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PRESENTATION

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

Hello, everyone, and welcome to Amplitudes first quarter 2024 earnings conference call. I'm Yaoxian Chew, Vice President of Investor Relations. Joining me are Spencer Skates, CEO, and Co-Founder Amplitude, and Chris 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 2020 for the expected performance of our products, our expected quarterly and long-term growth, investments, and overall future prospects. These forward-looking statements are based on current information, assumptions, and expectations and are subject to risks and uncertainties, some of which are beyond our control 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 in today's call are expressed on a non-GAAP basis.

We use these non-GAAP financial measures internally to facilitate analysis of our financial and business trends, and for internal planning and forecasting purposes. These non-GAAP financial statements and 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 Spencer.

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

Thanks, Yao, and good afternoon, everyone. Welcome to our 2024 first quarter earnings call. I'm going to focus on three topics today. First, our Q1 financial results and the latest views on macro. Second, how we are going after our market opportunity. Third, continued product innovation and customer stories.

Let's start with the Q1 financial highlights. Our first quarter revenue was $72.6 million, up 9% year-over-year. Annual recurring revenue was $285 million, up $4 million from the end of the fourth quarter. We now have almost 3,000 paying customers, up 37% year-over-year. Results exceeded the midpoint of guidance we gave last quarter and in part reflect the efforts we've made to focus our investments over the past year. Macro conditions remain consistent.

There are still challenges out there as companies continue to right size their digital investments and VC-backed startups continue to cut back to survive. We believe we have our arms around the magnitude of these changes and have appropriately accounted for them in our revenue guidance. There is growing evidence to support our view that these headwinds are temporary. New ARR has been holding steady as the need for digital analytics remains consistent. We see green shoots and emerging catalysts to growth acceleration.

We are getting closer to flushing out the worst excesses of the pandemic surge. We're seeing more conversations with many customers who realize they need to future proof the way they approach their digital analytics journey. We remain at the beginning of a generational shift how people view, understand and use their customer and product data.

Point solutions and legacy technology are limited. They offer a fragmented user experience and provide an incomplete picture of customer behavior. The digital experience is one of the most important channels that all businesses can control. It is the repository of first-party customer behavior and intent. Actions speak louder than words.

What people do with your product is more important than anything they tell you. We are going after a multibillion-dollar addressable opportunity and believe we remain incredibly well positioned to win the category as the convergence of buyers and budgets across product, marketing and experience continues. Everyone wants to understand their customers better. Amplitude tells you exactly what your customers do and how they behave across the entire customer journey.

Many of the largest and fastest-growing companies care deeply about acquisition, retention and monetization and view Amplitude as their first call. You've heard me speak to progressively up-leveling our go-to-market efforts across many dimensions over the last year as we look to win the enterprise. I've shared how we've aligned around a more defined approach to account ownership and engagement. I've talked about how newer leaders are driving discipline and rigor helping us think bigger and elevating our customer relationships.

We're not just doing the basics better. We've also brought focus to the way we sell to drive stronger unit economics for different customers. We launched a self-serve offering for the lower end of the market and have been resourcing our sales motion with a named account focus.

Amplitude Plus is our self-serve offering that lets customers of all maturity levels try before they buy. Our PLG motion continues to gain momentum. This helps us scale our offering in a more cost-effective way. Plus is attracting a diverse range of customers. Beyond the start-up in B2B SaaS players we expected, we're also seeing railroads, universities and semiconductor companies sign out. These users are trying Amplitude for the first time, and they represent a tiny fraction of the addressable user base out there. It has only been one quarter since we instituted our named account approach, but we are seeing increased impact across the organization.

As a reminder, our CRO, Mate and team have had the number of target accounts while growing targeted high-potential account dollars by 50%. This approach will take time to mature, but we are seeing some early promising signs. There is greater traction for our professional services portfolio through the named account model. We're also seeing early signals of improvement across pipeline and customer health that we believe will translate to better efficiency metrics.

When it comes to renewals, we've talked before about multiyear contract customers who are rightsizing their spend, common theme across software optimizations. As expected, churn was still at an elevated level in the first quarter. There's an important observation that's worth noting as we work our way through these pandemic cohorts. These relationships are actually healthier post renewal. We are now more aligned with our customers' current growth ambitions.

Utilization relative to capacity purchased is also at more balanced levels. For customers who have optimized with us one time, the majority of the associated ARR either renews flat or grows off of that base. I speak with customers all day long, and I believe we're being set up for long-term success in ways that we previously were not.

We're aligning with senior executive buyers at the VP and C level as well as multiple champions. We're driving higher level conversations that are much more aligned with value and business outcomes. We're attaching services, driving more use cases across our entire platform and positioning to economically scale with their future growth.

Finally, I want to focus on the work being done to innovate on our digital analytics platform, both improving our current offerings and bringing new solutions to market. Product innovation is the biggest driver of long-term growth for Amplitude. Other companies in our space have dramatically scaled back their ambitions, pared down their teams and reduced product velocity.

We are taking the opposite approach. We are making bigger, bolder bets. Our Chief Product Officer, Francois, is strategically organizing our strong inpatient muscle. We continue to see validation that our platform approach is the right one. Traditional enterprise companies don't want a patchwork of disjointed point solutions. They want one end-to-end platform that covers all of their digital analytics needs. They don't want to waste money on duplicative tools.

Most importantly, they want deep customer insights so they can impact the metric that matters most revenue. Today, 19% of our annual contracted customers use more than one product, up from 14% at the same time last year. Customers who use more products retain better. There remains a very real opportunity for us to expand the platform, grow cross-sell and displace point solutions.

