

**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK**

Plaintiff,

v.

MONGODB, INC., DEV C. ITTYCHERIA, and
MICHAEL LAWRENCE GORDON

Defendants.

**COMPLAINT FOR
VIOLATIONS OF THE
FEDERAL SECURITIES
LAWS**

CLASS ACTION

Demand for Jury Trial

Plaintiff individually and on behalf of all other persons similarly situated, by their undersigned attorneys, alleges in this Complaint for violations of the federal securities laws (the “Complaint”) the following based upon knowledge with respect to their own acts, and upon facts obtained through an investigation conducted by his counsel, which included, *inter alia*: (a) review and analysis of relevant filings made by MongoDB, Inc. (“MongoDB” or the “Company”) with the United States Securities and Exchange Commission (the “SEC”); (b) review and analysis of MongoDB's public documents, conference calls, press releases, and stock chart; (c) review and analysis of securities analysts’ reports and advisories concerning the Company; and (d) information readily obtainable on the internet.

Plaintiff believes that further substantial evidentiary support will exist for the allegations set forth herein after a reasonable opportunity for discovery. Most of the facts supporting the allegations contained herein are known only to the defendants or are exclusively within their control.

NATURE OF THE ACTION

1. This is a federal securities class action on behalf of all investors who purchased or otherwise acquired MongoDB securities between August 31, 2023 and May 30, 2024, inclusive (the “Class Period”), seeking to recover damages caused by Defendants’ violations of the federal securities laws (the “Class”).

2. Defendants provided investors with material information concerning MongoDB's expected revenue for the fiscal year 2025. Defendants’ statements included, among other things, confidence in MongoDB's restructuring of its sales force incentives and reducing pressure on upfront commitments to reduce friction in enrollment, particularly in its ability to acquire new customers, increase growth, and maintain revenue.

3. Defendants provided these overwhelmingly positive statements to investors while, at the same time, disseminating materially false and misleading statements and/or concealing material adverse facts concerning related to MongoDB’s sales force incentive restructure, including: a significant reduction in the information gathered by their sales force as to the trajectory for the new Atlas enrollments without upfront commitments; reduced pressure on new enrollments to grow; and a significant loss of revenue from unused commitments. Such statements absent these material facts caused Plaintiff and other shareholders to purchase MongoDB's securities at artificially inflated prices.

4. Investors began to question the veracity of Defendants’ public statements on March 7, 2024, during MongoDB’s earnings call following a same day press release announcing its fiscal year 2024 earnings. In pertinent part, Defendants announced an anticipated near zero revenue from unused Atlas commitments in fiscal year 2025, a decrease of approximately \$40 million in revenue, attributed to the Company’s decision to change their sales incentive structure to reduce enrollment

frictions. Additionally, MongoDB provided estimated growth for the fiscal year 2025 (ending January 31, 2025). In particular, Defendants projected only 14% growth, compared to projected 16% for the previous year which had resulted in an actualized 31% growth.

5. Investors and analysts reacted immediately to MongoDB's revelation. The price of MongoDB's common stock declined dramatically. From a closing market price of \$412.01 per share on March 7, 2024, MongoDB's stock price fell to \$383.42 per share on March 8, 2024, a decline of about 7% in the span of just a single day.

6. Notwithstanding the March 7 disclosures, MongoDB and the Individual Defendants continued to mislead investors. Defendants continued to create the false impression that they possessed reliable information pertaining to the Company's projected revenue outlook and anticipated growth while also minimizing risk from seasonality and macroeconomic fluctuations. MongoDB's sales force restructure, which prioritized reducing friction in the enrollment process, had resulted in a significant reduction in the information gathered by their sales force as to the trajectory for the new Atlas enrollments without upfront commitments; reduced pressure on new enrollments to grow; and a significant loss of revenue from unused commitments. During the March 27, 2024 earnings call, Defendants continued to mislead investors by further failing to disclose additional issues and difficulties arising out of the Company's sales force restructure and suggested confidence in their below-market expectations and understanding of the existing macro landscape.

7. The full truth finally emerged on May 30, 2024 when MongoDB again announced significantly reduced growth expectations, this time cutting fiscal year 2025 growth projections further, again attributing the losses to the Company's decision to change their sales incentive structure to reduce enrollment frictions, along with some allegedly unanticipated macro headwinds.

8. Investors and analysts again reacted promptly to MongoDB's revelations. The price of MongoDB's common stock declined dramatically. From a closing market price of \$310.00 per share on May 30, 2024, MongoDB's stock price fell to \$236.06 per share on May 31, 2024, a decline of nearly 24% in the span of one day.

JURISDICTION AND VENUE

9. Plaintiff brings this action, on behalf of himself and other similarly situated investors, to recover losses sustained in connection with Defendants' fraud.

10. The claims asserted herein arise under and pursuant to §§10(b) and 20(a) of the Exchange Act (15 U.S.C. §§ 78j(b) and 78t(a)) and Rule 10b-5 promulgated thereunder by the SEC (17 C.F.R. §240.10b-5).

11. This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C. §§1331 and 1337, and Section 27 of the Exchange Act, 15 U.S.C. §78aa.

12. Venue is proper in this District pursuant to §27 of the Exchange Act and 28 U.S.C. §1391(b), as Defendant MongoDB is headquartered in this District and a significant portion of its business, actions, and the subsequent damages to Plaintiff and the Class, took place within this District.

13. In connection with the acts, conduct and other wrongs alleged in this Complaint, Defendants, directly or indirectly, used the means and instrumentalities of interstate commerce, including but not limited to, the United States mail, interstate telephone communications and the facilities of the national securities exchange.

THE PARTIES

14. Plaintiff purchased MongoDB common stock at artificially inflated prices during the Class Period and was damaged upon the revelation of the Defendants' fraud. Plaintiff's certification evidencing his transaction(s) in MongoDB is attached hereto.

15. MongoDB, Inc. is a New York corporation with its principal executive offices located at 1633 Broadway, 38th Floor, New York, NY 10019. During the Class Period, the Company's common stock traded on the NASDAQ Stock Market (the "NASDAQ") under the symbol "MDB."

16. Defendant Dev C. Ittycheria ("Ittycheria") was, at all relevant times, the Chief Executive Officer, President and Director of MongoDB.

17. Defendant Michael Lawrence Gordon ("Gordon") was, at all relevant times, the Chief Operating Officer and Chief Financial Officer of MongoDB.

18. Defendants Ittycheria and Gordon are sometimes referred to herein as the "Individual Defendants." MongoDB together with the Individual Defendants are referred to herein as the "Defendants."

19. The Individual Defendants, because of their positions with the Company, possessed the power and authority to control the contents of MongoDB's reports to the SEC, press releases, and presentations to securities analysts, money and portfolio managers, and institutional investors, *i.e.*, the market. Each Individual Defendant was provided with copies of the Company's reports and press releases alleged herein to be misleading prior to, or shortly after, their issuance and had the ability and opportunity to prevent their issuance or cause them to be corrected. Because of their positions and access to material non-public information available to them, each of these Individual Defendants knew that the adverse facts specified herein had not been disclosed to, and were being concealed from, the public, and that the positive representations which were being made were then

materially false and/or misleading. The Individual Defendants are liable for the false statements pleaded herein, as those statements were each “group-published” information, the result of the collective actions of the Individual Defendants.

20. MongoDB is liable for the acts of the Individual Defendants, and its employees under the doctrine of respondeat superior and common law principles of agency as all the wrongful acts complained of herein were carried out within the scope of their employment with authorization.

21. The scienter of the Individual Defendants, and other employees and agents of the Company are similarly imputed to MongoDB under respondeat superior and agency principles.

SUBSTANTIVE ALLEGATIONS

Company Background

22. MongoDB is an American software company that designs, develops, manufactures, and sells developer data platforms and integrated services systems through its document-oriented database program.

23. MongoDB has two core offerings: its original localized MongoDB platform which incorporates a physical MongoDB server, coined “MongoDB Enterprise Advanced” (“EA”), and its cloud-based alternative, MongoDB Atlas (“Atlas”).

The Defendants Materially Misled Investors Concerning

MongoDB's Revenue Outlook for 2025

August 31, 2023

24. On August 31, 2023, after the market closed, Defendants held an earnings call that included Defendants Ittycheria and Gordon on behalf of MongoDB to discuss second quarter fiscal

year 2024 results. During opening remarks, Defendant Ittycheria discussed details of MongoDB's new sales incentive plan, stating, in pertinent part:

Historically, the most significant source of friction has been negotiating with customers to secure an upfront Atlas commitment since it can be hard for customers to forecast consumption growth for a new workload. Given our high retention rates and the underlying consumption growth, several years ago, we began reducing the importance of upfront commitments in our go-to-market process to accelerate workload acquisition. This year, we took additional steps in that direction.

