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PRESENTATION

Yaoxian Chew

Hello everyone, welcome to Amplitude's First 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 second quarter and full year 2023, the expected performance of our products, our expected quarterly and long-term growth, investments and our 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 that could cause actual results to differ materially from those described in these statements. Further information of 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 in today's call are expressed on a non-GAAP basis. We use these non-GAAP financial measures internally to facilitate analysis of a 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. - Co-Founder, CEO & Chairperson*

Thank you, Yao. Good afternoon, everyone, and welcome to our Q1 2023 earnings call.

We have a lot to cover today, so I'm going to focus my remarks on three key areas; first, our Q1 financials and some customer product and AI highlights. Second, an update on the environment and outlook for 2023. Third, how we're adapting and why the long-term opportunity remains as compelling as ever.

Before I get to that, I want to reiterate my view on the market. Almost every business with a digital product needs to know more about what their customers love, what causes them to get stuck, and what keeps them coming back. Product-led growth will become a more important channel for any business with a digital footprint. This means we have an opportunity to help our existing customers to expand to multiple different departments within those customers and to dramatically extend our reach to new companies of all sizes. The demand for digital analytics remains strong and we're only just scratching the surface of the opportunity.

Turning our attention to Q1 results. Our first quarter revenue was $66.5 million, reflecting 25% year-over-year growth. Our dollar based net retention rate was 106% with trailing 12-month NRR of 114%. Our operating loss was $7.9 million or negative 12% of revenue and our total customer count increased to 2,175. The first quarter saw us win new customers from multiple industries including PGA America, Panda Restaurant Group, Viator, RudderStack and Endeavor, home to brands such as IMG and UFC. We expanded with companies including Chick-fil-A, Chess.com and AMC Networks. We also brought in substantial deals with some of the world's largest on-demand music services and streaming entertainment companies.

Let me share more details on two of those deals. Panda Restaurant Group, which operates over 2,400 Panda Express locations, selected Amplitude analytics to gain real-time insights that were previously unavailable with their existing tech-stack and related dashboards. Our self-service capabilities, quality of insights and scalable platform will enable the Panda team to become more sophisticated in their data-driven decision making. Panda will leverage Amplitude to power their new rewards program. By understanding how rewards, coupons and promotions directly impact customer behavior, the Panda team can make informed decisions that will keep their guests coming back.

RudderStack, a customer data platform powering over 30,000 apps and websites, is a great example of a company purchasing both Amplitude analytics and experiment at inception. RudderStack was previously using a hodge-podge of point solutions, which meant that running even very basic AV tests was time consuming. Now the RudderStack team can use Amplitude to run experiments and analyze the results, all in one platform. This makes it much easier for its products, sales and customer success teams to access customer data, identify its pain points and deliver a better product experience.

We are relentless about improving the Amplitude product experience. In Q1, we redesigned our chart creation flow and layouts, reducing the time it takes to create your first chart. Early feedback has been tremendously positive with signs of increased feature conversion and retention. We want everyone to reach their first aha moment much quicker whether you're trying to craft patterns between offline buyers and online sellers, design promotions for a loyalty program or find hidden signals between point of sale systems, deliveries and reservations.

Recent advances in artificial intelligence have the potential to greatly accelerate the growth of our category. Developments in generative AI enable users to navigate complex workflows with simple natural language interfaces. For a platform as powerful as Amplitude, this can transform both the time to value and the base of users we speak to. We think such interfaces can let every user answer questions and surface insights in a self-service manner. We've also seen the ability for these models to intelligently classify and summarize information, dramatically reducing the barrier for customers to reach a clean instrumentation.

We also have the world's most comprehensive dataset on product and customer behavior, which allows us to develop powerful foundational models that would have significant impact on how companies develop digital products. We are hard at work, experimenting with new ways to leverage this powerful dataset for our customers and I look forward to sharing more with you all in the future.

As we made our way through the first quarter, it became clear that our operating plan needed to change. It is a reset year for a lot of our customers. The overall business environment was far more challenging in Q1 in comparison to Q4. The Tech and SMB sectors have been hit especially hard with more tech employees laid-off in Q1 than all of 2022 and buyer behavior is more cautious as a result. Volume based pricing also means a more severe rightsizing for us after a period of acceleration. In addition, our exposure to more challenged end markets was having a greater impact than we expected. When customer spending cuts were more surgical last year, Amplitude fared relatively well. However, it's now apparent that companies are reducing budgets more indiscriminately as the demand for their own offerings softens.

As a result of these dynamics, we are updating our full year guidance. We now expect 12% to 13% revenue growth for full year 2023, down from 19% to to 22% growth we previously guided to. Against this, we are being very deliberate about how we operate our business at its current scale and accelerating our profitability and free cash flow. Criss will take you through the details shortly.

In an environment as fluid as this, we operate by focusing on what we can control. We took the difficult decision in early April to reduce the size of the Amplitude team by 13%. The move focused primarily on the go-to-market organization but also covered product development and G&A. To successfully capture the opportunity ahead of us, we need to continue evolving as a company. That's why I have been deliberately improving the operational maturity of the business. I'm very excited about the executive leaders we brought in over the past year including Thomas, Criss, KJ and others. They are transforming their teams today and driving strategy and execution for the future to lead Amplitude to $1 billion in revenue and beyond.

