Credit Suisse 25th Annual Technology, Media & Telecom Conference

Company Participants

- Dave O'Hara, Commercial CFO, EVP
- Phil Winslow, Analyst

Presentation

Phil Winslow {BIO 6300579 <GO>}

Well, thank you for joining us today.

My name is Phil Winslow. I'm a Software analyst at Credit Suisse. Very excited to have what has been one of my favorite companies for a very long time -- Microsoft -- joining us today.

So David, thank you for -- well, you're already down here in Arizona. But -- so I was going to say thank you for coming down. Thanks for coming over.

Dave O'Hara {BIO 20323127 <GO>}

Thanks for making the drive, yes, out here.

Phil Winslow {BIO 6300579 <GO>}

Exactly. So not a bad place to be.

Dave O'Hara {BIO 20323127 <GO>}

Not a bad place to be.

Phil Winslow {BIO 6300579 <GO>}

Relative to Seattle right now. I know the IR team is happy. But let's focus in, I'm going to be -- you're going to be shocked where we're going to be in, again, Microsoft Cloud.

So maybe just start at a high level for us. Kind of talk us through sort of the vision that the company has for Microsoft Cloud. Obviously, that's a very expansive vision but -- and the products that, how they create value for customers in your mind.

Dave O'Hara {BIO 20323127 <GO>}

That's great. So thanks, Phil. Thanks for having us down here. Happy to be here and tell a little bit of the story.

I think it's a pretty well-told story at this point. But still there's always something new going on.

I remember back in the early days when we were talking about Microsoft Cloud and how big it could get. And each year, we are wrong. And each year, we're wrong because we guessed under, and so we just kind of quit guessing at this point and just said cloud's ubiquitous.

Satya has an interesting perspective, which he says, anything that shows up as OpEx is potential to him, which I think is true because if companies are spending money in any way on OpEx, that's something that can be brought to a computer and brought to the cloud.

We started out, as everybody did, with primarily starting out as infrastructure, and then data became pretty quickly relevant. And then after that, it's SaaS. And now it's some of the ML and AI. And so I just think it keeps growing, and I think the power of it keeps getting exponentially better because when you start out with infrastructure, that's all well and good, but it's a pretty simple process. But when you're actually running a SaaS app and you can reason over the data and use ML to help run your business better, then I think it's all that much more powerful. And so that's sort of where we're at.

Questions And Answers

A - Phil Winslow {BIO 6300579 <GO>}

Yes. And then let's focus on Azure because actually, this is my 10th anniversary of being an Azure bull. So I wrote about that in our 2011 outlook report saying, hey, it begins now. And then 13, when Azure Infrastructure Services came out, and we sort of doubled down on that. And obviously, we've seen years and years and years of steady share gain. And if you think about the past five quarters, four of the past five, Azure is outgrowing Google cloud. Five of the five it has outgrown AWS. So how do you think -- what are you seeing from customers as leading to this incremental share gain by Microsoft?

A - Dave O'Hara {BIO 20323127 <GO>}

Well, I think they see the value prop. They certainly -- there's a few things we have going as a company. I think one is that we're the most global cloud, and there's a lot of companies that want that assurance that if they're going to move into a new geo that there's a cloud there to support them. So I think the global nature of it helps us a ton and has helped us land some big deals even in countries like China, where it's

hard to break in, but we have the cloud infrastructure there to support it. So that's a big benefit for us.

I think we also have some of the best security in the world in some of our security software, which has been a big push for a lot of companies in the last decade but even more recently in the last five years, and I think we're pretty well positioned to go do that.

Teams is super popular and the pandemic, of course, helped drive adoption of that. But we just happen to be in a good position at the right time. But even though Teams, that was years' worth of investment to get where it got, and so you sort of have to start early on some of these things.

And then we recently announced some of our industry clouds. And the industry clouds are generating lots of buzz, lots of interest. Customers, of course, want something that's closer to what they do, and that's what it's intended to be. And so the industry clouds are getting a lot of traction. And so I think we just keep adding on to it. Again, I would just emphasize AI and ML, which once you have all that data and you have that functionality and you can reason over it and figure out a better way to run your business, that's what people are ultimately looking for. So we just keep moving closer and closer to what the specific customers need.

