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PRESENTATION

Yaoxian Chew - *Amplitude, Inc. - VP of IR*

Hello, everyone. Welcome to Amplitude's Second Quarter 2023 Earnings Conference Call. I'm Yaoxian Chew, Vice President of Investor Relations. Joining me are Spenser Skates, CEO and Co-Founder of Amplitude and Criss Harms, the company's Chief Financial Officer. During today's call, management will make forward-looking statements, including statements regarding our financial outlook for the third quarter and full year '23, the expected performance of our products, our expected quarterly and long-term growth, investments and overall future prospects. These forward-looking statements are based on current information, assumptions and expectations and are subject to risks and uncertainties, some of which are beyond our control and could cause actual results to differ materially from those described in these teams.

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 used 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 are 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. - Co-Founder, CEO & Chairperson*

Thanks, Yao, and good afternoon, everyone. Welcome to our second quarter earnings call. We appreciate you taking the time to join us. I'll be talking to 3 topics: our Q2 results and an update on our execution. The progress we're making with platform and product innovation. And our competitive landscape and customer adoption.

Let's start with a summary of the Q2 financials. We closed the second quarter with \$67.8 million in revenue, up 17% year-over-year. This is above the high end of the guidance we gave in Q1. Annual recurring revenue was \$268 million. Our total customer count increased to 2,344 customers. Non-GAAP gross margin improved to 77.5%, up 3 percentage points year-over-year. This contributed to our first non-GAAP profitable EPS quarter.

We generated record operating cash flow of \$20.4 million and positive free cash flow of \$19.3 million. With this result, we expect to be firmly in free cash flow positive territory as a company going forward.

I'm pleased with our revenue beat, especially given the persistent challenges in the macro environment. Let me touch on a couple of those for a moment. Larger companies continue to optimize for their current level of end customer activity. We remain exposed to startups who are feeling that pressure more intensely. Continued cost cutting is causing churn to tick up as macro ripple effects work their way to that portion of our customer base. While difficult, we believe these short-term challenges are just a temporary part of this macro cycle. There are several areas that fuel our cautious optimism here.

We see how our platform approach is resonating with customers, improving our competitive position against legacy and point solutions. Win rates remained robust in Q2 and we continue to win deals against as well as replace legacy players. We continue to refine our integrated go-to-market efforts, get closer to our customers and build on the strong pipeline we saw in Q2. We are executing with urgency as a company. A lot is happening under the surface. New leaders are raising the bar. I'm pleased with the progress we're making here as a team.

We're focused on what we can control. This means operating responsibly against our growth outlook while leaning into the massive opportunities that lie ahead. Our mission is to help companies build better digital products and experiences. I'll take this opportunity to provide a clear framework for our ongoing efforts. The first pillar is what we call win simple, shorthand for how we're making it easier for everyone to get started with Amplitude.

Many companies need more help getting started in driving digital maturity. Today's customers demand an experience that's effortless, offers fast time to value and meets them where they are. One key facet of win symbol is improving the user experience and we've been hard at work there.

Last quarter, we talked about early positive feedback around our new chart creation flow and layouts. We introduced more improvements in Q2, including industry-specific templates and a new homepage experience. We are striving to make Amplitude easier to adopt. We've doubled the conversion rate of users finding insights from templates and are seeing continuing week-on-week improvements in uptake. In some cases, we've seen users create their first Amplitude chart 40% faster.

The second pillar is win the enterprise. As part of our path to \$1 billion and beyond, we are focused on meeting the needs of traditional enterprises. We are leading with use cases, taking a value-based selling and delivery approach and expanding the audiences we focus on. Product and behavioral data is important to everyone in an organization. Marketing teams can target the right customers, engineering teams can identify bugs and data teams can make detailed recommendations, all from product signals.

We are already seeing this approach bear fruit. It drove one of our largest ever expansions in the quarter with an enterprise customer that's been with us since 2015.

The third is win the category. Every business with a digital product and a digital experience for its customers' needs to know more about what those customers love, what causes them to get stuck and what keeps them coming back. Our vision for the future state is one where real-time operationalized product data is mission-critical to shaping dynamic and adaptive digital products and experiences.

The lines between product, web and marketing analytics are blurring and the spaces will start to converge. Companies of all shapes and sizes are finding that legacy approaches cannot sufficiently address the universal needs of acquisition, retention and monetization. Everyone wants to understand their customers better.

Amplitude tells you exactly what your customers do and how they behave. We represent the best way to listen to your customers in an age of digital transformation. The center of gravity continues to shift toward product as more companies realize this. We have the strategic high ground in this convergence and intend to lead this massive category. Underpinning those 3 pillars is win together, the glue that binds at all.

The systems and processes that helped us grow from \$10 million in revenue to where we are today will not be the ones that take us to \$1 billion and beyond. We are systematically up-leveling every area of our business so we can deliver exceptional value for our customers. When our customers win, we win.

Against that strategic backdrop, let's turn our attention to product development progress in Q2. Our platform approach is resonating with customers. We are benefiting from vendor consolidation, an increasing number of companies chose to land with a combination of analytics, experiment and CDP in the first half of 2023.

CFOs have been given a mandate to mercilessly target duplicative or inefficient spend. In this environment, we continue to see point solutions suffering disproportionately. Many customers struggled to deliver on the data insights and actions that are so critical to product and engineering teams. We think that the majority of our base get benefit from the addition of experiment. Traction here remains encouraging as some of the largest wins in Q2 included experiment upfront. Our CDP solution also continues to mature rapidly with Amplitude now close to parity with many CDP market leaders in terms of connections.

