UiPath
First Quarter 2022 Earnings Conference Call
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Presenters
Kelsey Turcotte, Investor Relations
Daniel Dines, Cofounder, CEO
Ashim Gupta, CFO

Q&A Participants
Keith –
Fred Havemeyer – Macquarie
Brian Bergin – Cowen
Sanjit Singh – Morgan Stanley
Sherry – Bank of America
Remo Lencho – Barclays
Michael Turner – Wells Fargo
Steve Koenig – SMBC Nikko
Matt Hedberg – RBC Capital Markets

Operator
Hello, and welcome to the UiPath First Quarter 2022 Earnings Conference Call. At this time, all participants are in a listen only mode. If anyone should require operator assistance, please press star, zero, on your telephone keypad. A question and answer session will follow the following presentation. As a reminder, this conference is being recorded.

It's now my pleasure to turn the call over to Kelsey Turcotte Investor Relations. Please go ahead.

Kelsey Turcotte
Good afternoon and thank you for joining us today to review UiPath's first quarter fiscal 2022 financial results, which we announced in our earnings press release issued after the close of the market today. On the call with me are Daniel Dines, UiPath's Co-Founder and Chief Executive Officer, and Ashim Gupta, Chief Financial Officer. We will open with prepared remarks followed by a Q&A session.

Our earnings press release and financial supplemental are posted on the UiPath Investor Relations website: ir.uipath.com. These materials include reconciliations of differences of non-GAAP financial measures to the most directly comparable financial measures calculated in accordance with U.S. GAAP. Unless otherwise specified, we will refer to non-GAAP metrics on today's call. The non-GAAP financial measures provided should not be considered as a substitute for, or superior to, the measures of financial performance prepared in accordance with U.S. GAAP. They are included as additional clarifying items to aid investors in further

understanding the company's first quarter fiscal year 2022 performance in addition to the impact these items and events have on the financial results. In addition, please note that we define ARR as Annualized Renewal Run-rate.

This afternoon's call includes forward-looking statements about future events, including statements related to our market and future growth opportunities, our vision and the benefits of our product platform, customer behaviors, the competitive landscape, our financial guidance and our business and results in the macroeconomic environment. Actual results may differ materially from these expressed in the forward-looking statements due to many factors and therefore, investors should not place undue reliance on these statements. For a discussion of the material risks and uncertainties that could affect our actual results, please refer to our earnings release and other reports filed with the SEC. Forward looking statements made on this call reflect our views as of today; we undertake no obligation to update them.

Now, I'd like to hand the call over to Daniel.

Daniel Dines
Thank you, Kelsey. And thank you to everyone for joining us on our first earnings call as a public company. We had a very strong start to the year. Before I begin, I'd like to acknowledge the impact COVID-19 continues to have around the world and especially in India, we are actively supporting our colleagues and their families in the region and recently contributed over a million incorporated employee donations to send and distribute oxygen supplies in the region. Our thoughts are with everyone impacted by this ongoing pandemic.

Turning to the business. Our leadership position in the RPA market is again demonstrated by our ARR growth, which increased 64% year over year to $653 million while net new ARR reach record $72 million. We continue to grow multiples of the market and take market share. In fact, for 2020, IDC announced that UiPath ranked number one in RPA, capturing eight points of share versus 2019.

Separately, in Gartner's latest market share research, UiPath added more revenue in 2020 than our top nine competitors combined. We believe that automation will be the next layer in the software stack. It brings together IT and knowledge workers to deliver the agility necessary to quickly adapt and respond to constantly changing business conditions. And it simplifies the sprawl of applications and databases.

Our vision is to enable the fully automated enterprise through our unique combination of UI automation, API Management and AI based computer vision to emulate human workers and assign, all automatable or to robot. This is an incredible market opportunity and automation is in our DNA. We have more than 15 years of market experience, including insights from our over 8,500 customers, which we believe gives us a significant advantage in the market.

The result is a unique combination of, first, our end-to-end automation platform that addresses the broadest number of use cases. Second, flexible deployment models, including on prem,

hybrid, multi cloud, and SaaS. And third, a large and growing ecosystem of go to market and technology partners, as well as the vast community of trained automation professionals. All of this results in fast time to value for our customers, and tremendous return on investment, that drives an automation first mindset.

And we are not standing still, as we continue to expand our competitive moat. Our ultimate product vision is for our user, not only to automate existing processes, but to design processes on our platform. This is a bold objective, and one we think is possible to achieve in the coming years as we push the boundaries of innovation. To that end, in May, we announced important new platform capability with the introduction of UiPath 21.4. These include three new products, cloud insights, automation cloud robot, and task mining, as well as over 100 major new feature and deeper integrations across every pillar of our end to end platform.

