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PRESENTATION

Operator

Thanks you for standing by, and welcome to the ZeroFox Fiscal First Quarter 2024 Results Conference Call. (Operator Instructions) And as a reminder, today's call is being recorded. I would now like to turn the conference over to Todd Weller, Vice President of Investor Relations for ZeroFox. Please go ahead.

Todd Weller

Thanks, operator. Good morning, and thank you for joining us today to review ZeroFox's fiscal first quarter 2024 financial results. With me on the call today are Foster, our Founder, Chief Executive Officer and Chairman; and Tim Bender, our CFO. By now, everyone should have access to our earnings announcement. This announcement, as well as our supplemental financial information, may be found on our Investor Relations website.

Before we begin, let me remind you that we will make forward-looking statements during the course of this call, including statements related to our anticipated financial results, growth opportunities in external cybersecurity, our progress to achieving profitability and expected benefits from our acquisitions of IDX and LookingGlass. These statements are not guarantees of future performance, but rather are subject to a variety of risks and uncertainties. Our actual results could differ materially from expectations reflected in any forward-looking statements.

Forward-looking statements made today speak only to our expectations as of today, and we undertake no obligation to publicly update will revise them. For a discussion of the material risks and other important factors that could affect our actual results, please refer to the Risk Factors section of our SEC filings available on the SEC's EDGAR system and our website as well as the risks and other important factors discussed in today's earnings release.

Additionally, non-GAAP financial measures will be discussed on this conference call. Please refer to the tables in our earnings release and the Investor Relations portion of our website for a reconciliation of these measures to their most directly comparable GAAP financial measure.

With that, I'd like to turn the call over to our CEO, Foster.

James C. Foster - ZeroFox Holdings, Inc. - Chairman & CEO

Thanks, Todd. Good morning, everyone. I am really excited to speak to you today. ZeroFox got off to a strong start to the fiscal year with Q1 revenue exceeding the high end of our guidance range. I'm proud of what our team was able to accomplish given the continued uncertain macro environment and a very busy quarter for ZeroFox.

In Q1, we hosted our company and sales kickoffs, announced an exciting new partnership with Google Cloud, launched our large language model capabilities at the RSA Security Conference, and we completed our acquisition of LookingGlass.

Today, I'm going to provide you with summaries on a few key areas of our performance and continuing vision. To begin, we'll provide an overview of our Q1 results and the continued demand we see for our external cybersecurity platform. Second, we'll walk through some key customer wins that demonstrate continued success adding large enterprise customers and cross-selling our multiple platform pillars. And third, I'll talk about our partnership with Google Cloud and our recent acquisition of LookingGlass, both of which strengthen our platform capabilities.

We had a very nice start to the year. We ended the quarter with ARR of \$178 million, which represents 24% year-over-year growth. We also saw another record quarter for total subscription customers, where we ended the quarter with 1,251 recurring customers. And lastly, we saw continued strength in our large deals with 31% year-over-year growth in subscription customers with ARR greater than \$100,000 per year.

Overall, we continue to see healthy demand for external cybersecurity platform from both new and existing customers. The Q1 demand environment was consistent with prior quarters and thus far is remaining more stable than the macro environment. We attribute our experience to this resiliency to that of the industry, the emerging nature of the external cybersecurity category and our go-to-market execution.

The external cybersecurity challenge for organizations around the world continues to increase due to the attack sophistication and volume we are seeing. Specifically, we see that organizations are struggling with the sheer fact that the external attack surface for every company continues to increase. These organizations have limited visibility into this attack surface, and it's not protected by traditional security controls.

And finally, threats to this external attack surface, including phishing attacks, impersonations, and account takeovers, are increasing in automation and thus, again, like I said, overall, attack volume.

The result is that organizations are increasing investment in external cybersecurity solutions with a clear preference for a platform-based approach. This aligns well with the vision driving our ZeroFox external cybersecurity platform, which fuses together AI-powered analysis, advanced analytics intelligence and automated protection to solve the external cyber challenges.

