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Samsara, Inc. (IOT)

Q4 2024 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Michael Chang

Vice President-Corporate Development & Investor Relations, Samsara, Inc.

Good afternoon and welcome to Samsara's Fourth Quarter Fiscal 2024 Earnings Call. I'm Mike Chang, Samsara's Vice President of Corporate Development and Investor Relations.

Joining me today are Samsara Chief Executive Officer and Co-Founder, Sanjit Biswas; and our Chief Financial Officer, Dominic Phillips.

In addition to our prepared remarks on this call, additional information can be found in our shareholder letter, press release, investor presentation and SEC filings on our Investor Relations website at investors.samsara.com.

The matters we'll discuss today include forward-looking statements. Actual results may differ materially from those contained in the forward-looking statements and are subject to risks and uncertainties described more fully in our SEC filings. Any forward-looking statements that we make on this call are based on assumptions as of today, March 7, 2024, and we undertake no obligation to update these statements as a result of new information or future events unless required by law.

During today's call, similar discussions will include our fourth quarter fiscal 2024 financial results. We'd like to point out that the company reports non-GAAP results in addition to and not as a substitute for or superior to financial measures calculated in accordance with GAAP. Reconciliations of GAAP to non-GAAP financial measures are provided in our press release and investor presentation. We'll make opening remarks, dive into highlights for the quarter and then open the call up for Q&A.

With that, I'll hand over the call to Sanjit.

Sanjit Biswas

Co-Founder, Chief Executive Officer & Director, Samsara, Inc.

Thanks, Mike, and thank you, everyone, for joining us today. Samsara's FY 2024 was another year of durable and efficient growth. We ended FY 2024 with an ARR of \$1.1 billion, growing 39% year-over-year. During the year, we added 611 customers into our \$100,000-plus ARR cohort, bringing us to 1,848 large customers in total. Our momentum reflects the continued strength of our platform and the large market opportunity ahead of us.

Several factors drove our execution. First, we're addressing a large market that's early in its digitization journey. Our customers represent the industries that drive more than 40% of the global GDP and are the backbone of the economy. Second, we pioneered the Connected Operations Cloud, a singular system of record for physical operations to address this market. Third, we have built a multi-application platform that solves our customers' most challenging problems. We have a unique IoT data set that includes data from a broad and diverse group of vehicles, equipment, sites and workers. It is also fed by growing ecosystem of connected assets and third-party systems. And last, our increasing scale and strong unit economics drive operational efficiency.

While we're still in the early innings of our customers' digitization journeys, we are proud of our progress and impact so far. In just eight years of selling, we're operating at a rare combination of scale, growth and profitability. We are the strategic partner to many of the world's leading and most complex physical operations organizations

and our large customer momentum continues to fuel our growth. We provide visibility into their operations and deliver clear ROI with payback periods often measured in months. Q4 was a milestone quarter for our large customers. We added a record 185 customers into our \$100,000-plus ARR cohort. This represents our fastest-growing customer group. We also added a record 11 customers into our \$1 million-plus ARR cohort.

I'd like to share two examples from this quarter that show our momentum with large customers. The first is with USIC, which is our largest new logo and our largest net new ACV deal ever. USIC is the leading provider of underground public utility locating services with more than 12,000 technicians in 48 states. Their technicians mark utility lines to ensure public safety and to protect and maintain our critical infrastructure.

At the core of USIC is their safe life culture, which is focused on eliminating at risk behaviors and empowering their employees to protect themselves, their team members and their communities. They're using our Video-Based Safety application to strengthen their safety program. They've already seen significant results. In a pilot with Samsara, USIC reduced mobile phone usage by 92%, no seatbelt usage by 85% and rolling stops by 50%. We also expect USIC to increase fuel efficiency across its fleet with our Vehicle Telematics. This means less carbon emissions and lower fuel costs.

The second is our expanded partnership with the leading provider of commercial and residential roofing, siding, windows, decking and insulation in the North American building industry. They are Fortune 500 company with more than 2,300 vehicles and 7,000 team members across 500 locations. They became a customer a quarter ago with telematics only. This quarter, they expanded with over \$1 million of Video-Based Safety and Mobile Experience Management applications.

One of their core values is to make every day safer. They're using Video-Based Safety to improve safety, reduce accidents and exonerate drivers. They consolidated three vendors into one with Mobile Experience Management, which they're using to reduce mobile distractions and keep drivers safe. In an early pilot with Samsara, they saw an 85% reduction in total safety events and 91% reduction in distracted driving and a 77% reduction in collision risk events. These results deliver clear ROI to our customers. We're proud to partner with them to achieve their core values and operational goals.

Samsara's Connected Operations Cloud is powered by a flywheel of data from our customers' growing digitization efforts. This enables AI-driven insights to help our customers operate more safely, efficiently and sustainably. We've been investing in our cloud, which continues to grow and become more sophisticated. Over the last fiscal year, our cloud processed more than 9 trillion data points and 75 billion API calls, digitized more than 230 million workflows across our platform and recorded more than 60 billion miles driven. Our Partner Ecosystem, Samsara's App Marketplace, has also grown to include more than 270 integrations with third-party systems.