I previously talked about the building blocks of better execution around scalable pipeline generation, sales operating cadence, enablement and value based selling. Improvements here are starting to deliver tangible results. Pipeline has been a bright spot. Our win rates are up against the competition. We're keeping the aggressive pace of product innovation that Amplitude is known for. We remain disciplined in our investment approach and we continue to raise the bar for execution across the board.

As the markets continue to change, it is crucial that we adapt. Here is how we are doing that. First, the April restructure means that we have a much clearer path towards operating as a profitable, free cash flow generating business. We will operate responsibly against a short-term lowered growth outlook while still leaning into the opportunities ahead. Second, we have a more defined approach to account ownership and engagement in our go-to-market organization. We wanted to reduce the diffusion of responsibility and drive more accountability, and the changes enable us to approach our customers differently depending on their needs and industries.

Third, our product development team will intensify its focus on the huge opportunity in the enterprise space. Many companies need more help in getting started and then driving digital maturity. Our efforts on ease of use and verticalization are specifically targeted to win this group. Last, we're doubling down on our product-led growth efforts. We are in the first phase, delivering for smaller customers making sure that unhappy Google Analytics users have an easy natural migration path to Amplitude. Phase 2 will be targeted at smaller teams and larger accounts.

We welcomed industry veteran, Nate Crook, to Amplitude as our new CRO in April. Nate has over 20 years of enterprise software sales and engineering experience. He spent eight years at Microsoft and led their worldwide sales and strategic partnerships team. He has also held sales leadership roles at Cisco, Symantec and a number of other startups. Together, these developments will enable us to speak to many more prospects that we do today in a much more effective and scalable fashion.

Against what is a challenging message, I want to take a step back. The market opportunity for Amplitude is incredibly compelling. The digital analytics category remains in its early days. We are underpenetrated within our customer base. This is especially apparent when we look at how our most sophisticated customers use Amplitude versus the average. We are continuing to take share from Google Analytics displacements and consolidating numerous weaker point solution in fragmented end markets.

Amplitude's value proposition is unique, and we are best positioned to win in this market. We offer the most powerful digital analytics solution at the greatest value. Trying to replicate what we offer out of the box by using legacy tooling involves a combination of data scientists, expensive add-ons and lengthy implementations. Amplitude's deep understanding and focus on the product persona and workflows will continue to set us apart from the pack. No other digital analytics platform can provide the self-service data, insights and actions that we can. At Amplitude, we have succeeded by doing what is right for our customers in the long-term. The growth we've experienced over recent years has been in tandem with the health and ambitions of our customers. This means more pain in the short-term as many of these businesses face cyclically slowing growth.

Here is the message I'd like to leave you with. It is a reset year for many of our customers, the macro headwinds are temporary and we see more validation of our approach in immense TAM every day. Over the long-term, I expect we will accelerate our growth. There remains a lot of opportunity for us to improve our operational maturity and execution, and all of these are controllable and fixable. Our team is rising to the occasion. We are well set up to navigate this environment. We have accelerated our path to profitability, free cash flow yet again even against a reduced growth outlook.

I'd now like to turn it over to Criss to walk through the financial results. Criss, welcome to Amplitude.

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

Thanks, Spenser, and thanks to everyone joining us today.

More and more organizations see digital analytics as a must-have, making the opportunity in front of Amplitude huge. I joined Amplitude because of this opportunity, the world-class platform that Amplitude provides and the asymmetrical outcomes I think we can deliver over the next few years. As I've wrapped my arms around the business over the last 90 days or so, it has been come clear that 2023 will be a more challenging operating environment than was previously assessed. This requires more rigor and discipline, and more than ever, a need for even more thoughtful and strategic capital allocation. We are intentionally shaping Amplitude to drive more operating leverage at scale and to position ourselves for reaccelerating growth as the headwinds Spenser characterized subside. Our team is rising to the occasion. We have a much clearer path towards operating as a profitable, free cash flow generating business. I'm truly excited to be here, and I hope to have the opportunity to meet with many of you over the coming quarters.

Before I share our first quarter results and our updated outlook for 2023 in more detail, a last bit of context. As you'll note in our press release and in our 10-Q, we have disclosed annual recurring revenue or ARR and our net retention rate to complement our historical disclosure of a trailing 12-month measurement of NRR. My intention in including these additional disclosures is to provide you more real-time insight into our fuel performance in the quarter.

Now on to our first quarter results. As a reminder, all financial results that I will be discussing with the exception of revenue, RPO 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.

First quarter revenue was $66.5 million, up 25% year-over-year and up $1.2 million sequentially. Total ARR increased to $262 million, an increase of 25% year-over-year and an increase of approximately $7 million sequentially. The mix of new ARR was fairly evenly balanced between new ARR from new logos and expansions. We're seeing growth in customers across both our $1 million plus and $100,000 plus ACV base. The importance and ROI at Amplitude even in this environment remains clear, we're delivering tangible economic value with our platform, allowing us to explore new opportunities throughout organizations.

Partial churns resulting from rightsizing against a weaker demand environment or reduced growth ambitions reflected about half our churn in Q1. As Spenser has said before, many of these customers want to work with us longer term and see Amplitude becoming a more important part of their stack. Other customers are cutting deep on spend, sometimes choosing to fly blind on product while in survival mode. This is driving some of our lost customer churn.

