



BigCommerce Second Quarter 2024 Earnings Call: prepared remarks

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Tyler Duncan; Senior Director, Finance and Investor Relations

Good morning, and welcome to BigCommerce's second quarter 2024 earnings call. We will be discussing the results announced in our press release issued before today's market open. With me are BigCommerce's Chief Executive Officer and Chairman, Brent Bellm; and Chief Financial Officer, Daniel Lentz. Today's call will contain certain forward-looking statements, which are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995.

Forward-looking statements include statements concerning financial and business trends, as well as our expected future business and financial performance, financial condition, and our guidance for both the third quarter of 2024 and the full-year 2024. These statements can be identified by words such as expect, anticipate, intend, plan, believe, seek, committed, will or similar words. These statements reflect our views as of today only and should not be relied upon as representing our views at any subsequent date, and we do not undertake any duty to update these statements. Forward-looking statements, by their nature, address matters that are subject to risks and uncertainties that could cause actual results to differ materially from expectations.

For a discussion of the material risks and other important factors that could affect our actual results, please refer to the risks and other disclosures contained in our filings with the Securities and Exchange Commission. During the call, we will also discuss certain non-GAAP financial measures, which are not prepared in accordance with generally accepted accounting principles. A reconciliation of these non-GAAP financial measures to the most directly comparable GAAP financial measures, as well as how we define these metrics and other metrics is included in our earnings press release, which has been furnished to the SEC and is also available on our website at investors.bigcommerce.com. With that, let me turn the call over to Brent.

Brent Bellm; CEO and Chairman of the Board

Thanks Tyler, and thanks everyone for joining us.

Our number one priority for 2024 remains efficient revenue growth, and I'm excited to share updates on our progress towards that goal during our call today. First, I'll provide a brief summary of our quarterly results. Following that, I'll highlight some exciting customer launches that showcase the power of our platform. Then, I'll discuss our latest product innovations that fuel growth and innovation for our customers. Finally, I'll look ahead to what's next for the business.

Q2 delivered results consistent with our top and bottom line plans. Revenue finished just under \$82 million, up 8% year-over-year. Adjusted EBITDA came in at \$3 million, or approximately 4% of revenue. We also had a strong quarter from a cash flow perspective, achieving operating cash flow of just under \$12 million. We see tremendous upside in this business, and Q2 results highlight our progress and the success that our customers are seeing on our platform.

I'm thrilled to announce that The RealReal, the world's largest online marketplace for authenticated resale luxury goods, has launched on BigCommerce. This implementation allows The RealReal to fully leverage BigCommerce's industry-leading checkout and shopping cart functionality, which they integrated with their existing systems in a phased, composable approach. The result has been a faster and more intuitive checkout process for The RealReal customers and improvements in the brand's new customer purchase conversion rate. TheRealReal nicely demonstrates BigCommerce's continued traction in luxury apparel, composability, complex enterprise implementations, and high-volume sites, in their case selling more than \$1 billion online annually.

Also just launched on BigCommerce is Bealls, the Florida-based department store chain with more than 600 stores and 100 years of proud history. They achieved a remarkably successful migration of multiple brands from legacy platform HCL Commerce in just three months from contract signature. Notably, Bealls utilized BigCommerce's new reference composable architecture, Catalyst, in conjunction with Vercel for hosting, Manhattan for OMS, and a tech stack tailored to their omnichannel operations. Bealls and their agency partner DMI heavily customized the BigCommerce checkout to incorporate their specific payments, tax, and shipping requirements. In sum, Bealls showcases the unprecedented speed with which complex store-based retailers can migrate from legacy to fully modern, composable technology, in this case Catalyst, -- our Next.js and React-based architecture.

