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Samsara, Inc. (IOT)

Q3 2025 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Michael Chang

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

Good afternoon and welcome to Samsara's Third Quarter Fiscal 2025 Earnings Call. I'm Mike Chang, Samsara's Vice President of Corporate Development and Investor Relations.

Joining me today are Samsara's 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, December 5, 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, [ph] we will (00:00:59) discuss our third quarter fiscal 2025 financial results. We'd like to point out 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 delivered another strong quarter of durable and efficient growth. We ended Q3 with \$1.35 billion in ARR, growing 35% year-over-year.

We also delivered a quarterly record 10% adjusted free cash flow margin. Our growth is powered by our deep partnerships with the world's largest and most complex operations organizations.

In Q3, we added 170 customers with more than \$100,000 in ARR, our second highest quarterly additions ever. This includes major customer wins with large organizations like Papa John's, the world's third largest pizza delivery company; a Fortune 500 confectionery, food and beverage company; and a Fortune 1000 network of full service medical equipment companies.

As we continue to grow, we're excited about the innovation that we're unlocking with more scale. This includes better AI models and benchmarking, stronger customer feedback loops to better understand our customers' challenges, and more R&D dollars to invest in technology.

Our customers provide the mission-critical infrastructure that keeps the world running. They have asset heavy and labor-intensive operations.

We're partnering with them to digitally transform their organizations. Our growing data asset feeds our AI-powered platform which delivers insights to our customers so they can improve their operations.

This translates to clear and fast ROI with payback periods often measured in months. In a recent survey with IDC, they estimated that Samsara customers realize \$2 million of savings on average per customer per year. This equates to more than 8 times ROI.

Typical savings include lower insurance premiums and payouts, improved fuel efficiency, lower maintenance costs, better asset utilization, improved worker hiring and retention.

As our customers achieve ROI, they often expand with us for even more savings. I'd like to share two examples of customers that have realized clear and fast ROI. They both expanded this quarter and have had multiple expansions since becoming customers.

Comfort Systems is a Fortune 1000 company that provides heating, ventilation, air conditioning and electrical contracting services. Their operations span over 170 locations, with over 40 operating units and over 18,000 employees. Comfort Systems prioritizes safety as a core value and is committed to a zero harm work environment.

With Samsara, they achieved an 85% reduction in vehicle safety events and a 72% reduction in speeding in just six months. They're now a top 25 customer and have had nine expansions since becoming a customer in 2022.

In Q3, they added asset tags and expanded with more of Samsara's video-based safety, telematics and equipment monitoring. They're using asset tags to track high value, smaller equipment on job sites like scissor lifts, welders and pipe machines. They're also using asset tags to improve their asset utilization.

Next, let's turn to a Fortune 500 global company that provides water, hygiene and infection prevention solutions and services. They have 48,000 employees and 11,000 light-duty vehicles to support nearly 3 million customer locations worldwide.

They became a customer in 2021 and have had 11 expansions with us. They're using our video-based safety and telematics applications across two of their divisions. We've also identified additional expansion opportunities in five more divisions.

They have decreased harsh driving events by 37%, using Samsara's video-based safety application. In a pilot this year, they also reduced severe speeding by 48% and decreased forward collision warning events by 50% with in-cab alerts. We are proud to partner with our customers to make a real world impact on their operations.

AI is amplifying our impact on the safety, efficiency and sustainability of our customers' operations. We recently surveyed over 1,500 leaders in physical operations in our State of Connected Operations Report.

We found that AI-driven advancements are fundamentally reshaping how these organizations operate. 87% reported that they are planning to increase AI investments in the coming year. They reported many benefits of AI. 45% cited improvements in safety. 45% highlighted enhanced data and analytics capabilities. And 43% reported gains in operational efficiency. These findings show the powerful role AI will play in the future of connected operations.

To bring more AI to our customers, we announced Samsara Intelligence earlier this week. It's an expanded suite of AI offerings that helps teams make smarter decisions and run safer, more efficient operations. Samsara Intelligence has trained our expansive dataset, which has great scale and breadth.

We now process more than 10 trillion data points and 70 billion miles driven annually. Our data spans a broad and diverse group of asset types, end markets, data types and geographies. Our customers face tough challenges, and our AI models use this data to help them solve real-world use cases.

Samsara Intelligence includes some Samsara Assistant and Intelligent Experiences. Samsara Assistant is an interactive generative AI tool that provides instant answers to their operational questions. It improves the safety, maintenance and compliance of our customers' operations.

Some examples include identifying vehicles with severe fault codes and receiving step-by-step instructions to resolve them; spotting time-sensitive disruptions in daily operations like unexpected stops which might signal a driver is at risk or in need of assistance; determining the safest drivers and recognizing them for their performance; and understanding hours of service regulatory requirements for new geography or customer type.

