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Market Intelligence

MongoDB, Inc. NasdaqGM:MDB

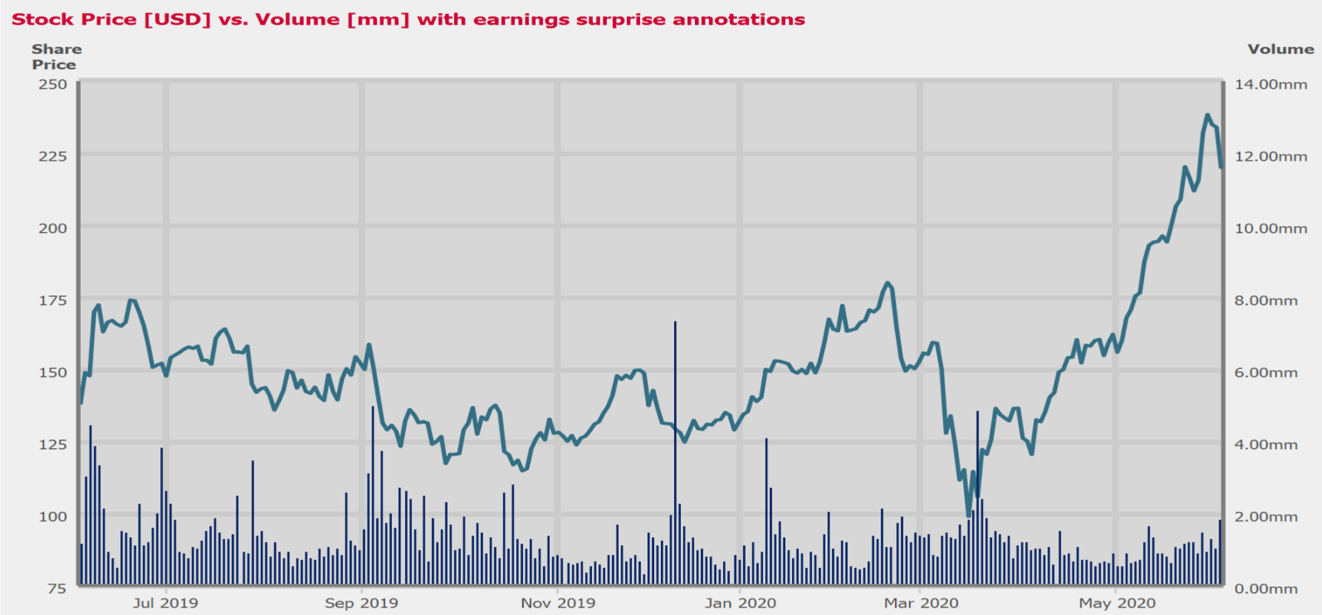
FQ1 2021 Earnings Call Transcripts

Thursday, June 04, 2020 9:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ1 2021-			-FQ2 2021-	-FY 2021-	-FY 2022-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	(0.25)	(0.13)	NM	(0.36)	(1.33)	(0.91)
Revenue (mm)	119.80	130.33	▲8.79	120.18	518.83	668.44

Currency: USD
Consensus as of Jun-04-2020 9:00 PM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ2 2020	(0.28)	(0.26)	NM
FQ3 2020	(0.28)	(0.26)	NM
FQ4 2020	(0.28)	(0.25)	NM
FQ1 2021	(0.25)	(0.13)	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

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Jon Philip Andrews
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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 First Quarter Fiscal 2021 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. Please go ahead.

Brian Denyeau
ICR, LLC

Great. Thank you, Sean.

Good afternoon, and thank you for joining us today to review MongoDB's First Quarter Fiscal Year 2021 Financial Results, which we announced in our press release issued after the close of the market today.

Joining me 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 second fiscal quarter and full year fiscal 2021; the anticipated impact of the COVID-19 pandemic and market trends in our future results of operation and market position; the impact of ASC 606 revenue timing and Atlas sales on our future results of operations; our market opportunity and prospects to increase our market share of the global database software market; the opportunity to build the continuing shift to the cloud; the ability of our data platform strategy and our investments in R&D; marketing and hiring, driving and sustaining long-term growth.

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 annual report on Form 10-K filed with the SEC on March 27, 2020, our current report on Form 8-K filed with the SEC today and in subsequent reports that we filed with the SEC from time to time, including our quarterly report on Form 10-Q 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. A replay of this call will also be available there for a limited time.

Additionally, non-GAAP financial measures will be discussed on 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

Thanks, Brian, and thanks to everyone for joining us today.

We have a lot to cover. But before I do, I would like to speak to what's happening across the United States and in many parts of the world. I want to state unequivocally that MongoDB stands with the black community against racism, violence and hate. We are distraught by the spate of recent deaths of and other horrific incidents towards members of the black community all because bigotry that is far too prevalent in our society. MongoDB is deeply committed to creating a culture of inclusion. This is one of our core values, where everyone, no matter what they look like, where they're from, whom they love or what God they pray to, is treated equally.

Moving forward, I will start by reviewing our first quarter results before providing some color on how our employees and customers are responding to the COVID-19 pandemic and how the current environment is impacting our long-term view of the business.

Looking quickly at our first quarter financial results. We generated revenue of $130.3 million, a 46% year-over-year increase and above the high end of our guidance. We grew subscription revenue 49% year-over-year. Atlas revenue grew over 75% year-over-year and now represent 42% of our revenue. And we had another strong quarter of customer growth, ending the quarter with over 18,400 customers. Delivering such strong Q1 results in the midst of the COVID-19 crisis and the associated economic disruption is a testament to the resiliency of our employees, the quality of our execution, the appeal of our technology and our positioning in the marketplace. While the high degree of uncertainty in the market will continue to have some impact on our near-term results, our results in Q1 reinforced our conviction in the long-term potential of our business.

Our first operating principle is the safety and well-being of our employees and our customers. We responded early and decisively to adapt to the spread of COVID-19. I couldn't be prouder of how our employees adapted and how quickly each of our teams retooled their operating plans to address the constraints we are operating under.

