

OneStream Q4 2024 Earnings Call

Annie Leschin, VP Investor Relations and Strategic Finance

Thank you, operator. Good afternoon, everyone. Welcome to OneStream's fourth-quarter and full-year 2024 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 fourth-quarter and full-year 2024 results issued earlier today is posted on our Investor Relations website at investor.onestream.com, along with an earnings highlights presentation.

Now let me remind everyone that some of the statements on today's call are forward-looking, including statements related to guidance for the first-quarter ending March 31, 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 September 30, 2024, which we filed with the SEC on November 7, 2024. 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.

Before I turn it over to Tom, we just want to let you know that we will be attending Morgan Stanley's Technology, Media and Telecom Conference on March 4, 2025. A live stream and replay of our presentation at the conference will be made available on our Investor Relations website.

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

Tom Shea, CEO

INTRO

Welcome everyone and thank you for joining us today. I'm going to touch on our results, what we're seeing in the market and provide our outlook for 2025.

2024 was a milestone year that ended with a solid fourth quarter performance with 29% y/y revenue growth and strong cash flow. This was a testament to the strength of the OneStream platform and our incredible innovation engine including our Finance AI portfolio, reflecting the significant business value we provide to our customers. Our solid finish once again demonstrates resilience in a year that presented new opportunities and challenges.

MARKET REVIEW

A combination of events including the U.S. election, the ongoing geo-political climate, and the sudden strength in the U.S. dollar, effected our business at year-end.

First, macro uncertainty around tariffs, regulations and reporting requirements impacted two of our primary markets—large multi-national companies and the public sector. This caused

additional deal scrutiny and pushed some deals into the new year – the vast majority of which have closed, including a significant public sector deal.

Second, the significant change in foreign exchange rates also impacted some of our financial metrics in the quarter, as Bill will talk about shortly.

And third, even with this, we reported solid results and are excited about the momentum of two important areas of focus – the commercial sector and Finance AI. Overall, despite some near-term headwinds, demand for OneStream remains strong and we are optimistic heading into the year and remain confident in our long-term opportunity.

FY 2024 RECAP

Now let me give you some highlights from 2024, which was one of the most transformative years in OneStream’s history.

- We grew total revenue 31% year-over-year, driven primarily by strong subscription revenue growth of 41% year-over-year.
- We were free cash flow positive in 2024, generating \$59 million during the year, while also achieving non-GAAP operating profitability.
- We once again reported 98% gross retention this year, reinforcing the value and stickiness of our platform, which is the bedrock of our company.
- Yet our strong financial results were only part of the story. We introduced 12 new innovations at our U.S. Splash user conference in May, and another 3 at our European Splash user conference in September – unlocking additional utility and value for customers, creating more on-ramps to the OneStream platform and providing more expansion opportunities in the installed base. More recently, at Sales Kickoff in January,

we rolled out our solution-based packaging that is aligned to how the market wants to buy, supporting the value customers derive from our offerings and simplifying initial and expansion sales for OneStream and our partner ecosystem.

- We quadrupled bookings and the number of customers using our Finance AI solutions, including Sensible Machine Learning.
- For the third consecutive year, we were recognized as a Leader in Gartner's Magic Quadrant for Financial Planning Software, and a leader in IDC's Worldwide Office of the CFO Record to Report Vendor Assessment. And just last month, OneStream was named the leader in Business Planning by ISG (formerly Ventana research), illustrating the power of our platform to support more operational processes and needs.
- And finally, we completed a successful IPO and secondary offering in the second half of the year.

DRIVERS

All of this speaks to the market trends that are driving the need to modernize Finance. Three trends underpin our business and further reinforce the confidence we have in OneStream's long-term opportunity.

#1, The digital transformation of Finance, as CFOs recognize the need for a unified, cloud-based platform to provide a single view of financial and operational data across the enterprise. This trend was reinforced by our Finance 2035 Initiative study, which found that more than ¾ of CEOs and CFOs are prioritizing the need for a unified single source of truth for corporate data as essential for future business success.

#2, The expanding scope of the CFO, transitioning from reporting on past business results, to driving real strategic value and becoming an embedded partner to the business.

And #3, The growing need for applied AI and ML solutions to advance Finance's impact and ability to plan faster, forecast with greater accuracy, and empower every employee to make quicker, more informed decisions.

