Q1 2025 Earnings Call

Company Participants

- James Arestia, Vice President, Investor Relations
- Jim Caci, Chief Financial Officer
- Tianyi Jiang, Chief Executive Officer

Other Participants

- Brett Knoblauch, Berenberg Capital Markets
- Chirag Ved, Evercore ISI
- Cole Erskine, TD Cowen
- Jason Ader, William Blair & Co., LLC
- Joe Vandrick, Scotiabank
- Nehal Chokshi, Northland Securities, Inc

Presentation

Operator

Good day and welcome to the AvePoint, Inc First Quarter 2025 Earnings Conference Call. All participants will be in listen-only mode. (Operator Instructions) After today's presentation, there will be an opportunity to ask questions. (Operator Instructions) Please note this event is being recorded.

I would now like to turn the conference over to Mr.Jamie Arestia, Vice President and Investor Relations. Please go ahead.

James Arestia {BIO 19836110 <GO>}

Thank you, operator. Good afternoon and welcome to AvePoint's first quarter 2025 earnings call. With me on the call this afternoon is Dr.TJ Jiang, Chief Executive Officer, and Jim Caci, Chief Financial Officer. After preliminary remarks, we will open the call for a question-and-answer session.

Please note that this call will include forward-looking statements that involve risks and uncertainties that could cause actual results to differ materially from management's current expectations.

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Please note this presentation describes certain non-GAAP measures, including non-GAAP gross profit, non-GAAP gross margin, non-GAAP operating income, and non-GAAP operating margin, which are not measures prepared in accordance with U.S. GAAP.

The non-GAAP measures are presented in this presentation as we believe they provide investors with a means of understanding how management evaluates the company's operating performance.

These non-GAAP measures should not be considered in isolation from, as substitutes for, or superior to financial measures prepared in accordance with U.S. GAAPs.

A reconciliation of these measures for the most directly comparable GAAP financial measures is available in our first quarter 2025 earnings press release, as well as our updated investor presentation in financials. All of which are available in our Investor Relation website.

With that, let me turn the call over to TJ.

Tianyi Jiang {BIO 20151191 <GO>}

Thank you Jamie and thank you to everyone joining us on the call today. I'm pleased to report that our first quarter results were an excellent start to the year in a continuation of the strong momentum we displayed throughout 2024, in delivering levered quarter of robust financial and operational performance including outperforming our guidance, and delivering strong growth in total ARR and record growth in net new ARR, we're steadily advancing toward our vision of becoming the world's leading data management software company and achieving the $1 billion ARR target for 2029 that we announced at our March 2025 Investor Day.

Our Q1 results reflect two foundational themes. First, the intensifying convergence of data security, governance, and resilience needs. As organizations move from planning to implementing their data management strategies, and second, our increasing ability to deliver comprehensive solutions that address these interconnected challenges as companies modernize their data stores.

I'll discuss these themes in the context of current business climate, where companies around the world grapple with tariff uncertainty and the impact on their business, as well as on the global economy.

Even in these fluid times, AvePoint is well-positioned to navigate the road ahead, given our past success in similar periods, as well as the mission-critical nature of our solutions.

Even when the business landscape can evolve drastically from day to day, the data management problems we're solving in the era of AI, including training data provenance, model explainability, and responsible surveillance, simply cannot be ignored by any company seeking to build a durable competitive advantage.

Indeed, as we look across our vast customer base, we see that AI-driven strategies are beginning to shift from experimental testing to practical implementation, in turn accelerating the need for solutions that can balance security, collaboration, and innovation.

I'll wrap up with some strategic customer wins that demonstrate how our expanded platform capabilities are uniquely positioned to address this maturing and growing need.

And then I'll turn it over to Jim to discuss our financial results. So with that, let's jump in. As we have said many times, our vantage point across 25,000 customers of all sizes in all regions and across all industries give us the unique insight into how data management challenges are evolving.