A - Phil Winslow {BIO 6300579 <GO>}

Let's double-click on industry clouds a little bit because I think that's been also, to your point, sort of one of the differentiators of Microsoft and Microsoft Cloud, the focus by industry. But I wonder if you can share just a little bit more about what the focus areas are within industry cloud and how is this opening opportunities for growth.

A - Dave O'Hara {BIO 20323127 <GO>}

Sure. So the industry clouds that we announced are healthcare, retail, manufacturing, nonprofit, sustainability and financial services. And so those are the industries that everybody is after, but they all have very unique needs. And again, as you look at the migration up through infrastructure to data to SaaS to industry cloud, it's just natural that we get closer to what the customers are looking for.

And just let me use sustainability as an example. We have lots of interest in our sustainability cloud just to pick one out. When we announced it, when we announced that it was going into preview, Judson and I did calls with customers in Europe, and then we did another call with customers in North America. And what -- I was surprised by the attendance. Lots. Lots of people called into it; and two is they had very specific questions. This isn't some sort of ethereal idea. This is like, hey, we need to make this real. How are you going to make it real? How does your industry cloud help us make it real? And so there's a ton of interest in those industry clouds.

I also think it's just the beginning. When we launched those industry clouds, it's not like we check the box and called it done. We're going to continue to build those out,

and we're going to continue to make them more specific to customers. And the more specific they get, the more value-add they have.

And just from a financial perspective, there's obviously very well-known competitors in the infrastructure business. And a lot of times, the margins on that might get driven down just by competition. But when you can differentiate with the industry clouds, I think it just puts us in a better position as a company and in a better position to help customers. But the sustainability cloud, I was shocked at how much interest there is in that. I mean we knew there would be some interest, but there is more than we expected.

A - Phil Winslow {BIO 6300579 <GO>}

Interesting, interesting. Now commercial bookings continue to grow double digits this last quarter. And Amy noted that it was really driven by consistent execution across add-on, new and renewal sales motion. So when it comes to new deals, what is the tipping point in your mind of like sort of why Microsoft wins?

A - Dave O'Hara {BIO 20323127 <GO>}

Well, I think one is the hybrid story, and we started early with the hybrid story because companies had invested a lot in what Microsoft had to offer and they had a lot of on-prem investments. And they just said, hey, we don't want to throw all that out. We paid for it. It's working. It's functional. What are we going to do about this? And so we came up with our hybrid strategy of, hey, if you're an Azure customer, we'll give you some licensing benefit to you for being an on-prem customer. And then you can move when it's good for you to move. So the initial pitch for the cloud, as everybody remembers is, hey, lift and shift. Throw all that stuff out, move to the cloud. And we just said, look, we can do it in a more moderated way, in a more thoughtful way. And that started to really take off.

And two is I do think we're seen as a trusted partner and a trusted provider. And I mentioned the security software, I think we continue to build out security software. We have insights into the global Internet that a lot of companies don't just because of our reach and our breadth. And I think that allows us to provide some good, secure software.

And then we -- as I mentioned, we continue to come out with ubiquitously beneficial products like Teams that all companies can benefit from. And then we -- once we do that, we can add value to that with Teams phone and other functionality that we can add to really drive the adoption of the cloud. And so I think all of that puts us in a good position. And when we talk to customers, they just want to know they're going to be safe, secure, that it's reliable, that it's global and that it has the functionality that they need. And I think that's where we're at.

A - Phil Winslow {BIO 6300579 <GO>}

Got it. And then once again, another kind of high-level question here, but when you think about existing customers, where is the growth coming from? Is this new

products, increasing consumption, new seats moving to premium SKUs to your point or just call it new product, new services?

