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PRESENTATION

Jason Starr - *Amplitude, Inc. - VP of IR*

Hello, everyone. Welcome to Amplitude's Fourth Quarter 2021 Earnings Conference Call. I'm Jason Starr, Amplitude's Vice President of Investor Relations. Joining me are Spenser Skates, CEO and Co-Founder of Amplitude; and Hoang Vuong, the company's Chief Financial Officer.

During today's call, management will make forward-looking statements, including statements regarding our financial outlook for the first quarter and full year 2022, the expected performance of our products, our expected quarterly and long-term growth, accelerated investments and our overall future prospects. These forward-looking statements are based on information -- current information, assumptions and expectations and are subject to risks and uncertainties, some of which are beyond our control that could cause actual results to differ materially from those described in these statements. Further information on the risks that could cause actual results to differ is included in our filings with the Securities and Exchange Commission. You are cautioned not to place undue reliance on these forward-looking statements, and we assume no obligation to update these statements after today's call, except as required by law.

Certain financial measures used on today's call are expressed on a non-GAAP basis. We use these non-GAAP financial measures internally to facilitate analysis of our financial and business trends and for internal planning and forecasting purposes. These non-GAAP financial measures have limitations and should not be used in isolation from or as a substitute for financial information prepared in accordance with GAAP. A reconciliation between these GAAP and non-GAAP financial measures is included in our earnings press release which can be found on our Investor Relations website at investors.amplitude.com. With that, I'll hand the call over to Spenser.

Spenser Skates - *Amplitude, Inc. - Founder, CEO & Director*

Thanks, Jason, and good afternoon to everyone joining us for our Q4 and fiscal year 2021 earnings call. 2021 was a breakthrough year for Amplitude in our digital optimization strategy. We closed out the year with 64% year-on-year growth for the fourth quarter and 63% for the full year. We also added over 500 customers and now have nearly 1,600 paying customers, including 26 of the Fortune 100. Existing customer demand for Amplitude was strong with expanding customer usage and great traction with our recently introduced products, Recommend and Experiment. This was further demonstrated by a dollar-based net retention rate of 123%, which increased 400 basis points year-over-year.

Beyond these great operating results, we also completed our direct listing in September and accomplished our objective of being a publicly traded company. We further expanded our team and ended the year with 612 employees. To the Amplitude team, incredible work in 2021. I appreciate all of your efforts and dedication.

Our 2021 results reflect the increasing demand for digital optimization and the need for companies to use product data to drive growth, revenue and competitive advantage. Companies of every size and digital maturity are relying on Amplitude to help drive their product strategy and answer the strategic question, how do our products drive our business? Amplitude's vision is to help every company create better products through data. We are pioneering a new category of software called digital optimization, which connects product data directly to the business. Today, digital products don't just support the business, they are the business.

Companies have spent the last decade undergoing digital transformation. Now they have to optimize the massive investments they've made, which is where digital optimization comes in. Digital optimization accelerates innovation and growth through digital products. It transforms product strategy from an intuition-based process to a data-driven one by using event data to understand every behavior and action taken in the product and discover which behaviors drive better business outcomes.

As digital products have become a core business driver, the revenue center within companies is shifting from the sales and marketing functions to the product organization. This sea change is resulting in the growing trend of product organizations and the rise of the Chief Product Officer within the C-suite. Organizations are realizing that to connect with their customers, operationalize around product event data, and make better strategic decisions, they need a digital optimization system like Amplitude. Similar to how Salesforce became the system of record for sales organizations and Adobe became the system of record for marketing, we believe that Amplitude can become the system of record for the product organization representing a $37 billion market opportunity.

There is growing evidence that the digital optimization market is gaining traction, and we believe Amplitude is the clear leader. Fresh off the press, last week, G2's 2022 Best Software Awards ranked Amplitude as the #3 Best Software Product Overall and the #5 Best Enterprise Product across all software products and markets that they review. The G2 Winter 2022 report also ranked Amplitude as the #1 product analytics solution for the sixth quarter in a row and #1 in mobile analytics. Amplitude was also recently included in 3 Forrester Now Tech reports focused on data analytics, customer journey management and real-time interaction management. Together, these 3 product segments make up the foundation for digital optimization.

As companies transition beyond digital transformation, they're realizing it is essential to have actionable data and insight into how their customers are using their products. Whether that's understanding user journeys, managing interactions or analyzing behaviors and outcomes, Amplitude's digital optimization system is critical to accelerating digital business growth. We're pleased to see this early third-party credibility with Forrester as digital optimization becomes an imperative for the enterprise.

A key differentiator for Amplitude and our product suite is the open approach we take to help customers move data to our digital optimization system. Today, we announced new and enhanced integrations across the technology stack to help customers better unify, analyze and act on customer data. The new set of integration allows customers to seamlessly ingest data into Amplitude, reduce time to implement, and create more customized marketing campaigns. Amplitude now has new integrations with Adobe launch, Google Big Query, AWS Redshift, Google Tag Manager and more than 60 other technologies in order to unlock actionable customer insights that fuel faster product innovation.

