This call, management will make forward-looking statements, including statements regarding our financial outlook for the first 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 on the risks that could cause actual results to differ is included in our filings with the Securities and Exchange Commission. You are cautioned not to place undue reliance on these forward-looking statements, and we assume no obligation to update these statements after today’s call, except as required by law.

Certain financial measures used on today’s call are expressed on a non-GAAP basis. We use these non-GAAP financial measures internally to facilitate analysis of a financial and business tracks and for internal planning and forecasting purposes. These are the financial measures and limitations and should not be used in isolation from or as a substitute for financial information parent 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 IR 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 to everyone tuning in for our Q4 and fiscal 2022 earnings call.

For those of you who may be newer to our story, Amplitude helps companies build amazing products, drive growth and win their categories. Our digital analytics platform gives self-service visibility into the entire customer journey. Amplitude helps companies unlock the power of their products
and guides them every step of the way. This empowers companies to capture the data they can trust, uncover clear insights about customer behavior and take faster action.

Every C-level exec, I talk to wants to keep investing in their product. They believe digital products are their strongest path to growth. The problem is their ability to execute does not match their aspirations. Amplitude changes that. We show you what your customers love, what causes them to get stuck and what keeps them coming back. These insights are an absolute necessity, not simply nice to have, especially in this environment, we believe Amplitude is a mission-critical part of every modern stack.

We closed 2022 strong. Our fourth quarter revenue was $65.3 million. This was up 32% year-over-year and above the high end of our guidance. Our dollar-based net retention was 119%. We now have almost 2,000 customers, and 480 of those pay us over $100,000 in ARR per year.

On top of that, we delivered almost 300 basis points of non-GAAP operating margin expansion year-on-year. We've always been efficient in building our business. We are in control of our own destiny as we expect to generate positive free cash flow this year.

While the environment is getting tougher, we are managing our business well demonstrated by our beats on top and bottom line guidance. To every Amplitude employee, I am deeply appreciative of all the work you do to make our vision a reality.

As we highlighted in last quarter's earnings, we anticipated greater headwinds going into 2023. Things did get harder for us in Q4. We saw more churn amongst smaller customers as well as heightened scrutiny and budget pressure. Companies across geographies and industries are expressing caution. These are common themes you're hearing from a lot of software companies.

What is more specific to Amplitude is the amount of work we do to support digital natives and early adopters. Being part of an early category is a double-edge sword. Companies that had accelerated our growth are now pulling back the hardest. The whiplash our customers are experiencing is very real. We expect the rolling layoffs and reduced risk appetite to be headwinds in the near term, but these short-term headwinds will pass.

Our long-term outlook is still the same. When it comes to product data, companies are in the first inning. We remain in the midst of a massive wave that is changing how companies build, iterate and improve their products. As the digital analytics market continues to develop, we are seeing positive momentum in both the size and length of transactions. And we've seen companies like Tandem, Allbirds and Brainly move from Google Analytics to Amplitude.

Long term, I expect we will accelerate our growth. We have multiple investments designed to accelerate growth through distribution and monetization in 2023.

On distribution, we've been hard at work. I'm going to highlight 3 big bets. First, product-led growth. We launched a new pricing option in January, targeting start-ups and small businesses. It is based on unique monthly tracked users, a metric that smaller teams already understand and forecast. This is just one of the many steps in our larger Amplitude product-led growth journey, which you will hear more about as the year progresses.

Second, taking new user activation to the next level, including navigation and chart control rebuild, no code or single code data ingestion and the ability to work directly off of a cloud data warehouse.

Third, structurally lowering data cost by a multiple, making it easier to scale with us.

On monetization, we have a long runway in expanding the use of our analytics and our customer base. We can also add solutions to help our customers build better products. Our success with experiment exceeded our expectations in 2022, and we are still just scratching the surface with customer penetration. We know there are many more such opportunities. The potential for increased monetization of our platform remains in its infancy. We're early, our runway is immense, and we are seeing real validation. I've never been more excited about the opportunity ahead of us.

Product innovation will help us drive distribution and monetization. We released more than 100 product updates and features over the course of 2022, more than any other year in the company's history.
Our analytics helped us extend into retail and e-commerce, marketing and analytics is driving competitive displacements.

We're addressing more data leaders by building tools that minimize data chaos, increase visibility and improve accessibility across teams. Our new Amplitude data capabilities enable teams to holistically manage customer data on our platform. This increases confidence for data teams improves collaboration and makes it easier to identify and fix issues.

Experiment is now available in our EU data center. We've also introduced more improvements to make it faster to plan and run product tests. As companies look for ways to consolidate spend in this environment, we're seeing more demand for competitive displacements or experiment.

ITV, one of the U.K.'s leading broadcasters added Amplitude Experiment in Q4 to quickly iterate around the launch of their newest streaming platform, ITVX.

After building an experimentation culture at one of ITV's brands, BritBox, Lee Marshall, the Director of Product, is expanding Amplitude usage across the larger organization. He said it best, we had no central cross-platform capability. Experimentation is time-consuming. Without Amplitude, we couldn't measure the real value of our product increments to manage multiple experiments across the base.

