Vinod Srinivasaraghavan: Hey, everyone. Welcome to the first companies session at the Barclays TMT conference. Thank you for coming. So, this morning for our first session, we have Dave Barter, the CFO of New Relic. So, thank you so much for coming. Appreciate it.

Dave Barter: Thank you for having us. We're excited to be here.

Vinod Srinivasaraghavan: That's great. And so, I really wanted to start off with, you know, you started about half a year ago or so at New Relic. And I just wanted to get your general impressions of the company, what you've learned so far, what are some of the things that you've started to do since you've joined?

Dave Barter: I think there -- there are a number of things, as I guess I came into the business having had board members involved with companies in the space, having known a few CFOs. I had a pretty good thesis about the company in terms of a -- a company in the observability market, that was going through the transformation that we were going through. And I think what's really kind of caught my attention, is a lot of kind of the core beliefs that I had, really have proven to be true. One of the real pleasant surprises, it's probably been maybe two-fold. One, in terms of working with our customers, I've come to really appreciate, quite frankly, how mission-critical the software is, particularly as people are driving in the cloud or driving a digital transformation.

The observability is that platform that helps you know that your digital business is working exactly as you think it should work, whether it is driving ad revenue, whether you're financial services and you're taking in loans and deposits. And so it's -- for me, just talking to CIOs, I've been really impressed with how they use observability to create a very modern and compelling software experience that drives all sorts of contemporary revenue streams for companies.

So that's kind of one element where I just -- I didn't see that coming in. Having grown up with system-of-record-type software, I was thinking that is the mission-critical software. But this is mission-critical, in just a different way. It's been a real pleasant surprise.

The other element that's kind of caught my attention is, we're not a company that's been known for growth and profitability. We've quickly, I think, found kind of our comfort
zone in terms of being able to drive growth, drive profit, and do it at meaningful levels. And so that's always exciting for me, given I kind of grew up in a world of generating cash, generating profit, and even generating a GAAP profit. So the fact that we have those kinds of elements is exciting for me.

Vinod Srinivasaraghavan: No, that's great. And you know, just stepping back for a moment, New Relic has undergone a pretty significant transformation over the last couple of years. You've gone from a much more narrower focus to APM, your roots, to a broader focus on observability. You've completely retooled your pricing model. Maybe just give us a sense of, you know, where is New Relic coming from, where are you going, and kind of where you are now?

Dave Barter: I think, if you were to just kind of pop up and try to handicap it, I'd call it the company is about 80% through the transformation. But what people, I think, don't appreciate is the fact that the transformation really occurred in four different areas. First, as you highlighted, like many companies in the dev tools and the observability space, we took advantage of that opportunity of going from the siloed world where we were just -- had great superpowers around APM, and we built out a broader stack. And so we really cover all the major tooling categories as a full platform provider. So, that was one significant investment.

But for us, we actually went another step in that journey, and we actually did it all through a unified telemetry platform. So you don't buy multiple products. As a customer, the way we work together, you back up the truck, you bring all the telemetry data. We can look at APM, we can look at logs in your context of APM. So we really retooled the product so we're not just adding on products or acquiring products, but re-architecting the entire platform.

Then we went to the other step of actually shifting from our data centers -- because we were always in the cloud, so we were born in the cloud and built that way. But we had to start that move to multi-cloud. And so initially, that was shutting down our data centers, which is almost fully complete, moving into AWS. And then I think last Spring you were there when we announced the partnership with Scott Guthrie and Azure.

Vinod Srinivasaraghavan: Yes.

Dave Barter: And so, just continuing to build out that multi cloud on all the hyperscaler fabric, so we can serve all customers in all regions. So that was kind of a big shift, and that was the second one. The third one was exactly what you called out, we started shifting to consumption, moving from the old host-based and subscription model into serving our customers well through subscription.

And then lastly, as you I think called out in some of your work, just the shift to the PLG motion. So, our go-to-market is really grounded. We added over 800 customers last quarter through what is just a very natural and organic way to engage with engineers. And then we graduate people up through our sales-led motion.

Vinod Srinivasaraghavan: I know that makes --

Dave Barter: So kind of four big shifts, but we're so pleased with how it's coming together.
Vinod Srinivasaraghavan: Yeah. No, that's great. And you talked a little bit about consumption models there, and no consumption model is exactly the same, is something that we kind of learned over this year. And you know, yours may react differently during an upswing or a downturn, and right now obviously budgets are going to be lower next year compared to where they were this year. So can you just talk about, you know, the opportunity to capture IT dollars with your kind of re-hold platform? And then also, where do you kind of see yourself in terms of mission criticality when it comes to IT budgets?