Intelligent Experiences embeds AI recommendations and actions throughout the Samsara platform. It makes AI accessible to the frontline by providing visual, training and coaching intelligence.

For example, frontline workers can identify safety hazards from a photo on a job site. They can also provide proof of delivery records from a photo of a bill of lading. Operators can also improve their safety and compliance, while reducing administrative time by creating a custom worker training module just by uploading a policy document.

Both Samsara Assistant and Intelligent Experiences are now available in beta to customers in North America. They'll be generally available after running our customer feedback loop. We're excited to see many of our initial customers already achieving significant impact from our new AI products.

Now, I'd like to turn to international growth. I've met with dozens of customers in our international markets this year. Every time I meet with them, I'm inspired by the long-term opportunity to expand our impact.

First, the international market is very large. There are more assets and frontline workers in Europe, Canada and Mexico than in the US.

Second, the international market is less penetrated than the US and earlier in its digitization journey.

Third, despite the low penetration, the opportunity for impact in customer ROI is comparable in these regions. These customers are achieving similar savings from insurance payouts and premiums, fuel costs, improved worker retention and asset utilization.

In November, we hosted two international customer events: Go Beyond, our first European customer conference; and Innovation Day in Mexico. We brought together hundreds of local customers at each event to discuss how AI and data are impacting the world of connected operations.

We also announced several new product features tailored for customers in these local markets. And Go Beyond in Europe, we announced two new features: low bridge strikes and electronic brake performance monitoring system which we call EBPMS.

Low bridge strikes uses AI to help our European customers minimize the risk of their trucks hitting low bridges. Customers set the maximum vehicle height and drivers are alerted whenever they approach a bridge that's too low to pass. Every year, nearly 2,000 bridge strikes happen in the UK, costing UK taxpayers around £23 million.

EBPMS helps our customers maintain their braking performance record. It also alerts fleet operators when braking performance falls below acceptable standards or if it detects faults. We expect that in 2025, EBPMS will become one of the two accepted methods for brake testing in the UK.

At Innovation Day in Mexico, we announced the Engine Immobilizer 2.0 feature. Physical security is top priority for our customers in Mexico. This feature allows new customizable alerts to meet operators' needs when their safety is compromised.

It also provides detailed real-time reports through the Samsara dashboard. This helps customers effectively monitor the safety of their vehicles. Our local customers were excited by these new capabilities and we're looking forward to seeing the impact.

It's been another exciting quarter of durable and efficient growth for Samsara and we're all grateful for the partnership of our customers around the globe. We'd like to thank all of our Samsarians, customers, partners, and investors for being part of this journey. Together we're just getting started.

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

Dominic Phillips

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

Thank you, Sanjit. Q3 was another quarter of sustained high growth at scale and continued operating leverage. In particular, the quarter was highlighted by surpassing 100 \$1-million-plus ARR customers, adding 170 \$100,000-plus ARR customers, our second highest quarterly additions ever, more than 100% quarter-over-quarter growth in Asset Tag net new ACV and just our second quarter of selling the product, and achieving quarterly records for gross margin, operating margin and free cash flow margin.

Q3 ending ARR was \$1.35 billion, growing 35% year-over-year, and Q3 revenue was \$322 million, growing 36% year-over-year. Several factors drove our strong topline performance in Q3.

First, we continue to focus on serving large enterprise customers to drive durable and efficient growth at scale. We now have 2,303 \$100,000-plus ARR customers representing 38% year-over-year growth, including a quarterly increase of 170, which is our second highest quarter ever.

In addition to adding more large customers, we also grew our average ARR per large customer to \$318,000, up from \$307,000 one year ago.

The combination of adding more large customers and a higher average ARR resulted in an increased ARR mix for \$100,000-plus customers to 54% in Q3, up from 51% one year ago, and 47% two years ago.

Second, this quarter included a balanced mix of landing new customers and expanding existing customer relationships. For new logos, we added over 1,000 core customers for the fifth consecutive quarter, including our second highest number of core customers added.

Additionally, a quarterly record 78 of the 170 \$100,000-plus ARR customers added were new customers. Also, 9 of the top 10 new customers signed with multiple products.

One of the largest new customers, a global leader in third-party logistics with over 110,000 employees, signed a more than \$1 million transaction across four different applications.

In addition to licensing our two vehicle-based applications, video-based safety and vehicle telematics, this customer also subscribed to equipment monitoring and one of our newer software-only SKUs in their initial transaction.

For expansions, 16 of our top 25 customers expanded in Q3 and 21 of our top 25 customers have expanded over the past two quarters. Also, 8 of the top 10 Q3 expansions included multiple products.

