

Global Innovation

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MongoDB – Making a profitable move

Innovation cash kings of the next decade - In this series we look at the standout companies that are 'pivoting to profit' and are at an inflection point of converting customer-driven innovation into shareholder value. In the penultimate article of this series, we take a closer look at MongoDB.

You might not be familiar with MongoDB yet while this American company which provides a popular NoSQL database solution might not always be in the limelight, its impact on the tech world is undeniable.

Directly or indirectly, you will have encountered platforms and services powered by MongoDB. If you've engaged with Adobe's digital platforms, MongoDB plays a pivotal role, powering Adobe Experience Manager to provide consistent digital experiences. Fitness enthusiasts tracking their performance on apps like Strava indirectly leverage MongoDB's efficient data handling capabilities. Meanwhile, shoppers worldwide, browsing through Gap's vast collection, experience a smooth digital journey, thanks in part to MongoDB's scalable database solutions.

MongoDB's inception by co-founders Dwight Merriman and Eliot Horowitz was driven by their experiences at DoubleClick, acquired by Google for \$3.1 billion in 2007, where they grappled with the inflexibilities of traditional relational databases. Recognising a growing need for scalability and agility in the digital era, they sought a solution that would enable horizontal scaling – when you increase the capacity of a system by adding additional machines – offer a flexible data model, and boost developer productivity. They also saw the potential in an open source model, believing it would catalyse innovation and broaden adoption.

This ethos led to the creation of MongoDB, a NoSQL database tailored for the modern web's demands. Today, MongoDB has established itself as the clear next-generation database leader with over \$1 billion of annual revenue, while its core Atlas (database-as-a-service) offering has grown 85% year on year (MongoDB 2023 report).

The global database market is estimated by the International Data Corporation to reach \$138 billion by 2026. With MongoDB still having market share in low single digits – the market being dominated by known names such as Oracle, IBM and Microsoft – the company arguably has a real growth opportunity ahead. Its core product Atlas differentiated itself in the market due to its developer-centric simplicity, multi-cloud support, and robust

security. It is designed to allow developers to focus on building applications, as Atlas handles operational intricacies with features like automatic scaling, integrated backups, and performance optimisation tools. The Atlas product has been downloaded 240 million times since 2009, including 85 million times in the last 12 months (MongoDB 2023 report). MongoDB has a consumption-based model, offering a free tier for beginners and scaling costs as usage intensifies, ensuring customers only pay for what they use, similar to other cloud service providers such as Snowflake.

MongoDB, like many other tech startups, initially pursued aggressive growth, emphasising adding new users rather than making a profit. This strategy has resulted in the company growing by 35,200 customers in total and even adding 2,200 new customers in the last quarter.

While these strategic foundations strengthened the company's status as the top NoSQL database provider, questions emerged last year about the longer-term profitability of the business. In response, this year MongoDB has shifted its focus towards sustainable growth. It has streamlined operational costs, enhancing efficiency without sacrificing product quality. While maintaining its core product as open source, it emphasised monetising premium services, with MongoDB Atlas being a notable example, targeting businesses seeking managed solutions.

Moreover, rather than just expanding its customer base, Mongo DB concentrated on deepening ties with existing clients, prioritising tailored solutions and retention. In response, the company has recorded a profit of 6.1% last quarter versus -1.5% a year ago. We expect this to be the beginning of MongoDB's path to profitability.

While prioritising profit, the company has not forsaken innovation, continuing substantial R&D investments to stay ahead of competitors. MongoDB's evolution away from aggressive expansion to sustainable growth is an example of a tech startup's maturation and the start of its next phase of growth. This could provide an attractive opportunity for long-term investors.

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