Our growing dataset accelerates our ability to deliver even more insights so our customers can take action and improve their operations. This helps our customers operate their businesses in completely new ways. They can also drive even more business impact while saving money. For example, many of our customers use real-time insights from our Connected Operations Cloud to drive operational actions. This results in fuel savings, lower insurance premiums, lower maintenance costs, improved asset utilization and better worker hiring and retention.

As we build for the long-term, we're focused on expanding our multiproduct platform, growing our international markets, and increasing our investments in security and scaling our unique culture which fuels our growth. This quarter, we released our Connected Forms application into general availability. Connected Forms is a workflow solution that allows our customers' frontline workers to streamline their operations. This includes inspections and incident reports through digital forms.

A good example of how customers are already finding value with Connected Forms is with NexTier. NexTier recently merged with Patterson-UTI to form the second largest oilfield services company in the US. They've been a customer since 2021 and expanded their partnership with us in Q4 to use Connected Forms. They're using Connected Forms to help reduce operational risk. Connected Forms ensures that each trip is safe and necessary to perform considering the weather, hazardous road conditions and driver readiness.

This quarter was also strong for international growth with 16% of net new ACV coming from non-US geographies. As we look to the future, we're continuing to expand and gain customers in our new frontiers, including Mexico, Canada and Western Europe. One of our key international wins this quarter is a major European construction services business with over 120 local operating companies and 17,000 employees. They deliver over 25,000 projects annually across many civil engineering construction sectors. Samsara has partnered with them to advance their core values of safety, sustainability and integrity. They're using Samsara's Video-Based Safety and telematics products to help prevent accidents, reduce idling, lower insurance costs and transition to an electric fleet.

We've also continued to focus on protecting our customers and their data. Announced today, Samsara has achieved four industry-leading ISO certifications. This demonstrates our commitment to data security and privacy. It is an important step as we build on our strong foundation of customer data protection, data security and privacy management. And last, as we grow and scale, our differentiated culture allows us to amplify our impact on our customers and communities. In Q4, Glassdoor recognized Samsara as one of the Best Places to Work in 2024, and we are thrilled to have received many best places to work recognitions throughout the year.

We're proud of this milestone year. We surpassed \$1 billion in ARR, at 39% year-over-year growth, became adjusted free cash flow positive and consistently achieved Rule of 40 in all four quarters. We are operating at a rare combination of scale, growth and profitability. It was an exciting quarter and year delivering on our mission to increase the safety, efficiency and sustainability of the operations to power the global economy. We're grateful for the opportunity to partner with our customers as they modernize their operations. We look forward to another year of innovating and building solutions for our customers. Thank you to our customers, partners, investors and Samsarians for joining us on this journey.

We're also excited to see many of you at our annual customer conference, Beyond, on June 26 to 28 in Chicago, where we'll also be hosting an Investor Day. At Beyond, we'll be bringing together leaders across the industries we serve to discuss the state of physical operations, the challenges they're facing, and new ways to use Samsara to deliver value through digitization. We will also be announcing new products to further drive transformation for our customers. We hope you'll join us.

I'll now hand it over to Dominic to go over the financial highlights for the quarter.

Dominic Phillips

Chief Financial Officer & Executive Vice President, Samsara, Inc.

Thank you, Sanjit. Q4 was another quarter of sustained high growth at scale, ending ARR with \$1.1 billion and we added a quarterly record \$99 million of net new ARR or an increase of 39% year-over-year, our highest growth rate over the past 10 quarters. This was also the fourth consecutive quarter year-over-year net new ARR growth accelerated compared to the same period of the prior year at a larger scale.

Q4 revenue was \$276 million, growing 48% year-over-year or 37% adjusted revenue growth. For full-year FY 2024, revenue was \$937 million, an increase of 44% year-over-year or 41% adjusted revenue growth. As a

reminder, Q4 of FY 2024 was a 14-week fiscal quarter, which happens every six years instead of a typical 13-week quarter. Adjusted revenue and adjusted revenue growth removed the impact of the additional week of revenue recognition in Q4 FY 2024 to enable comparability across periods.

Several factors drove our strong top line performance in Q4. First, we continue to focus on serving large enterprise customers to drive durable and efficient growth at scale. We now have 1,848 \$100,000-plus ARR customers, a quarterly record increase of 185, representing 49% year-over-year growth, the same growth rate as last quarter at a larger scale. We also saw particular strength within our largest customers. We now have 82 \$1 million-plus ARR customers, a quarterly record increase of 11, representing 61% year-over-year growth, accelerating from 54% growth last quarter at a larger scale.

\$100,000-plus ARR customers represent our fastest-growing cohort and make up 52% of our total ARR, up from 48% one year ago and 45% two years ago. This higher ARR mix from larger customers coincides with a lower ARR mix from smaller customers. To reflect this trend and align with where we're investing for future growth, we're updating our definition of core customer from \$5,000-plus ARR customers previously to \$10,000-plus ARR customers.

