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CORPORATE PARTICIPANTS

Christine Greany *Blackline Inc. - IR*

Therese Tucker *Blackline Inc. - Founder and CEO*

Mark Partin *Blackline Inc. - CFO*

CONFERENCE CALL PARTICIPANTS

Terry Tillman *Raymond James - Analyst*

Mark Murphy *JPMorgan - Analyst*

Matt Lemenager *Robert W. Baird & Co. - Analyst*

Bahvan Suri *William Blair & Company - Analyst*

Jesse Hulsing *Goldman Sachs - Analyst*

PRESENTATION

Operator

Good day ladies and gentlemen. Welcome to the BlackLine fourth-quarter 2016 financial results conference call.

(Operator Instructions)

This conference call is being recorded. I would like to introduce your first speaker for today, Christine Greany. You have the floor.

Christine Greany - *Blackline Inc. - IR*

Good afternoon and thank you for your participation today. With me on the call is Therese Tucker, Founder and Chief Executive Officer of BlackLine; and Mark Partin, Chief Financial Officer. Before we get started, I would like to note that certain statements made during this conference call that are not historical facts, including those regarding our future plans, objectives, and expected performance, are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995.

These forward-looking statements represent our outlook only as of the date of this conference call. While we believe in forward-looking statements we have made are reasonable, actual results could differ materially because the statements are based on our current expectations and are subject to risks and uncertainties.

We do not undertake and expressly disclaim any obligation to update or alter our forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law. Also, unless otherwise stated, all financial measures discussed on this call will be non-GAAP.

A discussion of why we use non-GAAP financial measures and a reconciliation schedule showing GAAP versus non-GAAP results is currently available in our press release, which may be found on our Investor Relations website at investors.blackline.com, or on our Form 8-K filed with the SEC today. Now, I'd like to turn the call over to Therese to begin.

Therese Tucker - *Blackline Inc. - Founder and CEO*

Good afternoon, everyone, and thank you for joining us today. I am very pleased with BlackLine's Q4 and the overall very busy year of 2016. We executed well and gained momentum in some key areas. Our total non-GAAP revenue reached $124 million for FY16, reflecting a year-over-year growth rate of 48%.

For me, one of the primary benefits of being public is my ability to create more BlackLine evangelists. So if you are on this call, and invest in, analyze and work with other companies, I'd like for you to ask their CMOS, how they close their books and how they produce their financial reporting results. Is it manual labor intensive?

Have they ever heard of BlackLine? Are they interested in efficient, accurate, cost-effective controlled results? They can learn more about us at BlackLine.com and questions can either be directed to myself or the general mailbox at info@blackline.com.

Now onto the highlights. Our customer base grew to more than 1,700 customers around the world. That's up 31% from 2015. For the year, we added 420 new customers in both enterprise and mid-market, across multiple industries and geographies. Notable wins include Allianz France, Aramark, First Data Corporation, GoPro, Houghton Mifflin Harcourt, Marathon Petroleum, Reynolds Consumer Products, The Humane Society, Thermo Fisher Scientific, and Roku.

Now I enjoy competition and this might be my favorite highlight. In Q4 alone, we had five new large enterprise customers that are switching from a competing product. Because of the complexity, both technical and political, making a vendor change, especially for larger company, these types of wins not only confirm BlackLine's leadership decision, but also speak to the breadth and depth of values that our solutions deliver.

We are also seeing larger deal sizes, which Mark will talk about shortly. At the end of 2016, there were nearly 167,000 finance and accounting professionals who relied on BlackLine to make their daily lives easier. This represents a year-over-year user growth of 30%. Equally important, our strong net dollar revenue retention rate of 116% demonstrates the stickiness of our solution, as customers see the value of adding more users and buying additional products.

In 2016, we continue to build BlackLine's global reach. During the past two years, we expanded our presence in Europe with new offices in France, Germany, and the Netherlands. Looking ahead, we plan to focus primarily on other markets in Europe and Asia. In Q3 of last year, we acquired Dutch company, Runbook. I am so pleased to report that integration is going very well.

They have great products, happy customers, and a very talented set of employees. Further, the greater enthusiasm by their founders have helped make our integration smooth and fast. It's good to be a public company and I believe the exposure will help our business for many years to come. It was a lot of work and I'm very happy to be back to running the business full time.

