

Asana

FY25 Q3 Earnings | Prepared Remarks

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Catherine Buan

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 2025. 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 Sonalee Parekh, our Chief Financial Officer.

Today's call will include forward-looking statements, including statements regarding the expected benefits of our product offerings, including AI Studio, and our expectations for revenue to be generated by AI Studio, our expectation for free cash flow, our financial outlook, strategic plans, our 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.

This quarter marks a transformative moment for Asana. With the launch of AI Studio, we're officially entering a new era as a multi-product company. This represents more than just a new revenue stream - it's an entirely new way to create value for customers as AI transforms how work gets done. We believe AI Studio has the potential to eclipse our current revenue scale over time.

The early momentum has been exciting, with significant customer demand across various sectors including media, financial services, manufacturing, healthcare, professional services, and technology. We're seeing customers experience meaningful productivity gains as they integrate AI directly into their everyday workflows, where it can drive measurable impact at scale.

Beyond these product achievements, we delivered a solid quarter, exceeding our guidance on top and bottom line, highlighted by stability across the board and pockets of acceleration in our most strategic areas:

- Total Revenues were up over 10 percent year over year, above our guidance and reflecting stabilization of the growth rate versus last quarter.
- As you know, our tech vertical has been disproportionately impacted by the macro and our efforts to diversify more broadly into a diverse array of industry verticals are paying off.
- Non-tech verticals grew faster than overall growth and were up 15 percent year over year, a slight acceleration from last quarter and accounted for over two-thirds of our business.
- Some of our fastest growing verticals this quarter included Manufacturing and Energy, Consumer Retail, and Media.
- Customer growth showed improving trends. Our Core Customer base as well as our \$100,000 and over customers grew 11 percent and 18 percent respectively, both accelerating over last quarter.
- Retention is also a good story with stability in Gross Retention and an uptick in our **in-quarter** NRR across all customer cohorts.

- Non-GAAP operating margins improved year over year, from an operating loss margin of 6 percent to an operating loss margin of 4 percent, as we continue to progress toward non-GAAP profitability.

During the quarter, we continued to execute on our enterprise strategy, we accelerated growth in key verticals, and we marked a significant milestone as we established ourselves as a multi-product company.

Now let me turn to our progress with customers and the momentum we're seeing with AI Studio.

[Work Innovation Summit and Early Momentum with AI Studio]

In October, we hosted our Work Innovation Summit in New York, which was a landmark event for Asana. As our largest and most strategic executive event to date, we hosted nearly 1,000 attendees – representing almost 4x growth in attendance since our inaugural Work Innovation Summit a year ago.

- The major announcement at this event was of course AI Studio, an AI-powered workflow builder that empowers teams to design any workflow, embed AI agents without code, and deploy these workflows where their teams are already working. The enthusiasm was palpable, with lines of customers stretching around the room, eager to learn about potential use cases and engage with our team of workflow specialists.
- AI Studio leverages our unique Work Graph to deliver AI capabilities exactly where teams work, providing the essential context and structure that AI needs to be effective. Unlike standalone chatbots, with AI Studio, teams can seamlessly coordinate work between humans and AI teammates within their existing workflows, all powered by our deep understanding of the relationships between people, work, and processes.
- The key thing to understand about AI Studio is that these are not chatbots - you don't talk to them, these are workflows with AI agents embedded within them that are automatically initiated in reaction to things people are doing, like filling out forms, or changing task statuses.

- While *other* AI studios focus on creating agents that are expected to take on a wide variety of tasks and autonomously execute plans, Asana gives you a way to outline an explicit step-by-step workflow that includes pieces that are completed by AI, while being heavily anchored by the human intention from start to finish. This ensures consistent, high quality results.
- It also doesn't require the end user to adopt a new behavior with some new AI tool. The AI capabilities are automatically initiated based on the smart workflow that the program manager created.
- AI Studio is not only elevating Asana's profile at customer meetings, it's unlocking exciting new use cases. It's being leveraged for translating global communications across dozens of languages to autonomously executing complex work requests, to automating creative asset production and more. It also marks a significant milestone as our first product with consumption-based pricing.

[Consumption-based Pricing]

Let me walk through that new pricing and how we believe it will drive incremental revenue opportunities. First, there will be a recurring platform fee which includes an initial allocation of credits for variable consumption that is enough to execute hundreds or thousands of workflows per month depending on the use case. When customers identify high-ROI use cases that exceed the base allocation, they can seamlessly scale with additional credit tranches. While we expect most customers to only pay the platform fee, we're already seeing strong evidence from our early access customers that many will scale beyond the base allocation as they discover transformative AI use cases.