The dawn of artificial intelligence for cybersecurity and the masses is finally here. AI has been a critical component of our platform at ZeroFox since inception, where a robust intellectual property and innovation program and over 54 patents already issued today.

For example, we have long used capabilities like natural language processing and computer vision to detect sophisticated threats. A couple of examples of using NLP to identify written languages and sentiment or leveraging advanced AI and computer vision to identify hidden threats and high-risk media content within images and video. There is no doubt that recent advancements in generative AI and large language models will have significant impacts on the cybersecurity industry.

Extending upon our program and this trend, we launched FoxGPT in Q1, which is a material advancement for our program, like I said, where we have begun to deploy a new large language model into our platform. FoxGPT optimizes security analyst workloads by accelerating the analysis and summarization of threat intelligence across large data sets.

For Defenders, it means that leveraging ZeroFox AI to detect and disrupt threats becomes even more critical, and it saves them time. AI will be key to increasing the efficiency of security operations and reducing the time to respond to attacks. And with automation, the time to respond continues to shrink.

For adversaries, it makes life easier for them. They now can develop more sophisticated threats in areas like phishing, fraud, social engineering and spam. Quite honestly, ChatGPT makes it much easier to create a written attack. Like we have always done, we will track our adverse areas so that we can continue to fight back on behalf of our customers.

Now I'd like to highlight a couple of key customer wins that we believe validate the strength of our platform and market leadership position. One of these wins was a 6-figure deal with a Fortune 500 media company. This customer was looking to protect hundreds of brands, social media

accounts and executives from impersonations, fraud, scams and piracy. They also invested in ZeroFox's continuous dark web monitoring and on-demand investigation products.

The customer selected ZeroFox because of our comprehensive platform capabilities across multiple pillars, including protection and intelligence and our ability to quickly operationalize our platform. This was a competitive win where we displaced a legacy digital risk protection managed service provider.

Another key win was a 6-figure deal with a Fortune 500 real estate company. This customer wanted actionable threat intelligence to seamlessly integrate into their environment given the relentless external attacks they were experiencing, and they invested in protection across all of our platform pillars.

2 quarters ago, we launched our strategic ZeroFox on demand response platform capabilities, which includes brief response, incident response and on-demand intelligence capabilities. In Q1, we experienced strong demand across all of these areas, and we were actively engaged with approximately 1,200 on-demand customers. Additionally, we had multiple large response deals that were more heavily weighted towards the end of the quarter.

While the timing of these deals slightly impacted our Q1 services revenue, as Tim will discuss in more detail shortly, we believe we have set for a strong response revenue performance in Q2. And furthermore, the overall demand for these capabilities continues to give us confidence of our fiscal year guidance.

In Q1, we made further progress driving synergies between ZeroFox Response and our other platform pillars. For example, while engaged with the global medical technology company on a platform opportunity, the customer had an urgent requirement for on-demand infinite response and intelligence services. We are able to demonstrate immediate value to the customer with ZeroFox Response, which serves as a positive influencer in the customer signing a 6-figure platform deal to protect multiple brands and digital assets.

While engaged with a large restaurant company for a data breach response, we were also able to cross-sell them ZeroFox protection and disruption. And last quarter, we talked about a Fortune 50 media and technology company that engaged with ZeroFox Response for the first time over their legacy incumbent provider.

In Q1, we signed a 6-figure on-demand breach response deal with this customer, which represented a 7x increase in their ZeroFox Response investment quarter-over-quarter. Overall, I am pleased with the meaningful progress of our expanding platform and our ability to become a true cybersecurity ally for our customers. Our customers are looking for opportunities to consolidate on our platform.

Let's shift our attention to 2 recent announcements we made in Q1. First, our partnership with Google Cloud. And second, the acquisition of LookingGlass. Both of these expand our platform capabilities and increase our value to customers.

In April, we announced our partnership with Google Cloud, where ZeroFox was the first enterprise partner to integrate our external protection and intelligence capabilities with the Google Cloud Web Risk service. This service protects end users across 5 billion devices from malicious URLs and targeted apps. This partnership further strengthens our market-leading disruption capabilities and improves our relationship with Google.