BlackLine, historically, has received a great deal of recognition in the marketplace and 2016 was no exception. We were named to the Gartner Magic Quadrant for the first time and included in the Forbes Inaugural Cloud 100 ranking, both tremendous honors. The are several others and I won't list them all, but two that mean the most to me personally, are the Best Place To Work rankings from the Los Angeles Business Journal and Fortune Magazine.

Any success that we achieve is because of the people that work here. They live and breathe our model of think, create, serve. By being so dedicated and working so hard, they make phone calls like this one easy for me. I am particularly pleased to the strength that we are seeing across different sectors.

I will quickly relate three different customer case studies to demonstrate how BlackLine customers use our services to transform their financial accounting organizations. We recently signed one of the largest technology companies in the world who was previously using a competing product for reconciliations. They came to BlackLine, looking not only to replace their current process, but also to find a solution with enough flexibility to support their other entities.

By selecting BlackLine, they will be able to provide a unified solution across the business. They told us the biggest drivers behind the move to BlackLine were our deep portfolio products and superlative customer service.

One of our newer customers is a financial institution in the mid-market. When we met them, the company told us they were spending several hours per day trying to verify and validate transactions by manually matching them in spreadsheets. More time is being spent by the branches on inefficient closed processes.

They were considering another competing product when they we first met them but they chose to go with BlackLine. By purchasing our financial close management package, they expect to cut man hours in these two areas by 75%.

One of our large enterprise customers was 16,000 employees worldwide has been using BlackLine's financial close management solution since 2014. They recently purchased the Intercompany Hub to replace a homegrown system. With more than 100 different legal entities, they did not have a single central source for intercompany activity.

As a result, manual workflow, journals, and documentation made for a lack of visibility, manual settlements, risks around foreign exchange, and insufficient reporting. The Intercompany Hub , which we refer to as ICH, provides a single, centralized view of all intercompany activity.

Secure interaction between entities by type of transactions is configured during the implementation to provide appropriate and necessary workflow access. Because transactions are systematically tied to all details, including automated journals and invoices, visibility into all work streams is inherent.

Manual postings are eliminated, and manual labor around the intercompany reconciliation process is minimized. The single centralized approach allows necessary reports for tax and audit to be easily generated.

Turning now to 2017, we view this as our year to execute on our plans and continue to grow. We want to fine-tune our software production, streamline our implementations, and improve the overall customer experience. Every enhancement that we make to the software is designed to assist our customers in their continuous accounting journey.

The more BlackLine products that our customers use, the more they see the value in breaking up large period and batch processes, automation around load activities, and the ability to do with exceptions in real time. The continuous accounting approach allows companies to produce higher quality results more quickly with less manual labor.

We are very focused on satisfying our customers. Right now, our leadership team is working on initiatives that will streamline the customers' journey so the customers go live more quickly and implement and utilize all of the products that they buy. We believe those initiatives will help BlackLine retain its top leadership position and assist with converting more companies to customers.

Our goal is to create wildly happy customers and that's only realized by listening to their needs and delivering software that provides significant value. Globally, our total adjustable market is very large. We believe that there are 165,000 companies who could be BlackLine customers. To reach those companies, we plan to continue strengthening our sales teams across both enterprise and mid-market this year.

They'll be focused on selling our core platform, pursuing larger deals, and building momentum around new strategic products like the Intercompany Hub and the SMART Close. Key to this success is making sure that there's a lock-step alignment between sales and marketing, our ecosystem partners, and our services and product groups.

Specifically, we'll have more tailored initiatives, geography, industry verticals, and market segments. In 2017, partners will also play a key role in providing expertise and transformational services that pair well with BlackLine software.

One of the benefits of being a public company is that the independents concerns, have been mitigated and were able to pursue closer, formal partnerships with three of the big four accounting firms. From a product perspective, in the first part of the year, we are focusing on platform improvements that make our customers happy.

One important note of focus is a BlackLine-Runbook integration. We believe that close integration between the BlackLine platform and the SmartClose product will give our clients new capabilities that make the latest buzz phrase of robotic process automation, or RPA, an actual reality for them. We are also focusing on innovative enhanced reporting and dashboarding, making the various analysis a seamless part of every clients' close, building out additional connectors to other ERPs and other improving the capabilities and flexibility of our learning engine.