With new integrations into Adobe and Google Tag Manager, businesses can now easily move away from traditional web and marketing analytics solutions and adopt Amplitude, drastically reducing time to implement from weeks to minutes. The easier we make it for customers to unify and act on their data, the more powerful Amplitude becomes for our customers. Amplitude's leadership is further demonstrated by our customer momentum. Our paying customer base has expanded 54%, driven by strong demands for our products from organizations across a variety of sizes, verticals and digital maturity. Several notable new wins in the quarter included Toyota U.S., Taco Bell, Twilio, Wealthfront UBS, ChatBooks and HackerOne. We also had several customer expansions with A&E Networks, HBO, Notion, Canva, Olly Public Benefit Core and ClearScore in the quarter, and we continue to make encouraging progress with the adoption of our new products, Experiment and Recommend. I'll expand upon a few customer stories from the fourth quarter to provide additional context of what drove some of these wins and are increasing value to customers.

One of our exciting plans in Q4 is Toyota, the world's largest automotive manufacturer and #9 on the 2021 Fortune Global 500. Toyota purchased Amplitude Analytics in Q4 to increase speed to insight, drive product strategy and understand how users engage with the Toyota and Lexus apps. The Toyota and Lexus apps were developed to provide a convenient way to stay connected and informed about your vehicle, such as easy access to your owner's manual and warranty guides, locating a dealer, scheduling service, getting roadside assistance and other connected services. The Toyota team wants their app and their decisions about new features to be data driven. Now with Amplitude, they can move quickly and use data to support strategic product decisions. Their goal is to drive growth by increasing service purchases and in-app subscriptions and better tie the in-app experience together with their vehicles. As consumers demand more digital connectivity from their vehicles, Toyota will use the Amplitude digital optimization system to manage their latest, their largest digital bets. The Chief Product owner at Toyota and Lexus mobile app said it best. It is critical that we take a data-driven approach to develop new features instead of guessing what our customer may want. I want to have analytics at my fingertips so that I can focus on problem solving rather than waiting days or weeks to get someone to generate reports.

Another big Q4 win was Wealthfront, a leading automated wealth management provider that recently agreed to be acquired by UBS. With over $27 billion in assets under management and more than 475,000 clients in the U.S., Wealthfront's award-winning platform helps clients easily manage their wealth. With aggressive growth goals for 2022, they knew they needed to scale their analytics efforts. In Q4, Wealthfront chose Amplitude as a strategic partner to drive velocity, visibility and growth.

Another great Q4 expansion is A&E Networks, a global media company comprised of some of the most popular and culturally relevant brands, including A&E, the History Channel, Lifetime, LMN, FYI, Vice TV and Biography. Its premium content spans linear and digital platforms and is in 7 out of 10 American homes, cumulatively reaching 335 million people worldwide with 500 million-plus digital users. A&E Networks partnered with Amplitude for 2 of their main categories of products, TV Everywhere, TVE ad-supported streaming, and subscription video on demand or streaming. A key objective was to increase their customer base across TVE and subscription video-on-demand with retention of significant focus as well.

Beginning in 2017, Amplitude has helped A&E enhance their visibility into insights across their organization, and we've continued to bolster their customer engagement efforts. They saw the Amplitude digital optimization system as a powerful way to create self-sufficiency across their marketing, strategy, digital video analytics and product teams. This quarter, A&E expanded their adoption of Amplitude's newest product experiment to bet big on the customer experience, to optimize how customers interact with digital experiences and to be able to test current and future features.

Now, looking ahead to 2022. Making our customers successful is deeply embedded in our culture, and you'll continue to see us to prioritize ease of adoption and world-class customer success capabilities in support of winning the enterprise. We have been making significant investments in our product development and engineering teams over the past year, which resulted in the introduction of our Recommend and Experiment products. In 2022, we will be accelerating these investments to help customers bring on the full suite of our capabilities. We'll also expand the Amplitude digital optimization system to address more use cases, building out the most comprehensive product suite available in the market.

The digital optimization category is still early and relatively unknown, and we will continue to evangelize the success and transformative business impact our customers are seeing, which is key to our mission of helping companies build better product.

Finally, supporting all these initiatives, I'm really excited to announce that we're holding AMPLIFY, the #1 Product and Growth Conference, from May 24 to May 26 as a hybrid in-person online event. We'll be welcoming customers and users in-person in Las Vegas as well as streaming the event live so that everyone can benefit from the experiences of global product leaders and learn about our exciting upcoming product announcements.

In closing, we're pleased with our results in full year 2021, and I'm proud of our team's continued execution. We believe that we're at the beginning of a significant market opportunity, and we're investing aggressively in our pursuit of capturing that. Thank you for your interest in Amplitude. And now I'd like to turn it over to Hoang to walk through the financial results.

Hoang Vuong - *Amplitude, Inc. - CFO*

Thanks, Spenser, and thanks again to everyone joining us today. We had a solid fourth quarter with strong revenue growth, customer count and net retention rate. Q4 revenue came in at $49.4 million, representing 64% annual growth. For the year, revenue was $167.3 million, an increase of 63% compared to full year 2020. We ended the quarter with 1,597 paying customers, an increase of 54% year-over-year. Because it is also the end of our fiscal year, we will provide a more detailed breakdown. We ended with 385 customers with ARR commitments of over 100,000, which was up 47% year-over-year and represented approximately 73% of total ARR at the end of 2021. Of these customers, 29 were above the million mark, an increase, an annual increase of 93%. We are excited to see more customers embrace our digital optimization system and expanded usage of Amplitude and are excited to announce that we now have over 100 customers using our products Experiment and Recommend.

