

OneStream Q1 2025 Earnings Call

Annie Leschin, VP Investor Relations and Strategic Finance

Thank you, operator. Good afternoon, everyone. Welcome to OneStream's first quarter 2025 earnings conference call. Joining me on the call today is our co-founder and CEO, Tom Shea, and our CFO, Bill Koefoed.

The press release announcing our first quarter 2025 results issued earlier today is posted on our Investor Relations website at investor.onestream.com, along with an earnings highlights presentation. Before we get started, I'd like to let everyone know that we plan to participate in two conferences in the upcoming weeks. The first is J.P. Morgan's Global Technology, Media and Communications Conference in Boston on May 14th and the second is Bank of America's Global Technology Conference in San Francisco on June 3rd. A live stream and replay of our presentations at the conferences will be made available on our Investor Relations website.

Now let me remind everyone that some of the statements on today's call are forward-looking, including statements related to guidance for the second quarter ending June 30, 2025 and the year ending December 31, 2025. Forward-looking statements are subject to known and unknown risks, uncertainties, assumptions and other factors. Some of these risks are described in greater detail in the documents we file with the SEC from time to time, including our Quarterly Report on Form 10-Q for the quarter ended March 31, 2025 that we

filed today. We undertake no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

During our call today we will also reference certain non-GAAP financial measures. There are limitations to our non-GAAP measures, and they may not be comparable to similarly titled measures of other companies. The non-GAAP measures referenced on today's call should not be considered in isolation from or as a substitute for their most directly comparable GAAP measures. Our management believes that our non-GAAP measures provide meaningful supplemental information regarding our performance and liquidity by excluding certain expenses that may not be indicative of our ongoing core operating performance. Reconciliations of our non-GAAP measures to the most directly comparable GAAP measures can be found in this afternoon's press release and the earnings highlights presentation posted on our Investor Relations website.

Now I'll turn it over to Tom, Tom?

Tom Shea, CEO

Thank you for joining us this afternoon.

2025 got off to a strong start with our first quarter results. While the rapid shift in sentiment around the macro has brought increasing budget scrutiny, the needs of CFOs and Finance departments remain front and center in today's market. We have seen macro turbulence in the past, and we are confident in our ability to navigate through it and execute our long-

term strategy. And what we know from experience is that increased uncertainty leads to more focus on system modernization.

With that, let me recap our strong results in Q1 amidst the highly dynamic environment.

- We achieved total revenue growth of 24% and free cash flow margin of 26%.
- We saw increasing customer interest and strong momentum for our Sensible AI machine learning product as well as strength in our Commercial business.
- Continuing our trend of the last few years, our unified platform was recognized by leading third-party industry analysts as a Leader in software for the Office of the CFO. For the third year in a row, OneStream was named as a Leader in Financial Close and Consolidation Solutions in Gartner's Magic Quadrant. And for the fifth consecutive year, BARC ranked OneStream as a Leader in Financial Performance Management solutions.
- And we officially brought some of last year's new product innovations to market this quarter at our sales kickoff. This included our ESG Reporting and Planning, and our pre-packaged CPM Express offering for rapid implementation. We also launched our new pricing and packaging.
- All-in-all, a solid start to the year.

Since then, the world has changed dramatically. Changing tariffs and trade policies are causing currency variability, impacting supply chains and tightening enterprise and government budgets, leaving businesses globally to navigate the ongoing uncertainty.

While the macro may initially pause some digital transformation efforts, events such as these have historically also had the potential to drive opportunity for us.

The changing conditions can expose the shortcomings of outdated legacy systems and cause a renewed focus on technology upgrades and the modernization of old tech stacks. More than ever, this landscape underscores the importance of agility in financial operations. Ultimately, this can be an opportunity for Finance leaders to look for systems with greater accuracy and efficiency, along with more dynamic forecasting and planning.

In our view, the current environment further amplifies the drivers at the heart of OneStream's value proposition:

#1, It's still early in the digital transformation of Finance.

Finance departments have been slow to fully embrace and trust the cloud. If anything, the current landscape is highlighting the need for the modernization of the office of the CFO and a unified view of corporate financial data.

#2, The scope of the CFO role continues to expand.

Especially in times like these, there are even higher expectations on CFOs to provide strategic insights and operational planning to drive business strategy and execution. This requires financial tools like dynamic reporting to complement the static nature of traditional ERP systems.

#3, AI is an incredible opportunity to increase the value of Finance knowledge workers and business performance.

Strong, proven, and applied AI solutions have the potential to give CFOs even greater visibility, agility, and predictability into their business. Today, a growing volume of economic and other business drivers are changing so quickly that the speed and accuracy of AI is becoming vital to be able to forecast and plan the business. Business calibration is demanding greater forecast accuracy more quickly than ever before.