Our thesis is that analytics is the center of gravity for any workflow that touches customer and product data. Without analytics, the rest of the stack is much less useful. We bring data insight and action together in ways that no other solution can. We are expanding our platform. session replay is off to a nice start in its first few months.

As a reminder, session replay helps our customers reconstruct a user visit by capturing how they interacted with a website app or digital experience. It is a tool commonly used by product, marketing and data teams to understand user behavior, diagnose product issues and improve outcomes. The majority of session replay wins to date are competitive displacements of an existing point solution.

In contrast, we almost never see companies transition from Amplitude analytics to another session replay provider that has an analytics solution. We are leaning into win simple across our product organization. To accelerate growth, we are reducing barriers to entry. We have to bring the power of Amplitude to everyone regardless of their technical expertise.

We focused on radical simplicity as a core differentiator. We've made major improvements to our entire product experience to help accelerate finding and landing new customers by releasing a one line of code implementation as the default onboarding experience for Starter and Plus users. We're already seeing a 30% increase in activation for that group from some of these early changes we've made. We have ambitious goals. We want to reduce our sign-up process down to seconds and then deliver a customer's first row within minutes. There's more to do.

Turning to customers. Rocket Money, a leading personal finance app is a great case study for how Amplitude's digital analytics platform can drive incredible business outcomes. By understanding user behavior patterns and changes, Rocket Money was able to identify inconsistencies in their product experience and lockers to user success. They made changes so that iOS, Android and web users followed the same customer journey.

They also added functionality so that every segment of users could easily upgrade to premium. These changes boosted customer lifetime value significantly and estimated by Rocket to drive millions of dollars in revenue a year. In Q1, we landed and grew with companies like Decathlon SE, Algolia, WOOP, TicketSwap, Verda Health, The Browser Company, Meow Wolf, and Calendly. One big win this quarter is Calendly, the scheduling platform with more than 20 million users around the world.

Calendly needed a source of truth for clean, accurate data to activate on and its previous analytics provider had become a black box. In Q1, Calendly selected Amplitude Analytics and CDP has a centralized source of truth for customer data and activation with a consolidated tech stack, Calendly will have more control over its data governance, privacy and security. Its team will also have a deeper understanding of the customer journey, so it can improve its primary growth levers, including customer activation, monetization and retention.

We also won the browser company best known for its new Arc Browser. The browser company had been using SQL infrastructure for user analytics, but it encountered bottlenecks in data access as the team grew. Several members of their leadership team came from companies that use Amplitude, and they strongly advocated for the browser company to adopt multiple parts of our platform.

With Amplitude, the browser company will now have a better databased way to make key decisions and improve its user experience. Lastly, one big expansion this quarter is with one of the world's largest automotive services providers for car shoppers, dealers and lenders. Prior to 2024, Amplitude primarily worked with its B2B team. In the last year, there was a major company effort to have product, IT and data teams roll into centralized leadership under their Chief Product Officer.

We've seen this move happen at other companies, too, as more businesses understand the growing importance of product and the need for an aligned tech stack to solve the Customer 360. Understanding Customer 360 for them means needing to piece together the disparate digital journeys from the moment a car is purchased from auction to its listing process to inventory loading to customer website traffic and all the behavior associated thereafter. It is a huge problem to solve from beginning to end.

Amplitude was built from first principles to solve this very problem. We expanded to their consumer organization this quarter, displacing Google Analytics and another point solution due to scalability, depth of analysis platform breadth. Now leaders from more than 20 business units will rely on amplitude to understand their customers and inform every product decision. Before I hand it over to Chris, I want to emphasize that our opportunity to lead the digital analytics category remains unchanged.

We remain focused on what we can control. I am not satisfied with our current growth profile, and we are not standing still. I want everyone to know that we are driving focus to set ourselves up for accelerating growth. Our platform approach is differentiated and resonating. We're driving healthy new business and taking market share. We continue to be relentless about driving innovation. We are almost through the cycle of rightsizing renewals. Green shoots continue and we see more pockets of strength than weakness. I'm incredibly excited about what's ahead. With that, thank you for your interest in Amplitude. I'd now like to turn it over to Chris to walk through the financial results.

Christopher Harms - *Amplitude, Inc. - CFO & Treasurer*

Thanks, Spencer, and thanks to everyone joining us today. It's been just over one year since I joined with this call marking my fifth earnings call told you throughout that we are intentionally shaping our focus across go-to-market and product at Amplitude to position ourselves for reaccelerating growth to drive more operating leverage at scale. We are making progress, and I believe today's results are an early evidence that we're moving in the right direction. Now on to our first quarter results.

As a reminder, all financial results that I will be discussing with the exception of revenue, 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, a supplemental financials on our IR website.

As Spencer said, first quarter revenue was $72.6 million, up 9% year-over-year, and total ARR exiting Q1 increased to $285 million, an increase of 9% year-over-year and $4 million sequentially. Here are more details on key elements of the quarter. New ARR was about one-third land and two-third expand, primarily reflective of better internal execution in our enterprise business. Churn dollars, as expected and as incorporated into our full year guide ticked up quarter-to-quarter.

The number of customers representing $100,000 or more of ARR in Q1 grew the 521, an increase of 6% year-over-year. In period NRR dropped to 97% and NRR on a trailing 12-month basis declined sequentially to 99%. We continue to believe that the worst excesses of the pandemic surge embedded in our ARR will be in our rearview mirror shortly. For customers who have optimized with us one time, majority of the associated ARR either renews flat or grows off that base.

