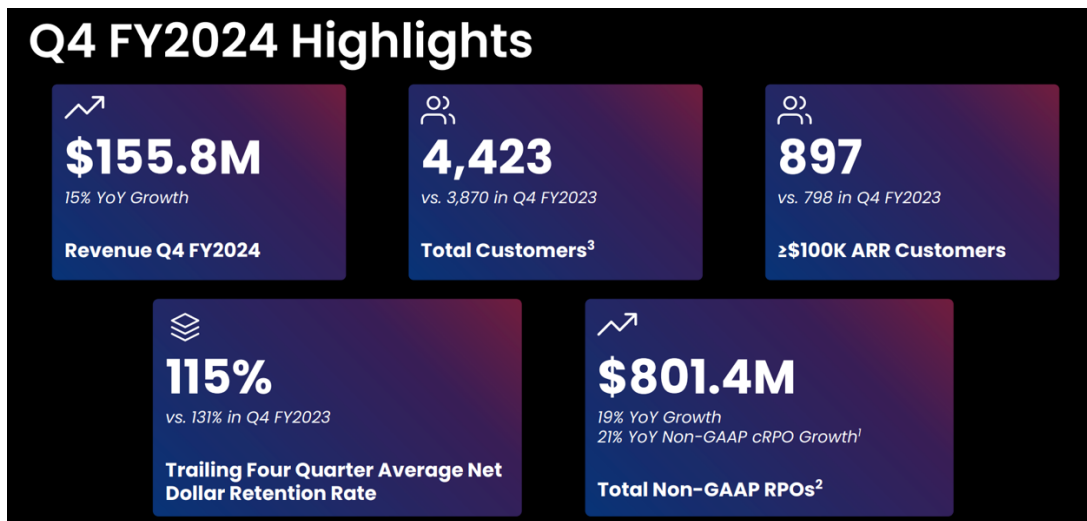


HASHICORP FQ4 2024 EARNINGS

STEVE McDOWELL, CHIEF ANALYST
MARCH 5, 2024

CONTEXT

HashiCorp [announced](#) its fiscal Q4 2024 results, beating consensus estimates for both revenue and earnings with solid growth in all the right areas. Let's take a deeper look at what the company announced.



FISCAL PERFORMANCE

HashiCorp concluded its fiscal 2024 with notable financial achievements and operational progress.

Q4 FY2024 Financial Overview & Highlights

(\$ Millions)	Q4 FY2024	YoY Comparison
Total Revenue	\$155.8M	+15% YoY vs. +41% YoY in Q4 FY2023
Customers ≥\$100k in ARR	897	vs. 798 in Q4 FY2023
Revenue from Customers ≥\$100k in ARR	89%	vs. 89% in Q4 FY2023
Trailing Four Quarter Average Net Dollar Retention Rate	115%	vs. 131% in Q4 FY2023
Non-GAAP TTM FCF Margin¹	-4%	-20% in Q4 FY2023
Total Customers⁴	4,423	vs. 3,870 in Q4 FY2023
HashiCorp Cloud Platform Revenue²	\$21.3M	vs. \$14.5M in Q4 FY2023
Total Non-GAAP RPOs⁵	\$801.4M	vs. \$673.8M in Q4 FY2023
% Non-GAAP RPO Recognized Within a Year	60%	vs. 59% in Q4 FY2023
% of TTM recurring revenue³	>90%	>90% in Q4 FY2023

Fiscal 2024 Fourth Quarter Financial Summary:

- Revenue:** Achieved \$155.8 million, marking a 15% increase from the previous year, with annual revenue reaching \$583.1 million, a 23% uplift.
- Gross Profit:** Reported at \$128.8 million (GAAP) and \$133.5 million (non-GAAP), maintaining strong margins of 83% and 86%, respectively.
- Operating and Net Loss:** Operating loss improved to \$48.3 million (GAAP) and \$6.5 million (non-GAAP). Net loss was reduced to \$31.6 million (GAAP), while non-GAAP net income turned positive at \$10.2 million.
- Remaining Performance Obligations (RPO):** Ended with GAAP RPO of \$775.8 million and non-GAAP RPO of \$801.4 million, evidencing strong future revenue potential.
- Cash Position:** Net cash from operating activities was \$10.3 million, with total cash and investments at \$1,278.6 million.