A - Dave O'Hara {BIO 20323127 <GO>}

Little of all of the above. So we're constantly adding new services to Azure. And so as people consume those new services, they -- that drives consumption. The nice thing about the consumption model, which, again, everybody realizes now, I don't know if we were as smart as we thought we were at the time, but the nice thing about consumption is it's not capped. I mean if you're out selling a licensed product, there's a certain fixed amount of market share. But with consumption, I really think it's what Satya said, which is literally, if you're spending OpEx, that's an opportunity for us and that's potential TAM. And so I think that's driving a lot of the consumption, just the new services that we had.

Certainly, from a -- even from a modern work perspective, if you look at the new stuff that we're adding there, we have our E5 SKU, which when we started out, that was really about a certain set of services, and now those are getting more adoption. And so if you look at Microsoft all up, I think the important part to us is the Microsoft Cloud. It's not about the Azure cloud, it's not about modern work cloud, it's about the Microsoft Cloud, including dynamics, including many other things. And so we're -- I think that's where the expansion is coming from with the existing customers and with new customers. They see the benefit of having one company that's running all of that for them. So...

A - Phil Winslow {BIO 6300579 <GO>}

I call it sort of the Azure to Office to Power, to Power to Office to Azure pipeline back and forth, and that's why I'm sort of sticking with Microsoft Cloud in the questions first because it is the three working together.

A - Dave O'Hara {BIO 20323127 <GO>}

Yes.

A - Phil Winslow {BIO 6300579 <GO>}

Now let's drill down a little bit more into Azure. I want to hit on consumption base because I think that is a key point, which is obviously thriving, as you mentioned. How do you structure these agreements and the go-to-market strategy to help facilitate more consumption growth?

A - Dave O'Hara {BIO 20323127 <GO>}

Sure. I think -- and it's always -- everything is an evolution. This has been an evolution as well. I think that there's so much cost upfront in terms of how people thought about building out data centers and infrastructure that we basically said we need good, long-term contracts because we need to be able to build out a viable business, and we're willing to commit to you. We need you to be willing to commit to us. And we still work with customers on long-term contracts, but we've also built in a lot more flexibility.

If somebody says I don't know how much I'm going to consume, then we can go do a PayGo deal with them, and they can consume what they consume. And we have even things like meters in there to make sure they don't go over a certain amount. And -- but we give them maximum flexibility in terms of how they pay for it. And then we work with them on making sure that, again, even with modern work as another example, like do you have the right number of users? Do you have too many users? Do you have too few users? How should we think about that? And so we just build maximum flexibility in the contract so that customers can pay for what they use.

A - Phil Winslow {BIO 6300579 <GO>}

Got it. Awesome. And then obviously, as you mentioned, sort of the breadth and the depth of the Azure portfolio continues to expand. And how do you think about sort of the rate and pace of innovation here with inside of Azure? But also how does this affect the gross margins of Azure, but initially to your point, as you move sort of up the stack infrastructure?

A - Dave O'Hara {BIO 20323127 <GO>}

Yes. It's always interesting when you report out financial results because it's sort of very numeric as if there is a grand plan. And there's sort of a grand plan, but I think it's a lot of things coming together. One is you just have to keep driving revenue growth. And fortunately, that hasn't been an issue for anybody in the cloud business. There's lots of revenue growth opportunity.

Secondly, we just always have a sort of a very focused approach to how we're going to drive down cost and how we're going to make this more efficient. And then we pass that through to customers, and it's part of being price competitive, but it's also part of just making the cloud more efficient.

And then when we think about all that, there is timing that comes into it, when do things get built out, how do they get built out, where do they get built out. Folks have asked how do we feel about -- as an example, how do we feel about our data center expansion. We're covering 90% of the globe and like 95% of the GDP, and so we feel good about where we're at, but we still need to add capacity in those geos. But I do think that we've seen a more moderated CapEx spend maybe on a relative basis than we historically did. And so when you have good revenue growth and driving down costs and you have moderating CapEx spend, you tend to have margin expansion. That's kind of where we're at. But it's -- all of those things have to come together. It's not any one thing or it's not sort of like you just plan it out and it happens. You just have to be sort of maniacally focused on each of those things and getting better at each of them.