We also announced our acquisition of LookingGlass, a leader in external attack surface management and vulnerability intelligence. This acquisition accelerates our platform road map and external attack service management, an area that we believe is strategic to external cybersecurity. LookingGlass also provides us with powerful attack surface technology, including its comprehensive Internet asset and data lake.

Integrating these capabilities into our platform will accelerate our ability to provide complete visibility across all Internet-facing assets regardless of type or location. LookingGlass' technology is battle-tested and is being used by very large, sophisticated organizations, including strategic public sector customers.

We believe that strengthening our attack surface management capabilities will increase the strategic value of our platform and increase our growth opportunities with existing customers. This acquisition also increases our TAM. IDC has estimated that quickly growing ESM market will hit nearly \$1 billion in revenue by 2026.

Additionally, this acquisition provides us with other benefits, including, but not limited to, strengthening and expanding our public sector opportunity, increasing the scale of our revenue, and we believe it will positively impact our path to profitability and cash flow breakeven. We are making rapid progress with the integration and look forward to providing you with updates in the coming quarters.

This summer, we will continue to focus on executing our strategic plan to lead and grow our external cybersecurity platform capabilities and customer base, and success here will be reflected in our quarterly performance metrics. We will also continue to optimize our infrastructure to support our long-term growth while laying the foundation to drive operational efficiencies and leverage.

And lastly, we'll deliver more meaningful synergies across our platform, including improving our overall cross-selling efforts. I want to thank all of our Foxes around the world for their energy, passion and commitment as we continue to execute on our initiatives and the opportunity in front of us.

In short, Q1 was a strong start to the year, and we remain very optimistic about the next 2 quarters. With that, I'd like to turn the call over to our CFO, Tim Bender.

Timothy S. Bender - ZeroFox Holdings, Inc. - CFO

Thanks, Foster. As Foster mentioned, ZeroFox started fiscal year '24 on a positive note. Our Q1 results include 9 days of operations from LookingGlass as the acquisition closed on April 21.

With the exception of revenue and unless otherwise stated, all financial results we will discuss today are non-GAAP financial measures. Reconciliations between our GAAP and non-GAAP results can be found in our earnings release.

For Q1, ZeroFox reported revenue of \$45.5 million, including approximately \$500,000 of revenue from LookingGlass. Subscription revenue was \$18.2 million and included the \$500,000 of revenue from LookingGlass. Services revenue was \$27.3 million, consisting of \$20.7 million of recurring revenue from our strategic government customer and \$6.6 million from our on-demand response services.

In the past calls, we have discussed the potential volatility of our own demand response services. As Foster mentioned, we experienced this volatility in Q1 as we closed a multi-7-figure response deal at the end of the quarter. While the timing of deals negatively impacted on-demand response revenue in Q1, Q2 services revenue is positioned to achieve significant growth.

As of April 30, our annual recurring revenue was \$178 million, which included approximately \$19 million of ARR from LookingGlass. ZeroFox ARR consists of our platform subscriptions, a small amount of recurring on-demand services and \$83 million from our strategic government contract. We ended the quarter with a record high 1,251 subscription customers.

We continue to see a significant opportunity to both land new customers and expand platform capabilities and response services within our existing customer base. As Foster mentioned, in Q1, we saw continued success winning larger deals. Subscription customers with ARR greater than \$100,000 increased 31% year-over-year.

Turning to gross margin. For the first quarter, subscription gross margin was 72%. As expected, subscription gross margin decreased slightly from last quarter's 73% level due to the timing of our investments, which tend to be more heavily weighted towards the first half of our fiscal year.

Given continued investments we will make in Q2, we would expect subscription gross margin to remain constant and then increase in the second half of fiscal year '24. While there is a potential for quarter-to-quarter volatility, our goal is to deliver consistent, moderate subscription gross margin improvement on an annual basis, as we have done for several years.