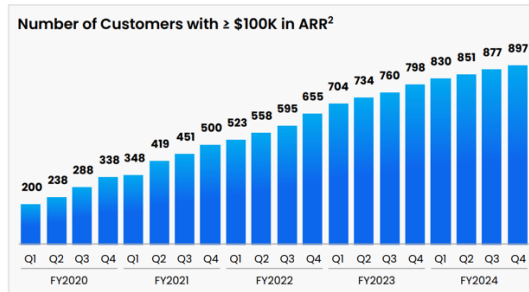
Operational Highlights:

- Customer base grew to 4,423, with 897 customers contributing over \$100,000 in ARR, underscoring HashiCorp's strong market presence and value proposition.

Durable Growth: \$100K+ Customers



Revenue Model: Number of \geq \$100K Customers * TTM Revenue per \geq \$100K Customers / % of Revenue from Customers \geq \$100K



	Q4 FY23	Q4 FY24
Total Customers ^{1,6}	3,870	4,423
Customers \geq \$100K in ARR ²	798	897
Avg. Quarterly Revenue Per Customer \geq \$100K in ARR ^{2,5}	\$161K	\$161K
TTM Revenue Per Customer ⁴ \geq \$100K in ARR ^{2,5}	\$563K	\$601K
% of Revenue from Customers \geq \$100K in ARR ^{1,5}	89%	89%

- Subscription revenue from the HashiCorp Cloud Platform (HCP) increased to \$21.3 million in Q4.
- Net Dollar Retention Rate was 115%, reflecting solid customer expansion despite a slight decrease from previous quarters.

HIGHLIGHTS

Hashicorp detailed several non-fiscal highlights for its FQ4 on its earnings conference call:

- Enterprise Customer Growth:** HashiCorp achieved significant wins by adding new enterprise logos, demonstrating large customers' continued trust and reliance on their products for cloud projects.
- Product Demand and Optimization:** The company observed early signs of increased engagement on new cloud initiatives following a period of optimization efforts by enterprises. This was evidenced by improving renewal rates and better pipeline conversion.
- Growth Initiatives:** HashiCorp laid out a path to accelerated growth, acknowledging its behind in its desired growth cycle, and outlined key initiatives to address this. These initiatives focused on improving sales execution, increasing commercial differentiation, and reallocating R&D resources towards cloud products.
- Go-to-Market Strategy:** The company initiated a simplification of its go-to-market strategy, spearheaded by President Susan St. Ledger. This involved a more prescriptive approach and increased process rigor within the field teams.
- Commercial Differentiation:** The company emphasized the need for greater separation between commercial offerings and free community products. New features and products, such as Terraform stacks, were introduced, targeting commercial differentiation and aiming to improve win rates and renewals.

6. **Product Development Focus:** A strategic move was to enhance its HashiCorp Cloud Platform (HCP) offerings, ensuring they are enterprise-ready and can meet the evolving demands of infrastructure and security lifecycle management.
7. **Cloud First Approach:** HashiCorp began incentivizing sales of their cloud offerings, especially for Terraform Cloud, indicating a strategic shift towards a cloud-first approach in their enterprise segment.
8. **Sales Kickoff and Field Team Enablement:** The company held a sales kickoff event to align and enable the field teams on the new strategic directions, ensuring cohesive execution of the refined go-to-market strategies.

HashiCorp focuses on strengthening its market position, enhancing product offerings, and accelerating growth as it transitions more deeply into the cloud-native space.

FORECAST & OUTLOOK

HashiCorp offered cautiously optimistic guidance, with an emphasis on strategic initiatives to drive growth.

<i>(in millions, except EPS)</i>	Q1 FY2025 ¹	FY2025 ¹
Revenue	\$152 - \$154	\$643 - \$647
Non-GAAP Operating Loss	\$(19) - \$(16)	\$(46) - \$(43)
Non-GAAP Net (Loss) / Income Per Share	\$(0.02) - 0.00	\$0.05 - \$0.07
Weighted-average basic and diluted shares used in computing Non-GAAP net loss / income per share	197.9 / 205.8	203.3
Shares to Calculate Enterprise Value	217.7	

Here's a summary of its forward-looking statements:

1. **U-Shaped Recovery:** The company projects a U-shaped recovery for its revenue growth, expecting the second quarter to represent the bottom of the curve, followed by progressive improvement in the third and fourth quarters of the fiscal year.