Gross and net retention patterns for customers acquired in the second half of 2022 onward continue to show better dynamics than those from 2020 and 2021. And lastly, underlying utilization trends across our largest customers continue to improve slightly quarter-to-quarter, which is also impacting gross margin. Gross margin was 76% for the first quarter, up 2 percentage points year-over-year and down 1 percentage point from Q4.

Investments in enterprise-related professional services and the higher utilization rates relative to the capacity purchase resulted in the sequential margin downtick. Total operating expenses were $58 million, up 0.4 percentage points year-on-year, employee payroll taxes and seasonal events like our sales kickoff, contributed to higher OpEx spending this quarter.

Operating profit was a negative $2.1 million or 3% of revenue, which represents a 9 percentage point improvement on a year-over-year basis. Net income per share was $0.01 based upon 130.9 million fully diluted shares compared to a loss of $0.04 with 114.4 million shares a year ago. Free cash flow in the quarter was negative $1.1 million or negative 2% of revenue, which represents a 7 percentage point improvement on a year-over-year basis. Now on to our outlook.

For the second quarter of 2024, we expect Q2 revenue to be between $71.7 million and $72.3 million, representing an annual growth rate of 6% at the midpoint. We expect a non-GAAP operating loss between $4.4 million and $3.8 million, and we expect non-GAAP net loss per share to be between negative $0.02 and $0.01, assuming basic shares outstanding were approximately $122.5 million.

For the full year, reflective of our Q1's new ARR achievement, coupled with the churn coming in at projected levels, we are raising our full year revenue outlook to be between $292.5 million and $295.5 million, an annual growth rate of 6% to 7%. We are holding our outlook for non-GAAP operating income between negative $1 million and positive $2 million. And we expect to be profitable on a non-GAAP net income basis with per share non-GAAP net income to be between $0.07 and $0.09, assuming shares outstanding approximately $133.5 million as measured on a fully diluted basis.

Here's more color for your modeling purposes. We continue to expect churn to remain at elevated levels for at least another quarter, and we reiterate that we have incorporated those levels of churn into our full year revenue guidance. As we have characterized previously, the primary driver to these elevated levels of churn are the multiyear contracts from 2021 and 2022 being optimized. We continue to expect in-period NRR to remain below 100% and NRR to trough in the mid-90s this year.

We continue to expect year-over-year ARR growth to trough in Q3 of this year in the mid-single digits. We continue to expect to be free cash flow positive for the full year as we were in 2023. What a difference a year makes? We remain hard at work on improving the business and investing in key areas that we believe will eventually lead to reaccelerating growth. I am increasingly confident of the path we are setting for ourselves through 2024 and beyond. With that, I will open for Q&A. Over to you, Yao

QUESTIONS AND ANSWERS

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

(Event Instructions)

Our first question comes from Koji Ikeda of Bank of America, followed by Brent Bracelin from Piper

Koji Ikeda - *BofA Securities - Analyst*

Hey, guys. Thanks so much for taking the questions. Maybe a question for Chris here. Just wanted to dig in on the ARR in the quarter. You guys added $4 million. That is a bit lower than the prior two quarters. But as you stated in your prepared remarks, clearly, there was a bunch of pandemic air renewals coming up in the first half of this year. So I just wanted to dig in a little bit on this net new ARR. Did it come in as expected here? Just thinking about the renewals versus upsells? Is there anything we should be thinking about within that net new ARR that wasn't in the prepared remarks?

Christopher Harms - *Amplitude, Inc. - CFO & Treasurer*

Well, it definitely came in above what we had modeled into our revenue guidance that we shared in February. And I think if you recall from the transcripts from that February time frame, I had signaled a 0 net ARR for the quarter. So coming in, right, the $4 million was an overachievement relative to that.

Koji Ikeda - *BofA Securities - Analyst*

Got it, thank you. And so we've heard from a lot of other software companies over the past few weeks and definitely heard companies calling out SMB weakness out there. But when I look at your guys' metrics, the customer count, strong customer growth there, thinking about the Plus plan for smaller customers, just thinking about how -- what you guys are seeing out there from the SMB front.

Christopher Harms - *Amplitude, Inc. - CFO & Treasurer*

Spencer, do you want take that?

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

Yeah, I'll take that. On the SMB side, so first, we're obviously focused on winning the enterprise and what we've seen on the SMB side is the release of Plus has allowed us to be -- meet those customers where they're at and allowed a lot more customers to come on board as you've seen in the plus customer count numbers. I think there continues to be headwinds on SMB. But over time, we expect a larger proportion of our customers to be on the enterprise and traditional companies segment. And so for us, it's less about extracting the most dollars out of SMB, but it's about, okay, how can you get them started on Amplitude? And when those folks go to larger companies or become larger companies or get acquired by larger companies, drive the revenue from the enterprise segment.

So we haven't -- I'd say macro has been very consistent. It's been tough for the last year in that segment. That continues to be the case. We're not planning on seeing any changes in that. And so for us, it's just making sure we win over those customers with where they're at versus maximizing the dollars on revenue. Koji, I also just wanted to comment on what you said on the four previously.

I mean, building on what Chris said on that, obviously, I want to be putting up numbers way, way stronger than $4 million in net as we talked about before and expect to as we accelerate our growth. As we talked about before, the churn levels from contract resets from 2021 and 2022 have -- we're expecting yet the bulk through the bulk of those as we pass Q1 and Q2 and get into second half of this year. And so I'm really looking forward to that.