NRR on a trailing 12-month basis declined sequentially to 114%. NRR as of March 2023 was 106%, down from 127% a year ago. The primary driver to the decrease was the significant slowdown of new ARR from expansions. Gross retention this quarter was in the high 80s and has remained fairly consistent over the last few quarters. Note, the gross retention has slightly declined from the high, which was in the low 90s in late 2021. Tougher expansion and rightsizing dynamics have been evident in the delta between gross and net retention, which has been shrinking since the second half of 2022.

Total RPO was $240 million, down $8 million sequentially and up 24% year-over-year. Current RPO was $192 million, up $1 million sequentially and up 28% year-over-year and represented approximately 80% of total RPO. Gross margin was almost 75%, up more than 2 percentage points on a year-over-year basis as the engineering team has driven efficiencies that lowered our core unit cost. Sales and marketing expenses increased to $32.5 million or 49% of revenue and represented a 4 percentage point increase sequentially, partially reflecting cyclical sales in marketing expenses like our 2023 sales kickoff.

R&D expenses increased to $14.7 million or 22% of revenue and represented a 2 percentage point increase sequentially. G&A expenses decreased to $10.3 million or 15% of revenue and represented a 1 percentage point decrease sequentially. Operating loss increased to a negative $7.9 million or negative 12% of revenue, a 3 percentage point improvement on a year-over-year basis, but a 5 percentage point decrease on a sequential basis. Net loss per share was $0.04 based on 114.4 million shares compared to a loss of $0.07 with 109.6 million shares a year ago. Free cash flow was a negative $5.8 million or a negative 9% of revenue, a 9 percentage point improvement on a year-over-year basis and flat on a sequential basis. Finally, cash, cash equivalents and marketable securities were $298 million at the end of Q1.

Now, on to our outlook. Indications are that some of the toughest dynamics of the year on renewals are ahead of us. Our outlook strives to prudently incorporate those leading indicators into our revenue guidance. We have recalibrated our top line revenue drivers for the changes in sales headcount but the derivative impacts on productivity levels in the near-term are more challenging to predict. Our outlook strives to prudently incorporate these considerations into our guidance. The weakness in the first half of 2023 means that the revenue acceleration this year is improbable and that the path towards reacceleration will be ultimately more gradual.

We completed our restructuring in April from which we have strong visibility into the resulting cost savings. We are demonstrating fiscal responsibility and proving ourselves strong stewards of shareholder capital by having improved our path to profitability targets. For the second quarter, we're expecting revenue between 66.5 and $67.2 million, representing an annual growth rate of 15% at the midpoint. Non-GAAP operating loss between 1.1 and $0.6 million, non-GAAP net income per share to be between $0.01 and $0.02 assuming shares outstanding of approximately 116.5 million as measured on a fully diluted basis. For the full year, our updated 2023 revenue guidance is between 266 and $269 million, an annual growth rate of 12% to 13%. We expect non-GAAP operating loss between 8.4 and $6.0 million and we expect non-GAAP net income per share to be between $0.02 and $0.04, assuming shares outstanding of 117.5 million as measured on a fully diluted basis.

As we adjust our models, keep in mind the following; we have accelerated our operating margin profitability profiles for Q3 and Q4 as reflected in the updated 2023 operating margin guide. Contributing to the operating margin is continued improvements in gross margins. We're expecting about $3 million of interest income per quarter, and the spread between free cash flow margin and operating margin both measured excluding the restructuring charges should be between 3 to 5 percentage points for FY 2023.

In summary, the environment dictates a necessary reset for our near-term growth targets, but our ambitions remain intact. We are controlling what we can control, delivering profitability and focusing on execution. When the environment stabilizes, we believe many of the changes we're working on will translate into better productivity, net retention and revenue growth.

With that I will open up for Q&A.

QUESTIONS AND ANSWERS

Yaoxian Chew

(Operator Instructions) Our first question comes from Elizabeth Porter of Morgan Stanley followed by Koji Ikeda from Bank of America.

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

I'm sorry, my video will go on. I just wanted to ask on the competitive environment. Adobe introduced a product analytics solution a few months ago and Google Analytics is obviously moving towards Amplitude's direction. So first, have you seen any change in win rates or conversions in the near-term? Second, how are you thinking about the balance between a large greenfield opportunity versus a risk from increased competition from some of these skilled vendors?

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

Yeah. So I think it's actually been a positive. The changes both on Adobe, Google Analytics, a bunch of the other players in the space have been in response to a very real customer demand. The thing I tracked very closely is win rates and those have actually gone up in Q1 if I look at that versus prior quarters. And so I think I'm very excited that they are entering the space. I think it's a great validation of the massive opportunity that's here. I'm very excited about how successful we've been against them.

With regards to Adobe in particular, I'd point to two things. The first is that I think Amplitude we've been built for first principles for a digital product world. We own the product persona whereas Adobe is very focused on the marketing one. So from our standpoint, it's not like there is a legacy architecture, we're not afraid of disrupting ourselves in the existing business, we don't have competing priorities. The other thing that we -- this is something we consistently hear from customers, is that the right comparison to Amplitude is not the product analytics product, it's actually 15 to 20 Adobe products combined plus tons of implementation services, data engineers, data scientists and analysts while with Amplitude it's we offer much better tooling right out of the box in a self-service way. We're continuing to see many of Adobe's largest customers very interested in expanding their usage of Amplitude versus Adobe, and so I feel really good about how we're positioned and continuing to build our lead in this space.