New enterprise scale management and governance control. And AI powered discovery, prioritization, and integrated development of the most impactful automations, including general availability of task mining. We also significantly expand our automation cloud capabilities to migrate, build, manage, and measure enterprise scale automation in the cloud. Automation cloud software robots deliver unattended robot capacity as needed, with no infrastructure where management required by customers. As of the end of the first quarter, more than 2,200 customers have adopted automation cloud.

Feedback during the beta process for 21.4 has been extremely positive and I'm incredibly proud of what the team has accomplished. 21.4 truly reflects the cutting-edge capabilities our customers need to accelerate their automation programs. It is the combination of user interface and API automation along with AI computer vision that differentiates us and enables human emulation in a resilient manner. In March, we expanded our API capabilities with the acquisition of cloud elements. This is a great example of how strategic tuck-in acquisitions accelerate our product roadmap and bring talent to the team.

To further accelerate customer success, we have built an ecosystem of go-to-market and technical partners, as well as the thriving UiPath community. For example, we are very pleased to have recently launched a Tableau activity with the world's leader in Visual Analytics. Users can now easily utilize data fully automated, produced or retrieved by robotic automations in their Tableau reports.

In addition, the UiPath extension for Tableau enables users to trigger a robot directly from a Tableau report or dashboard. On the go to market side, we grew our worldwide partner base by more than 35% year over year to more than 4,000. We also expanded several partnerships, including Deloitte, which is now the first GSI to become a certified UiPath service network partner.

They now have the most advanced training and resources to deliver UiPath implementations with a certified level of quality and rigor. In addition, we announced a global agreement with

Ingram Micro introducing a dedicated Ingram Micro team of UiPath expert to raise brand awareness and help channel partner sell, solution and provide RPA to their business clients. Ingram Micro is also UiPath customer, using our end to end platform to bring more efficiency and automation to thousands of its internal citizen developers worldwide.

Today, their team has automated 100 plus processes, and has plans in place to do even more. And finally, we continue to expand our UiPath community with the addition of seven historically black colleges and universities to our academic alliance. Robotic engineering is one of the fastest emerging jobs globally. And we are committed to democratize RPA technology and skills through our academic alliances, so that more people can be successful in the future work.

We will continue to push the boundaries of the fully automated enterprise and have recently been very gratified by important industry recognition. For example, in March, we were named a leader in the Forrester wave, robotic process automation. Among the 14 vendors evaluated, UiPath earned the highest ranking in each of three categories, current offering, strategy and market presence. We are humbled by this acknowledgement, and we will strive to maintain our leadership position.

Before I turn the call over to Ashim and we take questions, I would like to thank our employees, partners and shareholders for their confidence in UiPath as we take this next step in our journey. We firmly believe that we are at the beginning of a unique market opportunity that will truly change how people experience work.

With that, I'll turn the call over to Ashim to discuss our Q1 performance and guidance in more detail.

Ashim Gupta
Thank you, Daniel. And thank you everyone for joining us today. We are very excited to be embarking on this next phase as a public company. I am very pleased with our first quarter results, which yet again delivered meaningful growth at scale. Given our total addressable market of over $60 billion, the continued expansion of our automation platform and our validated lead in the market, we believe there remains ample room for us to continue to drive durable long-term growth.

As the market leader we know the inflection point in the adoption of automation is now as customers are choosing their long-term strategic partner. And as our results underscore, we are consistently winning these competitive evaluations and plan to continue to innovate, invest and execute to widen our competitive moat, with a focus on: first extending our technology leadership. Second, expanding our ecosystem of go to market and technical partners, as well as our community. And finally, attracting and retaining world class talent.

Before discussing the details of the quarter, I would like to emphasize the financial strength of our business model. We have a highly recurring subscription based business, primarily contracted annually and billed in advance. Our technology is incredibly sticky, resulting in best-in-class dollar base gross retention and net retention rates.

We offer our customers flexible deployment models on prem, hybrid, cloud and SaaS. The mix of which can create lumpy revenue recognition, particularly from licensed revenue under ASC 606. As a result, we remind you that we run and manage our business on ARR, which is most representative of the underlying performance of our business.

Moving on to first quarter results. Please note, that all growth rates are year over year unless otherwise indicated. First quarter ARR was $652.6 million, up 64%. We delivered record incremental ARR, which grew 55% to $72.1 million. We ended the quarter with more than 8,500 customers with great new logos including a ApplyBoard, Global Health Care Exchange, Overstock, Ralph Lauren, Siemens Mobility and the State of North Carolina.