This expanding usage of our platform is also reflected in our improving dollar-based net retention rate or NRR, which increased 400 basis points year-over-year to 123%. As a reminder, this metric is calculated on a trailing 12-month basis.

We are excited to see our land and expand strategy working. From a geographic standpoint, Q4 revenue in the U.S. increased 66% year-over-year to $31.3 million, and international revenue increased 62% to $18.1 million. The U.S. was 63% and international was 37% of reported revenue, consistent with the prior year.

Turning to remaining performance obligations or RPO, in Q4 total RPO increased to $170.1 million, up 78% year-over-year. Current RPO increased to $137.3 million, up 62% year-over-year and represents about 81% of total RPO. Before turning to gross margins, expenses and profitability, please note that I will be discussing non-GAAP results going forward. As a reminder, our GAAP financial results, along with a reconciliation between GAAP and non-GAAP results can be found on our earnings press release and supplemental financials on our IR website.

Gross margins improved to 72% compared to 71% in Q4 2020 as we continue to scale the business. Moving to operating expenses, for Q4, sales and marketing expenses was $21.9 million compared to $12.6 million last year. This is up 73% year-over-year and represented 44% of revenue compared to 42% of revenue in Q4 2020. We expect this line to increase as a percentage of revenue in fiscal year '22 as we build out sales capacity and drive awareness, including our in-person Amplify event in Q2.

R&D expense in Q4 was $9.8 million compared to $5.3 million last year. This represented approximately 20% of revenue compared to 18% of revenue in Q4 2020. We continue to increase our investments in product development as we focus on extending our leadership in product analytics and building additional solutions to serve as the Chief Product Officer role. G&A expense was $8.9 million for the fourth quarter compared to $3.6 million in the fourth quarter of last year. G&A was 18% of revenue versus 12% of revenue last year due to the incremental costs of operating as a public company, but we expect this to improve as a percent of revenue as we continue to scale. As a result, loss from operations in the fourth quarter was $5 million compared to a loss of $0.2 million last year. Operating margins of negative 10% compared to negative 1% in the same period as we accelerated growth to investment for growth.

Net loss was $5.4 million compared to $0.5 million in the fourth quarter of 2020. Net loss per share was $0.05 based on 107.9 million shares compared to $0.02 in the fourth quarter of 2020 based on 26 million shares.

Turning to free cash flow. Free cash flow was negative $12.2 million or negative 25% of revenue compared to negative $3.8 million or negative 13% of revenue. In the fourth quarter of 2020, for the full year 2021, free cash flow was negative $34.9 million or negative 21% of revenue. Note that Q4 and full year 2021 free cash flow includes approximately $6.5 million and $18.2 million in direct listing expenses, respectively. Adjusting for this, our free cash flow margin would have been negative 12% in Q4 and negative 10% for the year.

Turning to our balance sheet, our cash equivalents were $307.4 million at yearend, down from $317.8 million in the prior quarter.

With 2021 complete, let's now shift our attention and discussion to our outlook for the first quarter and full year 2022. As detailed in today's press release, our initial revenue guidance for 2022 is $226 million to $234 million, which represents a growth rate of 37% at the midpoint and approximately 40% on the high end. Before going further into guidance, we'd like to provide you with some additional insights into our thinking on this range. We believe we're still in the early days of digital optimization. And as we've seen with customers like Atlassian, Instacart, NBC and Under Armour, they can take a few years for new customers to completely embrace the full capability of our digital optimization system and drive larger expansion. As we shared, these can be quite meaningful for our result as we saw in Q2 2021. But the precise timing of these can fluctuate and that timing uncertainty is reflected in our 2022 guidance. We believe our new customer growth, new product adoption, rising net retention rates are a great signal and that we're well positioned to have strong, sustained top line growth.

With that said, let me review the rest of our 2022 guidance. We expect our non-GAAP operating margin to be negative 22% to negative 20% given our planned investments in build awareness and extend our product leadership. We expect non-GAAP net loss per share to be between $0.44 and $0.42 and assuming shares outstanding of approximately 111.9 million. For the first quarter of 2022, we expect revenue to be between $50 million and $51 million, representing an annual growth rate of 53% at the midpoint. Note like most other cloud software companies, we recognize our revenue ratably on a daily basis. As there are 2 less days in the first quarter than in the fourth, this represents a headwind of approximately 2 percentage points of growth sequentially. We expect non-GAAP operating margin to represent approximately negative 22% to negative 20%. And we expect non-GAAP net loss per share to be between $0.10 and $0.09, assuming shares outstanding of approximately 109.5 million.

In summary, we believe we are well positioned to drive attractive revenue growth as we hope companies build better products with our digital optimization system. We're looking forward to continuing our discussions with investors and analysts and are excited about Amplitude market opportunity. With that said, I'll turn it back over to Jason to moderate the Q&A session.

