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Asana, Inc. (ASAN)

Q4 2024 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Thank you for standing by and welcome to Asana's Fourth Quarter and Fiscal Year 2024 Earnings Conference Call. At this time, all participants are in a listen-only mode. After the speaker presentation, there will be a question-and-answer session. [Operator Instructions]

I would now like to hand the call over to Catherine Buan, Head of Investor Relations. Please go ahead.

Catherine Buan

Head-Investor Relations, Asana, Inc.

Good afternoon and thank you for joining us on today's conference call to discuss the financial results of Asana's fourth quarter and fiscal year 2024. With me on today's call are Dustin Moskovitz, Asana's, Co-Founder and CEO; Anne Raimondi, our Chief Operating Officer and Head of Business; and Tim Wan, our Chief Financial Officer.

Today's call will include forward-looking statements, including statements regarding our expectations for free cash flow, our financial outlook, strategic plans, market position, and growth opportunities. Forward-looking statements involve risks, uncertainties, and assumptions that may cause our actual results to be materially different from those expressed or implied by the forward-looking statements. Please refer to our filings with the SEC, including our most recent annual report on Form 10-K and quarterly report on Form 10-Q for additional information on risks, uncertainties, and assumptions that may cause actual results to differ materially from those set forth in such statements.

In addition, during today's call, we will discuss non-GAAP financial measures. These non-GAAP financial measures are in addition to and not a substitute for or superior to measures of financial performance prepared in accordance with GAAP. A reconciliation between GAAP and non-GAAP financial measures and a discussion of the limitations of using non-GAAP measures versus their closest GAAP equivalents are available in our earnings release, which is posted on our Investor Relations webpage at investors.asana.com.

And with that, I'd like to turn the call over to Dustin.

Dustin Moskovitz

Chief Executive Officer, Co-Founder & Director, Asana, Inc.

Thank you, Catherine. And thank you all for joining us on the call today. In Q4, we beat the top and bottom line guidance, as we continued on our path to move upmarket and win the largest enterprises. Today, I'll first go through the business highlights from the quarter and year, and then I'll talk about our excitement and increased focus on our new AI offering, Asana Intelligence, the early traction we're seeing and how the Work Graph plus AI is differentiated. And finally, I'll share what we're hearing from CIOs, IT leaders and how we're focusing on their pain points.

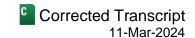
In Q4, revenues grew 14% year-over-year, and fiscal year revenue grew 19% year-over-year. Q4 non-GAAP operating loss margin came in at 9%, improving 16 percentage points versus Q4 last year. And for the fiscal year 2024, our non-GAAP operating loss margin improved 29 percentage points versus the previous year. This is a huge achievement, and credit goes to each and every person on the Asana team for their focus on expense management and effective investments.

We'll continue to be focused on growth and profitability. And on a free cash flow basis, we expect to achieve free cash flow positive by the end of this year. Tim will talk in more detail about this shortly.

In the quarter, we continued to land and expand with some of the largest companies across major industries, including manufacturing, healthcare and pharmaceuticals, transportation and logistics and financial services, among many others. And as you know, the fiscal year highlighted customer wins, including three major automotive manufacturers, four of the largest telecommunications and internet service providers, five of the largest media conglomerates, and six major financial services firms. And these are just some of our largest names from each of the last four quarters. Across our entire customer base, 73% of the Fortune 500 are Asana customers.

We've also had great success in partnering with customers to grow at a massive scale. We have several Asana customers who have over 10,000 paying seats, with our largest deployment at over 200,000 seats. We have more than 150,000 paying customers as demand for our work management solution continues to increase. The number of customers with over \$100,000 annualized spend grew 20% year-over-year. As these customers continue to grow with Asana, their dollar net retention rate continues at a strong pace at 115%. Revenue from this cohort grew 29% for the fiscal year, faster than the overall growth, and represented 27% of our total revenue.

What makes me feel good about our success with enterprises is not only in the number of large customers and the growth, but also the health of these enterprise accounts. In most of our largest customers, Asana is highly utilized. The IT leads are helping us grow and expand, and the accounts have the ability to keep growing even more. This is true even in the organizations where heightened focus on budgets has temporarily slowed account expansion.



I'm also excited about the progress we've made with AI and the opportunity in front of us. Asana Intelligence strengthens our core value proposition, it helps our customers drive more clarity, accountability and impact up, down and across their organizations.

As you know, we run our business on Asana and we're constantly testing our latest innovations. As part of this, we've been quickly adopting our latest AI features and the insights are remarkable. The state-of-the-art is advancing quickly and we believe LLMs and AI generally will only get better from here. I'm excited for the future and we're seeing real value now. Like many of our customers, we've just wrapped up our objectives and key results process for the year, leveraging Asana Intelligence, our AI solution, to quickly report status across levels of the organization. These processes always feel like a heavy lift and frankly a bit of a burden, even though they're important because everyone's eager to move on to the new year's priorities. But using Smart status cuts this process in half or more, with higher-quality results and it will only get better over time.

Similarly, we just went through our company-wide 360 degree performance reviews, another famously onerous process. I personally used our Smart answers product within each of the one-on-one projects I maintain with our executives, summarizing in minutes all the important topics and accomplishments we've discussed in the past year. At my direction, it even highlighted all the specific times I gave recognition or feedback so I could easily include them in the reviews.

That's not a special performance review feature we built, to be clear. I simply asked the product to help me use our general Smart answers feature, suggesting specific categories and questions to consider. Even as an end user, I was empowered and had the flexibility to write a custom workflow in minutes that saved me hours of work across my whole team. Executives and managers love the visibility into their team's work and the insights they can derive with AI. This has proven to be not only a significant productivity boost, but it's also yielding higher-quality outcomes. This wouldn't be possible if we were running our business with email, chat, spreadsheets, and slides.

That's why Asana's different. The Work Graph plus AI are more than the sum of their parts. Since the Work Graph acts as a map of an organization's plan of record and preferred processes, we have a unique opportunity to solve collaborative work problems because we have the most relevant context and data to create useful and accurate generative outputs. We believe we're the only work management platform that has this combination, AI powered by a clear, structured map of how work actually gets done across organizations. This empowers our customers to ensure people and AI work together to accomplish objectives and achieve results.