Expansion metrics remain best in class as existing customers accelerated their adoption of our platform and deployment of our software robots. We now have 1,105 customers that account for at least $100,000 in ARR, up sequentially from 1,002, including 104 customers at a million dollars plus, up sequentially from 89. Notable new logos and customer expansions during the quarter included:

first, Verizon Communications which became a customer in July 2019 to support their attended automation needs. After their successful initial deployment, Verizon shifted their focus to how they could use our full platform to achieve automation at scale. While continuing to expand their attended automation footprint, they are planning to now also focus on finding transformational business insights using process mining to enable a workforce of unintended robots. Verizon now benefits from the value of our end-to-end an interconnected automation platform.

Second, Fifth Third Bancorp started their automation journey with UiPath in April 2020, as a part of a broader digital transformation effort. The move to our platform using document understanding and process mining accelerated their automation program, a common thread we often see, helping the bank tackle some of the highest impact processes faster. In the past quarter, we entered into a long term partnership to not only increase efficiency across their employee base, but also improve customer satisfaction.

And finally, Hackensack Meridian Health, the largest hospital system in New Jersey, which became a customer in late 2019 started their program in the finance department.

Beginning in 2020, they set up a full automation program and delivered 70 automations in seven months across finance and accounting, revenue cycle management, accounts payable and IT, saving approximately $1.2 million. Given the success of the program and its initial phase,

in April 2021, HMH expanded their program to multiple departments, including IT, purchasing and HR. To accelerate automations HMG enabled a new class of citizen developers, added test suite for faster implementations and introduced Action Center, which lead to tighter human and robot collaboration.

HMH is poised to realize approximately $10 million in annualized benefit by the end of March 2022.

These are just a few examples of customers expanding automation across multiple departments and increasingly buying multiple parts of our automation platform, leveraging our expanded cloud deployment offering and adding test automation and process discovery capabilities. This is what a world class land and expand model looks like in practice and how it has contributed to our strong year over year growth.

Turning to revenue, profitability and cash, I will be discussing results on a non-GAAP basis unless otherwise noted. First Quarter GAAP revenue increased 65% to $186.2 million and was balanced across regions. We successfully closed several large multi-year deals during the quarter, including a handful totaling $4 million in first quarter revenue that were originally in the pipeline for second quarter.

GAAP remaining performance obligations or RPO, were $463.9 million dollars, an increase of 96% year over year. While growth at scale is our priority, we continue to drive operational rigor which has resulted in strong unit cost economics, positive operating income and improved free cash flow. Of course, software robots are key to UiPath growing profitably and our own Automation Center of Excellence has created 300,000 hours of incremental capacity since 2019, with automations deployed enterprise wide.

Gross profit margin in the quarter was 87.6% compared to 88.8% in the prior year period. Operating expenses for the first quarter totaled $147 million. Investments included headcount additions across our sales force and customer success teams to meet the growing demand and engineering teams to drive future growth. GAAP operating loss of $236 million included $250.8 million of stock compensation expenses, mainly related to our recent IPO.

We delivered our second quarter of positive non-GAAP operating income of $16.1 million, compared to a loss of $36 million in the prior year period. Free cash flow in the quarter was negative $20.1 million, compared to negative $24.6 million in the prior year period. First quarter free cash flow reflects seasonality, including our annual bonus payout and sales commissions related to fourth quarter performance.

Turning to our balance sheet, we ended the quarter with $1.9 billion in cash cash equivalents, restricted cash and marketable securities and no debt. This includes the $692.4 million in net proceeds from our April IPO. As this is our first quarter providing guidance, let me begin by emphasizing the core principles by which we plan to run and assess the company. We are

building a generational company, the secular trends that our market are only strengthening as our prospects and customers adopt an automation first mindset, driving more use cases and deployment of more software robots.

In addition, we believe that our relative competitive positioning is only strengthening, and we are only in the early stages of what is to come. From a financial perspective, this means running the business with metrics that drive the right behavior, and most beneficial outcomes for our customers, partners and shareholders over the long term. Turning to the numbers, this afternoon's guidance reflects confidence in our market, product portfolio and competitive positioning.

For the second quarter fiscal 2022,
- We expect ARR to be in the range of $702 million to $704 million. As I have emphasized repeatedly, ARR is the key metric for measuring UiPath and it lays a strong foundation for the company as we scale.
- We expect revenue to be in the range of $180 million to $185 million. Given the variability introduced by ASC 606, we do not focus the business on short term revenue growth, which can be lumpy quarter to quarter and dislocated from ARR and the long-term growth and health of the business. This is evidenced by the fact that second quarter revenue is expected to grow 31% at the midpoint of guidance, while ARR is expected to grow 55%. Last year, we closed several large multi-year deals in the second quarter, which drove significant revenue contributions under 606.
- And we expect our non-GAAP operating loss to be in the range of $35 million to $25 million, as we continue to invest in the business while still driving efficient operations.

For fiscal 2022.
- We expect ARR to be in the range of $850 million to $855 million dollars. Our robust pipeline of both new and expansion deals is reflected in our ARR our guidance for the second quarter and full year underscoring the continued momentum in our business.