Dave Barter: That's a great question, and I think admittedly as we look across both regions and industries, we see great diversity. Let me address maybe the first point. What I love about consumption is, you're right, we almost react immediately to the customer. We don't end up with shelf wear, and we find ourselves in a spot where we're always working the way our customer wants to work, where they make a commitment, we help them prosecute that commitment in a very efficient way. So there is a little bit more agility between a subscription model and customer spend than the lag effect with a subscription model where people are locking in seats that they really intend to turn off, whether it's in six months, a year, or two years. So we love the fact that we're actually actively working with CIOs or the heads of digital business to work the way they want to work, and I think that's a very compelling part of our economic model. It's certainly how I ended up growing up with AWS and Azure, where you're very responsive and it allows us to be a supplier of choice I think, in many respects.

In terms of how I think about growth, I still believe that there's really -- I guess I think about it almost in the metaphor of blue ocean and red ocean. Blue ocean tends to be all of the cloud adoption, digital transformation. A lot of that work is still going on, and I think about calls that I've had with customers in financial services. They absolutely are continuing to re-platform their businesses, whether this -- whether we call this a recession or not, they kind of recognize the current environment for what it is. But they're building for the future, and we're helping to assist all the blue ocean initiatives.

The red ocean I always think about is, our customers have anywhere from 5 to 15 monitoring tools. There's always an opportunity on the platform provider to help them consolidate their spend and provide that unified observability. And as those opportunities come up, we certainly take them.

Vinod Srinivasaraghavan: Yeah. Maybe just give us -- give the audience a degree of how much of multi-product adoption -- because that's actually taken off quite a bit over the last year or two. Kind of where are you, right now, in terms of three, four-plus product adoption?

Dave Barter: Yeah, I think we are -- right now what we shared on the last earnings call is, it went up about four points, up to about 34% where customers are using APM logs, using our infra product, and then our browser product. And we're happy to work with people and make sure that -- for the developer community, which is really very specific, where you have a web dev or an iOS developer or an Android developer, we really serve that entire ecosystem well.

Vinod Srinivasaraghavan: Got it.

Dave Barter: And we love that idea, that we're up to four products, and we'll continue working with people on serverless or mobile, however it plays out.
Vinod Srinivasaraghavan: That's great. And then I think earlier you mentioned, your net new logos were up 800 I think over the last quarter. And you've, you know, created a new kind of onboarding mechanism with your free premium tier, and I think it's different from a free trial, which a lot of other competitors have. So that's unique for you guys. Can you talk about how that's helped you accelerate these results, and also how you've kind of been revamped, kind of your sales [conversation] approach as well?

Dave Barter: Well, we'd like -- you're absolutely right. The old days of offering a free trial for two weeks or three weeks, I guess it was crazy when you offered a whole month. But what we do is, we invite people to come in, use the platform, as an individual contributor with a -- I'll call it, setting up your basic telemetry, to continue to use our cloud for free. And we're happy because we normally -- what we find is developers tend to work together. As soon as you attract that first person to work with you as a team, that really kicks you into the paid territory. And again, it's low-cost, it's fully-featured, it provides all of the tools and capabilities you need across the spectrum. And that's a key part of how we help engineering teams graduate in a way that's really natural and organic to how engineering teams like to work in the dev space, where they start to naturally accumulate the dev sec ops where they tend to work together.

What's exciting for us, is that what we find is we're finding Fortune 500, Fortune 2000, leading public sector institutions are just coming through that channel where it affords us that opportunity to graduate. And we'll continue to maintain a very low price, as you know, it's $0.30 per GB to ingest that all of your telemetry data. We think it's orders of magnitude more efficient and more favorable. So it does add that opportunity to democratize, observability across all of the developers in any given company.

Vinod Srinivasaraghavan: I think recently you actually announced some new pricing options as well, that includes some more features and what-not. Can you talk about how customers have reacted to that, and the adoption for it so far?

Dave Barter: Yeah, exactly. Our pricing is really set up where we have $0.30 per GB to ingest all of your telemetry information, and then affords you the opportunity to use over 30 products in our cloud. So, no new order forms. You just pick off the products and use them in an organic way.