For example, we no longer incentivize reps to sign customers to 1-year commitments. Obviously, this has short-term impact on our cash flow, but positions us better for the longer term by accelerating workload acquisition. We are pleased with the impact these changes have had in the business in the first half of the year. Specifically, new workload acquisition has accelerated, especially within existing customers. We believe that our efforts to reduce friction are resulting in more efficient growth, and we'll always look for ways to improve our go-to-market approach to make it even easier for customers to bring new workloads onto our platform.

25. Defendant Gordon further detailed the impact of this change and other factors on MongoDB's projected growth, emphasizing revenue increases despite the loss of upfront revenue from commitments to the Atlas product:

... Finally, as Dev mentioned, we continue deemphasizing the value of upfront commitments. So we're seeing fewer of them. In other words, we are intentionally collecting less cash upfront in order to win more workloads more quickly. ***As evidence of this, we grew Atlas revenue 38% year-over-year, while Atlas dollars committed upfront actually declined 15% year-over-year.***

Lower upfront commitments only impact the timing of when our customers pay us, not the total payment. But this trend of declining upfront commitments will impact the relationship between our non-GAAP operating income and operating cash flow in the medium term.

I'll provide some more context on our guidance. First, we have modestly raised our Atlas outlook for the rest of the year, primarily to reflect a slightly stronger Q2 and therefore, a higher starting ARR for the second half. We continue to expect that Atlas consumption growth will be impacted by the difficult macroeconomic environment throughout fiscal '24.

...

Second, we expect to see a significant sequential decline in non-Atlas revenues in Q3 as we simply don't expect similar new business activity, especially when it comes to licensing deals. For that particular line of business, Q2 was extreme positive outlier.

26. During the question and answer portion of the call, Defendant Gordon continued to downplay the risks associated with the plan to reduce upfront commitments in the Atlas product:

<Q: Keith Weiss - Morgan Stanley - Analyst> ... And then the question for Michael. You talked about the commitments coming down, the Atlas commitments coming down and that being a drag on operating cash flow. Any sense you could give us on how long that drag on OCF persists? Is there any way to size that impact over time?

<A: Michael Lawrence Gordon> And on your other question, Keith, it's been a multiyear journey where we've been focused on reducing friction and accelerating new workload adoption. I do think as we called out, we continue to make additional steps and Dev called out some of the specific incremental steps this year. I think it's part of a transition. If you look at the Atlas revenue growth, Atlas grew 38% year-over-year, but dollars collected upfront shrank 15%, right? And so that gives you a sense for the magnitude or the divergence there that's showing up in the op income versus OCF bridge. I think like most things, there'll be a transition time period, but then it will settle into a more normalized level, but we think we've still got like a little bit more transition to go as we kind of work through the balance of the year.

...

<Q: Brad Robert Reback - Stifel, Nicolaus & Company, Inc. - MD & Senior Equity Research Analyst> I'm not sure Dev or Michael, but going back to the commentary on fewer upfront Atlas commits. Oftentimes, when customers sign multiyear deals and pay upfront, they get a better rate. So if we were to think about not having them pay you upfront and make long-term commits, is that a net margin benefit to you guys on the pricing side?

<A: Michael Lawrence Gordon> Yes. So a couple of things. Thanks Brad for the question. In general, for us, even before the sort of evolution and changes in multiyear deals, typically, they were not all paid upfront. Typically, ours has been annually billed. But yes, to your point, I think as we've reduced upfront commitment, you have a couple of dynamics. The key one is when we are not motivating it or providing an incentive to our sales force, and wind up being customer driven, the leverage in that negotiation shifts. And on the margin, that is helpful for ultimate pricing or discount and it winds up with sort of better pricing for us, less discounting to the customer.

December 5, 2023

27. On December 5, 2023, Defendants issued a press release detailing their third quarter results for fiscal year 2024. On an earnings call later that same day, the Individual Defendants

touted the ongoing success of both MongoDB's EA and Atlas growth, noting EA again exceeding expectations and an increase in Atlas clients due to the shift in sales strategy:

We had a healthy quarter of new business acquisition led by continued strength in new workload acquisition within our existing customers. In addition, our Enterprise Advanced business again exceeded our expectations demonstrating strong demand for our platform and the appeal of our run anywhere strategy.

Moving on to Atlas consumption trends. The quarter played out in line with our expectations . . . This quarter, we held our most recent global Customer Advisory Board meeting, where customers across various geographies and industries came together to share feedback and insight about the experience using MongoDB. From these discussions as well as our ongoing C-suite dialogue with our customers, a few themes emerge.

Shifting to our product mix. Let's start with Atlas. Atlas grew 36% in the quarter compared to the previous year and represents 66% of total revenue compared to 63% in the third fiscal 2023 and 63% last quarter. As a reminder, we recognize Atlas revenue primarily based on customer consumption of our platform and that consumption is closely related to end-user activity of the application, which can be impacted by macroeconomic factors.

Let me provide some context on Atlas consumption in the quarter. Week-over-week consumption growth in Q3 was in line with our expectations and stronger than Q2. As a reminder, we were expecting an uptick in consumption in Q3 compared to Q2 based on what we've experienced and shared with you last year. We had forecast that seasonal improvement to be less pronounced this year compared to last year given that, overall, we've seen less consumption variability this year and that is exactly how the quarter played out

Turning to non-Atlas revenues. EA exceeded our expectations in the quarter as we continue to have success selling incremental workloads into our existing EA customer base. Ongoing EA strength speaks to the appeal and the success of our run anywhere strategy. The EA revenue up was in part a result of more multiyear deals than we had expected.

. . .

Turning to customer growth. During the third quarter, we grew our customer base by approximately 1,400 customers sequentially, bringing our total customer count to over 46,400, which is up from over 39,100 in the year ago period. Of our total customer count, over 6,900 are direct sales customers, which compares to over 5,900 in the year ago period. The growth in our total customer count is being driven primarily by Atlas, which had over 44,900 customers at the end of the quarter compared to over 37,600 customers in the year ago period. It is important to keep in mind that the growth in our Atlas customer count reflects new customers to MongoDB in addition to existing EA customers adding incremental Atlas workloads.

28. Turning to future projections, Defendant Gordon provided the following outlook for the remainder of fiscal year 2024:

For the full fiscal 2024, we are increasing our outlook across the board. We now expect revenue to be in the range of \$1.654 billion to \$1.658 billion.

...

I'll now provide some context on our guidance. First, we expect Q4 Atlas consumption growth to be impacted by the seasonal slowdown around the holidays. Second, as you think about both sequential and year-over-year revenue growth of Atlas in Q4, keep in mind that in Q4 last year, we had several million dollars more of revenue coming from unused commitments, which we do not expect to occur this quarter. Third, as a result of our strong execution so far this year, we are again raising our non-Atlas revenue expectations for Q4. However, we expect that our non-Atlas revenues will decline sequentially Q4 versus Q3. This is different from our normal pattern as we usually see a seasonal uptick in Q4 due to greater renewal activity.

29. The question-and-answer portion of the call followed, wherein the Individual Defendants were asked about the Company's reported growth with EA, the impact of the shift in sale strategy for Atlas, and macro expectations for fiscal year 2025:

<Q: Raimo Lenschow - Barclays Bank PLC - Analyst> Congrats from me as well. I wanted to ask on EA first. Another very strong quarter there. Can you talk a little bit more on the drivers there? Because I do seem to remember you kind of doubled down on sales capacity. I think it was junior sales guys that you wanted to put on existing accounts. Is that kind of the main driver?

Or is it more like modernization are kind of picking up a lot more than what we thought would be possible? Can you speak to that because it's like the second quarter in a row where we kind of have better numbers there? And then I have one follow-up for Michael.

<A: Dev C. Ittycheria> Yes. So Raimo, with regards to our EA outperformance, I think it really speaks to our run anywhere strategy, where customers really value the ability to build on MongoDB and for essentially future-proof their deployment model, whether they stay on-prem also move to the cloud or move from one cloud to another cloud. And the fact that they can do that without having to rewrite the application is very compelling for customers.

As you also said, a lot of customers still -- especially the largest customers still have a lot of sunk cost and they want to leverage their existing data infrastructure. So a lot of customers have told us that they will still deploy infrastructure on-prem for the foreseeable future. But what -- by building on MongoDB, they get the benefits of a modern platform and the optionality to also remove the cloud when they're ready to do so.

<A: Michael Lawrence Gordon> Yes. The other thing, I know you know, Raimo, but just for the broader audience, we run the business on a channel basis, sales isn't oriented around products. And then also, as we've said before, EA tends to be -- the additional sales of EA tend to be to existing customers. We don't tend to have a ton of new -- brand new customers on EA.

...

<Q: Karl Emil Keirstead - UBS Investment Bank, Analyst> . . . Mike, you had talked on the last call a little bit more about this mix shift away from multiyear Atlas commits. And you were pointing to that as a reason for some of your metrics like DR and I think even cash flow to come under a little pressure. This quarter, I see DR is still under pressure. Cash flow was a little bit better. Can you maybe revisit that phenomenon and describe how it's impacting some of these metrics?