While these may not mean much to you, all of these focus areas are designed to delight our customers. Given our focus on the Intercompany Hub and the large opportunity that we see there, we will continue to apply substantial development resources to this product to make sure that our solution addresses complex, intercompany processing in a way that no other solution can rival.

There are a number of regulatory changes that are bringing greater interest to this area. For example, we are currently examining what additional reporting is necessary to adjust address changes to the IRS code around intercompany loans and the [Vets] initiative. Demand for BlackLine's solution remains strong.

We believe that success lies with staying focused on our customers and efficient execution of our growth strategies. We look forward to keeping you updated on our progress. Now I'll ask Mark to discuss the financials and then we'll open the call to questions.

Mark Partin - *Blackline Inc. - CFO*

Thanks, Teresa. Good afternoon everyone. I'll quickly mention that during my remarks today, unless I specify otherwise, all numbers are non-GAAP. We are proud to report a strong fourth quarter and another great year. For the full-year 2016, total revenue grew 48% to $124 million.

Gross margins were strong at 81% and we delivered substantial improvement in our operating loss margin, moving from a negative 21% since 2015 to a negative 10% in 2016. In fact, 2015 was yet another year with positive operating cash flow. After taking into account a $6.4 million accrued PIK interest payment related to the early retirement of our debt.

In the fourth quarter, total revenue increased 47% year over year to $36 million as overall global demand for our core platform was strong. And we had good performance in all areas of the business. We landed 133 net new customers in Q4. That brings our total customer count to 1,758, representing growth of 31% year over year.

We added both large and mid-sized customers during the quarter, resulting in a revenue mix of approximately 80% enterprise and 20% mid-market. Also, our international revenue is up 1 point from 2015, finishing 2016 at 17% of the total. Our new local deals continue to get larger. Generally, after landing with an initial deal, the customer footprint expands over time.

However, in Q4, we continued our recent trend of finding customers with larger deal sizes. We believe we were getting more share of wallet upfront on new customers for a few reasons. First, some of these deals are takeaways from competitors where we are replacing a large deal they previously had.

Second, some customers are buying more products in our initial deal and the innovative pricing on products such as Intercompany Hub and Transaction Matching are driving higher average revenue per user.

And third, our leadership position, brand and product awareness, along with our partner ecosystem have made the landing of larger deals more common. Just as importantly, our existing customers continued to expand, which helped us achieve a net revenue retention rate of 115% in the fourth quarter. This is thanks to more user expansion, product upsell, and continued price increases, along with a strong renewal rate. The 115% retention rate is consistent with our expectations for the quarter and this rate can vary quarter to quarter based on buying and renewal patterns of our largest customers.

In 2016, we set operational, non-financial goals for upselling our new strategic products to existing customers. We are using that experience to launch our 2017 go-to-market plan for these products, which now includes SMART Close as well. In 2017, as Therese mentioned, we are selling more Intercompany Hub and SMART Close deals, along with us selling more of our existing products.

Because of a longer sales cycles and delivery times on these deals, it is not expected to be material to our overall revenue for the year; however, we believe there is potential for meaningful contribution to the top line in 2018 as those customers get rolled out.

Also, as Therese talked about, we are excited about the progress we are making with the integration of Runbook. As expected, the Runbook business contributed a nominal amount to revenue and expense in Q4. However, we were able to sell a handful of deals that were in flight at the time of the acquisition. These deals generated approximately $4 million of license sales related to Runbook's stand-alone customers and products.

They are viewed as one-time sales and were billed in Q4 of 2016, with the revenue being amortised over future periods. Notably, we were able to close to our first two combined BlackLine plus Runbook SMART Close deals. This is sooner than planned and while not financially material, it is operationally significantly for us, and it provides momentum for this product going into 2017.

Turning now to gross margin. Our revenue mix of 95% subscription and 5% services continued to drive strong gross margins of 81% in Q4. We expect this mix to remain fairly consistent in 2017; however, as we continue to build out services and support for our new product, we expect to see gross margins throughout 2017 trend more in line with our target model of 80%.

