S&P Global
Market Intelligence

Smartsheet Inc. NYSE:SMAR

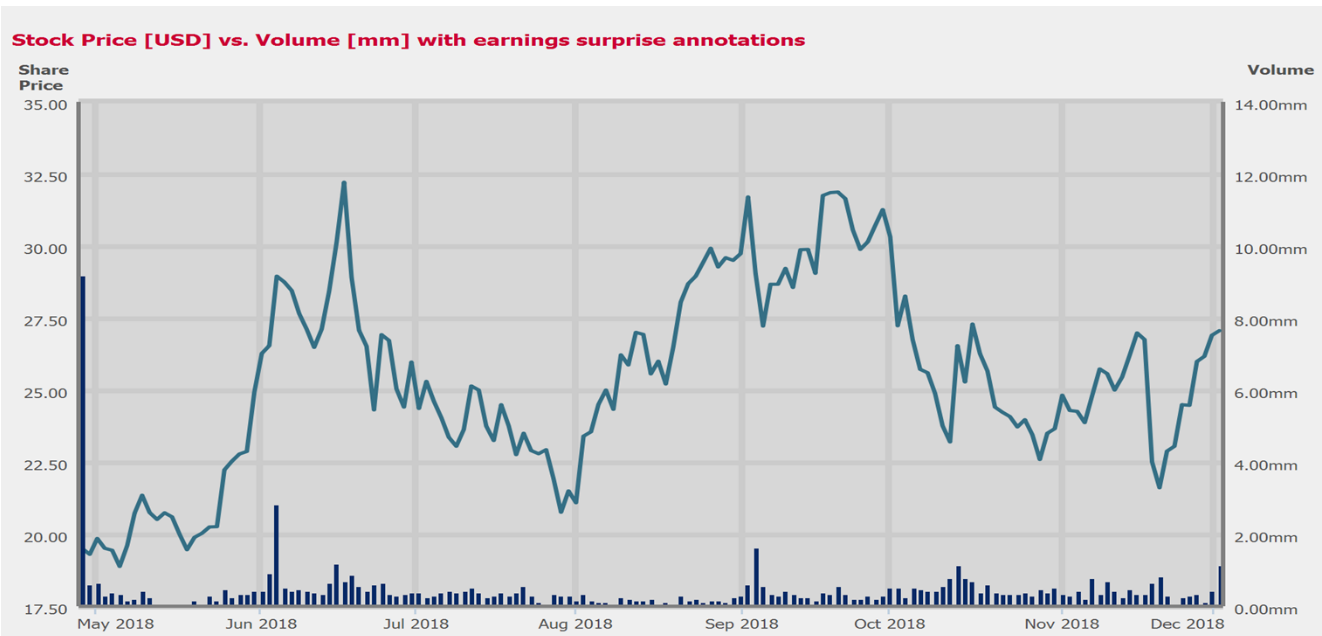
FQ3 2019 Earnings Call Transcripts

Monday, December 03, 2018 9:30 PM GMT

S&P Global Market Intelligence Estimates

	-FQ3 2019-			-FQ4 2019-	-FY 2019-	-FY 2020-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	(0.16)	(0.09)	NM	(0.17)	(0.53)	(0.61)
Revenue (mm)	44.12	46.87	▲6.23	45.67	168.47	234.43

Currency: USD
Consensus as of Dec-03-2018 5:15 PM GMT



	- EPS NORMALIZED -		
	CONSENSUS	ACTUAL	SURPRISE
FQ1 2019	(0.18)	(0.12)	NM
FQ2 2019	(0.13)	(0.08)	NM
FQ3 2019	(0.16)	(0.09)	NM

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Call Participants

EXECUTIVES

Aaron Turner
Senior Director of Investor Relations

Eugene M. Farrell
Senior Vice President of Product

Jennifer E. Ceran
Chief Financial Officer

Mark P. Mader
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William Blair & Company L.L.C., Research Division

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Mark Ronald Murphy
JP Morgan Chase & Co, Research Division

Richard Hugh Davis
Canaccord Genuity Limited, Research Division

Ross Stuart MacMillan
RBC Capital Markets, LLC, Research Division

Stan Zlotsky
Morgan Stanley, Research Division

Terrell Frederick Tillman
SunTrust Robinson Humphrey, Inc., Research Division

Presentation

Operator

Good afternoon. My name is Scott, and I will be your conference operator today. At this time, I would like to welcome everyone to the Smartsheet Third Quarter Fiscal 2019 Earnings Conference Call. [Operator Instructions]

Aaron Turner, Head of Investor Relations, you may begin your conference.