Industry analysts are recognizing our leadership. Amplitude was named a strong performer in the first Forrester Wave for digital intelligence platforms that we took part in. The breadth and depth of our digital analytics platform allowed us to achieve market-leading 5 out of 5 scores across 9 criteria in the wave. Amplitude was ranked in the top 3 on strategy with Adobe and Salesforce and ranked way above Google on both strategy and execution, several point solutions that claim Amplitude as a competitor did not even make it into the report.

Amplitude received 5 awards across G2's 2023 Best Software awards. We also ranked #1 in 10 categories within the G2 Winter 2023, including the #1 product analytics solution for the 10th quarter in a row.

While early, I'm excited by the progress we're making in go-to-market, we have better alignment between marketing, sales and customer success. For example, improved collaboration between marketing, SDRs and revenue operations is leading to increased productivity on demand generation.

We've always been exceptional at selling into product and product managers. We continue to up-level our relationships there and extend to data leaders driving larger land deals. We're better connecting Amplitude with value for our customers, leading to stronger executive engagement. We've also created an executive sponsor program for our top 50 accounts that will be key to retention and expansion.

We've also enhanced our approach to Amplitude on Amplitude. Our product team has always used Amplitude, but we've taken it one step further and create Amplitude dashboards for our go-to-market team. This is helping us better serve our customers.

I'm excited to welcome Kristina Johnson as our new Chief Human Resources Officer. Kristina spent the last 7 years at Okta, leading the global people and places function as the company grew from 500 employees to more than 6,000. Kristina has a great perspective about how to build high-performing teams and have seen the journey we're embarking on. She's an amazing leader, and I'm excited to partner with her.

Post-market closed, we also announced a CFO transition, after 4 incredible years at Amplitude, Hoang will be leaving the company. I'm welcoming former ForeScout Executive, Christopher Harms, as our new CFO, and you will all have the opportunity to get to know him in the coming months. Hoang will remain an Amplitude an interim to ensure a seamless transition.

We're continuing to win customers across many industries and at every part of their digital maturity journey. Some big new customers in Q4 include Fandom, Philip Morris, Malware Bites, Black Rifle Coffee and Standard Chartered. We also had notable customer expansions in Q4, including Fox Broadcasting, NTT DOCOMO, Syngenta, Gusto and Calm.

One win I'm really excited about this quarter is Fandom, the world's largest fan platform. reaching more than 350 million unique visitors per month and hosting more than 250,000 wikis, Fandom is the #1 source for information on pop culture, gaming, TV and film.
Fandom’s decision was driven by the forced migration of Google Analytics. Their Director of Business Intelligence and site analytics led the evaluation in this highly competitive deal against legacy and point solutions. Ultimately, Amplitude was selected due to 3 key reasons: first, our seamless integration of product and marketing analytics, which was perfect for Fandom’s varied advertising content and editorial needs; second, our self-serve value proposition, where we were the natural solution for technical and nontechnical teams; third, our pace of innovation and scalability. Fandom is a media brand aggressively growing their data volume across GameSpot, Metacritic and many other destinations, making Amplitude the right future-proof solution.

Fandom will use Amplitude to drive impact for one of their key business metrics, tying content changes to revenue. This will include taking a deeper look at video content, what users are engaging with the most and how product changes impact that behavior.

Publishing and editorial teams will also use Amplitude as a centralized source of truth for their site data. I’m really excited that we get to play a part in their transformation and growth. AllBirds which makes a popular sustainable clothing line started working with us in Q4. After deciding to move off of Google Analytics, AllBirds kicked off a search for a new digital analytics platform. Amplitude stood out as a superior solution because of our experience both with e-commerce and international business use cases. Now Allbirds will be able to dive into what triggers lead to repeat shoppers globally. They’ll be able to understand user behavior on their catalog of websites and pull insights across multiple geographies at once. They plan to use Amplitude analytics across product, analytics, data engineering, marketing growth and information security teams to build a comprehensive view of their users. This will set them up to increase conversion and customer lifetime value.

We’re focused on expanding beyond digital natives. While early, we’re showing good progress here with a Q4 expansion with one of the largest media companies in the world. Before Amplitude, its product and data team used to meet once a week, the product team would come to that meeting with a list of questions and the data team would spend the next week digging through data and Adobe to get answers.

The following week, the data team would come to the meeting with answers and the cycle will continue. After adopting Amplitude, the time it took to answer those questions went from a week to seconds. This helped its team move so much faster. This product team can now run experiments independently. And the number of requests its data team received has decreased by 50%, meaning you can spend more time on higher impact work.

I remain very optimistic about the future of our category and Amplitude’s continued role as a leader in digital analytics. As I’ve said before, I view this time as a great opportunity for us to make bold bets and strengthen our market position. I’m confident in our ability to consistently innovate and provide value for our customers throughout this macroeconomic environment and beyond.

Persistence trumps everything else, and I believe we will come out of the cycle stronger. By raising the bar for execution and investing in our product for the long term, we are well positioned to drive durable growth in a category where the opportunity is just beginning to unfold.

Thank you for your interest in Amplitude. I’d now like to turn it over to Hoang to walk through the financial results.