The strength and expansions also allowed us to achieve our target dollar-based net retention rate of 115% and 120% for core and large customers, respectively.

And third, we demonstrated strong execution across several frontier markets. 17% of net new ACV came from international geographies in Q3, the second highest quarterly contribution ever.

The strength in international was driven by Mexico, which contributed its highest ever quarterly net new ACV mix, including nine transactions greater than \$100,000; and Europe, which accelerated year-over-year ARR growth for the fourth consecutive quarter.

Construction drove the highest net new ACV mix of all industries for the fifth consecutive quarter, and public sector contributed its highest net new ACV mix over the last four years, including a quarterly record 16 transactions greater than \$100,000 led by customers such as the City of Omaha, Fresno County and the Florida Department of Fish and Wildlife.

And we also saw strength in emerging products. In Q3, we surpassed 70% of large multiproduct customers using a non-vehicle application, and we achieved more than 100% quarter-over-quarter growth and asset tag net new ACV in just our second quarter of selling that product.

In addition to driving strong top line growth, we continued to deliver operating leverage across our business as we scale. We delivered quarterly records across all key non-GAAP profitability metrics, including a 78% gross margin and 11% operating margin and a 10% free cash flow margin.

Okay, now turning to guidance. We're raising our full-year guidance across all key metrics because of our strong Q3 performance. As a reminder, last year's fiscal Q4 included a 14th week compared to a standard 13-week quarter in this year's fiscal Q4.

We expect the impact of having one fewer week in Q4 this year will remove 3 percentage points of year-over-year revenue growth in FY 2025, which was already factored into previous and current adjusted revenue guidance.

For full year FY 2025, we expect revenue to be between \$1.237 billion and \$1.239 billion, representing year-over-year adjusted revenue growth of 35%. Our implied Q4 revenue guidance from last quarter of \$334 million to \$336 million remains unchanged.

We expect FY 2025 non-GAAP operating margin to be approximately 7% and non-GAAP EPS to be between \$0.22 and \$0.23. And finally, please see additional modeling notes in our shareholder letter.

So, to wrap up, we are pleased with our Q3 performance and improved outlook for FY 2025. In Q3, we sustained high growth at scale while also delivering record operating leverage.

And looking forward, we believe we're well-positioned to continue delivering durable and efficient growth for the following reasons. We're digitizing the world of physical operations, which is a very large and underserved market opportunity, and that's driving strong customer demand, our products offer real ROI and a fast payback period to our customers, and we're targeting a very different operations budget.

We're proud to partner with our customers and are excited to continue helping them operate more safely, efficiently and sustainably.

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

QUESTION AND ANSWER SECTION

Michael Chang

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

A

Thanks, Dominic. We'll now open 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 Matt Hedberg with RBC, followed by Keith Weiss with Morgan Stanley.

Matthew Hedberg

Analyst, RBC Capital Markets LLC

Q

Great. Thanks for taking my question. Thanks, Mike. Congrats on the quarter, guys. Sanjit, I want to start with you. There was a lot of talk about AI usage within your customer base. I'm kind of curious, I know this has been something you guys have been focused on for a long time and trying to come up with sort of next gen killer AI apps. I wonder if you could give us a little bit more insight into the product development road map there.

Sanjit Biswas

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

A

Sure. So, some of the recent announcements, I think, highlight our continued investment in AI. Like you said, Matt, we've been investing in AI for several years now. The video-based safety application really unlocked a tremendous amount of value for our customers.

We think there are additional ways to unlock value using all of the data we've been collecting. I highlighted 10 trillion data points, 70 billion miles driven on the platform every year.

So, we see ways to not just unlock value in safety, but in areas like maintenance where we're able to find insights in the fault code data. We see a tremendous number of fault codes over the year. We understand the outcomes of those. So, that's one example.

And then there's other areas like fuel efficiency and just asset utilization. So, we kind of see AI having impact across the board.

Matthew Hedberg

Analyst, RBC Capital Markets LLC

Q

That's great. The other thing that stood out to me, I know international expansion, a huge growth opportunity. Great to hear the success in Mexico and Europe. I'm wondering, when we think operationally, what are some additional steps that are needed to drive even further penetration?

The products are already there. But I'm sort of curious, operationally, what else has to happen to drive even more success there? It seems like a super big long-term driver for you guys as well.

Sanjit Biswas

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

A

We're absolutely excited about it for the long term. I think what you'll see and what you've seen from us and what you'll continue to see is continued investment that's in go-to-market teams, customer success support.