<A: Michael Lawrence Gordon> Yes, a couple of things. As we've said from the beginning, some of those like calculated billings or deferred revenue metrics aren't super helpful or don't provide a ton of insight in terms of how we run the business. We've also talked about how -- over the last couple of years, one of the things we've been trying to do is reduce friction for the sales force. Some of that includes reducing the emphasis around upfront commitments.

And so that helps accelerate landing new workloads and things like that, and that will flow through or does flow through the financial statements as less upfront deferred and things like that. And so it allows us to sort of synthetically cover more ground from a sales force perspective. And so you do see that continuing to go through.

We shared the stat, the statistic last quarter. The Atlas revenue growth last quarter was 38%, but dollars of committed Atlas declined 15% year-over-year, just as one way to try and help dimensionalize it. We also talked, I think, earlier in the year about how roughly 80% of Atlas doesn't flow through deferred. And so I think all of those data points help kind of line up to explain the rest of what you're seeing and why that's not sort of a helpful forward-looking metric like it might be in other companies. It doesn't kind of give you the insight that maybe people are used to or hope that, that will provide.

...

<Q: Kasthuri Gopalan Rangan - Goldman Sachs Group Inc - Head of Software Coverage> Dev and Michael, happy holidays, congrats on the results. So going into calendar '24, how does the management team feel relative to going in to come to '23 with respect to how macro conditions are no longer impacting or maybe they are impacting some aspects of the business? Any verticals that stand out that you feel particularly excited about? So just wanted to understand how MongoDB is therefore fitting into customer priorities as you get into 2024?

<A: Dev C. Ittycheria> Hi, Kash, thanks for the question. I think compared from last year, this year, we don't see things getting worse, but we don't see things getting better. Where I'd say last year with the Fed raising rates, you could really sense that people are getting much more cautious. And it was -- there was probably more negativity in terms of the outlook coming into calendar 2023.

So that being said, we definitely see innovation being a priority for customers. We clearly are, I would say, in the distinction between must-have and nice-to-have clearly in the first category. But customers also, as I mentioned in the prepared remarks, we remain focused on being sensitive to costs and ensuring that any investments, they may have a high ROI.

So we feel that we're well-positioned in terms of use cases or segments. I would say, in general, there's no real kind of material change in any -- across any vertical industry or geography. We do see -- I mean we were at re:Invent last week, and we had an amazing set of conversations with lots of senior level customers. I think we're really viewed as a mission-critical platform by all our customers. And I think people view us as a platform that they can bet on long term.

And so we see less, I would say, focus on like point solutions and more about like trying to leverage MongoDB for more and more use cases. And I would say that, that's pretty consistent across industries and geographies

<A: Michael Lawrence Gordon> Yes. The only other thing I'd add, Kash, is ***clearly, things have stabilized***. We are not guiding fiscal '25. But just looking out, there's clearly a difficult EA and non-EA compare that people should sort of keep in mind. ***And I think the big assumption or the big determiner will be people's macro outlook in terms of how that affects the fiscal '25 numbers***. But those are probably the key things to keep in mind.

(Emphasis added).

30. The above statements in Paragraphs 24 to 29 were false and/or materially misleading. Defendants created the false impression that they possessed reliable information pertaining to the Company's projected revenue outlook and anticipated growth while also minimizing risk from seasonality and macroeconomic fluctuations. In truth, MongoDB's sales force restructure, which prioritized reducing friction in the enrollment process, had resulted in complete loss of upfront commitments; a significant reduction in the information gathered by their sales force as to the trajectory for the new Atlas enrollments; and reduced pressure on new enrollments to grow. Defendants misled investors by providing the public with materially flawed statements of confidence and growth projections which did not account for these variables.

***MongoDB Reveals Fourth Quarter and Fiscal Year 2024 Earnings and
Reveals Weak Revenue Outlook for Fiscal Year 2025***

March 7, 2024

31. On March 7, 2024, MongoDB issued a press release, here announcing their fiscal 2024 results and guidance for the following year:

Full Year Fiscal 2024 Financial Highlights

- Revenue: Total revenue was \$1.68 billion for the full year fiscal 2024, an increase of 31% year-over-year. Subscription revenue was \$1.63 billion, an increase of 32% year-over-year, and services revenue was \$55.7 million, an increase of 14% year-over-year.
- Gross Profit: Gross profit was \$1.26 billion for the full year fiscal 2024, representing a 75% gross margin compared to 73% in the year-ago period. Non-GAAP gross profit was \$1.30 billion, representing a 77% non-GAAP gross margin, compared to a non-GAAP gross margin of 75% in the year-ago period.
- Loss from Operations: Loss from operations was \$233.7 million for the full year fiscal 2024, compared to a loss from operations of \$346.7 million in the year-ago period. Non-GAAP income from operations was \$270.4 million, compared to a non-GAAP income from operations of \$62.0 million in the year-ago period.
- Net Loss: Net loss was \$176.6 million, or \$2.48 per share, based on 71.2 million weighted-average shares outstanding, for the full year fiscal 2024. This compares to a net loss of \$345.4 million, or \$5.03 per share in the year-ago period. Non-GAAP net income was \$274.2 million or \$3.33 per share based on 82.4 million diluted weighted-average shares outstanding. This compares to a non-GAAP net income of \$64.7 million or \$0.81 per share in the year-ago period.
- Cash Flow: During the year ended January 31, 2024, MongoDB generated \$121.5 million of cash from operations, compared to \$13.0 million of cash used in operations in the year-ago period. Free cash flow for the year ended January 31, 2024 was \$109.9 million, compared to negative free cash flow of \$24.7 million in the year-ago period.

First Quarter and Full Year Fiscal 2025 Guidance

Based on information available to management as of today, March 7, 2024, MongoDB is issuing the following financial guidance for the first quarter and full year fiscal 2025. This

guidance reflects the impact of over \$80 million of FY24 revenue, related to multi-year term licenses and unused Atlas commitments, that we do not expect to realize in FY25.

	First Quarter Fiscal 2025	Full Year Fiscal 2025
Revenue	\$436.0 million to \$440.0 million	\$1.90 billion to \$1.93 billion
Non-GAAP Income from Operations	\$22.0 million to \$25.0 million	\$186.0 million to \$201.0 million
Non-GAAP Net Income per Share	\$0.34 to \$0.39	\$2.27 to \$2.49

32. MongoDB hosted an earnings call later on March 7, 2024 which again included Defendants Ittycheria and Gordon. During the call, the Individual Defendants optimistically discussed the prior fiscal year's results before turning to an explanation for the lowered guidance. In pertinent part, Defendants stated:

Today, the vast majority of AI spend is happening in the first layer, that is investments in compute to train and run LLMs, neither are areas in which we compete. Our enterprise customers today are still largely in the experimentation and prototyping stages of building their initial AI applications, first focused on driving efficiencies by automating existing workloads. We expect that will take time for enterprises to deploy production workloads at scale. However, as organizations look to realize the full benefit of these AI investments, they will turn to companies like MongoDB, offering differentiated capabilities in the upper layers of the AI stack.

Let's start with Atlas. Atlas grew 34% in the quarter compared to the previous year and now represents 68% of total revenue, compared to 65% in the fourth quarter of fiscal 2023 and 66% last quarter. We recognize Atlas revenue primarily based on customer consumption of our platform, and that consumption is closely related to end-user activity of the application

...

Turning to customer growth. During the fourth quarter, we grew our customer base by approximately 1,400 customers sequentially, bringing our total customer count to over 47,800 which is up from over 40,800 in the year ago period. Of our total customer count,

over 7,000 are direct sales customers which compares to over 6,400 in the year ago period. The growth in our total customer count is being driven primarily by Atlas, which had over 46,300 customers at the end of the quarter, compared to over 39,300 in the year ago period. It's important to keep in mind that the growth of our Atlas customer count reflects new customers to MongoDB in addition to existing EA customers adding incremental Atlas workloads.

...

I'll now provide some more context on our guidance, starting with the full year fiscal '25 where we're facing difficult compares in 2 ways. ***First, we expect to recognize close to 0 revenue from unused Atlas commitments in fiscal '25 compared to over \$40 million in fiscal '24. As you may recall, in fiscal '24, we changed our sales incentive structure to reduce the importance of upfront commitments, and so we saw far fewer upfront commitments. Therefore, as those fiscal '24 deals come up for renewal in fiscal '25, we expect to see limited revenue related to unused commitments.*** Second, in fiscal '24, we recognized approximately \$40 million more in multiyear license revenue than we did in fiscal '23. As you know, our fiscal year '24 non-Atlas revenue benefited from a higher-than-usual amount of license revenue related to pay year contracts, including our extended partnership with Alibaba. ***Clearly, we are pleased with the fiscal '24 performance, but it was unusual in terms of the magnitude of multiyear deals and we don't expect similar performance in fiscal '25.*** As a result, we expect non-Atlas revenues to be modestly down in fiscal '25. Next, we expect Atlas consumption growth to be in line with the consumption growth we've experienced in fiscal '24.