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**Hoang Vuong - Amplitude, Inc. - CFO & Treasurer**

Thanks, Spenser. Good afternoon, everyone. Fourth quarter revenue was $65.3 million, up 32% year-over-year. For the full year 2022, revenue was $238.1 million, an increase of 42%. Customer count was up 25% year-over-year to 1,994. Dollar-based net retention was 119%.

We have 480 customers with ARR over $100,000, up 25% year-over-year and representing about 75% of total revenue and 30 customers above $1 million in ARR.

Here’s some color on Q4 results. New bookings were fairly balanced between land and expand. In Q4, we had 2 land deals of over $1 million, showing more companies are starting to understand the criticality of product data for every modern enterprise. This contrast with 0 land deals over $1 million in all of 2021.
We also had our largest experiment expansion ever. As customers mature and more teams unite around product data, we see greater adoption of the entire digital analytics platform who make Experimentation to CDP. We’re seeing an increase in a number of early-stage opportunities as our demand gen efforts ramp up.

However, customer general level of caution has increased in Q4. We saw more deals shrunk or pushed out than we did in Q3 as budget scrutiny intensified.

Churn, both full and partial, continues to be elevated in Q4 across the board. Customer continues to navigate the whiplash from COVID-induced pull forward to the current focus on tightening their belts.

Geographically, revenue from the U.S. increased 28% year-over-year to $40 million in Q4 or 61% of total revenue.

International revenue increased 39% to $25.2 million or 39% of total revenue.

Total RPO increased to $248.2 million, up 46% year-over-year. Current RPO also increased $190.6 million, up 39% year-over-year or approximately 77% of total RPO.

As a reminder, CRPO growth over fiscal year 2022 has been helped by an increasing mix of multiyear deals, we don’t keep increasing the mix of multiyear deals, CRPO growth in 2023 will be negatively impacted.

Next, I'll be discussing non-GAAP results for Q4 going forward. As a reminder, our GAAP financial results, along with a reconciliation between GAAP and non-GAAP results can be found in our earnings press release and supplemental financial on IR website.

Gross margin in Q4 was 74%, improving 250 basis points year-over-year, that actually drove efficiency, infrastructure costs and continued to scale.

During our IPO process, we stated a long-term goal of 75%. We plan to achieve and likely exceed that goal in the near term.

Sales and marketing expense was 45% of revenue compared to 44% of revenue in Q4 2021.

R&D expense was 21% of revenue compared to 20% of revenue from Q4 2021.

We delivered an operating loss of $4.7 million or negative 7% compared to a loss of $5 million or negative 10% in Q4 2021. We cautiously moderated operating expenses throughout the year as the environment shifted. We are committed to balancing growth and profitability.

Net loss per share was $0.03 based on 113.1 million shares compared to a loss of $0.05 with 107.9 million shares a year ago.

Cash, cash equivalents and marketing securities were $301.7 million at the end of Q4. Free cash flow for the quarter was a negative $5.9 million or negative 9% of revenue compared to a negative $12.2 million or negative 25% of revenue in the corresponding prior year period.

For the full year 2022, free cash flow was negative $11.2 million or negative 5% of revenue, a significant improvement versus negative $34.9 million or negative 21% in 2021.

Now on to our outlook. Our guidance assumes the macroeconomic environment continues to be weak throughout the year. Layoffs and budget cuts are an unfortunate reality across many digital natives. We believe that churn expansion and budget pressure will persist through 2023.

For the first quarter, we are expecting revenue between $64 million and $66 million, representing an annual growth rate of 22.5% at the midpoint.

Q1 reflects 2 less days than Q4, which accounts for approximately $1.5 million of sequential headwinds.
Non-GAAP operating margins are negative 13% to 14%. We held our sales kickoff in January, weighing on margins in Q1. Non-GAAP net loss per share to be between $0.06 and $0.08, assuming shares outstanding of approximately 114.9 million.

For the full year 2023, we’re introducing 2023 revenue guidance between $283 million and $291 million, an annual growth rate of 19% to 22%. We expect non-GAAP operating margins between negative 6% to 8% and we expect non-GAAP net loss per share to be between $0.11 and $0.16, assuming shares outstanding of approximately 117.5 million.

We believe the bottom end of our guidance is conservative at factors in further deterioration in macro and buyer sentiment throughout the year. Please keep in mind the following: non-GAAP gross margin should be in the range of 73% to 75% for fiscal year 2023, representing more than 300 basis points of improvement versus the past couple of years.

We expect to exit Q4 2023 with non-GAAP operating profit. We expect to reach free cash flow positive for the full year, well ahead of our previously stated medium-term targets.

Given the pressure we mentioned, we do expect the continued declines in net retention rate. The headwinds we’re facing are the national function of being with an early market and our exposure to digital natives. We’re working through those headwinds and managing our business for efficiency. We believe nothing has changed about our long-term opportunity, and we remain incredibly well positioned win in digital analytics.

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

Before we move to Q&A, I actually want to just take a moment to recognize Hoang. I just want to say you have been instrumental to our growth and success over the last 4 years. On behalf of myself and everyone at Amplitude, we sincerely thank you. We wish you all the best.