Our developer relations team is making Johns Hopkins University's COVID-19 dashboard more accessible by hosting it on MongoDB Atlas. Our marketing, developer relations and finance teams collaborated to launch free Atlas credit programs for all developers looking to build applications to track and stop the spread of the virus. So far, we have helped launched 180 new initiatives.

Finally, covidnearyou.org, supported by MongoDB employees and built on Atlas, has made it easier for people to track the virus in their local communities, with users having reported over 1 million personal health updates.

From a business perspective, we quickly made a number of changes that allowed us to operate with minimal disruption. Our sales team was inspired by the performance of teams in the earliest impact areas such as China and Italy where we actually saw an increase in customer engagement. The team adhered to its rigorous pipeline generation and deal qualification processes resulting in strong close rates despite the challenging backdrop.

Our self-serve team closely monitored the online advertising market and used a decline in advertising prices to invest more in this channel while maintaining high rates of return. Our marketing team pivoted completely from physical to online events, resulting in 12,000 webinar attendees in Q1 compared to 2,500 a year ago. In addition, we turned MongoDB World, our flagship user conference, into an online event called MongoDB.live, which will take place next week. We have been thrilled with the response and already have over 40,000 people registered for the event. In comparison, last year, we had 2,000 people attend our in-person events.

Speaking of MongoDB.live next week, we're excited to announce a slate of new products and enhancements to existing products that our engineering teams have been working on despite the significant disruption that was caused by the work-from-home transition.

Finally, the rest of our teams rose the challenge and performed admirably against a difficult backdrop. For example, we seamlessly transitioned recruiting and onboarding to a fully virtual environment, enabling us to hit our Q1 hiring plan. We also transitioned our highly regarded summer internship program to remote experience, and we look forward to welcoming our 83 interns chosen from the over 20,000 applications we received.

While we can't predict with certainty how long or how severe the COVID-19 global disruption will be, we are seeing clear signs that the current environment is only accelerating the secular trends of which we are a long-term beneficiary. Our customers are more determined than ever to proceed with their digital transformation efforts. Businesses of all kinds, even the most technology-cautious, recognize the features powered by software. Consequently, they need to continue to invest in their digital future despite the near-term economic uncertainty.

During Q1, we saw customers in even some of the most negatively impacted industries double down on their digital transformation journeys. For example, we closed a 7-figure deal with one of the largest global auto companies. The company is making MongoDB as a server available to internal users on their private cloud. There are currently more than

1,000 MongoDB servers in production, supporting critical use cases within the various areas of the company's digitization strategy, including their connected car initiative.

Next, the volatility of the current environment is further underscoring the need to use platforms that enable speed and agility. Our customers want to move fast to quickly seize opportunities or respond to new threats. They want to easily bring new features to market and leverage data effectively while being able to operate at almost unlimited scale. This increased need for speed and agility plays squarely into MongoDB's core strengths.

For example, one of the world's most popular consumer video chat applications was built on MongoDB technology and was able to withstand 120x increase in concurrent users of the weekend of March 14. In addition, we strongly believe that the current environment will only hasten the cloud transition. COVID-19 has made it abundantly clear that doing the undifferentiated work of database management is not only inefficient but can, in fact, make it harder to address users' ever-increasing expectations. Customers want to derisk their operations and devote all their energy to doing work that has high impact on the business as opposed to managing and maintaining their own infrastructure.

In Q1, we expanded our Atlas relationship with a leading North American airline. Their strategic focus is to accelerate their move to the cloud in order to modernize their applications and reduce their dependence on the mainframe. MongoDB is helping them build an operational data layer in the cloud.

Finally, our customers are learning the value of a global cloud data platform that makes multicloud easy to implement. Since the pandemic has started, all cloud providers have seen spikes in usage that have impacted their performance and availability in certain regions. In addition, cloud providers have limited certain features to avoid bottlenecks. Given the increasing likelihood of infrastructure constraints, having a data platform such as MongoDB that makes it easy to use multiple cloud providers is becoming even more important.

A Canadian security company recently migrated its mobile security platform from DocumentDB to MongoDB Atlas. In addition to reducing costs by 60% and being able to leverage all the features of MongoDB, the key objective was to create a global multicloud foundation to rapidly scale IoT, AI and transactional workloads.

I'd like to spend a few minutes reviewing some of the other customer wins and interesting use cases from the first quarter.

Grocery delivery wholesaler, Boxed, has seen soaring demand for their goods and services due to the pandemic. With the availability of essential supplies changing on a daily basis, they needed a highly scalable database platform to manage their supply chain in real time. They doubled down on MongoDB Atlas and started using MongoDB Charts to help with capacity planning and to ensure they could scale to meet the extreme increases in customer demand.

Bingel, the leader in interactive and personalized online learning for the Belgian primary school children, turned to MongoDB on March 13 to handle the increase in demand when the government shut down all schools because of COVID-19. The company, part of Sanoma Learning, immediately became part of the country's critical infrastructure and realized it needed Atlas in order to scale the needs of the country's children. Bingel rapidly migrated services and now seamlessly and effortlessly handles more than 12 million online exercises a day.

Forbes recently added digital asset management to its list of technologies running on Atlas. The publisher has been working with us to transition more of its digital footprint to MongoDB. Known for being an innovative brand, Forbes has many new products in development designed to help showcase its journalism fueled by digital. As it continues to lead the media industry, set new traffic records and attract new audiences, Forbes credits MongoDB for improving its ability to serve dynamic content, decreasing its total cost of ownership and make it possible to replace some of its legacy technologies.

Zomato, one of the largest restaurant discovery and food delivery service in the world, with over 80 million monthly active users in 24 countries, recently increased its commitment to MongoDB to power its logistics application, an essential piece of the last mile in the food delivery chain. This helps Zomato ensure that they are able to keep up with increased demand, efficiently map their food delivery orders to the right delivery partner, track the journey and ensure on-time deliveries.

French multinational, Schneider Electric, which provides energy and automation, digital solutions for efficiency and sustainability, recently expanded its commitment to MongoDB. The company chose MongoDB to help rapidly scale new secure requirements for its new IoT-enabled platform EcoStruxure, which makes businesses safer, more reliable and more connected. The company leverages Atlas to reduce TCO and help its team scale and manage large volumes of data more effectively.

