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Buy MongoDB

David Gardner | July 12, 2018 | [Buy Recommendation](#)

CURRENT PRICE: [MDB](#) \$ 224.03 ↑ \$ 6.19 (2.8%)

Invest Foolishly! *We recommend owning 15 or more stocks for at least three to five years. Begin with three [Starter Stocks](#). Once you're under way, then consider our monthly new ideas to help build out your Rule Breakers portfolio.*

Ever tried to reorganize your pantry? Seems like it should be pretty simple; it's just a bunch of different food items, right? Yet there's a lot of different data about those items to consider. You could put things in categories like dried pasta and canned food. Expiration date is important for some items, yet for others it doesn't matter so much. Maybe weight is important for some things. Maybe you want to note allergy information about other items.

You could put all these data points into a Microsoft Excel spreadsheet and query it to your heart's content. But when you want to add some new piece of information, that means adding a whole new column that may only be relevant to a handful of items. It gets bloated pretty quickly.

This is the world of relational databases (also called SQL databases, for "structured query language"), and it's been the status quo for decades. While traditional database software offerings from leading vendors like **Oracle** ([NYSE: ORCL](#)) use a lot of techniques to create capabilities and efficiency beyond a mere spreadsheet, they are nevertheless "fundamentally Microsoft Excel on steroids."

Those are the words of Eliot Horowitz, chief technology officer and co-founder of **MongoDB** ([NASDAQ: MDB](#)). In 2009, Horowitz helped create MongoDB in order to break the rules on structuring datasets, and less than a decade later his company has become the leader in what are called NoSQL databases.

Yet despite the company's success, it still has a huge addressable market — CEO Dev Ittycheria estimated it to be north of \$36 billion before the company's IPO last year. Meanwhile, its market cap is still under \$3 billion, even after its stock surged 64% since we first recommended it in late February. We've been

MONGODB IN 1 MINUTE

WHAT IT DOES

MongoDB's open-source database captures data not easily squished into columns and rows, disrupting traditional database vendors such as Oracle.

WHY YOU SHOULD BUY

- MongoDB remains the leader in NoSQL technology and is rapidly attracting new customers and developers.
- Atlas, its scalable cloud-based database, is growing faster than the rest of the company and attracting large enterprise clients.
- Developers are downloading the free version in impressive numbers, creating a built-in pipeline for future growth.

BUYER'S GUIDE

- **Industry:** Software
- **Size:** Mid Cap
- **Region:** U.S.
- **Recent Price:** \$52.91
- **Allocation:** Many Fools start new positions with a small amount — 2% of their portfolio's overall value, for instance. You can always buy more later!

watching MongoDB gain in relevance and traction, and we think it's a long-term winner that will measure growth over decades, making today a great time to invest.

Unstructured and Unequaled

Forget those tables and rows; MongoDB's databases are built around "collections" and "documents" that can contain almost anything, from unstructured data to embedded video. This is a big deal for many reasons:

- It makes expanding or altering databases easier.
- It's easier for engineers to understand what's in the database and how different parts relate.
- A MongoDB database can be easily split across different machines, which makes growing as simple as adding another server — no expensive mainframes to upgrade (imagine having to add more cabinets when you run out of pantry space).
- MongoDB databases can also be easily migrated to different servers around the world so the data can be in close physical proximity to users.
- That data can be easily protected from failure, too.

Free MongoDB software has been downloaded over 40 million times since 2009 — and over a third of these downloads have come in the past year, showing the rising interest in the platform.

Yet even more impressive than downloads is the growth of MongoDB Atlas, the company's cloud-based database-as-a-service offering. Atlas represented 14% of revenue in the most recent quarter — not a huge number by itself, but 400% more than it was a year before. This suggests that the simplicity of the product — no downloads, no maintenance — is satisfying some pent-up demand not addressed by the locally installed platform.

Perhaps even *more* significant, over 850,000 developers have registered for training at the company's "MongoDB University." Developers drive demand, because they create the applications that run on top of the platform and make it useful for businesses. The company's "freemium" model lets developers learn, use, and build on the platform with a limited amount of storage, then subscribe as they find increasing value in what they've built. MongoDB then sells more storage as its relationships with customers matures.