While the core issues we discussed last quarter, digital transformation imperatives, data modernization needs, and security concerns remain top of mind, what is changing is how these challenges are converging and intensifying.

Organizations are no longer just planning for digital transformation. They're deep in implementation and are facing the practical realities of managing exploding data volumes across increasingly distributed environments.

This is happening as the cybersecurity threat surface continues to escalate in sophistication with ransomware attacks becoming more targeted.

And at the same time, regulatory departments aren't just complex, they're actively expanding with new frameworks and cross-border compliance standards being implemented globally, adding layers of operational and legal complexity.

Most notably, the convergence of these challenges is happening when AI-driven strategies are beginning to shift from experimental to operational for many organizations, creating a urgent need for data governance frameworks that can support innovation while maintaining security and compliance.

In other words, the question has moved from can we use AI to how do we responsibly implement AI at scale? These trends are compounding in ways that make point solutions increasingly inadequate.

Organizations are recognizing that siloed approaches to data protection, governance, compliance, and content management create dangerous gaps and inefficiencies. This recognition is driving demand for truly integrated platforms that can deliver comprehensive data management capabilities.

Our platform strategy continues to resonate strongly with customers precisely because it addresses these converging challenges. Rather than forcing organizations to cobble together disparate solutions, we provide a cohesive approach to addressing the most pressing strategic use cases.

These include protecting data with enhanced resilience capabilities that go beyond simple backup to include ransomware attack detection and recovery, security assessments, automated recovery testing, and breach prevention.

Governing data through intelligent policies that adapt to evolving regulations and usage patterns through automated access control. And lastly, optimizing data by identifying redundant contents, automating lifecycle management, and preparing environments for AI implementation.

We also know that ongoing innovation is critical to maintain our competitive moat.

This quarter, we have further enhanced our platform with expanded multi-cloud capabilities and deeper integration between our AI power solution suites that accelerate time to value for customers.

This integrated approach delivers significant results this quarter across various industries and regions.

A global leader in human capital management solutions with 74,000 users became a new AvePoint customer in the first quarter. This customer faced a host of data management challenges, including enforcing data access controls to prepare for company-wide rollout of Microsoft Copilot and gaining better visibility into app usage and compliance.

This customer leveraged our control suite to clean up oversharing of sensitive data, enforce workspace-level access, and reduce data sprawl.

This enabled increased productivity and adoption of Microsoft Copilot, enabling the customer to maintain their competitive edge. We secured another new logo from a prestigious business school, EMEA in Q1.

The customer initially approached us about data migration, but quickly recognized the need to consolidate and cleanse their migrated data to ensure security and prepare for AI adoption.

Our end-to-end approach to data management was a deciding factor in leading the customer to purchase products from all three suites.

The migration solution in the modernization suite to move terabytes of content followed by Opus in our resilience suite to classify improve the quality of their data, and multiple products from our control suite to create and enforce data governance policies, cleaning up oversharing of sensitive information, and reduce data sprawl.

We also expanded our relationship with a leading APAC-based design, engineering, and advisory company with 8,000 users. Initially using our control suite to assess the risk in their environment, the customer adopted Opus, our information lifecycle management solution to take action on the petabytes of data stored in Microsoft 365.

With this purchase from our resilience suite, the customer can now create automatic scans of their environment, ensure data is saved in the right location, control access to certain data and files, and automatically archive and delete redundant, obsolete, and trivial content. This expanded relationship has enabled the customer to optimize storage and reduce costs.

We also grew our relationship with a global leader in consumer packaged goods with over 210,000 users. This customer, the existing user of our resilience suite, faced data governance challenges that led to a failed audit due to insufficient workspace oversight.

The products purchased from our control suite serve as a foundation in the establishment of an operational governance process across the customer's data estate, and is a great example of how we solve both customers' business and technical needs.

