Good afternoon, and thank you for joining us on today’s conference call to discuss the financial results for Asana’s third quarter 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. 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

Thank you Catherine, and thank you all for joining us on the call today.

[Highlights]

In Q3, we beat our top and bottom line expectations again and continued to build on our leadership in the enterprise.

- Q3 revenues grew 18% year over year, and non-GAAP operating loss margins were 5.9 percent, an improvement of over 30 percentage points versus the year ago period.
- Top line growth was led by our continued success in the enterprise.
  - Revenues from our Core customers, or those spending $5,000 or more on an annualized basis, grew 20%, and revenue from our enterprise customers grew at an even faster clip.
  - Dollar based net retention rate from customers spending $100 thousand or more on an annualized basis, which we view as an indicator of traction among enterprise customers, came in at over 120 percent, greater than the dollar based net retention rate for our overall customer base.
  - As you can see, our investments in the enterprise are beginning to pay off as we further our partnerships with some of the largest companies across major industries.
- While the macroeconomic headwinds continue, especially impacting business in our renewal base, we are seeing signs of stabilization in new business.
- Overall, awareness and demand for Work Management continues to expand. Across our total customer base, we are at over three million paid seats, showing increasing adoption of Asana worldwide.
- From an operational standpoint, we have made great progress on improving our non-GAAP operating margins. On a 9 month basis, margins improved 34 percentage points year over year. We expect improvement in non-GAAP operating margin year over year for the full year, as we focus on operational efficiency and growth, which Tim will talk about more.
This year is an important transition period for us. In the past year, we have optimized our investments across our organization, making substantial year over year improvements in our margins each quarter. We have brought onboard enterprise software veterans to lead our go to market strategy and execution. And we are embarking on a new product cycle of innovation on our industry leading platform, leveraging AI. With that, let me turn to our progress on the product side.

[AI announcements and customer feedback]

- So what have we announced? In early October, we rolled-out:
  - **Smart summaries** to identify action items & highlights from conversations, tasks, and comments
  - **Smart editor** to write clearer, more compelling responses that strike the right tone and
  - **Smart fields** to organize projects with auto-generated custom fields

- We also started rolling out 2 more features in November
  - First, **Smart answers** to get timely answers and insights about projects, identify blockers, and determine next steps
  - And second, **Smart status** to identify blind spots, open questions, and roadblocks with automatic status updates

- We’ve had great early feedback from beta customers. Tens of thousands of users are learning our AI powered features. One of the most popular has been Smart Summaries that not only helps you identify action items & highlights from conversations, tasks, and comments but also automatically generates subtasks. This allows for more flexibility and much greater productivity.
  - One of our beta customers specifically liked Smart Status. They told us that they currently spend 2–2.5 hours every other week reading context to do this manually. **They added “I am especially excited to see you roll this out at the portfolio level.”**
○ And I’m excited about that too, because it’s going to powerfully amplify the value you get from connecting work across levels in the Asana Work Graph, without requiring any additional work from customers.

○ In contrast to some other approaches, we’re focused on integrating AI into existing user workflows to maximize their value, like creating a new project, building out the details of a task, including suggesting subtasks, or writing a new status summary for a project.

○ And customers are really excited about some of our upcoming roadmap that uses all our Work Graph context to intelligently orchestrate work, like helping predict the time required for tasks so they can more easily plan and manage their work.

[Momentum with Asana and AI]

● The interest and momentum when it comes to Asana and AI is growing.

○ As you know, we had successful customer events in New York City and London last quarter with our Work Innovation Summit, focused on AI and the future of work. We expect to continue the marketing momentum into next year.

○ As we shared at the Work Innovation Summit and our Investor Day, the way we have engineered our products with AI is more than a Co-pilot for individuals. We see it as both Co-pilot and Air Traffic Control for entire organizations. The work graph serves as a shared map, powering Asana Intelligence, helping to align human intention with AI guidance as they work together to achieve a customer’s goals. Unlike tools that are narrowly focused on individuals or specific teams and use cases, Asana maps the relationships across the entire company between individuals, teams, and the work they’re trying to achieve, ensuring you get reliable, accurate, and trusted generative output. Simply asking open-ended questions about all the training data used to train a fundamental model yields results that aren’t as useful, leading to “hallucinations” that decrease trust in and adoption of AI.
○ With Asana, AI amplifies the power of connecting our customers’ work to their business goals, allowing them to accomplish things within the right context. This is a highly differentiated capability that customers are very excited about and the summit attendees reported an “Aha” moment on the value of the Work Graph when seeing our AI demos.

○ We also recently hosted an Asana Intelligence training event with over 1,500 people from leading organizations in industries such as media, transportation, education, food and beverage and of course tech, illustrating how broad interest in Asana Intelligence is growing.

