Shawn. Good afternoon, and thank you for joining us today to review MongoDB's fourth quarter and full year of fiscal 2020 financial results, which we announced in our press release issued after the close of market today.

Joining 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 first fiscal quarter and full year of fiscal 2021; the anticipated impact of the coronavirus disease or COVID-19 outbreak on our future operating and financial performance; the impact of ASC 606 revenue timing and mLab on our future results of operations; our market opportunity and prospects to increase our market share of the global database software market; the ability of our data platform strategy and R&D investments to drive the same long-term growth; the opportunity created by scalability of our go-to-market and growth strategies; our expectations regarding the impacts of an opportunity presented by the shift to the cloud, the potential advantages, timing and likelihood of success of our new products, product enhancements and planned integrations, such as Realm and Stitch; and anticipated impact of Atlas sales expansion on our gross margins and other financial results.

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 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 filed with the SEC on December 10, 2019, and in subsequent reports that we file with the SEC from time to time, including the annual report on Form 10-K that we intend to file in the near term. These documents are available in the Investor Relations section of our website at [www.mongodb.com](http://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.

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

## Dev C. Ittycheria

*President, CEO & Director*

Thank you, Brian, and thank you to everyone for joining us today. Let me start off by saying that we live in a time of unprecedented circumstances. The global spread of the COVID-19 virus has created an extreme health crisis and resulted in the disruption of the lives of billions of people. The first priority for MongoDB is the safety and wellbeing of our employees and our customers, and we have been managing the business to that effect.

Michael will speak in more detail on how we expect this crisis to impact our financial performance. Our job as a management team is to keep steady amidst the turbulence, while not losing sight of the long-term opportunity ahead of us.

Let me now turn to our fourth quarter results. MongoDB delivered strong results, capping off an outstanding year for the company. Our technology investments have further strengthened what was already the leading modern data platform. Our investments in sales and marketing have expanded our market reach to make MongoDB available to all customers of all sizes around the world. I am proud of the performance of our team in fiscal 2020 and believe we are well on our way to establishing MongoDB as one of the primary winners as the database market moves to the cloud.

Looking quickly at our fourth quarter results. In the fourth quarter, we generated revenue of \$123.5 million, a 44% year-over-year increase and above the high end of our guidance. For the full year fiscal 2020, we generated \$421.7 million in revenues, a 58% year-over-year increase in growth.

We grew subscription revenue 46% year-over-year in the fourth quarter and 61% for the full year. Atlas revenue grew over 80% year-over-year in the fourth quarter and now represents 41% of revenue. And we had another strong quarter of customer growth, ending the quarter with over 17,000 customers.

We believe our fourth quarter and full year fiscal 2020 results demonstrate that we have established ourselves as the modern data platform of choice. We continue to be pleased and encouraged by the breadth of adoption of our platform in terms of use cases, industry verticals and geographies. Our sales force is executing at a high level. And we saw meaningful productivity increases in both our enterprise and corporate channels. We also continue to be very pleased with the progress of our self-serve business, as evidenced by a record number of customer additions in Q4, and we continue to expand our self-serve operations to become a world-class product-led growth engine.

Entering fiscal 2021, we are pleased with our achievements in the 2.5 years since becoming a public company, and we are more confident than ever about our long-term prospects. We are pursuing one of the largest and fastest growing markets in all of software. IDC projects the database market to be \$71 billion in 2020 growing to \$97 billion in 2023. We have less than 1% share of the global database market and a long runway for growth ahead of us.

As we look ahead, we are keenly aware of the opportunity in front of us. We strongly believe that the database market is at the very beginning of a profound platform shift towards the cloud over the next decade. As the new and existing workloads migrate to the cloud, customers will be forced to examine and modernize their data architectures. Technology history teaches us that in times of such platform dislocation, new companies emerge as generational leaders. To this end, our belief is that the best way to maximize long-term shareholder value is to make key investments that will position us as one of those leaders.

I want to spend more time today to explain how our platform strategy and the associated R&D investments are designed to drive our long-term growth. To start, let me provide some historical context. There have been 2 fundamental insights that have driven our business to date. The first key insight that led to the founding of the company was that the inflexibility and lack of scalability of relational databases were major impediments to organizations that desired to build modern apps quickly with performance and scale. MongoDB's document model and distributed data architecture address these problems, resulting in MongoDB's incredible popularity with developers everywhere.

The second key insight was that the process of building modern apps was dramatically increasing the burden of undifferentiated work on development teams. As apps keep proliferating and apps themselves get decomposed into smaller distributed components due to the use of microservices, containers and other related technologies, the scope and complexity of managing apps and infrastructure grows exponentially. This undifferentiated work ends up crowding out the resources needed to invest in enhancing the application and ultimately the business.

As a result, in 2012, we started building out tools to automate the provisioning, management and security of our database. The logical progression was the introduction of Atlas in 2016, our fully managed

database service offering that enabled organizations to avoid the hassle of managing distributed databases all together. Today, Atlas continues to be a huge success for us, growing over 80% year-over-year, representing 41% of our revenue in Q4 and is at a \$200 million annualized revenue run rate.