As part of a wider digital transformation project, SportsShoes, the UK's largest independent retailer of sporting goods, has unveiled a new composable commerce website on BigCommerce. SportsShoes is dedicated to helping people lead happier, healthier lives through running and fitness, catering to everyone from elite athletes to fitness beginners. SportsShoes chose BigCommerce and our partner ecosystem to modernize their ecommerce operations and

website. Since migrating to BigCommerce, SportsShoes has seen significant improvements in conversion, average order value, and checkout completions, enhancing their ability to deliver the best online retail experience for their customers.

Our B2B segment continues to show strong momentum with a number of manufacturers, suppliers and distributors moving to BigCommerce. For example, Enovis, a medical technology company with \$1.7 billion in revenue, migrated to our platform in Q2 from Magento to escape escalating costs and reliability issues. Leveraging BigCommerce's robust B2B features, Enovis has experienced greater platform stability and efficiency since migrating. Enhancements like real-time stock visibility have significantly boosted their customer experience and operational effectiveness, positioning Enovis for sustained growth in the B2B market. Additionally, we welcomed Starrett, a renowned manufacturer of precision tools. They upgraded to BigCommerce while retaining their existing content management system, which streamlined their purchasing process, improved user management, and enhanced security.

In Q2, leading brands and retailers such as Patagonia, Melissa & Doug and Faherty Brand, turned to Feedonomics to optimize their data and performance across search, social, affiliate, and marketing channels. Dooney & Bourke, a renowned leather goods company known for its superior quality handbags, luggage, and accessories, selected Feedonomics to optimize product data and improve keyword relevancy on Google and other major channels, driving more impressions, improved funnel progression, and increased revenue.

I'm proud of the progress and results our customers are achieving with BigCommerce, and these stories illustrate our platform's ability to deliver exceptional performance, flexibility, and growth across various industries and customer segments.

Later this month in Austin, we're excited to showcase our latest product advancements, under the banner of Next Big Thing, at BigSummit, our annual flagship event in North America. BigSummit has historically been a partner event, but encouraged by the approach of our team in EMEA at their BigSummit in April, we will also expand the Americas Big Summit to welcome customers and prospects. We're thrilled to have industry leaders like Walmart and ecommerce innovators like Burrow speaking at the event.

At the EMEA BigSummit in April, we announced over 100 new innovative features and partner integrations as part of the inaugural Next Big Thing. While I won't cover the entire list, I'd like to highlight a few major releases from Q2. We expanded our customers' global reach with new multi-geographic selling functionality. After a successful closed beta with over 200 participants, we soft-launched international enhancements for Multi-Storefront, with a full launch and additional features planned for Q3. Our multi-geo offering now allows brands and retailers to offer unique checkout experiences per storefront, enabling shoppers in different regions to select their preferred storefront for a truly local experience. Additionally, in partnership with Fujitsu, we introduced Japanese as a supported language in the control panel and as an option for automatic storefront translation.

After highlighting the open sourcing of our B2B Buyer Portal last quarter, we're excited to announce our next major B2B release: custom buyer roles and permission management. This strategic enhancement supports complex organization structures and unique workflows common to B2B businesses. For business buyers, this functionality improves purchasing controls and oversight, operational efficiency, and customer satisfaction and loyalty.

We are leveraging generative AI technology to enhance customer growth on BigCommerce, with tools like BigAI Copywriter, which is being updated this month to use Google's more powerful Gemini AI. BigAI Copywriter streamlines workflows and saves time by generating high-quality, high-performing product descriptions. In July we launched the beta of AI-powered product recommendations - also powered by Google AI - offering personalized and highly relevant product suggestions to shoppers in real time, thereby increasing average order value and conversion rates. Later in the year, we are planning to launch generative AI assisted quoting workflows for B2B sellers. Our subsidiary, Feedonomics, utilizes AI to optimize product data and improve keyword relevancy across major channels, driving more impressions and increased revenue for brands like Patagonia and Dell. Additionally, our recently-acquired visual site editor, Makeswift, is investing in AI to generate page layouts and creative content, enabling non-technical users to effortlessly design and publish engaging site content.