Additionally, they're in discussion to purchase our Copilot Adoption Analytics solution, further enhancing the customer's data management capabilities, and ensuring a successful rollout of Copilot.

These wins demonstrate how our platform play continues to resonate across customer segments, industries, and regions. These organizations are ultimately seeking the same outcome, comprehensive data management solutions that enable innovation, while delivering holistic data security and AI governance.

Looking ahead, while we are mindful of the larger macroeconomic environment, our primary focus is on what we can control, solving the hardest data management challenges through our integrated platform approach.

And the market dynamics we're seeing, the convergence of security and governance concerns, accelerating AI adoption, increasing regulatory pressures, and the need to reduce all play to AvePoint's strength, and I'm excited about the many opportunities ahead.

With that, let me turn the call over to Jim.

Jim Caci {BIO 18051667 <GO>}

Thanks, TJ, and good afternoon, everyone. Thanks for joining us today as we review our strong Q1 results, which are a testament to the team's broad-based execution.

As TJ just said, our focus remains on controlling what we can control, but this mindset is not merely about cost savings in a time of macro uncertainty. Instead, our goal for several years has been to deliver profitability improvements while strategically investing for growth and to capture the market opportunity we see.

Our Q1 results are further evidence of that commitment, highlighted by an acceleration of our top-line growth rates, meaningful operating margin expansion, and continued improvement on a number of financial and operational metrics.

So, let's turn to the quarter. Total revenues in Q1 were $93.1 million, up 25% year-over-year and above the high end of our guidance. On a constant currency basis, total revenues grew 27% year-over-year.

SaaS continues to drive our business as we delivered first-quarter revenue of $68.9 million, representing year-over-year growth of 34% and 37% on a constant currency basis. And in Q1, SaaS comprised 74% of total revenues compared to 69% a year ago.

Looking at our other revenue lines, term license and support grew 12% in Q1, primarily driven by several large deals in the APAC region. And looking at our combined SaaS and term license revenues, or what we consider our subscription revenues, these grew 31% in Q1, which was an acceleration from Q4.

Maintenance revenue declined year-over- year, both in dollars and as a percentage of total revenues, as we expected.

And lastly, service revenues grew 4% year-over-year, but declined as a percentage of revenues to less than 12% for the quarter. And as a result, more than 88% of our total Q1 revenues were recurring, our highest ever mix.

We have often cited our balanced geographic footprint as one of the things that makes AvePoint unique. And we are pleased that each region in which we operate delivered another strong quarter.

In North America, SaaS revenues grew 31% year-over-year and represented 82% of total North America revenues, which in turn grew 22% year-over-year. year. In EMEA, SaaS revenues grew 36% year-over-year and represented 85% of total EMEA revenues, which in turn grew 29% year-over-year.

And in APAC, SaaS revenues grew 40% year-over-year and represented 51% of total APAC revenues, which in turn grew 24% year-over-year.

On a constant currency basis, EMEA SaaS revenues increased 39%, while total revenues increased 33%. And for APAC, SaaS revenues increased 45% on a constant currency basis, while total revenues increased 27%.

This balanced performance is also apparent when we look at our regional ARR. In Q1, North America ARR grew 22%, EMEA ARR grew 26%, and APAC ARR grew 34%.

Once again, each region was a strong contributor to our total ARR, where we ended the first quarter at $345.5 million, including $2.8 million from the acquisition of Ydentic, which closed in Q1.

This represents year-over-year growth of 26% and 28% when adjusted for FX. Net new ARR in Q1 was $18.5 million, representing organic growth of 57% year-over-year, our highest ever as a public company.

Additionally, we ended the first quarter with 689 customers with ARR of over $100,000, an increase of 23% from the prior year, and the highest growth rate we have delivered in 10 quarters.

We're also seeing an acceleration in the growth rates of our larger customer cohorts as well, driven in part by some of the wins that TJ discussed earlier, as well as our ongoing success at the enterprise level.