Services gross margin was 24% compared to 23% in Q4 '23. The services gross margin increase was driven by the higher mix of revenue attributable to the platform-based component of response services. For Q2, we expect services gross margin to decline 300 to 400 basis points from Q1 levels due to a higher mix of notification and enrollment services attributable to our large response engagements.

Total gross margin was 43% compared to 41% last quarter. The improvement in total gross margin was driven by the higher mix of subscription revenue and the services gross margin increase. As we look to Q2, we will expect total gross margin to decline as a result of the expected sequential decline in services gross margin. We continue to see opportunities to improve our overall gross margin as we scale our business, drive greater cost efficiencies and our higher-margin subscription revenue becomes a greater portion of our overall revenue mix.

Turning to operating expenses. Total operating expenses were \$28 million in the quarter, including approximately \$400,000 of expenses from LookingGlass. The increase in expenses was primarily driven by continued investments in sales and marketing and research and development, as well as expected increases in G&A due to the timing of fees for our annual audit, residual leaseback-related filing requirements and transaction costs related to the LookingGlass acquisition. Our loss from operations was \$8.4 million.

Looking at the balance sheet and cash flow. We ended the quarter with \$28 million in cash, \$46 million in accounts receivable, \$66 million in total deferred revenue and \$188 million in total outstanding debt. Cash flow used in operations was \$18 million. Our Q1 cash flow was impacted by the timing of collections from our large government customer and transaction costs related to the acquisition of LookingGlass. We expect cash flow to significantly rebound in Q2, and the key takeaway here is that our overall cash flow expectations for the first half of fiscal year '24 are in line with our plan.

Now to our outlook. Our guidance reflects our Q1 performance and incorporates the operations of LookingGlass. Our outlook also assumes no material changes in the macro environment. Demand for our external cybersecurity platform remains consistent and anticipates volatility within our services business. Our outlook also incorporates my prior commentary regarding the services gross margin for Q2.

For Q2 of fiscal year '24, we currently expect revenue to be in the range of \$51.5 million to \$52.5 million and non-GAAP loss from operations to be in the range of \$8.3 million to \$7.7 million. For the fiscal year '24, we currently expect revenue to be in the range of \$198 million to \$202 million and non-GAAP loss from operations to be in the range of \$28 million to \$26 million.

We continue to focus on the path to profitability. We expect free cash flow for the remainder of the fiscal year to be near breakeven. Additionally, we now expect that we will achieve free cash flow on a sustained basis in the second half of fiscal year '25.

With that, we'd like to take your questions. Operator?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) The first question comes from Joseph Gallo with Jefferies.

Joseph Anthony Gallo - Jefferies LLC, Research Division - Equity Associate

I might have missed it. But did -- Tim, could you give the inorganic impacts for revenue to guidance? I know you noted the \$500,000 of revenue in the quarter from LookingGlass, but just anything you can help with there? And then you also noted some services linearity. Was there any subscription linearity in the quarter? And then just anything as it relates to macro and maybe incremental macro that you might have seen versus 4Q?

Timothy S. Bender - *ZeroFox Holdings, Inc. - CFO*

Yes. Thanks, Joe. I heard 3 questions. So let me -- I think the first one was if we carved out the LookingGlass piece. We expect revenue in the \$14 million to \$15 million range for the full year. And then as it relates to subscription linearity, that stayed pretty constant. We saw consistent growth as we've seen in previous quarters. So it didn't have any lumpiness that we saw in the services revenue.

And then from a macro standpoint, I'll let Foster jump in on this one.

James C. Foster - *ZeroFox Holdings, Inc. - Chairman & CEO*

Yes, Joe, I think from a macro standpoint, we saw maybe a little bit more steady environment than we were expecting. We saw consistent and kind of healthy demand off of Q4 in Europe, for example. And I think we continue to take a very conservative outlook in some of the emerging markets of the world.

And as of today, continue to be surprised in the resiliency we're seeing from some of those emerging markets. It could also just be low small numbers, which we appreciate, too.

Joseph Anthony Gallo - *Jefferies LLC, Research Division - Equity Associate*

And then maybe for you, Foster, just as it relates to AI, congrats on FoxGPT. You seem better positioned than most to kind of potentially monetize AI. I guess from your view, is AI table stakes for the cybersecurity industry? Or maybe just talk through is there a monetization path of FoxGPT and how we should think about those model implications?