○ Notably, we’re also seeing adoption of Asana within leading AI companies like Anthropic, OpenAI and Alignment Research Center.

- Our new packaging strategy, introduced at our Investor Day in October and launched less than a month ago, will further adoption of AI and help on-ramp customers to our Advanced and Enterprise tiers. Early feedback from the sales force was that customers are excited to learn about our multiple enterprise offerings.

[Closing]

- In closing, I’m more excited than ever about the potential of Asana, and where we can go with the platform and capabilities. For example, it’s even more amazing to work with our own R&D team right now. I’ll have an idea for something LLMs might do in the product and very often a couple weeks later they’ll come back and say they’ve got a working version, that it was easier to build than they expected, and the output is more impressive than they predicted it would be.

- Everything we are focused on today is in service of enterprise growth: building pipeline, retention and c-level customer engagement.

And now I’ll turn it over to Anne–

Anne Raimondi
Thanks, Dustin.

[Q3 business commentary]

In Q3, we continued to be impacted by macroeconomic headwinds. Deal cycles continue to be longer and budgets continue to be a significant factor. However, as Dustin mentioned, we are beginning to see signs of stabilization, especially for new business which includes expansion. We still need to work through some of the original headwinds that are impacting larger customers.

Geographically we saw bright spots in Asia, especially Japan, and Europe this quarter. As an example, Asana was particularly strong with high profile retail and consumer product goods companies this quarter.

Our pipeline continues to build, especially with the success of events such as our Work Innovation Summit in New York City and London in October. Revenue from our top two product tiers grew over 25% in Q3. As we continue to roll out our new packaging that was shared at Investor Day, we expect to see new customers, in particular, accelerate their journey into our premium tiers, to utilize our most unique Enterprise capabilities.

[Customers]

Enterprise customers representing organizations with over two thousand employees, continue to be our fastest growing customer cohort. Executives are planning long term and looking to partner with one strategic partner, and we believe this is driving multi-year commitments for us. Our enterprise customers are asking us about AI and automations in Asana. For example, customers we’re meeting with through our executive briefing program are excited about the roll up of status reports using Asana’s AI features. Currently, writing project status might take hours, but with AI, each report can be written in just a few minutes, while never missing an important detail—leaving employees and executives with more time for more valuable work. Also, Asana plus AI helps organizations ramp usage where change management may otherwise be a factor. We believe our AI roadmap and our new packaging will help to further drive adoption.
We are seeing new business broadly across several diverse industries, Healthcare, Financial Services, Media, Transportation, Manufacturing, among many others.

- Within Media, customers rely on Asana to manage their core business processes such as developing on-air creative, managing production workflows, and sourcing new talent on our platform. Paramount Global, a leading global media and entertainment company, has been a customer of ours for a few years now and expanded their use of Asana to all their employees this quarter.

- And we had another large media conglomerate, Direct TV, that had a significant expansion this quarter.

We’re seeing continued growth within the healthcare and biotech vertical this quarter.

- For example, Norton Healthcare, who we have talked about in the past, increased their commitment with Asana this quarter. They use Asana to onboard hundreds of new physician providers to their vast hospital and health care system.

- Additionally, another healthcare provider that serves over 100 million people around the world expanded their use of Asana. Departments that serve their clinical programs, as well as Marketing and Financial Operations, rely on Asana to automate work, manage strategic projects, enable seamless collaboration across teams, and facilitate executive reporting so they can increase operating efficiency to drive better patient outcomes.

And we continue to expand in other industries:

- A global transportation and food delivery marketplace company expanded their use of Asana in a multi-year early renewal deal. Our robust analytics capabilities, Jira data sync integration, and product roadmap, including AI capabilities, were key factors for this win. Our enterprise solution is a strategic application for the company and is used cross-functionally by many departments for everything from business strategy planning to product development to account management.

- One of the largest hospitality companies in the world headquartered in France chose
Asana in a multi-year land deal for their global marketing, communications, and e-commerce departments.

- A Global 2000 retail company with over one thousand store locations expanded their use of Asana and upgraded to our Enterprise solution to manage the openings and maintenance of their metro stores, as well as their quarterly planning workflow.

And some of the most influential leaders in Tech are expanding.

- Following the momentum from Q2, we expanded significantly with a large, high-profile enterprise software company. This is a good leading indicator that when tech recovers, it could be a tailwind for us.

In summary, we are seeing more multi-year deals, up both sequentially and year over year, winning on vendor consolidation decisions, and are continuing to diversify our enterprise success across more industries. But we still have more work to do.

[Key areas of focus]

Looking to Q4 and the beginning of next year, we continue to focus on

- Building pipeline for new enterprise ARR with targeted events and executive meetings around the world
- Improving expansion rates through customer success programs and strategic initiatives, such as the introduction of AI in our new product tiers.
- Enhancing our professional services offering which will deepen our partnerships within our most strategic accounts.
- Increasing adoption of our differentiated enterprise capabilities.