We built the OneStream platform to help companies respond to any market environment.

The breadth and depth of our platform enables customers to:

#1, unify financial and operational data into one, common data-model to serve as a single source of truth for real-time scenario planning;

#2, to accelerate and improve planning, forecasting, and decision-making with AI solutions purpose-built for Finance – a category we refer to as Finance AI;

and #3, extend the platform through rapid and innovative product development – all without adding technical debt.

These core tenets continue to serve as the north-star of our product roadmap and how we innovate and expand the value of our platform for customers. We see great opportunity ahead and continue to invest for growth, including strategic investments to build out our Finance AI portfolio, which you'll hear more about at Splash next week.

During the first quarter,

- We officially released our CPM Express product, designed to democratize the accessibility of our enterprise level platform for companies of all sizes and sophistication levels. This added to the solid bookings growth of over 50% year-over-year we saw in our Commercial business this quarter.
- We launched our ESG Reporting & Planning solution, enabling customers to collect, analyze, report and plan for ESG requirements – including Scope 1, 2 and 3 emissions – and link sustainability efforts with financial performance.
- Finally, building off last year’s strong results, SensibleML Q1 bookings for our AI product – which we are now calling SensibleAI Forecast -- grew over 50% year-over-year, as customers are putting a greater premium on our differentiated Finance AI capabilities. We continue to create solutions that are purpose built for Finance, using our proven quantitative AI capabilities, along with expanded generative and agentic AI capabilities.

Now, let me give you some examples of how our customers are modernizing their core financial systems and utilizing SensibleAI Forecast with OneStream.

We saw great momentum in our International business this quarter with 40% year-over-year revenue growth.

- One of the foundational wins we had was with a new customer that chose OneStream to replace a decades-old legacy system.

A large European retail group signed a multi-year engagement with 500 users and plans to leverage OneStream’s core financial consolidation, reporting, tax, cash

flow and ESG. After a thorough evaluation, the customer saw the power and breadth of our unified platform, together with our SensibleAI Forecast and planning capabilities, as more than capable of supporting its growing complexity and scale, as well as the evolving reporting demands of its global business.

As I mentioned, we now have many of the world's most important companies using our SensibleAI Forecast solutions to help them better plan their business and drive efficiencies. More and more, AI has become a part of virtually every customer conversation. Prospects and customers are now approaching us about the potential of AI in their workflows earlier and earlier, with some even beginning their OneStream relationship with our SensibleAI Forecast solution – which incorporates our proven machine-learning based time-series forecasting and scenario modeling capabilities with generative AI capabilities.

- An example of this comes from a large energy utility company in Asia-Pacific called Endeavour Energy, that recently selected OneStream to lead a transformative Finance-driven growth strategy. The very first thing they wanted was a demand forecast using our SensibleAI Forecast solution because of the outsized value that a more accurate forecast of energy consumption would bring. Within eight weeks, they were leveraging SensibleAI Forecast to predict demand across regions and pricing structures — including flat rate and time-of-day tariffs. They achieved over 95% forecast accuracy and reduced the effort required to reforecast by 90%. This highlights why customers — both new and existing — are embracing SensibleAI Forecast as an important strategic lever in their financial transformation journey.

Many companies have only just begun to supplement their use of OneStream's core platform with these quantitative AI capabilities. Not only are we seeing adoption from our existing core customers to facilitate their demand forecasting, but we are starting to see customers that have previously purchased SensibleAI Forecast expand their use of the product.

- Last year, one of the world's largest retailers deployed six use cases of our SensibleAI Forecast product across four business segments. They realized significant time savings and higher forecasting accuracy during the year. Fast-forward to Q1 of this year, and that same customer purchased more than seven additional use cases – nearly doubling their initial investment in SensibleAI Forecast. They plan to use it to drive both daily short-term outlooks as well as monthly long-term outlooks for Sales, SG&A, headcount, and cash.

The combination of our comprehensive core capabilities with our growing Finance AI portfolio is helping OneStream become a one-stop shop for companies to navigate today's complexities.

In summary, CFOs are recognizing the need for a more dynamic unified, cloud platform to react to changes in today's unpredictable environment.

This is not the first time we've seen a macro disruption of this magnitude. What we know from experience is that often, this is when some of the greatest opportunities emerge.

Demand for the OneStream platform continues to gain momentum, as we add more brand-name companies to our customer base. Our uniquely unified, AI Powered, infinitely

extensible platform is highly aligned to the financial and operational information needs of modern businesses.

And next week at our Splash user conference, nearly 50 customers will tell their stories of just how significantly the OneStream platform has impacted their business.

