Daniel Newman: Renen, welcome to this year's 2022 Six Five Summit. I am so excited to have you back. Good to see you again. Right in the middle of the pandemic, you and I sat down together in person here in Austin. And now as we're sort of in the back end of this thing and everybody is traveling, we're doing it over video.

Renen Hallak: Yeah. Always contrarians.

Daniel Newman: And that's our interview folks. Thanks, Renen. It is really good to see again. It's been great to watch a lot of the developments from VAST. The company has been moving very quickly. Working closely with you guys it's been great to get some of the updates, both watching from afar, but also having talked to you a few times. I'd love to start with the business update you did recently. We're in a really interesting time and you came out and presented some data about the company growth, the operational, some of the financials, private company, but a lot of really great disclosures. Talk a little bit about kind of this business update. Where you're at, why you put it out there, and some of the successes that you were able to highlight.

Renen Hallak: Yeah. We're private, and it gives us the ability to think long-term. It gives us a lot less compliance and regulatory things to worry about so we can really focus on our customers and on innovating for them, but we believe in full transparency. And so every year, just like as if we were a public company, we put the numbers out there. And we just closed our fiscal year '22 end of January so a little more than three months ago. And we put out there the numbers showing our growth, our efficiencies. So it was a really good year for us. It was the third full year of sales. We hit a 300 million run rate in terms of software only bookings and also 300% in net dollar retention, which indicates to me that customers like the product. They keep tripling down year over year. We were able to show very, very good margins on that growth. So about 4X year over year growth and still have 92% gross margin, which is pretty good in my book.

I think the interesting piece to me is less the numbers and what drove those numbers. And we're seeing the adoption, not just from very, very large, very high performant workloads the way we did at the beginning. But now that we've added all kinds of advanced storage functionality like snapshots, and replication, and encryption, and all of the different file and object protocols the customers have been asking us for, we're able to move from the early adopters to the more risk averse customers, from hedge funds to the big banks, from research institutes to the big pharma companies. And also a few very interesting horizontal plays around data protection, and backup, and ransomware as well as obviously AI and big data that we've been doing for a while now.

Daniel Newman: Yeah. There were some very impressive things there. The dollar expansion or net revenue expansion. Some different words are used to sort of categorize that, but long and short is that I always think in the world of SaaS or subscription software, but really across tech is how do you get ... take your every customer dollar further? So the fact that you're seeing basically a customer come in spending one and by the end of the year they're spending three to me is generally a good indicator that the adoption is pretty significant. They're seeing value and then they're finding more ways to use. Of course, as you add services and products and you expand your pipeline, that can become even bigger because right now your expansion is only on the ...

really mostly on that core product. I'm sure you're not done innovating. So that's going to be an interesting thing to watch.

The margins are also extraordinarily impressive. And when I saw that, it got me thinking. You did this business update for me. I saw it probably right around the new year time. I can't remember the exact moment. So I'm not going to try to quote that, Renen, but what I can tell you is this ... We're in June now. And in June of 2022, we came off the back of what was basically a seven ... Six, seven month slide of tech stocks. Growth was basically annihilated. Now, you're a private company, but as we all know, the public markets go first. And then when the valuations start dropping, especially in an interest rate environment, the valuations of private companies tend to follow as new rounds need to be raised. So we all know cash flow is king. If you have the cash flow and you can sustain right now, you're probably going to be unlikely to want to raise right now because the outside investors are going to be looking to mark down value.

So with what you're doing with your run rate, with your margins creating cash flow puts you in a really unique position, but as a startup CEO and someone that's been around this for a while, I'd just love to get your take on sort of the overall macros. It seems like tech is still pretty strong and resilient. I often say deflationary, but at the same time, the sentiment has fallen off significantly from where it was at in November of 2021 and for most of the pandemic period.

Renen Hallak: Yes. For the last few years, in fact, we've seen investors encourage companies to grow at all costs. And when I say at all costs, that's exactly what they did. You were to see growth numbers that were very impressive, but then when you dug in and asked how much is that growth costing the company, you saw that in many cases they were spending more than they were making. So 2X, 3X, 4X more spend than actual revenue. And I think the market has shifted to not favor those companies. And the sentiment, as you say, has changed. And I believe that this downturn will show which companies are sustainable and which ones are just paying customers to buy the product. Some of the metrics that I didn't mention are around our efficiencies. And so in parallel to growing 4X year over year, we were not burning money. We were in fact generating cash. In Q4, we generated more than 20 million of cash and we're expected to generate a lot more than that this year.