Our non-core customers with less than \$10,000 of ARR represent just 8% of total ARR mix, down from 14% two years ago. And we expect this mix to continue declining over time. Second, this quarter was a balanced mix of landing new customers and expanding existing customer relationships. For new logos, we added a quarterly record number of core and large customers in Q4. We also added two \$1 million-plus new logos, including our largest deal ever with USIC. And all of our top 10 new customers signed multiproduct transactions.

For expansions, we booked a quarterly record six \$1 million-plus expansion deals, and eight of the top 10 expansions in Q4 were multiproduct transactions, most notably a large existing customer in the construction industry already using Vehicle Telematics, Video-Based Safety and Equipment Monitoring signed a more than \$1 million expansion in Q4 to become our largest overall customer. And this was their 20th expansion since becoming a customer back in 2018.

Third, we continued to demonstrate strong execution across several frontier markets. First, 16% of net new ACV came from international geographies compared to 14% in Q4 last year, driven by strength in Mexico and Europe. Both regions added a record number of \$100,000-plus ARR customers and accelerated year-over-year ARR growth sequentially and compared to Q4 last year at a larger scale.

Second, our construction vertical contributed a quarterly record 20% of net new ACV in Q4, the second consecutive quarter that construction was our leading vertical. Additionally, 87% of Q4 net new ACV came from non-transportation verticals, an increase from 81% in Q4 last year.

And lastly, while year-over-year ARR growth for both Video-Based Safety and Vehicle Telematics accelerated sequentially in Q4 at a larger scale, we also saw strength in emerging products that provide additional expansion opportunities within our existing customer base. In Q4, we signed our second largest Equipment Monitoring deal and approximately \$1 million upsell as part of a broader expansion to one of North America's largest full-service grocery wholesalers. We also released Connected Forms into general availability in Q4 and signed a more than \$250,000 expansion deal with NexTier Oilfield Services (sic) [Solutions] (14:45).

In addition to driving strong top line growth, we continued to deliver operating efficiency improvements across our business as we scale. Non-GAAP gross margin was 76% in Q4, a quarterly record, and approximately 3 percentage points higher year-over-year, driven largely by optimizing cloud, cellular, warranty and support costs.

Non-GAAP operating margin was 5% compared to negative 8% in Q4 last year, an improvement of approximately 13 percentage points year-over-year, driven by leverage across all functions. And adjusted free cash flow margin was 6% in Q4, a quarterly record, compared to negative 3% in Q4 last year, an improvement of approximately 9 percentage points, primarily from improved operating leverage and continued working capital optimization.

Also of note, in Q4, we settled previously disclosed lease-related litigation. After vacating the building in October 2021, our remaining unpaid lease obligation was more than \$130 million, and the settlement included a cash payment of \$60 million. Given the non-recurring nature of this legal settlement, it is excluded from adjusted free cash flow. And finally, we reduced our annual equity dilution by almost 40% this year, from 4.4% in FY 2023 down to 2.7% in FY 2024.

Okay. Now turning to guidance. As we enter FY 2025, our third year as a public company, we continue to have more forecast, visibility and predictability than in previous years. As a result, our FY 2025 guidance philosophy will be less conservative than it was in FY 2024. This is the same exact framework we applied to our initial FY 2024 guidance at the beginning of last year, which was also less conservative than our initial FY 2023 guide the prior year. And after analyzing various scenarios, we're also confident that our FY 2025 guidance is adequately de-risked to account for the potential impact of worsening macroeconomic factors on our business.

For Q1 FY 2025, we expect total revenue to be between \$271 million and \$273 million, representing year-over-year growth between 33% and 34%. Non-GAAP operating margin to be approximately negative 3% and non-GAAP EPS to be between \$0.00 and \$0.01. For full-year FY 2025, we expect revenue to be between \$1.186 billion and \$1.196 billion, representing year-over-year growth between 27% and 28% or between 29% and 30% after adjusting for the extra week in Q4 FY 2024. Non-GAAP operating margin to be approximately 2% and non-GAAP EPS to be between \$0.11 and \$0.13. And finally, please see the additional modeling notes in our shareholder letter.

So, to wrap up, we are pleased with our Q4 and full-year FY 2024 performance. This was a year of accelerating growth at a larger scale while continuing to drive more operating leverage. We are digitizing the world of physical operations and helping our customers become safer, more efficient and more sustainable. With our large markets, products and customer focus, we are well-positioned to continue delivering durable and efficient growth.

And with that, I'll hand it over to Mike to moderate Q&A.

QUESTION AND ANSWER SECTION

Michael Chang

Vice President-Corporate Development & Investor Relations, Samsara, Inc.

Thanks, Dominic. We will now open the line up for questions. When it's your turn, please limit your questions to one main question and one follow-up question. The first question today comes from Keith Weiss with Morgan Stanley, followed by Matt Hedberg with RBC.

Keith Weiss

Analyst, Morgan Stanley & Co. LLC

Excellent. Thank you guys for taking the questions and congratulations on a really outstanding quarter, and I guess that's the question. Accelerating net new ACV growth growing only almost 40% in the net new component and frankly, I have spent the week at our Morgan Stanley TMT Conference and the spending environment sounds a little bit better, but not that much better rate at all. The macro environment doesn't seem that much better. So, can you help us explain what was it – what was the unlock within Samsara over the last couple of quarters that has enabled you guys to accelerate and get to these levels of growth, which we're frankly just not seeing anywhere else in the software landscape right now?