Thanks to these 2 insights, we are the only modern database that is considered to be a true general purpose database, has been adopted by millions of developers around the world and has generated meaningful commercial success, affording us the opportunity to sustain strong growth rates for years to come. Our success has enabled us to acquire over 15,000 Atlas customers in the past 3.5 years, giving us a unique perspective on how we can provide even greater value to customers in the future. The productivity and economics benefits of the cloud such as real-time provisioning, almost unlimited scale and usage-based pricing are at this point well known.

However, we also see the challenges that the movement to the cloud has created. In the first decade, the cloud ecosystem largely involved moving existing technology stacks onto the new infrastructure paradigm. This forced developers to deal with the fragmented set of apps and infrastructure tied to discrete use cases, multiple APIs and data spread across many disparate silos. Developer productivity is impeded, as they are unable to seamlessly leverage data for different needs. And these problems will only escalate as customers move more workloads to the cloud.

This experience led us to a third key insight, the one that is informing our data platform strategy that the apps of the future will dramatically expand in their functionality and scope. Future applications will enable continuous engagement and access to massive amounts of real-time data among key constituents, be it users, customers, partners or suppliers. Availability of instantaneous operational data, along with insight of that data will increasingly drive business decisions. That means traditional operational workloads will need to incorporate additional functionality such as real-time analytics.

In addition, as data on the edge continues to explode due to the increasing use of mobile and IoT apps, future applications will require the ability to effortlessly (sic) [ effortlessly ] synchronize data between the edge and the core.

Finally, rather than dealing with a large number of complex interfaces, developers will require one unified interface designed to bring together data at massive scale to build these new applications more quickly and efficiently.

We believe MongoDB is incredibly well positioned to benefit from this emerging trend. We are an operational database, which puts us both at the core of every application we support and makes us a source of its real-time, mission-critical data. We believe developers will credibly expect their core operational database to extend into a full data platform that provides the additional capabilities they need to expand an application scope and functionality. Many of the exciting product announcements we have made over the past year demonstrate how we are already evolving our data platform for applications with greater functionality and scope.

Atlas Data Lake brings transactional and analytical use cases together by allowing customers to query both operational and archived data. Atlas Search brings the previously separate search functionality into the operational database.

Finally, the integration of Realm and Stitch will address the issue of edge to core data synchronization. These and other future products will leverage our powerful API to access large amounts of data easily to provide an unparalleled developer experience.

We know that every enterprise's future will be increasingly powered by software and that apps of the future will leverage data in even more sophisticated ways. Consequently, we're confident these investments, designed to address even more complex use cases, will further extend our position as the leading modern data platform and put us in an even better position to deliver strong long-term growth.

Now I'd like to spend a few minutes reviewing some customer wins and interesting use cases from the fourth quarter. Square Enix, producers of Tomb Raider, Dragon Quest and Final Fantasy video games, chose MongoDB to support its online suite of asynchronous multiplayer features across a wide range of video games. The company continues to invest in MongoDB Atlas for game production to provide the

scalability needed for its growing global player base. Atlas allows Square Enix to scale elastically to meet the demands of the game regardless of the number of concurrent players.

Software AG's Cumulocity IoT, a leading IoT platform, powering the shift to a truly connected world, chose MongoDB Enterprise Advanced as its operational data store. As data is the key to driving actual insights into an IoT-enabled business, MongoDB plays a critical role in helping Software AG customers transform connected device data into immediate value in a scalable and reliable manner.

Unqork, a no-code application platform that helps large enterprises, health care providers and government agencies build complex custom software faster, selected MongoDB Atlas as its primary cloud database platform in 2017. The company expanded its use of MongoDB last quarter, because they wanted a data platform provider that was cloud-agnostic, highly scalable, enterprise security-ready and trusted by their Fortune 500 customers.

Location-aware data infrastructure company, Radar Labs, chose MongoDB Atlas to power its geolocation platform, which currently runs on more than 25 million devices around the globe, processing billions of location data points each week. An early member of MongoDB's -- MongoDB for startups program, the company continues to make big bets on MongoDB to help scale the delivery of its rich geolocation services, so its developers can focus on the company's goal of making every app on every device contextually aware.

In summary, we are encouraged by our traction, as evidenced by our strong Q4 results. The success and a track record of execution give us confidence to aggressively pursue our long-term opportunity. We believe the market is evolving in ways that will increasingly play to our core strengths and further establish MongoDB as the modern data platform of choice for developers.

Before I turn over the call to Michael, I want to take this opportunity to personally thank our Co-Founder and CTO, Eliot Horowitz, for his vision and technical leadership for over almost 13 years. I talked today about the foundational insight that Eliot and the co-founders had, namely that legacy database technology was not designed to address the needs of modern applications. Out of that insight came the document model, a query language and the tremendous popularity of MongoDB in the developer community. Thanks to Eliot's vision and leadership, today, MongoDB is the world's most popular modern database platform. It will cross \$0.5 billion revenues this year, has over 90 million downloads and over 17,000 customers all around the world. The company and in particular the engineering team assembled by Eliot has never been in better shape. And there is strong and deep leadership -- there's a strong and deep leadership team ready to take the baton to further vision of improving developers' lives by making it stunningly easy to work with data. We're excited that Eliot will continue to stay involved and become a technical adviser to MongoDB after leaving his full-time role.