We believe OneStream has never been more relevant to today's environment, and our speed to value is only increasing with the results our SensibleAI Forecast technology delivers. OneStream was engineered to help customers steer their business in moments like these. Markets may take some time to sort out, and we will manage accordingly. But make no mistake - we plan to continue to grow and invest in our mission to be the Operating System for Modern Finance, so we can capture the enormous opportunity that we see ahead.

Before I wrap up, as you saw recently, we made a few organizational changes so that our primary innovation and growth functions now report directly to me, including our CRO, Ken Hohenstein, our CMO and Strategy Officer, Tim Minahan, and Craig Colby, who will be our Chief Success Officer focusing on building strategy around customer success and expansion, including CPM Express. I believe these changes cement our leadership for the next phase of growth.

Lastly, I want to thank all of our employees, customers, and partners for their continued support and trust in us. We are confident we have the right team and product to navigate this environment.

Now let me turn the call over to Bill.

Bill Koefoed, CFO

Thanks Tom.

Good afternoon everyone and thank you for joining today's call.

We had a strong first quarter of revenue growth and free cash flow generation. Total revenue grew 24% year-over-year to \$136 million. Subscription revenue increased 31% year-over-year to \$125 million. We had License revenue of \$4 million, which was down 40% compared with last year due to customer SaaS conversions, as we have signaled previously. Professional Services and Other revenue was \$8 million, slightly above expectations.

We had a record quarter of free cash flow at \$36 million, which represents a 26% free cash flow margin.

Our international business had a particularly strong quarter, with revenue growth of 40% year-over-year and continues to represent more than 30% of total revenue.

We continue to see more than 60% of our business come from new customers as we continue to capitalize on finance and AI transformation opportunities at some of the world's most important companies. We ended the quarter with 1,646 total customers, up 16% year-over-year, a slight acceleration from Q4.

Billings had a strong quarter, increasing 30% year-over-year to \$154 million and 24% on a trailing 12-month basis. I would like to remind everyone that we view our trailing 12 months

as the best indicator of billings momentum, as it normalizes lumpiness in any single quarter.

Our 12-month cRPO was up 35% year-over-year. Total RPO grew 24% year-over-year to \$1.1 billion.

Our Q1 non-GAAP gross margin was 70% compared with 69% last year, as our services margin improved over last year, partially offset by lower software license revenue. Our non-GAAP software gross margin was 76% compared with 77% last year due to the lower software license mix.

Our non-GAAP operating loss was \$0.5 million in the quarter, exceeding our expectations. This favorability was due in part to lower R&D hiring and timing of Marketing expenses relative to beginning of year expectations. Total non-GAAP operating expenses increased 19% year-over-year.

Non-GAAP net income was \$6.7 million and non-GAAP earnings per share was \$0.04.

Total equity-based compensation expense for the first quarter was \$38 million.

We ended the quarter with \$594 million in cash and cash equivalents.

Now let me move on to our outlook. We are coming off a strong quarter and have the largest pipeline we have ever had at this point of the year. Additionally, we believe our product portfolio including announcements we will make at Splash next week, is well positioned for market needs. As we look at our business signals, our leading indicators are positive.

That being said, we are all living through a period of heightened uncertainty in the broader markets, where we may see companies and government agencies slow or even pause spending for a time. This may result in deal headwinds and potential downsells as budgets tighten and government restructuring continues. Additionally, ongoing customer conversions to SaaS will continue to impact license revenue.

At the same time, in addition to our strong pipeline and product roadmap, FX rates have turned and, if that trend continues, FX will be a tailwind for 2025 revenue. When all of this is taken together, we are reiterating our prior 2025 guidance of 20% year-over-year revenue growth and slightly increasing our profitability outlook.

For Q2 2025:

- We expect total revenue to be between \$140 million to \$142 million.
- We expect non-GAAP operating margin to be between (2%) to 0%. Remember that our North America Splash user conference is in Q2, which is a considerable Sales and Marketing investment.
- We expect non-GAAP net income per share to be between 0 cents to 2 cents.
- We expect stock-based compensation to be between \$30 million to \$35 million.

For full year 2025:

- We expect total revenue to be between \$583 million to \$587 million.
- We expect non-GAAP operating margin to be between 0% to 2%.

- We expect non-GAAP net income per share to be between 5 cents to 13 cents.
- We expect stock-based compensation to be between \$120 million to \$130 million.

All-in-all, we were pleased with our strong performance in Q1. More than ever companies need the ability to run real-time financial scenarios to respond to today's dynamic environment. In times of uncertainty, CFOs in particular, focus on driving efficiencies, maximizing ROI and reducing costs. At OneStream, that is what our platform enables every day.

We are focused on managing our business in a thoughtful way during these uncertain times and confident that we can realize the long-term opportunity we see ahead.

Now let's turn it over to the Operator for Q&A.