Sanjit Biswas

Co-Founder, Chief Executive Officer & Director, Samsara, Inc.

Yeah. So, maybe I'll take the first part of that. But again, I think it comes down to the fact that we're selling into a slightly different budget than a lot of the other software companies. We're selling into the operations budget, which tends to be more resilient. And also our solutions are used to drive real hard ROI. So, customers are deploying our software and they're using it to find cost savings and to drive more safety within their organizations.

And then the other thing I would point out, even internally, as we've discussed now for several quarters, we had made a concerted effort to add more sales capacity into the business. And that sales capacity clearly came online and continued to ramp and drove more overall productivity. And so, we're pleased with both of those results.

Keith Weiss

Analyst, Morgan Stanley & Co. LLC

Got it. And then maybe as a follow up on the back of that, how should we think about the expansion of sales capacity into the forward fiscal year?

Sanjit Biswas

Co-Founder, Chief Executive Officer & Director, Samsara, Inc.

So, I'd say we are ending head count. We grew it just under 30% in FY 2024. I would say that our head count in FY 2025 will grow at least at a similar rate. Again, we've got a big market opportunity. And so, we're still aggressively hiring into FY 2025. Similar to previous years about half, maybe just under half of our overall net head count additions, will go into sales and marketing and a portion of that is quota capacity that will lead to investments for future growth.

Keith Weiss

Analyst, Morgan Stanley & Co. LLC

Outstanding. Congratulations, guys.

Michael Chang

Vice President-Corporate Development & Investor Relations, Samsara, Inc.

Our next question comes from Matt Hedberg with RBC, followed by Alex Zukin with Wolfe.

Matthew Hedberg

Analyst, RBC Capital Markets LLC

Great. Thanks for taking my questions, guys, and I offer my congrats as well. Really strong year here. The other thing that stood out to me was growth in large customers. And I guess, can you put a finer point on what's driving, like what are the most important factors driving the strength? And how durable do you think that success is with these large customers?

Sanjit Biswas

Co-Founder, Chief Executive Officer & Director, Samsara, Inc.

Hey, Matt. This is Sanjit. I would say, if you think back to my prepared remarks, we focus on large, complex physical operations companies. They have a lot of real-world operational challenges and problems. Those relate to safety. So, operational safety out on the front lines, they're trying to reduce risk in other words. They're finding ways to be more efficient in terms of how they operate their business, how they drive their routes, how they operate their assets. And they're trying to figure out to be more sustainable. These are evergreen problems and this is a very, very large market opportunity. We're talking about a \$60 billion TAM that's growing 20% year-over-year. And I would say these customers, largely speaking, they're sophisticated, but they're in these early innings of digitization. So, we think that this can go on for some time.

Dominic Phillips

Chief Financial Officer & Executive Vice President, Samsara, Inc.

Yeah. I mean, just – and to add on that. Obviously, we accelerated the year-over-year growth for \$1 million-plus customers. This was the fourth consecutive quarter that we had a quarterly record for \$100,000-plus customer additions and then, obviously, we signed our largest net new ACV deal ever with USIC. And so, we're seeing a lot of momentum with large customers.

Matthew Hedberg

Analyst, RBC Capital Markets LLC

Exciting stuff. Dom, one for you. You don't guide to ARR, but I'm wondering if you could help us with any sort of guidepost or guardrails to think about ARR growth, some of the building blocks maybe relative to your adjusted revenue growth target. I think it was 29% to 30% for the year.

Dominic Phillips

Chief Financial Officer & Executive Vice President, Samsara, Inc.

Sure. I mean, I would just say, first, obviously, we came off a really strong year in FY 2024. We added \$307 million of incremental ARR, grew it 30% year-over-year. That's an acceleration from 9% net new ARR growth in FY 2023 and obviously at a much larger scale. As I said in my prepared remarks also, Q4 was the highest net new ARR growth that we've seen in the last 10 quarters. And as we pointed this out in our modeling notes that we think that we can at least match that amount of net new ARR in FY 2025. We're obviously still monitoring, macro uncertainty and we are adding a lot of sales capacity. And so, monitoring the sales rep productivity.

But if those headwinds don't come to fruition, we like the capacity that we've added and we're going to continue to add more. So, I think – I'd say that's how we're thinking about it to start out the year and we'll have better visibility as we make our way through FY 2025.

Matthew Hedberg*Analyst, RBC Capital Markets LLC*

Thanks a lot, guys.

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Michael Chang*Vice President-Corporate Development & Investor Relations, Samsara, Inc.*

The next question comes from Alex Zukin with Wolfe, followed by Michael Turrin with Wells Fargo.