As of the end of Q1, 55% of our total ARR came through the channel, compared to 51% a year ago. And for Q1 specifically, 63% of our incremental ARR came through the channel, compared to 61% for Q4 of 2024 and 62% in Q1 of 2024.

These improvements reflect our strategic priority of driving more business through the channel, where we expect to realize greater market reach while maintaining efficiencies on our sales and marketing spend, and in turn, supporting our ongoing focus on profitable growth.

Turning now to our customer retention rates. Adjusted for the impact of FX, our trailing 12-month gross retention rate for the first quarter was 89%, a two-point improvement from a year ago.

And our FX-adjusted net retention rate for the first quarter was 111%, a one-point improvement from a year ago.

To remind you, our updated long-term targets for GRR and NRR are 90% plus and 115%, respectively. And we are pleased to show steady progress on these critical customer metrics.

On a reported basis, Q1 GRR was 88% and Q1 NRR was 111%. For GRR, this represents a two-percentage point improvement versus the prior year. And for NRR, this represents a one-point improvement versus the prior year.

Turning back to the income statement, gross profit for Q1 was $69.8 million, representing a gross margin of 75% compared to 74.1% in Q1 of 2024.

The improvement in our gross margin is primarily the result of increased high margin subscription revenue as a percentage of our overall revenue.

Moving down the income statement, operating expenses for Q1 totaled $56.5 million, or 61% of revenues, compared to $48.6 million, or 65% of revenues a year ago.

As a result, Q1 operating income was $13.4 million, or an operating margin of 14.4%, and above the high end of our guidance. This compares to non-GAAP operating income of $6.6 million in the prior year, or an operating margin of 8.9%.

This represents year-over-year margin expansion of nearly 550 basis points as we continue to drive leverage and pursue efficiencies across the business.

Turning to the balance sheet and cashflow statement, we ended the first quarter with $351.8 million in cash, cash equivalents, and short-term investments. And this includes $87.3 million of proceeds from warrant exercises in the first quarter.

Cash generated from operations was $495,000 for the first quarter, while free cashflow was negative $1 million. This compares to cash generated from operations of $7.8 million and free cashflow of $7.3 million in the first quarter of 2024.

Our lower cash flow from operations compared to a year ago is primarily due to approximately $7 million in one-time tax payments related to performance-based earn-out shares that were distributed to AvePoint employees in December of 2024. Lastly, we repurchased 800,000 shares in the first quarter for approximately $12 million.

I would now like to turn to our financial outlook and provide some color into our updated full-year expectations. To remind you, the global nature of our business exposes us to fluctuations in currency rates, and in the first quarter, we saw a modest tailwind from the weakening of the U.S. dollar.

This weakening has accelerated in Q2, and the corresponding incremental FX tailwinds are reflected in our updated full-year guidance for ARR, revenue, and non-GAAP operating income.

Additionally, our updated full-year guidance for revenue and non-GAAP operating income includes the respective first-quarter beats relative to our guidance.

While we are seeing strong demand signals in the business and a healthy pipeline, we believe our current guidance is prudent and properly accounts for potential risks from the current geopolitical environment in the second half of the year.

As a result, for the second quarter, we expect total revenues of $95.3 million to $97.3 million, or growth of 22% to 25%. And on a constant currency basis, we expect revenue growth of 20% to 22%. We expect non-GAAP operating income of $13.2 million to $14.2 million.

For the full year, we now expect total ARR of $411.8 million to $417.8 million, or growth of 26% to 28%. This includes an FX tailwind of approximately $10.5 million, and so on an FX-adjusted basis, we continue to expect total ARR growth of 24% to 26% for the year.

We now expect total revenues of $397.4 million to $405.4 million, or growth of 20% to 23%. This includes an FX tailwind of $13.8 million, as well as the $3.6 million revenue beat from the first quarter.