Aaron Turner
Senior Director of Investor Relations

Thank you, Scott. Good afternoon, and welcome, everyone, to Smartsheet's Third Quarter Fiscal Year 2019 Earnings Call. We will be discussing the results announced in our press release issued after the market closed today.

With me today are Smartsheet's CEO, Mark Mader; and our CFO, Jennifer Ceran. Our SVP of Product, Gene Farrell, will also be available during the Q&A.

Today's call is being webcast and will also be available for replay on our Investor Relations website at investors.smartsheet.com. There is a slide presentation that accompanies Jennifer's prepared remarks, which can be viewed in the Events section of our Investor Relations website.

During this call, we will make forward-looking statements within the meaning of the federal securities laws. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends.

These forward-looking statements are subject to a number of risks and other factors including, but not limited to, those described in our SEC filings available on our Investor Relations website and on the SEC website at www.sec.gov. Although we believe that the expectations reflected in the forward-looking statements are reasonable, our actual results may differ materially and adversely.

All forward-looking statements made during the call are based on information available to us as of today, and we do not assume any obligation to update these statements as a result of new information or future events, except as required by law.

In addition to U.S. GAAP financials, we will discuss certain non-GAAP financial measures. A reconciliation to the most directly comparable U.S. GAAP measure is available in the presentation that accompanies this call, which can also be found on our Investor Relations website.

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

Mark P. Mader
President, CEO & Director

Thanks, Aaron. Good afternoon, everyone, and thanks for joining us for today's call. Q3 was a strong quarter across multiple dimensions, and I'm very pleased with the results. Momentum from the first half of the year continued in Q3 with revenue growing 59% year-over-year to $46.9 million. Through customer expansion combined with lower attrition rate, our dollar-based net retention reached 132%, and the total number of Smartsheet users is now more than 4.5 million.

We also reached a notable milestone this quarter as we surpassed 1,000 employees. To all my colleagues in Bellevue, Boston, Edinburgh and many places in between, thanks for your passion and your commitment to serving our customers.

Expansion within our base during the quarter included 34 companies increasing their annual recurring revenue by more than $50,000. We now have 360 customers with ARR over $50,000 and 127 with ARR over $100,000. Notable expansions occurred this quarter at customers such as Roche Diagnostics, Fox and Steelcase. Our customers are expanding faster with us at a rate never seen before as the product enhancements we've made over the past year enable Smartsheet to address increasingly high-value workloads throughout our customers' organizations.

For many of our largest and fastest-growing customers, their use of Smartsheet has evolved from being a valuable tool for collaboration and work tracking by individuals and teams to also serving as a mission-critical work execution platform that drives operationally important processes across their business. This evolution coincides with recognition by analysts and the broader market that our category, collaborative work management, CWM, is no longer an emerging segment composed of nice-to-have technologies but is essential for the survival and competitiveness of digital businesses; in other words, all businesses.

Forrester's recent evaluation of the enterprise CWM market finds that "CWM tools are in the midst of a wave of innovation that will expand their capabilities and raise their potential ROI." Their Wave report published in late October revealed that Smartsheet is, to use their words, the leader of the pack in enterprise CWM. This market leadership recognition from Forrester coincided with 451 Research naming Smartsheet as an inaugural recipient of their Firestarter award. Specifically, Smartsheet was recognized by 451 for technology innovation that "has the potential to be disruptive to the multibillion-dollar traditional project management, productivity and collaboration markets." Being cited by leading analyst firms as both the market leader and a disruptor provides further validation that our execution and strategy are sound.