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Alex Zukin*Analyst, Wolfe Research LLC*

Hey, guys. Congrats on a truly remarkable quarter. I guess you had a kind of a trifecta, largest net new deal, largest amount of \$100,000 adds. And I'm – and also what seems to be accelerating sales cycles, meaning your newest products are getting more traction faster than even your previous cohort of products. So, maybe just help us understand on either of those dimensions. What's the incremental significance to the future growth, meaning the largest land ever, is that kind of continuing to – will that be a reference customer and you see a continual cohort of potentially larger lands now that you're selling a lot more comprehensive of a platform package at – like basically from the start and therefore, I know it's driving a meaningfully higher productivity of reps? Or how are all three of those things kind of playing together?

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Dominic Phillips*Chief Financial Officer & Executive Vice President, Samsara, Inc.*

I would – hey, Alex. It's Dominic. I would say that I think it's just important to also know that the ARR, the year-over-year ARR growth for our core products, telematics and safety accelerated, the overall ARR accelerated sequentially. So, it was a very strong telematics and safety quarter. But we are starting to see some of these emerging products be attached. And many of the deals, specifically new customers. I call out that all 10 of our top 10 new customers were multiproduct transactions. And so, I think it just gives us more opportunities to create more value for customers, whether it's a new customer or expanding into an existing customer. And a lot of the new products that we're adding, scaling Equipment Monitoring and Mobile Experience Management, Connected Forms are just opportunities for us to expand the deal sizes.

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Alex Zukin*Analyst, Wolfe Research LLC*

Perfect. And then, Sanjit, maybe one for you. You referenced some potential exciting new products coming later this year in June. And I guess on the backdrop of your platform has a ridiculous amount of, kind of great data for your customers, it would – I guess, is there anything exciting to think about with the potential to layer on any kind of AI or generative AI use cases on that corpus of data to be further monetized in the platform?

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Sanjit Biswas*Co-Founder, Chief Executive Officer & Director, Samsara, Inc.*

Absolutely. And Alex, I'm going to have to use that ridiculous amount of good data line. That's fantastic. We absolutely are planning to leverage the platform. That's what customers come to us for. They like that all of these

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applications running on the same platform, sharing data with each other. Some of the newer applications we released, like Connected Forms and MEM and even Equipment Monitoring, they leverage that.

And just to give you a sense of how we can use generative AI in the operations use case. If you think about Connected Forms, it basically is digitizing paperwork. And we have a lot of operational context. We know where the user is, we know what the asset is that they're maybe maintaining or monitoring. And we can fill out a lot of these form fields automatically and speed up their workflow. We can also understand sort of what the next steps should be, that sort of thing. So that's a little bit of a preview, but I would encourage you all to come to Beyond and hear about the new products in June.

Alex Zukin

Analyst, Wolfe Research LLC

We'll do. Thank you, guys.

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Michael Chang

Vice President-Corporate Development & Investor Relations, Samsara, Inc.

The next question comes from Michael Turrin with Wells Fargo, followed by Derrick Wood with TD Cowen.

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Michael Turrin

Analyst, Wells Fargo Securities LLC

Hey. Great. Thanks. Appreciate you taking the questions. Dominic, in the letter and remarks, you mentioned less conservatism in the guide. It sounds like it's just continued progress relative to what we saw at the start of last year. But can you just walk us through the rationale and the factors you're considering there alongside what's providing the better visibility over time?

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Dominic Phillips

Chief Financial Officer & Executive Vice President, Samsara, Inc.

Yeah. I would just, again, stress. This is the same commentary, same guidance framework that we provided on the Q4 call last year, same playbook. It's just we're entering our third year as a public company. We have more forecast predictability and therefore we need less conservatism in our guide than we didn't needed during our second year where we needed less at that time than during our first year post IPO. And so that is really what's driving the comment.

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At the same time, I would just want to reiterate that we do recognize that there's macro uncertainty that could have an impact on future demand. We're not seeing it. And we've run a number of different downside scenarios on our operating plan as well, and we're confident that we can hit this initial guidance, regardless of what happens and not as the de-risk commentary as well. If we don't see the macro headwinds, we obviously have opportunity to raise our guidance throughout the year. It just won't be at the same rate that it has been in previous years. And we just want to make sure that investors appreciate that going into FY 2025.

Michael Turrin

Analyst, Wells Fargo Securities LLC

All makes sense. The letter also mentioned your expansion targets are unchanged, even at increasing scale, of 115% to 120% target. So, can you just spend some time with us on the drivers of durable expansion within the model and how we should think about just underlying expansion with the core products versus the evolution of cross-sell into that emerging product bucket over time and what keeps those expansion rates holding relatively consistent here? Thank you.

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Dominic Phillips

Chief Financial Officer & Executive Vice President, Samsara, Inc.

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Yeah. I mean – yeah, thanks. We just had a really consistent balanced mix within our net new ACV of new logos and expansions in this quarter. 53% of net new ACV came from expansions, 47% from new logos. So that's been very consistent. And then within the expansions, those are really healthy mix of both upsells to existing customers where they're doing a phased rollout of existing products across a broader set of assets or employees as well as cross-sells into new products. And so, I think many of our customers, our larger customers, will roll out over time and that allows us to have confidence in durable upsell growth. And then, obviously, as we increase our product velocity, we're seeing more and more attach of new products and that gives us the confidence.