QUESTIONS AND ANSWERS

Jason Starr - *Amplitude, Inc. - VP of IR*

Thanks, Hoang. We will now begin the Q&A portion of our webcast with sell-side analysts, and our first question will come from Michael Turits from KeyBanc. And our follow-up will be from Rob Oliver at RW Baird.

Michael Turits - *KeyBanc Capital Markets Inc., Research Division - MD & Senior Analyst*

Hoang and Spenser, last quarter you spoke about not seeing the expansion that you had seen earlier in the year in 2Q as you just referred to now. What did you expect to turn around that didn't? Obviously, how do you rectify that? And at the same time, how does that square with what looks like, Hoang, what looks like a pretty good expansion in your DBNRR and pretty decent CRPR growth on a sequential basis?

Hoang Vuong - *Amplitude, Inc. - CFO*

Michael, thanks for the question. First of all, obviously whenever we give guidance, we're obviously looking forward and we're trying to make sure whatever guidance we provide, we feel comfortable in delivering. And so the guidance is more about like I would say the future expansion. I think we kind of ended Q4 and did what we executed and were exactly kind of what we wanted to do. But when we look at the opportunities for expansions to prove out, there was just more kind of like the fluctuation that we see in terms of there were obviously expansions that happened in 2021 because of customer that had accelerated growth in their business due to COVID. We obviously expected that growth rate to kind of slow down or decline. They're still growing, but let's say slower. What is not clear is like those companies that are not impacted by COVID, that actually would benefit from let's say return back to normal. First, you kind of had Delta and then you had Omicron, so what's the exact timing of that. We also, like I said, we're excited for the fact that we have so many new customers, and we're also excited that our new products, Recommend and Experiment, are seeing traction with over 100 customers that are on it now. But it's just not clear for us right now in terms of the exact timing of these expansions. We're very confident that in the long term that companies will adopt and expand in their usage of Amplitude just like we've seen in the past with other customers. But that's just the best visibility we have at the moment.

Michael Turits - *KeyBanc Capital Markets Inc., Research Division - MD & Senior Analyst*

And I guess, whether it's -- I guess maybe Spenser can take the question maybe. I guess a go-to-market, is it a go-to-market issue or a product approach that you take to try to rectify this? I mean to be as specific as you can is like where is it that people who were really not expanding where you expected? Do you feel like you've got to rectify that from a product perspective? Or as I said, in terms of a different go-to-market motion of some sort?

Spenser Skates - *Amplitude, Inc. - Founder, CEO & Director*

I think to be clear, I mean, so 2021, phenomenal year, real breakout year for us. 63% revenue growth, 54% customer growth. I think what's key to understand is, to Hoang's point, the precise timing, this is an evangelical sale, and so the precise timing of these expansions can fluctuate. And so a great example of that is call it Venmo in PayPal. So Venmo has been a customer with us for a really long time. And then when they got acquired by PayPal, it took a few years for PayPal to adopt the religion of digital optimization of data-driven product, of hey, we're going to track metrics in our product and understand and use those metrics in order to figure out how to drive revenue throughout our products. And so it's not a rip and replace where it's like, okay, here's a clear thing and you swap it out. It's more an adoption of a new type of religion. And so to that point, I think I have a lot of confidence that that's the right way to run your product business. And there's no question that that religion is happening. We're seeing -- I mean, if you had asked me a few years ago, hey, would Toyota be a customer? I'd be like, ah, it'll probably take a while. But we're seeing that happen in both tech and non-tech companies. The question I think is just what's the precise timing of that adoption of this new way of building product? Michael, you're on mute.

Michael Turits - *KeyBanc Capital Markets Inc., Research Division - MD & Senior Analyst*

Thanks very much, Jason.

Jason Starr - *Amplitude, Inc. - VP of IR*

Our next question will come from Rob Oliver and the follow-up question will come from Elizabeth Elliott from Morgan Stanley.

Robert Cooney Oliver - *Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst*

Just a bit of a follow up on Michael's question, maybe asked just a little different way. It seemed like you guys had a certain cadence of deal evolution with say the Atlassians and Instacarts. And was there an expectation around -- was that cadence relative to recommend an experiment that's maybe taking a little bit longer? Clearly, you guys are getting some nice early traction there, but I'd be curious to hear say for example when like at the Fortune 100 where you guys had a really nice presence, but it's not a multiproduct presence yet, what are you seeing there? And has there been a lengthening of some of those sales cycles? And then I had a quick follow-up.

Spenser Skates - *Amplitude, Inc. - Founder, CEO & Director*

Yes. I think this is something we've seen since the start of Amplitude, where exactly how fast and how quick someone adopts digital optimization can vary. And so obviously, we saw last year a really great breakout year for us. Amazing. I think if you look at the examples you just talked about, Instacart, Atlassian, Intuit was the same way where it really can take -- it's not just a one quarter or one year thing. It can take many years even in these companies that are very tech forward because they're adopting a new way of building their product. And so as we put out guidance for this coming year, we want to make sure to be clear on what it is that we feel absolutely great about hitting. And that's what you saw. That's what we went through with Hoang's remarks. In terms of the new products, I think I want to separate that out. New products are still a very small percentage of the revenue base. Now we're really like -- to get to in the space of 6 months 100 companies on new products, like that's a real proof point to me as a CEO saying, hey, what we're doing here is working, let's invest behind this. Now relative to our overall customer base of 1,600 customers, still relatively small. But that's given me a lot of confidence in order to say, hey, let's continue to invest behind these products. Let's launch more products this year. We expect to continue to launch 1 or 2 products a year from 2022 and years forward. And so I think we're excited about that as potential future upside. And we also want to be clear about what we think, where we think 2022 is going to land.