PRODUCTS

These trends continue to drive our platform development and inform our new product roadmap. The breadth and depth of our platform is truly comprehensive and unique in the industry – enabling customers to:

- unify financial and operational data and reporting on one, common data-model;
- accelerate and improve planning, forecasting, and decision-making with AI solutions purpose-built for Finance;
- and extend the platform to address new use cases as their needs evolve – without adding technical debt.

OneStream has a real competitive advantage, allowing us to meet the data, analytics, and processing needs of even the most complex environments at scale. I'm really excited about the progress that we made in 2024, which I believe was the most innovative year in our history.

Our new offerings include:

- centralized report assembly and data gathering with Advanced Narrative Reporting;
- delivering rich financial data to a broader set of users with our Certified Microsoft Power BI connector;
- improvement in implementation time and project success with CPM Express;

- providing customers with the ability to do ESG reporting on the OneStream platform;
- elevating and empowering sales planning with a fully integrated Sales Performance Management solution built atop of the OneStream platform.

And over-arching all of this is our industry-leading Finance AI solutions – purpose built for the Office of the CFO.

We had a positive initial reception in the market for these new offerings which, combined with our updated pricing and packaging, reflect the incredible value we are delivering to customers.

Let me provide some details on a couple of these important new initiatives.

CPM Express is a pre-packaged version of our core CPM capabilities that enables significantly faster implementation and time to value. This solution comes with pre-built functionalities, pre-defined reports, and guided configuration. It simplifies core activities and speeds up processes across Finance with customers fully up and running on core financial planning, reporting, and close in 6 to 8 weeks – all for a predictable cost. We expect CPM Express to drive new core platform customer growth globally going forward.

Another area of innovation we've talked about is ESG. This has become a critical need for multi-national organizations, particularly in Europe. These companies must account not only for their own operations but for their entire value chains. To do this, they need accurate and complete information to align ESG reporting with the rest of their reporting & planning. Given

OneStream's role as the core book of record, we are well positioned to help CFOs meet ESG reporting requirements. Additionally, we plan to enhance this offering to be even more robust by launching new elements in 2025.

Turning to our Finance AI portfolio, you've heard us talk a lot about our Sensible Machine Learning product – otherwise known as AI-driven forecasting. In 2024, SML offered customers the potential to revolutionize planning and forecasting, delivering significant value to early adopters ranging from Fortune 500 manufacturers, retailers, and banks to mid-size services firms. By harnessing the power of SML, customers on average have reported initial forecast accuracy improvements of over 20%, while speeding forecast cycles by more than 80%. This allows customers to fundamentally rethink their planning approach, enabling them to plan at a higher frequency with higher accuracy, and adapt to changing market dynamics to maximize profits. Customers have reported that these outcomes have consistently outperformed custom data science projects, crediting our applied Finance AI approach and the ability to leverage our proprietary financial formulas and platform capabilities.

SML's ability to adapt to dynamic business conditions and macroeconomic factors—while providing insights into their impact — has established it as a transformative solution for businesses. OneStream's AI accelerates time to value, enhances forecast accuracy, and improves efficiency, while offering the transparency and explainability needed for end-user trust and adoption. We believe our continued enhancements are poised to further strengthen our competitive edge and drive growth in 2025.

CUSTOMERS

We had a number of important wins in the fourth quarter with enterprise and commercial customers across a wide array of geographies and verticals.

- We added three new major banks, including a leading investment bank and financial services company.

- We landed our first customer in Brazil, a global, multi-billion-dollar consumer products company.
- We had another takeaway at one of the largest legacy installations in Sweden, which is transitioning to OneStream to support its FP&A, Tax Pillar2 and ESG reporting for its multi-billion-dollar global business.
- We currently have over 40 customers leveraging the OneStream platform for their ESG reporting. And we have additional product enhancements coming in 2025 to offer even more value to customers.
- And we saw continued growth in our public sector and education business, including a win with a well-known higher education institution in the southeast.
- Speaking of the public sector, I'm thrilled to announce that effective January 25th, the OneStream platform has received Fed Ramp High authorization, the highest level of security standards by the Federal government. This significant milestone, in addition to our Department of Defense Impact Level 4 Certification, enables us to work with all levels of state, local and federal agencies, including those who handle the most sensitive, mission-critical and highly classified data. It is a long road to these certifications, requiring considerable investment, engineering, and operating cycles as well as close coordination with government agencies and officials.

We continue to land many great customers, each with unique needs and drivers, both immediate and long term. Let me just dive into a bit more detail on a few that stood out in the fourth quarter.