In 2016, we began to see rapidly improving operating leverage costs across all areas of the business, sales and marketing, R&D, and G&A. Total OpEx in the fourth quarter was $31.8 million, or 89% of revenue versus $25.1 billion, or 103% of revenue in the fourth quarter of 2015. Improved operating leverage resulted in a much lower operating loss for the fourth quarter of $2.6 million, a substantial improvement from an operating loss of $5.3 million one year ago.

Fourth-quarter non-GAAP net loss was $3.9 million, or $0.08 per share which compares to non-GAAP net loss of $6.1 million, or $0.15 per share in the fourth-quarter of 2015. The weighted average common shares used to calculate fourth-quarter EPS was 47.7 million shares in 2016, and 40.7 million shares in the 2015 period. We ended 2016 with $105 million of cash, cash equivalents, and marketable securities.

During Q4, we used the IPO proceeds to repay our $68 million term loan in full, which included $6.4 million of accrued PIK interest. The accounting rules require us to report that as an operating cash outlay despite the one-time nature of the payment. Excluding the PIK interest, cash flow from operations would have been slightly positive for both Q4 and for the full-year 2016.

For those of you who know us well, operating cash flow is an important metric for us, as we have had positive operating cash flow on an annual basis for several years. We believe it really speaks to the power of our business model. It is important to point out that in 2017, we expect to continue investing across the business to drive topline growth to pursue those strategic goals that Therese talked about in her earlier remarks.

This includes: expanding our sales and marketing footprint, further investing in our partner ecosystem, enhancing our strategic capabilities, and scaling our global infrastructure. We have just come out of our annual planning process and expect to see accelerated investments in the first half of this year related to those initiatives.

It is our goal to drive annual year-over-year improvement in our operating margin and cash flows. However, on a quarterly basis, we will see variability, as it is not a straight-line to our target operating model. With that said, we continue to feel confident in our path and remain on track to turn operating income and operating cash flow positive in Q4 of 2017.

Now I'll turn to our guidance for the first-quarter and full-year of 2017. For Q1, total GAAP revenue is expected to be the range of $36.8 million to $37.8 million. This reflects a year-over-year growth rate of 39% to 42% compared to GAAP revenue of $26.6 million in the first quarter of 2016.

We anticipate that non-GAAP net loss will be in the range of $4 million to $5 million. Utilizing fully diluted weighted average shares of 51.3 million, we expect non-GAAP net loss per share of $0.08 to $0.10. For the full-year 2017, we expect total GAAP revenue to be in of range of $166.5 million $169.5 million. This reflects the growth rate of 35% to 38% over GAAP revenue of $123.1 million in 2016.

Non-GAAP net loss in 2017 is expected to be between $16.3 million and $18.3 million. Utilizing a fully diluted weighted average share count of $52.9 million, we expect non-GAAP net loss per share to be in the range of $0.31 to $0.35. We are pleased with the ongoing strength we are seeing across the business.

In 2017, our teams will be focused on doing more of the same, adding new customers, expanding within our customer base, and continuing to innovate. Now Therese and I will be happy to take your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Terry Tillman, Raymond James.

Terry Tillman - *Raymond James - Analyst*

Nice job. Good afternoon, Therese and Mark. I guess Mark, just quick financial question. So for Runbook, the $4 million in license, you said that you would have booked or built or both or one of the other. I may have that confused but how do we think about that $4 million? Is that multi-year -- multiple years of license? And then how does that spread out or what kind of impact we'd see on that in 2017?

Mark Partin - *Blackline Inc. - CFO*

Yes. Great question. Hi Terry. And if you're going to do seven questions this time, let us know. (laughter) So Runbook was billed in a perpetual license, so the $4 million is a one-time upfront bill; however, due to the accounting rules and the nature of the contract from Runbook, we are going to amortize that revenue over future periods.

It will be in some cases long periods, multiple years, and in other cases, it will be over short periods of time. So it does create a bit of a lumpy revenue rec for that $4 million but it's not material in the overall business so it won't be that significant.

It's important to say that in Q4, it does show up in the billing. It will be amortized over a long period of time and it's one time. And then starting January, in case this is your next question, we are converting sales of Smart Close, that Runbook product, into subscription contracts and more consistent with BlackLine rev rec contracts.

Terry Tillman - *Raymond James - Analyst*

Okay. And I'm definitely going to be under seven questions, but just to kind of closing the loop, at least from my perspective on Runbook, I mean, just any education for us on $4 million worth of business in terms of, are we talking dozens of customers? A few customers? I know you -- I know they had signed some big deals in the past. I would just love to get some perspective on what we're talking about there.