In terms of the larger greenfield opportunities, our main motion remains a kind of land and expand one and that's very consistent and remains true for the large Adobe customers. We will land with a business unit in many of these companies and then start to expand to the central team and get standardized across the board, and we're seeing that continue to happen, and there's no change in appetite for that. In fact, there is actually more interest in Amplitude as a result of other players entering the space and talking about product analytics.

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

And then just as a follow-up, I wanted to ask about MTU based pricing. Are you seeing a benefit as you're just addressing a larger volume of low-end customers? We saw customers came in a little bit better than what we were expecting for the overall net adds. And then just longer term, what's the path for these customers, is there an opportunity to upgrade them and have more of that revenue impact?

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

Totally, yeah. So as you mentioned, our customer count has been a huge positive. The switch to MTU based pricing basically lowered the barrier to entry, particularly for the lower end of the market. We expect a lot of those customers to grow with us over-time, both because of MTU based pricing and a lot of the other things we're driving on ease of use adoption. One of the biggest priorities this year that we're thinking about from a product standpoint is how do we win the simple use cases and a huge part of that is giving more ways for customers to get started with us and that's about making sure that if someone wants to start small with us, they can and they can kind of grow later on, and so we're already seeing that show-up on customer counts which is fantastic, and we'll continue to drive more improvements there.

Yaoxian Chew

Next question is from Koji Ikeda of Bank of America followed by Michael Turits from KeyBanc.

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

Wanted to ask you a question on the guidance and just how much is it derisked? Thinking about the guidelines and how much conservatism is embedded into the revenue guide, I mean, when we look at the guide and assuming revs don't sequentially decline in any quarter kind of going for the rest of the year, that really implies that revenue is essentially flat for the next few quarters. I mean is that not right? How should we be thinking about the linearity of growth for the rest of this year?

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

Yes. So the math that you've done is the correct math that we've conveyed in the guidance. So let me just talk through some of the pieces that are in there under the umbrella of the major thing. Our end customers are going through somewhat of a reset this year, just on the level of volume that they're having with their end customers and they were a reflection of their ambitions prior. And we're going through that rightsizing with them. As I look through the kind of leading indicators as it plays out for churn for the rest of the year, both from continuing rightsizing and continuing just full churn of some customers were kind of go blind on the product side, I've tried to be very prudent and reasonably place how that increased churn plays into our guide.

The second piece of it is recognizing that we did do the restructuring in April and that was really driven by a theme of go-to-market effectiveness, how we go after the enterprise market, how we go after the low end of the market, and it was the restructuring around that, reflective of those headwinds. So we have pulled down kind of our new ARR adds from both land and expansions as a function of that. The two of those, again, as I look at it holistically, I'm just trying to be very prudent and reasonably placing how that plays out for the rest of the year. We are definitely in a worsening condition as I conveyed in my prepared remarks. The renewals for this year, it is a worsening case and I wanted to have that reflected in terms of the revenue guide.

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

And just a follow-up here. I do appreciate the focus on the path to profitability, responsible growth in this environment. But thinking about investments for the long-term positioning of the business, dialing it back up in a better environment can sometimes take longer than dialing it back down in a bad environment. So because you're operating in what we think is such an attractive long-term opportunity here, how are you managing not leaving any growth on the table from a potential lack of capacity in the future?

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

So I'm going to start a little bit of contextual level, like my background is high-end enterprises. Nate Crook, who's joined us as CRO, comes with a very high-end enterprise. We're very clear with what those motions look like. We serve as a great complement with where Thomas Hansen's experience has been specifically with Microsoft on the SMB space. We think we bring a lot of of insight in how to unlock effectiveness and efficiency in two very different motions, the top end and the high-end. In reflecting where we are from kind of a broader macro conditions, which, as we've said, we view is very temporary, this is a great opportunity for us to focus on driving that effectively.

This is very much an opportunity for us to get those muscle memories in place and be in a really great position as we start to unlock that potential heading out of 2023 into 2024 as well as hopefully a resumption of tailwinds or at least a significant drop-off in the headwinds. That's how we're thinking about it. Like I've been here just short of 90 days, I say it with humility, but I look forward to shaping and influencing along with Nate and in collaboration with Thomas how we run all of those motions up and down the stack.

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

One thing I'd add, Koji, to your question is we're able to make all the long-term investments from a product development and innovation standpoint. I've said very consistently that product innovation is going to be the biggest driver of long-term growth and shareholder value for Amplitude, and that remains true. So, all the things I called out in the previous earnings call on accelerating the distribution monetization, we're still doing all of those.

We've done -- we actually just had a hackathon last week where we built a bunch on AI front that I'm quite excited about. That will start to come out as we go -- get into later this year. And so we're able to make all the investments we need. We've always been a relatively efficient business in terms of the amount of cash that's required to get us to our size and growth rate. And so the restructuring we did wasn't as dramatic, I think, as what some other companies had to go through.