What's especially powerful about our consumption-based model is that revenue potential isn't tied to seat-based licensing - we're finding that just a small number of activated workflow builders can create a large amount of value on their own. In contrast with traditional seat based models where we need entire teams onboard before we can add a lot of value. This fundamentally changes the economics of customer expansion.

AI Studio is also very sticky - once embedded in critical workflows, it becomes an essential part of our customers' operations, driving both adoption and consumption. This

stickiness, combined with the consumption-based model, creates a powerful dynamic: we expect AI Studio revenue from some customers to exceed their core seat-based license revenue in the near term, a pattern we believe could extend across our customer base in the medium term.

The initial adoption and feedback from early access customers have been extremely encouraging:

- We've already sold paid AI Studio packages to industry leaders in technology, cybersecurity and financial services. One of our large enterprise customers moved straight to purchase shortly after seeing the product - bypassing our pilot phase entirely.
- It's only been available for weeks, but the momentum within our Top 100 customers is remarkable. Each week we enable a significant number of large customers on AI Studio. We're also seeing strong demand in the midmarket - which is leading us to accelerate our strategy to accommodate them sooner than initially planned.

Let me give you some examples of the transformative potential we're seeing.

- A leading outdoor advertiser has already created AI-powered workflows across their organization, demonstrating the broad applicability of our solution. The impact has been substantial: their Creative team has reduced manual work in request intake by 60%, achieving time savings of 15 hours per request while decreasing overall request processing time by 69%.
- Another example is a mid-market customer that specializes in helping small online businesses grow. Despite already having a wall-to-wall deployment of 700 seats, they're demonstrating how AI Studio can drive significant new value independently of seat count. They've implemented two AI-powered workflows in their IT operations: intelligent ticket prioritization and automated FAQ responses, with over 4,500 workflow executions in just the first month. And now there are over 20,000 workflow executions.
- What's particularly powerful about this example is how a small IT team is creating leverage across their entire organization. Even with full seat

penetration, their consumption-based AI usage represents a substantial new revenue opportunity as they continue to expand their AI-powered workflows. This illustrates our thesis that AI Studio's revenue potential isn't constrained by traditional seat-based metrics, but rather by the value it delivers through automated workflows.

- We anticipate their rapid adoption will lead to a meaningful expansion of new use cases across their business, which will deliver considerably more value for the customer and substantial new revenue for Asana.
- A few of our early customers have shared compelling ROI data from their AI Studio workflows. From our initial quantified examples, customers are saving 1 hour of work for every one to five cents in cost (including our margin on top of the LLM cost).
- These early customer examples demonstrate how AI Studio is fundamentally reshaping the value we can deliver for our customers, and the growth potential of Asana. As a top analyst at one of the leading research firms said, "AI Studio puts Asana at the cutting edge when it comes to AI in the Collaborative Work Management (CWM) space. None of Asana's competitors come close".

[Strategic Direction]

The launch of AI Studio is part of our broader vision to better serve our customers by evolving Asana from a seat based pricing model to a flexible, value-aligned approach. To summarize, our pricing will include a combination of seat-based pricing, persona-targeted add-ons, and third, consumption-based pricing from AI Studio. As we scale AI Studio and future add-ons, we expect to see these value-based products take on a larger proportion of our revenue mix compared to our core seat-based license. We believe this approach will reduce friction for seat expansion while allowing customers to pay for the specific value they receive.

[Looking Ahead]

While we're excited about the early success of AI Studio and our strategic shifts, we're just getting started. We're scaling our enablement efforts throughout Q4 to support broader adoption.

We're now preparing for the General Availability launch of AI Studio by the end of Q1 FY26, which we expect will further accelerate adoption and cement our position as the leader in AI-powered work management.

[Closing]

As we look toward Q4 and FY26, our primary focus will be on improving our financial efficiency while maintaining strategic investments in growth. We will re-accelerate growth by investing in our highest impact areas:

- Elevating customer success through deeper engagement in mission critical use cases that span across departments and organizations.
- Winning new customers especially in our key verticals such as manufacturing, consumer retail, healthcare, and now government with our recent commitment to FedRamp.
- Accelerating revenue growth with new add-ons and services. This cross sell will help expansion as well as stickiness.

I'll also reiterate that we are committed to sustained positive Free Cash Flow by the end of Q4. We'll achieve this by further optimizing our investment allocations across all of our operations, which Sonalee will talk about more in a moment.

With that, I'll turn things over to Anne.

Anne Raimondi

Thanks Dustin.

