

COUCHBASE FQ4 2024 EARNINGS

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CONTEXT

Couchbase announced consensus beating earnings in its fiscal Q4 2024 release. The company grew revenue by 20% year-over-year to a respectable \$50.1M, while its ARR grew 25%.

Q4-24 Financial Highlights

Category Leadership	Predictable Model	Strong Customer Base	Capella	Scalable Business Model	Land and Expand
					
\$204M / 25% ARR / YoY ARR growth*	90%+ Subscription revenue	749 Total customers	26% % of total customers	90% Non-GAAP gross margin	291 Customers > \$100K ARR
 26% YoY subscription revenue growth	115%+ Dollar-based NRR	30%+ F100 Significant enterprise contribution	11% % of total ARR	\$273k ARR per customer	45 Customers > \$1M ARR

There's a lot to unpack in the company's release.

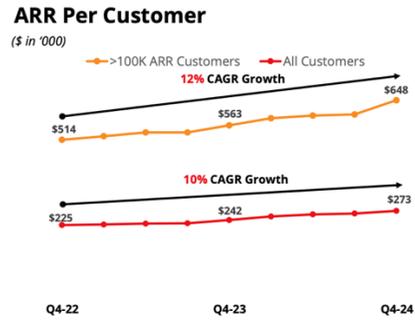
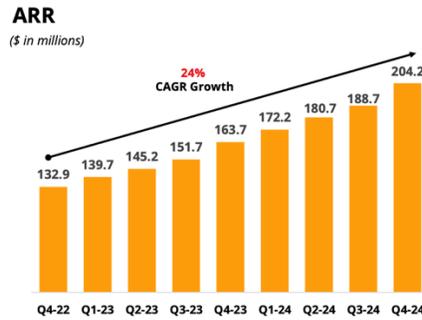
FISCAL PERFORMANCE

Couchbase fiscal performance for the quarter demonstrated significant growth and achievements.

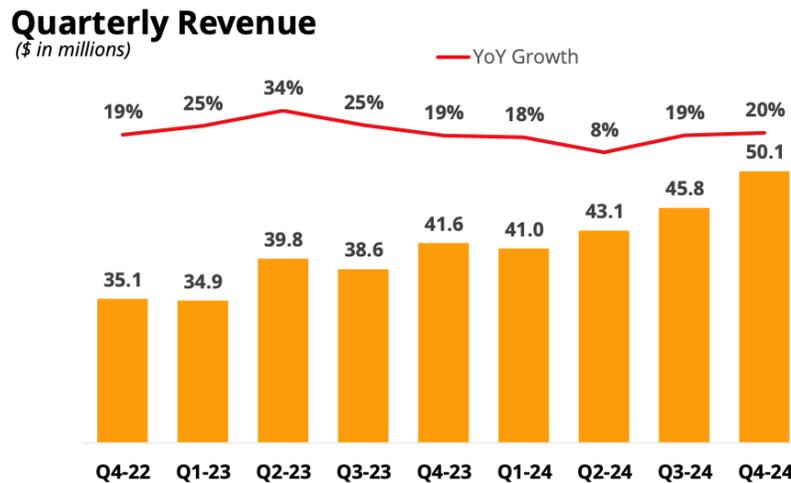
Here's a summary of the key financial results and performance metrics as highlighted in the earnings call:

Key Financial Results:

- **Annual Recurring Revenue (ARR):** Ended the quarter with an ARR of \$204.2 million, representing a 25% growth year-over-year.



- Quarterly Revenue:** Reported revenue for the quarter was \$50.1 million, a 20% increase year-over-year.



- Non-GAAP Operating Loss:** The company posted a non-GAAP operating loss of \$4.1 million for the quarter, translating to a negative operating margin of 8.2%. However, this was 8.6 percentage points better than the midpoint of their previously guided operating margin range.

Additional Fiscal Year Performance:

- Total Revenue for Fiscal 2024:** \$180 million, marking a 16% increase year-over-year.
- Subscription Revenue:** For the fourth quarter, subscription revenue was \$48.1 million, up 26% year-over-year, and \$171.6 million for the full year, an increase of 20% year-over-year.
- Professional Services Revenue:** In Q4, professional services revenue was \$2 million, a decline of 42% year-over-year, and \$8.5 million for the full year, a decrease of 29% year-over-year. This reflects a normalization following an outsized strength in professional services in fiscal 2023.

- **Gross Margin:** Q4 gross margin was 90.4%, reflecting benefits from various factors, including lower services revenue mix and Capella revenue base expansion.

Couchbase's fiscal performance highlights strong growth in revenue and ARR, along with improvements in operating margins. The company's strategic focus on growing its Capella platform, alongside other operational efficiencies, has contributed to these positive results.

HIGHLIGHTS

During the earnings call, CEO Matthew Cain focused on several strategic and operational achievements underlining the company's progress and momentum.