We're still early in our AI journey as a company, but we're seeing some exciting trends beginning to play out since we first launched Asana Intelligence last fall. AI is coming up in virtually every conversation we're having with our enterprise customers as they look to us for help implementing AI in their workflows. Customers are excited about AI now, and they're actively making purchase decisions based on our AI vision. Pressure is coming from the top down and leaders want to better understand how they can drive business value with AI at scale and do so safely and securely. And we're even turning skeptics into believers as we're able to demo how AI is not just a chat tool, but how it can solve critical business problems when embedded directly in Asana workflows.

Just the other week at our Work Innovation Center, we hosted an executive from one of our largest customers. She said she was hesitant to adopt AI. Our team positioned the value of AI to deliver faster and more effective project status updates. A key part of the job for many of our customers that typically takes considerable time and effort to do well. With Asana Intelligence, this status can be written generatively, deep-linking relevant work from Asana so they know where every fact came from and highlighting progress made against company goals. The tone and style can even be personalized.

We showed this in our customer meeting and immediately turned this skeptic into a believer, and they're now rolling out this functionality to their whole organization. This is just one powerful early example of how differentiated our solution is. The time savings were amazing, but what really impressed the customer was the quality of the output and the fact that it's going straight to the source references. This is the power of the Work Graph plus AI at work.

Demand for our AI features is one of the leading drivers of growth in our new product tiers, especially in Advanced, Enterprise, and Enterprise+. Although it's still early, we've had over 20,000 customers adopt the new tiers with AI.

What's next? We started rolling out our next wave of innovation, starting with Smart digests, which provide quick summaries of what happened since you last visited a project. It can catch you up if you're out on vacation or simply focused elsewhere. Next is powering goals standardization, workflows, status updates and business insights at every level of the Work Graph with Al. I believe in the foreseeable future, Asana will give you real-time insights on qualitative information about the status of work across all levels of the Work Graph in the same way that our dashboards do for numerical data, delivering a huge part of our original vision.

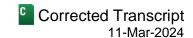
On the partnership front, we have strategic partnerships with Anthropic, OpenAI, and AWS, which allow us to build world-class solutions with leading LLM providers. We're able to get early access to foundation models to help test and prototype against our enterprise AI solutions, as you just heard from Anthropic's announcement of Claude 3. And this benefit is a two-way street, as these LLM providers tune their models to our use cases over time. As one of their customers, they trust us to set the bar for what great looks like, referencing our work together to help conceptualize their models, and in return, this helps power our most ambitious and complete vision for collaborative work management.

And as Asana customers, they each enjoy the fruits of our combined efforts to power their own work and dream even bigger. These partnerships form a virtuous cycle and we expect the benefits to compound over time. We're also partnering more and more with CIOs and IT leaders through our Work Innovation Lab, which is regularly featured in Forbes, The Wall Street Journal and Harvard Business Review, among others.

CIOs are being asked by their CEOs and boards to drive AI strategy and rollout, operationalize business objectives, and help accelerate go-to-market. They feel the urgency to get value from AI now, but must do so in a safe and trusted way. CIOs are not just Chief Information Officers, they're Chief Intelligence Officers. This is an important expansion in the operating role of the CIO, and Asana is uniquely positioned to help. We're investing in making sure CIOs can connect all their work data to build the right foundation for AI. We'll soon be launching new innovations like a workflow console, deeper integrations with Microsoft 365, and ways to intelligently draft and standardize goals across the entire organization.

We're helping CIOs deploy trusted AI across every department with the right safeguards and transparent controls, with features like Sandboxes, multi-org deployments, and AI-powered custom onboarding, designed to support companies at scale. And CIOs want to see wins with the AI by delivering immediate impact and ROI now, and they can do this with the Asana platform. Features including our new executive summaries capabilities, Smart answers across all Work Graph objects, from tasks to projects to portfolios to goals, and Smart status updates at the portfolio and goal level.

They're providing real value, time savings, and better outcomes for CIOs and their stakeholders across the business. Again, I want to really emphasize that Asana's ability to connect work all the way up to higher-level



objectives gives us the ability to provide unique and powerful real-time insights at every level. One way of looking at our roadmap this year is we're going to be investing in leveraging and amplifying that powerful source of differentiation. The pace of change is only going to accelerate in this new AI age, and we believe we're extremely well-positioned to capture this opportunity thanks to our investment in the Work Graph data model and our incredibly scalable architecture that's proven to support 200,000-plus seat deployments within a single organization.

It's because of this investment, our position today, and our product vision that Gartner recognized Asana as a leader in the Gartner Magic Quadrant for collaborative work management, and they positioned us furthest in completeness of vision. You'll hear all about our latest AI innovations and all the investments we're making to help CIOs thrive coming out of our next stop on the Work Innovation Summit tour on March 19 in Sydney, Australia, and then later in San Francisco in June. Stay tuned for more announcements.

Before closing, I wanted to highlight the recognitions our team has been awarded during fiscal 2024. For another consecutive year, Asana was recognized by Fortune and Great Places to Work across several categories, Best Places to Work in the Technology Industry, Best Places to Work for Millennials, Best Places to Work in the Bay Area. Inc. Magazine also awarded Asana Best Workplaces for the sixth year in a row, and Fast Company awarded Asana Best Workplaces for Innovators in the Enterprise category.

Finally, I'm very aware of the dynamic market conditions that continue to impact our near-term business. Our strategic initiatives are aligned with navigating these headwinds to ensure sustained growth and a path to profitability. At the same time, I'm more excited than ever about the potential of Asana, our vision for collaborative work management, and the value we can provide for our customers in this new era of work. Everything we're focused on today is in service of driving enterprise growth and customer success, building pipeline, retention, and C-level customer engagement.

Now I'll turn it over to Anne.

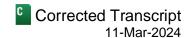
Anne Raimondi

Chief Operating Officer & Head of Business, Asana, Inc.

Thanks, Dustin. As Dustin mentioned, during the quarter, we continued to feel the impact of the macroeconomic headwinds, increased budget scrutiny and reductions in head count among our customers, especially in the technology vertical, which has been a drag to our growth. However, across the business, there are some early signs that hint at modest stabilization. As you've seen in the news, head count reductions have continued, but they are smaller this year in aggregate versus last year, and we should be lapping the bulk of those renewals in the first half of the year.

As we move upmarket and further up the approval chain to senior-level decision-makers, the deal cycles continue to be elongated, but the conversations reflect that work management is increasingly more strategic, especially in the largest enterprises.