With that, let me turn the call over to Michael to review our financial results.

**Michael Lawrence Gordon**

*COO & CFO*

[Audio Gap]

our outlook for the first quarter and full fiscal year 2021. First, I'll start with our fourth quarter results.

Total revenue in the quarter was \$123.5 million, up 44% year-over-year. Subscription revenue was \$117.8 million, up 46% year-over-year. And professional services revenue was \$5.7 million, up 17% year-over-year. Our strong performance in the quarter benefited from broad-based strength on both Atlas and Enterprise Advanced. It is worth noting that one large multiyear Enterprise Advanced deal with a Fortune 50 customer drove \$3.5 million of our outperformance. As a reminder, due to revenue recognition mechanics associated with ASC 606, we generally recognize the term license revenue for all the contract years upfront, not just the initial year.

The rapid adoption of Atlas continues to be the largest contributor to our growth. Atlas grew over 80% in the quarter and now represents 41% of total revenue compared to 32% in the fourth quarter of fiscal 2019 and 40% last quarter. Atlas continues to benefit from strength in both our self-service and direct

sales channels, while experiencing a growth headwind from the historical mLab customer base, which we anniversaried in the fourth quarter.

During the fourth quarter, we grew our customer base by over 1,100 customers sequentially, bringing our total customer count to over 17,000, which is up from over 13,400 in the year-ago period. Of our total customer count, over 2,000 are direct sales customers, which compares to over 1,750 in the year-ago period. The growth in our total customer count is being driven in large part by Atlas, which had over 15,400 customers at the end of the quarter compared to over 11,400 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 base reflects new customers to MongoDB in addition to existing customers adding incremental Atlas workloads.

We also continue to see healthy expansion from our customers, which is a key component of our growth strategy. Our net ARR expansion rate in the fourth quarter remained above 120%. We ended the quarter with 751 customers with at least \$100,000 in ARR and annualized MRR, which is up from 557 in the year-ago period. We also ended the year with 62 customers with at least \$1 million in ARR and annualized MRR, which is up from 39 in the year-ago period.

Moving down the P&L, I'll be discussing our results on a non-GAAP basis unless otherwise noted. Please note that we have provided additional disclosures in our earnings release showing the non-GAAP reconciliation of the individual OpEx line items to help you with your understanding and modeling of the business.

Gross profit in the fourth quarter was \$91.2 million, representing a gross margin of 74%, compared to 72% last quarter and 71% in the year-ago period. Gross margin benefited from the large multiyear EA license revenue associated with the Fortune 50 customer we mentioned earlier. Overall, we are pleased with our gross margin performance, which reflects greater efficiency and scale in our Atlas business. However, we continue to expect that we'll see some modest reduction in overall gross margin as Atlas continues to become a bigger portion of our revenue.

Our operating loss of \$12 million or negative 10% operating margin for the fourth quarter compared to a negative 11% margin in the year-ago period. Net loss in the fourth quarter was \$14.5 million or \$0.25 a share based on 56.9 million weighted average shares outstanding. This compares to a loss of \$0.17 per share on 53.8 million shares outstanding in the year-ago period.

Turning to the balance sheet and cash flow. We ended the quarter with \$987 million in cash, cash equivalents, short-term investments and restricted cash. Operating cash flow in the fourth quarter was negative \$8.6 million. After taking into consideration approximately \$2.3 million in capital expenditures and principal repayments of finance lease liabilities, free cash flow was negative \$10.9 million in the quarter. This compares to negative free cash flow of \$12.6 million in the fourth quarter of fiscal 2019.

I'd now like to turn to our outlook for the first quarter and full year fiscal 2021. First, our guidance includes our current best estimate for the anticipated impact of COVID-19 on our results. Obviously, the situation is evolving rapidly, but we felt that it was important to attempt to incorporate some impact despite all of the uncertainty. For the first quarter, we expect revenue to be in the range of \$119 million to \$121 million. We expect non-GAAP loss from operations to be \$14 million to \$12 million and non-GAAP net loss per share to be in the range of \$0.25 to \$0.22 based on 57.5 million weighted average shares outstanding.

For the full fiscal year 2021, we expect revenue to be in the range of \$510 million to \$530 million. For the full fiscal year 2021, we expect non-GAAP loss from operations to be \$78 million to \$68 million and non-GAAP net loss per share to be in the range of \$1.40 to \$1.23 per share based on 57.9 million weighted average shares outstanding.

Let me provide some additional color to our guidance by discussing and attempting to quantify the potential impact of the COVID-19 virus on our business. Like many global organizations, we believe our operations will likely be impacted by the slowdown in economic activity that is occurring globally. Our fiscal



'21 planning was completed before the recent acceleration in the spread of the virus. But the current and rapidly evolving realities in the ground led us to decide to update our current forecast.