In fact, we have another quarter under our belt already and we're seeing the same levels of growth that we saw last year this year and in a much, much more efficient way than we saw last year. And so when you have that combination of very high growth, but also very efficient, then you don't worry about the market sentiment because you don't need to raise more money. In fact, we raised so far about 260 million almost entirely that is still on our balance sheet and we're generating cash. So we're just focused on our customers and not on any external events at this point.

Daniel Newman: By the way, this was a little bit of an ad lib, this whole part of the conversation at The Summit. It's just something that I found so fascinating, Renen, from your business update. We look at startups a lot. We look at publicly traded growth companies a lot. And again, we're industry analysts. So we're not equity folks, but one of the things that was just abundantly clear when the market started to turn was which companies can create cash through their operations and which can't. Any company that can't create cash through operations is suddenly at risk. It doesn't matter public or private because you need to use the capital markets. And all of a sudden you see this shift in the markets and you go, "Wow, this company is in a really good shape because they're creating a ton of cash, super high margins, don't need to raise any capital, can weather this storm." And by the way, as investors start to want to reenter and make decisions, they're going to still have to pay a premium for a company that has this kind of setup because all those things that make those other companies attractive at a big markdown, you can basically say, "Whatever, we'll wait. We'll weather the storm. In fact, no storm here at all. Things are going."

Renen Hallak: We're seeing the opposite of a storm. We're seeing the wave that we're riding, which is primarily this deep learning wave, is growing so much faster than anything that we've seen in the past. And these new workloads require new infrastructure and our customers are on the bleeding edge of that. We have customers deploying hundreds and hundreds of petabytes on VAST for these new workloads and we're not seeing it slow down at all.

Daniel Newman: Well, you're going to need to automate, you're going to need to use AI and machine learning, you're going to need to use your data at scale, you're going to need to bring the edge in. All those things are going to be what creates that deflationary environment. And again, this isn't deflationary to replace or displace workers. This is deflationary because we don't have enough workers. Companies are going to need to streamline and automate and you're sitting in a pretty good position to do that. Now, you started talking about machine learning and AI. It's a hot topic right now. Talk about the connection to VAST data. Sometimes you guys get kind of logged in with storage. I know your story's bigger than that. In fact, there's another video. You and I did it. We talked a lot about that, but where's AI fit into your bigger narrative right now, Renen?

Renen Hallak: So that's the reason we exist. You don't really need another storage company. There are so many out there. And when we started, the reason we started was because of these new workloads. It's called AI today. It'll be called something else five to 10 years from now. But at the crux of it, these are workloads and patterns that are very, very different than what came before. It was relatively easy to say previously what is hot data and what is cold data. And hot data was recent and small, usually rows and columns of a database. Images and more natural information were stored, but could only be read and analyzed by human beings. And so we never really needed high performance for high capacity. With these new algorithms and applications, that is not true anymore.

We need fast access, not just to that tip of the pyramid, but to everything. We see pictures, and video, and sound, and genomes and all kinds of natural information flowing into systems. And we see that information being trained on and AI models being generated. And then we see that information being inferred upon and these organizations build out a better and better model of the natural world and gain insight through that. But that requires fast access to all of your information, which is what we've built. We've broken those trade offs between performance, and scale, and resilience, and ease of use that have existed in the storage space for so long. And our customers are now not just deploying us for storage, but going up the stack and asking us for more and more functionality across that deep learning stack than they were before as they understand what is required for these new applications.

Daniel Newman: So what you've done has been deemed unique. I think that's part of the attraction. That's why you've grown the revenue. And of course this is a big business. I'm sure you see plenty of market share ripe for the taking. What you've done so far has gotten you so far, but is there an act two for you? What's going to be the next thing? So you've got this sort of attraction to these AI/ML workloads it's pulling, it's bringing people in, it's sort of moving away from tiering is something that you've been really steadfast and talking about. What is the VAST data act two, Renen?