Finally, we expect basic share count for the second quarter to be approximately 515 million shares outstanding.

In summary, the opportunity in front of us is enormous and growing. Our strong first quarter results in guidance reflect the growing momentum in our business, and the power of our automation flywheel. We are building an innovative and enduring company and remain focused on helping our customers and partners transform how people work by unlocking human creativity through automation. This is an exciting time for UiPath, and we look forward to speaking with many of you throughout the quarter.

 We'll now take questions and I'll turn the call over to Kelsey.

Kelsey Turcotte

Great. Thanks everyone for joining us. Our first question is from Keith Bachman. It's for Ashim. Could you provide color on the impact to growth in the quarter of existing customers, those driven by net retention rate and new logos, and what you anticipate the impact of those two will be over the course of the year?

Ashim Gupta
Thanks, Keith. I just want to start by emphasizing the strength of our quarter. $653 million of ARR and a record quarter of incremental ARR breaking $70 million at $72 million total incremental ARR. When you look at that growth, it was really founded on the fact that we're continuing to add customers at a really fast pace. So, our customer count is now greater than 8,500 customers. That's up more than 600 sequentially, and 2,400 year over year. Quite frankly, this has exceeded our expectations. And we're looking forward as our pipeline continues to be strong.

When you look at our net dollar retention rate, it continues to be very strong and best in class in expansion. Greater than 80% of our ARR comes from expansion versus new logos, which shows you the strength of our land and expand model and the demand for automation in this massive market. We have expanded the platform with every release that you've seen. Task mining automation cloud, we look at these these items in our product roadmap to continue to fuel really both the acquisition new logos, as well as the expansion opportunity that's in front of us.

And as the base gets bigger, the ratio will shift towards expansion. That's just math. We feel really good about where ARR growth is. And our guide of 47% year over year at the midpoint shows you that confidence as we're growing at significant scale.

Kelsey Turcotte
Great. So the next question comes from Macquarie, Fred Havemeyer. There appears to be a shift in your model towards shorter inversing duration, with some multi contracts mixed in. Could you describe how this duration shift impacts both your revenue and ARR? And also why you believe ARR is more accurate measure of your company's momentum? Ashim, could you give us a couple thoughts?

Ashim Gupta
Yeah. Sure. Fred, great question. ARR, And I constantly emphasize this, is the foundation of our model. And the way that we calculate ARR, which has been disclosed, is really largely not impacted by duration at all. We view duration, what is best for our customer adoption, not as a tool to make financial metrics. And so therefore, we run and manage the business and sales force to ARR.

Going to gap revenue. You know, as I've stated, we're under 606. We do not think that that is a really good representation of our business model, as it is impacted both by deployment models, as well as total contract value, which again, we look at that as really should be driven by

customer choice. And as durations vary, based on customer preferences, GAAP revenue increases, based on multiyear commitments signed. All of those elements are going to create variability and noise, especially in year over year comparison.

ARR for us takes all that noise out. And so, it really gives you a representation of the true growth of our company, and in the true demand from our customer base. So, our messaging, our emphasis, which is consistent between external and internal is around ARR. We've proven the stickiness and the strength of our product, as well as our balance sheet. So, we view ARR as the primary focus of all of our sales contracts.

And while our go to market model has existed for the last five years, we really been at scale for two to three years. And so, we see tremendous opportunity in front of us and we'll continue to drive our teams to ARR and then look at GAAP revenue as something we're not going to overemphasize.

Kelsey Turcotte
Great. Thanks Ashim and thanks, Fred. Brian Bergin, next from Cowen. Actually, Daniel, this one's for you. What's your response to the competitive threat that Microsoft brings? When do you think about the market opportunity for enterprise process automation? And how do you consider the relative mix between simple attended only automation cases and some more complex attended and unattended cases?

Daniel Dines
Thank you, Kelsey. I would start by saying that we are very differentiated, first of all, in our philosophy towards automation. We have a unique platform that aims to emulate people in their work. Microsoft has built a low code , no code platform whose main goal is to provide new applications and analytics to the people. They are like comparing apples to oranges.

Our approach is extremely difficult to replicate. It requires a huge experience curve that we have built over the last 15 years. Our platform is a combination of UI, API and computer vision AI that is, again, extremely difficult to replicate and is our secret sauce. Moreover, I would say that our differentiations come from the three major directions.

First of all, we have this unique end to end, horizontal platform that is really necessarily to win in this space. And this is a space that is about the highest return on investment and the fastest time to value that I'm seeing almost ever in the world of enterprise software. We are in the business where we can prove the return of investment and that was very beneficial throughout our history. We consistently have proven, and we have beaten our competitors with our technology.