As Dustin mentioned, our success with the Work Innovation Summit programs in New York and around the world is an important milestone in our journey up market. With almost 1,000 attendees, including customers, partners, investors, analysts, and press in New York alone, it was the most successful event in Asana's history, so far.

The event showcased our commitment to innovation and our ability to deliver cutting-edge solutions that meet the evolving needs of modern enterprises. In addition to our AI Studio announcement, we unveiled new innovations like our new Strategy Map, a powerful visualization of the Work Graph, which shows how all of the work happening inside an organization ladders up and contributes to company-wide goals. We also unveiled our new view-only licenses to expose even more team members to the power of Asana. And finally we introduced new executive reporting and request tracking and work intake capabilities, which strengthens a use case that one-third of our Asana customers rely on us to power. We received significant media coverage on our launch of AI Studio, new thought leadership from our Work Innovation Lab, and our innovative approach to embedding AI directly into workflows where the work happens.

Building on this success, we brought the Work Innovation Summit experience to Europe in November, with events in London and Frankfurt where we saw huge enthusiasm for AI Studio and all of our latest innovation from our customers. I'm constantly inspired by how our platform is transforming work for global enterprises. For instance, the Chief Marketing Officer from a leading European technology company shared how Asana helps ensure their teams stay strategically aligned on initiatives that drive measurable business outcomes. They also highlighted Asana as the only AI vendor they trust and have approved for deployment, citing our approach to transparency and work with multiple LLMs that aligns with European data security requirements. This type of validation reinforces why these events are critical to our upmarket strategy, allowing us to engage with enterprise decision-makers, drive pipeline, and strengthen relationships with our key customers across different regions.

[Q3 business commentary]

Turning to Q3.... We believe that our execution machine is now coming online

- As Dustin mentioned, verticals such as manufacturing and energy, consumer retail, and media saw an uptick in growth...and non-tech led overall growth, up 15 percent year over year.
- Also, our in-quarter NRR up-ticked this quarter across all of our major cohorts, while Gross Retention has remained stable.
- Another indicator I look at is multi-year deals. We had another record number of

multi-year deals as customers make longer term investments with Asana.

- Our customers are increasingly looking to us as their strategic advisor on AI transformation. What sets us apart is our unique approach: transparency in how AI is deployed, structured workflows that integrate AI directly into existing processes, and the quality of the output thanks to the power of our Work Graph data model. Our compatibility with multiple LLMs, enterprise-grade security, and privacy controls position us as a trusted partner for organizations with strict internal AI guidelines. This is especially differentiated compared to point solutions that lack the structured context needed to glean critical business insights, require end users to adopt new tools or behaviors that are disconnected from their existing workflows, or lack data transparency and privacy controls.
- Most importantly, AI has proven to be a powerful way to gain executive mindshare and these executive conversations are leading to longer-term partnerships, as evidenced by our significant increase in multi-year deals this quarter.

[Customers]

Now turning to customer wins in Q3.... our multi-year deals and expansions are pointing to the types of longer term partnerships we are forming with large, strategic enterprises.

Manufacturing/automotive

- Within the manufacturing and automotive industry, KW Automotive, the market leader in customized suspension solutions for race cars and road vehicles, selected Asana to be the platform to manage all of their work. They will use Asana to monitor and report on the company's goals, manage resources and monitor workloads, and drive better collaboration and communication between teams.

Retail/CPG

- In the consumer retail vertical, a leading premium footwear and apparel brand that you all know and probably wear yourself, uses Asana across their company, and this quarter, they expanded their use to manage new store openings, pop-up stores, and workplace projects with more than 10 other departments.

Healthcare

- We also had a key win in the Healthcare industry. A leading managed health care services company expanded its use of Asana within its Medicaid segment this quarter, increasing their TCV to well over \$1 million.

Cybersecurity

And we continue to see growth within the cybersecurity industry as well:

- CrowdStrike expanded their use of Asana this quarter. They have been an Asana customer for several years and signed another multi-year agreement.
- And 1Password, the leader in extended access management, chose Asana for their work management needs because of our ability to scale and flexibility to meet their unique needs. This was a competitive replacement onto our enterprise-grade platform.

Japan

- And around the globe, we are also seeing great wins. In Japan, for example, NTT East Japan, one of the most prominent telecommunications companies in the world, expanded its use of Asana. This was a channel deal executed through our local partner to support NTT's digital transformation.
- Also, one of the largest shipping companies in the world headquartered in Japan, upgraded to our enterprise tier and expanded its use across their technical development and systems development divisions this quarter.

As you can see we continue to expand and build deeper relationships with some of the largest and most strategic companies in the world. And we will continue to build on these successes.