Smartsheet's evolution from a valuable tool to a mission-critical work execution platform is evidenced by a large privately held tech company that expanded by more than $200,000 in the quarter to over $600,000 in ARR. Smartsheet usage at this customer has grown rapidly over the past year as our products has attached to strategic use cases in global marketing, M&A, regional operations and others. Not only has their number of licensed users doubled over the past year, but they are also taking advantage of our differentiated capabilities such as automation, dashboards and alerts. This customer views Smartsheet as a strategic partner for their global growth ambitions.

We heard similar stories from many customers at ENGAGE '18, our second annual sold-out global customer conference held in October. This year, we doubled to about 2,500 the number of event attendees while also doubling the number of companies who sent more than 5 employees to the event, a great sign for broader enterprise adoption of our platform. And post conference, more than 97% of attendees reported that they would recommend Smartsheet to a colleague or peer based on their experience at ENGAGE. It was so inspiring to meet customers of every type and size, hear their enthusiasm and learn how they're using our products to tap the potential of their teams and their business.

We also announced 23 new product enhancements and capabilities at ENGAGE, including enhanced dashboards, assignment capabilities, time-based triggers and a visual workflow builder. We launched new premiums -- premium offerings that open up an even greater range of high-value use cases. Data Uploader, which automatically merges or replaces data from third-party systems into Smartsheet without the need to manually copy and paste; and Dynamic View, which delivers granular sharing controls, enabling customers to achieve unprecedented levels of control over what information is through shared inter-sheet and importantly, what information is not.

We also announced 2 new Connectors for Tableau and Microsoft Dynamics. These new product enhancements are delivering additional value for our customers. For example, Johnny Rockets, an international restaurant chain, has legal and development teams that regularly need to share confidential contract details with internal and external stakeholders. Prior to Dynamic View, this information was kept in separate documents to maintain confidentiality. By leveraging the sharing controls of Dynamic View, they now have one centralized Smartsheet to track and update this sensitive information and can be -- and can share customized confidential views of contract details with all relevant stakeholders.

A Fortune 100 technology company is using our Data Uploader for 2 high-value workflows. The first enables them one-way pulls of their data from their CRM system into Smartsheet to inform their efforts of applications development and marketing teams; and in the second use case, they're using Data Uploader to pull information from their learning management systems into Smartsheet to improve reseller capacity forecasting and reporting to executives.

The number and impact of the products announced at ENGAGE far exceeded last year's. Our pace of development accelerated. Customers' needs continue to shape our development pipeline, and we now have the scale to satisfy these needs at a more rapid pace. We remain focused on delivering an increasingly valuable platform that empowers everyone to improve the way they work, connect, innovate and execute. We believe this will drive better business outcomes for both our customers and Smartsheet.

We continue to receive positive customer responses to this approach. In just a few weeks since ENGAGE, many of our new capabilities are contributing to our financial results as our customers realize the value of these features in their organizations. Also, this quarter, we opened up our first international field office in the U.K. to bring direct same time zone engagement to a greater number of our international customers and plan to have 15 quota-carrying reps in place by end of our fourth quarter. This team will serve our U.K. and EMEA customers, and we plan to grow this office over time.

Lastly, in Q3, Smartsheet was selected by the federal government's Joint Authorization Board, the decision-making body for FedRAMP, to participate in their accelerated certification program. We're honored to be chosen by the JAB and are excited about the chance to expand the use of Smartsheet among federal employees. Given the significant work that remains to be done and the timing of certain certification audits, we do not expect material revenue from FedRAMP this fiscal year.

Overall, I'm pleased with our performance in Q3, and I'm encouraged by the momentum we're seeing. We have an industry-leading solution, a large addressable market, growing awareness of our value in the marketplace and an energized team. Thanks to our more than 1,000 team members and our customers, partners and shareholders for your confidence in our service and in the future of our business.

Jenny?

Jennifer E. Ceran
Chief Financial Officer

Thanks, Mark, and welcome, everyone. Revenue was $46.9 million for the quarter, up 59% versus a year ago, driven by continued demand for our products and services. Billings came in at $54.9 million, up 69% versus the same quarter a year ago and ahead of our internal expectations. Our net dollar retention rate was 132%, an increase of 1 percentage point versus last quarter. And our average annualized contract value, or ACV, per domain-based customer grew 48% year-over-year to just over $2,200.