Koji Ikeda - *BofA Securities - Analyst*

Thanks, guys. Thanks for taking the questions.

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

Next question, Brent Bracelin from Piper followed by Jackson Ader from KeyBanc.

Brent Bracelin - *Piper Sandler & Co. - Analyst*

Thank you. Good afternoon. Maybe I'll start with you, Chris, here. We've seen RPO backlog growth decline for a couple of years now. But this quarter reversed a little bit. Looks like CRPO growth is not high but back to growth after being negative last quarter. What drove the improvement in backlog this quarter? Was there some anomalies that aided you this quarter? Or do you think maybe that one metric is starting to kind of reverse here?

Thanks.

Christopher Harms - *Amplitude, Inc. - CFO & Treasurer*

So I remind you, I don't spend a lot of time looking at the RPO. I do focus on the ARR and would encourage everyone to continue to focus on ARR. But I will speak to the dynamic that you just raised. If you recall prior comments that I've made is that our renewal base is more heavily weighted towards Q1 and Q2 than it is in Q3 and Q4. It's very reasonable for me to expect the RPO in aggregate to increase as we enter Q2 and Q -- excuse me, Q1 and Q2. And I would expect it to have a little bit of downward pool in the Q3 and Q4. Now I expect that historical renewal base to somewhat shift as we mature and get a larger footprint into the enterprise space, reflective of their more Q3 and predominantly Q4 buying patterns, but that's what we're seeing today.

Brent Bracelin - *Piper Sandler & Co. - Analyst*

Helpful color. And then maybe Spencer for you. We're trying to think through potential levers that could accelerate the business. You clearly have some new products that you can control, new product-led growth initiatives that are in your control. One of the debates out there in the software land is when does AI start to show up at the application layer.

And so my question here is on AI, but not a product AI question, more of an industry driver question, we're hearing a lot of these application companies do experimentation with AI features, the UX is going to be quite different as you think about layering in a large language model. Are you seeing any of your customers that are now starting to lean in on AI start to either show increasing volume commitments, as they do experimentation, do you think ultimately amplitude could benefit as more and more of these application companies, B2B applications companies start to layer in large models or not.

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

And Brent, just to make sure I understand what you're saying. I mean there's a few different ways. First, it's like if they have more end usage from their customers because, hey, we created a chatbot, there's a lot more engagement that's sending us more data. Is that what you're talking about? Are you talking about Amplitude itself having a capabilities that drive a bunch of the out of the platform?

Brent Bracelin - *Piper Sandler & Co. - Analyst*

Yeah, for the end users and any sort of like acceleration you might see based on more application companies layering in these AI features?

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

Yes, for sure. I think -- so what we've seen with every wave of technology disruption is that, that's been an accelerant to the amount of data that gets tracked for your end users and the need for something like an Amplitude. So when we first founded that wave was mobile and then the whole rise of SaaS kind of coincided with some of our largest customers today are SaaS companies. We saw that with crypto. And now we're starting to see that with AI and all the workflows on that.

I'd say B2B companies that have a strong help or like a support component that uses chat with agents, we've seen some upticks from that. And then it kind of goes back to -- if you look at AI native companies, they desperately need us. And so that's why we see mid-journey character, a whole bunch of others adopt Amplitude. And so absolutely, that's that's a growth lever for us.

The more people spend time on -- in the digital world, the better that is for us because that means that's where your customers are and you want to optimize that journey. So now that all said, I want to be really clear, it's early for a lot of these companies. I think I've probably seen like three or four companies on the B2B side that have a real AI offering. I mean a lot of people just brand their stuff with AI, but the percentage of value driven through that workflow is minimal. So it's early days for it.

Brent Bracelin - *Piper Sandler & Co. - Analyst*

That's consistent what we're seeing. Thank you so much.

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

Next question, Jackson Ader from KeyBank, followed by Nick Altmann from Scotia.

Michael Vidovic - *KeyBanc Capital Markets - Analyst*

This is Michael Vidovic on for Jackson. So on renewals, they've been a large part of your story as of late. So I guess, could you just speak to the different factors at play that you're looking at that, I guess, will drive customer renewals to kind of better or worse than you expect in the next year here?

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

Yes. So the -- on the renewal side, I mean, we've obviously talked a lot about the customers who bought in 2021 and the early part of 2022, that are resetting their contracts. That was just part of one renewal where the customer size went from $2.5 million to $1.9 million because they had overbought in 2022, and we're looking to reset that. Now that customer expects to grow with us here on out, and that's like a onetime pandemic reset where people had overprojected the 2021 growth rates forward without realizing that they were going to reset to normal levels.

And so that's the biggest driver behind the elevated churn levels that we're seeing in both Q1 and Q2 of this year. The early indicators are that once that happens, a customer is much more likely to renew flat on the subsequent renewal or even grow. And then I think the other thing that we see is from customer cohorts in 2023 and beyond, while it's early, obviously, we're only one quarter into those renewals. They are significantly stronger and more like our kind of 2019 cohorts and before, which had much higher gross in net dollar retention.

Michael Vidovic - *KeyBanc Capital Markets - Analyst*

Great. And then just to make sure I understand, you didn't see any change in upsell down seller turn dynamics this quarter compared to 4Q, right?

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

It was elevated. So we called that it was elevated because we have a significant number of customers who are renewing in Q1 or Q2 on the large customer side.