And then on the product side, we're always running a customer feedback loop. We're proud of what we've built so far. But some of the newer features and functionality like the low bridge strikes and EBPMS and those kinds of features, I think, are uniquely relevant in some of these international markets. The way we figure that out is by spending time with our customers, which does take some time.

Matthew Hedberg

Analyst, RBC Capital Markets LLC

Q

Thanks, guys.

Michael Chang

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

A

The next question comes from Keith Weiss with Morgan Stanley, followed by Alex Zukin with Wolfe.

Keith Weiss

Analyst, Morgan Stanley & Co. LLC

Q

Thank you, guys, for taking the question. And congratulations on a really strong quarter.

You talked about the 115% and 120% in terms of NRR. And we could definitely see that upsell motion doing really well within your customer base.

I was wondering if you could give – maybe give us an update on kind of where we are in terms of what percentage of the business now is coming from upsells into the installed base versus what's coming from net new.

And is there any change in sort of the distribution model or any evolution in the distribution model as the portfolio expands to better sort of segregate sort of the hunters from the farmers, if you will?

Dominic Phillips

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

A

Yeah. Hey, Keith. I'll take that. It was pretty balanced this quarter. It was slightly tilted a little bit more toward expansion and we've seen that over the last few quarters as we continue to move more and more upmarket in some of these larger enterprise deals, they'll tend to purchase. Over time, I mentioned, I think 16 out of 25 of our top 25 customers did an expansion in Q3. And so, that's really driving that expansion.

Something we're really happy about is it's happening naturally. We don't have a different kind of go to market motion to reward hunters versus farmers. We have sales reps that [ph] are assigned accounts (00:20:14) in different territories and they're able to sign new logos in those territories, and they continue to maintain those customer relationships for life and focus on the expansions as well.

Keith Weiss

Analyst, Morgan Stanley & Co. LLC

Q

Got it. And maybe if I could sneak in one follow-up. So, on the new intelligence products that you guys were just released, the Samsara Intelligence and Samsara Assistant. I know it's in beta. But are these solutions that would potentially have a like a standalone monetization model, or is this just making the platform better to improve kind of utilization of the platform? And it's just about just the evolution of adding value for your customers?

Sanjit Biswas

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

A

Keith, as we talked about in the prepared remarks, these are products that are in beta. We're excited to make them generally available to customers in beta. And so, we're going to use that as an opportunity to figure out how to price and package them.

We are also continuing to invest in AI in the core platform. So, it's kind of a [ph] boAt (00:21:13) strategy, but we'll come back to you all when we have finalized pricing.

Keith Weiss

Analyst, Morgan Stanley & Co. LLC

Q

Perfect. Thank you so much, guys.

Michael Chang

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

A

Great. The next question comes from Alex Zukin with Wolfe, followed by Kash Rangan with Goldman Sachs.

Alex Zukin

Analyst, Wolfe Research LLC

Q

Hey, guys. Thanks for taking the question. Congrats on another solid quarter. I just maybe wanted to ask about the general sales cycles demand environment. Have you seen any shift? You clearly had a really, really strong Beyond conference and a number of international events.

Just momentum, linearity in the quarter, any kind of feeling like there was hesitation because of the election that opened up and then I got a quick follow-up.

Dominic Phillips

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

A

Hey, Alex. It's Dominic. I'll take that. Yeah, it was a pretty consistent quarter in Q3. It's similar to what we've seen in previous quarters. As I said, we're doing more enterprise deals, larger deals, and those tend to be more back-of-the-year weighted, but no real change. I did hear anecdotally of a few customers that said that they wanted to delay a purchase decision until after the election results.

We've already closed a number of those deals in Q4. But I would – that wasn't a material impact on the quarter. But it was notable.

Alex Zukin

Analyst, Wolfe Research LLC

Q

Super helpful. And then maybe just this time last year, Dominic, you talked a little bit about how to think about next year in terms of where consensus was. I'm just curious, given again, more momentum from new products, launching some AI monetization opportunities and continued really strong, large multi-product lands and what seems like a better economy. Any kind of initial thoughts or brackets of how we should kind of tune our models so we don't get out of our skis?

Dominic Phillips

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

A

Yeah. Yeah. So, I mean, yeah, we're definitely not in a position yet to give formal guidance for next year. As you know, Q4 is our largest quarter and our FY 2026 plan is going to be heavily influenced by what happens over the next couple of months.

And so, we really need to kind of get through the quarter and then we can finalize our FY 2026 plan. What I would say is that based on our current outlook, we do feel good with where the current consensus dollars are right now. I don't think that that needs to change, but we'll provide more formal guidance on the next earnings call.

Alex Zukin

Analyst, Wolfe Research LLC

Q

Excellent. Thank you very much.