We added a leading investment bank and financial services company to our customer list. Not unlike other banks, they have separate financial systems for each division, severely limiting the view of their overall financials. They plan to use OneStream for consolidation of their multiple businesses in order to have a single, unified, and more accurate view of the entire organization. This will unify their data across various cubes and relational data storage for more accurate reporting, planning and analysis on operational and financial data at every level of the organization.

We also had the first sale of our Sales Performance Management product that was built on the OneStream platform by InfinitySPM, an Independent Software Vendor. An existing OneStream customer, Generac, is a large acquisitive company using OneStream for consolidation, planning, profitability, and account reconciliations. The quality and visibility of the data on our single, unified platform with a robust dashboard has been 'game-changing' for Generac, saving as much as 2-1/2 weeks for each forecast. This helped create a seamless process that allows them to do dynamic forecasting, compare scenarios, and have better visibility into how the business is doing. This success played a pivotal role in their decision to adopt and deploy Infinity's integrated SPM as a natural extension of the platform. With SPM, they are now able to have consistent sales territory management and improve the efficiency of their incentive compensation and dispute resolution processes.

We signed a multi-year deal with a large, multinational manufacturer specializing in display, environmental and other technologies. Several years in the making, this customer was a long-time legacy system user that had been migrating to a global footprint. In need of a modern CPM system, the company was impressed by the depth of OneStream's capabilities and the fact that

we do so much on a single platform, including multiple solutions for tax reporting, ESG, SML, and account reconciliations. This was crucial in their ability to see the value of our platform, while simultaneously reducing their technical debt. Beginning with nearly 900 users and replacing two large systems, phase one will focus on consolidations, account reconciliations and financial reporting. From there, phase two looks to move onto planning and forecasting. Finally, I'd like to share how OneStream's SML solution is transforming forecasting for a global leader in technology distribution. This customer operates across multiple countries and business lines, providing their customers with cutting-edge technologies from cloud providers and device manufacturers. Their prior forecasting process was complex, time-consuming, and often biased. They first used the OneStream platform for consolidation, close and planning. They elected to expand with SML to ensure higher accuracy in their forecasting and to reduce their cost to serve.

We helped this customer harness the power of their internal data while incorporating external drivers and leading indicators to produce a 52-week revenue forecast. With SML, they achieved over 90% forecast accuracy, which is a 15% reduction in forecast error. They reduced their effort in producing this forecast by over 75%. The data-driven precision of the SML forecast removed bias at the country level and gave management the confidence to make faster, smarter decisions across each line of business.

What sets SML apart is its ability to seamlessly integrate machine learning into financial processes without introducing technical complexity. It empowers finance teams to focus on insights and decision making to steer the business, rather than spending countless hours wrestling with data to develop suboptimal forecasts.

2025 OUTLOOK

What I know from experience is what resonates with customers. Our 98% gross retention is at the heart of OneStream's continued success and a key component of our growth. We enter 2025 excited about our multi-product strategy. We are bringing to market our 15 new innovations announced last year, along with our new pricing and packaging, to enable customers to derive the greatest value from our platform. We're excited about the early demand we've seen for CPM Express and our infinitely extensible Solutions Exchange with applications like SPM. In addition, we continue to differentiate our Finance AI portfolio and build out new products including our AI library and GenAI. By adding these multiple levers of growth, we are effectively executing against our strategy to become the operating system for modern Finance.

And finally, I want to send a heartfelt thank you to our dedicated, hard-working employees around the world for their tireless efforts in making all of this possible.

Now let me turn the call over to Bill for the financials.

Bill Koefoed, CFO

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

As Tom mentioned, we had a solid Q4 with both strong revenue growth and free cash flow, capping an impressive year.

I'd like to start today with some commentary on our 2024 results and then dive into Q4, and end with our guidance for Q1 and 2025.

Before I begin, it is important to note that 32% of our business is international and we bill most of our international customers annually in local currency and convert to USD for revenue recognition. The sudden strengthening of the USD by roughly 6% from September 30th to December 31st negatively

impacted some of our financial growth metrics by approximately 2%. These include ARR, RPO and Q4 Billings.

Let's start with some key 2024 accomplishments.

- We surpassed \$500 million in ARR, to end the year at \$568 million.
- We grew revenue 31% year-over year to \$489 million, subscription revenue 41% to \$428 million, and international revenue 38% to \$155 million.
- We increased RPO to greater than \$1 billion.
- We achieved non-GAAP operating profitability.
- And we generated \$59 million of free cash flow, which represents 12% free cash flow margin.