Christopher Harms - *Amplitude, Inc. - CFO & Treasurer*

Yes. I think it's worth adding, since last May, we have been calling out an expectation for an elevated level of churn plus Q2 of last year, Q3, Q4 continuing into Q1 of this year and continuing into Q2 with the two drivers being the multiyear contracts getting optimized for the dynamics that Spenser just sit upon. And then the VC start-ups, right, cutting our solution just to survive.

What we've tried to profile is that we will be in a structurally different place as we enter into Q3 of this year, where we will have worked our way through most of those multiyear resets that will be in a structurally different place and an expectation of a notably reduced churn from the levels that we've been experiencing for those prior four quarters and then the fifth quarter, including this upcoming Q2 as we enter into Q3 and Q4.

What I'll add is we haven't changed our assumptions in terms of the VC kind of start-ups of them exiting out of our ARR base that I think consistent with what you've been hearing from some of our peers is that we don't know where that endpoint is going to be. And so therefore, we have not built any improvement in terms of that part of our churn that's for the lower end of the market into our revenue guide for the year and our outlook for the top line. Those, I think, are the two dynamics to embrace.

Michael Vidovic - *KeyBanc Capital Markets - Analyst*

Great. Thanks, guys.

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

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

John Gomez - *Scotiabank - Analyst*

Hi, this is John Gomez on for Nick Altmann. Thanks for taking my question. Can you talk about the factors that pressured NRR and whether there are any drivers to NRR that is improving or holding up better than others?

Christopher Harms - *Amplitude, Inc. - CFO & Treasurer*

So there are two factors. The first one by far is the role that churn is playing in bringing down our GDR and obviously, then the impact it has on interim. And with the more macro conditions of budgets having getting tighter, right? Our expand motion has not been operating at the same level it was when we were up north of 120% on interim. Combination of those two factors have clearly brought us down. So what we've tried to signal to you is where we feel that trough is going to be and a sense about where that trough was the level.

I think we quoted in the prepared remarks kind of the mid-90s. Inclusive in that, look, we will be in a fundamentally different place as we've talked about in Q3. And then the other point to highlight is we did talk about the new ARR that we brought in this quarter and that it was about two-thirds driven by expand. It gives you a sense of the magnitude of the churn that we're working through as part of this reset of the optimization because we did continue to trick down on interim.

All of those, we continue to convey, we see troughing in the very near term and having us positioned for a much cleaner level of reacceleration. Now the degree of that reacceleration is something we'll convey later in the year at an Investor Day, we talk about our long-term model. And then we'll talk through the drivers about how we would see that growth rate developing over the coming years.

John Gomez - *Scotiabank - Analyst*

Got it. And I think you mentioned the pipe you saw the pipeline is improving and can you talk about what exactly you're seeing there?

Christopher Harms - *Amplitude, Inc. - CFO & Treasurer*

I'll let Spencer speak about pipeline.

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

We've put a lot of work into the pipeline. It's still early days on that. And so particularly on the enterprise side, there's been a change in named account focus where we've had the number of accounts we're focusing on and focusing on accounts with very high potential value. And so that's been a change across the sales and marketing team. And so we've been kind of through one quarter of operationalizing that. We're already seeing improvement in our just kind of aggregate quantity of pipeline. But again, that's a very early -- and that's just an early indicator, and so proof will be as we go through this year.

John Gomez - *Scotiabank - Analyst*

Great. Thank you for taking my questions.

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

Taylor McGinnis from UBS, followed by Rob Oliver from Baird.

Taylor McGinnis - *UBS Investment Bank - Analyst*

penser and Chris, thanks so much for taking the time this evening. So Chris, you mentioned this a little bit earlier, but I just want to double click on it. So you made two comments. So one is that you feel like you're getting close to getting through the peak COVID renewals, but also that you're seeing VC-backed companies still cutting.

So how do we think about those two dynamics as we move throughout the year? So are we getting to the point where churn can start to normalize after 2Q? Or will this be hampered by some of the smaller companies cutting? And I guess what I'm just trying to get at is, are you seeing those smaller company optimizations get worse? Are they staying more of the same? Like is that an additional headwind? Just how do we think about that in terms of our recovery?

Christopher Harms - *Amplitude, Inc. - CFO & Treasurer*

Yes. No, understood. Let me start here, right? Beginning Q2 of 2023, these -- the four quarters that have just completed with Q1, we've really had our arms around churn, like our ability to understand our customers, where we are and the likely resets that were going to happen while they were large and that obviously is hard for us. The real positive side is we've got our arms around it, and we're modeling it correctly. As I look into Q2, Q3 and Q4 of the rest of the year, I expect us to continue to repeat that pattern.

I think we have our arms around it, and we're building our expectations for the role of that churn into our top line. What I wanted to convey as it pertains to the optimization, we are expecting that to decrease considerably from the levels that we've been, which will culminate in Q2, down into Q3. But what we have not done has changed our outlook for improvements in that VC-backed side of churn that's built into our renewal base. That we have -- we've not modeled any improvements and the full year revenue guide that we have provided kind of reflects the trend lines that we've seen and are again, pretty good view about what those expectations are Q2, Q3 and Q4 and their associated impact on our top line.

Taylor McGinnis - *UBS Investment Bank - Analyst*

Perfect. And then Spenser, maybe one for you. I'd love to understand, you mentioned like seeing green shoots, right? I'd love to understand that dynamic a little bit more. So as you look at some of the like newer lands that you guys have had more recently or if you look at some of these post-optimization renewals, and you talked about those being flat to up. Like have you seen any inflections in those, either in size or number of products that people are incorporating that's giving you guys comfort that once you get beyond this period of tougher renewals that you could see a healthy growth on the back of that?