...

Moving on to our Q1 guidance, a few things to keep in mind. First, we expect Atlas revenue to be flat to slightly down sequentially. Q1 has 2 fewer days than Q4 this year, which represents a revenue headwind. Also the slower Atlas consumption growth during the holidays will have a bigger impact on Q1 revenue than it did in Q4, thereby negatively impacting sequential revenue growth. Finally, the sequential impact from the expected decline in unused Atlas commitments will be most pronounced in Q1, given that we made the changes in Q1 of last year.

Second, we expect to see a meaningful sequential decline in EA revenue. As discussed in past years, Q4 is our seasonally highest quarter in terms of our EA renewal base which is an excellent indicator of our ability to win new EA business. In Q1, the EA renewal base is sequentially much lower.

Finally, we expect operating income to decline sequentially due to lower revenue as well as our increased pace of hiring.

(Emphasis added).

33. The question-and-answer portion of the call again followed, wherein the Individual Defendants were asked at length about the Company's below-expectation projections:

<Q: Raimo Lenschow - Barclays Bank PLC - Analyst> Congrats on a nice Q4. A question also a little bit on guidance. Mike, the last few quarters before Q4, we talked about EA seeing a little bit of a tailwind from customers kind of maybe modernizing on premise rather than doing to Atlas to kind of still modernize but maybe not spending all the money to go to the cloud. Is that trend still valid? And if you think about the multiyear commitments, obviously, you had, what, 10 million, 15 million for the Alibaba deal. But then the other stuff is like customers that are just doing this work. Do you think that will change and people go back to like shorter commitments? Or is it just more that you're kind of thinking about the renewal pool.

<A: Michael Lawrence Gordon> Yes. So a few different things embedded in there. On the multiyear, we've -- it's always been a dynamic. And as we've seen deals or variability, we've tried to call that out and that's why we sort of call out, given under the ASC 606 that increased variability and reduced comparability that comes from EA. Obviously, Atlas has grown as a percentage of the business, but that continues to be the dynamic for the EA portion. I expect that we will continue to see multiyear deals, but we just -- in fiscal '24, it was just so many more than we thought. And to your point, not just EA, but broadly non-Atlas. And it's just -- it's not something that will repeat in fiscal '25. And so that's why we wanted to call it out and quantified it.

...

<Q: Kasthuri Gopalan Rangan - Goldman Sachs Group, Inc. - Head of Software Coverage> Congrats on the results. One quick one for Dev and one hopefully will go to Michael as well . . . One for Michael. In your assumptions, when I take away the \$40 million of the upfront, I mean, that's like a couple of percentage points of growth. I'm just trying to understand what kind of consumption trends you are using to build guidance? Was it average of fiscal '24 consumption trends or weighted more towards second half or exiting fourth quarter? Any color there would be tremendously useful.

...

<A: Michael Lawrence Gordon> And then on the consumption questions, Kash, thanks for that. Overall, if you look at the guidance and the piece parts that we've tried to share with you, when you take into account the \$80 million of impact from the unused commitments and the multiyear outperformance, you'll see at the top line level around 500 basis points of a headwind. And then we also walked you through our expectations that the non-Atlas will be modestly down, given the \$40 million of that part that isn't recurring. So when you kind of piece all those together, you'll wind up probably coming to a conclusion that ***Atlas looks consistent from a consumption growth standpoint***. And that's in line with the stable trends we've seen over the course of fiscal '24, so we're using those fiscal '24 numbers.

Obviously, there's some seasonal adjustments that we have factored in there, but that's really what we're seeing there.

...

<Q: Bradley Hartwell Sills - BofA Securities - Director, Analyst> I wanted to ask a question around the sales capacity. It sounds like at some point last year, you realized that you had underinvested, maybe pivoted too much towards margin expansion and then are now catching up. ***In the guidance, if you could assume you had the sales capacity that you would prefer to be at this point given the demand that you're seeing, would we be at a higher level of growth?*** I'm just trying to parse out how much of the guide is factoring in those constraints on sales capacity that you've talked about.

<A: Dev C. Ittycheria> Yes. So thanks for your question. Yes, given the macro uncertainty, especially coming out off Q4 of last year, we did slow down hiring quite meaningfully. And obviously, that showed up in our numbers, to the point that Michael talked about in our op margin as well. We obviously know that we have a big opportunity in front of us. So we are growing our head count between the mid- and high teens. We think that's appropriate relative to the opportunities we see. ***And yes, if we had more productive sales capacity, the guidance would probably be higher. There's no question about that.***

(Emphasis added).

34. The aforementioned press releases and statements made by the Individual Defendants are in direct contrast to statements they made during the August 31 and December 5, 2023 earnings calls. On those calls, Defendants continually praised their shift in sales-force incentives away from upfront commitments along with the robustness of their non-Atlas products/services and moreover continued to minimize risks associated with seasonality and the macro environment.

35. Investors and analysts reacted immediately to MongoDB's revelation. The price of MongoDB's common stock declined dramatically. From a closing market price of \$412.01 per share on March 7, 2024, MongoDB's stock price fell to \$383.42 per share on March 8, 2024, a decline of about 7% in the span of just a single day.

36. A number of well-known analysts who had been following MongoDB lowered their price targets in response to MongoDB's disclosures. For example, UBS Investment Bank, while

retaining its neutral rating, noted the Company “posted disappointing results,” with growth expectations “falling short.” The analyst went on to note that “[w]hile MDB cited \$80m of ‘one-time’ revs in FY24, leading some to compute and adjusted FY25 growth guide ... we don’t fully buy into that adjustment.” Going further the analyst explained risks associated with MongoDB pinning the \$40m reduction in unused commitments as a consequence of restructured sales force incentives:

While sales reps can have some influence on driving customer spend behavior, customers could under-spend against high commits (or look to lower future commits) . . . We’re not shrugging off this change in behavior as a function of MongoDB sales comp change and we’re reluctant to strip it out to get to adjusted FY25 growth.

37. Similarly, Morningstar reduced their estimate more than 8% to \$403. In doing so, the analyst noted the drop was particularly due to “factor[ing] in slower growth rate than were previously expecting, driven by the disappointing outlook.”

38. Notably, other analysts believed MongoDB was, as they had in the past, merely underselling their growth potential for the year. JMP, for example, explained that “the company has a pattern of guiding revenue growth conservatively at the beginning of its new years,” and went on to note that the prior three years surpassed initial projections by 17%, 14%, and 15% respectively.

39. The fact that these analysts, and others, discussed MongoDB’s shortfall and below-expectation projections suggests the public placed significant weight on MongoDB’s statements of prior confidence in their new growth plan. The frequent, in-depth discussion of MongoDB’s guidance confirms that Defendants’ statements during the Class Period were material.

40. Notwithstanding Defendants’ disclosures during the call, they continued to mislead investors by misrepresenting the issues surrounding the sales force incentive restructure in their issuance of below-marked growth expectations. In doing so, the Defendants deceptively claimed

confidence in their data surrounding both the difficulties and losses in effectuating the shift in sales dynamics and in their estimations of potential macro and seasonal headwinds.

41. During the March 7, 2024 earnings call, the Individual Defendants discussed in detail the reasoning behind their new projections:

In summary, we expect the environment in fiscal '25 to be largely similar to the environment we experienced in fiscal '24.

...

[W]e are focused on growing sales capacity. As we told you in the past, we are slow to grow capacity in fiscal '24, especially in the first half due to macro uncertainty. Given that the market is more stable now and that we remain underpenetrated compared to our opportunity, we'll increase the pace of go-to-market investments in fiscal '25.

...

Let me wrap up by saying that I remain highly confident about our ability to execute on our long-term growth opportunity. We are pursuing one of the largest and fastest-growing markets in all of software, with significant expansion opportunities in both new and existing customer accounts. While it's early days, we expect that AI will not only support the overall growth of the market, but also compel customers to revisit both their legacy workloads and build more ambitious applications. This will allow us to win more new and existing workloads and to ultimately contribute to establish MongoDB as a standard in enterprise accounts.

...

I'll now provide some more context on our guidance, starting with the full year fiscal '25 where we're facing difficult compares in 2 ways. *First, we expect to recognize close to 0 revenue from unused Atlas commitments in fiscal '25 compared to over \$40 million in fiscal '24. As you may recall, in fiscal '24, we changed our sales incentive structure to reduce the importance of upfront commitments, and so we saw far fewer upfront commitments. Therefore, as those fiscal '24 deals come up for renewal in fiscal '25, we expect to see limited revenue related to unused commitments.* Second, in fiscal '24, we recognized approximately \$40 million more in multiyear license revenue than we did in fiscal '23. As you know, our fiscal year '24 non-Atlas revenue benefited from a higher-than-usual amount of license revenue related to pay year contracts, including our extended partnership with Alibaba. *Clearly, we are pleased with the fiscal '24 performance, but it was unusual in terms of the magnitude of multiyear deals and we don't expect similar performance in fiscal '25.* As a result, we expect non-Atlas revenues to be modestly down in fiscal '25. Next, we expect Atlas consumption growth to be in line with the consumption growth we've experienced in fiscal '24.