If you go there, and if you can show that you are able to implement in halftime, imagine the exponential return on investment that happens when you deploy at scale. And by the way, we

are a technology that is proven to deploy at scale. While I would say that Microsoft's approach has not tested large scale deployments.

A second important differentiator for us is our ability to accommodate our customer's infrastructure and our flexibility of deployment. We're able to deploy in a multi cloud, multi-platform approach. And we respect our customers choices, and we don't lock them in, in a particular cloud or in a particular infrastructure.

And third, it's our ecosystem, which is really important in delivering automation at scale. But I would like to conclude, talking about our thought leadership. We are here to advance our semantic automation platform. And this is the plus word that emulates people.

And generally speaking, there is an extraordinary amount of semantic information that you can find in documents, in user interfaces, in conversations, that has been largely untapped by now. With our advance in computer vision and machine learning, we are the first company able to tap into this trove of information. And now our newly released of task mining is one of the first that goes deeper into this direction.

Kelsey Turcotte
Great. Thank you, Daniel. We're going to open the call up to questions now. We're asking that each one of you ask just one question and one follow up. And then if you have others, please get back into the queue. So, operator, I'm going to turn it over to you right now.

Operator
Thank you. That's star, one, to be placed into question queue. And as a reminder, please ask one question and one follow up. If you'd like to remove your question from the queue, please press star, two. Once again that's star, one, to be placed into question queue, star, two, to remove yourself. And please ask one question in one follow up then return to the queue.

Our first question today is coming from Keith Weiss from Morgan Stanley. Your line is now live.

Sanjit Singh
Thank you for taking the questions. This is Sanjit Singh in for Keith Weiss. Congrats on a really strong set of results to start off the fiscal year. I wanted to talk about the platform. Daniel, you were sort of mentioning some of the highlights, including tasks mining, cloud automation robots. As we think about where the automation platform is heading, where does sort of low code as a piece of the puzzle stand from your perspective, in terms of building out that sort of end-to-end automation play? Is that something that you think of as a partnership opportunity? Or is that something that's a capability that you sort of bring into the platform over time?

Daniel Dines
Well, I would like to start by saying, we have been a low code, no code automation platform since the beginning of our existence. Democratization of automation was always a pillar of our

success. But indeed, we were a platform dedicated to automation. We are considered by independent reviews and by our revenue, one of the largest, if not the largest, low code, no code platform that exists today in the business.

If you look at the platform like G2, it's overwhelming the amount of positive reviews there. And that was completed by our recently introduced no code application platform. I want to remind you that we believe that automation is a new layer that will sit on the top of applications. And this new layer will be the only layer that will connect end users with the automations. So, we really believe in our approach.

And honestly, if you are looking at a lot of local no code platforms, you will see that the end result in many cases, it's actually an automation. So, I feel that we really have a very strong angle to enter in this market. And we are always going after respecting our customer choice. And the very encouraging fact is, that we have seen a tremendous adoption of of our no code, low code application development, having like, for instance, in the first month, more like than 2,000 applications created on our platform. So I truly believe that low code, no code was the quintessential aspect of our success and we are continuing to invest here.

Sanjit Singh
Understood and makes a ton of sense. As my follow up, I guess this question would be more for Ashim. The first quarter ARR results were pretty strong on an overall basis, but even on an incremental basis. And you sort of talked about some of the expansion opportunities as well as the pipeline going into the rest of the year. As I look to the Q2 ARR guide, it does imply that the incremental ARR comes down year over year, I just want to get a better understanding of sort of what factors in terms of conservatism through sort of embedding in your forecast, as with respect to customer expansions, or net new ARR contribution coming in the door?

Ashim Gupta
Yeah. So, our philosophy on guidance and the way that we guide is, to provide guidance for what we have clear visibility right in front of us. I would say, we continue to have strong confidence in the market that we're creating, operating in a $60 billion plus TAM. We see the strength of our land and expand model. As you said, we have great momentum that is moving forward with us.

Today, I'm guiding based on what I see right in front of us. We have a quarter to continue to execute. And we've got great tailwinds, especially with the release of 21.4. And the functionality it provides to continue to give high ROIs to our customers. I actually have a lot of confidence right now, in not just our guidance for second quarter, but also for the full year.

Operator
Thank you. Our next question today is from Brad Sills from Bank of America. Your line is now live.

Sherry

Hi. This is Sherry on for Brad. Thanks so much for taking my question and congrats again on a great quarter. I was just wondering on the cloud offering, how the adoption has been tracking and what percentage of revenue it represents? And maybe just some more color on the benefits of running UiPath on the cloud and what barriers may prevent certain organizations from adopting the cloud offering? Thank you so much.