On a constant currency basis, we now expect revenue growth of 18% to 20%, compared to the 17% to 19% growth we initially guided for the year. And lastly, we now expect full year non-GAAP operating income of $61.4 million to $64.4 million or an operating margin of 15.5% to 15.9% with more than half of the FX tailwind to full year revenue flowing through to operating income.

Lastly, we have added several slides to the Investor presentation on our website which summarize the components of our updated guidance including the FX dynamics that are more pronounced this year.

In summary, Q1 was a strong start to the year and we are excited for another year of continued execution and capitalizing on the substantial long-term opportunity ahead of us.

Thanks for joining us today and with that we would be happy to take your questions. Operator.

Questions And Answers

Operator

(Question And Answer)

Thank you. We will now begin the question and answer session. (Operator Instructions) The first question comes from Joe Vandrick with Scotiabank. Please go ahead.

Q - Joe Vandrick {BIO 20436683 <GO>}

Thanks for taking my question. I'm curious, are you guys seeing any change in the demand environment at all, whether that be, hesitation from customers or longer sales cycles? Just would love to hear more about what exactly you're seeing.

A - Tianyi Jiang {BIO 20151191 <GO>}

Thank you, Joe, for the question. So far, the demand environment remained the same versus prior quarters. We're in B2B software addressing tech needs for enterprises and partners.

Today, the top needs remain AI and security, so those do not change. Of course, we are all monitoring the macro to see potential second order impacts that may come second half of the year. But so far, from an overall climate perspective for our business and our industry, it's the same as prior quarters.

Q - Joe Vandrick {BIO 20436683 <GO>}

Okay. Thank you for that. And one more for me. Maybe if you could just talk a bit about the competitive environment. What's changed over the past six months? It seems like you guys are executing really well in that data governance space, specifically helping customers prepare for the widespread deployment of AI.

I'm curious if data governance is helping you guys drive new logo lands as companies are looking to adopt Copilot or is the landing point typically resilience or migration, and, especially for those larger customers, where are they typically landing?

A - Tianyi Jiang {BIO 20151191 <GO>}

Yes. Great question, Joe. Yes, so our confidence platform addresses resiliency, which is backup recovery, ransomware detection, and of course, as well as modernization, which is data analytics integration, as well as control, which is governance, lifecycle management. We do see multiple entry points. We call them tip the spear to get into enterprise accounts.

Historically, it has been migration to cloud, but during highly disruptive times, like COVID, it's been governance being the leading solution. So today, as enterprises move from, in my prepared remark, we talked about just experimenting to actual implementation deployment, security and governance is top of mind for the enterprise.

So that's definitely our key motion and driver. We also discussed the prior quarter earnings that our highest growth suite is the control suite that focus around cloud unstructured data governance to prepare customers for that AI readiness posture.

Q - Joe Vandrick {BIO 20436683 <GO>}

That makes sense. Thanks for taking my question.

Operator

Thank you. The next question comes from Jason Ader with William Blair. Please go ahead.

Q - Jason Ader {BIO 1878505 <GO>}

Yes. Thanks. Good afternoon, guys. TJ, for you, just want to understand a little bit more about the momentum that you're having on the MSP side. I know you did an acquisition there recently.

Can you just talk through some of the dynamics, what's going well, what you're still working on? And I don't know if you could size that business for us, but just give us a general sense of like how significant a part of the business it is and how fast it's growing.

A - Tianyi Jiang {BIO 20151191 <GO>}

Hi, Jason. Thanks for the question. So, yes, we remain very bullish and excited about the MSP segmentation. So, recently, we actually had a MSP platform launch, our new extended platform offering as in form of elements at our Nasdaq, right after our Nasdaq Investor Day event where we actually roll out additional functionality to help our MSPs be a much more powerful end user.

So, to summarize, these managed service providers, they're taking care of cloud assets for hundreds, if not thousands, of small to medium businesses behind the scenes.

So, they actually, the MSP providers are using our software to scale their business to drive this recurring monthly managed services offering business offering.