2. **Revenue Growth:** Hashicorp anticipates returning to a 20% quarterly revenue growth rate during the fiscal year 2026, a gradual acceleration in growth over the coming periods.
3. **cRPO Growth:** HashiCorp expects the current remaining performance obligations (cRPO) growth rates to follow a similar U-shaped pattern, with the lowest growth expected in the second quarter and then improvement towards approximately 20% year-over-year growth by the end of fiscal 2025.
4. **Fiscal Year 2025 Guidance:** For the first quarter of fiscal 2025, HashiCorp forecasts total revenue in the range of \$152 million to \$154 million and projects a non-GAAP operating loss of \$19 million to \$16 million.
5. **Full-Year Revenue Projection:** For the entire fiscal year 2025, the company predicts total revenue to be in the range of \$643 million to \$647 million, and it anticipates a non-GAAP operating loss between \$46 million and \$43 million.
6. **Gross Margin:** The company expects gross margins to remain strong throughout the year, within the low to mid-80% range.
7. **Expense Growth Management:** HashiCorp intends to continue growing its expenses slower than revenue growth, reinforcing a message of cost control and efficiency.
8. **Positive Free Cash Flow:** The company expects to post positive free cash flow results for the fiscal year, excluding the second quarter due to seasonal patterns related to Q1 bookings..
9. **Share Repurchase Program:** Reflecting confidence in their long-term growth and recognizing the excess cash relative to their operating needs, the Board authorized a \$250 million share repurchase program to commence in fiscal 2025.
10. **Capital Allocation:** HashiCorp communicated a commitment to responsible capital allocation, expressing that returning excess capital to shareholders through repurchases would be aligned with its long-term growth strategy.

This outlook reflects a balance of prudent financial management and strategic investments, positioning the company for a return to stronger growth rates in the medium term.

ANALYSIS

HashiCorp's quarterly earnings show the company continues solidifying its standing as a pivotal player in cloud infrastructure automation. HashiCorp surpassed its financial forecasts and demonstrated its robust market demand. Its earnings

highlight the company's effective execution and the growing enterprise trust in its product portfolio for essential cloud projects.

HashiCorp's commitment to a cloud-first approach, especially in promoting Terraform Cloud, signifies an acknowledgment of the cloud's centrality in modern IT environments. This strategic direction aims to enhance customer value realization and positions HashiCorp advantageously in the competitive landscape by facilitating a more seamless adoption and integration of its tools in enterprise cloud transformations.

HashiCorp's fiscal 2025 outlook, with expectations of a U-shaped revenue growth recovery and a targeted return to 20% quarterly revenue growth by FY 2026, paints an optimistic picture. However, it also underscores the challenges ahead in achieving accelerated growth rates. The announced \$250 million share repurchase program further underscores the company's confidence in its long-term growth trajectory and its commitment to shareholder value.

HashiCorp's latest financial performance and strategic initiatives reflect a company in a strong position to capitalize on the growing demand for cloud infrastructure automation. With a focus on enhancing its product offerings, go-to-market efficiency, and cloud-first strategies, HashiCorp is well-positioned to navigate the evolving technological landscape.



© Copyright 2024 NAND Research.

NAND Research is a registered trademark of NAND Research LLC, All Rights Reserved.

This document may not be reproduced, distributed, or modified, in physical or electronic form, without the express written consent of NAND Research. Questions about licensing or use of this document should be directed to info@nand-research.com.

The information contained within this document was believed by NAND Research to be reliable and is provided for informational purposes only. The content may contain technical inaccuracies, omissions, or typographical errors. This document reflects the opinions of NAND Research, which is subject to change. NAND Research does not warranty or otherwise guarantee the accuracy of the information contained within.

NAND Research is a technology-focused industry analyst firm providing research, customer content, market and competitive intelligence, and custom deliverables to technology vendors, investors, and end-customer IT organizations.

Contact NAND Research via email at info@nand-research.com or visit our website at nand-research.com.