Ashim Gupta

Yeah. So, great question. Let me start. And then I will start with the numbers and then Daniel, I'll turn it over to you in terms of the benefits that you see kind of from a technology standpoint. I would say, we still see, from an overall standpoint, cloud is a really fast adopting part of our platform where customers are using cloud components, not necessarily all full SaaS but including our hybrid offering.

It's still a small percentage of our revenue, but with really rapid applicability and excitement from our customer base, particularly in the small and mid-market customers and our commercial customers that we see there. So, in terms of go forward revenue, or kind of how we're thinking, it really is tracking more towards what is best for our customer versus any significant impact on the financials as we see it. Just from a customer point of view, and then I'll turn it to Daniel in turn of specific capabilities, it really helps to speed especially for that commercial customer base.

It speeds up their adoption cycle as they don't often have large IT infrastructure, or IT organizations that are a part of that. So, this gives, really expands customer choice based on where they want to invest time and their individual preferences. And that to me, is why you see us continuing to accelerate our view customers crossing 8,500 this quarter. Daniel can add some color in terms of additional technical features and other features that our customers see.

Daniel Dines

Yes. Cloud is an essential part of our strategy to reduce the friction of adoption for our customers. But again, doubling down on what Ashim said, we are here to respect our customer technology choices. Our cloud strategy is multi cloud, we build for all major clouds. And our strategy is multi-platform. And we are gonna introduce later this year our support for executing automations on Linux and Macs, and that will increase, actually, our TAM.

Sherry

Got it. Thank you so much.

Operator

Thank you. Our next question today is coming from Raimo Lenschow Lencho (SP) from Barclays. Your line is now live.

Raimo Lenschow Hey. Thank you and congratulations from me as well. I had a bigger picture question for maybe Daniel here. Task mining, Daniel, like, how do I have to view that? To me, it almost suggests that you can, it's almost like a leading driver for future RPA. Because if you identify the areas, you can automate more in the task mining part, and you can put RPA on then process mining comes in and you kind of create like a full circle in terms of your client relationship. Is that the right way to think about it? And is it as important as I think, can you talk to that please?

Daniel Dines
Yes. I think this is absolutely correct. This is, task mining, it's basically one of the initial propellers of the flywheel of automation. I'm very excited about this release, it has been like two years or more in the making. It's the most complex AI project that we at UiPath have done today. And it was the culmination of computer vision and machine learning investments over the years.

It really is going to provide the acceleration of discovery of opportunities for automation. It's going to multiply the number of automations on the top of the funnel. It's going to increase the stickiness of our platform. And it really addresses one of the bottlenecks of large-scale adoption. But I would like to also reiterate what I said in the beginning. Task mining is one of the core pillar of a semantic automation platform.

Think about all this information that is available on the screen, in documents and in other human interfaces. They are largely untapped by automation and by big data today. So, were getting to understand this data. This is what you call it a semantic automation platform. We are getting to understand this data like a human user, and I think this is extremely powerful.

Ashim Gupta
And then, hey, Raimo, just the other piece for us is, we're really excited about, we both have a monetization play with this. But it really also helps to drive automation and automation opportunities, and the demand for automation in our customer base. We already have a world class net dollar retention, as you know, and this further strengthens our land and expand model. And if you think about what customers are saying, our customers actually, especially those who have previewed, it is not just a capability they want, it helps the COEs internally go across departments go across every single process to find every automated process, which further reinforces the $60 billion plus TAM in which we're trying to win that unfair share of.

Remo Lencho
Okay. And to follow, it's funny, you kind of chimed in Ashim, because that was my follow on question. Like, if I look at your NRR are you kind of operating like way above like industry standards? And so, the question for me was more like, how do you think about the sustainability of that number? Even if you come down a little bit, you're still going to be way ahead of other vendors and other players, but like, how do you think about that number going forward?

Ashim Gupta
Yeah. Right now what I see in front of us, I actually see a tremendous demand for automation and our platforms. So, if you look at two things, we've been out there for five years plus, like with a great go to market model. But as we said, we really been at scale for the last two to three years. Take a company, like Hackensack Meridian Health for us. And I mentioned this earlier. They started in the finance department, they're able to grow across every single department.

Now, you put task mining in there, you put the other process discovery in it, you put insights into it, you bring human in the loop, all of the features that our incredible technology team has been releasing, and as has been releasing at a faster pace, for me, that continues to fuel world class expansion in every single one of our customers. So, we're really confident about our ability to sustain that, not just by the features that we're producing, but the ability for our platform to handle the amount of automations and the diversity of the automation at scale for our customer base. And that really creates an exciting future for us.

Operator
Thank you. Our next question today's coming from Michael Turner from Wells Fargo Securities. Your line is now live.

