



MongoDB Doubles Down on Sales

Description

Data is taking on new shapes these days, which is requiring [tech companies](#) to look at it in entirely different ways.

Rather than just organizing information into tidy rows and columns for SQL queries, developers are looking for databases to help them analyze *unstructured* data. MongoDB's ([NASDAQ: MDB](#)) general-purpose document databases fit this need and are being used for a variety of company-specific applications.

More than 60 million users have already downloaded MongoDB's free database, which is a huge critical mass that the company can build upon. MongoDB recently outlined its plans for converting those users into paying subscribers, which could be a huge win for investors.

Let's take a closer look at its recently reported second-quarter results.

Check out the latest earnings call transcript for [MongoDB](#).

MongoDB second-quarter results: The raw numbers

Metric	Fiscal Q2 2020	Fiscal Q2 2019	Change
Revenue	\$99.4 million	\$60.0 million	67%
Operating income	(\$37.7 million)	(\$27.1 million)	N/A
Adjusted earnings per share	(\$0.26)	(\$0.34)	N/A

Data source: MongoDB.

What happened with MongoDB this quarter?

MongoDB's impressive growth rates continued [once again](#), with a growing customer base that is

spending even more:

- Revenue grew 67% to \$99.4 million, driven by a 71% increase in subscription revenue to \$94 million.
- Gross margin was 70%, up 200 basis points from 68% last quarter as the company transitions its newly acquired mLab customers to the higher-margin Atlas offering.
- Atlas grew revenue by more than 240% over last year and now accounts for 37% of total revenue. This compares to only 18% of the top line a year ago and 35% a quarter ago.
- Overall, MongoDB now has 15,000 customers, which is double the 7,400 it had last year. Atlas has 13,200 customers, compared to 5,300 a year ago.
- Some 622 customers are now contributing at least \$100,000 in annual recurring revenue, which is up 42% from 438 six-figure customers in the year-ago period.
- MongoDB's net annual recurring revenue expansion rate, which compares subscription revenue today to revenue from the same customers one year ago, was above 120% for the 18th consecutive quarter.

What management had to say

President and CEO Dev Ittycheria was proud of his company's results but also outlined a three-part go-to-market strategy on how MongoDB intends to convert free users into larger accounts:

Given the size of the market in front of us, we have built an increasingly sophisticated three-pronged go-to-market strategy that allows us to pursue the entire database market.

The first component is our field sales organization, which drove strong broad-based performance in all our major regions in the second quarter. Our success with field sales is driven by our ability to recruit and develop outstanding sales personnel and strategically engage our customers from developers up to CXOs.

Second, our inside sales channel focuses on the mid-market, where deals are smaller with shorter sales cycles. These customers, who prefer a low touch sales model with a high degree of automation, have less interest in managing their own infrastructure and therefore see compelling value in Atlas.

The third component of our go-to-market strategy is our self-serve channel which has grown significantly as a percentage of revenue over the past year. Starting last year, we significantly increased our investment in this channel to build a world class developer focused product led growth marketing organization. This is a multi-year journey, but we are encouraged by the progress we are making.

Looking forward

From the start, MongoDB's goal was to create an open-source, general-purpose "document" database. The company purposely approached the market by creating something that would be more flexible, nonproprietary, and more convenient than the traditional relational databases that have been offered

for four decades by **Oracle**. MongoDB designed its products for the good of its developer customers, not for its own pocketbook.

Its initially free Community Server database offers the core functionality to get developers up and running and has been downloaded more than 60 million times.

That growing traction has translated into paying enterprise users, who are billed based upon deployment size and resources rather than pricey license fees. And the popularity of Atlas demonstrates that many developers are focused entirely on building their software apps while trusting MongoDB to handle all of the behind-the-scenes infrastructure work for them.

MongoDB's freemium model and loyal users have the full attention of the IT community, and the company has outlined its plans to convert those free users into paying subscribers. If the strategy succeeds, investors should watch for the number of \$100,000 accounts to continue to expand at a healthy clip and for the net annual recurring revenue expansion rate to remain greater than 120%.

Both signs would represent scalability of its cloud-based platform, which is exactly what MongoDB needs in order to improve its profitability. The company once again lost money on both an operating and net basis, though it continues to inch closer to reporting positive operating cash flow. Management guided for \$390 million to \$395 million of revenue for fiscal 2020, which is a nearly 4% boost to previous estimates and would represent approximately 49% growth over the previous fiscal year.

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