Our approach to CDP has primarily been about reducing friction and duplicative costs for our smaller customers. In Q2, we saw increased interest from multiple enterprise customers expressing a need for holistic solution across data and analytics.

We announced warehouse native Amplitude at Snowflake summit in June. Our warehouse native approach is all about extending what has made Amplitude successful, being the most open, agnostic and trusted way to access and find insights from our customers' data. By providing access to Amplitude product insights directly from the data warehouse, we're making it easier for data teams to manage data and for product teams to use those insights confidently.

Companies are taking deferring approaches as it relates to governance and storage of their data. We want to be wherever our customers are along their journey. We believe this warehouse native option will be a natural on-ramp for many enterprise customers who have already made significant investments in their warehouse strategy.

While early, we also believe this can be additive to our core amplitude value proposition in many ways, including potential new personas and workloads. AI developments are an exciting opportunity for us to evolve how users engage with and find value from our platform. Product teams follow and iteratively build, ship, use, learn. Companies like GitHub and Figma have made massive improvements to the build and ship phases with AI that made it possible for developers to go from prototype to production in record time.

At Amplitude, we're using AI to improve the use and learn phases. AI greatly accelerates the ability to get value out of huge quantities of data. We've amassed one of the largest databases of digital customer behavior in the world. We spent the past 10 years pioneering the behavioral graph. We've already helped product teams leverage AI and ML techniques with our recommendation engine and product monitoring.

Today, we're really excited to introduce Amplitude AI, a suite of AI-powered features. Here are 2 highlights. The first is ask Amplitude, which uses AI to shorten the learning curve for anyone getting started with Amplitude. Type in a question like how long does it take for new versus returning users to make a purchase and will show a chart with the answer you need.

The second is data assistant, which uses AI to make data governance effortless. It determines the most important ways to improve your data quality and automate certain updates. By improving data quality and trust, we're helping customers get value from Amplitude faster. We're also releasing functionality that automates formula creation and short naming. Teams can pick from a variety of suggestions so they can move fast and stay in control. These new features will help us accelerate time to value and expand the base of users we speak to, enabling us to win simple.

We believe AI will dramatically improve the caliber of digital products and experiences and amplitude will help make that happen. I'd like to talk about our second quarter success with customers from multiple industries. We both landed and grew our relationship with customers around the world like Careem, Beachbody, Western Union, Alteryx, Cloudflare, Carta and TaxJar. Other customers this quarter included airlines and supermarket chains. It's clear that the need for Amplitude is a universal one.

We expanded with a brand name global sports organization to help drive global fan acquisition growth. This is a fantastic case study of the opportunity ahead of us as traditional enterprises continue with their digital transformation. To succeed, they needed to unify user data to personalize the fan experience across digital and nondigital properties. Marketing and product managers needed a shared view of the customer journey in a way to test hypotheses, target relevant audiences and personalized content features.

The organization's direct-to-consumer arm was already using Amplitude, but other teams used a combination of legacy tooling and marketing technologies. They couldn't scale, which caused major delays in massive engineering requirements. Amplitude's digital analytics platform was the clear choice for the business and we're excited to help grow the subscriber base and in turn, increase the company's broadcast rights to the tune of billions a year.

Spin by OXXO is a financial app that provides mobile payments transactions, deposit funds, cash withdrawals and card services. Spin has been an Amplitude customer since 2020. Over the last 18 months, they have upgraded plans, added Amplitude experiment and most recently in Q2 led to competing CDP for Amplitude. Their expanding use of Amplitude has enabled them to optimize their user journey, manage high user growth and accelerate their presence in the LatAm market.

Spin has grown from 0 to 5 million users in just 1 year. Their goal is to double this by December and we want to help them achieve that. Against the backdrop of a challenging macro, we're steadfastly positive about our long-term potential and the opportunities in front of us. I believe in our ability to deliver in the months and years ahead. I'm incredibly proud of our entire team for everything they've done so far this year. With that, thank you for your interest in Amplitude. I'd now like to turn it over to Criss to walk through the financial results.

Christopher Harms - Amplitude, Inc. - CFO, Principal Financial Officer, Principal Accounting Officer & Treasurer

Thanks, Spenser, and thanks to everyone joining us today. Amplitude's Q2 results demonstrate steady execution against a challenging environment. In the face of uncooperative macro, we expect to be firmly in free cash flow positive territory as a company going forward. We are intentionally shaping Amplitude to drive more operating leverage at scale. We've made strong progress, which I believe will eventually position us for reaccelerating growth.

Now on to our second quarter results. As a reminder, all financial results that I will be discussing, with the exception of revenue, remaining performance obligations and balance sheet figures are non-GAAP. Our GAAP financial results, along with a reconciliation between GAAP and non-GAAP results, can be found in our earnings press release and supplemental financials on our IR website.

Second quarter revenue was \$67.8 million, up 17% year-over-year. Total ARR increased to \$268 million, an increase of 18% year-over-year and \$6 million sequentially. Here's more context. Implicit in the color on revenue guidance we provided in the prior quarter was projected record high levels of churn in Q2. Those expectations came to fruition consistent with our internal projections of a 50-50 split between full and partial churn. Of note, within partial churn, we saw significant optimizations with 2 large customers, one of which is a crypto company and one of which is a large digital native customer. Within full churn was the expected concentration of accounts in the predominantly technology start-up segment and commercial segment.