A - Phil Winslow {BIO 6300579 <GO>}

So okay, expanding products that it's like increased consumption, frankly, the secular shift -- accelerated secular shift for the cloud. One of the questions I get is that, frankly, can Microsoft keep up the sales hiring to essentially -- on the go-to-market side to support all this innovation and these trends?

A - Dave O'Hara {BIO 20323127 <GO>}

Yes. I'd say knock on wood, but there's no wood up here. I would say right now we have a good talent pool coming to us and saying, hey, we'd love to work for Microsoft. So I think culturally, we're perceived as a pretty good place to work. I think that from a positioning perspective, people feel like we're well positioned. I think salespeople feel like they can come in and they have something they can go sell to companies and that it's got value and value-add, and we continue to add value.

And so we -- I mean it's a super competitive market. Everybody is hiring from everybody else, and there's a lot of horse trading going on with employees. But I think overall, on a relative basis, we're in a pretty good position. And so far, we've been able to keep up in the same way that we have -- that's a question on sales, I think it's a question on engineering, I think it's a question on support. Hopefully, it's a question on finance people, although we're usually just happy to have a job. So we're -- but still, I think there's -- it's competition for high-tech labor right now, and we think we're doing okay. Again, knock on wood.

A - Phil Winslow {BIO 6300579 <GO>}

Got it. All right. We touched on Azure. Now let's go to Office, Office commercial going up and down that pipeline that I discussed. Obviously, Office 365 installed base keeps growing. ARPU keeps increasing even with some, call it, dynamics and maybe in the installed base of where the growth is coming from. So help us walk through those. I guess, break them into 2, sort of growth of the installed base, where are you seeing the growth come from. And then ARPU, how do you think about sort of ARPU growth from here?

A - Dave O'Hara {BIO 20323127 <GO>}

Yes. I would say that people -- there's sort of -- there might be a historical perception of Office just literally as Office: Word, Excel, PowerPoint. And we've expanded far beyond that. And I think as we continue to add value and we continue to add SKUs, that helps with ARPU growth. It used to be that we had our E1 SKU, and we talked about E3. And people were always asking, like, when are you going to be over 50% of your penetration with D3. Now they ask that same question about E5.

When we architected E5, we really said, hey, let's go identify places of value for customers where they might be underserved or where we might be in a better position to provide it outside of classic Office. And so we came out and said, we really think it's about communications, we think it's about security, and we think it's about analytics. And so that's what we did. That's how Teams came to be because we started out with a product called Link, and then we bought Skype. And then out of that evolution came Teams. And so I think we're in a pretty good position for communications. And some of the Team's usage numbers we've published lately again, very pandemic-driven, but we just happen to be in a good business and take advantage of that. So the comm stuff is landing. Security is always a big issue. I think people are getting smarter about how they think about analytics.

And so when we think about Office, migrating folks from E1 to E3 to E5 is a natural progression. And I think a lot of them are benefiting from that and seeing that. And so we're getting better penetration of E5. I would also just say from a usage perspective, we've come out with a lot of functionality that's directly beneficial to small businesses into frontline workers until we're adding users there. So at the same time that you're migrating from E1 to E3 to E5 and driving ARPU up, we're adding users in the frontline worker, which is a lower-priced SKU. And so again, it's like several moving things that end up resulting in the number. But the key for us is to make sure that we're continuing to add value at those higher-end SKUs and provide value for the lower-end SKUs. And in between there, you end up with good ARPU growth and good usage growth.

A - Phil Winslow {BIO 6300579 <GO>}

Yes. I think you bring up a great point because like you said, finance folks, we like to look at the numbers and be like, oh, here's the gap between revenue growth and seat growth and there's ARPU. But with inside that seat growth, inside the ARPU, there are two of these very different dynamics. And so I guess it makes the ARPU increase even more impressive in the sense that, hey, a lot of the unit growth is coming from the...

A - Dave O'Hara {BIO 20323127 <GO>}

Frontline workers.

A - Phil Winslow {BIO 6300579 <GO>}

Frontline workers.