Yaoxian Chew

Next question from Michael Turits followed by Claire Gerdes from UBS. Michael?

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

Thank you for presenting Spencer, very frank and open view of the environment and Criss, good to be working with you again, and I'm glad to see it. So again, I think taking off from where Koji went on the guidance question. I'd love to -- right now, you have 106% net expansion rate and you are growing customers. So, I guess, Criss, what is it that you're exactly seeing in those for living indicators about around renewals that makes you think that you really will essentially get no net new sequential revenue? And doesn't that therefore imply that your net expansion rate heads to 100% or less?

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

Great question, Michael. Let me start here. Our growth has been in the high 80s. It's been there for the last few quarters. And as I look out, I do expect it to drop down into the kind of mid-80s. The role that expansions play in the upcoming quarters versus the role that the land plays, I have a better view at an aggregate level than I do at the delineated level. With that said, to the degree that our new ARR is coming in higher from a land perspective, a new logo perspective, I could see the number dropping below 100 as it plays out this year and obviously, vice versa. I look forward to getting my arms around more of that detail as we go forward. I've spent a lot of time with Thomas shaping how we're looking at the rest of the year. But as it pertains specifically to contributions in an expand level and the role the NRR plays, what you've defined as possible.

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

And then Spencer, we've talked about the shift or, let's say, the expansion of the digital analytics platform to be more marketing focused, you want to have people that are using it for marketing. And one of the things we've talked about before, I think, is the fact that there's more of an established budget for marketing analytics than for product analytics. Exciting thing about product analytics, but exciting could be new I'll just say. So, I think this has been some of the idea would be that with more, whether it's in CDP or in some of the other areas that this would help you appeal to that existing budget in this tougher environment. Has that worked out the way that you were hoping?

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

Yes. It is early, but we're starting to see a lot of signs of consolidation. I already called out rudder stack, which moved off of a bunch of point solutions on to analytics plus experimentation. I think the penetration of experiment with -- in our customer base is still low and it's early days. And so there's a lot of opportunity to kind of grow a cost. I think over the long term, I'd expect more than half of our customers use it. It's much less than that today, as you probably imagine. We're seeing consolidation play be fantastic. I think it is helping us offset a bunch of the churn picture.

I think the other good thing is we don't see anyone consolidating away from Amplitude. It's only the consolidation to what we have on analytics as well as experiment on CDP and all the other way around whether to GA or other stuff almost never happens. And so I think, yes, I think we're -- it's early, but we're continuing to drive it. And I think it will be a big part of the expansion and driving NRR up over time.

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

Thanks for the transparency. I really appreciate it.

Yaoxian Chew

Next question from Claire from UBS, followed by Rob Oliver from Baird. Claire, go ahead please.

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

I wanted to touch a little bit on NRR again, but more backward looking on the reported metrics. So, can you -- would you be able to quantify like how much of that has to do with rightsizing churn and slower expansion? You touched on that, obviously, in prepared remarks, but just any further detail that you could provide there?

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

So, let's do this. I can't speak off top of my head to more than just Q1, which I tried to weave in as transparently as I could in the prepared remarks. Give me some opportunity for your call back to see if I can get some better insight for you.

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

And then maybe, I know you were just touching on where that metric could dip to maybe below 100%. But as we look at the guide for the year -- could you talk about, given your newer to this role, how your guidance philosophy might differ from previously and if that's more conservative or anything like that?

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

Look, I don't want to do a contrast. Those who have worked with me in the public markets know that I try to be a thoughtful person. I try to be transparent and I try to be prudent about how I'm signaling to how I think the business is going to roll out. I try not to apply any subjective assessments, whether I'm too conservative or not conservative enough. I just try to give my realistic view of how I see things playing out in a prudent fashion and that's what I've done here. As Spencer hit upon, a lot of this insight really developed in the back half of Q1 that happened to coincide with my arrival and diving in with a lot of things. I tried to convey what the leading indicators are telling us -- telling me and the rest of the team, I've tried to convey what I think we'll be doing from a new ARR perspective and try to net that out as I conveyed in the top line guidance.

Yaoxian Chew

Next question, Rob Oliver from Baird followed by Clarke Jefferies from Piper. Rob, go ahead please.

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

Can you guys hear me okay?

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

Yes.

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

Spencer, I had one for you and then Criss, a follow-up for you. Spencer, you mentioned a more defined approach to account ownership. I just wanted to get a better sense for you of what exactly that means? And are these changes that preceded dates arrival that involved Nate, maybe talk a little bit about how that will be implemented and what sort of impact you expect it to have on the go-to-market?

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

So, all of this was before Nate and as part of the restructure that we did in early April. I think one of the things that we -- that Thomas and I saw as we looked across the go-to-market teams is it was -- there wasn't clarity of role responsibility. And so you had a lot of 5 or 6 people on accounts all with different roles and that how different teams handle that look different across the board. One of the things that we wanted to do was drive standardization of that so that we had very clear accountability and roles across the team. As part of that, one of the things that we did was we made the account executive role responsible for the entire relationship end to end. So, the executive sponsorship, the renewal, any further expansion across the board. And that wasn't consistent before in a lot of the accounts that we have. So, that was one change.