Our current assumption is that the disruption caused by COVID-19 will impact Q1 revenues by approximately \$1 million to \$2 million and fiscal '21 revenues by approximately \$15 million to \$25 million due to anticipated weaker bookings in the first half of the year. To be clear, at this point, we are seeing minimal impact across our sales channels around the world, including closing transactions in the first quarter, even in the country's hardest hit by COVID-19. However, as a management team, we believe that it is now prudent and responsible to incorporate that into our outlook, that we expect what could be a much more challenging economic environment in the coming weeks and months.

Our guidance assumes a more normalized business environment in the second half of the year. Obviously, the situation regarding COVID-19 is changing rapidly, and we will continue to evaluate its potential impact on our business.

With respect to our overall investment cadence, we had made the decision before the COVID-19 outbreak that we want to continue investing in the business aggressively to pursue our market opportunity. We are funding high priority projects across the organization, including: first, growing our sales capacity globally, which still remains in its early stages from a scale perspective. For context, even in the United States, we still do not have coverage in roughly 1/4 of the NFL cities and only have 2 or fewer reps in half of the NFL cities. Given our strong historic productivity, we believe that the primary governor on productive capacity should be organizational capacity.

Second, continue investing in our marketing organization, particularly our product-led growth team, in order to continue to drive our self-service Atlas business and overall Atlas adoption. Finally, as Dev described in his remarks, continuing with robust R&D investments, both deliver on our data platform vision and to further enhance our core products. Given the attractive long-term opportunity we have in front of us, we think it continues to be important and appropriate to keep investing in these high-return areas.

To summarize, MongoDB delivered excellent fourth quarter results. Our focus on executing on our product road map and expanding our go-to-market reach is driving high levels of growth at scale. The steps we've taken to establish MongoDB as the modern general purpose data platform of choice positions us for continued long-term success. While we expect to see an impact to our business from the COVID-19 situation in the short term, we remain committed to strong execution in order to capture our long-term market opportunity.

With that, we'd like to open up to questions. Operator?

# Question and Answer

## Operator

[Operator Instructions] Our first question will come from Sanjit Singh with Morgan Stanley.

### **Sanjit Kumar Singh**

*Morgan Stanley, Research Division*

Congrats to the team on another strong year, really great to see the strong results coming out of Q4. And then, Michael, thank you for framing the guidance. That was very helpful. I was wondering if you could just sort of take us behind the curtains a little bit in terms of how you sort of came up with the \$1 million to \$2 million impact in Q1, the \$15 million to \$25 million for the full year? Specifically, how do you expect this to potentially impact the business? Is it going to be more on the sales sold side part of the business, the self-serve or maybe on the professional services? And how -- and to what extent do you assume like lower close rates? Any sort of color that you could give us to contextualize the guidance would be helpful.

### **Michael Lawrence Gordon**

*COO & CFO*

Yes, great. Thank you for the question. We're happy to provide the guidance. Obviously, it's a rapidly evolving situation, so it's hard to capture it all with a point estimate. But what we tried to do is we tried to look at the landscape and say what are some potential outcomes that might be appropriate to incorporate into our guidance. And so fundamentally, what we did is we said, let's imagine that in the first half of the year, we see a slowdown in overall economic activity. And the way that would flow through is through sales activity and bookings activity. I think that's specifically for the direct sales side of the business. I think it is less likely that we would see that on the self-service side. And so what we tried to do is we tried to look at the regions that were most affected and run some sensitivity analysis around what different scenarios might look like. We have assumed -- as I mentioned in the prepared remarks, we have assumed a normalization of activity in the second half of the year. So obviously, if things persist or are prolonged, we of course would have to reevaluate that approach. But fundamentally, I think we're exceptionally well positioned in the market overall. We haven't seen any meaningful impact in the business to date. We have the benefit of having a wide diversification of customers and geographies and industries that we serve. There are certainly some industries that are harder hit and other industries that are actually benefiting, and that diverse portfolio is certainly working for us. But we wanted to try and do our best to sort of call it out, recognizing how the situation continues to evolve.

### **Sanjit Kumar Singh**

*Morgan Stanley, Research Division*

That was super-clear. And for my follow-up, maybe for Dev, one of the things I've been kind of think through is self-hosted Enterprise Advanced and what's sort of the outlook for that. And clearly, this quarter, with that large Fortune 50 deal, seems to underscore that, that this is going to continue to be a growth category, even as Atlas continues to post sort of leading growth in the company. Can you sort of give us your view on sort of the positioning and the growth opportunity within Enterprise Advanced going forward?

### **Dev C. Ittycheria**

*President, CEO & Director*

Yes, sure, Sanjit. We believe that the growth of EA will continue to be strong. Why? Because there are many customers who want to consume MongoDB on their own in terms of maintaining and managing their own database infrastructure, either because they have a lot of sunk costs or there's regulatory requirements that require them to run EA on their premises or in certain data centers that they're allowed to do business in. So one of our value propositions -- one of our key value propositions to our customers is the ability to run and use MongoDB anywhere. And so we don't force feed every customer to consume it

as a service and Atlas. And so -- and customers like that choice. And we have many customers who both procure EA as well as continue to invest in Atlas.