A - Dave O'Hara {BIO 20323127 <GO>}

Yes. And it's just -- and it's not you can't focus on one number, you have to focus on all the individual drivers. And I think that's what we've gotten better at, is focusing on individual drivers, and then what comes out of that is the number.

A - Phil Winslow {BIO 6300579 <GO>}

Yes. And so you talked about E5. Amy talked about it in July, 8% penetration in the O365 commercial installed base. How are you thinking about just E5 adoption from here? And then within that, how are you thinking about the enterprise voice? You mentioned Teams phone sort of in that strategy.

A - Dave O'Hara {BIO 20323127 <GO>}

Sure. So we tried to make it so that it was easy as possible for customers to make use of that. So we -- E5 is what I said, the bundle of communications, security and analytics, but then we also came out with many SKUs. There are a lot of people to just say, look, I don't want the whole thing. I'll just take this piece. And then what we've seen over time is that customers go, okay, I'll start with one. Start with security. Hey, I'll add comms. Hey, this analytics stuff is kind of not bad. And so maybe I'll go do that. And then they go, you know what, we'll just buy E5. And so we do think it's allowing people to consume what they really need at the time. But over time, in the

spirit of the Microsoft Cloud, I think they see the benefit of all that. And at some point, we just make it attractive for them to go the whole way on that piece of it. And so I think it's early days in the adoption of E5. Obviously, 8% isn't where we're going to finish. But we're not going to force people to go there, and we're not going to have some big push to get there fast. We're just going to let them migrate there as it makes sense for them.

A - Phil Winslow {BIO 6300579 <GO>}

Yes. To your point, everybody is asking about when's penetration of E3. When there's E5. So next question next time we're up here, I'm going to ask about E7. When is that coming? But let's focus on Teams because the other thing you announced in July, the earnings, almost 250 million monthly active Teams users. Obviously, to your point, huge hockey stick over the past two years here. October call, you said, usage has never been higher. So not just simply monthly active users, but actually usage of those monthly active users higher than ever. How do you think about the monetization strategy of Teams? This is a question I get a lot because, obviously, it's included in O365. But what is sort of the strategies or monetization addressable market there?

A - Dave O'Hara {BIO 20323127 <GO>}

Well, one is I think people expect us to continue to deliver new value for modern work in -- so some of the stuff just gets built in because it's the new value that people are looking for and they're already paying us and so we include it, and that was our thinking on Teams is we said, hey, we want people to use it. We want people to consume it. We want people to benefit from it. So let's not sort of constrain it by charging more because they're already paying us a decent amount of money anyhow.

And -- but still, even with that, if you had referenced in your previous question, I just forgot to answer about the Teams phone stuff. We have 80 million teams phone users, and I think that's an example of where people -- or we can monetize and people can get additional benefit. Because in some cases, they can just go throughout their PBX, which is a pretty expensive system and just switch to Teams. And there's huge value add for them. And so I think that there's -- in addition to just the core teams platform, there are ways that we can monetize beyond that. And even some of our industry clouds are tapping into Teams now, and that's the way that they're going to operate. And so it's not direct -- it doesn't have to be directly monetizable by Teams itself. I think it can be monetizable through things that work with teams. And so I think the key for us is to continue to gain share, which we feel good about the share we're gaining and then build around that and add value. And I think there's plenty of ways to monetize even if it's not directly.

A - Phil Winslow {BIO 6300579 <GO>}

Yes. Just sort of just the engagement of living in Teams, so to speak. I mean just at Credit Suisse, one of the things that -- a path we're going down, we signed these like 10-year contracts with these PBX guys, these telephony folks. But it's like, actually, we want to terminate in Teams. So even though we're not using a hosted PBX because

we signed long-term contracts, but it's like actually, no, we still want it to terminate in Teams. So that actually becomes the hub. And so...

A - Dave O'Hara {BIO 20323127 <GO>}

And at some point, the option might be there for everybody to go do that, but I think that's a good example. I also think that not just us, but for ISVs that want to build on Teams as a platform. There's an opportunity for them to monetize as well. And so we're seeing lots of ISV interest. It's sort of -- I mean everybody knows how ISVs operate, which is they add value to specific pieces of software. But mostly, they just look for like a big user base. And so once you get over a certain number of users that are like, hey, we want to build around that, and so we're seeing lots of ISVs show interest in Teams.

