



MongoDB Management Talks Growth Drivers, Operating Margin, and More

Description

Despite **MongoDB** ([NASDAQ: MDB](#)) reporting [better-than-expected fiscal second-quarter results](#) earlier this month, shares of the online database platform specialist have fallen about 15% since the earnings release. This pullback came amid a broader sell-off in [growth stocks](#) that sent the shares of many fast-growing companies lower.

The stock's recent decline makes it a good time for investors to take a second look at the company. While much can be gleaned from MongoDB's fiscal second-quarter earnings release, another key area to examine for further insight is the company's [most recent earnings call](#).

Here are several must-see quotes from MongoDB management's question-and-answer session with analysts.

MongoDB is seeing broad-based growth

MongoDB is benefiting from uncanny top-line growth. Revenue in the company's second quarter of fiscal 2020 increased 67% year over year — an even faster rate than the company's 61% year-over-year increase in revenue in fiscal 2019. While investors should model for some natural deceleration from such rapid growth rates, any slowing of the company's growth will likely only be moderate, as MongoDB is seeing strong growth across its entire business.

"Our second-quarter performance reflected positive contributions from every region and strong adoption of both Enterprise Advanced and Atlas," said MongoDB COO and CFO Michael Gordon. "The combination of healthy new logo additions and continued strength in up-sell activities provides us with multiple vectors to sustain high levels of growth."

Atlas is a powerful catalyst

Perhaps the most notable driver for MongoDB's business is Atlas, the company's managed database offering. Atlas revenue soared 240% year over year during the quarter and accounted for 37% of total

revenue. This is up from 18% of revenue in the year-ago period.

“Atlas has now reached a nearly \$150 million annualized revenue run rate only three years since its launch,” explained Gordon, “which reflects the popularity of MongoDB.”

Reflecting MongoDB’s impressive customer adoption of Atlas, the company had more than 13,200 Atlas customers at the end of its fiscal second quarter. This is up from about 5,300 Atlas customers in the year-ago period.

Signs of operating leverage

MongoDB may still be unprofitable, with a net loss of \$37.3 million and a non-[GAAP](#) (adjusted) loss of \$14.7 million during its fiscal second quarter. But the company is importantly demonstrating signs of operating leverage, even as it reinvests aggressively into its business to capitalize on growth opportunities.

Gordon says:

Our [non-GAAP] operating loss was \$14.8 million or a negative 15% operating margin for the second quarter compared to a negative 30% margin in the year ago period. The more than 1,500 basis-point improvement in operating margin is particularly impressive, given our growth profile and the investments we’re making in our business.

In the second half of fiscal 2020, MongoDB has no intention of letting up on its heavy investment into marketing, sales, and research and development, Gordon added. Furthermore, investment in the company’s growth opportunities will also continue to show up in the form of negative free cash flow. “[W]expect to burn cash in the third and fourth quarter of fiscal 2020, as we continue to make significant investments in the business,” the executive said.

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