**Operator**

Our next question will come from Raimo Lenschow with Barclays.

**Raimo Lenschow**

*Barclays Bank PLC, Research Division*

Dev, congrats on the quarter, but also congrats for trying to kind of put an impact on the COVID situation for the business. Well done on that one. The 2 quick questions. So first one is, can you talk a little bit about Atlas? The growth this quarter, if I look organic, came down a little bit. But I do seem to remember that last year, we had not just mLab, but I think there were some other factors in the fourth quarter. Could you just remind us? Because we're trying to understand like the underlying growth run rate a little bit better? And then the follow-up is, like, what's the trigger point that you guys are looking for in terms of, like, changing in terms of maybe the investment cadence as this kind of situation unfolds around COVID-19?

**Dev C. Ittycheria**

*President, CEO & Director*

Yes, sure. So it was another strong quarter. Thanks for the question, Raimo. It was another strong quarter for Atlas. To your point, I think the 2 things that are worth calling out are, it was the first quarter where we had mLab in the base. And we have talked about the -- there's a different growth profile and those cohorts are contracting as we indicated and called out at the time of the acquisition. And also, you're correct that in fiscal '19's fourth quarter, we did call out specific overconsumption that was not seasonally related, but was specifically related to the life cycle of a couple of large apps that were in deployment. And so I think when you start to neutralize or normalize for both of those, it was another very strong Atlas quarter. So I think we always feel quite good about that. And then in terms of the second question, in terms of investment, I think maybe just trying to take a step back, from an overall perspective, we as a management team have a very long-term orientation. We're very, very early on in the stages of trying to capitalize on our opportunity. We will continue to invest as we see good rates of return on the investments that we're making. We see that in both the R&D side as well as in the sales and marketing side. Certainly, if there were to be macroeconomic factors that would change or others that sort of eroded or degraded those investment opportunities, we would modulate the levels of investment appropriately. And we've done that throughout the last many several years. And so we'll just sort of continue to do that as we think about our role as sort of balancing -- maximizing the long-term potential, but also making sure that it's not a growth-at-all-cost mindset, but instead sort of being prudent allocators of capital.

**Operator**

Our next question will come from Heather Bellini with Goldman Sachs.

**Heather Anne Bellini**

*Goldman Sachs Group Inc., Research Division*

Great. And hopefully, all of your families are doing well, so wishing you guys the best through this. Just had a couple of questions. The first on the direct business -- and again, thank you, as everyone said, for trying to clarify -- or quantify something that I know is probably impossible to do right now. But is there anything you could share with us about kind of the linearity over a typical quarter? Like, what typically -- on average, how much comes in, in month 1 versus month 3? And I'm thinking on your enterprise business where you typically have deferreds associated with that, just so we can think about how that held the sales run-through, not the revenue, because I know that's ratable? And then also, just if you can share with us, Michael, just Atlas, you said, less likely to be impacted. Is there anything you could share with us about what the profile is of an Atlas customer that may make them less susceptible to what's going on from a macro standpoint?

**Dev C. Ittycheria**

*President, CEO & Director*

Sure. So maybe I'll take the first one. So I've been in enterprise software now for almost 20 years. And the lesson I've learned is that customers are trained to obviously try and get as much leverage as possible. And in every business I've been involved with, the quarters do tend to be back-end-loaded. And obviously, there's nothing different about MongoDB. I would tell you that one of the things that really differentiates us is that we have a very, very rigorous culture of qualification in our sales process. So the forecasts that roll up to Michael and me, we have a lot of confidence in, based on the rigor that the sales team puts in, in terms of forecasting the business. So our confidence in the forecast is a measure of the quality of the qualification process. And as you know, for 2.5 years of the public company, we've done a really good job. Michael, do you want to handle the second question?

**Michael Lawrence Gordon**

*COO & CFO*

Yes. I think just on the second question, just to sort of make sure there's not any confusion. My comments about the likely impact on the business, at least from what we hypothesize -- yes, it's self-serve. Obviously, whether it's Atlas or EA, there's sort of the direct sales side of things. But when you think about some of the potential impacts on a direct sales model of not being able to go to customer sites, people being quarantined or cities being in virtual lockdown, that shouldn't really affect the self-service side of the business as much. Obviously, it's not immune to macroeconomic outcomes. But some of the sort of specific things that we're starting to see roll out across the geographies have a much more potential to directly affect -- to affect the direct sales side of the business.

**Operator**

Our next question will come from Brad Reback with Stifel.

**Brad Robert Reback**

*Stifel, Nicolaus & Company, Incorporated, Research Division*

Great. Dev, you just alluded to your, obviously, decades of experience in software and the fact that you lived through '08 and '09. Any lessons from that experience that you think are applicable to the situation we're in now? And how you might -- or how you'd sort of position the business for the organization?