Hoang Vuong - *Amplitude, Inc. - CFO*

The only thing I would add to that, Rob, too, is that the comment you mentioned, if you look at Atlassian and stuff like that, their time line to expansion, for us, we're not seeing that time line get longer or anything like that. If anything, what our hope is that actually that time line may get a little bit shorter, but it's actually kind of staying relatively the same. It takes some time for those to happen. I think the other piece is that when you have the folks that we thought like, hey, they may actually grow and benefit from things going back to normal, that's the other portion of those group. Because again, we actually have a pretty diversified customer base. And those customers, maybe the snap back or coming back from those isn't as fast as we initially was kind of looking and thinking they may come, may would be. And so that, both of those factors are things that we're trying to make sure that when we look out further, we're making sure we're doing the right prudent things in providing the guidance.

Robert Cooney Oliver - *Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst*

Great. That's helpful. I just had a quick follow-up, if I may, Jason. Just on -- just on sort of the 2 recent developments around the Adobe extension and then the Snowflake integration. Very nice customer additions this quarter, so I'd love to hear if the Adobe extension had played any role there. And then at the level of the IT department, I know it's still very early and Spenser, we talked about it last call, but just would love to hear if that Snowflake integration is sort of easing that barrier to adoption at all?

Spenser Skates - *Amplitude, Inc. - Founder, CEO & Director*

Yes, absolutely. That's a great question, Rob. I love that you asked that. I think what makes the -- there's 60 different integrations we have in total in terms of different ways to bring in data in Amplitude. What makes the Adobe and Google integrations particularly exciting is those are massive companies. It's like even totally different level than Snowflake. And so that opens up a whole new set of customers that previously it would take quite a lot of engineering resources to transition and get on and get set up with Amplitude. But now, it's like you do a few clicks in an interface and you're up and running. And so those are really huge proof points. Now to be clear, we just launched them, so it's not like we have tons of customers on them. We've obviously [beta'd] with a bunch of customers, and we're just really excited to get it out there. Because now it's like, I think, going forward, the market on that, on those has really opened up for us. I think the other part of it is that I think with what you see, there's an expectation in latest, in the current generation of SaaS tooling, that things are just very open and you're going to be able to move data in and out from wherever you want. And so that's the #1 blocker to customers getting set up on Amplitude today. And so the more we can reduce that, the better. And you talk about Adobe and Google in particular, again, massive, huge opportunities for us. Now it's early. We just launched those. We've obviously done a few customers in the beta side on them and we'll continue to do more. There's a whole ecosystem of these things where customers may have their data.

Jason Starr - *Amplitude, Inc. - VP of IR*

Our next question will come from Elizabeth Elliott, and after that it will be Tyler Radke with Citi.

Elizabeth Mary Elliott - *Morgan Stanley, Research Division - VP of Equity Research*

I wanted to ask about calculated billings. It looks like it was down quarter-over-quarter, so I'm just trying to get a sense of what's driving that. Was there any sort of pull forward that you had in Q3 that might be -- that you're working through this quarter? What was the rationale for down quarter-over-quarter on billings?

Hoang Vuong - *Amplitude, Inc. - CFO*

Yes, thanks for the question, Elizabeth. Calculated billing obviously is reflecting kind of the amount we're invoicing and then you also saw that decline in deferred revenue for the quarter. It's just pretty much typical of our renewal base and the timing of the invoicing. The Q4 invoicing that we do typically, we factor kind of end September renewal base. And whereas the deals are coming in December and the renewal base that are coming in are usually billed in Q1. And so if you look at past trend, you'll see that we typically have one of our stronger billing periods in Q1, and we're going to see that, so you'll kind of see a flip-flop there in terms of billing for revenue down in Q4 because that's kind of pulling out of the Q3 renewal base. And Q4 renewal base will actually get invoiced into January. So that's just a little bit of a timing delta between Q4 and Q1.

Elizabeth Mary Elliott - *Morgan Stanley, Research Division - VP of Equity Research*

Got you. Yes, that will be helpful as we start building out the historical database.

Hoang Vuong - *Amplitude, Inc. - CFO*

And there was also, obviously, the other point to make sure, in Q3 it was also particularly a little bit stronger because Q2 expansion was so strong. And when you get built out in Q3, you obviously have the Q3 number being also a little bit higher.

Elizabeth Mary Elliott - *Morgan Stanley, Research Division - VP of Equity Research*

Okay. That's helpful. And then on NRR, how much is it expanding with kind of really the analytics product? And are some of the new products starting to drive that number higher? And I know it's a trailing 12-month figure, so anything to call out in terms of low quarters rolling off and any sort of color that you can give on the in-quarter NRR improvement?