Michael Turrin

Analyst, Wells Fargo Securities LLC

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Thanks very much.

Michael Chang

Vice President-Corporate Development & Investor Relations, Samsara, Inc.

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The next question comes from Derrick Wood with TD Cowen, followed by Matt Pfau with William Blair.

Derrick Wood

Analyst, TD Cowen

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Hey, guys. Thanks. Congrats on just an amazing quarter and amazing year. Sanjit, I'll start with you. Interesting to hear about that vendor consolidation taking place with the roofing products company. And one of those points of consolidation you mentioned was a displacement of an enterprise mobility management solution. That's a pretty sizable software category in of itself with a different set of vendors than I think you've historically competed against. Can you talk about kind of what the value pitch is to get customers to displace existing solutions there and then just talk about what the landscape look like around that Enterprise Mobility Management market? Is it like the telematics market with a bunch of older legacy vendors or what does that look like today?

Sanjit Biswas

Co-Founder, Chief Executive Officer & Director, Samsara, Inc.

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Sure. So, in terms of what's in it for the customer, it's really that connectivity with the rest of the data on our platform. The way that our Mobile Experience Management solution works is it's able to lock a tablet if it's – in a vehicle that's moving more than 30 miles an hour, you can set the threshold. So that's an example of something that we can do that an existing legacy MEM player can't. We can also customize the screen. We can integrate with those workflows. So, there's a lot there for the customer. And most importantly, it's targeted to the operations user and the operations buyer as opposed to needing to be something that IT needs to take on as a project.

So, it's really we're there with the buyer who's in operations. We're solving some very real-world problems. And they're coming to us saying, we wish we had a way that we can manage these devices where they can only use a couple of apps that they need to be on the job. They're not distract on the road. It helps improve their safety. So, I think we're in the right place at the right time with the buyer.

In terms of that landscape, I would say, generally speaking, it's also fragmented. Like you said, there are different players. But we're very unique in our offering and that it's connected into the rest of our Connected Operations platform.

Derrick Wood

Analyst, TD Cowen

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Got it. That is helpful. And I don't know whether if you or Dom, but I wanted to ask about the construction vertical. Seems like that's humming quite nicely for you guys. Now, two quarters in a row, what makes this vertical stand out above and beyond the others right now? I guess, how are you feeling about momentum in selling video, not into vehicles, but video into sites, site locations?

Dominic Phillips

Chief Financial Officer & Executive Vice President, Samsara, Inc.

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Yeah. I think that the point of the kind of emerging products commentary, every quarter, just as to make the point, that we're really selling into a broad set of industry verticals. Physical operations making up 40% of global GDP. And we don't have one industry vertical of customers that makes up the majority of our ARR. And we've had some success in industries like public sector this year that we've called out. And over the last two quarters, construction has been stronger. And we're seeing all of our products within that sector – safety and telematics, a lot of equipment and then some of these newer products, MEM and Connected Forms.

And so, the customer that I mentioned on the call that did their 20th upsell since 2018, that is now our largest customers in the construction vertical. And so, when you get some kind of chunky expansion deals like that in the quarter, that definitely helps that overall net new ACV mix.

Sanjit Biswas

Co-Founder, Chief Executive Officer & Director, Samsara, Inc.

A

If I can add a little bit of customer perspective, also. I would say the Video-Based Safety application where we're in the vehicle, so relatively speaking under-penetrated. This is not an industry segment that had adopted the legacy products. So, they're seeing value really for the first time. So, they're very excited about it. And many customers have shared with me that a lot of the risk actually occurs when they're driving around, since when they're driving to and from the job site, when they're driving over the road. So, while it's not typically considered a telematics or a Video-Based Safety use case, construction is an exciting industry where we can solve a lot of problems for the customer.

Derrick Wood

Analyst, TD Cowen

Q

Awesome. Thanks.

Michael Chang

Vice President-Corporate Development & Investor Relations, Samsara, Inc.

A

The next question comes from Matt Pfau with William Blair, followed by Junaid with Truist.

Matthew Pfau

Analyst, William Blair & Co. LLC

Q

Hey, great. Congrats on the results and thanks for taking my questions. First, just wanted to better understand. Within those customers that are doing \$1 million-plus in ARR, what is the remaining opportunity there? Is there the potential to get a good portion of these customers to the \$5 million-plus, \$10 million-plus in ARR or are they sort of at the point of being fully penetrated?

Dominic Phillips

Chief Financial Officer & Executive Vice President, Samsara, Inc.

A

Definitely not fully penetrated. Again, I would just go back to the – the customer that is now our largest customer overall, they've done 20 expansions since 2018. And so, I think that expansion opportunity, whether it's cross-sells of some of these newer products or more phased rollouts of their existing products, gives us a lot of opportunity to grow our overall net new ACV within some of these largest accounts. I think within our \$1 million-plus customers, they can be many multiples the size of ARR today on average.