Earlier this year, we announced that BigCommerce was the first ecommerce platform to integrate with Fastlane, PayPal's password-less, accelerated guest checkout solution, which speeds shoppers through checkout and drives higher conversion rates. I'm excited to share that this feature will become available to all of our US customers starting in August.

In aggregate, BigCommerce's product capabilities, innovation and quality continue to receive industry recognition and awards. For the second consecutive year, BigCommerce achieved a perfect score in the Paradigm B2B Combines for Digital Commerce Solutions, earning medals in 24 out of 24 categories. In the midmarket review, BigCommerce received the most gold medals and the highest aggregate medal count of any B2B platform in the world. IDC named us a Leader in the IDC MarketScape for Worldwide Enterprise B2C Digital Commerce Applications and also recognized us as a leader in their MarketScapes for Worldwide Enterprise Headless Digital Commerce Platforms and Midmarket Growth.

I'd now like to provide an update to the go to market changes and improvements we're making under the leadership of our new President, Travis Hess. Under Travis, we have unified end-to-end ownership of the customer, including acquisition, satisfaction, and growth. As a result, we're improving operational processes and metrics to drive customer retention, success, and expansion. We're seeing encouraging results in multi-product sales, inclusive of our core ecommerce platform, Feedonomics, Makeswift, and the products and services of our partner ecosystem. Gross and net retention rates are pacing well against our internal plans. We're excited by gains already achieved in go-to-market efficiency and cohesion, and we expect continued improvements in the quarters ahead.

In terms of customer acquisition, we're improving the targeting and efficiency of marketing spend by refining our ideal customer profile definitions. Leveraging Travis's background from Accenture, we're expanding our network of global systems integrator partnerships, building on existing relationships such as WPP and EPAM. We have stabilized our small business segment and are improving our ability to help small businesses grow into our enterprise offering. We are streamlining our revenue operations capabilities to drive go-to-market effectiveness and transparency on spend ROI. We are more tightly integrating BigCommerce, Feedonomics, and Makeswift teams to improve cross-sell results. Looking ahead, we plan to make further improvements in the latter half of the year to bolster top-line growth and operational efficiency. I'll share more details on these efforts in coming quarters as we progress plans and achieve continued improvement in profitability.

Looking toward the back half of the year, I am optimistic about BigCommerce's business momentum. We are making significant strides. We are winning deals with large, complex customers and earning strong accolades for the strength of our products. By significantly enhancing our go-to-market operations, we are well-positioned to reaccelerate revenue growth while continuing to improve profitability and cash flow.

Thank you for your continued support, and I look forward to updating you on our progress in the coming quarters.

With that, I'll turn it over to Daniel.

Daniel Lentz; Chief Financial Officer

Thanks, Brent. And thank you, everyone, for joining us today. During my prepared remarks, I will cover our Q2 results, provide additional detail on our key areas of operational focus, and offer updated guidance for Q3 and the full year 2024.

In Q2, total revenue was just under \$82 million, up 8% year-over-year. Subscription revenue grew 10% year-over-year to approximately \$62 million, while partner and services revenue, or PSR, was up 4% year-over-year to just over \$20 million. Revenue in the Americas was up 9%, while EMEA revenue grew 7% and APAC revenue was up 9% compared to the prior year.

We remain committed to operating a profitable growth business. Our Q2 non-GAAP operating income was just under \$2 million versus a loss of \$3 million a year ago. These results represent a nearly 7 point year-over-year improvement to non-GAAP operating margins, increasing from negative 5% in Q2 2023 to positive 2% in Q2 2024.

As we did on the previous earnings call, I want to give you an update on where we stand with the three strategic priorities I called out at the beginning of the year. First, we made a commitment to drive efficient revenue growth. In Q1, we had sequential improvements in both gross and net retention from Q4 2023. We saw further sequential improvement in Q2 as well, consistent with our 2024 financial plan.