New ARR in Q2 saw a rebound from the prior quarter. This was marked by a particularly large expansion as a longtime customer drastically grew both the scope and volume of their Amplitude relationship. That expand deal was not the only one for the quarter. We again saw sequential growth in customers across both our \$1 million-plus and \$100,000-plus ACV base. Accordingly, our mix in Q2 was a little over 2:1 between expand and land new ARR. Lastly, we had strong execution on our newer products with Experiment and CDP together now exceeding \$20 million ARR.

NRR, on a trailing 12-month basis declined sequentially to 108%. In period NRR was 101%, down from 118% in Q2 2022. Gross retention this quarter was in the mid-80s. Total RPO was \$246 million, up 8% year-over-year. Current RPO was \$192 million, flat sequentially but up 13% year-over-year and represented approximately 78% of total RPO. Gross margin was 77.5%, up 3 percentage points year-over-year and quarter-over-quarter. This was primarily due to the restructuring of our customer success organization in April and continuing improvements in unit hosting costs.

Sales and marketing expenses were \$31 million or 45% of revenue, down from 53% a year ago. R&D expenses were \$12.9 million or 19% of revenue, down from 22% a year ago. G&A expenses were \$9.8 million or 14% of revenue, down from 15% a year ago. Operating loss was a negative \$0.8 million or a negative 1% of revenue, a 14 percentage point improvement on a year-over-year basis and an 11 percentage point improvement on a sequential basis.

Net income per share was \$0.02 based on 126.3 million of fully diluted shares compared to a loss of \$0.08 with 111 million shares a year ago. All of the operating figures I just conveyed are exclusive of the restructuring charges we incurred in Q2 that approximated \$8 million.

Free cash flow was a positive \$19.3 million or 29% of revenue, a 14 percentage point improvement on a year-over-year basis. This free cash flow figure incorporates a negative \$3.8 million cash impact from our April restructuring. Finally, cash, cash equivalents and marketable securities were \$319 million at the end of Q2.

Now on to our outlook. For the third quarter, we are expecting revenue between \$69.7 million and \$70.3 million representing an annual growth rate of 14% at the midpoint. Non-GAAP operating income between positive \$0.6 million and \$1.0 million; non-GAAP net income per share to be between \$0.02 and \$0.03 assuming shares outstanding of approximately 128.3 million as measured on a fully diluted basis.

For the full year, we are raising our 2023 revenue guidance to be between \$273.6 million and \$275.6 million, an annual growth rate of 15% to 16%. We expect non-GAAP operating loss between \$7.6 million and \$5.2 million, and we expect non-GAAP net income per share to be \$0.02 to \$0.04, assuming shares outstanding of approximately 127.6 million as measured on a fully diluted basis.

As you adjust your models, keep in mind the following: we finished Q2 better than we expected, but we still see a very challenging macro environment. Total Q2 ARR performance was positively impacted by a single large expansion. We believe renewal dynamics will remain challenging for the rest of the year. We're coming up on a slightly smaller renewal base in the second half versus first half, and this renewal base steps up in the first quarter of 2024.

We also think that optimizations will persist into 2024 as our customers continue to deal with their own varying levels of demand. Restructuring charges will impact free cash flow negatively by approximately [3.4] in Q3.

Starting with August 15, RSU vesting date, we will begin utilizing more of a withhold to cover approach to taxes rather than exclusively using the sell-to-cover approach, which we have done historically. We estimate using \$5 million to \$6 million in this cycle. At a minimum, we intend to continue this approach through the November 2023 cycle, and we'll update you in the future with more specificity on our approach for 2024. We expect about \$3 million of interest income per quarter. And finally, gross margins should remain in the 77% to 78% range.

In summary, this quarter was better than expected, but we're not satisfied. We're pleased to be operating as a free cash flow positive company. We're hard at work on improving the business and investing in key areas that we believe will eventually lead to reaccelerating growth.

With that, I will open up for Q&A. Over to you, Yao.

QUESTIONS AND ANSWERS

Yaoxian Chew - *Amplitude, Inc. - VP of IR*

(Operator Instructions) Our first question comes from Koji Ikeda of Bank of America followed by Patrick Schulz from Baird.

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

So the first question here really on kind of the 3 growth metrics here, looking at RPO, I guess it's CRPO and RPO, thinking about the decel there. But the billings was good against a tough comp, and then you also raised the full year revenue guidance but the revenue guide implies flat, 4Q

revenue growth. So really, how to reconcile all that with what sounds like to be maybe a stabilizing to slightly improving demand environment? I mean I guess, what is the key metric to look at here to judge the underlying fundamental growth?

Christopher Harms - *Amplitude, Inc. - CFO, Principal Financial Officer, Principal Accounting Officer & Treasurer*

Koji, as always, you are very good with your math. Look, I focus on the ARR. The \$6 million sequential was a very positive upside for us. But we do acknowledge it was significantly impacted by one large expansion. As we look through the remainder of the year as we consider -- our focus on the win enterprises, all that we're doing within our operating functions across go-to-market and R&D and G&A., we recognize we'll be in a different operating position in the future. But against the macro conditions of churn and others, we have continued implicit in our revenue guide a very neutral performance of new ARR across Q3 and is a corresponding impact into Q4 revenue.