Michael Turrin
Hey, there. Thanks and congrats on reporting the first quarter here as a public company. Ashim, you've shown a quick ramp in margin over the past year. It looks like sales and marketing spend is actually still down modestly on an absolute basis versus where that number stood in Q1 of last year. Can you just talk about how you view the balance between growth and margin here? How much of that scale might be partner enabled? And should you be spending even more here, given commentary around the inflection point in this market is happening now?

Ashim Gupta
Yeah. So, the numbers actually are masking the continued investment that we were putting in our go to market team. So, first, let me emphasize that. We are first and primarily focused on investing to capture this large and early market that is in front of us. When you look at the numbers that we've reported, there are two pieces to count when you're looking at a year over year comparison for sales and marketing.

The first is, we had a change in our accounting policy relative to sales compensation, which had a $10 million impact year over year, deferring some of that compensation expense over life of contract versus taking more of that upfront. When you adjust for that and you account for the fact that really COVID, the COVID adjustments of zero marketing events, travel, etcetera, was last year, we had half of a quarter in which that was live. And then this year, we're just beginning to open up. When you account for both of those, you actually see a good dollar investment in our sales and marketing line.

We continue to be hiring at a rapid pace to support, frankly, the large demand an increase in demand in our pipeline, the demand from our customers to help them on their automation journeys, and the demand for our partner from our partners as well. So, that increase in demand means that we're going to have an investment first mindset, as we look at this. And our leadership position gives us a lot of confidence to invest. If you look at Gartner and Forrester, that clear leadership position gives me a lot of confidence in the ROI that we're going to be able to sustain through the investments we've done, and we will continue to do and sales and marketing.

Michael Turrin

That's all super helpful color. Just a quick follow on. In terms of expansion rates, you've referenced the focus there throughout the call. Any commentary you can share on how that metric came in this quarter relative to historical? And if not, maybe you can at least remind investors what expansion is a function of and the model here and the general cadence you see within customers?

Ashim Gupta

Yeah. So, let me define it for for anybody who's learning about our company. So, net dollar retention rate essentially, is the calculus that says, how much does a customer continue to expand after their initial land or their initial purchase of automation. And that is fueled by the fact that many of our customers start with single points of automation, and then rapidly expand across different processes, different departments, and different employee bases. And so that creates more demand for our platform, the UiPath's platform and robots, and that translates to more ARR dollars for us.

When you think about our quarter, I would say we continue to be in a best in class expansion territory. Just to give you some color around it, our expansion shows that we actually now have 1,105 customers with ARR values of greater than $100,000. And you look at our customers greater than a million dollars, that is 104 customers that are now spending that are spending a million dollars more for us. So, that is 126% growth for the million dollar customers and 60% growth for our $100,000 plus customers. All of that contributes to the record incremental ARR of $72 million that we've had.

And what really is exciting is that our customer base, as it grows, will translate into this expansion, which gives us a lot of confidence as many companies are just beginning their automation journey. Which means that our growth, we have a lot of confidence, and not just the durability of it, but the the stickiness and the demand from our customers.

Operator

Thank you. Our next question today is coming from Steve Koenig from SMBC Nikko. Your line is now live.

Steve Koenig

Hi, thanks, guys. Congratulations on the quarter. One question really about kind of the platform and the product roadmap and then a quick financial follow up. So, your churn is very low, you have very high dollar base net retention, best in class. I'm curious, if we get more granular and talk about retaining and increasing engagement with individual users, kind of turn on a user level, so that automations stay current, and they're put to full use. Can you talk a little bit about what elements of your product roadmap play into that and are most important in realizing this goal? And then I've got one financial follow up if you don't mind.

Daniel Dines

I would like to say that for our platform, innovation is the key. We have a platform that addresses different personas, from professional developer, to citizen developer, to the business users to IT, to operations to process owners. We have the largest group of engineers that are here in the automation field. We are investing in RPA since so many years, and this is a quintessential part of our platform.

Our strategy is always to accelerate adoption for customers, and always provide the highest return on investment, faster time to value. One of the main pillar of our product strategy is to reduce the implementation time, reduce the maintenance time, because in turn, it exponentially increases the return on investment. With 21.4, we continued to listen to our customers. We have launched task mining, we talked about, but we also have launched our cloud robots offering, which is a continuation of the advance of our automation cloud.

We have launched more governance tools, centralized cloud based governance tools, and we will continue to push the boundaries of what is possible. Our vision, our ultimate vision is business users will start designing process in an automated manner on our platform, not only automating existing manual processes.

Ashim Gupta

I'll just add from a customer perspective, the user, we see users actually high stickiness. We don't see licenses being migrated around to different users, because it gives--think about a user who, for one of our largest financial customers, they want to spend time doing analytics. And so, if you look at Bank of America, where we have our products sitting with analysts to go and get data, they don't want to go back to the old way of doing things.