Just like other successful software companies that follow this land-and-expand strategy, MongoDB is working its way up the value chain. Over half of the Global Fortune 100 already use the platform, but in its most recent quarter the company reported a 47% year-over-year increase in six-figure deals.

KEY DATA

- **Headquarters:** New York, N.Y.
- **Website:** [MongoDB investor relations](#)
- **Sign of a Breaker:** [First Mover](#)
- **Market Cap:** \$2.6 billion
- **Cash/Debt:** \$271 million / \$0
- **Revenue (TTM):** \$170.4 million
- **Earnings (TTM):** (\$105.8 million)
- **Revenue (2016/'17/'18):** \$65.3 million / \$101.4 million / \$154.5 million
- **Earnings (2016/'17/'18):** (\$73.5 million) / (\$86.7 million) / (\$96.4 million)

Save MDB for Later

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GET MORE INFO

Talk About MDB Here

Talk about how MDB fits into *RB* here

- [See why MongoDB is a 10 on our 25-point Risk Rating.](#)
- [See how you can tell if this investment is going right — or wrong.](#)

Moreover, some of those are coming from parts of the globe where MongoDB has traditionally had little presence. India has become one of the company's highest sources of downloads, and China has contributed some new customer wins. The company's presence is growing in Australia, Latin America, and the Middle East.

While this hasn't yet translated to profits or positive cash flow, MongoDB has been narrowing losses. In its most recent quarter, cash flow from operations was negative \$8 million — an improvement from \$12 million a year prior. With over \$270 million in cash, no debt, and a huge expansion opportunity, I think management is making the right decision plowing money back into growth (particularly sales and marketing and R&D). Gross margin is already over 72%, and other expenses should scale easily as the company continues to grow. That means MongoDB can be hugely profitable in the future.

Risks and When We'd Sell

MongoDB gets a lot of love from developers, but it isn't the only game in town. Notably, **Amazon** ([NASDAQ: AMZN](#)) offers DynamoDB, its own cloud-based NoSQL service, for its popular hosting platform, and there are many other NoSQL platforms besides. MongoDB remains in the top spot, aided by its popularity with developers, but any sign it's slipping would be cause for serious concern.

It's also worth noting that MongoDB fell off **Gartner's** ([NYSE: IT](#)) Magic Quadrant for operational database management systems last year. While that mostly has to do with a methodology change — Gartner raised its revenue requirements and axed 10 companies from the list, including MongoDB — the report does note that traditional relational databases are evolving and will continue to be used for over 70% of new applications and projects through 2020, particularly as incumbent players embrace the cloud. That still leaves loads of opportunity for MongoDB, but it does mean the company needs to keep evolving its own offerings to make sure its competitive advantages don't fade and it isn't relegated to niche applications.

The Foolish Bottom Line

What businesses think of as data continues to evolve, and it doesn't always fit into neat rows and columns. There's a rising tide of diverse data coming from voice, video, mobile devices, and the Internet of Things, and databases need to become more flexible. MongoDB's approach to handling unstructured information has spawned imitators, but the company has a strong competitive position and a lot of developer support. It won't match Oracle's \$183 billion market cap or nearly \$40 billion in revenue anytime soon, but its agility and small size give it a lot of room to maneuver. Get this Big Data leader while it's still small.

Karl Thiel and Tim Beyers contributed to this report.

Choose What You Want to Do With This Stock

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See the Trends

The Motley Fool thinks buying and holding for at least 3-5 years sets you up for success.



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MAX

Price

Vs S&P

From the Company Page

Last updated June 25, 4:30 p.m.

Current Price	\$224.03	Today's Change	\$6.19 (2.8%)
Exchange / Symbol	NASDAQ: MDB	Market Cap	\$13B
Beta	0.761177	Earnings Per Share (Trailing 12 Months)	-\$3.46

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Market data provided by FactSet and Web Financial Group.