Matthew Pfau

Analyst, William Blair & Co. LLC

Q

Got it. And sort of a follow-up on a previous question. Historically, your split in net new ARRs has been roughly even between new customers and existing customers move around a bit quarter-to-quarter. But as you land larger and larger with new customers on the initial sale, do you expect any material shift in that split longer term?

Dominic Phillips

Chief Financial Officer & Executive Vice President, Samsara, Inc.

A

I don't know how it's going to play out. It's interesting because we don't incentivize our sales organization to sell new versus expansions. They retire quota on net new ACV and they're clearly doing a pretty balanced job of landing new logos and expanding existing customers. I think if we started to see it skew one way more than the other, we could potentially consider that, but it's happening exactly. We like it to be balanced. We need more new logos today that we can expand in the future. And obviously, we want to expand wallet share within our existing customers as much as we can.

I think a lot of our larger customers tend to do more of a phased rollout over time because they just have complex operations in so many assets. And so, as more and more of our net new ACV and our ARR mix moves into larger customers, that could push more of the mix to expansions over time. But it's been very balanced over the last couple of years.

Matthew Pfau

Analyst, William Blair & Co. LLC

Q

Great. Thank you.

Michael Chang

Vice President-Corporate Development & Investor Relations, Samsara, Inc.

A

The next question comes from Junaid with Truist, followed by Jim Fish with Piper Sandler.

Junaid Siddiqui

Analyst, Truist Securities, Inc.

Q

Great. Thank you for taking my question. You had an exceptionally strong quarter on the gross margin line. I think you've talked about before that most of the leverage is going to be coming below the gross margin line. So, if you could just maybe expand on – going forward, should we still expect most of that leverage coming in or should we see strong gross margin performance going forward as well?

Dominic Phillips

Chief Financial Officer & Executive Vice President, Samsara, Inc.

A

Yeah. I mean – and you even saw it in the results in Q4. Gross margin improved 3 percentage points year-over-year, but operating margin improved 13 percentage points year-over-year. And so, I think that's indicative of what to expect in the future that more of the operating leverage will continue to come from our OpEx leverage sales and marketing, primarily, again, the cost of sale on a renewed dollar of ACV is much lower than it is when we land or expand ACV dollars. And then, obviously, we expect more and more leverage to come out of G&A as we continue to grow and scale. And so, I think that's what I would point investors to looking for additional leverage.

Junaid Siddiqui

Analyst, Truist Securities, Inc.

Q

Great. Thank you. And just a follow up. Is there any update that you can provide us on the lawsuit against Motive?

Sanjit Biswas

Co-Founder, Chief Executive Officer & Director, Samsara, Inc.

A

Sure. I'll take that one. In terms of update, it's a relatively recent suit, so no big update. In terms of context of why we're even filing the suit is to protect our investment innovation in IP. This is a patent infringement claim. And we've seen that their senior leadership team was in our product getting access, copying features of our platform. Many of those were patented features. So, there's more information on our micro-site, but that's kind of where we are today.

Junaid Siddiqui

Analyst, Truist Securities, Inc.

Q

Great. Thank you.

Michael Chang

Vice President-Corporate Development & Investor Relations, Samsara, Inc.

A

The next question comes from Jim Fish with Piper Sandler, followed by Daniel Jester with BMO.

James E. Fish

Analyst, Piper Sandler & Co.

Q

Hey. Great quarter, guys. Thanks. Thanks for the question. You guys are doing really well internationally. I think it was 16% of net new ACV you called out. At what point do you get more aggressive in other regions really not in or just smaller in? Is this where, Dom, you kind of alluded to head count additions? Is that where it's going to be added? Are there any new geographies is going to be supported this year?

Dominic Phillips

Chief Financial Officer & Executive Vice President, Samsara, Inc.

A

No. I think we feel like we've got a lot of market opportunity in front of us. First of all, I mean, just in our core US market, but Canada, Mexico, Western Europe, the countries that the key regions in Western Europe that we're addressing, that's where our focus is. And we feel like we've got a lot of market opportunity within those regions. And then, obviously, on the product development side, it's another key area where we're allocating more capital. But we feel like we've got enough market opportunity with the current geographies.

James E. Fish

Analyst, Piper Sandler & Co.

Q

Makes sense. Just as a follow up to Matt's earlier question. I mean, how do you see the pipeline of these large opportunities entering the year versus last year? And are there any larger kind of renewal opportunities on the

horizon with some customers understanding you guys, typically upsell, cross-sell throughout the life of the contract?

Dominic Phillips

Chief Financial Officer & Executive Vice President, Samsara, Inc.

A

I – it doesn't look terribly different than it has in previous years. We feel good about the customer demand and the conversations that we're having. But building off the momentum that we demonstrated in FY 2024 and Q4, and we've really kind of nailed down our renewal motion over the last couple of years and that's driving a lot of success. And so, again, we feel good heading into FY 2025.

James E. Fish

Analyst, Piper Sandler & Co.

Q

Thanks.

Michael Chang

Vice President-Corporate Development & Investor Relations, Samsara, Inc.

A

The next question comes from Daniel Jester with BMO, followed by Kirk Materne with Evercore.

Daniel Jester

Analyst, BMO Capital Markets Corp.