Hoang Vuong - *Amplitude, Inc. - CFO*

Yes, sure. On the net retention rate, obviously it is a trailing 12 quarters. You're starting to obviously drop off some of the quarters, then kind of get into the COVID years and it beginning as that will kind of fall off and you'll have the impact obviously of the momentum that we had in Q2. But I think the other thing that's really positive and great is that when we look at the gross retention on all those things have also improved over time as we've gotten better, both from our product and our activation and how we engage with customers. So it's mainly a combination of us doing a better job on growth retention and us kind of really expanding on product analytics. The new products are so new, I mean they just came in to really launch in Q2, so they are starting to have some impact in Q3 and Q4, but it's still pretty small in the big scheme of things.

Jason Starr - *Amplitude, Inc. - VP of IR*

Okay. We'll head over to Tyler next and following Tyler will be Bhavan Suri with William Blair.

Tyler Maverick Radke - *Citigroup Inc., Research Division - VP & Senior Analyst*

I wanted to drill in a little bit more on your comments around some of the weaker expansions that you've seen thus far in Q1. As I think about your expansions, I think of it as multiple dimensions to it. You have kind of the product usage and increased app usage and then you also have kind of your upsell motion with newer use cases. I guess was it -- did I hear you right in that it was just kind of that first example, kind of the weaker app usage that kind of drove the weaker expansion? And I'm just curious if you're making any changes internally, whether it's customer success or deploying more resources to kind of help improve that metric?

Hoang Vuong - *Amplitude, Inc. - CFO*

Tyler, I just want to make sure we're not really saying that we've actually seen the kind of slower expansion. I think it's more like looking out forward and looking at like what the pipeline is and making sure that we're doing the right level of guidance given where you are and expect that. And so 2 questions. One is, is there a difference in the type of expansion? I would say that we're not really seeing a difference in type. One, it's kind of more usage of product or changes in new product or volume. Because they're both kind of coming into play because as a company, usually, you kind of add additional product or move onto other products once you've actually really kind of adopted digital optimization or product analytics as a way of doing it. And so that time line is still not like getting shorter. And so we probably do need to do, continue to help raise awareness, do more education. And as that becomes more standardized and standard in the market, I do think that that time line will get smaller, but we haven't seen that. As far as volume increases are concerned, that typically is more indicative where a company may have already adopted and it's really a question of like how well are they doing growth. And so again, obviously, you have the companies that have done really well last year. We, like I said before, we're not expecting those companies that have the same kind of growth rate. They're still growing. I think the unknown for us is like the companies that you would expect to let's say do better, whether it be travel or entertainment or hospitality and stuff like that, like when does that actually come back? I think we're just trying to get and make sure that we're doing a more prudent decision on that. We don't really know. And so all the metrics we look at in terms of the product usage and what we call weekly learning users, as we mentioned before in terms of how many people are using a product, asking questions, those are looking really good. And so that's why we have a lot of confidence in the fact that we believe that the expansions will happen. It's a question as to when. And because the timing of those expansions can impact the revenue pretty, quite significantly, like we've seen before, we just want to make sure we're doing the right thing from a guidance standpoint.

Spenser Skates - *Amplitude, Inc. - Founder, CEO & Director*

Yes. The only comment I'd add is just on the new products, again, those are super early. In terms of they're not making up a large portion of any of the numbers we're talking about or sharing. Now we're in some really exciting things. We're seeing some really exciting things there, and it's really hard for SaaS companies to go from one product to multiproduct. And so as a CEO, that gives me a lot of confidence that that will continue, we'll continue to find success there. We want to invest behind those. We want to launch new products in going forward, but they don't make up -- even if their growth rate numbers are off the charts, as a percentage relative to the rest of the business is still quite small.

Tyler Maverick Radke - *Citigroup Inc., Research Division - VP & Senior Analyst*

Okay. And maybe just a follow-up. You talked about some pretty impressive wins this quarter like Toyota, not necessarily known traditionally as a tech company, but I'm curious just kind of how you see the pipeline evolving for maybe the more traditional industries, financial services, automotive, just kind of your nontraditional tech companies that are hoping to evolve to be a tech company.

Spenser Skates - *Amplitude, Inc. - Founder, CEO & Director*

Yes. I think we've really seen a market change from a few years ago. I think if you were to go back to 2019 or even early 2020, most of the large expansions were from these tech companies, the Intuits and the Atlassians and the PayPals and so on. But what we're seeing now is that non-tech is adopting, particularly in the last year in a really big way. And so automotive is one. Toyota was Q4, but we also had done a lot of business with Ford this year, which has been really cool to see. On the media side, A&E networks, HBO, NBC, all really big customers on Amplitude. And so I think you're seeing this transformation happening across a lot of non-tech industries. And so as I think about how we manage the business, it's like, okay, let's make sure to make investments in going after those guys in a big way as well.

Jason Starr - *Amplitude, Inc. - VP of IR*

Okay. We'll go to Bhavan next, and he'll be followed by Koji Ikeda with Bank of America.