Sequential growth in new business appears to be stabilizing, especially for industries outside of technology, and our sales force productivity continues to improve. We still have to lap the original headwinds impacting larger existing customers in the first half, but I'm energized and optimistic about the full year and beyond. Our new product plans are driving uptiering and AI is a primary focus for the largest customers. It's still very early, but we can definitely see that AI demand was accretive to growth even in the first quarter that it was available in our new tiers.



We are hiring new quota-carrying salespeople rapidly in every region and will be increasing capacity throughout the year. And all of our revenue leadership roles are filled; a new general manager of the Americas, a global head of channel, and leaders across operations and field enablement. We are starting the year in a better position than 12 months ago.

In addition, we continue to drive thought leadership in the collaborative work management space. In our second annual State of the IT Leader report, the key proprietary research publication from our Work Innovation Lab, we surveyed more than 1,200 IT professionals from across the US and UK to understand what's top of mind in their roles, especially as their organizations are adopting AI.

This year, we saw three key trends in the data. First, a push to streamline and consolidate tech stacks. Second, challenges and concerns related to data, accuracy and robustness. And third, the role of the IT leader being called on to lead their company's AI strategy. The research finding echoes what we see within our own customer base. Executives are planning long term, and they're looking for strategic partners. We believe this is helping us win on vendor consolidation discussions and drive multi-year commitments for us.

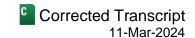
And I want to echo both what we're seeing in our research and add to Dustin's earlier remarks about the excitement we're seeing around AI with our customers. I recently returned from a trip to Japan where I was visiting several enterprise customers alongside our Chief Revenue Officer, Ed McDonnel. One of the customers we spent time with was Fujitsu, a global technology and business solutions leader. We learned that Fujitsu held an Asana AI Ideathon with their employees as they seek innovative ways to use Asana Intelligence to transform the way they work.

Fujitsu has shared a recent idea that came from the ideathon to help them better manage their large global organization. Like all large multinationals, the company dedicates considerable time to resource planning for global projects. They manage this process in Asana today, but with our Al features they've ideated new ways to optimize their global resource planning to make it both more efficient and more effective.

The team is foreseeing infinite possibilities to use Asana Intelligence, like the idea of helping identify the right teams and individuals for each specific assignment, assigning the work and then handling language translation to assist both in the handoff and to provide status update on work progress. It's a powerful example of what Asana Intelligence can do, and just the beginning of what's possible as we continue to invest in helping companies work smarter with AI. And examples like this, powered by AI, will help fuel our success with the largest organizations in the world. Enterprise customers representing organizations with over 2,000 employees continued to be our fastest-growing customer cohort, and we are seeing new business broadly across several diverse industries, including healthcare, financial services, transportation and manufacturing, among others.

Fujitsu, the global technology and business solutions leader I referenced earlier, significantly expanded their use of our enterprise solution this quarter as they continue their organizations digital transformation initiative. Fujitsu has found that teams using Asana spend 30% less time on admin work, so they're deploying our platform to more business units and departments to drive employee productivity and impact. Additionally, they will now be managing goals and KPIs for the organization in Asana.

We continued to see growth within the healthcare sector this quarter for a range of use cases, from onboarding new physicians to fundraising to digitizing their business operations. Some notable wins include the emergency services division of one of the largest single payer healthcare systems in the world; a global healthcare company focused on pharmaceutical distribution, healthcare services and medical supplies and equipment; and a



significant humanitarian medical aid organization that deploys thousands of doctors and has treated over 100 million patients around the world.

In the fiscal year, we started to establish beachheads in the financial services sector with some of the largest global companies. These include a major exchange in the UK, a global provider of financial data and news who you likely rely on every day at work and one of the world's premier investment banking firm. And we continue to land significant deals across logistics and transportation. For example, a multinational transportation and business services leader selected Asana to streamline and manage all of their work to enable the organization's sales team, from training to content, to help drive additional revenue for their business.

And we also had an expansion with one of our large logistics customers.

We also had a large land deal with DK, a British multinational publishing company and a division of Penguin Random House, who were using Asana across their organization. As a longtime customer of DK, I'm thrilled we have the opportunity to support their mission, to inspire, educate and entertain readers of all ages.

Despite the headwinds we see in the market, we continue to expand with some of the leaders in tech, and are winning on consolidation decisions. Indeed, the number one job site in the world expanded their use of our platform this quarter. They've been a customer of ours for a few years; and core business functions across their organization, from project management to customer-facing divisions to internal operations, all use Asana. They love and rely on Asana to track progress on their goals, execute their initiatives faster, and pivot quickly when necessary. Thanks to the strong business value they've experienced with Asana, they will be transitioning employees within their IT, PMO and operations teams from other tools to also manage their work in the Asana platform.

In summary, even with the current market conditions, we continue to see more multi-year deals winning on vendor consolidation decisions, and are continuing to diversify our enterprise success across more industries. We have continued to win these strategic expansions, particularly at some of the most recognized companies in the world, and that is because the larger secular tailwinds around digitization continue.

Looking to Q1 and the rest of the year, we continue to focus on executing on top-down go-to-market strategies that help us win business from new and existing customers with a focus on more and new enterprise sales plays; enhanced account coverage across the entire customer journey from strategic account management to professional services, plus AI for building workflows and strategy to scale customer success; and international growth opportunities in our global regions where we are thrilled to now have new enterprise sales leaders; and of course, increasing sales capacity throughout the year.

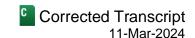
We are excited to bring the Work Innovation Summit to more parts of the world in the coming year. Combined with the launch of AI features across every tier, we are seeing continued growth in the pipeline and are excited to turn that into incremental revenue.

And with that, I'll hand it over to Tim.

Tim M. Wan

Chief Financial Officer, Asana, Inc.

Thank you, Anne. While I'm pleased with our high-level results, some of the underlying drivers are still developing. As Anne mentioned, we continue to see headwinds from a macro standpoint, which continue to impact our dollar-based net retention rates. We also have more work to do as we develop our enterprise go-to-market muscle and



continue transitioning upmarket. By the same token, I'm proud of the efforts the team has put in to manage costs and improve the efficiency. We made substantial progress on improving our operating margins and free cash flow in fiscal 2024.