Hoang Vuong - Amplitude, Inc. - CFO & Treasurer

Thanks, Spenser. It's been a really life-changing opportunity and a privilege to be able to contribute to Amplitude's success and growth over the last few years. I want to thank them and entire Amplitude team. I know that we'll be a $1 billion business someday because we have the best product in an awesome culture.

With that, we look forward to your questions. Over to you, Yao.

QUESTIONS AND ANSWERS

Yaoxian Chew

Great. (Operator Instructions) Our first question comes from Koji Ikeda at Bank of America, followed by Arjun Bhatia. Koji, you are up.

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

I wanted to kind of dig into the guidance just a little bit more here. Looking at the guidance for 2023, the midpoint, about 20.5% growth. Balanced against quarterly billings of 26.5%, showing 12-month billings, 32% and that current RPO of 39%. So it's really quite a range of growth rates reported versus the guide. Just trying to help reconcile kind of the billings performance, RPO performance against that revenue guide.

I appreciate all the color on the macro net revenue retention. But just curious, anything else specific to call out maybe from a renewal perspective or a vertical perspective that we should be aware about that you guys are considering in that guidance.
Hoang Vuong - Amplitude, Inc. - CFO & Treasurer

Yes. So Koji, let me start with that. I think that, first of all, like we said in the prepared remarks, we're kind of assuming that the environment that we saw kind of in Q3 and even some deterioration in Q4 kind of can persist throughout the year. And so we wanted to make sure that we come out with guidance that to get off the year that we feel very comfortable with. As far as the growth numbers you're talking about with billings and stuff, those are obviously you're all right.

Just a couple of reminders. Number one is on the CRPO. A lot of that growth is driven by the multiyear. Our billing can fluctuate. You see kind of like when you look at quarters and over quarters and year-over-year to kind of change quite a bit. And it really depends on kind of when we're doing the billing for the linearity of the bookings.

And so for instance, had a really strong Q3 in the land quarter and that strong Q3, they actually didn't get built into Q4. And had that factor the same when you look at CRPO and billing. And once again, we point people to look at the sequential quarter-over-quarter revenue growth as being probably the best indicator.

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

Got it. Got it. And then just broadly, a question for Spenser or for you Hoang, thinking about the current sales capacity and pipeline coverage to reach the 2023 growth targets. How should we be thinking about that right now? And then how should we be thinking about hiring for sales capacity this year and then broadly hiring within the rest of the organization?

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

For sure. So first, we're set up from a sales capacity for the targets that we've outlined for 2023. I think Thomas and a lot of the leadership he's brought in has done a great job in setting up ourselves up for success to hit the targets that we do see this year. At the same time, we're also obviously very thoughtful about managing the cost side of the business in this sort of environment, slowing down hiring, applying a lot more scrutiny at the margins, making sure that we don't get over our skis.

The good thing for Amplitude is that's always been how we've operated from a cost standpoint, even when things were kind of really hot over the last few years. And so it's not as major of an adjustment for us heading into this environment.

Yaoxian Chew

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

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

Awesome, maybe just, I wanted to touch on just the demand environment. I know you called out some of the digital natives as being maybe a little bit of a bigger headwind. Spenser, how do you think about what you can do from a go-to-market perspective to maybe shift the demand a little bit so that you're targeting more traditional industries? Is that part of the plan? Is that something that you're already doing? Just walk us through how those 2 differ and how you might adjust your targeting approach a little bit?
Spenser Skates - Amplitude, Inc. - Co-Founder, CEO & Chairperson

Totally. Yes, that’s something that’s very top of mind is making the shift from digital natives to the traditional enterprise. I mean, I think we’ve seen continued traction around that in Q4 as you saw big expands in Fox broadcasting, NTT DOCOMO and that anonymous media company that we mentioned. And so we’re continuing to make progress against that.

One of the plays that I’m really excited about is -- one of the things we see is that when you get a lighthouse customer in a vertical, that then allows you to get a number of other companies. So we’ve seen that playbook work for us. If you look at, for example, media, we’ve had Fox broadcasting. We’ve had NBC as customers. That’s helped us land HBO, Discovery, a bunch of other media brands.

Same and quick service restaurants. We did that. We landed Chick-fil-A quite a while ago that’s helped us get into RBI and their brands like Burger King and Popeyes.

And so we want to replicate that play as we go through 2023. One area I’m excited about is retail. We launched a number of e-commerce and card analysis features as we went through last year, and so standardizing that playbook and then going after some of the Lighthouse folks in that vertical to expand to others.

And so I think we’re seeing continued progress in the need for digital analytics and broadening outside of digital natives to the traditional highs. But again, we’re early in that transition.

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

Okay. Awesome. And then it seemed like Experiment was a big theme in your prepared remarks. And I got the sense that there was a little bit of a obviously, strong traction in Q4, and it’s been, I don’t know, maybe a stuff function change, but what’s driven the strong traction there? Have you made product changes that are starting to resonate? Is it more of a go-to-market adjustment? And then maybe just remind us, are you seeing those lands come in off the bat with Experiment plus the core platform? Or is this more of an expansion sale?