Bhavanmit Singh Suri - *William Blair & Company L.L.C., Research Division - Partner & Co-Group Head of Technology, Media and Communications & Research Analyst*

Let me just follow up that sort of question a little bit more here. There's a sort of concept, like if I look at Atlassian, they're so invested in what you guys do, that if they launch a new product, it feels like you guys are embedded in there, no question. Or will be. And that flywheel for some of the tech guys, as you said, was leading edge. And you're starting to see it with some of these other guys. I guess my first question is, how do you go to market differently there? The tech guys obviously together, but is it a vertical -- do you verticalize the sales force? Is there some approach to say, hey, here's how we think about it? And then B, I'd love to talk to you a little bit about how you're offsetting that with conservatism. Because you're saying, we don't know when the expansion is going to happen. But you've seen then the flywheel kick into tech and you seem to be seeing that flywheel kick in. Help me balance those 2 things as well as sort of the go-to-market.

Spenser Skates - *Amplitude, Inc. - Founder, CEO & Director*

Yes, yes. So first, it's early, so it's not like we've decided to verticalize, right? That's still a many-year thing away. I think with those sorts of customers, that's when you do need more robust support. They're more like, hey, teach me about this religion versus being embracers themselves. Now the crazy thing from my standpoint as CEO is that there are actually some very sophisticated digital people in this company in conversations with Ford. I mean they get it. Like they get this religion, they understand it. It's just a question of how do they actually do the change management to adopt it? Same with NBC, they're kind of all in on understanding their digital platform -- they've been all-in for a number of years and understand their digital platform. And now we're seeing that across more and more and more companies. I think part of it for us is like how do we continue to increase our sophistication and ability to serve them? Whether that's with more customized and substantial services, we've already done a lot on the implementation end to help them both on the product side that I talked to earlier, those integrations as well as we actually do charge regularly for implementation services now, and that wasn't a thing in the past. And we want to continue maturing and building a more robust muscle there so that we're really well positioned to go after the opportunity. As to the timing comment, I think this is something, frankly, I've seen as CEO since the very beginning of Amplitude. Like you come in, you land with a team and they'll start to get some wins and then that religion will grow and get adopted by the rest of the company. But that process, it can take a few years. It's not just like a one-quarter thing where it's like, all right, let's roll this whole thing out from day one. And so we're not seeing any inconsistency in that. That's actually the same thing happening at Ford and NBC that we see happening at the Atlassians and Intuits and the tech guys. And so we want to make sure that the numbers that we're putting out for this year reflect that in the right way.

Bhavanmit Singh Suri - *William Blair & Company L.L.C., Research Division - Partner & Co-Group Head of Technology, Media and Communications & Research Analyst*

Helpful, yes. And so sorry to beat that to death, I just wanted to make clear about that. But then my second question is just on the competitive environment. Any change in the landscape? And are you still sort of battling in some of the newer wins this idea that I can just take product data and maybe take urchin from Google or whatever it's called now, and put in the data warehouse. How is that -- is that coming up more or less? How do we think about that and sort of broad sort of productized competitors? How are you seeing that environment play out?

Spenser Skates - *Amplitude, Inc. - Founder, CEO & Director*

Yes. It's still very greenfield, and that's why we're talking so much about the adoption of the religion versus the, hey, how are we competing against someone? Now I think what normally will happen is as sub-1 starts to adopt this religion, they'll start to kind of duct tape a few different things together. Maybe they have a data warehouse. Maybe they have a BI tool on top. Maybe they have a bunch of data engineers building out a pipeline. And what we can -- what is really exciting for me is we can come to them and say, hey, look, all of this stuff, all these customized engineering resources, all this really custom stack, we can do it for you. And what's really interesting to see is that non-tech companies, they get that, they love it. But even within tech, like a lot of tech folks you might think, oh build in-house. If I'm Twitter, I might want to build in-house for Intuit. But they've actually come around to it in the same way. And so, from a competitive standpoint, it's more about getting people to adopt the religion and embrace Amplitude as part of that than it is not use a bunch of duct-taped things than it is about any one, any other player in the market.

Jason Starr - *Amplitude, Inc. - VP of IR*

Okay. We'll go next --next question will come from Koji and then we'll finish up with Taylor McGinnis at UBS.

Koji Ikeda - *BofA Securities, Research Division - VP & Research Analyst*

Yes. I had a question on sales productivity. Just quick back of the envelope math here from the '22 revenue guide, it looks about the add, the net add for '22 is about the same as 2021. But you guys have been clearly investing heavily in sales capacity, branding and all that sort of stuff. I was wondering if you could talk a little bit about how sales capacity has been ramping. Is it going to plan? And how do we triangulate all the investments that you've done with the revenue guidance?

Spenser Skates - *Amplitude, Inc. - Founder, CEO & Director*

Yes, for sure, Koji. That's a great question. I think there's 2 really important parts to that. First is, if you look at either 2020 or 2021, we were very conservative in how we invested in the business, whether from a sales or go-to-market or what have you perspective. Because out of abundance of caution with the uncertainty in the environment with coronavirus and everything else that was impacted by the pandemic. A lot of what we're doing now is kind of just catching up to the place that we should have been a year or 2 ago in terms of making the investments commensurate with the growth numbers that we're seeing. And so that's kind of first and foremost. The second part of that is that 2020 investment is not just about this exact year and what we're looking at. It's about the long term and the years ahead. We want to make sure to set ourselves up for '23 and '24 and so on. We closely track all the numbers that you're talking about, sales capacity, sales ramp, the whole thing. We feel great about where those are at with the team, and we want to make sure to make the investments that will set us up to own the massive market in the long term versus doing anything else.