Third quarter non-GAAP operating loss was $10.2 million as we continued to make investments in our platform and go-to-market capabilities. And non-GAAP net loss per share was $0.09. As a result of higher-than-expected billings and stronger collections, we delivered positive operating cash flow of $2.4 million, and our free cash flow was negative $2 million. And we ended the third quarter with a cash balance of $212 million.

Before I provide our outlook for the rest of the fiscal year, let me provide you more details on the third quarter, starting with revenue. Of our $46.9 million in total revenue, subscription revenue was $41.5 million, a 57% increase versus a year ago. Services revenue came in at $5.3 million, up 81% versus a year ago and represented 11% of total revenue.

Turning to our quarterly business metrics. Our total domain-based customer count at the end of the third quarter was just shy of 78,000. These customers now represent approximately 97% of our total ACV; and ISP-based customers, which represent individuals and very small teams using an ISP-based domain name, represented the other 3%.

We continue to see very strong growth in our larger customers with 5,575 now paying us $5,000 and more per year and, as Mark mentioned earlier, 360 now paying us $50,000 or more per year. These customer segments grew year-over-year by 70% and 148%, respectively, and now represent approximately 63% and 24% of total ACV.

As of the end of the quarter, our average ACV per domain-based customer increased 48% compared to the same period a year ago as customers continue to deploy Smartsheet into more areas across their organizations and purchase more capabilities-based products. As I mentioned earlier, our dollar-based net retention rate was 132%, and we now expect dollar-based net retention rate to be above 130% in the fourth quarter.

Next, I'll provide color on the rest of our income statement and a few highlights from our balance sheet. Unless otherwise stated, all references to our expenses and operating results are on a non-GAAP basis and are reconciled to our GAAP results in the earnings release that was posted before the call.

In the third quarter, overall gross margin was 82%, flat with the prior quarter. Subscription gross margin was 89%, 1 percentage point higher than the prior quarter, driven by scale in hosting and flat credit card processing fees. As we continue to migrate services to the public cloud, support international expansion and serve regulated industries, we expect our overall gross margin over time to more closely reflect our long-term target margins of 78% to 80%.

Professional services margin was 31%, up from 30% in the prior quarter, driven by higher-than-planned utilization of our consulting staff and continued strength in training. For the fourth quarter, we expect our professional services margin to be closer to our target margin of 20% and lower than previous quarters due to hiring plans and seasonality.

Turning to operating expenses. General and administrative costs in the third quarter were $7.6 million, representing 16% of total revenue and down from 17% in the prior quarter. As we begin to lap our investments necessary to operate as a public company, we expect to realize scale in general administrative expenses. Research and development was $13 million or 28% of total revenue. This compares to 31% of revenue in the prior quarter. The scale in R&D versus the prior quarter was driven primarily by higher capital utilization related to internal-use software.

Finally, sales and marketing expense was $28.1 million or 60% of revenue versus 54% of revenue in the prior quarter. The increase in sales and marketing versus the prior quarter was driven primarily by incremental costs related to our second ENGAGE conference and the launch of our brand marketing campaign.

Turning to operating loss and free cash flow. Operating loss was $10.2 million, representing a negative operating margin of 22%. Approximately 65% of our total expenses were headcount-related, and we added 69 employees across the organization during the quarter. Free cash flow was negative $2 million, which includes CapEx spend, capitalized internal-use software and principal payments on leases totaling 9% of revenue. Excluding these expenses, we generated $2.4 million and positive operating cash flow.

Now turning to billings. Our third quarter billings were $54.9 million, up 69% versus a year ago. The strength in billings was driven by the launch of new products and a larger number of big deals that closed in the quarter. In the third quarter, 34 customers expanded by more than $50,000 versus 26 in the prior quarter. Approximately 88% of our subscription billings were annual, with most of the remainder monthly, while quarterly and multiyear billings represented about 1% of the total.