Our premium observability is $0.50, and at that point you're getting everything from high performance queries, to extended retention, or maybe Fed ramp or HIPAA. So, some more advanced use cases. And then between our standard and the premium observability, we'll allow you to pick off features. And so you can effectively buy, by micro-service, and just continue to add those in.

Unidentified Participant: Got it.

Dave Barter: So we try -- we want to work the way developers want to work.

Vinod Srinivasaraghavan: That makes sense. And then maybe one more question for me before I kind of turn it to the floor. Just on profitability, obviously a lot more emphasis on that in this macro environment. But can you kind of tell us, you know, what have you committed to, and how do you think about balancing growth versus profitability going forward?

Dave Barter: Absolutely. And the great news is, we don't actually feel like there's a trade-off with the -
- going through a transformation that we have, and being -- whether it's 75% or 80% of our way through -- we've been retooling product as I described earlier, retooling go-to-market. That continues to open up opportunities for us to be more efficient, so we don't feel like we're trading off as we -- as Bill, I guess, has called out our growth aspirations, and saying we really think 25% or greater is table stakes. And as we think about profitability, we think last quarter kind of return to profitability at a 3% margin. And we feel like we have opportunities with the three big levers that we outlined on the earnings call, to just meaningfully step that up.

Vinod Srinivasaraghavan: Okay.

Dave Barter: And so I think what you'll find is we'll be very disciplined operators in terms of accelerating and improving growth over time, to get it up to that 25 or greater. And then also, finding meaningful levels of profit, too.

Vinod Srinivasaraghavan: Got it. And just quickly, do we have any questions from the audience?

Go ahead.

Audience Member: Hey, David. Quick question. Like, historically, New Relic was always kind of more like a cloud-first, and more SMB company, and the last few years you tried to move upmarket a little bit more. Like, can you talk a little bit about that journey during like, how the new pricing packaging, etc., is kind of helping you there? Thank you.

Dave Barter: That's a great question. I think it's one of the areas that maybe is almost misunderstood about the company, where if you were to go back and rewind the clock, and it was actually an investor brought it up to me recently where we had business units of Disney used to be part of our customer panels at investor events. I think we were always in the enterprise, but I think we were -- maybe it wasn't as obvious in terms of the focus on just APM only. So I would say for us moving into enterprise, it's probably not a new thing. But it's probably, we're being a little bit more intentional in describing sales-led or enterprise selling versus product-led growth, and then how the graduation will work from product-led growth into our enterprise accounts. But what we are finding is almost, I'd say somewhat of my experience at Microsoft, a lot of our product-led growth frequently starts off with business units of major companies, and then it naturally will kind of work its way up where it becomes more significant in the stack.

Vinod Srinivasaraghavan: Do we have any other questions? Well, I have a couple, actually.

Dave Barter: Please.

Vinod Srinivasaraghavan: Just on your partnership strategy, and how that's evolved over time as you -- you know, I think like you moved from SMB to enterprise, how have you -- have you engaged with some of the GSIs? How has that kind of evolved over time?

Dave Barter: I think for us, it's -- well, I think Mark Dodds, who is our CRO, or certainly our CEO, Bill Staples, almost all of us are very partner-friendly in the sense that that's kind of how we grew up at Microsoft. So as we think about the business, certainly the idea of going into Azure and having a native New Relic experience where [inaudible] or where observability can get turned on and developers can fully instrument their experience, that's kind of how we think about the world. Something that we'd like to be able to have
Vinod Srinivasaraghavan: Got it. And I think you mentioned Fed ramp earlier. Can you remind us where you are in that process?

Dave Barter: Oh, we've completed that process, so it is something that any customer can turn on, now. And so when we're working with -- I think it came up with Confluence, as they were becoming a customer. That's something I think that's on their roadmap. So the fact that we had Fed ramp already enabled was a really compelling feature for them.

Vinod Srinivasaraghavan: That's great. And another theme that's come up, you know, this year and especially into next year, is one around dev sec ops, and kind of security. And one thing we've noticed is, security and observability are increasingly coming together. So I think for you guys, having your underlying database could be a differentiator. Can you talk a little bit about that, and then also kind of your aspirations in security?