(Emphasis added).

42. Similarly, during the question-and-answer portion of the call, the Individual Defendants elaborated on these justifications and stressed their confidence and understanding in the Company's growth trajectory. Defendants pertinently described the stability of Atlas growth and stressed their confidence in their estimations of the impact of the macro and seasonal impact on their business:

<Q: Sanjit Kumar Singh - Morgan Stanley – Vice President> Michael, I wanted to walk through the guidance with you a little bit. This time last year coming out of Q4 '23, I think there was a pretty different environment, a much more cautious environment. I think usage growth was particularly impacted in the outlook last year. ***This year, coming into fiscal year '25, things feel a little bit healthier or at least stable in sort of on how you guys are framing it. And yet the guidance -- the initial guidance for growth looks a lot like the initial guidance growth for last year.*** Just trying to understand, and I know you talked about some of the onetime impacts from last year. But just in terms of a better spending environment versus the initial guide that looks also pretty similar to the last year, could you sort of frame out like being conservative in things you have embedded in guidance.

<A: Michael Lawrence Gordon> Yes. So a couple of things. Thanks for the question. Yes, I think the key thing is, ***once you adjust for those onetime items that we called out, we see a stable environment.*** That's what we described in and experienced in Q4 compared to Q3. So we feel good about that. I think just to underscore, there's the \$80 million in revenue that won't repeat both from the unused commitments as well as from the multiyear deals. And when you adjust from those, we feel good about the dynamic. To your question, which is sort of embedded in that around sort of, I'll call it, guidance approach or approach to guidance. We haven't changed our view as it relates to guidance. We have seen more stable consumption that obviously gives us higher confidence in part, given the less variability that we've seen over the course of fiscal '24.

I think we also have a better understanding of the underlying seasonality of the business. We had updated at the end of last year in our call -- in our Q3 call around the success that we're having on EA, and we had updated those EA new business assumptions. And so that our guidance reflects kind of continued strength there. So I think that's how we approach it and there are no fundamental changes, but hopefully, we've given you a fair amount of the piece parts so people can help do the math.

...

<Q: Kasthuri Gopalan Rangan - Goldman Sachs Group, Inc. - Head of Software Coverage> Congrats on the results. One quick one for Dev and one hopefully will go to Michael as

well . . . One for Michael. In your assumptions, when I take away the \$40 million of the upfront, I mean, that's like a couple of percentage points of growth. I'm just trying to understand what kind of consumption trends you are using to build guidance? Was it average of fiscal '24 consumption trends or weighted more towards second half or exiting fourth quarter? Any color there would be tremendously useful.

...

<A: Michael Lawrence Gordon> And then on the consumption questions, Kash, thanks for that. Overall, if you look at the guidance and the piece parts that we've tried to share with you, when you take into account the \$80 million of impact from the unused commitments and the multiyear outperformance, you'll see at the top line level around 500 basis points of a headwind. And then we also walked you through our expectations that the non-Atlas will be modestly down, given the \$40 million of that part that isn't recurring. So when you kind of piece all those together, you'll wind up probably coming to a conclusion that ***Atlas looks consistent from a consumption growth standpoint.*** And that's in line with the stable trends we've seen over the course of fiscal '24, so we're using those fiscal '24 numbers. Obviously, there's some seasonal adjustments that we have factored in there, but that's really what we're seeing there.

...

<Q: Brent Alan Bracelin - Piper Sandler & Co. - MD & Senior Research Analyst> ***Michael, we're going to stick with the guide seen here. If I look at last year, you guided to, I think, 16% growth. You ended up doing 31% for the full year. Even if I take out the \$80 million tailwind, you talked about, that's still 25% growth.*** You're guiding to 14% growth this year, again 5% headwind, so closer to 19% organically. Are you more confident kind of going into this year than last year just as you think about the trends? Is the 14% comparable to the 16% initial guide last year? Is it really more like 19% adjusted basis comparing to 16%? I know it's a little confusing, but getting a lot of questions on it.

<A: Michael Lawrence Gordon> Yes. No, it's fine. I go back to what I said in response, I think it was to Sanjeet's question. ***There's been no fundamental change or approach in terms of how we're looking and determining our guidance. I do think to the confidence point, I think that, that is correct. We do have more confidence. We have more data.*** We -- if you think back a year ago, as one of the questions indicated, there was much more macro uncertainty. I think over the course of fiscal '24, we saw narrower variability. We saw more consistent results that does give us increased confidence. I think we also have another year under our belt in terms of understanding the seasonality trends of Atlas.

I know Atlas is a big business, but it's still a relatively young one, especially when you think about giving quarterly data points. ***And so I think we have more confidence and better handle on that.*** And then lastly, while there is a difficult compare on EA -- I think we talked about this in the second half of last year where we were -- at some point, you could only be -- continue to be surprised by EA so much. And so as we looked at our -- I

think it was in our third quarter call, we talked about how we were upping our views on what EA could do. And so all that's sort of baked into the guide.

(Emphasis added).

43. The above statements in Paragraphs 41 and 42 were false and/or materially misleading. Defendants created the false impression that they possessed reliable information pertaining to the Company's projected revenue outlook and anticipated growth while also minimizing risk from seasonality and macroeconomic fluctuations. Conversely, macro headwinds were worsening while MongoDB's sales force incentive restructure had further resulted in a significant reduction in the information gathered by their sales force as to the trajectory for the new Atlas enrollments without upfront commitments and further reduced pressure on these new enrollments to grow, resulting in lower value enrollments than were obtained under the previous incentive structure. Defendants misled investors by providing the public with materially flawed statements of confidence and growth projections which did not account for these variables.

The Truth Emerges during MongoDB's First Quarter Earnings Report

May 30, 2024

44. In the evening of May 30, 2024, MongoDB published its first quarter fiscal year 2025 results; notably again reducing projections for the remainder of fiscal year 2025:

Second Quarter and Full Year Fiscal 2025 Guidance

Based on information available to management as of today, May 30, 2024, MongoDB is issuing the following financial guidance for the second quarter and full year fiscal 2025.

	Second Quarter Fiscal 2025	Full Year Fiscal 2025
Revenue	\$460.0 million to \$464.0 million	\$1.88 billion to \$1.90 billion

Non-GAAP Income from Operations	\$35.0 million to \$38.0 million	\$168.0 million to \$183.0 million
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Non-GAAP Net Income per Share	\$0.46 to \$0.49	\$2.15 to \$2.30
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45. MongoDB held an earnings call shortly after posting the results. During the call, CEO Ittycheria and COO/CFO Gordon opened by discussing the setbacks experienced in the first quarter of fiscal year 2025:

Let me go into our quarterly results in a bit more detail. First, Atlas consumption growth was below our expectations in the first quarter. We saw less seasonal improvement than expected, and this dynamic was true with customers across tenure, industry, size and geography. We believe this indicates a more challenging macro environment than expected at the beginning of the year.

A new dynamic we saw in Q1 was the growth rate of more recently acquired workloads started to slow down earlier than expected. While the macro environment had an impact, we also believe this is partly due to the go-to-market changes we instituted last year. We have fine-tuned our process and incentive structures to make sure the field is focused on winning workloads with higher growth potential.

Second, our new business performance in Q1 wasn't up to our standards. Operationally, we got off to a slow start in the quarter. And while we mostly caught up on new business as the quarter went on, we didn't quite get there in the end

...

[A]s we communicated last quarter, Q1 was the first quarter we saw the expected significant decline in revenue from unused Atlas commitments, making this quarter a tough comparison, both sequentially and year-over-year. Let me provide some additional context on Atlas consumption in the quarter.

46. Defendant Michael Gordon then discussed further the reduced guidance for the remainder of fiscal year 2025:

I'll now provide some more context around our guidance, starting with the full year. First, as a reminder, our fiscal '25 Atlas revenue growth rate will be impacted by the absence of over \$40 million in revenue related to unused customer commitments..

...

Second, we had expected Atlas consumption growth to be stable in fiscal '25 relative to fiscal '24. But after a weaker-than-expected Q1, we now expect Atlas consumption growth to slow down this year. The slowdown is driven by the more pronounced macro impact we are seeing on our existing workloads, recent cohorts in particular. In addition, starting Q2 Atlas ARR is also lower in part because of the smaller-than-expected new business cohort in Q1.

Third, we previously expected non-Atlas revenues to be modestly down in fiscal '25. As a reminder, in fiscal '24, we recognized approximately \$40 million more in multiyear license revenue than we did in fiscal '23, making for a difficult compare this year. *We had expected fiscal '25 multiyear license revenue contribution to be more in line with fiscal '23.* However, *in Q1, despite the EA outperformance, we saw a lower-than-expected contribution from multiyear deals, and our a pipeline of multiyear deals for the rest of the year is currently lower given the macro environment.* Consequently, we now expect non-Atlas revenue to be down mid-single digits for the year.