**Dev C. Ittycheria**

*President, CEO & Director*

Yes. So well, I'm old enough to, Brad, to tell you that I also lived through 2000, 2001. So I was the public company officer then, and I was a public company officer in 2008, 2009. And so I would tell you that we believe that while sentiment can change quickly, the underlying trends don't change as fast. So deals and progression typically still happen. It's maybe deals who start early in the sales cycle that may have -- end up having more approvals required, and so sales cycles may start lengthening. As we said in the prepared remarks, we see minimal impact right now, but prudence dictated that based on our judgment experience and having seen this before, that some impact, given the macroeconomic environment, was warranted.

**Operator**

Our next question will come from Brent Bracelin with Piper Sandler.

**Brent Alan Bracelin**

*Piper Sandler & Co., Research Division*

I guess, Dev, I wanted to kind of go back to the Atlas business and really try to understand how economically sensitive that business is. Obviously, in the downturn, databases weren't usage-based cloud models. And so how are you thinking about just the Atlas business? Are there unique characteristics of cloud databases and modern applications where maybe there won't be a lot of variability, but the new business, the new Atlas potential business could be at risk? Any way you could kind of frame Atlas, given, again, it is new? We really didn't have usage-based transactional revenue streams in the last downturn.

And any insights specifically to how you're thinking about the Atlas impact potentially would be super-helpful. And then one quick follow-up for Michael, if I could.

**Dev C. Ittycheria**

*President, CEO & Director*

Sure. So I would just tell you, the Atlas business is consistent with the data business as a whole, in that database software is incredibly sticky. Obviously, the database is the heart of every software application, and people are not going to shut down existing applications, existing services, existing websites, because they still have to conduct business. And so on top of that, with Atlas, they've essentially handed off the ongoing management of their database infrastructure to us. So in times when people may want to do a little bit of belt tightening, it's very unlikely that they'll decide to bring those workloads back in-house. In fact, they will like the variable cost model associated with Atlas. On top of that, it's -- most workloads we see have a pretty predictable usage pattern. It's only a few workloads like games or some very seasonal workloads related to, say, the Q4 retail environment, et cetera, or some e-commerce environment, say, around Mother's Day, et cetera, and so those kinds of events do you see some spike in usage. So -- and in fact, we are seeing spikes in usage in -- with customers who are in the cryptocurrency business. We're seeing spikes in usage with gaming companies, obviously, lets a lot of people home playing online games. We're seeing a lot of spikes in usage in terms of telcos and cable companies, and their usage is going up. So I would say, in general, though, the usage patterns tend to be fairly predictable. And on top of that, with the fact that people have handed off the management of their database to us through Atlas, those workloads tend to be very, very sticky.

**Brent Alan Bracelin**

*Piper Sandler & Co., Research Division*

Super-helpful. And then just as a follow-up for Michael. You did talk about a large EA deal with a Fortune 50 customer. Could you just give us a little more color? Was that a kind of database replacement opportunity? Was it tied to kind of new application build? Any color there on why you won the deal. How competitive it was? And kind of, like, the proof points that tipped the scale in your favor there?

**Michael Lawrence Gordon**

*COO & CFO*

Yes. So we would normally like over-index on talking about any one customer, but just given the magnitude and the fact that it was a long term deal and it impacted the numbers, we just wanted to put that in context. We've had a long-term relationship with this customer. This is a meaningful expansion. And effectively, we're the platform going forward for nonrelational workloads. And typically, what we would see is that there would be a mix of both new applications as well as migrations and scenarios like that.

**Operator**

Our next question will come from Tyler Radke with Citi.

**Tyler Maverick Radke**

*Citigroup Inc, Research Division*

I wanted to ask a couple on the \$1 million customers, which I think grew almost 60% year-over-year. I wonder if you could talk a little bit about some of the common use cases you're seeing. When you get to that type of a deal, are you seeing more legacy replacement? And then if you could give us a sense for how much of kind of those incremental \$1 million customers are coming from EA versus Atlas and just how to think about million dollar customers on Atlas going forward?

**Dev C. Ittycheria**

*President, CEO & Director*

Yes. Just to be clear, our \$1 million count went from 39 million to 62 million, just for everyone's benefit. And it's incredibly diversified set of customers. I would not say there's any one predictable sort of use cases. And even in those particular customers, we have a land-and-expand business model. So invariably, those customers are deploying MongoDB for more and more applications and different types of workloads.

So it's not one app, per se, that's growing very, very quickly. And so we're very, very encouraged by -- and we've been talking about this ever since we've been a public company that our business is land-and-expand. And the durability of our business is that it's not tied to any one specific app, but that over time, people end up standardizing on MongoDB, and as they get more and more value of MongoDB, they start using us for more and more different workloads. So I wouldn't say there's any one particular use case or any common theme across this \$1 million count, except the fact that it's -- most of them are classic land-and-expand accounts.

**Tyler Maverick Radke**

*Citigroup Inc, Research Division*

And do you have a sense just on the second part of the question around how much of those customers are on Atlas versus EA and maybe just what you'd expect that to look like going forward?