I'll now provide our guidance for the remainder of fiscal year 2019. For the fourth quarter, we expect total revenue of $49 million to $50 million, representing year-over-year growth of 49% to 52%. We expect non-GAAP operating loss to come in between $16 million and $14 million and non-GAAP net loss per share to be between $0.15 and $0.13 based on weighted average shares outstanding of 103 million.

For the full fiscal year, we expect total revenue to be in the range of $174.6 million to $175.6 million, representing growth of 57% to 58%. Non-GAAP operating loss is expected to be between $46 million and $44 million. We expect non-GAAP net loss per share of between $0.44 and $0.42 for the year based on approximately 99.5 million weighted average shares outstanding. We expect billings to be in the range of $210 million to $212 million, representing growth of 55% to 56% versus last year. And we expect free cash flow to be up to negative $20 million.

As we get ready to finish our fiscal year 2019 and kick off our fiscal year 2020, we do so with confidence that Smartsheet is driving better business outcomes for customers and a work environment that is increasingly demanding and complex. Our solutions help organizations execute faster with better information shared with those who need to keep track of everything that's happening, all in real time. Our ability to solve these challenges for companies large and small is what is fueling our growth.

With that, I'll now turn it back to the operator to take your questions. Operator?

Question and Answer

Operator

[Operator Instructions] Your first question comes from the line of Stan Zlotsky with Morgan Stanley.

Stan Zlotsky
Morgan Stanley, Research Division

From my end, the thing that really stood out to me was just the large customer momentum and all the metrics surrounding it, specifically the 366 customers -- 360, rather, that are now paying over the 50k. Just maybe some qualitative commentary, what's really driving this large customer momentum? And then a quick follow-up for Jenny.

Mark P. Mader
President, CEO & Director

Stan, it's Mark. I think what we're seeing is as we talk to customers about solutions, the conversations really change from having a conversation from years ago, which was around how many licenses do you need and what are you trying to solve with your business. And as you look at what we've added to the portfolio in the last couple of years, whether it's connector -- Connectors to systems of record on the CRM front, it's now things like control center and the ability to do IT PMO in a solution orientation, these are driving transaction sizes, which are not only larger, but they're solving higher-value problems for customers. And when you listen to your customers over the years and you can shape the portfolio accordingly, it, hopefully, results in a set of offerings that for which there's demand, and we're starting to see that now.

Stan Zlotsky
Morgan Stanley, Research Division

Got it. And then a quick follow-up. On net revenue retention ticking up to 132%, very impressive; also the guidance for 130% for Q4. As we think about this metric, and I appreciate that you guys didn't give us guidance for fiscal '20, but beyond Q4, as we go and set our models for fiscal '20, how should we think about this -- the trend within this metric moving forward? That's it for me.

Jennifer E. Ceran
Chief Financial Officer

Yes. So what I would say is I would look historically to where we've come. We've basically started at around 130%. We've moved up to 132% this year. Where we go next year is going to be dependent on a number of factors: on how large customers start; what our expansion rate looks like; and what our losses look like. We're pleased with where we are so far, Stan. And I think I prefer to hold and give you more guidance on that when we start -- when we give guidance for next year in after our Q4.

Operator

Your next question comes from the line of Mark Murphy with JP Morgan.

Mark Ronald Murphy
JP Morgan Chase & Co, Research Division

Mark, I was wondering if you could maybe describe the types of demand signals that you're seeing for the Accelerators. And also, just philosophically, maybe how you're balancing the need for simplicity in the app for the broader base of users against the flow of future requests that maybe you're getting from customers that you want to be building into these Accelerators and the solution packages that you have.