(Emphasis added).

47. Due to the significant surprise of both the results of the first quarter and a reduction of the already below-expectation projections the individual Defendants were subjected to a lengthy Q&A session, asking them to further elaborate and justify the reasons behind the projections:

<Q: Sanjit Kumar Singh - Morgan Stanley - Vice President> Understood. And then just one quick follow-up on the sales side. You mentioned that sort of the recently acquired workloads were not growing as fast as expected, and you seem to point that as related to some sales execution opportunities. Could you unpack that for us as to like why that may be an issue? Once the customer sort of onboards the new workload, what's the sort of responsibility of sales to grow that? I would imagine that once you stand up that work case, it's sort of driven by the nature of the application. So I just want to understand the new workload that can [indiscernible].

<A: Dev C. Ittycheria> Yes, I just want to -- I think there's actually 2 separate issues. One is we're talking -- when we talk about workloads slowing down or growing more slowly, we're talking about the workloads predominantly from last year and before. *We had a record workload volume last year, and we purposely designed our incentive system to reduce the friction to acquire workloads, and that actually worked really well.*

What we're seeing is that now as we're starting to hit the 1-year mark for the first workloads required last Q1 that they're growing more slowly. So we're changing and fine-tuning some of the incentives to ensure that our salespeople and our teams focus on higher-quality workloads that have higher growth potential. That's -- so that's one point.

In terms of new business, we did have a slow start to the year. ***As you know, we really focused on acquiring new workloads and measuring workloads all last year, so it took some time for us to analyze that workload data and that then delayed how we organize from an org structure or territory and ultimately finalizing quotas.*** And so we did almost catch up by the end of the quarter but not fully. But I want to be clear, we remain very confident in our ability to win new business, and our win rates remain strong.

...

<Q: Raimo Lenschow - Barclays Bank PLC - Analyst> Can I stay on that subject, Dev, a little bit? So if you think about the -- some of the stuff you just talked about is kind of in your own control and then there is macro, like if you think about like what was the more important driver here than macro side or the side that kind of you influence, can you speak to that, like that we try to understand that better? And when did macro show up for you as well in -- during the quarter?

<A: Dev C. Ittycheria> ***I would say, obviously, based on expectations, the macro was -- the consumption was worse than we had expected when we guided at the end of Q4 based on our Q4 results.*** And the reason we firmly believe there's a macro impact is because we saw that slowdown happen across different sizes of customers, across different industries, across different geos and also across the tenure of our customers.

There's also -- the usage growth was definitely slower compared to a year ago period. So that's what gives us a belief that this was a macro issue. ***And then the new business issue was really -- as I said, we almost caught up, but it was really operationally getting our organization in place and quotas in place, and we definitely learned from that and we have changed our planning process so that we don't repeat the same mistake again. But that was the execution issue that I would say that we went through in Q1 with a slower start to the year.***

...

<Q: Brad Robert Reback - Stifel, Nicolaus & Company, Inc. - MD & Senior Equity Research Analyst> Great. And on the volume versus potential of deals, we'll say, or workloads, as you talked about last year, a lot of volume, maybe the potential wasn't as high to -- for those workloads to grow. Can you give us a sense of the types of workloads that weren't growing as fast? Or what gives you confidence that you've really identified those types of workloads that can get you back to high potential?

<A: Dev C. Ittycheria> ***Yes. I mean the initial workloads actually grew in line with what we were expecting, but then they started growing more slowly.*** And we really noticed that

this quarter. I would say, while it's not easy to identify, especially new workloads, what's going to take off versus what's going to be more of a slower growth workload because sometimes even customers don't know, what we have done is changed incentive systems a bit to emphasize more quality of workloads in the sales comp plans. So by definition, they're very incentivized to really push for the higher-growth workloads, and they can get -- not perfect data but a lot better data by working more closely with customers to understand which are more of the critical workloads versus more of the tertiary workloads

<A: Michael Lawrence Gordon> And maybe, Brad, just to sort of connect the dots just to make sure that everyone's following is that as ***we successfully got more volume, right, because we've got low share in this big market, one of the things that we did that helped us do that is reduce friction upfront. An unintended consequence of reducing friction is you actually have less information about everything, right?*** So if you're a sales rep and you're trying to prioritize your time, that was an unintended consequence. So what Dev is talking about will help address that.

...

<Q: Karl Emil Keirstead - UBS Investment Bank - Analyst> Maybe I'll direct these to Dev. Dev, I know it's hard to get into the heads of your customers and understand their behavior. But I guess the spirit of this question is when you say macro, what do you mean exactly. What are the customers telling you is the root cause? Is it a sensitivity to rates or consumer, end market weakness? Are you able to pinpoint what it is? And then maybe part 2, 1 easy alternative explanation to macro is that AI has become such a big issue for CIOs and boardrooms that it might be crowding out other spend.

Do you feel like there's any credence to that thesis?

<A: Dev C. Ittycheria> Yes. So thanks for the question, Karl. So when we talk about macro, remember, ultimately, we're a database or a data platform, and the usage of our platform is directly or very tightly correlated to the performance of the end customer's business. If they're selling 100 widgets a week and all of a sudden, now they're selling 80 widgets a week, that will mean that they're using the database less intensely.

So when we see broad-based slowdown across different customer cohorts of different sizes across different industries and across different geos, that strikes us as pretty much a macro issue. And so that's why based on -- and we have close to 50,000 customers, so we have a pretty good feel for what's happening right now, and that's why we feel that there's definitely a macro element to it.

With regards to the second part of your question, is AI essentially crowding out new business, we definitely think that that's plausible. We definitely see development teams experimenting on AI projects. The technology is changing very, very quickly. But that being said, we don't see that as a reason for us to not hit our new business targets. And as I said, even though we started slow, we almost caught up at the end of this quarter, and we

feel really good about our new business opportunity for the rest of this year. So I don't want to use that as excuse for us not meeting our new business targets.

...

<Q: Tyler Maverick Radke - Citigroup Inc. - VP & Senior Analyst> . . . And Michael, on the guidance here, obviously, I'm sure you don't like lowering guidance, but considering you did it here, and hopefully, this is the last time this year, can you just remind us what you're assuming from a consumption pattern? I know you said that this year is obviously starting off slower than you expected and kind of behind seasonal trend versus last year. Like what are you doing from an adjustment perspective? Are you taking kind of a worst case scenario? Are you looking back maybe a couple of years back when consumption trends were even worse? Just help us understand what's embedded and what level of conservatism you're applying.

<A: Michael Lawrence Gordon> Yes. So happy to help you walk through. Obviously, we went through the fiscal '25 guide in a fair amount of detail when we guided back in March. And so maybe I'll kind of call out the things that have changed since then in terms of our understanding, obviously, first and foremost, the Q1 results being the biggest piece. So as we've talked about consumption and consumption growth and consumption growth trends tend to be the biggest near-term factor when you look out at the business. So we saw those lower, as we mentioned, in March and April than what we expected. May, as I mentioned, is consistent with that. And so we've assumed that same level persists throughout the year. So we haven't assumed a recovery and nor have we assumed a deterioration.

And then the other thing within Atlas that's important to keep in mind, as you think through kind of the impacts are in part because of that lower expansion in Q1 and then also the smaller new business cohort within Atlas in Q1, the starting Q2 ARR is lower, and that compounds over the course of the year, right? So we spent a bunch of time last year talking about how Q1 was a particularly strong quarter. And given the math of compounding, that wound up being the gift that kept giving throughout the year from an absolute revenue number perspective, even if we saw different consumption trends. That will work the same way this year but sort of in reverse, right, with the softer growth in Q1, that will compound, as you think about it, relative to your full year guide. And so that's baked in to the math and the equation.

And the third thing that I'd call out is I referenced EA. EA did have a stronger Q1 and outperformed relative to our expectations. But despite that outperformance, we actually saw fewer multiyear deals. And in the current macro environment, when we look out, we think there's reason to believe that Q1 wasn't a fluke and that, that will be a headwind. And so when you think about the 606 dynamics associated with Enterprise Advanced, we factored that into account as well. And so those are really the 3 key things that make up the inputs into the fiscal '25 updated guide.

...

<Q: Michael Joseph Cikos - Needham & Company, LLC - Senior Analyst> I have 2, and I'll start with the first 1 here just to be clear, but I want to make sure I'm interpreting this properly. On the slower growth from those newly acquired workloads last year, is the takeaway that the sales team wasn't necessarily acquiring the "right type of workload" because MongoDB, it sounds like it is over-indexed toward focusing on the volume of these newly acquired workloads over quality. Is that a fair characterization or takeaway from what we're hearing today?