Nets Group, the leading payment service provider in Scandinavia and across Europe, chose MongoDB as its anchor data platform to modernize its payment services and establish a distributed micro services architecture. With MongoDB, the Nets Group makes it even easier and more intuitive for its customers to handle digital payments and related solutions.

Woolworths Group, one of the largest retailers in Australia and New Zealand, decided to start offering digital receipts to its 11.7 million reward customers in order to minimize human contact during COVID-19. The retailer used Atlas to create a new platform to ingest all of its point-of-sale data, more than 350 transactions per second, and serve it out to customers in real time. MongoDB was able to help them get the system up and running in under 3 weeks.

In summary, we are very pleased with our performance in Q1. In many ways, the world's technology has seen more than 3 years' worth of change in the past 3 months. While we expect the uncertainty and the volatility to continue, we remain very focused on building for the long term and the large opportunity we see ahead.

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

Michael Lawrence Gordon
COO & CFO

Thanks, Dev.

As mentioned, we delivered another strong performance in the first quarter, both financially and operationally. I'll begin with a detailed review of our first quarter results and then finish with our outlook for the second quarter and full fiscal year 2021.

First, I'll start with our first quarter results. Total revenue in the quarter was $130.3 million, up 46% year-over-year. Subscription revenue was $124.9 million, up 49% year-over-year, and professional services revenue was $5.5 million, up 1% year-over-year.

To help you better understand our performance in the quarter and the impact from COVID-19 on our outlook, we wanted to share some trends we are seeing across our customer base to provide additional context.

First, let's talk about new business. Q1 was a strong quarter for new business, and COVID-19 had less of an impact on new business in Q1 than we expected. On the direct sales side, as Dev mentioned, our sales teams around the world worked effectively and responded to the new circumstances and executed well. In particular, we had a stronger-than-expected quarter in terms of new business coming from Enterprise Advanced, which helped drive revenue outperformance due to the upfront licensing revenue recognition component under ASC 606. On the self-serve side, we saw a meaningful increase in registrations in Q1, which translated into better-than-expected new customer acquisition, which you can see in our customer counts.

While we saw a muted impact from the pandemic on new business activity after the global lockdown began in mid-March, we did observe a modest slowdown in the growth from our existing Atlas customers, particularly in self-serve. The impact was modest but broad-based, mirroring the broader economic contraction.

As a reminder, we recognize Atlas revenues based on consumption, so the slowdown did impact our Q1 Atlas revenue performance. To be clear, we haven't seen any increase in customer churn in either of our direct sales or self-service channels.

Overall, Atlas' strong performance continues to be the largest contributor to our growth. Atlas grew over 75% in the quarter and now represents 42% of total revenue compared to 35% in the first quarter of fiscal 2020 and 41% last quarter.

In addition to the dynamics in existing self-service customer I referenced, mLab, as expected, represented the growth headwind as we're in the final stages of transitioning those customers before we deprecate the mLab platform.

During the first quarter, we grew our customer base by over 1,400 customers sequentially, bringing our total customer count to over 18,400, which is up from over 14,200 in the year ago period. Of our total customer count, over 2,200 are direct sales customers, which compares to over 1,800 in the year ago period. The growth in our total customer count is being driven in large part by Atlas, which had over 16,800 customers at the end of the quarter compared to over 12,300 in the year ago period. Sequential growth in total customers includes growth in our EA 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.

Customer retention remains high, and we've seen continued strong net expansion rates across our installed base. We had another quarter of net ARR expansion rate above 120% despite the impact of the economic environment. We ended the quarter with 780 customers with at least $100,000 in ARR and annualized MRR, which is up from 598 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 first quarter was $95.6 million, representing a gross margin of 73% compared to 74% last quarter and 70% in the year ago period. Overall, we're pleased with our gross margin performance which reflects greater efficiency and scale in our Atlas business. 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 $7.4 million or negative 6% operating margin for the first quarter compared to a negative 14% margin in the year ago period. Net loss in the first quarter was $7.3 million or $0.13 a share based on 57.6 million weighted average shares outstanding. This compares to a loss of $0.22 per share on 54.7 million shares outstanding in the year ago period.

Turning to the balance sheet and cash flow. We ended the quarter with $977.5 million in cash, cash equivalents, short-term investments and restricted cash. Operating cash flow in the first quarter was negative $5.9 million. After taking into consideration approximately $2.6 million in capital expenditures and principal repayments of finance lease obligations, free cash flow was negative $8.5 million in the quarter. This compares to positive free cash flow of $2.8 million in the first quarter of fiscal 2020.

I'd now like to turn to our outlook for the second quarter and full fiscal year 2021. For the second quarter, we expect revenue to be in the range of $125 million to $127 million. We expect non-GAAP loss from operations to be $24 million to $22 million, and non-GAAP net loss per share to be in the range of $0.41 to $0.38 based on 58 million weighted average shares outstanding.

For the full fiscal year 2021, despite the fact that the macroeconomic outlook is materially worse than what we'd factored into our March guidance, we are pleased to raise the midpoint of our revenue guidance and tightened our range to $520 million to $530 million. We're also tightening our profitability ranges and now expect non-GAAP loss from operations to be $78 million to $70 million, and non-GAAP net loss per share to the range of $1.34 to $1.21 based on 58.1 million weighted average shares outstanding.

Let me provide some incremental color on how we see the ongoing COVID-19 pandemic impacting our revenues for the rest of the year. When we introduced our fiscal '21 guidance in March, we shared our underlying assumptions that we would see a material business impact in the first half, followed by a more normalized environment in the second half of the year. Given the global development since March, we clearly now expect the impact of the pandemic to extend longer and impact the second half of the year more materially, resulting in a greater revenue impact for the remainder of the year than we had outlined in March.

Let me share some more color on how we expect this impact to manifest itself. In March, we stated that we expected a greater impact on new business activity in Q2 as compared to Q1, as Q1 benefited from a deal pipeline already in place when the pandemic started. We still expect that to be the case, and we now expect the Q3 environment to be similar to that of Q2, followed by a more modest improvement in Q4. Furthermore, our forecast assumes that we continue experiencing the slower than historical growth from existing Atlas customers for the duration of the crisis but returning to historical levels thereafter.