We are seeing strong growth in B2B in particular. B2B ARR finished Q2 up 35% year-over-year, and B2B GMV grew more than 50% year-over-year. We see healthy retention rates in B2B as well, with gross retention tracking more than 20% higher than the remainder of the business. Our goal is to reaccelerate revenue growth, and we are optimistic about the trend in retention we are seeing so far in 2024 and are confident in the actions we are taking under Travis' leadership to build topline momentum.

Second, we committed to improve our operating leverage and deliver profitable growth. Q2 non-GAAP operating income exceeded the high end of our guidance expectations. In particular, we are laser-focused on improving go to market efficiency. In Q2, we delivered our largest sequential growth in enterprise ARR in twelve months, and we did so with modestly improved go to market spending efficiency. Like many other SaaS software companies, we have seen lower sales and marketing efficiency results in recent quarters as platform investment spending has tightened across our industry. As Brent noted earlier, addressing this issue is one of our top priorities.

Third, we committed to healthy cash flow generation and cash management by focusing on operational discipline. We continue to achieve success in transitioning our existing customer base from legacy month-to-month contracts to more favorable payment terms for BigCommerce. As a result, we have seen a 25% increase in upfront payment terms quarter over quarter in our enterprise accounts. This improvement has resulted in operating cash flow of just over \$8 million for the first half of 2024, a \$14 million improvement year-over-year. Deferred revenues

have also increased year-over-year by \$13 million, from \$29 million to \$42 million. That 46% year-over-year increase in deferred revenue reflects a substantial improvement in the quality of our contracts.

I'll now turn to our non-GAAP KPIs. We concluded Q2 with an ARR of approximately \$346 million, up 4% year-over-year. That represents a sequential growth in ARR of nearly \$6 million. Enterprise account ARR was approximately \$254 million, up 7% year-over-year. As of the end of Q2, enterprise accounts represent 73% of our total company ARR. Accounts using exclusively our essentials plans, or "non-enterprise accounts," finished with ARR slightly over \$92 million, down 3% year-over-year as we lapped the small business plan price adjustments in the base period. At the end of Q2, we reported 5,961 enterprise accounts, up 32 accounts or 1% year-over-year. ARPA, or average revenue per account for enterprise accounts, was \$42,576, up 7% year-over-year.

Before we move on to guidance I would like to point out that our GAAP results include certain charges incurred in consideration of various alternatives associated with inbound inquiries and interest in BigCommerce. Following an assessment of these alternatives, we elected to move forward with the restructuring of our debt. As a part of that transaction, we have announced the expected repurchase of a large portion of our existing convertible notes due October 2026, and separately, the anticipated exchange of a portion of our existing convertible notes due October 2026 for new convertible notes due October 2028, meaningfully decreasing our overall leverage and better optimizing maturities. The structure of the new debt instrument reflects both our investors' confidence in the upside of this business and our intent to minimize shareholder dilution. We intend to further streamline operations and investments in coming quarters with the goal of improving growth rates profitably and maximizing long-term shareholder value.

I'll now shift to our outlook and guidance for the upcoming quarter and the full year. For Q3, we expect revenue in the range of \$82 million to \$84 million, implying a year-over-year growth rate of 5% to 8%. For the full year 2024, we expect revenue between \$330.2 million to \$335.2 million, a year-over-year growth rate of approximately 7% to 8%. For Q3, our non-GAAP operating income is expected to be between \$500 thousand and \$1.5 million. For the full year, we expect non-GAAP operating income between \$10.7 million and \$13.7 million.

In closing, I'm excited by our prospects and confident in our ability to seize the opportunities ahead of us. Our team's relentless dedication and our robust platform provide us with strong momentum to reach our strategic objectives. We remain unwavering in our commitment to drive innovation, deliver exceptional value to our customers, and achieve sustainable growth and profitability. Together, we are well-prepared to navigate the challenges and opportunities that the future holds.

With that, Brent and I are happy to take any of your questions. Operator?