Michael Chang

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

A

The next question comes from Kash Rangan with Goldman Sachs, followed by Michael Turrin with Wells Fargo. Kash?

All right, next question. Let's go with Michael Turrin with Wells Fargo, followed by Kirk Materne with Evercore.

Michael Turrin

Analyst, Wells Fargo Securities LLC

Q

Hey. Thanks. I appreciate you taking the questions. You're reaching fairly unprecedented territory at \$1.35 billion in ARR, still growing 35%. So, maybe just zoom out and help us think through the ARR scale, the current product set can address and maybe couple that with what you're seeing from the new frontiers you're highlighting, and potential scale or sequence of contribution we could see from those over a longer period of time as well?

Dominic Phillips

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

A

Yes. So as I – yeah, Michael. It's Dominic. As I talked about at our Investor Day a few months back, and we still have so much opportunity within our core products. If I look at just the vehicle telematics market just in the US, more than 50% of commercial vehicles still aren't using technology.

If you look at our largest product in our video-based safety, 90% of commercial vehicles in the US are not using technology. And so, there's still so much opportunity for us to land and expand with our two vehicle-based products.

And then we've got a whole host of other non-vehicle-based products that are doing more than \$150 million of ARR and still growing very quickly that are great opportunities to land and expand impact that we have with customers. And so, we feel really good about our product set.

We're continuing to innovate quickly, introducing things like Asset Tag this year and all of the kind of the AI announcements that came out this week. So, we feel good about the pace of product innovation.

Michael Turrin

Analyst, Wells Fargo Securities LLC

Q

And maybe just a little bit of different twist on the question that Alex was asking to some degree. Are there any implications or just scenarios you're contemplating with the new administration? We've seen the headlines around things like tariffs. You're very sophisticated in terms of just procurement and supply chain. And we've seen you navigate turbulence very effectively in prior periods. But just anything that we should be just mindful of and contemplating as we're just digesting a lot of varying pieces in terms of the puts and takes of what the government could start to implement. Thanks.

Dominic Phillips

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

A

Yeah. I mean, things are just still so unclear. It's not – we're not sure how things are going to play out. So, we're definitely working through a number of strategies based on different scenarios.

To your point, we have a lot of experience dealing with some of this. We have a really incredible supply chain team. They're really good at navigating through some of these different scenarios. And so, we just need to see what happens when the new administration comes in, what policies they put in place, and we're thinking through some of that and we can feed that into the outlook when we provide that in three months.

Michael Turrin

Analyst, Wells Fargo Securities LLC

Q

Thanks very much.

Michael Chang

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

A

Next question comes from Kirk Materne with Evercore, followed by Dylan Becker with William Blair. Kirk?

Kirk Materne

Analyst, Evercore Group LLC

Q

Can you hear me?

Michael Chang

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

Yeah. We can hear you.

Kirk Materne

Analyst, Evercore Group LLC

I'm sorry about it. Sanjit, I was wondering just about some of the newer products specifically designed for Europe. And I was kind of curious in terms of is there an application of a similar mindset as you get into bigger verticals, meaning you're designing some of those things that are very helpful for your European clients.

Are there verticals like state, local or construction that are – you have customers that are now asking for things that are maybe more specific to those verticals? Is that something you want to pursue at this point in time or not necessarily yet, keep it more horizontal?

Sanjit Biswas

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

Yeah. Great question, Kirk. So, we run feedback loops across all of our frontiers. So, the different geographies as well as public sector. But we also spend time trying to understand what's going on in each industry vertical.

Dominic highlighted construction has been an industry that's been performing really well for us. They're digitizing rapidly and it's because they have a lot of assets, they are labor intensive. But some of those assets are different. So, they'll have big, yellow, iron bulldozers or lots of small tools they get left behind the job sites, and they've been great adopters of the new AT11 product, for example.

So, we do spend time with each of these different industries trying to understand their needs. 80% of the use case and their needs are very similar across the board. I would say about 20% either acquire partnerships and integrations or maybe some tweaks or additional product features and that's how we think about the investment.

Kirk Materne

Analyst, Evercore Group LLC

Okay. That's helpful. And then, Dominic, just a follow-up to your answer from Alex's question on next year. Is there anything we should also consider for 1Q due to leap year last year? I feel like I'm asking a lot of the leap year question these days. But anything we should consider from the seasonality perspective as we go into next year on that front?

Dominic Phillips

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

No, I don't think so. I mean, one day is not going to have an impact on our business. I mean, we run in the weekends and holidays in various quarters. And so, I don't expect one day to have a material impact.

Kirk Materne

Analyst, Evercore Group LLC

Okay. Just want to check. Thank you all.

Michael Chang

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

Next question comes from Dylan Becker with William Blair, followed by Matt Bullock with BofA.