A - Phil Winslow {BIO 6300579 <GO>}

Teams as a platform. And so the -- and I'm very much looking forward to my Teams avatar, pretty confident with that, coming up. I'm going to trick that out.

A - Dave O'Hara {BIO 20323127 <GO>}

It's there.

A - Phil Winslow {BIO 6300579 <GO>}

Yes. I'd say yes. We're a little slow. We're a bank to roll out the new features.

A - Dave O'Hara {BIO 20323127 <GO>}

We have a couple of senior execs who show up for every meeting in an avatar.

A - Phil Winslow {BIO 6300579 <GO>}

Yes. It's like get ready for a marketing call near you. Avatar Phil coming at you. The power platform. So that's been, what I call, almost like the hidden successes, sort of secret successes inside of Microsoft. You've obviously seen strong growth there, as I mentioned. And recently, you talked about 20 million monthly active users. What is sort of -- what is the value? Actually, maybe to step back for some people that don't know, like what is the power platform? What is involved in it? Why are you seeing a strong growth?

A - Dave O'Hara {BIO 20323127 <GO>}

Well, I think we're seeing strong growth. Power platform allows people to basically write low code, no code and essentially help more of the world become developers. And so if you look at Powerhouse power platform, the real value it adds is the ease of use, but also just the flexibility and the ability to create apps quickly.

We've had customers that would come to us. Again, as you think about the evolution of the cloud, it used to be lift and shift and then optimize. And now we're getting to the point to where we've had customers that have 10,000, 12,000 apps, and they're trying to figure out, geez, how can I cost-effectively migrate all these apps to the

cloud? And then they look at them and they go, you know what, maybe we don't need all these apps or maybe we should rewrite some of these apps. And so they might cut down on the number of apps, they might go and add new apps, but they do all that through Power Apps and Power platform. And so it really allows a lot more people to become developers and a lot more people to build apps that fit their exact usage. And so all of that is done in the background by us, and so I think that's the -- a driver of the adoption.

I get involved with lots of customer conversations and deals. And invariably, we'll talk about the Microsoft Cloud and dynamics and Azure and modern work. And then at the end, they circle around and go, hey, we really want Power Apps, like we really want Power Apps for as many people as we can get. And so it's interesting how that just almost becomes an anchor in some of these deals. Like they see that as the hidden treasurer.

A - Phil Winslow {BIO 6300579 <GO>}

Interesting. The -- what's next then for the power platform? Because it's amazing how much it has evolved organically and inorganically. What are the product innovations that you're most excited about?

A - Dave O'Hara {BIO 20323127 <GO>}

Well, I think the ease of use is going to be great, but I also think that the ultimate thing is to put the power in the hands of the user and put power in the hands of the customer and let them evolve it where it needs to go. And so we'll just continue to make the product better, more powerful and more easy to use. And I think users will dictate where that goes.

But I think I would just say, again, it's -- once you get the infrastructure, once you get the data, once you get the SaaS app, you understand the usage patterns. And when you can reason over that with machine learning and AI, that's where the real power in that comes from. And I think once people start doing that and doing it with their own apps that are tailored to what they're trying to do, I think that unleashes a lot of power. And so we'll continue to see strong demand there.

A - Phil Winslow {BIO 6300579 <GO>}

Got it. In the last five minutes here, I'll pause for a moment to see if there are any questions from the audience. Just raise your hand, and I'll call on you. Otherwise, I'll just keep going down my list. Okay. We're killing it.

A - Dave O'Hara {BIO 20323127 <GO>}

We've answered them all. We've answered them all.

A - Phil Winslow {BIO 6300579 <GO>}

We're killing the Q&A, but I actually want to double-click on AI/ML because I think that's one of the, obviously, I'd say, artificial intelligence could be the most impactful, call it, technology innovation before -- any others before it. The -- but where -- walk

us through sort of the evolution of AI/ML with inside of Microsoft and inside of Azure. And then where do you think we are in the adoption cycle actually productizing?