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

Yes. I mean, for sure, all of the pieces you just named, so the fact that once customers go through one reset their profile returns to more normal versus the elevated levels we saw from the 2021 and early '22 cohorts. For sure, the kind of 2023 customers renewing at better rates. I think a few other things I'd say. One is we've seen Plus be a great channel. So we've already seen customers that convert from that to our annual contracted plans.

And so that's fantastic evidence that the wind simple piece helps quite a bit. And so we're getting a high volume of customers as you see in the customer count number, and now that seeds for the future. One other thing I'd call out is the uptick in attach rate of non-analytics products. So now up to 19%, which is fantastic. And while it's early on that -- those -- that cohort of customers, we see they tend to have higher gross and net retention characteristics as well. The more products you want, the more likely you are to retain. And so as that number goes from 19% to 30% to 50% and beyond, expect that to result in revenue acceleration for us as well.

Christopher Harms - *Amplitude, Inc. - CFO & Treasurer*

Yes. So I'm going to add to what Spenser did. You'll see in the quarterly those 2 metrics that we haven't been sharing on a quarterly basis. The first was the one Spenser just alluded to in terms of the percentage of our customers with more than one product as part of the platform. And the other is the customers that are over $100,000 of ARR, and those are ones we will be sharing on a quarterly basis because they're very indicative of the penetration that we're making in terms of an expansion play in terms of the full platform. And they're also indicative of what's taking shape in terms of what is still 3/4 of our ARR base, which are larger ACVs north of $100,000.

The additional green shoot that was embedded in that metric on the 521 customers that are over $100,000 is it -- those adds in Q1 were all lands. So reflective of us, very focused on named accounts and making really good footholds into these companies that have significant total potential ARR. That's another good metric in green shoot that we're looking at.

Taylor McGinnis - *UBS Investment Bank - Analyst*

Yeah, very interesting. Thanks so much. Appreciate the color. Thanks.

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

Next question over from Rob Oliver from Baird followed by Arjan Bhatia from Blair.

Rob Oliver - *Robert W. Baird & Co. Incorporated - Analyst*

Great. Thank you, I appreciate it. Hi, guys, looking forward to the analyst day -- investor day later this year, that's great. So I guess first question, Spenser, for you and in response to Taylor's question towards the end. You touched on some of the plus conversions to annual transaction plans. And I wanted to touch on that.

Obviously, a really nice customer ad number this quarter, and I assume that was mostly plus. And then can you talk a little bit about -- and recognizing that it's still early, those migrations to annual plans, what you're seeing within that, what sort of conversion rates or use cases you're seeing? Are these people dabbling competitively with other products? Or are you starting to see that as customers get up and running on Amplitude that they're starting to adopt more fully? And then I had a follow-up for Chris.

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

Yes. So I think before -- again, to your point, Rob, it's early. So I'm not -- we're not sharing any specific stats around it. I think what we saw before is that -- so we have a very generous free plan. But then once you hit the limits of that free plan, the first jump was, hey, talk to a salesperson as part of a process and start paying us $30,000, $40,000 a year on an annual contract. And that was too big of a jump for many customers, and they wanted to say, is there -- are there other ways that can explore getting more value out of amplitude before having that level of commitment to a conversation with you guys.

And the answer is yes. Like I mentioned, we've seen universities, semiconductor companies, a railroad company sign up on the Plus plan and we are going after them to help them understand, okay, here's the value if you really deploy on Amplitude. And so it's just a kind of great way for them to get started and a great sign process for us to know who to focus on and who's serious about trying to get the value out of Amplitude as a platform. So again, I don't have any specifics on that, but I think it's a really helpful bridge.

In my opinion, we're kind of at step 1 or 2 out of 10 on that journey, and I think there's a lot more ways to go. Every quarter that we see or every month that we go by is a record month for a number of plus sign-ups. And so that's very, very promising. It's not like we just had a spike. It's come back down. It's actually continuing to compound on itself. And so there's a lot more to do on that channel as part of when simple.

Rob Oliver - *Robert W. Baird & Co. Incorporated - Analyst*

Great, okay. That's really helpful. And Chris, just one for you on geographic. But first of all, you've been very deliberate in your communication around this going back to last year, and it's super helpful, and it seems like these press are certainly starting to be felt. I wanted to ask specifically about international, which accelerated in the quarter. And if there's anything to call out relative to international versus North America, if that was a handful of maybe large upsell deals or how to think about maybe trends in international?

Christopher Harms - *Amplitude, Inc. - CFO & Treasurer*

Let me do a little homework between now and the call back a little bit crisper on that response.

Rob Oliver - *Robert W. Baird & Co. Incorporated - Analyst*

(multiple speakers) I've ever stopped you. So just be proud here.

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

What I will jump in on that is that when I actually give huge kudos to all of our sellers in the EMEA region. They've done a phenomenal job the last few quarters and huge credit to those folks in the ground for you -- for all of you listening.

Rob Oliver - *Robert W. Baird & Co. Incorporated - Analyst*

Great. Thanks a lot, guy. I really appreciate it.

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

Next question, Arjun Bhatia from Blair, followed by Tyler Radke from Citi.

Arjun Bhatia - *William Blair & Company L.L.C. - Analyst*

Spencer, maybe for you that the auto services company, example, the case study that you gave was pretty interesting. The part that stuck out was, I guess, when you look broadly at your customer base, how common is it that customers are using you currently for an internal kind of maybe lower tier, if I could call it that, for lack of a better word, use case versus like a consumer-facing use case?