The other big change was on the customer success side is defining that role to have a lot more product expertise responsibility. So, their responsibility was less focused on the relationship and more focused on delivering, training and helping the customer onboard and scale with Amplitude from a knowledge standpoint. One of the biggest things we tried to do with the restructure was instead of just doing kind of cut across the board is to do a fall forward into where we -- how we think our business is going to need to evolve and be deliberate about that. And so one of the things we've been hearing from a lot of the traditional enterprises and mainstream customers is that they want to know how other companies are using Amplitude.

So, a lot of the logos I mentioned are signing in Q1, PGA of America, Panda, Endeavor, which owns UFC, they're all looking to us for expertise on what are the best practices when it comes to the space. And so giving explicit ownership of that to customer success as well as the other teams around it was a way to kind of drive that more low clarity and clear accountability on it. So, that's kind of the high bids in terms of some of the things we did on the restructuring go-to-market.

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

And then Criss, welcome. Look forward to working with you. We appreciate all the disclosures as well, the new disclosures and clarity. So, you guys are already guiding for -- to be free cash flow positive in the quarter, I mean, for the year, sorry, despite that, obviously, profitability is ramped tremendously for the year. Can you talk a little bit now, admittedly, only having been 90 days about where you view some of the internal cost potential and additional leverage that you guys can get aside from just obviously getting into a better environment and better revenue growth?

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

Well, you took away was going to be my first talking point. Look, we're definitely going to focus on effectiveness in the go-to-market. I look to see that manifest itself in terms of revenue reacceleration. I look forward to the day when we're getting to make the trade-offs between as operating profit and free cash flow margins are improving, how much are we reinvesting back into the business. The second piece of it, we alluded to it in the prepared remarks is we are seeing additional upside in our product margins and the hosting margins and the engineering team is doing an amazing job on how they're re-architecting that. We continue to see that come to fruition and we've definitely built that in to our overall operating margin guide for the year.

Yaoxian Chew

Next question Clarke Jeffries from Piper followed by Arjun Bhatia from Blair. Clarke, go ahead please.

Clarke Jeffries

Criss, Spencer, good to see you. I think very helpful to have an ARR disclosure. I think one of the crucial things that investors will be trying to kind of parse out and understand, and I think it's two-fold and 2 ideas that we've heard from kind of multiple companies in the challenging operating environment. And one is maybe parsing out churn versus new customer ARR. And I was wondering, Criss, if you could maybe give a sense of maybe the history of new customer ARR, is it still growing year-over-year? Do you still expect that to be on a trajectory of growth so that even if the optics of net new ARR are depressed by churn, you're still building a path of new ARR in the growth side higher?

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

So, I appreciate you valuing the fact that we're doing the ARR disclosure now. Can I just say one step at a time in terms of getting more specific on that. In terms of the theme that you're hitting upon, I tried to speak to that a little bit earlier, definitely the biggest lever in terms of kind of the reset had to do with churn, and it had to do with how I was perceiving both partial churn and lost turn. And that definitely is eating into the productivity levels that we expected from the new ARR and kind of already spoke to the fact that we saw those at least at this stage in our effort to be prudent in that guide as somewhat of a neutral. As it pertains to the trend on that, I prefer not to get into greater detail at this time.

Clarke Jeffries

And then the second part is really around sizing. I think at the time of IPO, 100,000-plus customers were more than 70% of ARR. Is there anything more to say about how this trend bifurcates in maybe the 6-figure-plus customers versus below? Maybe to help us size downdraft in the subsector being maybe more significant than the above 6-figure or any way to kind of bifurcate, because I think that's something we've heard in other companies is how to invest the incremental sales and marketing dollar, ARR is going to translate to a lower number when you pull back or invest.

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

Happy to. So, I believe Spencer spoke to it, no I know I spoke to it as well. Both of those categories grew for us, right, both the $1 million-plus customers, both in terms of count and value as well as the $100,000-plus. We expect and strive to have that continue to grow at an accelerating rate. On the lower end of the market, that's where we're spending a little bit. And that's a big part of why there's a big focus on PLG in terms of doing and serving that market in a much more contribution profit effective way than we've done historically, which has been predominantly in a direct selling motion. As it pertains to kind of how we see that taking shape out over the years, right, those are very different ACV basis, right, across those 3.

I know there was a second part of your question, which I've now forgotten, but...

Clarke Jeffries

I think that's a fair characterization. It sounds like trends were continuing to be very healthy in that 6-figure plus then that the reevaluation was maybe in the sub-6 figures. So, that sounds like a adequate answer to my full question. So, I really appreciate it.

Yaoxian Chew

Next question Arjun Bhatia from Blair followed Tyler Radke from Citi. Arjun, go ahead please.

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

Can we just dig into churn a little bit more? I'm trying to get a sense for the customers that are fully churning, what are they doing? Are they just not using product analytics? And then kind of a similar question on the partial churn customers. Is that just a factor of customers that over bought? Or are we seeing their digital event volumes actually drop?

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

Yes, for sure. So, in terms of what customers are doing, I think there's 2 big cases on the full churn front. The first is they're going out of business or they're significantly reducing the business or the business unit is getting killed. So, some material business event that that's out of control where it just doesn't make sense for them to continue using anything. The other big bucket is customers who are too early on the maturity journey and so don't have the capabilities, whether that's engineering resources, whether that's people dedicated to making sure you have data and the implementation be successful, whether that's the training of the team. And they're just choosing to go without.