So we become mission critical for them from the whole end to end, what we call confidence platform to do the data management, to do the user management.

We have since expanded that in form of what we call the elements platform, which is tailor suited for partner go-to-market motions and in term of multi-tenant management, in term of pool licensing, monthly contract, et cetera. So it's a very, very strong momentum.

So the MSP ARR at the end of 2024 was 14% of our total ARR. It grew 60% per year from a 2020 to 2024 basis average CAGR. It's actually growing faster as we continue to roll out more solutions.

So we're pretty happy with our Ydentic acquisition. It's a small revenue add, but very importantly, it's a very important new IP expansion of our platform.

You will hear more from us on this topic in the coming couple of months, as we continue to roll out aggressive new offerings in this space.

So this is, we think it's a game changer for our approach to continue to scale the business through channel, through working with partners and turn effectively our platform into their mission critical businesses applications.

Q - Jason Ader {BIO 1878505 <GO>}

Got it, and are you steering, I guess the call it the low end of your product portfolio towards elements or are you kind of having, are you maintaining both the traditional portfolio direct to, SMBs and then having a separate portfolio for MSPs?

A - Tianyi Jiang {BIO 20151191 <GO>}

Yes, that's a great question. So far, it's really been our avenue to go after the small to medium businesses to really allow our enterprise grade SaaS solutions accessible to that market segment via this intermediary, which is MSPs thus far.

So what we're recently discovering is that the challenges we saw for multi-tenancy, license management, change management baseline, what we call it, actually exists also in the upper end spectrum of large, large enterprises.

So we actually have even a close couple of deals leveraging that platform for some of our large, very large enterprises, enterprises with several hundred thousand user bases. So it's very interesting how the market continues to evolve.

Clearly, we will stay very close to our customers, whether it's in the large enterprise segment or our MSP partners that are using us for their mission critical operations. That's the way to stay ahead of the game as we go through this highly disruptive market condition.

Q - Jason Ader {BIO 1878505 <GO>}

Very helpful, thank you guys.

A - Tianyi Jiang {BIO 20151191 <GO>}

Thank you.

A - Jim Caci {BIO 18051667 <GO>}

Thanks, Jason.

Operator

Thank you. The next question comes from Nehal Chokshi with Northland Capital Markets. Please go ahead.

Q - Nehal Chokshi {BIO 16526682 <GO>}

Thank you. Absolutely breathtaking. Beat and raise in a sweet business environment. Congratulations.

A - Tianyi Jiang {BIO 20151191 <GO>}

Thank you.

Q - Nehal Chokshi {BIO 16526682 <GO>}

Is this correct?

A - Tianyi Jiang {BIO 20151191 <GO>}

Absolutely.

Q - Nehal Chokshi {BIO 16526682 <GO>}

I estimate that relative to the guidance other on ARR and what consensus we were set up at excluding the impact of the favorable impacts of currency and Ydentic, it seems like there was still material upside to incremental ARR as implied by Slide 43 here when we were talking about the revenue performance. Is that correct?

A - Jim Caci {BIO 18051667 <GO>}

Yes. I think in Q1 specifically, we did have a very strong quarter as you're noting. Obviously, we're only guiding to revenue and operating income in Q1. So we see the beat there in both of those areas.

We only obviously guide to ARR on an annual basis. And part of the, I would point out, part of the revenue beat was a little bit of a mixed shift that we saw in Q1, right, where, you and I talked about this before, but we kind of were not expecting a significant improvement in term license revenue.

And that came in actually ahead of anticipation in Q1. And when we think about that translating to ARR, whether it's SaaS or term on the revenue lines is just an accounting function. But the ARR is actually the same, right, the same ARR for those two different outcomes on the revenue side.

So overall, we were really pleased with the performance in Q1. But we've actually, you can tell from our ARR guidance for the full year, other than for the FX tailwind, we are not increasing that.