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

Yes. So on Experiment, I think, because in a lot of companies, there’s existing A/B testing or experimentation budget, actually makes it more attractive in a time of macroeconomic pressure. And so we ended up exceeding our own internal goals for where revenue from an Experiment would be.

In 2022, as a result, we had a record deal in one of our largest accounts that was a big Experiment expansion. And so it’s just kind of continuing to build this muscle on both making sure we’re offering all the latest and best features on experimentation as well as deploying that and go to market. Now it still has a long kind of runway to go in terms of penetration across the customer base.

In terms of lending, we’re actually seeing that. Some of our 7-figure lands that we did for the first time in 2022, Experiment was a big part of those deals. And so I think the product is now mature enough where companies are willing to take a big bet on it straight out of the gate. And so that’s been a hugely positive proof point.

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

Best of luck in the future, Hoang.
Hoang Vuong - Amplitude, Inc. - CFO & Treasurer

Thanks, Arjun.

Yaoxian Chew

Great. Next question from Elizabeth Porter from Morgan Stanley followed by Rob Oliver from Baird. Elizabeth, please?

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

Great. So you highlighted to have churn at the low end and also helping customers right-sized contracts just contributing to some of the down sell. And the question is, are we through a lot of those headwinds in Q4? And how much work is really left to do I understand that NRR is a trailing 12-month metric. So we're going to continue to see that pressure through fiscal '23. But I was hoping to get a little bit more color on just the inter-quarter.

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

Yes. I mean I think the first thing to call out is, we expect it -- our guidance assumes we expect that to continue as we go through 2023 because of our exposure to digital natives. A lot of them, they're going to continue to look for cost savings. And while we want to maintain the value we're at, I think we also want to work with customers with where they're at.

I think a few things to call out. One, on the churn front, we're seeing almost no churn to competitors. And so we continue to feel good about our market leadership position in digital analytics.

Second thing is all of those customers do expect to expand with us over the long term. And so they're just looking for some short-term help as they're going through layoffs and trying to find additional budget dollars and all of that. And so we want to work with them to do that.

I think the last thing I call is that it's a hyper focus for us as a company and like I'm not happy with where it's at, and I want us to continue to improve how we're doing on the churn front. And so we're doing that through a number of things across product and go-to-market, making sure we get closer to customers, making sure to develop more executive relationships so that we can drive an ROI story which we've been better at in 2022 and then launching new services and products that help people implement, adopt, grow with us over the long term.

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

Got it. Yes, makes a lot of sense. And then a second one just on a follow-up is on cost discipline. Really encouraging to see that offset kind of the impact on the bottom line. So can you just be a little bit more specific about some of the actions that you are doing to drive that incremental leverage?

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

Yes. So let me start with gross margins, and then I'll talk to operating margins. One of the innovations that I'm really excited about is we're looking at reducing data costs by a multiple that should drive us huge leverage on gross margins in the long term. You've seen that continue to improve in the '21 versus '22, and then we're expecting to continue to drive that in '23 and beyond. So that's really obviously really big for a data-intensive business like us.

The other thing on just operating the business, we've obviously been much more judicious about adding head count in the sort of environment. And so it hasn't been a massive adjustment for us like it has been for some other companies out there to change the way we're operating.
One of the things actually did back in December was I sent a survey out to Ampliteers to ask them to step up and look for different ways of cost savings, and we actually got 500 responses across the company from everything like, hey, maybe we can get rid of swag or these sort of parks or maybe we can be more thoughtful about how we approach our catering expense or we can look at the travel. And so it's awesome to see a lot of Ampliteers step up in that way. And so I think I called that out because it's always been part of the company's ethos.

Yaoxian Chew

Great. Next question, Rob Oliver, we can get you from your car, thank you and followed by Tyler Radke from Citi. Rob?

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

Yes. Great. Can you hear me okay?

Yaoxian Chew

Yes, we can perfect.

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

Okay. Great. Yes, guys, sorry, I for I'm not actually driving here. So first of all, Hoang thanks for everything. It's been very working with your. First question for you. Just on the product-led growth model. I know it's early days here still for you guys, and it's also likely going to continue to impact deal sizes.

And so just curious how you guys are thinking about deal sizing. I know there's some natural headwinds from the macro. But in terms of the move of PLG opportunity, how should think about ACV and deal sizing throughout 2023. And then I had a quick follow-up.

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

Let me actually take the first part of that one, and I can let Hoang fill with the color. So we don't expect revenue impact from the switch to MTU pricing. And that's because that's specifically a motion targeted at the lower end of the market. And so it's -- that's all about increasing distribution, so making it easier both for start-ups and traditional enterprises to find new paths on to Amplitude. And so again, we don't expect revenue impact in 2023. I think the goal is to get make it easier for companies to come on to Amplitude.

When we first talked to a lot of start-ups and tell them, "hey, we're an event-based pricing model," their first question back to us is "what's an event?" And so whereas something like how many monthly users you have, is something that they're able to estimate a lot better and forecast and also ties better to value. So they say, hey, when we grow as a business, we'll also grow our contract with Amplitude that makes a ton of sense. And so again, that's purely focused on the distribution angle versus any sort of immediate monetization impacts.