Dave Barter: I think you're right. I think there is a -- there is, to a degree, a coming together. But we are -- we're an observability company. We do telemetry really, really well, and telemetry in context of other things. And as we think about app security or vulnerability management, we look at it as an opportunity for the company to take what we do in telemetry and then work, whether it's with a lacework, gosh, any of the classic vulnerability management companies. I can imagine that, I think Sneak has an integration already. But we look at taking what it is that you do really well as a developer and integrating it with the SISO's team that is obviously the economic buyer for any cyber security product.

And so our thought is, today it's very -- it's a very bespoke process, where if a SISO or member of the SISO's staff finds a vulnerability or an issue, they will create a JIRA ticket. They'll document it with a .PDF. It kind of gets routed. It's a clunky, inefficient process between the core team that we serve and our economic buyer versus the SISO's team. Our aim is to really streamline that with our product to make it a very efficient handoff, so that with something -- as an example, our CodeStream product, a dev can immediately take the JIRA ticket, find the line of code where -- that needs to be addressed, patch or fix the code, and release it back into production. So our goal is to really kind of transform that experience between the two teams that are almost in conflict or in tension with each other today.

Vinod Srinivasaraghavan: That's really interesting. And it seems like you've also brought into the set of, you know, internal employees that you could sell to now over time. Can you talk a little bit about that, kind of where were you two or three years ago, where are you now, who you're focusing on?

Dave Barter: Yeah. I guess it's a great question, because it really gets back to the philosophy of the
company around being very developer-centric, and making observability part of the daily experience. And for us, that means taking observability and plugging it into the developer's ID or maybe somebody uses pager duty. We want to really make sure that observability in the insights is making it to each persona that sits within that dev sec ops community. So we look at it and say, there are ultimately over 25 roles that consume telemetry insights at any given time.

Our goal is to make sure that that observability insight is actually making it to each role. Today, I think it's estimated out of the 25 million or more potential developer or dev sec ops roles, less than -- just only a few percentage points of that audience are regularly getting insights. As part of shift left, we want to make sure everyone's getting those insights on a regular basis.

Vinod Srinivasaraghavan: Got it.

Dave Barter: So we think that opportunity to expand the number of people using observability is very significant.

Vinod Srinivasaraghavan: Okay. When you talk about shift left, I mean, there's a lot of ground that you could potentially cover. You know, can you talk about maybe some of the near-term opportunities? And then also maybe distinguish, where are some of the places you aren't going to go, just so we kind of understand your focus a little bit better?

Dave Barter: I tell you where we're not going to go is, we're very comfortable in our knitting in terms of the developer community. We won't become a cyber security company. We think we work really well with cyber security companies, and again, we'll create APIs and integrations so that our customers get the best of both in that respect.

We're very comfortable with the developers, the PMs, the QAs, the SREs. I'd say we think about it almost as that core engineering audience. We think that's the area where we really serve the audience well, and I think at FutureStack you saw the announcement where we had observability for all, or in the industry-speak, it's ALI-for-all. We really are designing our contracts to be very friendly so that customers can paint in, whether it's 2000, 4000, however large their engineering staff is. We want to make sure those observability insights are set up to float each person.

Vinod Srinivasaraghavan: Got it. That makes sense. And then you know, I know you're not going to give us any type of expressive guidance on next year or anything like that, but when we're talking about some of the input factors, what really should investors look at when it comes to that? And where should people focus?

Dave Barter: Well, I think what we're excited is, we'd like to share a refreshed view of our long-term model simply because I'm new, Mark Dodds is new, and a few of us are new to the company. I guess we feel like we have a really special opportunity with our go-to-market, our multi-cloud strategy, and our product roadmap to provide people with a very compelling view of what, I guess, we all view ourselves as pretty good operators, around being able to drive growth and profitability. But there's a more interesting view to the business that would say, almost in line with that 80%, 80% of the business is full consumption and it's growing at a very healthy rate.

And then, how are we going to finish migrating the rest of the business so that all of the
business is growing at a market-or-better rate, delivering market-or-better profitability? So that's almost -- that's something that we're looking forward to in the first six months of next year, being able to sit down and taking investors through each element of our strategy. And what are the operational proof points that we have? And then what are those measures that we're tracking that others can track with us as we see the evolution of the company as a full observability solution.

Vinod Srinivasaraghavan: Got it. And I guess you know, looking at your -- kind of your product portfolio, and how that's evolved over time, do you feel like -- right now you're really comfortable where you are. Is there still a little bit of work to do? Do you want to -- are there specific areas you want to go into that you haven't quite been able to do yet?