Turning specifically to Q2. We expect the stronger-than-expected Enterprise Advanced performance in Q1 to represent a tough sequential compare given the term license revenue recorded under ASC 606. Also keep in mind that we will feel the impact of a full quarter's worth of level growth from existing Atlas customers which impacted only a portion of the first quarter.

Let me also provide you with an update on our investment outlook. As Dev explained, we see clear signals that the current environment is only accelerating the secular trends that we are a beneficiary of. That long-term potential as well as our strong execution in this challenging environment gives us continued confidence to be opportunistic on the investment front. Due to the constraints caused by the prolonged COVID-19 disruption, we are naturally generating savings as travel, event and facility expenses are lower. We've decided to reinvest those savings in 2 high-return areas, in particular, where we're seeing unique opportunities.

First, as Dev mentioned, online advertising rates have declined significantly, in some cases, as much as 30%, since the pandemic started. This provides us an excellent opportunity to increase our investment in digital marketing to expand on recent strength in self-serve customer new additions. Given that our new self-serve customers are relatively small, the revenue impact from this, this year will be modest, but the increased investment will position us well for fiscal '22 and beyond.

Second, in the current environment, we're finding there's an opportunity to incrementally add strong engineering talent that is not normally on the market and is now looking to join a well-positioned and well-funded company like ours. As a result, we've decided to pull forward a portion of our expected fiscal year '22 R&D hiring to take advantage of talent availability and further accelerate our ambitious product road map.

To summarize, MongoDB delivered excellent first quarter results, our ability to focus and execute has served us well in a difficult environment, and our Q1 performance gives us increased conviction that we'll be in an even stronger position when economic conditions improve. We are also confident the investments we are making today are positioning us well for continued success as we pursue our long-term market opportunity.
And with that, we'd like to open it up to questions. Operator?

Question and Answer

Operator

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

Sanjit Kumar Singh
Morgan Stanley, Research Division

Congrats on the strong Q1 in a really difficult selling environment. Dev, you sort of outlined how you sort of think COVID sort of is a forced accelerator in terms of digital transformation and cloud adoption. When I look at Q1 results, it seems like, in terms of the strength in the quarter, it was expressed through Enterprise Advanced versus Atlas. I was wondering if you could sort of help bridge those 2 worlds in terms of customers who are looking for greater flexibility, greater agility. How -- why was demand expressed more through Enterprise Advanced? Is that kind of the lowest friction way for the existing customer base to stand up new applications today, and that'll change over time? If you could sort of give us a sense of current demand versus how you think the trends are going to play out for Atlas over time.

Dev C. Ittycheria
President, CEO & Director

Yes. Thanks, Sanjit. I just want to remind people that we don't push people towards any particular consumption model because one of our strong value proposition is that you can run MongoDB anywhere. And so we still have lots of customers -- even though Atlas has grown so quickly, have lots of customers who purchased Enterprise Advanced. And the same phenomenon happened in Q1 where we had, again, quite a robust demand for EA. I would say Atlas was also very strong. I mean Atlas grew 75% year-over-year. And so I wouldn't suggest that it was solely because of Enterprise Advanced.

And I know in previous calls, people were a little worried about the growth of EA, and so I think this puts to rest that there's still robust demand for our products, and some customers want to run on-premise. They made significant commitments to their existing internal infrastructure. And obviously, a lot of customers are embracing the cloud. And we do believe that the long-term trends are towards the cloud, and one of the benefits of using MongoDB now even on-premises is that it gives customers easy on-ramp to cloud because they don't have to rewrite the application once they actually decide to move to the cloud. So that's one of the added benefits of going with MongoDB.

Sanjit Kumar Singh
Morgan Stanley, Research Division

Got it. Makes total sense. And then, Michael, just as a follow-up, as we think about the full year guidance, and you sort of mentioned Q1 benefited from a healthy pipeline coming into the quarter, as you think about the range in guidance, what sort of close rates are you assuming? Like, did you take down your close rates? Or any sort of color you can provide on contextualizing the range of guidance in terms of the pipeline that you have going forward and potential closure rates on that pipeline, that would be helpful.

Michael Lawrence Gordon
COO & CFO

Yes. Sure. I'll say a few things, and I'll disaggregate it into the 2 main channels, sales sold versus self-serve. I think in sales sold, we walked people through the impacts back in the March quarter when a lot of this was emerging, and we attempted to quantify the potential impact. We walked people through the scenario where we were looking at Q1 impacts and Q2 impacts in terms of new business with the recovery and normalization in the back half of the year, and that's sort of flowing through the revenue model, if you will.

I think what we saw is obviously a very strong Q1, and the team really did a great job in terms of powering through. We're still expecting to see an impact in Q2, and that's reflected in the guidance. And we're also expecting that, that to continue further into the year, right? So we're expecting Q3 to be roughly in line in Q2 and Q4 to be more impacted. And so that's sort of on the new business activity and the signing of new business activity, and that flows its way through the revenue, as you might imagine.

One of the things to call out, which I think Dev mentioned on the last call as well, is I think while this has been going on for a while, it's still relatively new. And I think if you think about deal cycles and close rates and some of the things that you're describing, I think we obviously did a very good job in terms of execution and close rates and pursuing against the pipeline of opportunities that we had. But we have to remember the deals that we closed in Q1 were mostly in process. And so there's a question that we're -- that's sort of factored in, which is, we assume productivity takes a hit in Q2 and Q3 in part because now you're having to generate the new business all in this remote environment. The team has done a great job of adapting, but we don't have a lot of data points around that.

On the self-service side and -- which is all Atlas and including the revenue components of sales sold Atlas, we did mention the slower expansion that we saw from our existing customer base. Great strength in adding new customers and no uptick in churn in terms of customers going to 0. And so -- but we did see slower growth. That's very much COVID-related. I think if you think about having a consumption model, that's one of the things that sort of flows through, right? And you've got a usage-based model. There's a portion of the customer base whose business -- their own business is materially impacted. And so as a result, we see less expansion from that existing customer base, and we're sort of assuming that, that will continue as well. So when you take those couple of factors in, in terms of the annual guide and then you also layer in the mLab declines that we've talked about, I think that's what sort of all adds up to our full year view.