Q

Great. Thanks for taking my question. Maybe to follow up on an earlier one in maybe a different way. You highlighted in the prepared remarks you have a really big renewal that happened kind of one quarter after – or really big expansion one quarter after a new customer was signed. And I mean, the velocity there is really impressive. Are you seeing actually the speed of that expansion change? Is this a one-off sort of unique case? Is it due to sales capacity? Anything that is sort of different in terms of the speed at which you're able to go and re-attack these customers?

Dominic Phillips

Chief Financial Officer & Executive Vice President, Samsara, Inc.

A

I don't think – I think every sales cycle is different. It really kind of depends on where the customer is and they are kind of internal resources and how much of the platform or products that they can digest upfront. And so, some customers are able to move very, very quickly with deployment. Some customers take a more phased rollout approach. And so, we're not really seeing any differences there. It really comes down to kind of customer readiness and project prioritization.

Daniel Jester

Analyst, BMO Capital Markets Corp.

Q

Okay. Great. That's helpful. And then to follow up on the sort of comment about construction earlier being a more historically under-penetrated industry vertical. As you look across the verticals today, are there any others that you'd call out where you see potential change in the opportunity or direction of how you are going to see your progress in 2025? Thanks.

Dominic Phillips

Chief Financial Officer & Executive Vice President, Samsara, Inc.

A

I don't think so. I mean, we – usually at our Investor Day will show this ARR mix pie chart by industry vertical. And it's been pretty consistent. It moves around kind of a few percentage points within individual verticals. But we're

not seeing anything really stand out within one specific vertical that creates more of a catalyst than others. I think we're very focused on having this horizontal platform of applications that's really used by many different end markets. And that's been the case since kind of the founding of the company and I would expect that to be the case going into FY 2025 as well.

Daniel Jester

Analyst, BMO Capital Markets Corp.

Okay. Great. Thank you.

Q

Michael Chang

Vice President-Corporate Development & Investor Relations, Samsara, Inc.

Our last question today comes from Kirk Materne with Evercore.

A

Kirk Materne

Analyst, Evercore ISI

Yeah. Thanks very much. I'll echo the congrats on the quarter. Sanjit, I was wondering if you could just comment a little bit on the idea of your platform. And as you get up to having customers that have \$1 million-plus on ARR, are the people that are accessing that data in the platform expanding beyond the operational or the operations folks? Meaning, I'd imagine finance wants to look at this. I'd imagine legal in some cases want to have access to the data coming off your platform. So, can you just talk about what that means from a longer-term perspective in terms of getting Connected Forms into – I'm just trying to get a sense on it feels like we're scratching the surface in terms of where you could go within an organization, even outside of operations.

Q

Sanjit Biswas

Co-Founder, Chief Executive Officer & Director, Samsara, Inc.

Yeah, Kirk, we would agree with you. So, in large enterprise customers, there are many different personas that use the system. You'll have the back office folks that might be the fleet managers and dispatchers. You will see finance teams using this data to drive everything from tax reporting to carbon reporting and so on. And then, we do have a bunch of other use cases that we can kind of go through.

A

But like you said, with Connected Forms, we start to expand the horizon of what you can do on the product. It's not necessarily tied to a vehicle. And we're already seeing that with things like equipment where we've got asset managers in a different sense keeping an eye on asset utilization of construction equipment, that sort of thing. So, I think that's exactly right. In terms of platform expansion and user expansion. And we're excited to kind of lean into that with new products like Forms.

Kirk Materne

Analyst, Evercore ISI

That's really helpful. And Dom, just a quick one to finish up. Obviously, you'll be adding a lot more sales folks to the mix this year. Can you just talk about how – if there's any changes to the go to market or how are you feeling about those people? Just more overlay salespeople just expanding within existing regions. I guess just the broader question, is there any real changes to the go-to-market as we head into fiscal 2025? Thanks.

Q

Dominic Phillips

Chief Financial Officer & Executive Vice President, Samsara, Inc.

A

Yeah. Hey, Kirk. No major changes. We don't use overlay sales for products. If you look at it, the go-to-market motion is clearly working really well and so like every year, we will have some evolutionary kind of changes as we prepare for more and more scale. But no major changes. Capacity going into our core markets, but also some of our emerging frontiers whether that's a geography or into specific industry verticals like public sector. But, again, more evolutionary changes than the large whole scale changes.

Kirk Materne

Analyst, Evercore ISI

Q

Thanks very much.

Michael Chang

Vice President-Corporate Development & Investor Relations, Samsara, Inc.

All right. So, this concludes the question-and-answer portion. Thank you, all, for attending our Q4 fiscal year 2024 earnings call. Before I let you go, I have a few short announcements. First, we'll be attending the Wells Fargo Software Symposium on April 10, so we hope to see you there. And then second, we're hosting our Investor Day on June 27 in Chicago. Please send an e-mail to ir@samsara.com if you're interested in attending in person. For those that prefer to attend virtually, our IR website will have a weblink to a live broadcast. That's it for today's meeting. If you have any follow-up questions, you can e-mail us at ir@samsara.com. Thanks again. Bye, everyone.

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