Dave Barter: I think whether it's go-to-market or product, I guess maybe the takeaway for how we think about the business culturally is, you always, I think, find us humble when we're outside, humble with our customers or with investors. But we're -- I'd say we're almost displeased, or hungry to be able to attain higher levels of innovation or higher levels of sales execution, and that's I think why our product team would like to go out and say, you know, when you give us this capital we actually take it very seriously, and this is the product roadmap that gets us really excited because we think it's going to really change the -- change the world for our customers.

Vinod Srinivasaraghavan: That's great.

Dave Barter: And so you know, I think it's one where almost every company is almost a work in process at some level, and we kind of take the -- maybe the privilege and the opportunity to realize that we can build a much better company, and we're pretty excited about the -- whether it's innovation or go-to-market, just the opportunity that sits in front of us.

Vinod Srinivasaraghavan: Got it. And I think we have a couple minutes left, so I just wanted to turn it back to the audience to see if there are any more questions.

Dave Barter: Oh, right here in the front.

Anu Gardner: So, I'm Anu Gardner with Yotascale. And the question I have for you is actually piggybacking on the previous question about dev ops and sec ops coming together. What about fin ops? So you talk about a clunky sales process, you know, once you have these multiple organizations involved, how do you as a CFO then keep track of sort of that unit cost economics at a very granular level?

Dave Barter: And are you thinking about this -- sorry, from a customer lens, or are you thinking about it internally in terms of how we operate the company?

Anu Gardner: So, I'm curious about your viewpoint internally, how you do it at New Relic, but certainly from a go-to-market point of view, how are your customers thinking about it?

Dave Barter: That's a great question. I'd say internally, the way I think about our company, from a fin ops perspective particularly as we transition everything over to the hyperscalers, I'm looking at all of our cloud services, and I -- we care -- well, we look at it very carefully from the standpoint that we almost think about it on a consumption basis. We're selling each day, a microservice to a customer. So we look very carefully at the gross margin or the cost characteristics of each service, and then think through the economic value that
we can create for a customer, to make sure that there's really a great match between the observability solution that I sell, and the economic value a CIO or a Chief Digital Officer would get from our solution.

From a customer perspective, I tend to be very focused and say in a dev sec ops world, where you have an expanding number of engineers using our platform, I really want to make sure that the consumption is good consumption. So we -- the only way you can make money in the go-to-market function at New Relic is through good consumption. And that's how we pay our team. We think it actually -- that's mutual success with our customers, and making sure that every dollar that they spend with us, each month that they get an invoice, is good spend. So we tend to -- those tend to be very, I think, healthy conversations with our customers and making sure observability is a value-add, each and every day.

Vinod Srinivasaraghavan: Thanks. Do we have any more questions from the audience?

Then maybe I'll wrap it up with kind of just one last question. You know you've been here about six months or so. Going forward for the next year, what excites you the most? And what opportunity may be -- do you think will be the most challenging for the company?

Dave Barter: Well, I think the element that excites me is, as I've -- I guess I've been with the company almost four months, so you're giving me credit. You're giving me credit. It's been observed that we were, I'd say two things, one, an APM-only company, and so probably misunderstood for the four elements of the transformation that we've gone through -- and then it's also been observed that we haven't been known as being good operators. And I think that is something that Bill's leadership team takes actually a lot of pride in. We feel like over the course of our careers of 20, 25 years, we've all been good operators. And so just kind of one of we don't want people to maybe take it on faith, or give us credit before credit is due. But we take a lot of pride in building really good businesses, and really building very good software businesses that are very focused on developers and engineers.

And that's really our focus. We don't spend a lot of time on, well, on IR events. I mean, this is one of three events that we'll have this quarter. We really enjoy building the business.

Vinod Srinivasaraghavan: That's great.

Dave Barter: We're going to focus as operators. We're going to focus on building a great business, and hopefully we provide the growth and profitability characteristics that investors appreciate over time.

Vinod Srinivasaraghavan: That's great, and we're looking forward to following the progress there.

Dave Barter: Well, thank you so much for all your support. It's been really -- we just appreciate you having us here today.

Vinod Srinivasaraghavan: Thank you for coming. Really appreciate it.

Dave Barter: Thanks so much.