Hoang Vuong - Amplitude, Inc. - CFO & Treasurer

Yes, Rob. I mean, I think Spenser said it too in his prepared mark. I think our first primary goal is really increased distribution, and that comes from obviously getting more customers at low end, which we weren't even really servicing before. You either had to go free or really up to kind of like really higher paid price. And so we really want to go after that. But we're also seeing traction and we saw this in 2022 in terms of going after a company that already had a large digital footprint, right? And those guys because they ever have a large digital footprint. And now they're like, "Oh, you guys are a known commodity, you guys your product is great. We were doing this in-house. We've got to look for more efficiency. We got a little bit better ROI like, hey, let's look at you guys? Are they out Google Analytics and they're looking at product analytics.
And so you're seeing some customers we already have a huge digital footprint, and they're coming over to us. And that's indicated by the fact that we had 2 land deals over $1 million in Q4, like we didn't have any in 2021.

So if you look at it from an ASP standpoint, we're probably going to have like both in of the spectrum. We're going to have some really large deals, and then we're going to get a lot more from the low end. But in the net-net, we're going to have more distribution, which is fantastic.

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

Yes. It's all about making sure we're set up to continue to improve our position as a market leader in digital analytics.

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

Got it. Okay. Yes, that makes a lot of sense. I appreciate it, guys. And then my follow-up, Spenser, is for you. So Tifenn Kwan has been in her seat now for, I think, 3 months. And I know earlier, you got a question and you talked a little bit in your prepared remarks about diversification away from kind of tech companies and stuff like that. Just curious just how you might call out maybe some of her early initiatives on the marketing side? Anything that stood out to you? Anything we might expect this year, whether it be reaching out towards new verticals, end markets, stuff like that?

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

Yes. Tifenn has been awesome in the first few months he's been here, I think the thing I called out was specifically increased collaboration. I think pipeline generation hadn't been a whole company-wide effort. And so I think she did a great job of driving that, getting account executives, SCRs, partnerships, even focus on customer success to think about that in addition to marketing. We've actually seen that start to impact improved top of funnel for us as a business. And so while it's still very early, very excited about the work he's done there.

Yaoxian Chew

Great. Next question, Tyler Radke from Citi, followed by Nick Altmann from Scotia. Tyler.

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

Good to see you both and Hoang, all the best, and hopefully, see you soon down the road. Just going back to the comments you made on churn. I wanted to dig into that a little bit more. Number one, what's driving the churn? Is it just lower usage of applications kind of driving fewer event volumes? Is it customers kind of optimizing those applications or maybe it's lower headcount? If you could just expand on that. And are you expecting that to get worse?

And then more broadly, I guess, do you see any broader changes in terms of the pricing model beyond what you talked about on the SMB side, if you could just comment on how that changes your overall thinking on the pricing today, given what you've seen on the churn side?

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

Yes, for sure. So yes, pricing and churn, the initiative we're doing in pricing are separate, so actually want to separate those two things. first to take the churn piece. Because of our exposure to digital natives, they're obviously asking us for help in this sort of environment where they may be shutting down parts of their business, they may be more selective about the sort of data they're tracking. There's just increased scrutiny. And so that leads to either partial turns or full churns depending on where the business is at. And so again, like I said, I'm not happy with where it's at.
We want to continue focusing on improving it and improving the execution to make sure that we drive improvement in that over the long term. I think I don't know if there's any other color that you add to it.

Hoang Vuong - Amplitude, Inc. - CFO & Treasurer

No, I think on your target question about how it would be for like 2023, I would say that Q3 and Q4, very similar, and we kind of forecast to put that into our guidance that it's going to be like after the remainder of all of 2023.

And so, and I think the other factor that we're seeing in turn is that we see it actually coming in all segments and all geographies, all verticals. And part of that a little bit to us is that like there's definitely a big macro impact that's causing it to kind of come from those different -- so many different areas. But obviously, we're going to work a lot on that in 2023.

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

Yes. And then to take -- Tyler, to take your question on the pricing front. I think the MTU based pricing, again, it's specifically focused on the small -- the low end of the market, just to give them another option to easily get started with the Amplitude. We offer 100,000 MTUs and unlimited events per MTU for free. And then we have an MTU based model up to 1 million monthly tracked users. And beyond that, you kind of go on to a more traditional events-based model. And so I think that's kind of the first salvo.

We're going to continue to iterate on that. We expect more as we go into Q2 and the rest of the year, and that's going to be another lever that drives long-term distribution and growth of Amplitude.

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

Great. And going to the go-to-market, obviously, there's been some new sales leadership there and you just came from your sales kickoff. I'm wondering on what you're doing differently from a verticalization approach if you're targeting kind of the, obviously, non-digital-native industries who might have better budgets here. But if you could just kind of expand on the go-to-market strategy and what you're seeing there?

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

Yes. I mean a few different things. So the fact that we, so I already mentioned the lighthouse customer strategy where you start in 1 vertical. You win some of the big customers in that, and that helps you win the rest of the verticals. So we're continuing to do that.