Mark P. Mader
President, CEO & Director

On the first front, Mark, I would say that Accelerators are actually playing off of a theme that's been in enterprise software for many years. That is, have a known solution for a known need. And that's quite different than saying you have a platform with which you can build anything. So it's actually a bit of a throwback to how people have been buying software forever and now combining that with this ability to also mass flexibility and control over what you want to build additionally. So I would say it's -- that's a pattern that we've looked at successful SaaS companies in the past, and we're emulating them. I think in terms of the demand signal, I think when you're out there with your customers, speaking with them, understanding the needs they have, that is a really valuable input to the pipeline of solutions that you go build. And that's one of the huge benefits we have in serving so many customers today. So that pipeline is rich with opportunity and now we need to go out and build those capabilities. In terms of how those coexist with ease of use and simplicity in the app, great question. I think what's important to do is to not thrust on people every capability you come up with, and really let them to opt in. So it's an opt-in to enable some of these capabilities. It's an opt-in to take advantage on some of these enterprise capabilities that we're releasing. If you were to, in a way, pollute the user experience by adding value to everybody who comes into the business, I think that's absolutely the wrong strategy, and that's not what we're deploying. So I think we also have -- we're organizing our engineering and product teams. We're being very clear about investments around the upfront user onboarding experience and then how that opt-in works to greater capabilities. So I think we've a full appreciation that those can't be co-mingled all the time, and again, as you make decisions, enroll your customers in what your strategy is. So some of the things Gene has done in terms of our product counsel and getting feedback from clients as we're shaping these road maps gives us confidence that we're doing that in the right way.

Mark Ronald Murphy
JP Morgan Chase & Co, Research Division

And then, Jenny, as a quick follow-up, I believe you said the billings performance was somewhat tied to a larger number of big deals that closed in the quarter. Just curious to what do you attribute that outcome? I mean, we know part of it, you said was new features and new products that you developed. Is there anything outside of that execution-wise or any other dynamics? And then also, just was there any pull forward from Q4 or does it feel sustainable as you look at the pipeline?

Jennifer E. Ceran
Chief Financial Officer

Yes. So really, it's just one of the words that you mentioned in your question now. It was really all about execution. There were no unusual pull forwards in Q4 and as I -- Q3. And as I mentioned as well, the billings cycle, 88% being annual, was also consistent. So we didn't have a lot of multiyear billings. I think some of the things that we saw that are really fueling the Q3 results, one, our sales territory realignment that happened in Q1 is beginning to yield. We also hired a number of reps early in the year, as we always do. And they are now fully ramped, and they're performing well. The products that we launched in Q3 also have been helping. And I think overall as well, our conference, our brand marketing provided some tailwind for us.

Operator

Your next question comes from the line of John DiFucci with Jefferies.

Joseph Anthony Gallo
Jefferies LLC, Research Division

This is Joe, on for John. I do have a bit of a follow-up to the previous question, that we attempt to back into new business growth, particularly new subscription annual contract value growth, and we realize we only have the financial statements you publish, and there are some things that affect it. But we have it accelerating the past 2 quarters. So one, I just wanted to see if that's directionally correct. And then, two, what is driving that acceleration and business momentum?

Jennifer E. Ceran
Chief Financial Officer

Yes. Joe, it is directionally correct. We did accelerate bookings growth, new bookings growth this quarter. And what's driving it is how I answered the last question, better expansion, more new products, better uptake. We also had lower attrition, and so our renewal rate was strong as well.

Joseph Anthony Gallo
Jefferies LLC, Research Division

Okay. And that was actually my follow-up. So what was the churn rate this quarter?

Jennifer E. Ceran
Chief Financial Officer

Yes. So last quarter, it was below 11%, but it rounded up to 11%. And this quarter, it is rounding down to 10%. So we had another roughly 40 basis point improvement in our churn rate.

Operator

Your next question comes from the line of Ross MacMillan with RBC.

Ross Stuart MacMillan
RBC Capital Markets, LLC, Research Division

Apologies if there's any background noise, I'm in an airport right now. But maybe just 2 quick ones. Mark, just on -- you mentioned that there were some product -- new product introductions that positively influenced demand in the quarter. I wondered if you could just double click on that and help us understand if that goes above and beyond Accelerators and what particular product features are customers gravitating to. And then secondly, maybe just for Jenny. You gave some numbers, and I'm not sure I got them all, about the number of customers that expanded. I think you said by over $50,000 in ARR. I wonder if you could just recap those numbers.