Renen Hallak: So that's exactly right. The first three years of the company, 2016 to 2018, we were focused on building our architecture. And we thought of that architecture as a way to build infrastructure on top of. The first piece of that infrastructure was storage because we've always believed that, A, storage is the anchor of the data center, and B, that was the piece that could unleash these new workloads, fast access to all of the information. Over the last three years, 2020 through 2022, we've been adding all of the different types of advanced storage functionality in order to be able to address not just those new workloads, but everything. And that's how we got closer and closer. And today I think we've arrived at the concept of universal storage. We see customers deploying us, not just for those large workloads, but they very quickly realize this is faster than my tier one. And they put VMs on us and Oracle databases. And this is more cost effective, and easier to use, and much better to manage than my secondary storage. And so they start putting backups on us as well, especially with the movement towards fast restores are important now in order to overcome ransomware attacks.

So we've been growing across workloads by adding all of this functionality over the last few years, such that today, there really isn't a storage requirement that we do not fulfill. As we look into the future, it's not at all about storage. It's working with our customers hand in hand in order to build out the type of infrastructure that they require for these next generation workloads. We want to be that middle of the sandwich. Always leveraging the best and greatest hardware like what we see from our friends at Nvidia as an example, but always also providing the application with the most convenient API such that the application developers don't need to think about what's underneath them. And so our customers have been pulling us in multiple directions along those lines.

We'll be announcing a lot more about this later this year, but you can expect that we move into non-storage related parts of the stack. We move horizontally across geographies. We move up the stack in very interesting ways of doing data management, and data understanding, and training, and up into the compute layers also in order to encapsulate everything that's needed for these very, very large AI super computers that we're in the process of deploying with our customers.

Daniel Newman: So Renen, that all sounds really positive. A, I like obviously what you've built to this point. Always encouraged to see new companies entering, because like I said, it's really a win on all fronts. When a company comes in with good technology that's disruptive to current, it forces the current incumbents to move or be replaced. Ideally they move and the competition goes up and everybody benefits. That of course doesn't always happen across the entire sphere, but some will improve. And of course I also like the fact that you're kind of thinking about the data pipeline and the data life cycle because I think sometimes if you're not careful, you end up building a feature that becomes a company. So you don't want that to be the case either. You've got to keep building, like you said, horizontally and vertically to address that.

Now, I wanted to say my downside here is if you were ready, I would've loved for you to announce that at the Six Five Summit, but I won't hold that against you if you aren't ready. We will be keeping an eye though, Renen, for when those announcements do come because now you have piqued my interest and I kind of want to know what's going to come next.

I guess I want to wrap up with just one kind of question. It's a little out of left field. You insinuated co-creation a little bit. That's a word that's become heavily popularized in enterprise tech. No longer is it build it and then sell it. It's become more of building with customers. You're in a unique position as a smaller growing, but smaller company to really be working with these customers that you're bringing on. How much is co-creation and kind of partnering driving that wave of product development that you just mentioned?

Renen Hallak: 100%. So when we started, the first six to nine months of VAST was not building a product. It was interviewing a lot of potential customers to understand what they need and what they will need over the next 10 to 20 years that no one else can provide. And that's when we knew what to build. They told us what to build. And those customers that we interviewed ended up being design partners, and alpha customers, and beta customers, and eventually we're paying customers of ours today.

Our biggest customers today, the ones that have multiple hundreds of petabytes, are the ones that started early with us as they grow and add more and more of their applications onto VAST. That is the natural effect. And what we're doing now, we're in the very fortunate position of not needing hundreds of thousands of customers in order to sustain the business. We do very large systems. And so we start at petabyte scale and grow into exabyte scale. What that means for us is that a few 100 customers are enough for us definitely at this stage to get to those very high revenue levels. And every single one of those customers is a design partner of ours, every single one of them wants interaction with R&D, wants to help shape our roadmap and the features that they will receive over time. And we love that because it means, A, that we are very ... It becomes very easy to prioritize and decide what to build, and B, we never build something that doesn't get used by our customers.

Daniel Newman: Very interesting. I appreciate it. I didn't even know that particular software was on right now. Renen, I think that was a great way to wrap up this. I love hearing about sort of how there's sort of this symbiotic relationship and push and pull between what customers and what companies are able to build. I do think companies that listen to their customers, meet customers, where they are, you'll hear from some of the biggest hyperscalers in the world, and meet the customer where they are, has been an extremely effective way to build a company. So congratulations on the success. Thanks for joining me at this year's Six Five Summit. We'll talk soon.

Renen Hallak: Thank you.