And I assume if that transition happens, it's a pretty big expansion for you in an upsell. So can you maybe just touch on that and how -- if there are customers that use you internally, how do you get them to flip you on to their main product that's external consumer-facing?

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

Yes. So very, very common motion for us on the enterprise side, where we'll start out in an internal app. Sometimes it will be a mobile app or an acquisition or a new experimental project. So that's very, very typical for our land motion because moving your analytics, it's a heavy lift. It's a system of record for your product and marketing teams. And there's a lot that goes into, okay, hey, we're self-serving on this is a source of truth for daily actives and a whole bunch of else. And so it's not a thing that any business decides lightly on, which is why the halls try it out on a bleeding edge place in the company works really well.

Typically, you'll see we take about a year or so to prove that out, and then we can then go on to the main products like the one -- the automotive one that I talked about. So that's very typical. Sometimes it could be faster if we prove out value really quickly. Sometimes it can be longer. But yes, that's a very, very typical motion on the enterprise. It's also part of why that we're calling out the $100,000-plus customer cohort because it's like we want to distinguish between, hey, they're just trying us out on one of these test things that might be $30,000 or $40,000 or $50,000 versus a real deployment to a significant customer-facing app as well. So yes, a really important part of our motion.

Arjun Bhatia - *William Blair & Company L.L.C. - Analyst*

Okay. And so I assume a lot of the $100,000 customers are going to be external? Is that fair to --

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Christopher Harms - *Amplitude, Inc. - CFO & Treasurer*

Almost all of them. I mean, I need to check. I'm sure there may be too otherwise, but almost all of them, yes.

Arjun Bhatia - *William Blair & Company L.L.C. - Analyst*

Okay. Very helpful.

And then the other thing, just like when we think about kind of growth reaccelerating and what growth rate attitude can ultimately be at. One of the things that's obviously going to be important is expansion. And I understand that two-thirds of net new ARR is coming from expansion, but that's still just given where your ARR is, I think that's just $2 million to $3 million roughly in net new quarter. So when you think about the next year, 1.5 years, what are the factors that's going to get that $2 million to $3 million to $8 million to $10 million? Like how do you accelerate the expansion motion from here?

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

So first, just to be clear, the gross number on both the new landed business as well as the expansion business is obviously a lot bigger than 4. It's that -- what we've called out is elevated churn levels make that net number a lot smaller than it would be otherwise. Our new business, both on the land side and the expand side has always been quite strong. I think you'll probably -- particularly with like Plus now there and newer ways to get in cheaper and faster and easier. I think you'll see more companies where we'll land at those smaller dollar sizes and then grow significantly over time.

I think the biggest lever always has been and remains more data and more kind of more coverage of the company. So you go from an internal app to a few apps to being standardized on company-wide. And so that most of that customer's growth journey ends up being from expansions, but you'll still see large lands that come in as part of it.

I think the other really big lever I'm excited about is the platform piece because there's just so much value in these other in session replay and experimentation and CDP and more parts of the platform to come that become a lot more valuable when combined with analytics. So as an example, on the session replay side, one of the most common use cases is to understand user error.

So if you have a lot of people all of a sudden dropping out of a funnel or a lot of people encountering error, what is it that they're doing in the app to trigger that. Well, with analytics in place -- or sorry, if you don't have analytics in place, it's actually quite a bit of work to try to find a session where a user had an error, whereas if you do have analytics in place, very easy, you click to give me a group of users that have this error.

Let me watch a few sessions. And then instantly, you get it. I mean, we use that. We see a lot of our customers using it. And so that's why we see a lot of players switching off of point solutions on to the entire Amplitude platform. And so I think, yes, 19% is obviously very early days, and we want to grow that significantly, so it becomes a much bigger growth lever for us.

Arjun Bhatia - *William Blair & Company L.L.C. - Analyst*

Okay, awesome. Very helpful. Thank you.

Christopher Harms - *Amplitude, Inc. - CFO & Treasurer*

Let me jump in. I do want to validate what Spenser said in terms of that characterization was our new ARR and emphasize the point that the net is low, again, really a function of the churn want to hit upon his point of the platform, recognizing there's two parts there. It is the -- how those different products integrate effectively together and deliver a value prop for the different use cases that is much more seamless than tying together point products from various vendors. That's what from the product perspective, and it's clearly helping our messaging in the field as we are bringing new customers to the table.

There are other things that we're looking at, both how do we -- how do we extend that platform with what are the next critical pieces to it, we're spending a lot of time on. And then the next is just the pricing itself, both at the high end, about how we think about having our cost to our customers be much less linear with the level of event data that they're sending us, and on the low end, how do we create a much lower barriers to entry with us, both in terms of the event volume that we give them and the associated pricing steps.

Those are very critical factors as we think into '25 and beyond about what that slope of our reacceleration could be. And all of those are on top of something I definitely don't want to lose sight of our refocusing efforts in 2023 within go-to-mark to take the things that we do really well and focus a lot more of our resources around them as exemplified by the named account approach and then coupling that with a really low cost of customer acquisition on the low end of serving all of those customers are coming in through our PLG sets a really great foundation for how we layer those pieces on and all of those vectors driving the state of that reaccelerating growth -- excuse me, the slope of that reaccelerating growth.

Arjun Bhatia - *William Blair & Company L.L.C. - Analyst*

All right, perfect, that's helpful. Thank you, Chris.

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

Next is Tyler Radke from Citi, followed by Elizabeth Porter from Morgan Stanley

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Tyler Radke - *Citigroup Inc. - Analyst*

Yeah, good afternoon.