James C. Foster - *ZeroFox Holdings, Inc. - Chairman & CEO*

Well, look, I appreciate the question. Maybe a couple of thoughts. ZeroFox has got pretty robust intellectual property and innovation program. We have since day 1. We've got 54 patents already issued in our name today with more than a dozen in the works.

And so I think for some folks that have taken products to market and don't have a real intellectual property program, I think this is going to be a tough lift for them. The large language models, generative AI, which everybody is talking about, they're not the easiest models today to apply to big data sets. I think folks that don't have backgrounds in data science and maybe even advanced algorithmic computing in their platforms, they're going to struggle with this.

I don't -- we've had kind of a program in place for a long time. I mentioned it in our PR, where we've used computer vision, NLP and other types of AI in our platform for several years now. So I think this is a natural extension of what we've been doing.

And to go back to maybe your prefix there. I do believe that AI as a, what I'd call, just a core feature set will be required in cybersecurity for years to come. It's just where we're going. And the platforms that don't figure it out will be at a meaningful disadvantage and the platforms that have the ability to invest and are capitalized to invest in it will see, I think, a real acceleration. And it will probably take 1 to 2 years to get real separation from those that have and those that can't.

Operator

The next question comes from Jonathan Ruykhaver with Cantor.

Jonathan Blake Ruykhaver - Cantor Fitzgerald & Co., Research Division - Senior Research Analyst

Congrats on the strong results overall. I'm wondering if you could just dig down a bit more into the strength with the plus 100,000 customers. Just talk about that success in terms of the go-to-market, the initial land, what are the specific products driving that success, and has there been any change there in that motion over the last couple of quarters?

James C. Foster - ZeroFox Holdings, Inc. - Chairman & CEO

There has been, right? I mean, we we've only been public since August of last year. We adopted our multi-pillar platform strategy as an organization in Q3 of last year. And so as with any kind of new strategy, one that launches additional products or capabilities, it just takes a little bit of time.

And I think what we're seeing here is we are seeing really continued nice adoption of multiple capabilities within the ZeroFox platform, and I think that is increasing the -- our large customer spend.

I think the other part, which I'd love to take full credit for but can't in earnest, is that the size of the problem that we're going after is predicated some real additional spend. If you think about the size of the problem, the external cyber escape and the fact that still, most enterprise organizations don't have full visibility of what their external attack surface looks like and without visibility, they can't control or protect it, it's really requiring them to spend maybe a little bit ahead of what they thought, and that's why we're seeing some really nice growth in our large customers.

I think the last thing I'd put in there is we're seeing more and more consolidation opportunities with our customers. Maybe it's a little bit given the macro environment, maybe it's given the maturity of our platform and company. We've hit size and scale. We're the only dedicated external cyber security company to be public right now. And so I think our customers are getting more confidence in our abilities and they've seen it first hand over the last few years, where they feel more comfortable investing at a higher rate than maybe they did when we were start-up and still in high-growth mode.

Jonathan Blake Ruykhaver - Cantor Fitzgerald & Co., Research Division - Senior Research Analyst

Yes. Yes. And I guess, as a follow-up...

Timothy S. Bender - ZeroFox Holdings, Inc. - CFO

Jonathan, this is Tim. Just adding more to it. We saw those 100,000 customers come from all industries and sectors, too. So what's nice is we still have a strength in financial services, but we're seeing large customers across all industries and verticals. So that's further success that we're seeing in the large customer wins.

Jonathan Blake Ruykhaver - Cantor Fitzgerald & Co., Research Division - Senior Research Analyst

Okay. No, that's great. And then just in terms of the consumption trends across the platform and the 4 key pillars. Are you seeing that success within a discrete pillar specifically because protection has always been the strongest one. Is that where you're seeing the larger consumption? Or is it across those pillars?