A - Dave O'Hara {BIO 20323127 <GO>}

Yes. I think it's super early in terms of how we productize AI and ML. And in some level, I remember having this conversation with the boss years ago, he was like, how do we monetize this stuff? And I said, hey, we'll figure it out as we go. But we -- part of it is just making it again available in the Microsoft Cloud and making it ubiquitous.

But AI has advanced so far. I mean I remember when we first started out and said, hey, let's figure this out. One of the things that we would look at is people to do a credit check on a customer, they had to call a treasury and say, can you do a credit check. And so somebody wrote a simple bot. We use that bot now. A salesperson goes in, enters a customer name. Boom, it's all taken care of. No human interaction, all of that. Saves thousands of hours, which eventually that all adds up. Now I think we're getting much more sophisticated about it in connecting data sources and connecting the reasoning. And then even with our own -- some of our own internal stuff, where you have the machine learning where every quarter, it gets better and better and better, I think that's ultimately where it's going to go. But I think it's super early days in terms of how we tap into that.

A - Phil Winslow {BIO 6300579 <GO>}

Yes. Wxactly. Now the -- yes. I mean just -- I mean probably eating your own dog food, too, with the forecasting, so with the AI/ML side.

A - Dave O'Hara {BIO 20323127 <GO>}

We do, we do, we do. We still -- there's still humans involved because I think there's still judgments to be made. But once you get that pattern recognition and you can reason over it, I think that's ultimately where it's going to be.

A - Phil Winslow {BIO 6300579 <GO>}

Yes. I've joked. I was like, I swear it's the tightening of the ranges in the guidance. I was like that's a machine. It's --

A - Dave O'Hara {BIO 20323127 <GO>}

It's partly the machine.

A - Phil Winslow {BIO 6300579 <GO>}

And the people. And the people, of course.

A - Dave O'Hara {BIO 20323127 <GO>}

I would say for the finance team because I think it's natural for people to say some computer is going to knock me out of my job. And with our finance teams, we just said, hey, we're going to do that. You're still going to be involved, but we're also going to free up time for you to go work with customers and show them how it

works. And so we've -- and which isn't most -- isn't really a natural thing for a finance person to get on the phone with the customer. But we had -- pre-Covid, everything is either pre or post, but pre-Covid, I think the year before, we had something like 1,500 finance folks who worked directly with customers on solutions. And so when you can do that, when you can automate a lot of the stuff, you free up folks to go work on other meaningful and impactful things. And I think that's the ultimate benefit from it.

A - Phil Winslow {BIO 6300579 <GO>}

Just don't put too much equity research capabilities in power automate. That's the one caveat, I guess I would say. Pull back on any efforts there. The -- sorry, last question for me unless there is anything from the audience, but when you think about sort of the dues from a management team perspective over the next, call it, this fiscal year, what are you just top of mind for you?

A - Dave O'Hara {BIO 20323127 <GO>}

Well, I think we need to -- it's a super competitive environment.

So we need to make sure that we're working directly with customers and getting direct feedback and adapting. We've learned to be nimble. I don't know that I would have described us as nimble five or 10 years ago, but we've learned to be nimble. That's one.

Two, as you mentioned, recruitment. I mean it's a fast-growing business, and we're growing a huge business top line by -- on the commercial side by more than 20%. And you have to have folks who are going to help do that. And so I think recruitment and retention of employees and making sure that people want to get up and come to work every day are big deals. And then we obviously have some big numbers out there. But we'll continue to execute on that.

A - Phil Winslow {BIO 6300579 <GO>}

Yes. Those big numbers keep getting bigger so -- which we like to see. So awesome. Well, the 30 minutes went super-fast. We really appreciate your time. So thank you for coming down -- or coming over, like I said.

A - Dave O'Hara {BIO 20323127 <GO>}

Yes. Thanks for having us.

A - Phil Winslow {BIO 6300579 <GO>}

Okay. Well, thanks. Appreciate it.