**Dev C. Ittycheria**

*President, CEO & Director*

That's also, frankly, a very healthy mix of both. So there's no one any concentration of both EA -- either EA customers or Atlas customers. And so we've seen customers invest very, very aggressively in EA, but we're also seeing a lot of other customers invest aggressively in Atlas. And again, because of an earlier question, frankly, we have customers who do both. So we get the best of both worlds. Some workloads, they want to maintain in-house. And other workloads, they think it makes more sense to use a fully managed service like Atlas.

**Operator**

[Operator Instructions] Our next question will come from Jack Andrews with Needham.

**Jon Philip Andrews**

*Needham & Company, LLC, Research Division*

I was wondering if you could just provide an update to trends you're seeing around legacy migrations, especially since you announced some new partnerships that look to accelerate that trend.

**Dev C. Ittycheria**

*President, CEO & Director*

Yes. So we are actually seeing a lot of interest of customers who are trying to re-platform of legacy database infrastructure. One of the challenges for people is that they ultimately have to not just move the data, but then potentially have to rewrite the application. And so we've talked in the past about using our SI partners in that. And now we announced some other partnerships where we're offering customers migration tool kits through our partners to, frankly, reduce the amount of work and heavy lifting required to migrate off relational workloads to MongoDB. And so the degree to which we can make that easier and easier for customers to do so and reduce the friction to do so, I think, will only accelerate the amount of migrations we see from legacy workloads to MongoDB.

**Jon Philip Andrews**

*Needham & Company, LLC, Research Division*

Okay. And then just as a quick follow-up, could you touch on your auto scaling capability and how that may be impacting your own business and whether that's a source of margin leverage for you over time?

**Dev C. Ittycheria**

*President, CEO & Director*

Yes. I mean, so auto scaling is basically enabling customers to not worry -- I mean the whole premise for building MongoDB is to really get the database out of the way. And one of the classic challenges is doing capacity planning with a database, because you want to ensure that you offer good service and good predictable performance to your end users. And so with auto scaling, we basically take that to the next level is that the performance demands of your application grow, the database scales elastically. And

so this gives customers peace of mind in terms of not having to worry about having any degradation of performance for their users, customers or partners with the ability to auto scale. And typically, we find that this is also a win-win for customers, because they don't have to pay for some fixed utilization costs when -- a fixed cost when the utilization drops. And so it's a win-win for both customers and for us. And so it means more upscaling and also sometimes a little bit downscaling. But in general, it's a win-win, and it allows us to build a really healthy long-term relationship with customers.

**Operator**

Our next question will come from Patrick Walravens with JMP Securities.

**Patrick D. Walravens**

*JMP Securities LLC, Research Division*

Great. And let me add my congratulations to trying to estimate the COVID-19 impact. I think you're the first ones to do it. Yes. So Dev, the -- what sorts of tools -- and I'll give you an example in a second. But what sorts of tools do you have to manage the business maybe a little differently if we are heading into a real economic slowdown? And as an example, we hosted a call of Salesforce this morning. And they talked about how, in the last downturn, one of the things that Benioff is really focused on was making sure they maintain the customer relationship, even if it meant -- so -- keep the contract, even if it means it's at lower pricing or a significantly lower contract value, the theory being that when you come out the other side, it's easier to expand in an existing customer than to sign up again. So just any kind of tools like that, that you guys have? Love to hear what they might be?

**Dev C. Ittycheria**

*President, CEO & Director*

Yes. So I would say there's a couple of things that we do. One is we put a lot of rigor, as I mentioned to an earlier question, in our forecasting process. Because to us, our revenue forecast is, by definition, also an expense forecast. And so the more fidelity we have in our forecast, the better sense we have in terms of how to really size the capacity of the business relative to that forecast. And so we put an enormous amount of rigor on the -- on our forecasting process. And we feel really good about the quality of the forecast that we get from our sales force, which -- so that's point number one. Point number two is we obviously spend -- invest a lot of time with customers. And with Atlas, we get even higher levels of data and instrumentation on how customers are using our platform. And so that gives us a sense about, like, are they using it properly; are they running into any issues, have they configured their database correctly, Are they seeing any performance degradation, et cetera. And again, the database is the heart of every application. And so people care very quickly if there's any issues. And so we spend a lot of time focusing on making sure that they're getting a lot of satisfaction and delight from both MongoDB and from Atlas. And so I would say, in general, we don't see today any real impact on the business. But we do, again, prudently think that there will be some impact, which is why we gave the guide that we did. And we're obviously going to monitor this very, very carefully, both in terms of our pipeline, our sales pipeline. We're also tracking up our self-service funnel. That funnel is also very, very strong. And -- but if you see any changes, we can respond very, very quickly.

**Operator**

Our next question will come from Richard Davis with Canaccord.

**Richard Hugh Davis**

*Canaccord Genuity Corp., Research Division*

I'm thinking, in a tough environment, one of the pitches, if I was a salesman for you guys, is I could offer kind of a hard dollar ROI. And I think you can pretty much offer that. And I -- just to make sure I'm not mistaken, but can I walk in and go -- you can get rid of your old systems. And Dev, it's not like one of these companies would say, "Oh, we're going to save everyone 2 minutes a day." Like I don't even know what that means. Is that a fair assessment of the business model there?