Mark Partin - *Blackline Inc. - CFO*

Yes, yes, great question. If you recall, we acquired between 80 and 90 customers. Those customers had follow-on purchases to expand their footprints with Runbook and that was in the pipeline. Those deals were in flight. So what we did was close about $5 million of those deals, $1 million came in Q3, if you recall, and then $4 million in Q4. So we closed out sales to existing customers so we didn't expand the customer base, just expanded customers.

Therese Tucker - *Blackline Inc. - Founder and CEO*

I'm just going to jump in, Terry. We did do, however, two deals in Q4, that were combined BlackLine-Smart Close deals to new customers.

Terry Tillman - *Raymond James - Analyst*

Okay. Good to know --

Therese Tucker - *Blackline Inc. - Founder and CEO*

Not the $4 million.

Terry Tillman - *Raymond James - Analyst*

Okay, well, Therese in terms of just kind of the cadence of business in the fourth quarter, it sounded like you're seeing good trends, larger transactions. Intercompany Hub is being sold in deals, that's good, even some Smart Close business. But did you see any kind of change in linearity because of the election or post the election? How was the tone of business throughout the three months? Thanks a lot.

Therese Tucker - *Blackline Inc. - Founder and CEO*

Thank you for that question Terry. We have seen no evidence that politics affects our business at all.

Operator

Mark Murphy from JPMorgan.

Mark Murphy - *JPMorgan - Analyst*

Thank you, and I'll also echo my congratulations. So Therese, would you say that in Q4 alone, you had five new enterprise customers that are switching from a competing product? I guess I'm just curious; is that five customers all switching off the same single competing product or are they each kind of moving off of different various products?

Therese Tucker - *Blackline Inc. - Founder and CEO*

Okay, Mark, as long as we don't name names, yes. Same product.

Mark Murphy - *JPMorgan - Analyst*

Okay. And is that -- so can I just ask you, is there something -- is that highly unusual? It sounds unusual. It sounds like you have one key competitor that's suddenly having considerable problems. But is that -- have you had other quarters where you've taken a comparable number of customers away from that competitor?

Therese Tucker - *Blackline Inc. - Founder and CEO*

Well, I don't want to speak to how other people are handling their business, whether that's good or bad. So I'm not going to agree with your problem statement. I will say that there were a couple of things that were notable about this quarter. The recognizability of the names that switched, the size of the deals, and yes, it might have been on the high end in terms of the actual numbers.

We generally do see some switches from other products, but it's not usually the bulk of our business. It's not the bulk of our business here. But these were some very large, very recognizable names.

Mark Murphy - *JPMorgan - Analyst*

Okay and as well, Mark, I wanted to ask you when we think about the spread, between your user growth, which I believe came in at 30%, and then revenue growth, call it, 47%. Can you help us a little bit to bridge the gap between to numbers just in terms of what do you think is chiefly driving that? Is it favorable adoption or more product modules? Is it other types of price uplift or something else is coming into the picture there?

Mark Partin - *Blackline Inc. - CFO*

Yes. It's -- thank you. You answered it for me. It's those things. It is, in particular, I'll add Runbook did add a few points to revenue in the fourth quarter. But we have multiple levers of growth. Users is one. Customers is another. But also, our ability to sell product into customer and expand the customer. And we have consistently and historically seen the deal sizes in both enterprise and mid-market expand over time.

And we saw that same level of growth in Q4 and through the full year. So when you think about growth levers, users is one of those and we also have product. We have products today that we sell that aren't user based.

Therese Tucker - *Blackline Inc. - Founder and CEO*

Yes. I was just going to add to what Mark was saying, both the Transaction Matching and the Intercompany Hub, are not per user price and so it might slightly look a little odd if user growth doesn't keep up with revenue for that reason.

Mark Murphy - *JPMorgan - Analyst*

Okay, got it. One last question, Therese. I'm just curious. When you look at the systems that your customers are connecting to, in terms of their general ledgers and other systems, do you see those tipping over to the cloud providers, like NetSuite and Workday Financials? Just -- I'm wondering how they are those looking in terms of your new bookings mix?