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

Got it. I wanted to touch upon that large expansion deal. I thought it was pretty interesting is that you called out it was a customer since 2015. So maybe talk a little bit more about this customer. Was it a department expansion, new product expansion? And I think maybe more importantly is, did this customer optimize in the past year, now is coming back to expansion? And maybe this is in an early indication or some sort of green shoots that other large customers that have optimized in the past could start coming back to expand with you guys?

Spenser Skates - *Amplitude, Inc. - Co-Founder, CEO & Chairperson*

Yes. I think there's a few things that happened. So one, I think it's representative of larger expansions that we've seen in the past. Obviously, in 2021, we saw a number of large expansions just generally across our customer base for customers who have been using us for many years. And so this was in that vein where the amount of volume and the scope of the deployment continued to increase, and they wanted to set up an ELA so that they didn't have to worry about further volume increases in the future.

We also had a new product introduced as part of this. So that was really exciting to see as well. And then the last thing, just to call out very candidly, I think we had Nate, in particular, a new CRO, did a really great job of building a really strong relationship with one of the key executives there that was instrumental in driving this new ELA. So a very, very positive signal. Again, just a single data point. I think it speaks to the broad opportunity that is going to happen as the macro does come back. And so we'll obviously take the wind, and we're thinking about how do we be more systematic and scale that motion across our entire go-to-market team.

Yaoxian Chew - *Amplitude, Inc. - VP of IR*

Next, Patrick Schulz from Baird, followed by Nick Altmann from Scotia.

Patrick A. Schulz - *Robert W. Baird & Co. Incorporated, Research Division - Research Associate*

I guess first, I just wanted to touch on the competitive environment a bit. I believe the no new day-to-day for Google Analytics was in July, and you guys have proved to talk about this being an opportunity for Amplitude to take share. Curious if you guys have seen any changes to your win rates over the past few quarters, particularly as the macro has remained challenged and vendor consolidation continues?

Spenser Skates - *Amplitude, Inc. - Co-Founder, CEO & Chairperson*

Yes. So Google Analytics has been huge for us. So there's actually 3 dates with Google Analytics. The free plan sunset date was July, as you mentioned. Google optimized a sunset in October and then the enterprise version of Universal Analytics is sunset next year. And so we're going to

expect to see continued -- customers continue to migrate from Google Analytics to Amplitude. You see that show up in a number of ways. Obviously, we called out a number of wins last quarter that were specifically Google Analytics replacements.

And then just the increase in customer count broadly is another thing that's driven by that. We've created -- I think what we're seeing is the convergence of marketing, product and experience analytics. And so we're going to continue to drive on improving our capabilities in both marketing and experience analytics so that we're set up to drive full consolidation in the category. I think the last thing I'll comment on Google Analytics is though, even though the sunset date has already happened, there are still lots of teams that maybe they're on GA4, but the experience is not working out, and so they're still evaluating other vendors now. And so we're seeing that contribute towards more Amplitude evaluations and growth in our business.

Patrick A. Schulz - *Robert W. Baird & Co. Incorporated, Research Division - Research Associate*

Okay. I appreciate the color, response is very helpful. And then, Criss, maybe this one is for you guys have raised profitability guidance once again. So it's clear this is a big focus for you guys internally. You've been on the job now for a little over a quarter. So just curious where you see the biggest opportunities to better leverage the expense base. Aside from just the natural benefit you guys will see to margins as revenue recovers. Just maybe how you're thinking about the trade-off between investing for growth once we get through the challenging macro and improving profitability?

Christopher Harms - *Amplitude, Inc. - CFO, Principal Financial Officer, Principal Accounting Officer & Treasurer*

Yes. No, all good points. When we talked about the April restructure that was very much for me, a restructuring, right, getting very focused on how we invested in the go-to-market functions. The changes that Thomas was implementing there, the reduction we did on the customer success and obviously, its impact on the gross margin impact. Inclusive in that is we've continued to make engineering investments to improve our unit hosting cost. Some of the changes I've weaved into the Q3 and Q4 really reflect on an expense structure, not necessarily a decision between investing or dropping into profitability, but more fine-tuning kind of my expense calibration of where we're heading.

As we think into the future, we're going to continue to make that trade-off. One of the things I will point to is we did increase our investment and we're continuing to plan to increase our investment into our professional services organization, both our recurring subscription, technical account managers as well as more of our implementation professional services capacity in bench. One of the pillars that we focus on is win the enterprise, we recognize kind of the whole product delivery concept for them and the integral role that those 2 functions both at the implementation as well as a dedicated technical account person moving forward play.

We'll continue to make those choices. As you work through our numbers, you'll see that -- look, our SaaS magic number is not where we want it to be. Thomas, Nate and the rest of the team is really focused on operationalizing discipline and really driving a much more return on effort within our go-to-market motion. As that starts to come to fruition, we've talked about we really put that as the basis to our growth into 2024 as we start to be more effective on that front as well as leveraging our PLG motion more on the bottom end. So for us, it is very much of making more effective use of the investment levels that we've kind of recalibrated at coming out of the April restructure.

Yaoxian Chew - *Amplitude, Inc. - VP of IR*

Next question from Nick Altmann from Scotia, followed by Taylor McGinnis from UBS.

I don't see Nick. Taylor from UBS, followed by Elizabeth Porter from Morgan Stanley.

Claire Phoebe Gerdes - *UBS Investment Bank, Research Division - Associate Analyst*

This is Claire Gerdes on for Taylor. So just one on the guide. You raised the fiscal '23 revs a little more than the 2Q beat. And when we back into the 4Q implied rev's guide, it implies sequential growth of only 1-ish percent, so below 3Q. Is that just conservatism? Or is there anything specific to 4Q that we should be keeping in mind? .