And so their expectation is that they will kind of get back to using product data at some point and they need to in order to discuss their business. They just -- they're making the decision not to for the short term. I think we almost never see churn to competitors, whether that be some of the legacy stuff like Adobe or GA or whether that be some smaller player. And so win rates there is something that we very carefully track because we want to make sure that we're doing well, and those have actually improved to believe it or not in that Q1 versus prior quarters. And so that remains a strong point for us.

Arjun, sorry, what was the second part of your question again?

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

On the partial churn.

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

So, I think what we're seeing there is that we had -- because we're a volume-based pricing model, we saw kind of outsized growth in 2021, and we're seeing the right-sizing this year be more severe with us. I think a lot of those customers are actually getting more value from Amplitude than they have in previous years. It's just they're having to put pressure on us. And so that maybe they're more selective with what events they track. So, maybe they're forcing CPMs with us downgrade. I was just talking with Atlassian as an example. They went through (inaudible) about 2 months ago. And they actually have more users on Amplitude today than they ever have in their past. They have over 1,000 people using Amplitude monthly.

And so they're actually getting more value out of us, out of Amplitude and the platform and the whole thing and they expect to grow with us long term, but it's just -- there's still budget pressures. And so that comes into play where we're having the right size. And that's a very consistent theme across our entire customer base. So, even if you're getting more value and growing in terms of how you use Amplitude, you may still say, okay, hey, I got to cut this budget by 20% this year, and that's just what it is.

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

And then the other part Criss, I think you touched on this a little bit. But the seasonality, you mentioned that you're entering some of the tougher renewals going through the rest of this year. Are there any particular quarters that you think are more concentrated in terms of renewal activity? Or will you see churn risk being higher? How should we think about how the year might progress here?

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

I think what you'll find when you look through the Q2 versus the full year is, is Q2 is obviously one where I have the greater visibility and or greatest visibility in terms of precision, and it does reflect how I'm thinking about the mix across churn for the rest of the year, Q2, Q3, Q4. To say that more precisely, yes, giving you that next layer of detail, it is the largest churn exposure that I'm expecting for the full year based on what I'm seeing today.

Yaoxian Chew

Next question, Tyler Radke from Citi followed by Nick Altmann from Scotia. Tyler, go ahead please.

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

Nice to meet you virtually, Criss. Look forward to working with you. So Spencer, obviously, it's a challenging environment out there. I guess as you step back and kind of diagnose the issues that you're seeing and expecting, how much of this is kind of self company-specific things? With go-to-market execution, you're bringing in new sales leadership, maybe not having that senior level of selling at these customers to really justify the value? And how much of this is stuff out of your control, just with the budget? And how are you kind of expecting to -- what's the mix of those? And how are you kind of expecting to respond to those?

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

Let me answer it a little differently, Tyler. So, I think the high bid is that it's a reset year for a lot of the customer base because they're encountering slower-than-expected growth in their businesses. And so the volume-based pricing we have means more severe right-sizing for us. And as we got further into Q1 and look through the rest of the year, we wanted to make sure to update our view on what the right way to operate the business was. In terms of -- I think from an execution standpoint, I think there -- I've been very focused on how do we improve the operational maturity, whether that's sales execution, as you ask about or whether that's being able to have visibility into further out periods from a forecasting and guidance standpoint. And so I think we're kind of partway through that journey now.

I'm very excited about the work Thomas is doing in bringing in Nate and we've already seen the work on the marketing side in terms of improving the operational maturity in terms of driving more consistent top of funnel and pipeline. I think we absolutely will improve. I think I said on last earnings call, frankly, I'm not happy with where churn is at and so I think the addition of Nate will help us improve over that. And then I'm working with Criss to make sure that we get much better further out visibility into where those trends are so that we can get in front of them earlier and make adjustments to how we operate and how we run and guide the business. And so I think the high bid I'd say it's because of we're early in the market and we have volume-based pricing that is out of our control fundamentally. And so that means more dramatic swings because of the macro. And then the part that we can control is how we manage and forecast through those swings and that's what I'm really focused on improving from an operational maturity standpoint.

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

One area that was quite strong in the quarter was new logos with the customer additions. Wondering if you could just kind of characterize like the composition of those new logos. Did they tend to -- I know you referenced some on the earnings call, but do they -- how are land sizes relative to what you're seeing? And are you incorporating that maybe the new logos are not as strong in the coming quarters just given the environment?

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

So, a lot of that was driven by the change to MTU pricing at the low end of the market. And so that gives a much broader segment of customers and easier on-ramp to Amplitude. Now because they're just coming on, it's like I don't expect them to grow in any short term, like -- but those will pay dividends as we go into 2024 and beyond. And so very, very excited to see more customers coming on to Amplitude. I do think land sizes are more challenging. And so I think we've seen those cut down as we go through Q1 and what we expect for the rest of this year. But I think the exciting -- the thing from my standpoint is like, okay, we can still land a lot of these customers. We can expand the -- we can grow the segment of customers that are able to come on to Amplitude in a paid fashion in a much easier way. And so that's the part we can control, so let's focus on driving that, and that will set us up for a great acceleration in the long term.