These include:

1. **Growing Capella Mix:** Capella, Couchbase's fully managed Database-as-a-Service, showed significant growth, indicating an increasing shift towards cloud services and a substantial contribution to the company's ARR.
2. **Big Deal Activity:** The quarter was marked by continued big deal activity, including robust renewals and expansions.
3. **New Customer Logos:** Couchbase added strong new customer logos to its portfolio.
4. **Operational Performance:** All teams across the company delivered excellent operating performance, contributing to the overall strong results for the quarter.
5. **Product and Engineering Achievements:** The product and engineering teams delivered multiple significant enhancements and capabilities across Couchbase's platform at an accelerated pace, further solidifying its market position.
6. **Analyst Day Event:** Couchbase welcomed participants to its first Analyst Day as a public company, an event held in December in New York, highlighting the company's progress and engaging with the analyst community.
7. **Strategic Initiatives Progress:** The company made significant progress across all key strategic initiatives aimed at delivering top-line growth, increasing the mix of Capella, driving sales and marketing efficiency, and accelerating the pace of leverage in its business model.

GUIDANCE AND OUTLOOK

Couchbase provided an optimistic outlook and detailed guidance for the upcoming fiscal periods, underpinned by the momentum achieved in fiscal 2024. The guidance reflects the company's expectations for continued growth, efficiency improvements, and strategic investments.

	FY24 Actuals	Guidance*			Medium Term	Drivers
		1Q25	FY25			
ARR	\$204.2	\$208.0	\$238.0		20%+	Capella
Revenue	\$180.0	\$48.5	\$205.0		20%+	Capella
Gross Margin^ %	89%	n/a	n/a		~80%	Scale and Operating Efficiencies
S&M^	63%	n/a	n/a		38-40%	PLG and Telemetry
R&D^	28%	n/a	n/a		20-22%	Focused Product Innovation
G&A^	15%	n/a	n/a		9-11%	Scale and Automation
Operating Income^	(\$31.3)	(\$8.0)	(\$25.0)		++	++
FCF^	(\$31.6)	n/a	n/a		++	++

We Expect to Deliver 20%+ Growth, Positive FCF FY26 and Non-GAAP Op Inc FY27

Here's a summary of Couchbase's outlook and guidance:

Fiscal Q1 2025 Guidance:

- **Total Revenue:** Expected to be in the range of \$48.1 million to \$48.9 million, indicating year-over-year growth of 18% at the midpoint.
- **ARR:** Anticipated to be in the range of \$206.5 million to \$209.5 million, representing 21% growth year-over-year at the midpoint.
- **Non-GAAP Operating Loss:** Projected to be negative \$8.5 million to negative \$7.5 million.

Full Fiscal Year 2025 Guidance:

- **Total Revenue:** Forecasted to be in the range of \$203 million to \$207 million, equating to year-over-year growth of 14% at the midpoint.
- **ARR:** Expected to be \$235.5 million to \$240.5 million, or 17% growth at the midpoint.
- **Non-GAAP Operating Loss:** Estimated to be negative \$27.5 million to negative \$22.5 million.

Additional Insights:

- Couchbase highlighted its strong momentum entering fiscal 2025, emphasizing the critical role of Capella as a driver behind its business growth.
- The company plans to continue investing in product capabilities, partner ecosystems, and go-to-market strategies, complementing its ARR momentum.
- Despite aiming to scrutinize expenses, Couchbase expects OpEx to grow slightly faster in fiscal 2025 than in the previous fiscal year, with a commitment to achieving positive free cash flow by fiscal 2026 and positive operating income by fiscal 2027.
- The guidance incorporates a degree of conservatism to account for the uncertainty and potential impacts of the macroeconomic environment on consumption trends for its as-a-service offerings.

This forward-looking guidance demonstrates Couchbase's confidence in its business model, strategic initiatives, and market opportunities, balanced with a prudent approach to financial management and growth investments.

ANALYSIS

Couchbase delivered a commendable quarter, highlighting its strong database and cloud services market position.

The company's strategic emphasis on Capella, its fully managed Database-as-a-Service offering, is paying dividends. Capella now represents 11% of the total ARR and over 25% of the customer base, signaling Couchbase's successful pivot towards cloud services and the increasing acceptance of cloud-native database solutions among its clientele.

Despite posting a non-GAAP operating loss of \$4.1 million, it's important to note the significant improvement in operating margin, which exceeded guidance. This underscores effective cost management and operational efficiency improvements across the company. Moreover, the loss should be contextualized within the company's growth phase and strategic investments in product enhancements and market expansion.

The company's guidance for the coming fiscal periods shows a cautiously optimistic outlook, balancing ambitious growth targets with a realistic appraisal of the uncertain macroeconomic environment. The projected growth in ARR and revenue, alongside expected improvements in operating loss, shows the company has confidence in its business model and the underlying strength of its product offerings.

Product innovation, particularly around Capella and AI capabilities, is a key driver for future growth. Couchbase's focus on enhancing developer productivity and

extending its platform capabilities through new services like Capella IQ copilot and Vector Search feature, positions it well in a competitive market increasingly leaning towards AI-powered applications.

Couchbase's earnings show robust health and promising growth. While the operating loss is a point of vigilance, the company's strategic direction, product innovation, and strong market demand for its offerings suggest a positive trajectory.



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