Christopher Harms - *Amplitude, Inc. - CFO, Principal Financial Officer, Principal Accounting Officer & Treasurer*

You also clearly inclusive in the full year guide was the ARR performance in Q2 and the contribution it's going to give us to the rest of the year. And then again, reflective of some of the points we made on the macro conditions, our expectation on the Q3 ARR performance as embedded into our guide is really a day 0 neutral position. Therefore, a really nominal contribution into the Q4 period. I would equate almost all of the increase in the revenue guide, reflective of what's in the rearview mirror, both from the Q2 revenue beat as well as the overall ARR performance and the way it will play out through the rest of the year.

Yaoxian Chew - *Amplitude, Inc. - VP of IR*

Next question from Elizabeth Porter from Morgan Stanley, followed by Arjun Bhatia from Blair.

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

I wanted to follow up on your comment around just the convergence of marketing, product and experience analytics. So could you give us some color on how does the mix of users has changed over the last year since the IPO? And then how does that change your access to budgets as you're addressing kind of a larger base? Are you seeing any sort of improvement in the budget that you guys are able to address and speak to.

Spenser Skates - *Amplitude, Inc. - Co-Founder, CEO & Chairperson*

Yes, for sure. So first, I'd say product has historically been our main persona since we started the company and that has been the predominant user base. I think the change that we've seen is more and more marketing teams use Amplitude. So that was in the single digits when we first started to think about marketing analytics. And now it's in the teens in terms of total percentage of our user base. And so we've definitely seen an uptick in because of our marketing analytics capabilities and because of the convergence that I talked about. I think marketing is also essential to win the enterprise.

I think what we've seen is that, particularly in the traditional enterprises, marketing tends to control the budget. And so it's not just a question of just getting in product. Like as an example, I was visiting 1 of our large media customers in the U.K. a few months ago, and the Chief Product Officer there was a huge supporter and champion of us, and they were trying to get us into the mainstreaming app of their media product, and they had to bring in the CMO as well. Now after the CMO saw we had a bunch of marketing capabilities. They're like, "Hey, this is great, we're signed off on this." We'd love to expand with Amplitude.

And so I think instead of -- in the technology industry, you may start in product and then expand to marketing over time. I think what we're seeing in the traditional enterprise is you often want to land with marketing right away. And then to the last part of your question, absolutely allows us to get more budget. So a huge, huge deal from that standpoint. I think what we've seen in the last 5 years is a ton of innovation in the digital analytics space.

We've obviously been the leader in that. And what you're going to see over the next 5 years is you're starting to see the signs of consolidation, both in terms of analytics, Experiment, CDP as well as along with dimensions of marketing and experience analytics. So we'll continue to come out with more offerings there, so that we able to drive that consolidation and come out on the top.

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

Great. And then just as a follow-up on some of the Amplitude AI announcements, how should we think about those impacting the financial model? Is it more incorporating features and that's going to attract kind of more customers and improve retention rates? Or is there some sort of direct monetization that you guys see an opportunity to pursue?

Spenser Skates - *Amplitude, Inc. - Co-Founder, CEO & Chairperson*

Yes, we're not doing any direct monetization at this time. It's all about that first pillar I talked about very simple. So how do you make it much easier for customers who aren't familiar with digital analytics to onboard and get value out of what we do. And so the Ask Amplitude is a great example of that. You just type in your question into a text box. You get an answer back. You don't have to do anything about how to use Amplitude. You don't have to know anything about your data taxonomy, it's going to pull the full insight together for you.

A lot of the stuff around the data management that I talked about also is about making it much easier to manage data at scale. And so again, we're not -- it's making a lot of existing things that we do significantly easier, particularly for companies that aren't used to using digital analytics.

Yaoxian Chew - *Amplitude, Inc. - VP of IR*

Next question from Arjun Bhatia from Blair followed by Clarke Jeffries from Piper.

Arjun Rohit Bhatia - *William Blair & Company L.L.C., Research Division - Co-Group Head of the Technology, Media, and Communications Sector & Analyst*

Spenser, maybe going back to the CDP and the marketing persona aspect. Can you touch on where the Amplitude CDP is from a future parity perspective with some of the stand-alone CDPs that are in the market or even other CDP that are part of a broader marketing tech stack because there are those other offerings there? And how have you been navigating kind of switching personas to get more into the marketing department versus your historical advantage, which has been in product.

Spenser Skates - *Amplitude, Inc. - Co-Founder, CEO & Chairperson*

Yes. So on CDP it's close to -- the main thing you're evaluating a lot of these companies on is number of connections. So how many different end points can you send data to. And as you imagine, there's like a long tail of hundreds of different possible end points. We're close to parity with a lot of the leading CDPs that we see out there on that, and that's why we saw that switch over from OXXO. And we're continuing to see customers use it as an option. On CDP, in particular, we're not as religious about saying, "Hey, you got to be on the Amplitude CDP." For us, it's just offering another option to get data.

Our belief is that data is just going to live in tons of different places in the enterprise, whether that be CDP, whether it's a cloud data warehouse, whether that's internal store or what have you. And so the more we can work with the better and the more we can commoditize data access, the better. In terms of -- sorry, Arjun, what was your question on the marketing side?

Arjun Rohit Bhatia - *William Blair & Company L.L.C., Research Division - Co-Group Head of the Technology, Media, and Communications Sector & Analyst*

To just get access to the marketing persona to the CMO versus historically, you've been selling more to product teams.