**Dev C. Ittycheria**

*President, CEO & Director*

Oh, absolutely. One of the compelling benefits of MongoDB and Atlas is the fact that you don't have to manage a database, which is the total cost of ownership of MongoDB so much lower than legacy technology.

**Richard Hugh Davis**

*Canaccord Genuity Corp., Research Division*

Got it. And then the second quick follow-up. When you guys go up against other, because there are a bunch of other NoSQL database companies and you're not bound to take that phrase, but I will use it. Is it oftentimes, is it performance benchmarking? Or is this a business where developer mind share and market share kind of matters? I mean, obviously, if I'm used to the UI and I move from one company to another, I'll take your system with me recommended. Is it -- can you tell which one is more important? Or have you reached a tipping point to one side or the other?

**Dev C. Ittycheria**

*President, CEO & Director*

Yes. I would tell you that it's much more the latter than the former. There's a -- in databases, historically, there's been a lot of benchmarks used. But a lot of the benchmarks are jerry-rigged with certain criteria or certain tests that make one vendor look better than another vendor. And customers and developers in particular become wise to that. What it is, is really all about making a developer's life easier. And one of the real hallmarks of MongoDB is -- and the reason why we are the most popular modern database in the world is that we can get customers and developers up and running very, very quickly. The document model, our query language, the fact that our database scales very, very easily, the fact that they can consume it as a service, the fact that they can use it for almost every -- any particular use case, because it's true general purpose platform, not some knit solution, makes us a very, very compelling solution, which is why our business has grown so quickly. And it's all developer-led. And we're investing a lot in the business. We've made a lot of investments in expanding our developer relations capabilities to engage with our developers. And given everyone is now working virtually, we're going to see -- do a lot more online seminars and education to get developers up to speed on all the latest features and benefits of MongoDB.

And on top of that, we continue to invest a lot in our self-serve business where developers -- either developers sitting in a garage or developers from a large Fortune 500 organization can engage with MongoDB and get going very, very quickly.

**Operator**

Our next question will come from Rishi Jaluria with D.A. Davidson.

**Rishi Nitya Jaluria**

*D.A. Davidson & Co., Research Division*

2 quick ones. And let me echo my colleagues in appreciating the fact that you're trying to put a natural dollar figure around the impact of COVID guidance. I think it's a great lesson that other enterprise software companies might be able to follow your lead on this. First, just wanted to maybe understand, with MongoDB World turning virtual this year, how should we be thinking about the potential impact, be that on new bookings or on lead generation or anything kind of effect? And then to Dev, with Eliot stepping down, obviously, brought a lot of kind of vision and good that he's staying on in a little bit of an advisory role, just what would you be looking for in Eliot replacing a CTO, if you are, in fact, [indiscernible]?

**Dev C. Ittycheria**

*President, CEO & Director*

Sure. So let me take both questions. On the first question on World, I want to be clear, World was never designed to be a pipeline acceleration conference. This is really designed to be an education conference for our community. And in fact, the more meaty and technical and in-depth the content, the better. And



so obviously, those big investments by organization, especially on the engineers who are actually building our capabilities, that's who the developers want to spend time with. They want to meet the people who are writing the code, ask technical, deep technical questions, spend time with the experts. So it was never really a pipeline acceleration conference. Obviously, around that conference, we may arrange meetings with more senior level stakeholders. But if you look at the content from prior years, it was really, really focused on serving the needs of the technical community of MongoDB. So we don't see any potential impact on making MongoDB World a virtual conference. On the -- and candidly, frankly, now that it's virtual, I should mention, we're in fact reimagining the conference and, frankly, trying to maybe, since it's virtual, appealing -- being able to reach many more developers at one time. Because we only used to broadcast the keynotes where we had 10,015 people listen to the keynotes, but the individual conference were not broadcast or video streamed. And so we're reimagining the conference so that more people can get access and hear the latest and greatest about MongoDB.

With regards to Eliot, obviously, we're incredibly grateful for his contributions and his leadership over the last 13 years. He has really assembled an incredibly strong team. 2 of his key lieutenants have been with the company for more than 7-plus years, and they're stepping up in a bigger role. And Sahir, our Chief Product Officer, was put in place a couple of quarters ago. And so that was also part of setting up the transition for this move. And so we've really, really got a strong deep bench under Eliot. There's no plans to recruit a CTO from the outside at this point. And I couldn't be prouder of the team that's here, because I feel that we have a massive opportunity in front of us and a world-class team to help us get there.

**Operator**

This concludes our question-and-answer session. I would like to turn the conference back over to Dev Ittycheria for any closing remarks.

**Dev C. Ittycheria**

*President, CEO & Director*

Well, again, I am very grateful for all of you who are able to listen to the conference. Obviously, my thoughts and prayers to all of you and those affected by COVID-19. We hope you'll get through this quickly. And obviously, we're focused as a business on serving the needs of our customers and employees. And we'll talk to you at our next earnings call. Thank you.

**Michael Lawrence Gordon**

*COO & CFO*

Thank you.

**Operator**

The conference has now concluded. Thank you for attending today's presentation, and you may now disconnect.

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