Now, onto our Q4 results. Q4 revenues came in at \$171.1 million, up 14% year-over-year. We have 21,646 Core customers, or customers spending \$5,000 or more on an annualized basis. Revenue from Core customers grew 16% year-over-year. This cohort represented 75% of our revenues in Q4, up from 73% in the year-ago quarter. We have 607 customers spending \$100,000 or more on an annualized basis, and this customer cohort grew at 20% year-over-year. As a reminder, we define these customers cohort based on annualized GAAP revenues in a given quarter.

Our dollar-based net retention rates were lower, mainly driven by seat adjustments. Our overall dollar-based net retention rate was over 100%. Our dollar-based net retention rate for our Core customer was 105%. And among customers spending \$100,000 or more, our dollar-based net retention rate was 115%. As a reminder, our dollar-based net retention rate is a trailing four quarter average calculation and thus a lagging indicator.

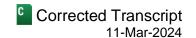
We continue to see stable logo churn rates overall and low churn in our largest accounts. If I look at our largest customers, those with \$100,000 and above, the non-tech NRR appears to be stabilizing. However, companies continue to remain mindful of the near-term economic challenges. I'll speak specifically to our outlook regarding this in a moment.

As I turn to expense items and profitability, I would like to point out that I'll be discussing non-GAAP results in the balance of my remarks. Gross margins came in at 90.1%. Research and development was \$54 million, or 32% of revenue. Sales and marketing was \$88 million, or 51% of revenue, an improvement from 62% a year ago. G&A was \$27.7 million, or 16% of revenue. Operating loss was \$15.6 million and our operating loss margin was 9%, representing a 16 percentage point improvement versus a year ago. The improvement in our operating margin demonstrates our ability to take a balanced approach to growth and profitability. Net loss was \$10.1 million and our net loss per share was \$0.04.

Looking at highlights from the full fiscal year, fiscal year revenue grew 19% year-over-year to \$652.5 million. We added over 2,200 Core customers during the year. We also added over 100 customers spending \$100,000 or more on an annualized basis during the year. Revenue from customers spending \$100,000 or more on an annualized basis grew over 29% year-over-year. This cohort represented 27% of our revenues for the full year.

Moving on to the balance sheet and cash flow. Cash and marketable securities at the end of Q4 were approximately \$519.5 million. Our remaining performance obligations, or RPO, was \$349 million, up 17% from the year-ago quarter. We expect 84% of our RPO will be recognized over the next 12 months. The current portion of RPO grew 17% from the year-ago quarter. Our total ending Q4 deferred revenue was \$271.2 million, up 16% year-over-year. Q4 free cash flow was negative \$17 million or negative 10% on a margin basis, an improvement from negative 18% from the year-ago quarter. Free cash flow for the full fiscal year was negative \$30.4 million, almost \$130 million improvement year-over-year.

Moving to guidance, for Q1 fiscal 2025, we expect revenues of \$168 million to \$169 million, representing growth of 10% to 11% year-over-year. We expect non-GAAP loss from operations of \$23 million to \$21 million, representing an operating margin of negative 13% at the midpoint of guidance. And we expect net loss per share of \$0.09 to \$0.08, assuming basic and diluted weighted average shares outstanding of approximately 226 million.



For the full fiscal year 2025, we expect revenue to be in the range of \$716 million to \$722 million, representing a growth rate of 10% to 11% year-over-year. We expect non-GAAP loss from operations of \$61 million to \$55 million, representing an operating margin of negative 8% at the midpoint of guidance. We expect to be free cash flow positive by the end of this calendar year, and we expect net loss per share of \$0.22 to \$0.19, assuming basic and diluted weighted average shares outstanding of approximately 230 million.

Our guidance assume there is no change in the current macroeconomic environment. We continue to believe dollar-based net retention rates should bottom around Q1 and hover at plus or minus 100% through Q2 when a number of large deals from the previous year renewal. In addition, we anticipate the recent leadership changes we have made in our sales organization will take time to fully manifest.

We're committed to maintaining a disciplined and balanced approach to optimizing costs and improving efficiency and profitability. We will continue to invest in the future growth opportunities like AI, which we expect will drive long-term value. Our goal this year is to reaccelerate our revenue growth rate while remaining committed to delivering durable, positive free cash flow by the end of calendar 2024.

As we move towards positive free cash flow, we are encouraged by the progress we've made to date, and I'm optimistic about our future and our position within the enterprise segment. Over the next 12 to 24 months, we anticipate incremental growth will be driven by expansion from our Core customers, which will be a tailwind to NRR; our focus on moving upmarket, so focusing on moving more of our customers to the \$100,000 spend levels; and our new product tiers, powered by Asana Intelligence, which will help with more lands, improve adoption, and encourage new expansion.

And with that, I'll turn it back to Dustin for more closing remarks.

Dustin Moskovitz

Chief Executive Officer, Co-Founder & Director, Asana, Inc.

I want to close by punctuating that in fiscal 2024, we made a commitment that we would become free cash flow positive by the end of the coming year, and we focused the entire organization on improving our operating efficiency. In spite of challenges along the way, we made more progress in one year than we expected by a wide margin. This year, we intend to follow through on our commitment to become free cash flow positive by the end of the year, but we're going to do it while also achieving our other key goal this year, re-accelerating our revenue growth rate. We've achieved this twice before in our history as a company, and we intend to do it once again. I'm incredibly energized by our roadmap and by the enormous opportunity that lies ahead.

Catherine Buan

Head-Investor Relations, Asana, Inc.

And with that, operator, we'd love to start with the questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] We ask that you please limit yourself to one question and one follow-up. [Operator Instructions] . Our first question comes from the line of Michael Funk of Bank of America. Please ahead, Michael.

Michael J. Funk

Analyst, BofA Securities, Inc.

Yeah. Thank you for taking the question, and happy to be live with coverage on Asana. One for Anne and Dustin if I could, curious, what is driving the traction uptiering in new tiers?

Anne Raimondi

Chief Operating Officer & Head of Business, Asana, Inc.

Hi, Michael. So glad you're joining the call and excited that you're covering us. The things that we're seeing that are driving uptiering really are interest from customers, especially our largest customers in our Al investments. It's still early, but we're definitely seeing that Al demand was accretive to growth even in the first quarter that our new tiers were available. And something I'm excited about is, in all of my customer conversations in every region, executives are really seeing that Al combined with the Asana Work Graph can drive significant value in their organization. And they appreciate the approach that we're taking. It's both our guiding principles and then the fact that Al's available in every paid tier. And so what I hear most often is, as customers are really looking at their Al strategy. It's about being able to partner with a trusted organization that they are already working with. And so I'm really pleased that we're considered one of those trusted partners. We expect to see more of that throughout the year as we're investing in Al throughout our roadmap.