James C. Foster - ZeroFox Holdings, Inc. - Chairman & CEO

I think protection continues to be kind of our foundation. It's what we've been doing as an organization in the longest and it gives us opportunities to kind of land in protection and expand into our intelligence disruption and response pillars. I think that's the motion we've set up for this year, and we're seeing some success there.

Jonathan Blake Ruykhaver - *Cantor Fitzgerald & Co., Research Division - Senior Research Analyst*

Yes. Okay. And just the last question for me, just a follow-on to the previous question on AI. It just seems to me that AI-enabled fraud and the consumerization of the ability of these adversaries to get involved in the game, if you want to call it that. But it just fundamentally changes the enterprise attack surface even more than what we see today. And it just seems to me that external security market as a category just becomes even more strategic.

I'm just kind of curious, are you seeing that yet in terms of adversarial tactics? And what are your thoughts on that broad issue?

James C. Foster - *ZeroFox Holdings, Inc. - Chairman & CEO*

We are. I mean, I think one of the terms that we continue to kind of advise our customers on is that it is beyond the human eye in terms of visibility of determining attack versus real for the most part now. And maybe I'll give you 2 concrete examples to try to drive this home.

One, like deep fakes is at a point now where a deep fake will look as good as a real video. And so an automated created deep fake video of an executive or an individual will look, feel and for all intent purpose be as good as a real video. And so it's really hard to distinguish that.

And then second, as simple as it may sound, ChatGPT will, I think, change the security landscape where there will be less emphasis on training over time and more emphasis back on protection. And we've seen cycles, at least I've seen cycles in the last 20 years, where training has been in vogue and then protection is in vogue and then training is in vogue.

What ChatGPT can allow anybody in the world to create a perfect spearfishing e-mail without typos, about somebody to say, "Wire me all your fund." You will get perfect e-mails and ChatGPT that will bypass a lot of training. And so I think you're going to need to have real sophisticated external protections in place to combat some of these very acute and very targeted attacks.

I think we are set up really well to execute upon this opportunity.

Operator

The next question comes from (inaudible) with Stifel.

Unidentified Analyst

Great. This is Mark on for Brad Reback. Just wanted to ask about the IDX cross sales. I know you guys had your sales kick off in late March. So just kind of early results into seeing how that's kicking off.

And then also, obviously, LookingGlass and IDX both have a public sector component. So I wanted to see what kind of synergies you're expecting there? And as that grows, a little bit of an outlook in terms of the public sector?

James C. Foster - *ZeroFox Holdings, Inc. - Chairman & CEO*

Yes, thanks. A couple of thoughts, and I'll address them in order. So one was on kind of the IDX cross-sell and how we're doing. Thanks for reminding the crowd that we did have our sales kickoff here in Q1. And so part of our synergies that we communicated last time was that we were going to have our sales kickoff in Q1. We did that.

We also had a company kickoff. And that was really setting the foundation and rhythm for us to drive those cross-sells. And we've started to see some really nice progress. I think we mentioned in our earnings call that there is some really nice deals that we saw come over. One in particular

was a deal that we talked about last earnings call, where it was a starter deal and a response pillar, primarily from the IDX side of the house, plus some of the new organic capabilities we're building into that pillar now.

And that quarter-over-quarter, this Fortune 500 customer, increased their spend with us on the response side of the house 7x. And so we are very happy with that. And this customer has been a ZeroFox customer for over half a decade. So I think that's the type of motion that we're starting to see where the awareness that we're driving into our customer base is leading to revenue opportunities.

I would also say that this awareness will be -- we're going to make over quarters to come. I don't expect huge spikes in Q2 or Q3. I expect this to be long-term sustained increases in awareness and revenue between these pillars. And so I like what I see there.

And then I heard a question on public sector, if I get it wrong, keep me honest. But are we seeing any public sector synergies, especially where given LookingGlass' kind of core customer capability set? And I think that will play out over time.

My experience, public sector are longer sales cycles. They certainly have, in general, longer contract terms. And so that's the risk-reward model that's out there. We really like the customers that they brought to the table. They've been long-term, healthy customers, and they're using it at the platform at scale, and that will give us some really interesting opportunities.