<A: Dev C. Ittycheria> Potentially. I mean I would say that we obviously have learned a lot. And so we really indexed on volume because, as in past years, when you have a portfolio of workloads, you're not sure which workload is going to take off, and that's been the growth driver of our business. And I'll just remind you, 5 years ago, we were 1/10 of the size of our business today, so that's -- our strategy has been to acquire workloads as quickly as possible, and we want to be -- make it even easier for customers to -- for us to win workloads, so customers could use our platform. It's just that as we see the growth rates of the workloads that are more recently acquired, they seem to be growing a little slower than we expected.

And so we're just making some refinements. I don't want to suggest that this is a major pivot or kind of change in direction. It's just some major -- some refinements in terms of our incentive system to reward salespeople for workloads that grow even -- that grow fast. And so -- and that's -- we think that's the appropriate response here.

<Q: Michael Joseph Cikos - Needham & Company, LLC - Senior Analyst> Got it. And I think my follow-up, again, I'm trying to get this from the outside in, but I'd appreciate any color. Like understand the refinement here on looking at those workloads to grow faster, but I think Michael had made the earlier point as well that because of this go-to-market effort, you almost by default have less visibility into that customer because you have reduced the friction to adopt. So can you help me think about how you guys are refining that focus on acquiring those right workloads just given that reduced visibility we have?

...

<A: Michael Lawrence Gordon> The other thing, Mike, just not to get lost in the details, but I wouldn't quite use the word visibility. But I do think if you think about it this way, *if you're going through the process of negotiating a commitment with the customer, you're going to get an enormous amount of information from that customer about the workload and about everything else. And so when you're moving in a frictionless manner to get more workloads, you won't get all of that information.*

It's still possible with intent and purpose and incentives to get some of that information. And getting that little bit of relevant information is dramatically different than getting a commitment, right? And so that's the balance that we're just -- we're trying to strike and that we're continuing to iterate as we learn here.

<A: Dev C. Ittycheria> Yes. And also I just want to add, it's not that we're anti commitments. We want to -- the customer to feel like, okay, I see enough volume either through this one workload or through the multitude of workloads they have to make a bigger commitment. And it's a much more natural conversation than trying to prematurely force a commitment when the customer themselves may not know how quickly that workload is going to grow. And so consequently, we'll struggle to figure out like what kind of commitment they want to sign up for.

(Emphasis added).

48. The aforementioned press releases and statements made by the Individual Defendants contradicted their earlier statements, including those made during the March 7, 2024 earnings call. During that call, the Defendants portrayed an understanding of the issues surrounding their sales force incentive restructure, wherein they disclosed the loss of the entirety of the unused commitment revenue stream, as well as making below-market projections that allegedly factored in risks associated with the existing macro landscape.

49. Investors and analysts again reacted promptly to MongoDB's revelations. The price of MongoDB's common stock declined dramatically. From a closing market price of \$310.00 per share on May 30, 2024 MongoDB's stock price fell to \$236.06 per share on May 31, 2024, a decline of nearly 24% in the span of one day.

50. A number of well-known analysts who had been following MongoDB lowered their price targets in response to MongoDB's disclosures. For example, Guggenheim, while putting MongoDB in the "penalty box," highlighted that after the prior disclosure on March 7, that "the key debate was how much will MongoDB ultimately *outperform* initial guidance that we ... figured was completely de-risked . . . [T]he more pressing question now is if MongoDB is even a 20% grower this year. And when, or if, they will ever approach 30% growth again?"

51. Analysts were further speculative as to whether the slowdowns were truly macro related as the Company claimed. Wedbush, for example, stated the company may not even

improve in a more positive macro environment as “there appears to be an issue with the quality of workloads acquired last year and some fine-tuning that is planned for this year that could impact growth.” Other analysts were in accord: Oppenheimer noted that while the macro may not be surprising “the mis-execution is out of character and demands attention.”

52. The fact that these analysts, and others, discussed MongoDB’s shortfall and further reduced projections suggests the public placed significant weight on MongoDB’s statements of prior confidence in their new growth plans. The frequent, in-depth discussion of MongoDB’s guidance confirms that Defendants’ statements during the Class Period were material.

Loss Causation and Economic Loss

53. During the Class Period, as detailed herein, Defendants made materially false and misleading statements and engaged in a scheme to deceive the market and a course of conduct that artificially inflated the price of MongoDB's common stock and operated as a fraud or deceit on Class Period purchasers of MongoDB's common stock by materially misleading the investing public. Later, Defendants’ prior misrepresentations and fraudulent conduct became apparent to the market, the price of MongoDB's common stock materially declined, as the prior artificial inflation came out of the price over time. As a result of their purchases of MongoDB's common stock during the Class Period, Plaintiff and other members of the Class suffered economic loss, *i.e.*, damages under federal securities laws.

54. MongoDB’s stock price fell in response to the partial corrective event on March 7, 2024, as alleged *supra*. On March 7, 2024, Defendants disclosed information that was directly related to their prior misrepresentations and material omissions concerning MongoDB’s forecasting processes and growth guidance.

55. In particular, on March 7, 2024, MongoDB announced significantly below-market growth expectations of only 13-15% for fiscal year 2025. This projection was well below the market expectations generated by MongoDB's own previous reports of economic growth and internal growth projections provided throughout fiscal year 2024.

56. Subsequently, MongoDB's stock price fell in response to a second corrective event on May 30, 2024, as alleged *supra*. In the evening of May 30, 2024, Defendants again disclosed information directly related to prior misrepresentations and material omissions concerning MongoDB's forecasting processes and growth guidance.

57. Specifically, on May 30, 2024, MongoDB again announced significantly reduced its already reduced growth expectations, cutting fiscal year 2025 projections two percent, down to only 12% annual growth. This new 2025 projection was not only well below market expectations, but well below MongoDB's own expectations as set the previous quarter.

Presumption of Reliance; Fraud-On-The-Market

58. At all relevant times, the market for MongoDB's common stock was an efficient market for the following reasons, among others:

(a) MongoDB's common stock met the requirements for listing and was listed and actively traded on the NASDAQ during the Class Period, a highly efficient and automated market;

(b) MongoDB communicated with public investors via established market communication mechanisms, including disseminations of press releases on the national circuits of major newswire services and other wide-ranging public disclosures, such as communications with the financial press and other similar reporting services;

(c) MongoDB was followed by several securities analysts employed by major brokerage firms who wrote reports that were distributed to the sales force and certain customers of their respective brokerage firms during the Class Period. Each of these reports was publicly available and entered the public marketplace; and

(d) Unexpected material news about MongoDB was reflected in and incorporated into the Company's stock price during the Class Period.

59. As a result of the foregoing, the market for MongoDB's common stock promptly digested current information regarding the Company from all publicly available sources and reflected such information in MongoDB's stock price. Under these circumstances, all purchasers of MongoDB's common stock during the Class Period suffered similar injury through their purchase of MongoDB's common stock at artificially inflated prices, and a presumption of reliance applies.

60. Alternatively, reliance need not be proven in this action because the action involves omissions and deficient disclosures. Positive proof of reliance is not a prerequisite to recovery pursuant to ruling of the United States Supreme Court in *Affiliated Ute Citizens of Utah v. United States*, 406 U.S. 128 (1972). All that is necessary is that the facts withheld be material in the sense that a reasonable investor might have considered the omitted information important in deciding whether to buy or sell the subject security.

No Safe Harbor; Inapplicability of Bespeaks Caution Doctrine

61. The statutory safe harbor provided for forward-looking statements under certain circumstances does not apply to any of the material misrepresentations and omissions alleged in this Complaint. As alleged above, Defendants' liability stems from the fact that they provided investors with revenue projections while at the same time failing to maintain adequate forecasting

processes. Defendants provided the public with forecasts that failed to account for this decline in sales and/or adequately disclose the fact that the Company at the current time did not have adequate forecasting processes.

62. To the extent certain of the statements alleged to be misleading or inaccurate may be characterized as forward looking, they were not identified as “forward-looking statements” when made and there were no meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those in the purportedly forward-looking statements.

63. Defendants are also liable for any false or misleading “forward-looking statements” pleaded because, at the time each “forward-looking statement” was made, the speaker knew the “forward-looking statement” was false or misleading and the “forward-looking statement” was authorized and/or approved by an executive officer of MongoDB who knew that the “forward-looking statement” was false. Alternatively, none of the historic or present-tense statements made by Defendants were assumptions underlying or relating to any plan, projection, or statement of future economic performance, as they were not stated to be such assumptions underlying or relating to any projection or statement of future economic performance when made, nor were any of the projections or forecasts made by the defendants expressly related to or stated to be dependent on those historic or present-tense statements when made.

CLASS ACTION ALLEGATIONS

64. Plaintiff brings this action as a class action pursuant to Federal Rule of Civil Procedure 23(a) and (b)(3) on behalf of a Class, consisting of all those who purchased or otherwise acquired MongoDB's common stock during the Class Period (the “Class”); and were damaged upon the revelation of the alleged corrective disclosure. Excluded from the Class are defendants

herein, the officers and directors of the Company, at all relevant times, members of their immediate families and their legal representatives, heirs, successors or assigns and any entity in which defendants have or had a controlling interest.