Dustin Moskovitz

Chief Executive Officer, Co-Founder & Director, Asana, Inc.

And just to go one level deeper. This is Dustin. So, when we present the AI features, the thing customers are really responding to is the way that the Work Graph connects work from tasks all the way up to higher level company objectives. So you take something like our Smart summaries or Smart status, and because you're applying them to portfolios and goals that are connected to the underlying work, you get much more powerful results. And so that's really resonating and amplifying the power of the functionality we already had in our higher level tiers. Before, that was really sort of focused at the top of the sort of work organizational chart, and that just really reinforces what Anne said already that AI plus the Work Graph is really more than the sum of the parts.

Michael J. Funk

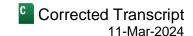
Analyst, BofA Securities, Inc.

And that was great. Thank you, Dustin. Thank you, Anne. One more if I could, please. I think, Anne, you mentioned on the call that all the essential roles now for sales are filled. I know you recently hired North America. I'm curious for some more color, though, on the expectations for time to ramp the new sales organization and what measurables you're looking out throughout the year.

Anne Raimondi

Chief Operating Officer & Head of Business, Asana, Inc.

A



Yeah. Thanks for asking that. We are really excited to have all of our global revenue roles filled, including having great enterprise sales leaders in Germany, UK, Japan, Benelux. So it's been great to have them on board. Many of them were with us at our sales kickoff. That just happen.

So the things that we continue to measure and monitor, definitely ramp time, productivity, pipeline build, conversion, all your classic metrics. And I think more than anything, it's just having great leaders in place that are working really well together. That's one of the reasons we will be investing in adding capacity in every region, likely in a linear fashion throughout the year. So those are the things that we're going to continue to watch and monitor, but really excited about the global team in place.

Michael J. Funk

Analyst, BofA Securities, Inc.

Great. Thank you, all, for the time.

Operator: Our next question comes from the line of Pat Walravens of Citizens JMP. Your question, please, Pat.

Pat Walravens

Analyst, Citizens JMP

Oh, great. Thank you. Congratulations. Besides lapping the large renewals, can you guys comment on the other signs you feel you're seeing that make you more optimistic about the business?

Anne Raimondi

Chief Operating Officer & Head of Business, Asana, Inc.

Hey, Pat, it's Anne. Some of the things that we're seeing that make us optimistic are, in particular, the non-tech category. So customers in those categories, not only are we seeing stabilization, but we're starting to see improvements and early signs of growth there. So, in particular, non-tech ARR grew in the high teens. And so as that continues and as we diversify into more of these verticals, I think those are other reasons that we are seeing optimism, and then we expect that tech will follow that. So, as we mentioned, we're going to work through some of these larger renewals that are mostly concentrated in tech, and that's going to happen in the first half of the year. But that's also why we're excited to see a reacceleration in the second half of the year.

Dustin Moskovitz

Chief Executive Officer, Co-Founder & Director, Asana, Inc.

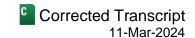
And I'll just add on a little bit more. I think that covered it pretty well. This is Dustin here. But one just sort of simple way of looking at it is parts of our business are growing faster than the overall revenue rate. And so, if we can get other parts of the business to do that, then the overall revenue rate re-accelerates. And to Anne's point, even where the business is growing less than the overall revenue rate, we're still having really high quality conversations. We talk to these customers, they're interested in deploying further. They're trying to work with us on just budget predictability and aligning price to value. But they want to go further, and so we're not expecting this to be a new normal for tech. We think that tech recovers and re-accelerates as well.

Operator: Thank you. Our next question comes from the line of Josh Baer of Morgan Stanley. Please go ahead, Josh.

Josh Baer

Analyst, Morgan Stanley & Co. LLC





Great. Thank you. A lot of encouraging points to look forward to for next year. I did have a question on Core customer count. The sequential net adds was positive 300. That was a little bit that was lower than we've seen this year in as far back as we have data. Just wondering if you could talk a little bit about the drivers of this, comment on gross adds versus churn in the over \$5,000 cohort?

Tim M. Wan

Chief Financial Officer, Asana, Inc.

Yeah. Hey, Josh, this is Tim. Great question. I think, for us, a lot of our focus is moving more and more of our customers from the \$5,000 up to the \$50,000 and then to the \$100,000. And moving more of our enterprise customers into a higher spend category. I would say, when we look at the types of customers that may have fell out of the \$5,000, some of them actually didn't churn. They just dropped some of their spend primarily due to seat adjustment. And then we did have some other customers come in as well. But I would say it's really about a focus on moving a lot of our customers upmarket and into the enterprise, Enterprise+ tiers.

Josh Baer

Analyst, Morgan Stanley & Co. LLC

Okay. That's helpful. So you're saying some customers may have dropped from over \$5,000 to below \$5,000?

Tim M. Wan

Chief Financial Officer, Asana, Inc.

Yes.

Josh Baer

Analyst, Morgan Stanley & Co. LLC

Is that – my follow up was that it actually looks like the under \$5,000 was a little bit stronger as far as sequential adds, tough to tell with the rounding of the overall customers, but that looks stronger. I was just wondering if like there was any change in reinvesting back down market, but it sounds like it was more just a function of some downsizing.

Tim M. Wan

Chief Financial Officer, Asana, Inc.

Yeah, just some movements within the customer base, around dollar spend.

Josh Baer

Analyst, Morgan Stanley & Co. LLC

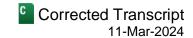
Okay. Got it. Very helpful. Thank you.

Tim M. Wan

Chief Financial Officer, Asana, Inc.

I might just add, there's a little bit more speculation, but we did have our Work Innovation Summit at the end of October and we did some PR and brand pushes after that. It's possible that contributed, but it wasn't like a sort of explicit strategy shift so much as it's easier to sort of convert those smaller deals very quickly after an event like that.

Operator: Thank you. Our next question comes from the line of George Iwanyc of Oppenheimer. Your line is open, George.



George Iwanyc

Analyst, Oppenheimer & Co., Inc.

Thank you for taking my question. Anne, maybe you can build on your vendor consolidation gains. And can you give us some perspective on what areas of spending you're consolidating and how that rollout goes typically?