Operator

And now our next question will come from Brad Reback with Stifel.

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

Great. On the Atlas side, could you provide maybe any color -- I know you said it was fairly broad-based, but were there any specific pockets of weakness, either from a customer side and/or vertical?

Michael Lawrence Gordon
COO & CFO

No. So in general, as we mentioned, this is more on the self-service side in the first place, so obviously, smaller customer base. Also saw some of it on the sales sold side, but not in any particular large pockets. Like I said, no churn -- no uptick in churn. You might think that you'd see a disproportionate number of -- a small number of customers having an outside impact. This is sort of more of the reverse just given the broad economic contraction, a number of businesses seeing underlying demand for their products shrink. And one of the corollaries of having an elastic business model is when there's less demand, they'll have less usage on Atlas, and that's really going through. So I don't think there are any particular unique insights, no big customer outliers that are contributing to the slower growth.

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

Got it. And just one quick follow-up. If you think about usage trends thus far in 2Q, have you seen any modest uptick? Or are they where they were for the month of April?

Dev C. Ittycheria
President, CEO & Director

Yes. So we, in general, saw some initial behavior, probably mid- to late March and saw that come down. We are assuming right now from a forecast perspective that based on everything we've been able to discern, that's related to COVID-19. And so we baked into our outlook that we'll see those continue.

Operator

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

Daniel Peter Church
Goldman Sachs Group Inc., Research Division

This is Dan Church on for Heather Bellini. You kind of talked about this a little bit in your remarks, but I was just -- just to kind of piggyback on the last question a little bit. As Atlas continues to grow, what kind of visibility do you have when you look into the back half of the year in terms of revenues -- revenue given its consumption-based? And then any kind of color you can provide in terms of how that affects billings as Atlas continues to grow as a percentage of the mix?

Michael Lawrence Gordon
COO & CFO

Sure. Yes. So I think in general, we've seen strong consumption of Atlas. Dev mentioned that to see 75-plus percent growth at this kind of scale is unusual. And if you actually back out the contraction of the drag from mLab, organic Atlas more than doubled. So you can see really strong performance from Atlas overall. We see visibility if -- it's probably best to disaggregate that in terms of the sales sold side as well as the self-serve side.

So I think on the sales sold side, you typically have annual commitments that people are making, and so that really -- the usage, of course, will vary, but there is a contract so you've got a fair amount of visibility. From a billings standpoint, while we don't guide to it, I think it's important to call out that -- I think we mentioned this in one of the calls last year. We've sort of increasingly been encouraging people to engage with us and engage in Atlas on a -- in a more friction-free basis. And so there are plenty of customers in the sales sold side that are doing monthly invoicing in arrears. And so again, not something that's driving meaningful deferred revenue when you're doing your sort of calculated billings calculations. So I think that's important to understand.

On the self-service side, it's really more of a portfolio dynamic. So it's lots of smaller customers. And so you can see a particular outlier here or there, but they tend not to meaningfully move the needle. I think what we're talking about in terms of the slower growth that we saw from existing customers is really something macroeconomically driven, right? Just -- it's virtually unprecedented to have this kind of much of a macroeconomic shift. And as -- when people -- the database usage is directly correlated to the usage intensity of their business. And so we're seeing that. And it's why we're incorporating that into the forecast going forward.

Daniel Peter Church
Goldman Sachs Group Inc., Research Division

Helpful. And then just as a quick follow-up, are you seeing any changes in the overall pricing environment? Or have you received any request for discounts from customers or extended billing terms, flexible payments, anything like that would be helpful.

Michael Lawrence Gordon
COO & CFO

Sure. Yes. Customers obviously would always love discounts. But no, there really hasn't been an increase there. I do think we've seen some sort of like I would describe it as anecdotally interesting, but quantitatively, not meaningful or material outliers in terms of payment terms. A one-off here or there, but nothing that I would describe as sort of broad-based or a true trend. We did some internal analysis and looked at sort of payment terms and everything else. And so we haven't seen anything meaningfully different there, like I said, other than sort of an anecdote here or there that's sort of interesting. But you'd have to work -- you have to really torture it to kind of call it a trend.

Operator

The next question will come from Tyler Radke with Citi.

Tyler Maverick Radke
Citigroup Inc, Research Division

I wanted to ask you about the strong customer adds that you saw this quarter both in Atlas and overall. Is there anything to call out there? Was that led by kind of the customer side, more of a pull or a push? And how are you thinking about the growth in customer adds in Atlas going forward?

Dev C. Ittycheria
President, CEO & Director

Thanks, Tyler. I think this is just a function of us just being increasingly really, really focused on things like pipeline generation and being -- and on the self-service side, being much more -- learning, and as we're growing our business, understanding what programs work. And so the efficacy of digital marketing efforts is just improving over time. And so -- and I think frankly, it's also a function of the fact that our value proposition is very strong. As I said, we have a high degree of customer engagement, even with customers in highly challenged industries. As we've talked about, the digital trends are accelerating. People want to move to more modern cloud-native stacks because software is powering almost every business, and they want to use that as a competitive advantage.

And I would also say the fact that our platform makes multicloud very, very easy gives customers confidence that investing in MongoDB enables them real optionality. And so I think all those things are just giving us confidence in the long-term health of our business.

Michael Lawrence Gordon
COO & CFO

Yes. I would just also add -- and we said this in the prepared remarks, but just so people are clear. Both the self-service side customers start small, and one of the things that we've been able to do on the direct sales side, as I mentioned, is sort of reduce friction. What that means is people tend to come on at smaller revenue levels, but then we see great growth and expansion within Atlas. And so not as much -- I wouldn't get carried away with the sort of near-term takeaway in terms of the revenue impact. But in terms of how it sets us up in fiscal '22 and beyond, we feel very good about it.