Mark P. Mader
President, CEO & Director

Yes. So in terms of the positive impact, so you have a variety of capabilities that were launched in quarter that were around improving the experience in our core product set. So that's really driving additional seed sales, if you will. The capabilities that we introduced at ENGAGE around new premium capabilities that people could purchase are around things that I mentioned in the call, around Data Uploader and Dynamic View. I think the one -- one of the ones that I'm most excited about is this notion of Dynamic View, which enables someone to take a data set and have tremendous control over how people can view and update that data. And then a lot of collaborative scenarios, solutions today in the market are very optimistic. They say, "Let's share with everyone. Let's invite everyone in. And you can be a viewer or an editor or an admin." Well, a lot of our enterprise customers have far greater needs than that. They say, "Within a data set, I can't even let you see something." So as opposed to just opening up a sliver of that data to view, we also now provide ability to view and update that in a very controlled manner. So that is something that certain enterprises assign value to, and that did influence some new bookings that we have not been able to realize in previous quarters. That's probably the most notable there. Jenny, did you have a comment to add as well?

Jennifer E. Ceran
Chief Financial Officer

Yes. So with -- I think this is what you're asking for, Ross. So we had 34 customers that expanded by more than $50,000 this quarter, versus 26 in the prior quarter.

Ross Stuart MacMillan
RBC Capital Markets, LLC, Research Division

Yes. That was the metric. I missed the comp from last quarter, so that's a nice pickup. And obviously, you commented on what drove that. I think execution, new product, the ENGAGE conference and so forth. Maybe just last one then, Jenny, just for me. As you think about you gave an updated guide on billings for the full year, how should we be calibrating as we think about our models for next year? I know we're -- you're not formally guiding for next year yet. But any initial thoughts on how to think about revenue growth or billings growth for next year?

Jennifer E. Ceran
Chief Financial Officer

No. I'm going to hold mostly of that until next quarter as we finish off our Q4. One of the things, though, you could look at is we've grown our ARR over the last 4 quarters over $60 million. And we believe we still have a big opportunity ahead of us, and we're going to go after it.

Operator

Your next question comes from the line of Richard Davis with Canaccord.

Richard Hugh Davis
Canaccord Genuity Limited, Research Division

When you kind of look at your company, one of the secret sauces is your kind of go-to-market selling motion and while, whatever, 5,000 ACV to ENGAGE a sale, so it's not gigantic, at the same time, as you kind of start to move upmarket, I mean -- and furthermore, it works when they engage your guys, but the question I had is really do you see the selling motion changing as you get even larger initial deal sizes? Or is this a business when you think about it where you're kind of -- you're at the right size of landing size and you're just trying to monetize like a super long tail opportunity because you'd have to think about this? I'm sure you're going up down -- up and down and all that.

Mark P. Mader
President, CEO & Director

Richard, yes, I would say that the new deals are still quite modest in size. So in terms of our land, a couple of thousand bucks, I mean, that can be relevant to almost every single company in the world. So I would say our selling motion really is around how do you deliver and demonstrate value to those existing logos over time. And the more effectively you do that, the more, we believe, we can grow ARR within those companies. So the selling move -- when you say moving upmarket, I think it's -- we want to emphasize the point extending upmarket. So I think when people talk about companies and where they focus, very often, they say, "Well, we started in the SMB, and we've moved upmarket," we are continuing to try and adopt companies of every size and deliver value for them. And then, for the companies who have significant needs, we want to pursue those with vigor. So the selling motion, I would say, is still around an inside sales motion coupled with strategic account executives in those areas where there's significant need. And the offerings and the portfolio that we present to those different buying classes will -- is really shaped by their needs then.

Operator

Your next question comes from the line of Terry Tillman with SunTrust.

Terrell Frederick Tillman
SunTrust Robinson Humphrey, Inc., Research Division

Actually, can you hear me, first of all? I should have asked that.

Mark P. Mader
President, CEO & Director

Yes.

Jennifer E. Ceran
Chief Financial Officer

Yes.

Terrell Frederick Tillman

SunTrust Robinson Humphrey, Inc., Research Division

Okay, great. Yes, Mark, my first question just relates to kind of the evolution of this market because it is a relatively new market. This is kind of a new layer, if you will, of software that's proliferating within organizations. You all find these use cases, the pain points and the opportunities and you get in there. But what I'm wondering is as you're all expanding these larger transactions, are you starting to show up on a radar screen of higher-level decision makers, like a chief digital officer, and starting to have conversations about how you could be on every desktop or every tablet or every smartphone for the entire knowledge worker base, the -- and company? Or is it -- is that just way out? Or how do you see that playing out?