Turning to the fourth quarter, we grew total revenue 29% year-over-year to \$132 million. Subscription revenue increased 35% year-over-year to \$119 million and License revenue came in at \$7 million for the quarter. We continued to see strong conversions from term licenses to SaaS in the quarter, and we expect that trend to continue into 2025 as we progress toward a 100% SaaS business model.

Professional Services and Other revenue was \$7 million in the quarter. As we continue to transition more implementations of OneStream software to our partners, we expect Professional Services to remain at a similar run-rate going forward.

This quarter, international revenue grew 49% year-over-year to \$46 million. We're thrilled with the progress we've made with our international business, representing 32% of our total revenue in 2024.

For the year, we saw over 60% of our business come from new customers and we ended the year with 1,601 total customers, up 15% year-over-year. We continue to retain and expand our base of existing customers, with 98% Gross Retention and 113% Net-Dollar-Retention.

Billings grew to a record of \$167 million in the fourth quarter, up 18% year-over-year and 24% on a trailing 12-month basis.

Our 12-month cRPO was up 36% year-over-year and our total RPO increased 23% year-over-year to \$1.1 billion. As noted, Q4 billings, cRPO and RPO were negatively impacted by F/X.

Our Q4 non-GAAP gross margin was 70%, consistent with last year, and non-GAAP software gross margin was 76%, compared with 78% last year due to license mix versus the prior year. We continue to work to optimize our infrastructure costs and expect margin improvement over the long term.

Fourth quarter non-GAAP operating expenses increased 19% year-over-year, primarily due to higher R&D spending, as we continue innovating on our core platform and Finance AI solutions for the opportunities we see ahead.

Non-GAAP operating income was \$9 million or 7% operating margin in the quarter. For the full year non-GAAP operating income was \$1 million.

We were non-GAAP profitable for the quarter with net income of \$12 million and non-GAAP earnings per share of \$0.07. For the full year, non-GAAP net income was \$14 million and non-GAAP earnings per share was \$0.14.

Total equity-based compensation expense for the fourth quarter was \$53 million and for the full year equity-based compensation expense was \$316 million.

For the fourth quarter we generated \$25 million of free cash flow, bringing our fiscal year 2024 free cash flow to \$59 million.

We ended the year with \$544 million of cash and cash equivalents.

OUTLOOK

In summary, we delivered on our key objectives for 2024, achieving strong top & bottom-line results, while continuing to invest for the future. Customers continue to choose the OneStream platform to provide a unified view of financial and operational data with analytical, AI, and performance management capabilities.

GUIDANCE

Now let me move on to guidance and review the key factors driving our outlook.

We remain enthusiastic about our market opportunity and expect strong subscription revenue growth, while launching new products to the market and generating robust cash flow. Importantly, our strong 98% gross retention continues to drive compounding growth, highlighting our continued investment in customer success.

As we discussed last quarter, we continued to see strong SaaS conversion rates in the fourth quarter.

While this is a near-term headwind for the license component of total revenue, it is a focus for the long term success of our company. Also, as a reminder, we expect our professional services revenue to be roughly flat going into 2025. We expect subscription revenue growth to outpace total revenue growth.

The continued strength of the US dollar – 6% higher than Q3 –coupled with roughly 32% of revenue coming from our international business, which is transacted predominantly in foreign currency, is impacting our outlook for 2025.

With that, our guidance for fiscal year 2025 is:

- Total revenue is expected to be \$583 million to \$587 million.
- Non-GAAP operating margin is expected to be -1% to +1%.
- Non-GAAP earnings per share is expected to be between \$0.01 cent to \$0.09 cents.
- Equity-based compensation will be approximately \$125 to \$135 million.

Guidance for Q1 2025 is as follows:

- Total revenue for Q1 is expected to be \$130 million to \$132 million.
- Non-GAAP operating margin is expected to be -9% to -7%.
- Non-GAAP earnings per share is expected to be between -\$0.04 cents to -\$0.02 cents.
- Equity-based compensation of approximately \$45 million to \$50 million.

In closing, the strength of our core CPM business and new innovations, wrapped in more streamlined pricing & packaging, is driving new on-ramps to the OneStream platform and enabling our ability to drive efficient growth.

Now let's turn it over to the operator.