Anne Raimondi

Chief Operating Officer & Head of Business, Asana, Inc.

Yeah, happy to, George. So from a customer perspective, it's really the cross-functional use cases enabled by the Work Graph and now AI that are driving the consolidation and then also multi-year investments. Maybe a good example that brings it to life is a global cybersecurity company consolidated seven disparate applications onto Asana and they've quickly deployed additional use cases now that they're all on one platform. And so we're seeing some fast, healthy expansion as it becomes faster and easier for them to manage all these crossfunctional collaboration initiatives at scale across thousands of employees. So we're seeing more of this desire, especially as we're working with CIOs who are driving kind of top-down consolidation and really wanting to make sure they're unified on one single platform. And then you add on top of it the interest in and the investment in AI, and we're seeing that kind of really come together.

Dustin Moskovitz

Chief Executive Officer, Co-Founder & Director, Asana, Inc.

This is Dustin again. I would like to add that really the strategy of the Work Graph was designed to be positioned well for these consolidation conversations in enterprise because it enables teams to work really well together cross-functionally. So, often, we get into a consolidation head-to-head and we hear that a certain competitor is strong in one department, maybe another in another department. And Asana is really the favorite across them, and especially when they're working on strategic projects cross-functionally. So just want to get the product strategy in there as well. And finally, just congratulations on your win last night.

George Iwanyc

Analyst, Oppenheimer & Co., Inc.

And Tim, maybe can you provide some context on linearity, month-to-month trends coming out of the fourth quarter into the first quarter?

Tim M. Wan

Chief Financial Officer, Asana, Inc.

Yeah, that was a great Oscar joke, Dustin. So when I step back and look at the last few quarters, the thing that's really encouraging is just booking stability, especially for new bookings. That has been stable. And when we look at where the business is growing, our non-tech business is growing into the high teens. We do have some renewals coming up, particularly in the tech sector that will be renewing in the first half. And I think, once we kind of lap those renewals, we'll feel like we'll be in a really good shape to reaccelerate the business. But the first half of this year is really around stabilization. And I think there's just really encouraging sign both from a pipeline perspective stabilizing, bookings perspective stabilizing. And when we look under the cover even the NRR or net seat retention rates have stabilized as well. So there's just a lot of positive and good signs. We're not out of the woods yet. But I do think where we can see light at the end of the tunnel, and that we're probably one or two quarters away.

Operator: Thank you. Our next question comes from the line of Pinjalim Bora of JPMorgan. Your question, please, Pinjalim.

Pinjalim Bora

Analyst, JPMorgan Securities LLC

Great. Hey, thank you for taking the questions. It seems like you already have about 20,000 customers, if I heard that correctly, in the new pricing and packaging. Maybe talk about how those conversations have progressed, especially as you kind of layer on the user limits in some of those customers. And any way to understand the kind of the contribution from uptiering in Q4 and, maybe, Tim, how does that or should that benefit NDR through the year?

Anne Raimondi

Chief Operating Officer & Head of Business, Asana, Inc.

Hi, Pinjalim. I'll start with the customer conversations and then turn it over to Tim. As we said, it was our first full quarter with the new packages and tiers that we launched, and that was 20,000 customers that have uptiered and adopted the new packages. A lot of that was driven by AI and their desire to access the AI features and functionality that are only available in the new tiers. And so that just makes the sales conversations that our field is having much more strategic, and customers are excited to be able to access and really deploy AI immediately with Asana. I think we're continuing to invest even more so, not only in AI features, that's a big part of it, but also in the new tier. So we're excited to see more of that throughout this year.

And then I know you had a question for Tim in there as well.

Tim M. Wan

Chief Financial Officer, Asana, Inc.

Hey, Pinjalim. Yeah, I absolutely think with the new tiers and as customers renewed their annual contract with us, it'll create a new opportunity for us to have these thoughtful conversations around AI around the limits within the existing – the legacy SKUs. So I do think like our NRR, the way we've been thinking about NRR and kind of the guidance that we provided in terms of re-acceleration, assumes that our NRR re-calibrates and re-accelerates, and starts moving back up in the back half of this year.

Operator: Thank you. Our next question comes from the line of Taylor McGinnis of UBS. Your question, please, Taylor.

Taylor McGinnis

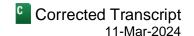
Analyst, UBS Securities LLC

Yeah. Hi. Thanks so much for taking my question. So the first one is, if I adjust for less days in 1Q, it looks like the implied quarter-over-quarter growth guide is roughly in line with the guide for 1Q or is roughly in line in 1Q to what we saw in 4Q. So does that mean that the headwind for renewal on 1Q is similar to what you saw in 4Q and we could be reaching the bottom in terms of these tougher compares? Or is there anything to keep in mind for 2Q? And by that, I mean, is 2Q a tech heavier renewal quarter that could provide some modest pressure to the quarter DBNR growth? Or are you expecting to see more stability at depressed levels throughout the first half of this year? Thanks.

Tim M. Wan

Chief Financial Officer, Asana, Inc.

Taylor, bingo. It was literally the question I had written to myself that somebody should ask based on the number of days. If you normalize for the number of days, you will actually see that it does impact the revenue guide. So that's one. Two, I would say the larger renewals are coming up are really



tech related. And you can understand from my guidance is that I want to make sure that we're lapping those renewals, so really stabilizing kind of the first half of this year and then re-accelerating and having easier comps on a year-over-year basis. But I think for the most part, most of our customers would have readjusted their seat count by the end of Q1 or early Q2. So that's kind of the reason we gave the commentary around NRR hovering at around 100%-plus or minus through Q2. Great question.

Taylor McGinnis

Analyst, UBS Securities LLC

Awesome. Perfect. Super helpful. And then just as a follow-up to that, so when we think about like the trajectory of NRR, and you talked about expecting a sequential acceleration maybe in the second half of this year in terms of revenue growth. So is that largely just being driven by some normalization and churn rate or maybe not downsells? Or is there any like growth or green shoots outside of that? I know you talked about some of this uptiering maybe with some of the pricing and packaging, there's an opportunity to drive that further in the second half. Anything else to call out?

Dustin Moskovitz

Chief Executive Officer, Co-Founder & Director, Asana, Inc.