Mark P. Mader
President, CEO & Director

I think what we're most excited -- at least what I'm most excited about is that we're starting to be in conversations about not just sort of team and divisional level improvements, but really, hooking to processes that matter at scale. So when you are talking to those executive levels, whether it's in the context of capital deployment, digital processes and events, I think as you go up, I would say it's not even skewed towards this notion of let's have a wall-to-wall conversation, but you're being hooked into conversations on things that they've identified as strategic priorities. And that really does soften the beaches as the other teams look to expand. But this notion of the earned enterprise is still very much there. This -- we're not switching to a top-down, hook to an executive and then push the solution on to the users. You still have to earn that. But let me tell you, having those conversations with execs absolutely soften the beaches.

Terrell Frederick Tillman
SunTrust Robinson Humphrey, Inc., Research Division

Yes, okay. And Jenny, I know last quarter, you talked about increased brand marketing investment. Could you maybe quantify -- beyond just the conference, could you quantify brand marketing? And then -- and how do you all measure return on investment and potential impact to billings going forward?

Jennifer E. Ceran
Chief Financial Officer

Yes. So in Q3, we spent a little over $1 million on brand marketing. And to be honest, we're just now getting back some of the results on that. But obviously, my expectation is that we're going to see increased awareness across organizations, especially enterprises with respect to Smartsheet. And then I would hope that over time, with the awareness of all the things that we do and solve for with everyday work and big problems, we'll see some benefit from that.

Operator

[Operator Instructions] Your next question comes from the line of Bhavan Suri with William Blair.

Arjun Rohit Bhatia
William Blair & Company L.L.C., Research Division

This is actually Arjun on for Bhavan. A great job on the quarter. Just wanted to ask one on the additional monetization opportunities, right. You've talked about all the products and features, premium features that you've introduced. I think you had the Accelerators, Dynamic View, Data Uploader, all those. But I'm just kind of curious, where is Smartsheet in terms of revenue from the core platform versus these premium add-ons today? And as you become more deeply ingrained in your customers' processes, what could this look like in the next 3 to 5 years?

Jennifer E. Ceran
Chief Financial Officer

Yes. So this is Jenny. I'll take this. So in terms of our bookings for the quarter, I think last quarter, we mentioned roughly 12% of our bookings were in nonseed-based licenses or subscription. We saw that definitely pick up this quarter, closer to the high teens, close to 20%. In terms of our revenue, it inched up

1 percentage point to 7% of our subscription revenue. And over time, just based on the opportunity that we have in these solutions, I would expect that it would grow. But I do think that we will see continued demand from seed licensing as well.

Arjun Rohit Bhatia
William Blair & Company L.L.C., Research Division

Great, that's helpful. And then maybe one more just broader -- a broader product road map question. Right now, it seems like Smartsheet's a horizontal -- it's mostly used for horizontal use cases. You have the Accelerators and M&A and sales enablement. But I just wanted to get a sense of how you're thinking about the opportunity to verticalize the solution at all, if that even exists. Is there a commonality that you've identified within the specific verticals? Just wanted to get an idea of where this might fit into your product road map.

Eugene M. Farrell
Senior Vice President of Product

Yes. I think that's a good question. This is Gene Farrell. I think that what we're seeing, in addition to the horizontal use cases, is a lot of opportunity across multiple verticals. And I think what you'll see us focusing on going forward is how do we continue to build capabilities and adapt the Accelerators to best serve the needs of those verticals. It's still very early, but you can look across whether it's construction or health care or retail operations, there are a wide variety of opportunities for us to go deeper into specific verticals and tailor solutions there.

Operator

There are no further questions at this time. Mr. Turner, I'll turn the call back over to you.

Aaron Turner
Senior Director of Investor Relations

Great. Well, thank you all for joining us today. We look forward to speaking with you again next quarter.

Operator
This concludes today's conference call. You may now disconnect.