And that's really a function of this larger macro environment that we're trying to be responsible and really be prudent in terms of our guidance. And, again, be responsible with that. So that's how we're thinking about the ARR guidance for the full year.

Q - Nehal Chokshi {BIO 16526682 <GO>}

That's great. Okay. Thank you. TJ, you may have already said this at the beginning of your comments, I apologize if it's a repeat. But you did talk about how you have a great overview of the market, given your 25,000 customers.

Did you say, or if you did not, can you say what percent of the 25,000 customers, or generally speaking of what you believe is the overall market, is now in deployment phase rather than testing of copilots?

A - Tianyi Jiang {BIO 20151191 <GO>}

That's a great question, Nehal. We would say 80% of customers are actively testing Copilot, deployment of Copilot is still, it's better than before. Microsoft have indicated as such as well, but we would say it's still under 10%, but it is markedly better than before.

What we have seen though, the bigger change, as we stated in the prepared remarks, is the active deployment of AI type of functionalities across the businesses, leveraging AI services, whether it's cognitive services on Azure or other type of commercial available AI services.

So, that is happening. So Copilot, of course, is very tightly associated with Office Cloud and is licensed per user, per employee across the organization.

And you have also seen Microsoft made some meaningful licensing changes where you don't actually have to license for everyone, but still take advantage of the AI benefits.

So we've seen a mix of those type of formats in the field. So yes, the actual deployment of AI is happening.

Q - Nehal Chokshi {BIO 16526682 <GO>}

Great, thank you very much.

Operator

Thank you. The next question comes from Kirk Materne with Evercore ISI. Please go ahead.

Q - Chirag Ved {BIO 22913348 <GO>}

Hi, this is Chirag on for Kirk. Thanks for taking the question and many congratulations on the strong start to the year. TJ, you mentioned in your prepared remarks that companies are moving from planning to implementation of their data modernization and management strategies.

I just wanted to ask how much further along are we on this timeline now compared to a quarter ago, a few quarters ago, and how long do you think these data modernization tailwinds will last for or will persist? Thank you.

A - Tianyi Jiang {BIO 20151191 <GO>}

Great question. Well, you are still in the very early endings of data modernization and deployment. It's because for AI deployment to happen properly, it's a fundamental business process re-engineering.

So that is actually the hardest part of the work along with obviously data cleansing and data consolidation and overall data quality management. So these are really, really difficult tasks to do, especially along with business process engineering.

You cannot just drop AI into existing business processes and expect it to improve your productivity markedly without re-engineering a lot of your existing overall business processes along with change management and culture, and that goes with it.

We find that the larger the company, the harder it is to actually implement meaningfully changing AI. So it will take a take a while for this to happen. So, we're really just in the early endings here.

Q - Chirag Ved {BIO 22913348 <GO>}

All right. Thank you so much.

Operator

Thank you. The next question comes from Derrick Wood with TD Cowen. Please go ahead.

Q - Cole Erskine

Great. Thanks, guys. This is Cole on for Derrick. I want to shift back to the go-to-market and talk about the direct sales effort versus the channel. I'm just wondering, coming into this year, if you have any tweaks, initiatives, et cetera, that you're making with the direct sales team to kind of supplement the growing channel mix?

A - Tianyi Jiang {BIO 20151191 <GO>}

Great. Thank you for the question. So, for direct sales, that's very much focused on our large enterprise segment. That's 5,000 employee and up-sized employee companies. That will remain the case.

Our channel is very focused on the small to medium-sized businesses. Having said that, we do have a large enterprise segment where we do work with increasingly country-level SIs as well as global GSIs on large-sized deals with customers.

Given the macro backdrop, from our perspective, you asked about tweaks. My actually, my team's mandate to all of our business organizations is the key now is stay close to the customer, whether that customer is a managed service provider or that customer is a large enterprise sophisticated IT.

We have to stay close to the customer to anticipate the changes that are happening in real time, both in technology disruption as well as macro climate disruption.