Therese Tucker - *Blackline Inc. - Founder and CEO*

Honestly, Mark, I think our customers have spent -- I think that it is moving towards the cloud. I think that, that movement is still relatively slow, given the cost and time that it takes to replace an ERP.

Mark Murphy - *JPMorgan - Analyst*

Thank you very much.

Operator

Matt Lemenager from Robert W Baird.

Matt Lemenager - *Robert W. Baird & Co. - Analyst*

Hi Therese and Mark. I have a question on the mid-market. It's a new focus. Can you talk about how the reconciliation volume of customers that you're seeing in the mid-market compares to enterprise? And then expanding on that, can you talk about the size of the organizations in the mid-market? How low are we going down that period?

Therese Tucker - *Blackline Inc. - Founder and CEO*

Well, Matt, we typically -- yes, it is Matt. We typically focus on companies in the mid-market that are $50 million or greater in revenue. Now that being said, we do have sometimes incoming inquiries from companies that are smaller than that. But it's not a segment that we actively pursue. So we view the mid-market as $50 million to $500 million. Were seeing very strong demand there.

Reconciliation volume, now do you mean, when we talk about that, it was actually very interest there is we see a lot more usage of the Transaction Matching in the mid-market than even maybe in enterprise, okay? And the reason for that is, it really translates directly to buy accounts. If somebody is doing a lot of work in Excel spreadsheets matching, they really can't scale up their operations without either hiring more people, or adding software.

So we do see quite a bit of usage on individual transactions reconciliation. On account reconciliation, obviously, enterprise companies have larger numbers of balance sheet accounts, typically because they do the reconciliation by entities. Does that help you?

Matt Lemenager - *Robert W. Baird & Co. - Analyst*

Got it. That's helpful. That's helpful. And then just one second I was on the margins. You saw nice leverage again this quarter. It looked like the second quarter in a row that sales productivity was nicely up here. Can you just give us any more color around sales productivity? And then the R&D expense grew 3% to 4% in the second quarter and you talked about investing in the product and Intercompany Hub; is that a -- so will that be a little more of a step-up effort as we go into 2017?

Mark Partin - *Blackline Inc. - CFO*

Thanks Matt. Sales and marketing, we accelerated investment and the global scale of our sales teams and partnerships in 2015 and 2016. What you're seeing in 2016, and again in 2017 is more ramp, which equals more productivity coming from the sales force. That the first thing.

The second thing is we're getting the benefits of scale in some of the areas that we're going to internationally. With R&D, yes, we are also accelerated R&D investment in 2015, and in 2016 and in 2017, we began to get the benefits of scale continuing to invest, but year over year, we will see operating leverage in that part of the business as well.

Therese Tucker - *Blackline Inc. - Founder and CEO*

Just to follow up on Mark's comment, we will continue to invest in our Intercompany Hub. I don't know that it's really a stepped-up function, but we're very, very committed to that and we're committed to learning everything about this market and making sure that our customers are successful using our ICH product.

Matt Lemenager - *Robert W. Baird & Co. - Analyst*

Great. Thanks and congrats again on the quarter.

Operator

Bahvan Suri from William Blair.

Therese Tucker - *Blackline Inc. - Founder and CEO*

Hi, Bahvan. I noticed you were first on the call.

Bahvan Suri - *William Blair & Company - Analyst*

(laughter) Now you've broken my train of thought. Let's jump in for a quick second. So Intercompany obviously, it seems like an interesting opportunity. When you look at the partners, especially now the formalized relationships with these three big accounting firms. It's not like a lot of times was the core reconciliation product and everything else.

Are the partners getting into the company after they get how to settle that? Do you need to educate them further? Or are there already involved with their clients in discussions around potentially implementing Intercompany Hub?

Therese Tucker - *Blackline Inc. - Founder and CEO*

I love that question. They are already involved with their clients, discussing intercompany needs and why BlackLine can help address those.

Bahvan Suri - *William Blair & Company - Analyst*

Great. Great. And so when you look at sort of the strategic nature of that, there's lots of accountants who's going to do reconciliation. As the conversation we typically have is happening and you have to work through the ROI. Can you give us some color for the deals you've had, what type of ROI-type are getting from being able to hedging better or whatever it is from a value perspective?