I think another big thing is the executive sponsorship with a lot of these companies. You really need to be able to speak to the value and show that you can teach them how to do digital analytics versus folks in -- who are digital natives already are familiar with this sort of technology. And so that's another big part of it, too.

I'd say -- what else would I say on the bridge. I think The Forrester Wave, that was a kind of great endorsement, a lot of traditional enterprises look to that. For what's the greatest and best in digital analytics. And so the fact that we got a top 3 score on the strategy front there was really exciting even though that was the first time we were in that report.

And so I think just on all fronts -- one of the number -- the #1 thing we hear from those traditional enterprises, "teach me how to do it." And so we want to make sure that we're evolving our go-to-market to meet them where they're at, kind of help them do the kind of baby steps to really understand how do I use digital analytics? What does it mean for how I operate product? How does that change? How I'm used to building product before. And so we're kind of -- we're evolving what we're doing in go-to-market to match that, whether it's sales, customer success, marketing, kind of the whole thing.
Yaoxian Chew
Great. Next question Nick Altmann from Scotia, followed by Claire from UBS.

John Gomez - Scotiabank Global Banking and Markets, Research Division - Associate
This is John Gomez on for Nick Altmann. You guys talked about in the past how implementation link has maybe deterred customers from choosing Amplitude in the current climate. Can you give us an update as to whether that is still a headwind to new customer bookings? And if so, is there anything you guys are doing to provide a solution for quicker implementations?

Spenser Skates - Amplitude, Inc. - Co-Founder, CEO & Chairperson
Totally. Yes. No, I appreciate the question, John. So it absolutely remains a top focus for us in 2023. A bunch of the big bets that I highlighted on the distribution side in my prepared remarks, spoke to this. So one of the things I’m really excited about is no code implementation or single line of code implementation for Amplitude.

Engineering resources remains one of the major blockers to get up and running. So if you aren’t able to secure those, how can you just get started and track it yourself if you’re a product manager. So I’m really excited about that.

Amplitude, that’s native to a data cloud data warehouse is another big bet that we’re in the process of getting out there this year, and that will also help a lot of these enterprises already have this behavioral, user behavioral data within a cloud data warehouse, whether that’s Snowflake or BigQuery or some of the others. And so being able to work directly off of that data is another big way to provide a path to getting up and running quickly with Amplitude.

And then the other thing I’d call out on the go-to-market side is we just introduced a premium services packages for the first time in Q4. And so that was great because that allows us to be much more hands on with customers who need it versus kind of our more one-size-fits-all to the implementation process. So it remains a top priority for me in 2023 to continue to work on that and drive it down.

John Gomez - Scotiabank Global Banking and Markets, Research Division - Associate
Awesome. And earlier this year, you made some changes to start here. Can you just talk about what the reception has been so far with customers and maybe your level of confidence in converting some of those customers into paying customers?

Spenser Skates - Amplitude, Inc. - Co-Founder, CEO & Chairperson
Yes. So we’re already seeing a number of the changes that we made on the MTU pricing front result in more upgrades to paid plans because — and as well as more confidence in getting started with the free version. One of the blockers that we heard before is that, okay, it might be free to start up to 10 million events, but what happens when we get beyond that. I have no idea how your pricing scales, whereas when you’re on a monthly track user model, that’s much more predictable. And so you’re not worried about exactly how much data you’re tracking. You have much better visibility into where your number of monthly users is going to be. So both in terms of just getting more people on to the free plan that’s been great as well as it’s early, but we’ve seen conversions increase.

Now I want to, I do want to go back to what Hoang said, which is that, again, this is really focused on distribution at the low end. So it’s not like we expect it to make a material impact to revenues in 2023. It’s really — what will happen though is that as you just get more and more of the market on us as digital analytics, those accounts can grow in later years.
Hoang Vuong - Amplitude, Inc. - CFO & Treasurer

I mean the only thing I'll add to that too is that not only are we seeing an increase in conversion, but we're also seeing an increase in just to sign up free, so you're actually seeing that volume in the initial interest, which is actually really the bigger piece of the growth for us.

Yaoxian Chew

Great. Thank you. Next question, Claire Gerdes from UBS, followed by Michael Turits from KeyBanc.

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

Hoang, congrats and best of luck. I just wanted to ask a couple on the guide. So when we look at the full year guide, it only assumes a couple of points difference, right, from the 1Q guide. So that kind of assumes growth flattening out. So as if macro gets worse, how conservative would you say that guide is? And maybe is there anything embedded that's the guidance philosophy changing with the CFO shift? Just anything that you could provide on that?

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

Yes. You want to have to take it?

Hoang Vuong - Amplitude, Inc. - CFO & Treasurer

Go for it.

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

I'd say no change in guidance philosophy. I think we've assumed the environment stays bad. Now things get waivers or things get way better, obviously, we may have to make adjustments. But based on everything we're seeing, we want to make sure to put together a guide for the year that reflected kind of the headwinds that we're seeing and particularly for digital natives. I think, yes.

And then in terms of CFO transition, look, I want to make it clear to folks on this call. I own that ultimately as CEO. And so we want to make sure to be consistent about how we guide and set up Criss for success when he joined so that we're not having to make major changes in how we operate the business.