Dylan Becker

Analyst, William Blair & Co. LLC

Hey, gentlemen. Appreciate the call here. Maybe on the international front, another kind of quarter of successive strength, I think fourth or fifth period here of continued acceleration and increasing contribution of the overall mix.

I guess, how much of a function of that, obviously, the ROI and value proposition is significant, but how much of that is further brand awareness kind of driving and building out that referenceable base, given the fact that there is a larger and kind of wider swath of opportunities in the international segment?

Sanjit Biswas

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

I'll take that one. So, we're pleased with the growth. Like you said, it's been sort of accelerating on a kind of consistent regular basis, but it still feels very early. I would say our international market share is still low-single digits.

There is growing awareness. We have more reference customers. And to the earlier question, we have more of the sort of product features people are looking for that are unique to these markets, like low bridge strikes, for example. So, I think we have a great pathway to continue growing for a while, but it still feels early.

Dylan Becker

Analyst, William Blair & Co. LLC

Okay. That's great. Thanks, Sanjit. And then Dom, maybe for you, too, just given kind of the exceptional growth in the business here at the scale that we're at. I guess how are you guys thinking about the opportunity for operational improvement and leverage here as we kind of lap some of these initial renewal cohorts from those customers that continue to expand.

I would think the economics of that are highly favorable for you guys, but how are you thinking about that internally? Thanks.

Dominic Phillips

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

Yeah. I think for us, again, it's really a balanced focus on both sustaining high growth and driving more operating leverage. We think that we can continue to do both.

I think near term, from an operating leverage perspective, you're right that our largest area of investment is in go-to market and, therefore, is most likely to be the area of most leverage.

The cost of sale on renewed dollar of ACV is lower than it is when we first land that customer or if they expand their relationship with us. And so, there's still a significant portion.

We're a nine-year-old company. We sell three- to five-year contracts. And so, there's still a large portion of our customers that have not gone through a first renewal. And as that happens, I would expect to see more natural leverage in go-to market.

Dylan Becker

Analyst, William Blair & Co. LLC

Okay, great. Thanks, guys. Appreciate it.

Q

Michael Chang

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

The next question comes from Matt Bullock with BofA, followed by Derrick Wood with TD Cowen.

A

Matt Bullock

Analyst, BofA Securities, Inc.

Great. Thanks for taking the questions. A few for Sanjit, if I could. First, just on the launch of Samsara Intelligence in beta last week, seemed to be a slight acceleration from the historical cadence of product releases annually at Beyond.

Q

Is there anything you'd attribute that to, and would it be fair to assume that the trajectory of new feature and product launches will continue to accelerate going forward?

Sanjit Biswas

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

Hey, Matt. Well, I'll take that as a compliment. We really work hard to deliver new features and functionality, and we don't want to wait for annual customer conference. So, it is not something that we're waiting until each June of every year to release features.

A

Samsara Intelligence is a whole kind of portfolio suite of products and features for us, and so we're excited to get that out the door. I think you should expect to see us continue a pretty rapid pace of innovation as we continue to invest in R&D and scale our engineering team.

Matt Bullock

Analyst, BofA Securities, Inc.

Great. Thanks. And then just one more on competition. Since last quarter, there's been quite a few notable transactions in the fleet management industry.

Q

GPS Trackit just bought Zonar Systems this week. Trimble divested its telematics business. And then Powerfleet acquired Fleet Complete. How should we be thinking about consolidation in the industry and how it can impact competitive dynamics?

And then more specifically, do you see this as an opportunity to capture additional share as some of those peers are distracted by integration and customers reevaluate some of their vendor choices?

Sanjit Biswas

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

Yeah. I think if we zoom out, this is a large market. It's got dozens of players in it. And over time, we have seen companies be bought and sold and merged together. So, I think this is consistent with what we've seen in the past.

A

Our position is unchanged. I think we're seeing our customers really rapidly adopt our products because it's a platform. It's a system of record for them. So, it's not just telematics, or video-based safety, or equipment monitoring, or the other products. It's everything together. That's a strong competitive position that we're in.

And I think it all comes back to can we deliver really clear ROI for our customers, which we are. So, we kind of aren't changing our strategy relative to some of those moves that have been made in the market. And we're going to continue to stay focused on the customer.

Matt Bullock

Analyst, BofA Securities, Inc.

Got it. Thank you.

Q

Michael Chang

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

Next question comes from Derrick Wood with TD Cowen, followed by Jim Fish with Piper Sandler.

A

Derrick Wood

Analyst, TD Cowen

Great. Thanks, guys. I guess a high level question on the video safety market for you, Sanjit. I mean, the video monitoring has certainly become more prevalent. I know it's still an early market.