Tyler Maverick Radke
Citigroup Inc, Research Division

And just a follow-up, Michael, on your comments around the -- some cohort of customers in Atlas seeing slower expansions. I guess are you seeing dollar-based churn? Are you seeing kind of workloads maybe moving off that were less mission-critical? Or is it just simply, hey, maybe they were expanding at 20%, 30% and now they're flat? And then I guess how should we be sort of trying to model this? Would you expect just more modest growth, as that impact -- you kind of get a full quarter of that impact going forward? Or how should we just think about that impact on overall Atlas growth rate?

Michael Lawrence Gordon
COO & CFO

Yes. So I think about it really in 3 main buckets, and it's probably clear, but just -- because it's important enough and we're trying to shed the insight and the color, I want to make sure it's sort of clear and well understood by folks. So I think of it in 3 main buckets. There's new customers coming in, which continues to be strong, and we saw an acceleration in that. There's turning customers, meaning customers leaving, and we saw no increase in that. And the rest is just the expansion rate from existing customers. And what we saw there is slower growth from those existing customers. So just to be clear, still growth, right? And so what we saw, though, is within some of that, you see people adjusting their consumption levels based on the underlying trends in their business. And so that's really what's happening.

Operator

The next question will come from David Hynes with Canaccord.

David E. Hynes
Canaccord Genuity Corp., Research Division

Dev, you touched on the importance of multicloud optionality a couple of times here in the call, but I want to ask you what you're seeing from the public cloud database efforts. Any change in competitive tactics or what you're seeing in the field from Dynamo or Cosmos?

Dev C. Ittycheria
President, CEO & Director

Frankly, we're not seeing any real changes. Obviously -- I think we've talked about this in the past. Clearly, we partner with all the major cloud providers. And Amazon and Microsoft, or Azure, in particular, have their alternatives to MongoDB, but we've not seen any real change in the competitive dynamics.

Frankly, when we're competing, we feel really, really good about our position. Those products are clones of MongoDB. And so when we expose the full feature set and all the capabilities available in MongoDB and through Atlas, it becomes a pretty easy decision. The things that we worry about, frankly, are the deals that we're not a participant in. And so just as a virtue of their reach, their brand, they're clearly gaining business that we just don't always have access to.

That being said, Google, as we talked about in the past, doesn't have a competitive product, and the partnership there is very strong. They named us one of the technology partners of the year. And the sales teams do a lot of joint planning -- joint account planning and work in various -- in Europe and in North America and other parts of the world. And so that business is growing quickly. But frankly, our business with all the cloud providers are growing quickly. So we feel quite -- we feel very good about our value proposition.

David E. Hynes
Canaccord Genuity Corp., Research Division

Perfect. And Michael, one quick follow-up for you. I'm not sure if you called it out. I may have missed it, but how much was the EA term license in Q1? It would just be helpful as we think about the sequential comparisons looking to the July quarter.

Michael Lawrence Gordon
COO & CFO

Yes. So we didn't call out and quantify the number, but it was a significant increase and contributor to the strong outperformance in Q1. And this is where we've tried to call out pretty consistently for folks when that happens just given that it introduces this increased variability and the reduced comparability from period to period, both sequentially as well as year-over-year. And as Dev mentioned, it's not something that we're particularly trying to drive, but it's just sort of the way the deals in any given quarter fall out from a pipeline perspective.

One thing I'll just add, we did add some of the disclosure that's historically been in the Qs. We did pull that forward into the release to help people to see the percent of subscription revenue from Enterprise Advanced and percent from the direct sales force. Just -- I know some people are doing some of those calculations. And so rather than making folks wait, we decided to incorporate that and pull that up into the release, and hope that's helpful.

Operator

The next question will come from Raimo Lenschow with Barclays.

Raimo Lenschow
Barclays Bank PLC, Research Division

If you kind of go back to March, you had certain -- Mike, you had certain planning assumptions for the year that kind of drove what you guided for. And now you kind of say like, okay, actually, maybe it's slightly longer. Can you talk a little bit about like the process you had back then in terms of going through different regions? I'm thinking here about close rates, et cetera. But then what changed -- what's the thing that changed compared to back in March? Like, what's the thing that makes you incrementally a little bit more nervous? Or what -- just talk about the changes from then.

Michael Lawrence Gordon
COO & CFO

In terms of our guidance now versus in March?

Raimo Lenschow
Barclays Bank PLC, Research Division

Yes. Yes, yes.

Michael Lawrence Gordon
COO & CFO

Yes. I think the most simple way to think about it is at the time of our guidance in March, I think people would not have been expecting that much of the working world would be still shut down and/or talking about working through home through the rest of the year and all the other things that are sort of going on macroeconomically. So we obviously had a great Q1 and powered through that, but we applied the same kind of framework or rubric, if you will, to the new business piece, where we looked at it region by region.

And I guess maybe the most simplistic way of thinking about it is if you thought previously that you could shade or grade different regions at different risk levels, meaning the -- in Region A, there would be -- it would be high risk and a much bigger impact, and Region B would be a much smaller impact. I think when you look at the universe today, at least when we look at things, everything's in the high-risk, high-impact region, right? And so that puts pressure. It's not just on a global pocket here or there, but it's really quite broad-based. And it's also going on for longer. So you've got a bigger impact that's happening for a longer period of time.

And then secondly, at the time of the guidance in March, we hadn't seen any of the slower expansion -- the slower growth in the existing Atlas customers. And so since then, we've seen that, so we've updated the forecast model to -- and then the guidance to incorporate that as well. And so just trying to give all of you the best view that we have on the business. And I think despite that, and despite the fact that sort of while we had quantified the impact in March, so 15 to 25, clearly, magnitude of the impact now for the full year is greater than that. And despite that, given the strong execution, we're able to raise the midpoint of the guide given how well we've been doing and how strong we feel about -- how well we're positioned. But it really is a challenging environment.