I don't expect any near-term big wins in the public sector synergy side of the house, just it takes time to go through those motions. But we do have a really nice healthy pipeline there.

Operator

(Operator Instructions) The next question comes from Yi Fu Lee with Cantor.

Yi Fu Lee - *Cantor Fitzgerald & Co., Research Division - Research Analyst*

And I also wanted to extend my congratulations on the strong start to fiscal '24. So my question is more on the pipeline generation. We know you have the sales kickoff the past quarter. I was wondering like Foster, Tim, can you comment on the pipeline outlook right now as compared to, like, let's say, 6 months ago or 12 months ago? Any commentary, positive, negative, the same?

James C. Foster - *ZeroFox Holdings, Inc. - Chairman & CEO*

I mean, I'll give you some kind of a qualitative commentary. Our pipeline today is bigger than it's ever been in company history. Why don't we start there.

I think, as I mentioned on the very first question, we continue to be very calculated and conservative in our growth planning this year given the uncertain macro. But I think, in general, the last 2 quarters, we've been slightly surprised about some of the resiliency in those emerging markets in particular. I think we've done a nice job here in North America, where we've seen the markets kind of remain optimistically steady for us in our sector.

And overseas, we've still seen some healthy demand. And I think there's just a kind of mixed signals. We continue to watch where there's economic uncertainty in particular, industries and sectors, especially in countries within Eastern and Western Europe. But at the same time, I think there's a heightened threat environment over there. And so people are looking at security differently than maybe some of the other areas in productivity or IT where there's maybe an option to push we're finding opportunities where people aren't using that option to push, they're continuing with their plans.

Yi Fu Lee - *Cantor Fitzgerald & Co., Research Division - Research Analyst*

Okay. And then, Foster, as a follow-up, I know like LookingGlass is included in the guidance, Tim, like on the guidance. I was wondering on the Google Cloud opportunity. When do you think like monetization will take place in this? It looks significant. It's 5 billion devices and people using billions of browsers, right? So I wanted to get your outlook on that one?

James C. Foster - *ZeroFox Holdings, Inc. - Chairman & CEO*

We're seeing increased opportunities in some of our larger customers and partners given those capabilities right now. When we announced our integration kind of being first to market with Google Cloud, we are pretty excited. We saw some nice traction here in Q1 about interest and demand.

And so I would expect us to have more announcements in the quarters to come. But I would say, in general, with most enterprise quality deals and certainly, what we're doing with Google is an enterprise scale application. It will take a little bit of time to kind of get into the full pipe and turn into revenue.

I call it that the ZeroFox internal mantra here is road map to revenue. And so we've got it off the road map, and we'll work on the revenue side with that.

Yi Fu Lee - *Cantor Fitzgerald & Co., Research Division - Research Analyst*

And one last one for Tim is like on the financing refresher, I know \$28 million in cash, \$46 million AR, \$68 million (sic) [\$66 million] in deferred revenue. I was wondering if you could like to reiterate, give us a refresher on the financing lease?

Like I know you mentioned fiscal, next year, fiscal '25, you're going to be cash flow positive, right? Do you think -- and you said you don't need any more external financing, right, to get there and the cash is enough. Is this still the same at this stage right now?

James C. Foster - *ZeroFox Holdings, Inc. - Chairman & CEO*

Yes. Thanks, Yi. That's absolutely right. We feel like we have the capital necessary to get to that sustained cash flow in the latter part of next year, and we feel confident in our ability to get there.

Operator

I show no further questions at this time. I would now like to turn the call back to Foster for closing remarks.

James C. Foster - *ZeroFox Holdings, Inc. - Chairman & CEO*

Thank you, operator. As you can tell, we are excited about the strong start to the fiscal year and the opportunity in front of us. We are looking forward to seeing some of you today at Stifel's CSI Conference and next week at the Cantor Tech Conference in New York. So again, good morning, and thank you, everybody, for joining us today. Cheers.

Operator

This concludes today's conference call. Thank you for participating. You may now disconnect.

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