Yeah, I think it's really three pieces, right? I think it's, one, with the launch of Asana Intelligence and the Work Graph, we just think we can, one, differentiate the product a lot better than some of the other players out there. Two, we are adding sales capacity and we added sales capacity kind of going into Q4 so I expect many of these reps to be fully ramped by the back half. And then three, kind of your comment around our NRR just normalizing and lapping many of the more difficult renewals that we've had. So it's really kind of a three-prong, I would say three-prong bullet of in terms of how we think about reacceleration.

And this is an important topic so I just want to add one other angle on that, which is just I think you sort of said, that's in the way you frame the question, too, but we're sort of seeing the decelerations flow. It feels like we're approaching the nadir when we look at sector-by-sector basis.

And in terms of green shoots, I think that's like partly about the external environment as well. Just saw a great state of the union, the President said we're headed for a soft landing, maybe even it's a little better than that. But inflation seems to be getting under control and a lot of other things look good. And then when you look at the tech sector specifically, I think, we're in the middle of what I think of still as a rising tide of AI growth and a lot of the relevant players are Core customers of ours. And even when we've seen major tech companies retrench, like Apple canceling the car project, they're redirecting those resources to generative AI. And so, that is its own kind of green shoot that I think we're well-positioned to take advantage of.

Operator: Thank you. Our next question comes from the line of Steve Enders of Citi. Your line is open, Steve.

Steven Enders

Analyst, Citigroup Global Markets, Inc.

Okay, great. Thanks for taking the questions there. I guess maybe just to start, I want to dig into a little bit more about the incremental growth probably coming more from expansion versus net new. And I guess as we kind of peel back the net retention assumptions moving forward for this year and beyond that, how are you thinking about what mix of that's coming from uptiering, what mix of that's coming from some of the higher prices or kind of the new use cases coming on as you capture more of those consolidation opportunities within accounts?



Anne Raimondi

Chief Operating Officer & Head of Business, Asana, Inc.

Hey, Steve. It's Anne, I'll start with that. So we're investing both, you asked about expansion, we definitely again see as we are driving more strategic top-down adoption in partnership with CIOs and executive that that adoption happens faster in the organization, especially as we're also investing in our post-sale services and customer success. We are also focused on net-new logo lands in every region and that's part of the investment with our sales leadership team globally. So in that case, where earlier there was a question about kind of smaller deals, what we're still focused on seeding teams within the larger enterprise organization.

So we'll continue to invest in that motion. And then now with our global sales team being able to work with the right seeded accounts to drive expansion. And then with the new pricing and packaging, I think the whole goal there is to make that upmarket motion and the uptiering a lot smoother and a lot more predictable. So it's all of those combined that are driving growth in every region and every market.

Steven Enders

Analyst, Citigroup Global Markets, Inc.

Okay. That's helpful. And then maybe just on kind of the investments you're making for fiscal 2025, I want to get a better sense for how should we be thinking about, I guess, maybe the pace of the – I guess maybe context of the 2Q, or sorry, the 4Q EBIT margin be, with maybe just a little bit smaller than what we've seen through the rest of the fiscal 2024. So I guess how should we be thinking about what that means moving forward in terms of the guidance assumptions and maybe how they may be similar or different from this past quarter?

Tim M. Wan

Chief Financial Officer, Asana, Inc.

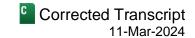
Hey, Steve, it's Tim. So I would say the way to think about the investment, they're probably more linear. We did, I would say, for Q4 increase our sales capacity, hired new leadership in on the sales side. And I think it will take the team a little bit of time to ramp, but I would expect us to continue to make progress on the operating margin as we move towards this year. Now, we made huge progress year-over-year, I want to say like 29 percentage points. I don't expect us to make that amount of progress this year, but you should expect us to kind of make a modest improvement there, but then from an operating margin perspective, make incremental progress quarter-on-quarter.

Operator: Thank you. Our next question comes from the line of Rishi Jaluria of RBC Capital Markets. Please go ahead, Rishi.

Rishi Jaluria

Analyst, RBC Capital Markets LLC

Wonderful. Thanks so much for taking my questions, guys. I wanted to start off on the cash flow positive guide. Tim, great to hear you reiterate that target. For clarification, when you say being free cash flow positive by the end of the year, are you saying that you're going to be free cash flow positive for FY 2025 for the whole year or is that just a Q4 number? And maybe more importantly than that, how should we be thinking about cash flows from there? Is your goal to kind of continue investing aggressively and operate kind of at a cash flow breakeven to slightly positive level? Or should we – kind of is the priority on seeing continued free cash flow margin expansions from there? And then I've got a guick follow-up.



Tim M. Wan

Chief Financial Officer, Asana, Inc.

Let me try to answer it this this way. I would say certainly we will be positive free cash flow exiting the year. And depending on our growth rate, how – if we see that our sales capacity, sales productivity is meeting the ROI hurdles that we've set in place, then there would definitely be a conversation about some increased investments relative to the guide. But the guidance right now, I would say, is, hey, let's make sure we exit the year free cash flow positive, but also give us room to operate with some flexibility.

Rishi Jaluria

Analyst, RBC Capital Markets LLC

Got it. Okay. Thanks. That's helpful. And then when you're making the comment that AI demand was accretive to growth already, really great to hear that. Can you maybe help us understand, how are you measuring and quantifying that internally to give that statement? And maybe the larger question that translates to is how should we be thinking about your strategy around monetizing AI and some of the increased productivity that you're offering your customers? Thanks.

Anne Raimondi

Chief Operating Officer & Head of Business, Asana, Inc.

Yeah. Rishi, I'll start with that. The way that we're measuring it in the first quarter is just looking at the uptiering compared to year-over-year, and then just the movement from our legacy tiers onto an upper tier in the new packages versus renewing on the same equivalent tier. And so that's really how we're measuring the accretive is looking at what customers are buying as they grow and expand with us, and that the net, the total spend is increasing as they move uptier. So, and again, it's early in the first quarter of having the new plans, but we saw more of that in terms of that motion of choosing a more advanced package because of the AI functionality.

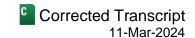
Dustin Moskovitz

Chief Executive Officer, Co-Founder & Director, Asana, Inc.

And this is Dustin. I'm going to give you a little bit more of a philosophical answer. So first of all, I think there are a lot of possibilities in front of us. There are a number of different kinds of add-ons we've discussed, nothing currently on our roadmap. But I think there are some that could be charged in tranche pricing or per user or as like one-off reports even. In examples I talked through in the script, my experience using our Al Smart answers to help me with our performance reviews internally, but a bigger version of that process is the company engagement survey. And I could imagine every time you run an engagement survey, you also get this like \$10,000 Al summary of sentiment your workspace and then we use that to sort of automatically give you pulse check for across the year because we can calibrate the scores.