Q

But just is there more market acceptance by drivers with driver-facing cameras? And does this make it easier to sell and kind of drive more greenfield conversion in this market? Just would love to hear an update there.

Sanjit Biswas

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

Yeah. So, I think if you spend time with drivers, everyone's very accustomed to the idea of having a dash camera. It's most often used for exonerations, so it's not so much the inward facing, but being able to see what happened if there was an accident or some sort of incident on the road.

A

The inward facing side is really around safety and I think both fleets and drivers want to be safe on the roads. They're putting their lives at risk every day when they're doing their jobs. So, if we can help break bad habits like either not wearing a seatbelt or using a mobile phone or being distracted, it makes everyone's lives a little bit better. So, there is increased awareness and adoption of what these technologies do.

And then the other piece is because of artificial intelligence, it's not like there's someone in the back office watching all these videos. It's really a computer model sitting in the camera that's helping provide those real time alerts. And I think drivers now understand the technology, and that's really increased their comfort level with it.

Derrick Wood

Analyst, TD Cowen

Got it. Thanks. Dom, just wanted to ask about the motions around the application marketplace. Just what are you seeing around monetization opportunities and how do you see that manifesting over the next couple of year?

Q

Dominic Phillips

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

A

Right now, it's really – we have more than 300 technology integrations, OEMs, insurance providers, other technology vendors, vertical specific applications. These are really, really important integrations, especially as we get into these large enterprise deals where they want to use Samsara as their system of record and pull in a bunch of external data.

We have more than 85 billion API calls a year. And so I think that's a good metric just to show the kind of usage that we're seeing with these integrations.

Right now, that's where – our plans are to just have this as a technology kind of integration hub. And I think longer term, we could think about opportunities to open this up and [ph] maybe their ISPs (00:36:01) or ways to monetize the data or the applications but not in the near term.

Derrick Wood

Analyst, TD Cowen

Got it. Thanks. Okay. Congrats.

Q

Michael Chang

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

The next question comes from Jim Fish with Piper Sandler, followed by Alexei with JPMorgan.

A

James E. Fish

Analyst, Piper Sandler & Co.

Hey, guys. Thanks for taking the question. It was exciting to see the 100% quarter-over-quarter growth in the net new asset tags ACV here. Can you help us understand the main use cases for that product at this point? Construction was called out at the conference. Is that how we should we think about the vast majority of exposure or is there any sort of diversity in those customers?

Q

Sanjit Biswas

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

Yeah, I'll take that one. So there's a pretty broad set of use cases for the asset type. It's not limited to the construction industry. We see it getting good adoption in field services and even transportation, logistics and so on.

A

If I had to kind of generalize, there's three core use cases. The first is finding lost or stolen assets. Those again, are across industries.

The next is helping save frontline workers time to locate assets. So, once they arrive at a job site, they can figure out where something is.

And then the third is improving asset utilization. Almost all the industries served they're both labor intensive, but also asset heavy industries. And so, if these customers can figure out which call it 10% or 20% of their assets aren't well utilized and sell those assets off, they can use that cash for more productive purposes. So, that's where I think ATs are getting used across the board, and that's pretty consistent across industries.

James E. Fish

Analyst, Piper Sandler & Co.

Q

Got it. That's helpful. And then, Dom, maybe one for you. You called out go-to market as kind of a key focus for investments next year. How should we think about the mix of rep hiring in terms of domestic versus international given some of the traction that we're seeing in the international space so far? Thanks.

Dominic Phillips

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

A

Yeah. I mean, I think our capital allocation is going to be focused on, primarily in go-to market, but also on R&D. I think the overall number of salespeople that we will hire will be higher in the US just because that's a larger part of our business.

The year-over-year growth may be a little bit higher in international just because it's a smaller number and a big opportunity. But as I kind of said earlier, we really just need to get through the fourth quarter and we'll have a better outlook for next year and we'll make our plans at that time.

Michael Chang

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

A

Okay. The next question comes from Alexei with JPMorgan, followed by Daniel Jester with BMO.

Elyse Kanner

Analyst, JPMorgan Securities LLC

Q

Hi. This is Elyse Kanner for Alexei Gogolev. You alluded to renewals coming up given the three- to five-year contract lengths, but we were wondering if you could talk more about the renewal rates you're currently seeing and the pricing power that you have during those renewals given the demand environment. Thank you.

Dominic Phillips

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

A

Yeah. So, the renewal rates have been very strong. They're embedded in the net retention rate metrics that I gave of kind of 115% and 120% for core and large customers. So, that's been consistent.