Hoang Vuong - Amplitude, Inc. - CFO & Treasurer

Yes. And again, I'll come back to the prepared remarks in terms of the, what we guide is we assume the same level of deterioration at our midpoint. And then we actually stress us and we did at the low end, assuming, let's say, things get worse, like you said, on a fact if turns something like that. Again, knock on wood, hopefully, it doesn't get worse and all of that, but we wanted to make sure that we provided the guidance factoring and given the uncertainty out there.

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

Okay. Perfect. And then if I could just ask real quick on NRR as well. You mentioned expecting to see that decline going forward. Is there anything more you could provide on any kind of potential floor in a weakening macro? Yes, just anything on that as well.
Hoang Vuong - Amplitude, Inc. - CFO & Treasurer

Yes. I mean obviously, there's a lot -- there's 3 big things that go into the net retention rate. There's expansion, there's full churn and there's partial churn, and that we're seeing that given -- some of the customers that we saw the biggest expansion in 2021, we're the one that's facing the biggest budget scrutiny and budget tightening. So we're actually seeing expansion still being like one of the large factors or the largest factor in kind of the pulling back of net retention rate. Full churn is still second and then partial churn is a third. And so it kind of matters a little bit in terms of where the economy pans out and how much churn we actually continue to see over the next few quarters.

I think obviously, typically because most of the customer contracts are 1 year annual, we're going to see it need like 4 full quarters to kind of fully kind of lap that and then we'll have to see the second half in terms of what that looks like. But like I said, our guidance kind of assume that it stays at the same level now even in the second half. Created.

Yaoxian Chew

Great. Michael Turits.

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

Hoang, good luck and look forward to continuing to stay in touch. So for you, I think when you talked about head count, you said you've been judicious in the past, but it still was on higher growth in '22, it was still a pretty good expansion of OpEx. So can you talk about what some of the levers are that you're pulling in order to get the improvement in both operating cash flow margins from a head count perspective as well as other cost savings.

Hoang Vuong - Amplitude, Inc. - CFO & Treasurer

Yes. So let me give a little bit more detail. We actually slowed down the head count hiring as we kind of got more and more into the year. A big part of that was we were actually building for a much larger demand environment. And as we kind of solve the signal and sign that the demand environment was not there, we're like -- wait a minute, we're going to get way ahead of our skis. And so I think we're actually early into in 2022, we actually were able to cut back on the hiring quite a bit.

Now in terms of OpEx increase, and say, well, why the OpEx increase year-over-year. The OpEx increase wasn't driven so much by head count as it most it was driven by, well for instance, last year, we went back and did our first amplified a pretty huge spend from a marketing standpoint. We're going to evaluate that when we look at it this year and go, "Hey, do we do something that big? Or do we do something at a last mall or and make sure that it's more tailored geographically? I think that's one area we've identified.

Another big piece that changes from kind of '22 versus '21, where it was also our first year kind of coming back in the office, travel and entertainment and all like that. And so you had some expense savings that were in 2021 that actually when we change post-COVID, trying to just hit us back in terms of opening up our location, people coming back in and all that, all those activities and less so on the head count side.

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

Okay. That's helpful. So can you describe how you think about head count growth in 2023?
Spenser Skates - Amplitude, Inc. - Co-Founder, CEO & Chairperson

Yes. I mean we’re slowing significantly down on head count growth. I think we feel good about the big bets I made with the current set of head count as well as on the sales capacity front in terms of being set up for this year. Those are always the kind of two questions I asked, are we set up in terms of to drive the revenue. And are we set up to innovate where we need to? And we are. And so we’re, yes, we’re really, really slowing that down as we go.

Now obviously, if we do see as we do, when we do see growth pick back up, whether that be later this year or next year or in the future, there will be a sign that we want to continue to invest back in the business. But in the short term, I think we want to -- as the revenue grows, we want to keep the cost profile in check.

Hoang Vuong - Amplitude, Inc. - CFO & Treasurer

I’d only add, I mean, again, including back to our same philosophy of balancing growth and profitability, I think we’re really excited that we’re going to be doing free cash flow positive for the entire year. We’re going to be exiting at a non-GAAP operating profit in Q4. But at the same time, our #1 goal is to make sure we went to market, right? And so we still are actually making investment in head count. We’re still hiring. It just -- we basically have to have a really good ROI case, a much harder one than it was back in 2021 to make sure that we’re hiring and adding them. But we ultimately we still want to kind of grow and scale some of that.

And I think that, that’s the balancing act we go through visit back in 2021, a lot of folks wind say, “Hey, why aren’t you guys like being more aggressive with spending?” And we would monitor efficiency, et cetera. Same thing here I think that we’re all in to understand the environment. We’re going to be looking at cash flow. We’re going to be looking at operating margins, but we wanted to make sure we didn’t like lose the long game.

Yaoxian Chew

Thank you, everyone. With that, I’m seeing no further questions in queue. We will be at the Morgan Stanley Technology, Media and Telecom Conference in March. Details will be posted to the IR page of its website at investors.amplitude.com. Thank you very much for attending our Q4 earnings conference call. You may now disconnect.