Raimo Lenschow
Barclays Bank PLC, Research Division

Yes. Yes, yes. Okay. That's really helpful. That's really helpful to getting extra detail, Mike. And then the other question is on Atlas self-service. Obviously, like, there are different things that people will wonder now. It's like if you think about it, this law of large numbers coming in and that drives the deceleration? Because like, in theory, like, you could see, like, okay, maybe there's higher churn, but you said there's not higher churn. Like, how do I have to think about that self-service number going forward and underlying? I mean, clearly, just the strength in the direct business, which should be your future, but on self-serve, kind of we're all struggling a little bit, like, how to think about that.

Michael Lawrence Gordon
COO & CFO

Yes. I think what I'd say is because it was so broad-based, and again, we sort of dissected it in the way that I described, you can see that the new customer additions are strong, and we looked and we saw -- we did not see an increase in customers churning. And so really, it's just about what is the expansion behavior, what is the growth rate of that kind of existing base. And it was so broad-based. And so modest on sort of a per customer impact, if you will, but broad-based, and so coincident with the global shutdown, lockdown that sort of started happening in mid- to late March, that the correlation is quite high.

And when you think about just if you're running a business, if you've got an application and there is dramatically less usage, your business is taking a hit as so many businesses are. The underlying impact of that is significant to your business and some of that in a consumption usage-based model starts to flow through. I think, importantly, based on everything we've seen, when there's a macroeconomic recovery, which we're currently not forecasting for fiscal '21, I would expect that, that would recover as well. Again, it might be a different situation where we're seeing increases in churn or people leaving or shutting off applications or stuff like that, but that's not the behavior that we're seeing.

And so I think if you look further out from sort of a longer-term duration perspective, when there's a recovery or normalization there, I would expect that we would be a beneficiary of that, and it would become helpful and additive to growth. Clearly, we've had very good customer additions, as you can see in the numbers, and I think that sort of speaks to the product market fit and the long-term opportunity that we have.

Raimo Lenschow
Barclays Bank PLC, Research Division

Okay. Perfect. Thanks for the color, Dev, and thanks for the extra disclosure. That was really helpful.

Operator

And the next question will come from Ittai Kidron with Oppenheimer.

Ittai Kidron
Oppenheimer & Co. Inc., Research Division

Good quarter. Michael, I want to kind of dig in on your view for the next quarter and kind of tied up potentially into the activity in this quarter around the pipeline. Is there a way for you to gauge -- it sounds like you expect -- you're clearly ending the quarter with lower levels of pipeline versus last, where you had some things outstanding that you closed in the quarter. Is there a way to think about whether there was some business that was pulled forward from the second quarter into the first quarter that perhaps there was a little bit of a mentality of I might lose a budget, so let's go ahead and accelerate the project? Is there anything to be to be made around that?

Michael Lawrence Gordon
COO & CFO

Yes. We didn't really see anything like that. I mean, obviously, in any quarter, there are some deals that you get that you didn't expect to get or deals slip or whatever. And when we've seen meaningful variances there, we've tried to call that out. But no, we didn't really see anything like that.

I think the key things to think about in terms of Q1 and maybe, in particular, Q2 relative to Q1 because, obviously, we're guiding down sequentially is Q1 was a really strong EA quarter. And given the term license revenue under 606, that makes it a really tough sequential compare. Secondly, as we said from March, and it continues through to today, we expect a bigger impact in Q2 from coronavirus and the challenges that we have from the overall market. And then third, we mentioned the slower growth from existing Atlas customers in Q1. We only experienced that for a partial quarter in Q1. And so I think that's -- you need to think about that happening for the full quarter in Q2.

So I think that's really it. I don't think about it -- it's necessarily about smaller or weaker pipelines. We're seeing, as Dev mentioned in his remarks, really strong engagement and customer activity and everything else like that. So I wouldn't think of the guide in that context. I think about it more in terms of the factors that I just walked through.

Ittai Kidron
Oppenheimer & Co. Inc., Research Division

Maybe then as a follow-up to that regarding these comments, if you think about the EA performance this quarter, which clearly was very strong, can you tell us if it was in line with your expectations? Was there something unusual there? And I'm kind of asking it also in the context of next quarter, is it fair to say the pipeline around EA is probably much weaker relative to what pipeline in Atlas is heading into the next quarter?

Michael Lawrence Gordon
COO & CFO

Yes. I wouldn't think about -- I'd probably not for me to get into sort of pipeline, let alone sort of pipeline by product or channel or anything else like that. So I wouldn't -- I don't think that's like the right way to head down. I think if I'm looking at Q2 guide relative to Q1, I'd go back to the things I mentioned in terms of the tough sequential compare given the strong EA quarter, the big COVID impact in Q2 and then the full quarter of the slower growth.

Operator

The next question will come from Pat Walravens with JMP Securities.

Joey Marincek
JMP Securities LLC, Research Division

This is Joey on for Pat. First, how are you guys thinking about M&A at this point? And then maybe back to partnerships. Can you just give us an update on the Alibaba Cloud partnership?

Dev C. Ittycheria
President, CEO & Director

Thanks, Joey. So in terms of M&A, we don't have any, obviously, specific plans to go acquire any new technology. We obviously will be opportunistic. We've made 3 acquisitions since I've been here. One was the WiredTiger acquisition in 2014. Then it was mLab, and then most recently, last year was Realm. And they were frankly opportunistic that allowed us to kind of accelerate some product stuff that we wanted to do and kind of build more momentum in our Atlas business. We are very kind of focused on our organic efforts.

Now that being said, obviously, we're not naive about the macroeconomic has deteriorated. There's a lot of businesses that are maybe struggling, and there's an opportunity to potentially acquire some assets that may come in the market. And so it will be all around the context of how it kind of further accelerates our product at our product platform. And so that's the context by which we look at acquisitions. And at this point, we don't see anything in the near-term horizon that would -- that we're contemplating.

In terms of partnerships, we feel really good about the Alibaba relationship. They just gave us an update. We're about past 6 months in terms of when that kind of relationship really got started from an operational point of view. And they've told us that they're actually -- demand is higher than they've expected. And so we're not factoring that into any form of guidance, but we feel -- the point that they shared with us is the product market for MongoDB in China is very strong, and they're feeling really good about the customer traction they're getting. So that's another strong signal about our value proposition and why customers, not just in North America and Europe, but also in large parts of Asia are gravitating to MongoDB.