So we are being very, very careful and diligent about staying agile and being able to pivot. This is not the first big macro cycle that we've gone through. The company has been around for 24 years. We have gone through this many times before.

And every time there's a major cycle, we actually come out stronger and do better. So this time is no different. So our mandate to our organization is to the extent that you cover your customer either direct or channel model for the different segments, stay close to that customer, stay close to the partner. And that's the only way to be able to remain agile.

Q - Cole Erskine

Great. Helpful. Then just one quick follow-up. The license outperformance in the quarter, was there anything specific driving that large deals or was this just a timing dynamic? Thanks.

A - Jim Caci {BIO 18051667 <GO>}

Yes. Good question, Cole. I do think it's a combination of a variety of things that you're pointing out. We did have a number of large deals. I will point out that we had 40 deals in the quarter over 100K, up 43% year-over-year when we think of those size deals.

So that definitely was a contributing factor. We did have a number of large deals literally around the globe. Every region had a number of large deals.

So, I do think that, that diversification that TJ alluded to and our geographic kind of diversity definitely played well in the first quarter, strong performance across each of the regions, and it also showed up in large deals as well.

Q - Cole Erskine

Appreciate it. Thanks.

Operator

Thank you. (Operator Instructions) The next question comes from Brett Knoblauch with Berenberg Capital. Please go ahead.

Q - Brett Knoblauch {BIO 20597300 <GO>}

Perfect. Thanks, guys. I just want to clarify on FX. Is the entire, let's call it, beat and raise in excess of what you did in the first quarter attributed to FX?

A - Jim Caci {BIO 18051667 <GO>}

So for the full year, yes. We are, again, I think taking a very prudent approach. As we mentioned, Q1 was a very strong quarter.

Q2 looks also very strong. We feel good about Q2. But we understand there's definitely a lot of activity in the macro environment. The geopolitical environment is very uncertain. And so we've taken the approach of being very prudent and reasonable with that guidance and not increasing beyond the beats from Q1 and then the FX impact.

And you'll see in the, I know you probably haven't had a chance to see it yet, but in the investor deck, we did highlight in a couple new slides that you'll see really dissecting the FX impact as well as the beat from Q1.

So, it's highlighted, very hopefully helpful for the people on the call to be able to see that. But short answer is yes.

Q - Brett Knoblauch {BIO 20597300 <GO>}

Perfect. Thank you. And then it seems like maybe in the public markets, the AI trade has unwinded a bit. I'm curious if the actual companies implementing AI or your customers, has that slowed down at all?

And have you seen that kind of develop into the conversations you're having with customers?

A - Tianyi Jiang {BIO 20151191 <GO>}

No. Great question, Brett. We have not seen that slow down at all. I think it's mission critical now for folks to really look at a meaningful way to implement the AI within the enterprise. There's definitely a feeling of urgency across businesses that what's happening right now, it's much more real.

The changes are much more rapid than before. So the AI implementation adoption has not slowed.

Q - Brett Knoblauch {BIO 20597300 <GO>}

Perfect. Thank you guys. Really appreciate it.

A - Jim Caci {BIO 18051667 <GO>}

Thanks, Brett.

Operator

Thank you. This concludes our question-and-answer session. I would like to turn the conference back over to TJ Jiang for closing remarks.

A - Tianyi Jiang {BIO 20151191 <GO>}

Thank you. I want to emphasize that while the macroeconomic environment is fluid, we are no strangers to navigating all types of economic cycles as we have done so throughout our 20 plus year history as a company.

Our platform remains vital and necessary for organizations across all economic climates and we are well positioned to continue executing our strategy of solving the hardest data management challenges effectively.

We're confident in our approach and excited about the opportunities ahead as we capitalize on our strength that sets us apart in this landscape. Thank you again for joining us today and we look forward to speaking with you more this quarter.

Operator

The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.