Spenser Skates - *Amplitude, Inc. - Co-Founder, CEO & Chairperson*

Yes. I think we're seeing it more requirement within traditional enterprise to get into marketing right away, as I mentioned earlier. And so I think that's why we're kind of developing those things. I think we've seen our user base within marketing go up from the single digits to now we're in the teens in terms of total percentage of end users who are in the marketing function that allows us to capture more budget. It's now -- I think the recognition from our side is that the power center hasn't shifted fully to product within these non-tech companies. And so you have to come in right off the back making the marketing team happy with an end-to-end customer view, not just product anymore.

Arjun Rohit Bhatia - *William Blair & Company L.L.C., Research Division - Co-Group Head of the Technology, Media, and Communications Sector & Analyst*

Okay. Got it. That makes sense. And then maybe just a broader question. It seems like as we're looking at Q2 results as we're looking at the forecast. It seems there's an impact from a small number of customers, right, that might drive volatility one way or the other. Can you touch on just customer concentration at a high level? And as you look through the remainder of the year, do you see other potential high-dollar customers that could have an impact on your forecast one way or another. I guess, just how are you thinking about that for the rest of the year?

Spenser Skates - *Amplitude, Inc. - Co-Founder, CEO & Chairperson*

Yes. I mean, I think relative to most other companies that our size, we definitely have a lot of million dollar customers. And so that leads to the concentration of volatility that you aligned, Arjun. I think I was part of 2 of those. Obviously, crypto has been a tough space and so that was a resizing by that customer. That was also part of the other resizing by the technology company that Criss mentioned. I think in both those cases, those customers are -- they went through layoffs, they're looking for short-term help on the budget side and they just need to make those changes.

Amplitude usage at those customers has actually been up and so that's been great to see. I think they expect to continue to grow with us over time in the long term. So that's a very positive thing. This is just kind of more short-term volatility as they're readjusting their expectations of end customer growth. We've looked at stuff for both Q3 and Q4, and we kind of expect those rightsizing to continue as we go through this year. I think Q2 is the single largest quarter in terms of total dollars up for renewal. So that's going to be hit the hardest from a churn standpoint. So I don't think we'll see exactly this -- Q2 is going to be the high point from an absolute dollar standpoint, but we'll see similar stuff happen in Q3 and Q4, and we've kind of already baked that in.

Yaoxian Chew - *Amplitude, Inc. - VP of IR*

Next question from Clarke Jeffries from Piper followed by Gil Luria from D.A. Davidson.

William Clarke Jeffries - *Piper Sandler & Co., Research Division - VP & Senior Research Analyst*

Spenser, I wanted to ask about the AI technologies that you're announcing and maybe more broadly, which do you think is a larger opportunity in terms of the solution set today, whether it's a conversational interface or something that's more along the data management lines. I had imagined Amplitude has been using machine learning for a long time. And really the step function is on the language, natural language processing side. And so just wanted to get your thoughts on what it means long term. And then I have a follow-up for Criss.

Spenser Skates - *Amplitude, Inc. - Co-Founder, CEO & Chairperson*

Yes. So I don't have all the clear answers in terms of here's the contribution, but let me give you our current thesis on the space. So the first thing to understand is we have one of the largest data sets in real data in the world. And if you think about what AI is really good at, it's really good at extracting and summarizing insight from large volumes of data. And so I think it has the opportunity to supercharge what analytics does, whether

that's from the instrumentation side and just making sure you're collecting the right data, whether that's the taxonomy side, making sure you're categorizing, whether that's the insight generation or whether that's turning that insight into action with experiments and things like that.

So I think AI impacts all of it. Right now, if you look at how companies leverage analytics, it's all human-based for each of those steps I outlined. I think AI can get orders of magnitude more leverage for all of them. And so I think you're going to see a transformation of the space with AI. Now we're very, very early days in it. The thing I'm excited about is we're the first company in digital analytics to come out with any LLM based technology that improves it.

So I already mentioned the Ask Amplitude, I mentioned the data taxonomy tools, I mentioned that the formula suggestions and the chart name suggestions. And so I'm like -- I think that's a first step, but there's going to be a lot more behind that. I think long term, it's all about how can you operationalize this data in different places across the business. And I think AI is going to accelerate our ability to do that across all the different fronts. And so I think there's an order of magnitude, more value that can be generated versus the manual stuff that people go through today. So very, very early, but I think it's going to be a really important part of the future of digital analytics.

William Clarke Jeffries - Piper Sandler & Co., Research Division - VP & Senior Research Analyst

Absolutely. And then Criss, I just wanted to ask about stock-based comp. If you could give us sort of any expectations on how that would trend maybe over the near term? How cost base is being factored in? And so maybe we have a little bit more of a conversation about GAAP operating profitability. You mentioned that withhold to cover, but I was just wondering if you could maybe lay out the stock-based comp trend.

Christopher Harms - Amplitude, Inc. - CFO, Principal Financial Officer, Principal Accounting Officer & Treasurer

Yes. I do know that it peaked as a percent of revenue in this last quarter. It has been trending up. I think we're 32%, 33% rate. Obviously looking to have that kind of tail off with time. I have not spent a lot of time on the kind of forward-looking outlook, really calibrating kind of just where we've been. Obviously, making changes as we think about how we're using cash to withhold the recovery that you alluded to, if there's -- I'll just say, Clark, I'll go do more into the forward-looking. It has not been one of the areas I prioritized this last quarter.