Operator

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

Brent Alan Bracelin
Piper Sandler & Co., Research Division

Dev, I wanted to get your view of the database market, perhaps looking out beyond kind of the economic shocks of the business here that you're guiding to. What do you think happens to this industry in a post-COVID world? Is this -- just given the uncertainty here, is this an environment where it's just going to be harder to convince enterprises to switch to database vendors? Is there an appetite to potentially accelerate some digital projects? Just as you look out kind of beyond the short run here, what's your take on industry adoption trends kind of post-COVID?

Dev C. Ittycheria
President, CEO & Director

Yes. I would say it's not harder. It's actually becoming easier. Because what COVID and the pandemic is basically causing everyone to recognize, even the most technically conservative or cautious customers, that just staying on legacy technology is not the place to be. What people need is the ability to move quickly, and they need to be able to change directions quickly, too. So they need to be able to respond to new threats or seize new opportunities. And so MongoDB plays right into that, like gives them the ability to build new features and capabilities very, very fast and really gives them a very scalable, durable mission-critical platform to build the most sophisticated applications on.

So we frankly are seeing a lot of demand. We've been running a lot of webinars. And the demand and interest level is really, really high. As I mentioned in the prepared remarks, we have over 40,000 people already registered for MongoDB.live conference. I encourage everyone on this call to try and register and try and attend as many of the sessions as possible. We have some really exciting announcements planned. And so we're seeing a lot of interest.

And again, it just comes back to the fact that people want to move to more modern platforms. Software is the future for almost every business. And software becomes a competitive advantage. Consequently, they want to build on a platform that enables them to build software applications quickly, to build more modern applications, leveraging mobile, machine learning, micro services, et cetera, and to do it on a platform that has a large developer community and momentum around. And so given all those things, we feel really good.

Now we do recognize that obviously the current macro environment is not great, but our long-term view on the business is very bullish.

Brent Alan Bracelin
Piper Sandler & Co., Research Division

Got it. And so it sounds like the engagement around the opportunity is certainly accelerating. The risk, it sounds like, is more just on -- around timing of when that opportunity converts to revenue because of all the economics. Is that the right way to kind of frame kind of the increasing engagement but increasing uncertainty around the timing when that converts to revenue? Is that the best way to frame it or not?

Dev C. Ittycheria
President, CEO & Director

I would say they maybe started a little smaller than planned and then grow over time, and we'd much rather engage with the customer sooner than wait for some bigger deal. And so the more we condition customers to use MongoDB earlier and for more of their applications, the more that kind of allows us to build a more meaningful kind of relationship with those customers, and we become the de facto standard in those accounts. And so that's all long-term goodness.

And so when we see new customer acquisitions really strong, when we see the level of interest and demand for MongoDB to be strong, when we see the level of attendees to our webinars and conferences and our large user conference to be really strong, these are all signs -- really great signs for us for the future.

Operator

Now our next question will come from Jack Andrews with Needham.

Jon Philip Andrews
Needham & Company, LLC, Research Division

Congratulations on the results. I want to see if you could just update us in terms of where things stand with some of your systems integration partnerships. Could you update us in terms of where the momentum is, who's ramping up MongoDB practices these days and how that's impacting your business?

Dev C. Ittycheria
President, CEO & Director

Yes. Actually, I was on the phone -- well, technically, the Zoom call with one of the most senior execs of one of the largest systems integrators in the world 2 days ago, so the interest level continues to be very, very high. And so we're seeing -- actually, one -- another senior exec from another large systems integrator was asking me how could he acquire more MongoDB skills more quickly because they're seeing so much demand. And you have to recognize that obviously, SIs have a lot of people and they want access to talent. And so -- and people want to really understand these new platforms and these new architectures and so forth. And so while they're retooling their existing organization, they're also looking for new skill sets.

The other thing that I would also add is we have Frank D'Souza, who is the former Founder and CEO of Cognizant on our Board. So he's a real domain expert in this place and has really helped us broaden our thinking around both working with larger systems integrators, the global systems integrators as well as more boutique and regional players to really accelerate our business with the SIs. And so that's a segment that we think there's a lot of opportunity for us to continue to do a lot of business with.

Jon Philip Andrews
Needham & Company, LLC, Research Division

That's great to hear. Just as a follow-up question then. You mentioned that you are planning on pulling forward some of your planned fiscal '22 R&D hiring. Are there any comments you can make in terms of how you're thinking about sales and marketing hiring in this environment?

Dev C. Ittycheria
President, CEO & Director

On the marketing side, what we talked about and Michael mentioned in his remarks is that -- and actually, I also mentioned is that we're seeing, obviously, some very attractive rates from online advertising and digital marketing areas. So we're frankly leveraging those lower rates to do more because we're seeing such high rates of return. And so we think that, that makes a lot of sense.

And so obviously, as our self-serve business continues to grow, we feel like those investments make a lot of sense. And so -- and on the sales side, we've already -- we've had a pretty ambitious hiring plan, and a lot of it will depend on us seeing how results go. And if -- we typically make investments from a success-based point of view. So the -- where teams are having lots of success, we plow more resources in. And if we feel that things are going a little slower than planned, we'll try and figure out what's going on.

But in general, we've been really pleased with how our sales team did, especially given our Q1 results. And we -- I have a lot of -- frankly, a lot of confidence in our sales force. I believe our sales force is one of the best in the business, and we wouldn't be delivering these results without the strong sales force that we have.

Operator

This will conclude today's question-and-answer session. I would now like to turn the conference over to Dev Ittycheria for any closing remarks.

Dev C. Ittycheria
President, CEO & Director

Well, I want to thank everyone for joining today.

Obviously, this is a crazy environment, but I want to reiterate MongoDB's commitment to a culture of inclusion. This is something that's one of our core values, and we're very committed to making sure that people of all walks of life are treated equally.

I also want to just acknowledge that, obviously, we're still dealing with pandemic, so I wish all of you all the best and to stay safe and healthy.

With that, thank you for your time, and we look forward to speaking to you soon. Take care. Bye-bye.

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