And with that, I’ll hand it over to Tim –

Tim Wan

Thank you Anne.
While I’m pleased with our high level results, some of the underlying drivers were not as strong as we had hoped. As Anne mentioned, we continue to see headwinds from a macro standpoint, which continues 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 am proud of the efforts the team has put in to manage costs and improve efficiency. We continued to make substantial progress on improving our operating margins.

On to our Q3 results:

- Q3 revenues came in at $166.5 million, up 18 percent year over year.
- We have 21,346 Core customers, or customers spending $5,000 or more on an annualized basis.
- Revenue from Core customers grew 20 percent year over year. This cohort represented 74 percent of our revenues in Q3, up from 73 percent in the year–ago quarter.
- We have 580 customers spending $100,000 or more on an annualized basis and this customer cohort grew at 18 percent year over year.
- As a reminder, we define these customer cohorts 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 percent.
  - Our dollar–based net retention rate for our Core customers was over 105 percent.
  - And among customers spending $100,000 or more, our dollar–based net retention rate was over 120 percent.
  - As a reminder, our dollar–based net retention rate is a trailing 4 quarter average calculation and thus a lagging indicator.
- We continue to see stable logo churn rates overall and low churn in our largest accounts. However, companies 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 will be discussing non-GAAP results in the balance of my remarks.

- Gross margins came in at 90.6%.
- Research and Development was $51.2 million, or 31% of revenue, an improvement from 36% a year ago.
- Sales and Marketing was $82.6 million, or 50% of revenue, an improvement from 70% a year ago.
- G&A was $26.9 million, or 16% of revenue, an improvement from 22% a year ago.
- Operating loss was $9.8 million, and our operating loss margin was 6%, representing a 31 percentage point margin 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 $8.2 million, and our net loss per share was 4 cents.

Moving on to the balance sheet and cash flow:

- Cash and marketable securities at the end of Q3 were approximately $530.0 million.
- Our remaining performance obligations, or RPO, was $335.1 million, up 23% from the year-ago quarter. We expect 85% of RPO will be recognized over the next twelve months. That current portion of RPO grew 21% from the year-ago quarter.
- Our total ending Q3 deferred revenue was $255.4 million, up 19% year over year.
- Our free cash flow is defined as net cash from operating activities, less cash used in property and equipment and capitalized software costs, excluding non-recurring items such as costs related to restructuring. Q3 free cash flow was negative $11.5 million or negative 7% on a margin basis, an improvement from negative 34% from the year ago quarter. On a year-to-date basis, our Free Cash Flow was negative $13.4M, approximately $120M improvement from the same year-ago period.
[Guidance]

Moving to guidance, for Q4 Fiscal 2024 we expect

- Revenues of $167.0 million to $168.0 million, representing growth of 11% to 12% year over year.
- We expect non-GAAP loss from operations of $23.0 million to $21.0 million, representing an operating margin of negative 13% at the midpoint of guidance, a measurable improvement from the same year ago period.
- And we expect net loss per share of 10 cents to 9 cents assuming basic and diluted weighted average shares outstanding of approximately 223 million.

For the full fiscal year 2024,

- We expect revenue to be in a range of $648.5 million to $649.5 million, representing a growth rate of 19% year over year.
- We expect Non-GAAP loss from operations of $66.0 million to $64.0 million, representing an operating margin of negative 10% at the midpoint of guidance, an improvement from negative 38% in fiscal 2023. And we expect net loss per share of 27 cents to 26 cents assuming basic and diluted weighted average shares outstanding of approximately 219 million.

Our guidance assumes that there is no change in the current macroeconomic environment. We expect our overall dollar based net retention rate to remain above 100% for the year. We continue to believe dollar based net retention rates should bottom in Q1 at plus or minus 100%, when a number of large deals from the previous year renew. In addition, the leadership changes we have made in our sales organization will take time to manifest.

We are committed to maintaining a disciplined and balanced approach to optimizing costs and improving efficiency and profitability. We will continue to invest in future growth opportunities, like AI, which we expect will drive long-term value. We remain committed to delivering positive free cash flow by the end of calendar 2024.
As we work towards reaching free cash flow, we are encouraged by the progress we’ve made, and I am optimistic about our future. Over the next 18–24 months, we anticipate incremental growth will be driven by 1) expansion from our Core customers which will be a tailwind to our NRR, 2) Our focus on moving upmarket, so focusing on moving more of our customers to the $100 thousand spend levels, and 3) our new packaging which will help with more lands, improve adoption and new expansion.

And with that, I’ll turn it back to the operator for questions.

END