Yaoxian Chew

Next question from Nick Altmann from Scotia followed by Gil Luria from D.A. Davidson. Nick, go ahead please.

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

Really appreciate the ARR disclosure. Is there any way to sort of -- when you look at the full year revenue guide, what does that sort of imply for net new ARR growth year-over-year? And if you don't want to get that specific, maybe just some directional commentary kind of how you've done with NRR on a go-forward basis? And then just to clarify, the new ARR metric that does not include overages?

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

So, on the first part of the ARR, I think one of your colleagues had already kind of done the math and said it implied a relatively flat net ARR for the upcoming quarters. And I kind of confirmed that math as we've increased the drag on us from increased churn. And as I recalibrated the new ARR reflecting the macro headwinds and us really focusing on the effectiveness. As to the second part of your question, I pause because I'm 99% confident it doesn't include our overages, but I would really love the opportunity to go verify that with my team.

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

And then just -- I know there's been changes on some of the sales leadership and you guys have talked about it a little bit, but what are sort of the go-to-market tweaks you guys are making? Obviously, factoring in that the macro is very turbulent and that's a challenge within its own right. But any sort of broader tweaks to the go-to-market significant changes to sales comp structure? Just sort of any color around that you can provide, I think, would be very helpful.

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

So, I spoke to it a little bit earlier where Thomas and I use the restructure as a deliberate opportunity to drive more consistency in how we approach accounts. And so giving account executives end-to-end relationship and executive sponsorship responsibility. And so that's been a huge -- that's been quite a big change and then redefining a lot of the customer organization roles on particular customer success, focusing on product expertise and training and onboarding and making sure that we share best practices with them on how to do it.

And so we've used the -- yes, we've used -- we've -- and so I think Thomas, yes, I've been working with Thomas to kind of drive a bunch of these changes over the last few quarters, and we'll continue to do this and adapt. With respect to goals, I think one of the other things we did, we obviously want to make sure everyone here at Amplitude is set up for success in a challenging environment. So, we did take the opportunity to look at goals across the go-to-market organization, including quotas and make sure they're set at a place where folks feel good about achieving them and can find success for the team that is here at Amplitude.

Yaoxian Chew

Gil, can you turn your mic?

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

In the prepared remarks, you talked about the difficulties of selling right now into software and technology companies. How about the non-digital native? You have customers in a lot of other verticals that are just expanding their digital footprint, pass-through restaurants, et cetera. What are the trends in those non-digital natives that are maybe not doing as many layoffs and cutting their budgets as much as those digital natives are doing right now.

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

Yes. I mean that's -- I think we're in this moment where we're going from having a large base of technology companies to trying to get this out to the rest of the market. And then to your point, there have been a few verticals, quick service restaurants is one, media is another where we have found a lot of success. I want to be clear, it's early for us in that transition for both Amplitude and for the market, but we're continuing to get wins. From that standpoint, I think 2 things in particular I'd call out. One is a deliberate drive to get lighthouse customers in a particular category. So, we saw that bear a lot of success within NEO where we got NBC, and then that's led to Fox Broadcasting, HBO, Discovery, a whole bunch of other media companies over the last few years.

Quick service restaurants has been another. I think some areas where we're still earlier, but we're looking to drive more of that is retail and financial services. This year, I think there's big opportunities in both. A lot of what we're doing -- so that's on the go-to-market front. On the product front, one of the concepts that we think a lot about is winning the simple use cases because a lot of these companies don't have the same level of expertise as the technology companies. So, how can you provide them with a ton of value right out of the box and as easy implementation as possible.

On the last thing on this call, I called out a lot of the initiatives we have on that front. So, single line of code instrumentation, warehouse native amplitudes of being able to get set up on a top of your data warehouse if you've already put data in there, out-of-the-box reporting, chart control redesign. So, there's a lot that we're doing to make it easier for these traditional companies to get on to Amplitude. So, we had some good wins in Q1 with some of the companies already mentioned, and so we're going to be focused on continued driving to that. I think you're exactly right from a strategic standpoint, which is you want to get to these traditional companies, both because they don't have as much headwinds in the current macro and because that's the much bigger market opportunity ultimately.

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

I'll just do a very quick follow-up on the digital native. How much of what you're seeing right now is just a shock from VC capital drying up, funds being at risk because of Silicon Valley. How much of it is a discrete short-term shock versus a change in secular demand from those customers?

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

Everything I'm seeing is pointing -- we asked ourselves that question a lot and everything we're seeing is that point -- is pointing to it as a short-term shock. I mentioned Atlassian and that even though we're driving more value, they are expecting -- they need to shrink budgets with us this year. I mean that's true of a lot of our customers. And so like I talked to them, their expectation is they're going to grow with us long term. A great example, I just talked to one of our largest Japanese customers and they're looking to roll out Amplitude to 30,000 end users. They want 30,000 of their employees to become Amplitude users because they believe in the importance of self-service data across the organization. And so we're seeing it. We're still having conversations top of funnel. That's actually improves a whole bunch. It really is just short-term budget pressures as we go through 2023.

Yaoxian Chew

Thank you. With that, I'm seeing no further questions in queue. We'll be at the Bank of America Global Technology Conference in June. Details will be posted on our IR website. Thank you very much for attending our Q1 earnings conference call. You may now disconnect.

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

Thank you all.