Therese Tucker - *Blackline Inc. - Founder and CEO*

I can't give you that right now, okay? There's a couple reasons for that. First off, we are adjusting the price of the Intercompany Hub almost in real time. Because we are seeing such terrific demand. Secondly, one of the reasons, one of the big reasons that our customers are really needing this -- the ICH is because of risk issues around taxes, around different taxing border authorities, around account the requirements are changing, and so it becomes very much a risk and compliance issue.

And for example, if you have transactions between two countries, and both countries claim that they get to tax the full amount, you've got incredible exposure, okay? And you need to very clearly show transactions going back and forth. So, it's a little bit difficult to measure the ROI of what doesn't happen when you have the Intercompany Hub. But the things that are happening are scaring the daylights out of some of our customers.

Bahvan Suri - *William Blair & Company - Analyst*

Got it. That's helpful. One quick remark. Just on the customer accounts, You guys are in enterprise company and then sort of as you sort of head down markets, it feels like ARPU could tick down, customer account obviously would increase from a growth perspective just because it's a lot more smaller customers buying at smaller amounts. Is that a thing you're seeing because you also talk about the large deals in the mid-market. I'm just trying to see the puts and takes that sort of get you as we look forward to what that might look like?

Mark Partin - *Blackline Inc. - CFO*

Yes, look, I think that's fair. We -- these are levers of growth. So we get velocity on customers in the mid-market and we get big footprints in large deal sizes in the enterprise. So, we don't give guidance on customer numbers and user numbers, but what we saw in Q -- in the last half of the year was upside deals in the enterprise and in mid-market and that's driven by product and with a larger deal size for us was great, right?

Because it's just one of the levers of growth that we saw. In 2017, our expectation in the guidance that we gave that it will be very consistent with what we're doing now. It would be business as usual in terms of the levers of growth.

Therese Tucker - *Blackline Inc. - Founder and CEO*

And to Mark's point, it's great to have multiple levers because they tend to balance each other out.

Bahvan Suri - *William Blair & Company - Analyst*

Yes. Yes. And then one last one from me. Just on the net dollar retention, obviously, very healthy still. But if you're signing larger deals, right, so the ability for those guys to expand next year versus smaller deals that an expansion possibility is larger, just so that we're all on the same page, is there a chance that, that dollar expansion rate trends down as you actually capturing a larger share of wallet in the initial first deal?

Mark Partin - *Blackline Inc. - CFO*

Bahvan, I think that's a really great question. Here's what we'll say about the net dollar retention rate, is that our tools today for driving greater penetration into the accounts have never been greater, from our sales teams to our new products to our ability to expand platform footprint within the accounts already. So and we're continuing to get price increases.

And I should add, our dollar revenue renewal rate maintained very high, very consistent. So the tools are there for us. And we are firm believers, not that this is a massive unpenetrated market but that our existing customers remain unpenetrated. So there's opportunity there.

Bahvan Suri - *William Blair & Company - Analyst*

Got it. Thanks, guys, for answering my question.

Operator

Jesse Hulsing, Goldman Sachs.

Jesse Hulsing - *Goldman Sachs - Analyst*

I have a couple of questions. Mark, first one is for you. When you think about, I guess sales and marketing resource deployment for 2017, where are you adding more incremental capacity? Is it in enterprise? Is it mid-market? Is it in your account management team? What's your plan for the year, there?

Mark Partin - *Blackline Inc. - CFO*

Yes. Thanks. It's in those, all of those. You look at the growth initiatives and the strategic plan for this year. We still see and are continuing to see great demand in all of those areas. And we've built good infrastructure in scale, both for mid-market and enterprise and for international and for domestic. So we're going to put incremental sales capacity to work in all of those areas.

And I'd add one more. We said that where enhancing and continuing to improve our ecosystems. I think that's one in this year that we're also investing further, in our partners and their ability to help us with these new strategic products. So it's sales capacity in all the areas where we see demand.

Jesse Hulsing - *Goldman Sachs - Analyst*

Got you. And then just on, maybe it's for Therese. On Runbook, I think -- I think one element of the Dealogic, that acquisition was that it could be a catalyst for European business. I'm wondering if you're starting to see any signs of that or is it too early to make a call there?