Yaoxian Chew - Amplitude, Inc. - VP of IR

Next question right from Gil Luria from D.A. Davidson, followed by Tyler Radke from Citi.

Gil Barnum Luria - D.A. Davidson & Co., Research Division - MD & Technology Strategist

You mentioned verticalization of the platform. Maybe can you just talk about what that means in your go-forward picture is for how the platform can evolve over time? And then maybe just in addition to that, how the go-to-market changes in order to compensate that.

Spenser Skates - Amplitude, Inc. - Co-Founder, CEO & Chairperson

Yes. So I think there's obviously various degrees of verticalization. We're taking the very first step, which is how can we take the existing Amplitude product and offer templates and guides for people from specific vertical industries like media or e-commerce or financial services or B2B, so that they instrument a bunch of stuff and then we have a bunch of dashboards that come right out of the box. I think that's a -- for me, that's both a part of the win simple as well as win the enterprise. A lot of those customers are looking for guidance from us like -- they don't even know what questions to ask out of the data. So hey, tell me the 20 events I should instrument, (inaudible) those, then I can get lots of different charts and insights out of you without having to really thinking figure out all of that on my own. And so very, very excited about that.

I think in Thomas and Nate in the very -- we're kind of -- we're before even really thinking about that candidly. I think that's going to be kind of a many year thing in terms of refocusing the sales force. We're still too small to really specialize from a vertical standpoint. We've done it one-off in

different territories as an example, having AEs who are in New York have a -- having a few AEs that have a concentration of financial services customers and things like that so that you have AE specialized in the business problems and use cases of the specific verticals. But we're quite far off from doing anything more drastic there. And so that will be a kind of many year journey as we continue to grow and get more advanced in our motion.

Yaoxian Chew - *Amplitude, Inc. - VP of IR*

Next question, Tyler Radke from Citi, followed by Michael Turits from KeyBanc.

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

So I wanted to ask you, Spenser, about the Amplitude warehouse native offering that you talked about. Maybe you could just give some more examples like what are the new types of use cases in users that you're seeing with that product? And kind of what's the -- what does it streamline? What is that kind of unlock for you?

Spenser Skates - *Amplitude, Inc. - Co-Founder, CEO & Chairperson*

So the key thing -- so let me explain what it is and I'll explain why we've done it and how it fits in the strategy. The key thing with warehouse native is that -- there's been a lot of companies that have decided to use the cloud data warehouse as their source of truth for product behavioral data. And so in that world, it's much easier if you have an application that already runs natively on top of Snowflake and that plugs in directly to that data set without having to send the data over to Amplitude. So we just have a native application running within a Snowflake instance directly on top of that data, and that allows you to get all of the -- a lot of the digital analytics functionality that we have right out of the box. And so it's -- think of it as it takes 10% of the time to get set up if you already have the data, data warehouse than with the traditional process of Amplitude implementation.

Strategically in terms of why we're doing it. I think there's 2 big things. The first is that our expectation is that data is just going to live in lots of different places. Cloud data warehouse is going to be one of them. So the more prolific we are with the data sources that we work with, the more we're going to win the overall space and easier it is going to be to get on Amplitude. So it's all about meeting customer where they're at.

The second thing is that warehouse native, and I want to make this clear because there's been a little confusion on this is that it's an on-ramp to the more advanced capabilities. You can think of it like a light version of Amplitude. And then over time, as you want more speed, as you want more functionality and flexibility, you upgrade to the more sophisticated versions of Amplitude over time. And so really, it's a distribution play to tap into currently Snowflake's customer base, but we'll get to more of the cloud data warehouses over time. And that will, again, enable us to work with whatever your data sources, warehouse CDP, et cetera.

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

Okay. So kind of broadening out beyond the product persona with those additional (inaudible)?

Spenser Skates - *Amplitude, Inc. - Co-Founder, CEO & Chairperson*

A lot of -- so some companies, the data persona is driving the evaluation of this. And so it helps us fit for those sort of customers for like data-led organizations. So you have product-led organizations, you have marketing-led organizations, you have data-led organizations, and it varies by industry and company size. And this is an offering that's really great for ones that have where the data leader has a ton of influence.

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

Awesome. And for Criss, I wanted to ask you a follow-up. I appreciate all the color around the dynamics in the quarter between the expansions and churn. I guess as we think about renewal rates today. I think you talked about 85%, which is below kind of where your target level is. How do you think about that recovering in the back half? And then as we go into '24, it sounds like you're still expecting some optimizations, but does that go back into the low 90s? And then just given the momentum you're seeing in terms of new customers and expansions, do you think the business can accelerate simply from improving renewal rates without kind of seeing that improvement in expansions?

Christopher Harms - Amplitude, Inc. - CFO, Principal Financial Officer, Principal Accounting Officer & Treasurer

Well, we definitely want both. I definitely expect both. But yes, let's talk about the renewals. Spenser talked about his history with the 2 customers, large ones that did the optimizations this year. We expect them to continue. We are just getting kind of rightsized with that. On a natural level, is that kind of unfolds in this temporary period, I would expect us to get back to GDRs north of 90%. Just as we're getting kind of recalibrated on their levels. As we said, we think this is a temporary. That will obviously give us some uplift. Inclusive in that is we're getting deeper with these customers at executive levels. We're talking about the value that Experiment brings CDP. We're starting to share on a product road map perspective, how we both see warehouse native Amplitude and others. We think the cross-selling motion will be a really meaningful part of our expand story. It is not just about kind of volume model. So I look forward to all of that coming to fruition in as shorter period as time as possible.