So, our platform is really making it broader. The breadth of use cases we can give allows for that grassroots demand. And that is actually one of the things that is fueling our stickiness at an enterprise level is the stickiness at the user level itself. And more users are demanding it, which is fueling our expansion metrics as well.

Steve Koenig

Terrific. And thanks. And I'll just pivot then to the the other part of incremental ARR, from new logos. Ashim, you gave us some good color around that. After the Q1, anything you're seeing to change your view on incremental ARR from new logos inflecting positively this year? That's all for me. Thanks very much.

Ashim Gupta

Yeah. I continue to feel, we continue to feel, and in the discussions here, the TAM $60 billion is real. Every single industry, every single department, every single process, every single employee, we see that enriched in really the pipeline of what we look at. So, you can see also customers migrating away from our competitors, and to us. And that is not just necessarily just about the strength of our individual components, but that is the strength of our entire platform.

If you look at Verizon, they've expanded with us in terms of a customer base, but that is fueling interest across so many other companies that are now coming and giving us that inquiry to come in. So, we actually feel really strongly about the pipeline, and the validation of our market, as well as the execution of our sales team and the investment that we've made with our inside sales teams. Now, having inside sales teams, in really core centers in both the US as well as globally, I have a lot of positivity in terms of the continued execution and trajectory on not just expansion but new logos as well.

Operator

Thank you. Our next question today is coming from Matt Hedberg from RBC Capital Markets. Your line is now live.

Matt Hedberg

Hey, guys, thanks for taking my questions and congrats on the IPO and the quarter, obviously. I had a question for Daniel. When you think about the that aha moment that customers have, because I think one of the things that really stood out to me was such high ROIs from customers all in on on UiPath. I guess, from your perspective, what is that aha moment when a customer goes all in? And are there things that you're specifically doing, the lessons learned that that can help accelerate that learning?

Daniel Dines

Well, I've seen, really customers have been multiple aha moments. The first one is, when you see the first time robot running. And I've seen the people in operations doing this for many years, say, wow, I don't have to do this again. And that has helped us lead our initial length. But in terms of expanding, I think the aha moment is about realization.

This technology is truly horizontal. It doesn't depend on a particular application and it reuses the existing workflows. This is a key aspect of our technology. It produces a huge return on investment, because it reuses the manual existing workflow that customers have invested tons

of money into building it, and this is how they run the operations. So, this aha moment led to a strategic c-level sponsorship of enterprise wide automation.

And the first one of this magnitude, I've seen starting with 2017, for instance, SMBC, one of our major, one of our biggest customers have started a big initiative, top level, going for the entire bank, and they have achieved return of investment in the tune of half a million dollars. And we are seeing more and more customers thinking enterprise automation at scale day one. Applied Materials, it's another customer. I remember a great discussion with their CFO and the head of operations saying, Daniel, I know that we are late to automate, but we want to build a completely automated finance department, and they did it.

Matt Hedberg
That's super helpful. Then maybe just one more on the competitive side. Somebody asked earlier about Microsoft. The one that I always get, and I'm sort of curious on your perspective is, the platform vendors, the ServiceNow, the Salesforces of the world. As they implement additional native RPA or low code, no code capabilities, how does that impact the market versus more of a sort of a player like yourself that can play across multiple clouds of hyperscalers or platform vendors?

Daniel Dines
I think by its nature, automation is more of an agnostic, horizontal type of technology. A particular application vendor will build automation that, most importantly, addresses the needs they see on their platform. And they naturally will be less focused on other platforms. We, being independent, are really paying the same level of attention to major business application platforms. This is actually what our customers are requiring from us. Many customers are really afraid of vendor locking and this is an additional investment that will basically completely capture them within a business platform.

When you actually elevate your processes above the business applications, you can achieve much better flexibility in adopting cloud and migrating from one version of the platform to the other. And this is what our customers really are demanding. Our 8,500 customers that we have are a testament. We have more than 65% of Fortune 500 customers, and this is a constant theme. Automation is agnostic to the business application platform.

Operator
Thank you. We've reached the end of our question and answer session. I'd like to turn the floor back over to Daniel for any further closing comments.

Daniel Dines
Thank you. Before we conclude, I'd like to highlight a good friend and valuable board member, Tom Mendoza, who has decided to retire from the board. Tom joined us almost four years ago and it has been an absolute honor to work with a person of such energy and humble character. I really thank him for his time with us. I also want to thank the UiPath team for their hard work

and dedication to our customers, and our mission of unlocking human potential through automation. We live our ways of being humble, bold immersed, and fast every day, and I'm very grateful for all that they do. We look forward to speaking with many of you throughout the quarter. Thank you.

Operator
Thank you. That does conclude today's teleconference and webcast. You may disconnect your line at this time and have a wonderful day. We thank you for your participation today.