Koji Ikeda - *BofA Securities, Research Division - VP & Research Analyst*

Got it. And then just one follow-up for Hoang. I wanted to go back to a previous question on the billing seasonality. Just wanted to make sure I understood that correctly. So could you dig in just a little bit why would Q1 be the strong seasonal renewal quarter, if I heard that correctly? What is it different about the customer usage as that shifted over to Q1 versus what we're more used to of a traditional Q4 strength? And then as the business scales, do you foresee an eventual shift to a more Q4 weighted billing seasonality?

Hoang Vuong - *Amplitude, Inc. - CFO*

Yes, I actually think we're very similar to most of those companies in that Q4 in prior year has always historically been our stronger quarter. It's just that the invoicing for those December renewals and stuff, they don't actually happen until January. And so it just happened to be that when you look at it from invoicing and then when it hits for revenue, it will actually show up under Q1. It's similar to that we don't build it out in the exact same month that that renewal actually happened. It tends to go about the following month, if you follow.

Koji Ikeda - *BofA Securities, Research Division - VP & Research Analyst*

Okay. Just one quick follow-up. Thinking about the invoicing timing, is it like a renewal then a 30-day delay? Or how do we think about that? And how can we incorporate that into our models?

Hoang Vuong - *Amplitude, Inc. - CFO*

Yes. I guess the best way to think about it, in the past if the salesperson signs a deal, that deal would typically start the day of the following month. And so when that day of the following month starts, you kind of have a lot of January 1 start date, right? And then with that January 1 start date, then that would be the date that it's actually built.

Jason Starr - *Amplitude, Inc. - VP of IR*

Okay, and our final question comes from Taylor.

Taylor Anne McGinnis - *UBS Investment Bank, Research Division - Equity Research Analyst for Software*

Maybe going off of the last question that was just asked, when you think about the billings and invoicing being stronger in 1Q versus 4Q, can you maybe talk about that in the context I guess of what we saw this past year? If I look at 2021, it seems that 1Q and 3Q were similar in size in terms of sequential growth. And it was really 2Q that I think you saw the strength in the quarter. I guess how might this coming year be similar or not to like what we saw this past year? And anything that you could add just in terms of like VR being down sequentially this quarter, if there was anything anomalous in there too.

Hoang Vuong - *Amplitude, Inc. - CFO*

Sure. Q2 was obviously a stronger quarter than normal just because we did have some early expansion where when they early expand in Q2, they obviously also can build some in Q2, right? But then because some folks still kind of had those expansions at the end of Q2, they may flip also into Q3 billing. 2 and Q3 billings will have a mix of some of the expansion that happened actually in Q2. And that's why you saw the CRPO half the increase in Q2, but the invoicing kind of spread out between 2 quarters. And so typically in the past, if we didn't have that kind of one-time, your Q1 billing is typically your big quarter-over-quarter growth because your Q3 bookings tend to be what we call smaller ones or end ones, and therefore, your Q4 billings is slightly lower because of that one monthly lag.

Taylor Anne McGinnis - *UBS Investment Bank, Research Division - Equity Research Analyst for Software*

Okay. Got it. And then just my last one for me, a lot of people have already commented that net customer adds really strong in the quarter. I guess what we have less visibility to in the context of what you guys are talking a lot of it was just the in-quarter dollar-based net expansion rate. Can you maybe like talk about what that might have looked at, looked like this quarter relative to past quarters? And then anything you can talk about just in terms of average lands. And as we look ahead, I know in the past you've talked about continuing to see improvement on the 120% plus dollar recent expansion rate. But in the context of today's calls, how do we think about that as we look forward?

Hoang Vuong - *Amplitude, Inc. - CFO*

Yes. First of all, we're still committed to maintaining our net retention rate over 120% in the long term because I think obviously, as the base gets bigger, it does get more challenging. But we also believe we are adding so many new customers, that they're still in the early days of their expansion. And then obviously, you also have the new products. I think that that's a really important factor for us. I think that when you think about our expansion, how we performed in Q4, to answer your question on that, we did really well. I think again, it's more of when we look at the guys who were looking at like multiple quarters, and we're trying to give out guidance for a year, we're trying to figure out what the expansions are in the outer quarter, our net dollar retention, even though it's trailing 12 months, it was all really positive there from a Q4 performance. Because it was more of just kind of looking at visibility, like hey, when will these new accounts expand? But most of our new customer adds, both of them are still actually in our commercial and SMB, right? And so they're still smaller accounts. We're actually super excited to have them. Because sometimes those smaller accounts, they will become big. And sometimes they'll also get acquired by some other larger company. That's how the larger companies are learning about the innovative way to do the best practice of using data to build better products. We will continue to go after that. As far as like ASP is concerned for that, we haven't seen any more material changes. I mean there's like in some markets slightly up, some markets slightly down. But net-net, it's been pretty consistent. We haven't seen any real change there.

Jason Starr - *Amplitude, Inc. - VP of IR*

Thank you. With that, we'll conclude today's discussion. Thanks for your interest in Amplitude and joining today's webcast.

Spenser Skates - *Amplitude, Inc. - Founder, CEO & Director*

Thanks, everyone. Appreciate it.