65. The members of the Class are so numerous that joinder of all members is impracticable. Throughout the Class Period, MongoDB's common stock were actively traded on the NASDAQ. While the exact number of Class members is unknown to Plaintiff at this time and can be ascertained only through appropriate discovery, Plaintiff believes that there are hundreds or thousands of members in the proposed Class. Record owners and other members of the Class may be identified from records maintained by MongoDB or its transfer agent and may be notified of the pendency of this action by mail, using the form of notice similar to that customarily used in securities class actions. As of May 29, 2024, there were 73 million shares of the Company's common stock outstanding. Upon information and belief, these shares are held by thousands, if not millions, of individuals located throughout the country and possibly the world. Joinder would be highly impracticable.

66. Plaintiff's claims are typical of the claims of the members of the Class as all members of the Class are similarly affected by Defendants' wrongful conduct in violation of federal law that is complained of herein.

67. Plaintiff will fairly and adequately protect the interests of the members of the Class and has retained counsel competent and experienced in class and securities litigation. Plaintiff has no interests antagonistic to or in conflict with those of the Class.

68. Common questions of law and fact exist as to all members of the Class and predominate over any questions solely affecting individual members of the Class. Among the questions of law and fact common to the Class are:

(a) whether the federal securities laws were violated by Defendants' acts as alleged herein;

(b) whether statements made by Defendants to the investing public during the Class Period misrepresented material facts about the business, operations and management of MongoDB;

(c) whether the Individual Defendants caused MongoDB to issue false and misleading financial statements during the Class Period;

(d) whether Defendants acted knowingly or recklessly in issuing false and misleading financial statements;

(e) whether the prices of MongoDB's common stock during the Class Period were artificially inflated because of the Defendants' conduct complained of herein; and

(f) whether the members of the Class have sustained damages and, if so, what is the proper measure of damages.

69. A class action is superior to all other available methods for the fair and efficient adjudication of this controversy since joinder of all members is impracticable. Furthermore, as the damages suffered by individual Class members may be relatively small, the expense and burden of individual litigation make it impossible for members of the Class to individually redress the wrongs done to them. There will be no difficulty in the management of this action as a class action.

COUNT I

Against All Defendants for Violations of

Section 10(b) and Rule 10b-5 Promulgated Thereunder

70. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein.

71. This Count is asserted against defendants and is based upon Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 promulgated thereunder by the SEC.

72. During the Class Period, Defendants engaged in a plan, scheme, conspiracy and course of conduct, pursuant to which they knowingly or recklessly engaged in acts, transactions, practices and courses of business which operated as a fraud and deceit upon. Plaintiff and the other members of the Class; made various untrue statements of material facts and omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and employed devices, schemes and artifices to defraud in connection with the purchase and sale of securities. Such scheme was intended to, and, throughout the Class Period, did: (i) deceive the investing public, including Plaintiff and other Class members, as alleged herein; (ii) artificially inflate and maintain the market price of MongoDB common stock; and (iii) cause Plaintiff and other members of the Class to purchase or otherwise acquire MongoDB's securities at artificially inflated prices. In furtherance of this unlawful scheme, plan and course of conduct, Defendants, and each of them, took the actions set forth herein.

73. Pursuant to the above plan, scheme, conspiracy and course of conduct, each of the defendants participated directly or indirectly in the preparation and/or issuance of the quarterly and annual reports, SEC filings, press releases and other statements and documents described above, including statements made to securities analysts and the media that were designed to

influence the market for MongoDB's securities. Such reports, filings, releases and statements were materially false and misleading in that they failed to disclose material adverse information and misrepresented the truth about the Company.

74. By virtue of their positions at the Company, Defendants had actual knowledge of the materially false and misleading statements and material omissions alleged herein and intended thereby to deceive Plaintiff and the other members of the Class, or, in the alternative, Defendants acted with reckless disregard for the truth in that they failed or refused to ascertain and disclose such facts as would reveal the materially false and misleading nature of the statements made, although such facts were readily available to Defendants. Said acts and omissions of defendants were committed willfully or with reckless disregard for the truth. In addition, each defendant knew or recklessly disregarded that material facts were being misrepresented or omitted as described above.

75. Information showing that Defendants acted knowingly or with reckless disregard for the truth is peculiarly within defendants' knowledge and control. As the senior managers and/or directors of the Company, the Individual Defendants had knowledge of the details of MongoDB's internal affairs.

76. The Individual Defendants are liable both directly and indirectly for the wrongs complained of herein. Because of their positions of control and authority, the Individual Defendants were able to and did, directly or indirectly, control the content of the statements of the Company. As officers and/or directors of a publicly-held company, the Individual Defendants had a duty to disseminate timely, accurate, and truthful information with respect to MongoDB's businesses, operations, future financial condition and future prospects. As a result of the dissemination of the aforementioned false and misleading reports, releases and public statements,

the market price of MongoDB's common stock was artificially inflated throughout the Class Period. In ignorance of the adverse facts concerning the Company which were concealed by Defendants, Plaintiff and the other members of the Class purchased or otherwise acquired MongoDB's common stock at artificially inflated prices and relied upon the price of the common stock, the integrity of the market for the common stock and/or upon statements disseminated by Defendants, and were damaged thereby.

77. During the Class Period, MongoDB's common stock was traded on an active and efficient market. Plaintiff and the other members of the Class, relying on the materially false and misleading statements described herein, which the defendants made, issued or caused to be disseminated, or relying upon the integrity of the market, purchased or otherwise acquired shares of MongoDB's common stock at prices artificially inflated by defendants' wrongful conduct. Had Plaintiff and the other members of the Class known the truth, they would not have purchased or otherwise acquired said common stock, or would not have purchased or otherwise acquired them at the inflated prices that were paid. At the time of the purchases and/or acquisitions by Plaintiff and the Class, the true value of MongoDB's common stock was substantially lower than the prices paid by Plaintiff and the other members of the Class. The market price of MongoDB's common stock declined sharply upon public disclosure of the facts alleged herein to the injury of Plaintiff and Class members.

78. By reason of the conduct alleged herein, Defendants knowingly or recklessly, directly or indirectly, have violated Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder.

79. As a direct and proximate result of defendants' wrongful conduct, Plaintiff and the other members of the Class suffered damages in connection with their respective purchases,

acquisitions and sales of the Company's common stock during the Class Period, upon the disclosure that the Company had been disseminating misrepresented financial statements to the investing public.

COUNT II

Against the Individual Defendants

for Violations of Section 20(a) of the Exchange Act

80. Plaintiff repeats and realleges each and every allegation contained in the foregoing paragraphs as if fully set forth herein.

81. During the Class Period, the Individual Defendants participated in the operation and management of the Company, and conducted and participated, directly and indirectly, in the conduct of the Company's business affairs. Because of their senior positions, they knew the adverse non-public information about MongoDB's misstatements.

82. As officers and/or directors of a publicly owned company, the Individual Defendants had a duty to disseminate accurate and truthful information, and to correct promptly any public statements issued by MongoDB which had become materially false or misleading.

83. Because of their positions of control and authority as senior officers, the Individual Defendants were able to, and did, control the contents of the various reports, press releases and public filings which MongoDB disseminated in the marketplace during the Class Period concerning the misrepresentations. Throughout the Class Period, the Individual Defendants exercised their power and authority to cause MongoDB to engage in the wrongful acts complained of herein. The Individual Defendants therefore, were "controlling persons" of the Company within the meaning of Section 20(a) of the Exchange Act. In this capacity, they participated in the unlawful conduct alleged which artificially inflated the market price of MongoDB's common stock.

84. Each of the Individual Defendants, therefore, acted as a controlling person of the Company. By reason of their senior management positions and/or being directors of the Company, each of the Individual Defendants had the power to direct the actions of, and exercised the same to cause MongoDB to engage in the unlawful acts and conduct complained of herein. Each of the Individual Defendants exercised control over the general operations of the Company and possessed the power to control the specific activities which comprise the primary violations about which Plaintiff and the other members of the Class complain.

85. By reason of the above conduct, the Individual Defendants and/or MongoDB are liable pursuant to Section 20(a) of the Exchange Act for the violations committed by the Company.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff demand judgment against defendants as follows:

- A. Determining that the instant action may be maintained as a class action under Rule 23 of the Federal Rules of Civil Procedure, and certifying Plaintiff as the Class representatives;
- B. Requiring Defendants to pay damages sustained by Plaintiff and the Class by reason of the acts and transactions alleged herein;
- C. Awarding Plaintiff and the other members of the Class pre-judgment and post-judgment interest, as well as their reasonable attorneys' fees, expert fees and other costs; and
- D. Awarding such other and further relief as this Court may deem just and proper.

DEMAND FOR TRIAL BY JURY

Plaintiff hereby demands a trial by jury.

Dated: July 9, 2024