Therese Tucker - *Blackline Inc. - Founder and CEO*

Will, actually, we've seen strong demand for Runbook's Smart Close products, both in Europe and here domestically, which is sort of best case that you could hope for, right? So, there are customers absolutely love what Runbook does and we're seeing terrific demand basically everywhere. So I'm kind of happy about that, really.

Jesse Hulsing - *Goldman Sachs - Analyst*

Are you seeing that help your, I guess, main BlackLine business, now that you have a stronger European footprint?

Therese Tucker - *Blackline Inc. - Founder and CEO*

Have we seen that, Mark?

Mark Partin - *Blackline Inc. - CFO*

It might be too early to tell.

Therese Tucker - *Blackline Inc. - Founder and CEO*

Yes, it might be too early to tell. I do think that the Runbook people that we acquired are absolutely terrific. And so very highly talented so I can't see how they won't help us, right?

Jesse Hulsing - *Goldman Sachs - Analyst*

Yes. That makes sense. Thank you. Thank you both for the time and the questions.

Operator

(Operator Instructions)

Brent Bracelin, Pacific Crest Securities.

Unidentified Speaker - *Pacific Crest Securities - Analyst*

Hello. This is actually [Alessandro] for Brent. So, one of my first question is it seems like you have a pretty strong focus on the Smart Close. I was hoping you could kind of run down kind of the changes you've made to the product. Since you've kind of acquired Runbook and like how much more do you think you have to go? And kind of this idea of robotic process automation and what exactly that means to -- for us in layman terms?

Therese Tucker - *Blackline Inc. - Founder and CEO*

Yes. What's really interesting about that is that robotic process automation is basically much of what we already do. And somebody decided that if you can give the computer instructions to do a whole series of things by itself, then you can call that robotic process automation and get a really terrific ROI, right, which is precisely what the Smart Close product does.

It actually allows you to set up all of these different jobs and work streams, where the result are one job or batch feed into the next, and based on the results, will cause different forks in logic. It allows for a completely automated close inside of the ERP from a systems perspective, Right? It is almost the epitome of robotic process automation. And so Smart Close, when we acquired that product they already do that.

And their customers already have this life, right, which is why it's been very appealing. So it's -- this is sort of the case where marketing is actually catching up to functionality that already exists and put a nice, sexy label on it. At this point,, the Smart Close product is a very complete very mature products. What we have done over the last few months is we've been working on phase 1 of the integration on the Smart Close product and the exchange of information with the BlackLine platform, okay.

Okay, so I actually explained this it in our Q3 earnings call, that this is phase 1 of multiple phases where we bring the results of all of these different work streams in the BlackLine and phase two will be where we actually send information back and phase 3 will most likely be where we look at taking that same type of framework and applying that same approach to essentially controlling the WorkStream setting ERP to other ERPs besides SAP. Again, I probably just gave you away too much detail. (laughter)

Unidentified Speaker - *Pacific Crest Securities - Analyst*

That was actually perfect. That helped a lot. And then my other question was you talked about landing larger initial deals and from the competitive -- picking up from competitors that made sense. But I kind of wanted to dig into the reason why the initial customer would decide to add on more product than I assume a new customer would have a year ago. Is that kind of a function of your strategy? Kind of your brand recognition? What's driving that?

Therese Tucker - *Blackline Inc. - Founder and CEO*

I would say both of those things. you just took the words out of my mouth. One, it is certainly a strategy of ours. Right? I mean it works for us. But secondly, our -- in early days when customers didn't who BlackLine was, it was more of a try it and if it works, add more. We are really seeing that sort of go away, right? We've established that we are clearly the leader.

We are clearly capable of addressing their needs. Many times the buyer will be a previous buyer from another company. And so companies are more willing to commit to us on the front end. That's one. Number two, is where we're seeing that the Intercompany Hub commands a significantly larger price tag as well. And more and more of our deals are including that as one of the products.

Unidentified Speaker - *Pacific Crest Securities - Analyst*

Okay. Perfect. Thank you.

Operator

(Operator Instructions)

I'm seeing no other questioners in queue at this time. I'd like to turn the call back over to management for closing comments.

Therese Tucker - *Blackline Inc. - Founder and CEO*

So this is Therese and Mark, and thank you everybody for joining us today and we appreciate your attention.

Operator

Ladies and gentlemen, thank you again for your participation in today's conference. This now concludes the program. You may now disconnect at this time. Everyone, have a great day.