And customers, well, we've talked earlier about expansions being a big part of our business. Customers will expand throughout the life of the contract, but they do – they definitely do it at time of renewal as well. So, it's a good opportunity to have brought our conversations with customers and we've seen a lot of success out of that.

Elyse Kanner

Analyst, JPMorgan Securities LLC

Q

Got it. Thank you so much.

Michael Chang

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

A

The next question comes from Daniel Jester with BMO, followed by Junaid with Truist. Dan? Okay. Let's go next to Junaid with Truist.

Junaid Siddiqui

Analyst, Truist Securities, Inc.

Q

Sanjit, just wanted to ask you about data security and privacy and if they're becoming an important part of discussions with customers as the threat vector expands with increasing number of connected devices, more disclosure and compliance requirements.

Is cybersecurity an area where you can potentially differentiate yourself from some of the competition, especially with some of the certifications you've got and are working on? So, just kind of overall, I just wanted to get your thoughts about how you're thinking about security and how customers are thinking about it.

Sanjit Biswas

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

A

Absolutely. So, it is an area we differentiate in. We, at our scale, are able to invest in R&D at a pretty significant level. We have a very large security-related team focused on these sorts of risk factors and attacks. And I think it's an area that our large enterprise customers who are very sophisticated are asking about and we're able to differentiate it.

So, we have a number of certifications, whether that's the ISO 27001 certification or ones related to state and federal, or state and local government certification. So, we're going to keep investing there.

And I think it's a really important area for customers to be aware of because these are the critical infrastructure companies that power our planet. So, they're, of course, targets for these attacks, and we've been able to do a good job of helping keep them safe.

Junaid Siddiqui

Analyst, Truist Securities, Inc.

Q

Great. Thank you.

Michael Chang

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

A

Okay. Our next question comes from Mark with Loop Capital, and then we'll come back to check with Kash and Dan. Mark?

Mark William Schappel

Analyst, Loop Capital Markets LLC

Q

Hi, can hear me okay?

Michael Chang

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

A

Yeah, we can hear you.

Mark William Schappel

Analyst, Loop Capital Markets LLC

Q

Okay, great. Thanks for taking my question and nice job on the quarter. Sanjit, could you just talk a little bit about the uptake rates you're seeing with your Connected Workflows and Connected Forms products?

Also, maybe just provide an example or two of some new unique use cases that you're seeing with those products.

Sanjit Biswas

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

A

Yeah. So, uptake has been good. These are relatively newer products in terms of Connected Workflows and Forms. All of our customers have some sort of pen and paper process they're looking to digitize or modernize. So, that's what we're really selling into.

Some of the newer features that we released as part of the Samsara Intelligence push earlier this week I think are relevant there. Visual Intelligence is a great example. You can basically take a photograph of a form. We will automatically identify the fields within it, fill out the workflow fields.

And then we can even do things like understand what the risks are in a job site photo. So, that's brand new functionality. We just released it a couple of days ago and the beta testers have been really thrilled with it. So, we're excited to keep doing more of that.

Mark William Schappel

Analyst, Loop Capital Markets LLC

Q

Great. Thank you.

Michael Chang

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

A

Okay. Our Last question comes from Dan Jester with BMO. Dan?

Daniel Jester

Analyst, BMO Capital Markets Corp.

Q

Can you hear me?

Michael Chang

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

A

Yeah, we can hear you.

Daniel Jester

Analyst, BMO Capital Markets Corp.

Q

All right. Thank you. So, I apologize about that earlier. So, I wanted to ask about the public sector and the strength that you called out this quarter, because I know that was an area of focus over the past year to make investments to build out, to get into those environments. Is that what we're seeing here or is there anything else you'd call out on the strength across that category? Thank you.

Dominic Phillips

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

A

I will just say it's been an area of focus and continued investment, and these deals can take time to land. And we saw a combination of that happened and Q3 with a lot of success, again a record 16 deals over \$100,000. And the highest net new ACV mix we've seen in the public sector in the last four years. So really strong quarter.

Daniel Jester

Analyst, BMO Capital Markets Corp.

Q

Okay. Great. Thank you.

Michael Chang

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

All right. So this includes the question-and-answer portion. Thank you, all, for attending our Q3 fiscal year 2025 earnings call.

Before I let you go, I have a few further announcements. We'll be participating the following bus tours in San Francisco, the Piper Sandler Bus Tour on December 10, the FBN Virtual Tech Conference on December 11, the Allen & Company Bus Tour on December 12, the Goldman Sachs and BofA Bus Tours on January 7, the Evercore Bus Tour on January 7, and the Jefferies Bus Tour on January 9th.

We hope to see at one of these events. That's it for today's meeting. If you have any follow-up questions, you can e-mail us at ir@samsara.com. Bye, everyone.

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