Anyway, that's just a random idea, but something I could imagine charging and it's just like a totally different way from our current pricing. So that's the first part. That's the stuff I think you wanted to hear.

The philosophical thing is I think that the market has gone off in a really weird direction by considering AI as a feature and charging people for co-pilot add-ons. I think far more of the potential of AI is when it's integrated straight into workflows and straight into features. And so we intend to be an AI-first collaborative work management system and that means that AI is inextricable from our most important features, especially portfolios, goals and managing workflows. And so we much more see the potential of AI and our packaging as really exponentially increasing that value and thus our pricing power.



And again, I think we're uniquely positioned with – by having the Work Graph because AI plus the Work Graph is really more than the sum of the parts. So we think that we can have a special advantage there and being able to, yeah, just create pricing power across our normal packages. And then later, there may be more sophisticated packaging that allows us to better differentiate price to value, but I think that's strictly in optimization, and the high order bit is really just the power of AI to amplify our core value proposition.

Operator: Thank you. Our next question comes from the line of Rob Oliver of Baird. Please go ahead, Rob.

Rob Oliver

Analyst, Baird

Great. Thanks. Good afternoon. Thanks for squeezing me in. I had two. Dustin, first for you. Appreciate your commentary on the macro and on some of the improvements or modest improvements we're starting to see in the macro makes a lot of sense. I'd be curious to hear, and those are helpful to you guys, there's also a lot of things you guys have done internally and you're just coming off a sales kickoff right now. And Ed's been in the seat now multiple quarters and you've really revamped the team globally, as Anne also alluded to. So I'd love to hear your perspective emerging from sales kick off, clearly a much more optimistic tone here from you guys on the call, would love to hear kind of what caught your attention and what most exciting you coming out of sales kickoff.

Dustin Moskovitz

Chief Executive Officer, Co-Founder & Director, Asana, Inc.

Yeah, that was a great question, a great summary of our strengths right now. I think that it's a little hard to say and we've been talking about it as executive team. It's like it's partially a vibe thing. It's partially a contrast from last year, but things feel very different. We feel better positioned. We feel like we're getting traction in all the execution areas where it matters. We're seeing the great green shoots in certain regions and certain sectors, and we're seeing the approach of the nadir, even when we're not already seeing the bottom. And so that's just giving us, yeah, a different sort of stance on the future.

And I'll just reiterate, the timing of that is a little more in question, but we have two goals this year. One is to follow through on our promise of free cash flow positive by the end of the year. And then the second is to re-accelerate growth. And that is not something I would have said last year, but really excited to have as a goal this year.

Rob Oliver

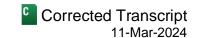
Analyst, Baird

Got it. Helpful. Thank you. And then, Anne, for you, just to probe a little bit, there have been a lot of questions on the comments around stabilization. I just wanted to ask around, you guys called out a lot of different verticals where you're having success, which is clearly great to see, and it sounds like you'll be leaning on some of those verticals here as you emerge kind of from this trough period. When you look at the verticals that you called out, are there any in particular where you're seeing particular strength? I know you mentioned healthcare, financial services, industrial. And then I know you were clear early in the call that sales cycles were still long. Has there been any change in sales cycles in some of those industries that are newer for you guys where perhaps they had not invested or perhaps where there's a reason to consolidate on Asana? Thank you.

Anne Raimondi

Chief Operating Officer & Head of Business, Asana, Inc.

Yeah, thanks for those questions. We are continuing to focus on healthcare, financial services, manufacturing, logistics and transportation. Something I'll pause to just say is, given the caliber of the customers that we have, the more we focus in each of those verticals and really are working with top-tier customers, I think that is also just



driving greater success as we reach out to additional customers in those verticals. And so that's a huge reason we're focused so much on our leadership position and we think that that not is only paying off right now but will in the future as well. And so, those are the verticals that we'll continue to invest in and we're excited to continue to do that.

Also, we have amazing customers in tech. We mentioned Indeed as one of them, and we're continuing to partner with them as they kind of retrench and are looking at growth in the future. So we're excited about those possibilities as well, where they're continuing to be loyal customers.

Operator: Thank you. Our next question comes from the line of Alex Zukin of Wolfe Research. Please go ahead, Alex.

Ethan Bruck

Analyst, Wolfe Research LLC

Hey, guys. This is Ethan Bruck on for Alex Zukin. I just wanted to ask around the sales capacity, and you guys made a comment you're going to be increasing quota capacity throughout the year. what were the signals that you saw throughout the quarter, and as we're few months into the year, that just gave you the confidence to continue increasing sales capacity?

Anne Raimondi

Chief Operating Officer & Head of Business, Asana, Inc.

Yeah. Our confidence in our ability to continue to add capacity really comes from we've been seeing consistent ability to build pipeline. We've been seeing productivity improve. We're very focused on making sure we can absorb capacity in a predictable manner. And so, having new leaders in place who are really focused on that and measuring those metrics and managing through that is giving us the confidence on being able to add capacity predictably.

Ethan Bruck

Analyst, Wolfe Research LLC

I got you. And then just quickly on there was a great chart coming off today just kind of decomposing your dollar-based net retention to users' ARPU, retention. I'm just curious as we think about the comments around stabilization and then sequential reacceleration in the back half, how much of that is between some of the new go-to-market motions? How much of that is AI factored in ARPU, the macro AI benefit and just the better go-to-market execution upmarket?

Dustin Moskovitz

Chief Executive Officer, Co-Founder & Director, Asana, Inc.

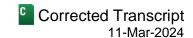
This is Dustin. Honestly, I think the way I think about it is the timing is more macro and the scale is execution. Is that fair?

Ethan Bruck

Analyst, Wolfe Research LLC

Yeah. That is helpful. Thank you, guys.

Operator: Thank you. I would now like to turn the conference back to Catherine Buan for closing remarks. Madam?



Catherine Buan

Head-Investor Relations, Asana, Inc.

Yeah, thank you. Just thank you again, everyone, for participating in the call today. We always appreciate your taking the time. We look forward to seeing you on the road. We'll be in New York this week and hopefully we'll see some of you out there. Thank you so much. Bye-bye.

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

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