Spenser Skates - Amplitude, Inc. - Co-Founder, CEO & Chairperson

I also want to be really clear, like macro is tough. So that's driving both rightsizing and customers at the low end, but we're not sitting here. I'm not happy with where it's at. So there's a -- it's a top focus of what we're doing with Thomas and the go-to-market team.

Yaoxian Chew - Amplitude, Inc. - VP of IR

Next question from Michael Turits from KeyBanc, and last question from Nick Altmann.

Michael C. Vidovic - KeyBanc Capital Markets Inc., Research Division - Associate

This is Michael Vidovic. Just looking at the customer adds in the quarter, are you seeing higher adds due to how recent the MTU pricing change was? And we should expect it to potentially slow in the back half of the year? Or do you think the current level as is relatively sustainable here?

Spenser Skates - Amplitude, Inc. - Co-Founder, CEO & Chairperson

Yes, I think you're going to see this on an ongoing basis. We've -- as part of our kind of win simple efforts, we made that MTU change, as you mentioned, and that's led to big jumps in customer adds, both Q1 and Q2, and I think we'll expect that to continue to persist going forward. We're also not done in terms of the improvements on the product-led growth motion. There's quite a bit more that we want to do to improve that and optimize that and that will help us both win the low end of the market, and also just having another entry point in the simple onboarding process for customers broadly.

Michael C. Vidovic - KeyBanc Capital Markets Inc., Research Division - Associate

And then just on the -- you talked about ramping up professional services. I guess what's driving that? Is it just longer implementation times (inaudible) Enterprise? I guess just in your perspective, how do you characterize that?

Christopher Harms - *Amplitude, Inc. - CFO, Principal Financial Officer, Principal Accounting Officer & Treasurer*

I think we were just undersourced just as we were oversourced on the customer success team, we were undersourced on the pro services. I gave it just as an anecdotal example of look, as we see areas that need incremental investment, we're not going to hesitate to do that. That being said, free cash flow positive obviously gives us a ton of flexibility about what we're doing, getting to a non-GAAP EPS kind of positive state this last quarter, great milestone and as I said, we're kind of guiding the Q3 on a profitability standpoint. All I was trying to indicate there is that when we see the areas that meet the incremental investment, weren't going to hesitate to do it.

Yaoxian Chew - *Amplitude, Inc. - VP of IR*

Last question from Nick Altmann from Scotia. I think we have you at this time, Nick.

Nicholas William Altmann - *Scotiabank Global Banking and Markets, Research Division - Analyst*

Just a followup on Tyler's question on the renewal side of the equation. When you look at the gross renewal rates for the enterprise side of the business versus more of the SMB side of the business, how meaningful is the delta there in terms of the gross renewal rates?

Christopher Harms - *Amplitude, Inc. - CFO, Principal Financial Officer, Principal Accounting Officer & Treasurer*

So I know that I have it. I'm visualizing the chart in my head, but I don't want to call it out without having looked at it again. When we do the call back, I'm happy to give you that spread.

Nicholas William Altmann - *Scotiabank Global Banking and Markets, Research Division - Analyst*

Okay. Fair enough. And then earlier, you talked about how actually the second half maybe has less of a renewal base and 2Q is actually a pretty significant renewal quarter for you guys. I guess I wanted to ask how you're sort of thinking about renewals with your customers? And sort of what are sort of the levers that you're pulling to combat those? Is it more discounts? Is it trying to sign shorter-term deals? Like what are sort of the things you're doing on your side of the equation to help maintain customer spend and sort of lift those renewal rates in the second half?

Spenser Skates - *Amplitude, Inc. - Co-Founder, CEO & Chairperson*

Yes. I mean there's a ton. It's the top priority from both a product and a go-to-market standpoint. I think there's a lot of different plays. So one is actually going towards longer-term contracts, but offering more discounting is a lever. I think even in cases where customers are looking to down-sell finding other areas within the business where we can expand to or cross-sell new products like Experiment and CDP. That's actually worked quite effectively, and we're going to continue to do that as more customers become aware of our offerings in those areas.

And then cases where like the crypto company that we had mentioned where it's just like, hey, we had to go through a layoff, this is -- you just don't have budget. We ultimately want to be good long-term partners. And so we'll work with them to figure out a level on a rate that makes sense because our expectation is these customers are going to be with us for a long term. And on both sides, we want to -- they know as they get back to growth and we'll grow with them and want to work with them to do that.

And so I think the one -- the other thing I'd call out is our predictability into this cycle has gotten much, much better. Thomas and Nate has done a fantastic job of driving that. We landed pretty much where we expected within Q2. And as we look to Q3 and Q4, those are also within the bounds of what we were looking at earlier. And so I think we've gotten still more to go, but a lot better on the predictability front. And so that helps us get in front of it much earlier as well as control it so that we can make sure to keep those customers.

Yaoxian Chew - *Amplitude, Inc. - VP of IR*

Great. Thank you. With that, I'm seeing no further questions in queue. We will be at the Citi Global Technology Conference and Piper Sandler Growth Franchise Conference in September. Details will be posted on our IR website. Thank you very much for attending our Q2 earnings conference call. You may now disconnect.

Spenser Skates - *Amplitude, Inc. - Co-Founder, CEO & Chairperson*

Thanks, everyone.

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