I guess first question for Chris. A follow-up to that last question. So you were talking about kind of the delta between gross new bookings and expansion bookings and the churn component. I guess how fast would ARR be growing today if churn was at a normalized way? And any way just to bridge like in terms of points, how far below that normalized level of churn you are today?

Christopher Harms - *Amplitude, Inc. - CFO & Treasurer*

So I do appreciate the question. And I have run several -- the reality is that churn is happening. It is impacting our growth rates, and we are trying to signal to you when we see that starting to structurally change in the back half of 2024 and then allow us when we get to that Investor Day to really then talk about what the future is ahead of us instead of kind of restating the past.

Clearly, it played a role. Clearly, the pandemic excesses that were built into our ARR has been a headwind that I think has hit Amplitude much greater than most of our peer groups, reflective as you're aware, that really high growth rate that the company experienced back in that 2020 and 2021 time frame.

Tyler Radke - *Citigroup Inc. - Analyst*

Okay. We'll definitely pay attention at the Investor Day for the information you're going to give us. And then second question I had was just around your commentary on gross margin. I think you talked about better utilization driving lower gross margins, obviously, through higher COGS. I wonder if you can just expand on that? Was the utilization ahead of your expectations? And I guess if that's the case, does that give you a little bit more confidence that these contracts can tilt more towards expansion as opposed to renewing it flat? Just talk a little bit about how the utilization throughout the quarter played out.

Christopher Harms - *Amplitude, Inc. - CFO & Treasurer*

Yeah. So there are definitely multiple facets to this topic. Let's talk about the one that we find to be very positive first and then I'll hit the others, which is the greater the level of utilization, that is one of the indicators for how sticky we are with the customer. It's also a good calibration of where where they are from an event volume that has been purchased and the capacity that's embedded versus what they're using. It is making us much more aligned as a part of resetting as part of these renewals and the optimizations we've been going through.

It puts us in a much better place with our customers as we tried to indicate in the prepared remarks about how we move forward with them at a calibrated level to their current volumes. Those are very positive. It does though provide a drag on to the gross margin, but I wanted to highlight it was the second driver in terms of what's a pull on our gross margin. The first is we have been investing in our professional services team. We have -- we recognized the value of some of our larger strategic accounts.

We recognize the value of some of our accounts where we're earlier in the journey, they have significant total potential ARR, but we want to make them as successful as we can, as quickly as we can to unlock that expansion muscle that we've just been discussing. Inclusive in that professional services and utilization, it did speak to the drop that we saw from Q4 to Q1.

What I want to kind of close with is, look, we still see our gross margin profile consistent with what the levels were we conveyed earlier, which was in that 76% to 77% range. Now there will be quarters where we're going to be over that range, and there will be quarters where we will be below that range. But it's a good rule of thumb about how we see 2024 and beyond, it's in that 76% to 77% range I'm happy to take a gross margin percentage point if it's unlocking our ability to drive the top line. And both of those to me are really positive indicators that we're on the right track, even though it is a little bit of a drag to gross margin.

Tyler Radke - *Citigroup Inc. - Analyst*

Thank you.

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

Final question from [Elizabeth Porter]

Elizabeth Porter - *Morgan Stanley - Analyst*

Great. Thanks.

Two questions for me. First, on the self-service plan. As it ramps, how does more volume coming through this channel potentially change your unit economics these customers don't have the dedicated sales reps, but it sounds like there's a pretty good opportunity for them to upgrade into larger plans likely with less friction and less sales forces you needed.

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

Yeah. It's great on the unit economics front because of exactly what you called out. I think if I were to go back a few years, one of our biggest places we were immature was we were running the same sales motion, whether you're a $10,000 a year customer or you're a $5 million a year customer and doesn't make sense, you want to specialize. So you want to put the human resources on this end to make sure someone is successful and do even more, like we've been talking about in professional services. And here, you want to automate so that you have much better economics on acquiring customers. And so that's exactly what we've done. And so I think it would be a much, much cheaper way to service those customers.

I do want to call out, obviously, the revenue from it is actually -- it's small. It's not really meaningful versus our overall base. The reason we have it is because it's a great farming ground for those customers to eventually grow into our annual contracted plans. As I mentioned on an earlier question, we've already seen that a few times, and we want to continue to grow that. So that a lot of our business can come from there in the future.

Elizabeth Porter - *Morgan Stanley - Analyst*

Great. And then second question, just on the new demand side. For the new ARR, it seems like it was split a little bit more towards the land expand --

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

Expand, yeah.

Elizabeth Porter - *Morgan Stanley - Analyst*

Relative to last quarter, I think it was a little bit more balanced. So as we look at just the new business demand, how is that trending relative to your expectations? And any sort of changes in trend to call out?

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

It's too early. I mean it will vary quarter-to-quarter. It's too early to say, hey, we're going to be heavier. I mean I think over the very, very long term, you'll probably see us landing customers smaller and smaller and then expanding them over time. But I think it will -- it just happens to be a few larger deals that happened to be expansions this quarter like that automotive company like Rocket Money and what have you versus other quarters, which may have really sizable lands.

Elizabeth Porter - *Morgan Stanley - Analyst*

Thank you so much.

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

Thanks, Elizabeth.

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

Great. Thank you. With that, I am seeing no further questions in queue. We'll be at the Bank of America Global Technology Conference and Baird's 2024 Global Consumer Technology and Services Conference in June. Details will be posted on our IR website. Thank you very much for attending our Q1 earnings. You may now disconnect.