[Update on initiatives]

Today, we're focused on several key initiatives that will help us develop and transform our business:

- 1) First, building on excitement around AI products to improve account engagement and adoption.
- 2) Second, focusing on strategic industry verticals to further diversify our business
- 3) Third, investing in a more consistent post-sales experience to improve retention and drive expansions.
- 4) And last, improving our velocity by further streamlining sales processes. In fact, we recently rolled out a new Seller Experience initiative — with Asana, of course — across seven global locations, which introduces enhanced Deal Execution capabilities and simplified sales processes to help our sales teams be more effective. The initial response has been strong, with the majority of our account executives and managers already trained on these new capabilities. We're seeing early signs that these improvements are helping accelerate our business in key segments.

In summary, our strategies are designed to drive expansions in both seats and now cross-sell, deepen our customer relationships, improve retention, and ultimately grow ARR. And with AI joining the team, we can deliver even greater value to our customers. We're excited about the path ahead and confident in our ability to execute on these initiatives.

And with that, I'll hand it over to Sonalee -

Sonalee Parekh

Thank you Anne, thank you Dustin, and thank you to the entire Asana team for such a warm welcome.

In my first 90 days I've immersed myself into the business and built critical partnerships across the organization. Here are some initial observations:

As a daily user of Asana, I have experienced first-hand the power of the platform. By aligning my team's work with the overall goals of the company and strengthening the coordination and engagement with my team, I have been able to free up a significant amount of my time from manual work, which is leading to more impactful work.

I hear this same feedback from the many customers I have had a chance to speak with thus far – our value proposition is clear, and the benefits our customers are realizing from using Asana are significant and demonstrable.

The pace of innovation at Asana is rapid and focused. The combination of new features and targeted use cases being introduced in the core platform and the launch of AI Studio, unlocks new TAM, increases the value proposition and stickiness of our offering.

Our investments in GTM and our transition up market are beginning to pay off and are positioning us well to capitalize on the large and growing market opportunity in front of us – we are just starting to scratch the surface with respect to channel-led growth, traction in key verticals, and becoming a multi-product company.

Asana has the ability to re-accelerate growth, while both materially expanding operating margins and scaling Free Cash Flow. I am confident in this given the operating leverage I see to drive efficiency and increase productivity of spend throughout the business. I'll share more in a moment on the initial levers we are targeting to expand margins.

[Q3 Financial Highlights]

Let me highlight the financial results for the third quarter and then comment more on outlook and plan.

- Q3 revenues came in at \$183.9 million, up 10 percent year over year.
- We have 23,609 Core customers, or customers spending \$5,000 or more on an annualized basis.
- Revenues from Core customers grew 11 percent year over year. This cohort represented 75 percent of our revenues in Q3, up from 74 percent in the year ago

quarter.

- We have 683 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 overall dollar-based net retention rate was 96 percent.
- Our dollar-based net retention rate for our Core customers was 98 percent.
- And among customers spending \$100,000 or more, our dollar-based net retention rate was 99 percent.
- As a reminder, our dollar-based net retention rate is a trailing 4 quarter average calculation and thus a lagging indicator.
- However it's important to highlight the *in-quarter* trends as we go through this transition. Our *in-quarter* dollar-based-net-retention rates are stabilizing and Q3 dollar-based-net-retention rates were slightly better than Q2.

[Expenses]

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 89%.
- Research and Development was \$54.9 million, or 30% of revenue.
- Sales and Marketing was \$88.7 million, or 48% of revenue.
- G&A was \$28.5 million, or 16% of revenue.
- Operating loss was \$7.6 million, and our operating loss margin was 4%.
- Net loss was \$4.8 million, and our net loss per share was 2 cents.

[Balance Sheet and CF]

Moving on to the balance sheet and cash flow:

- Cash and marketable securities at the end of Q3 were approximately \$455.3 million.
- Our remaining performance obligations, or RPO, was \$405.7 million, up 21% from the year-ago quarter. This is a re-acceleration from last quarter, driven by multi-year deals.
- 82% of RPO will be recognized over the next twelve months. That current portion

of RPO also re-accelerated and grew 17% from the year-ago quarter.

- Our total ending Q3 deferred revenue was \$282.1 million, up 10% year over year.
 - Q3 free cash flow was negative \$18.2 million or negative 10% on a margin basis.
- We expect positive Free Cash Flow in Q4.

[Stock Repurchase Program]

We repurchased \$55 million of our shares in Q3 at an average price of \$12.23 per share and have \$75 million remaining in our authorization. This has been a great ROI for us. We remain committed to investing in our growth and managing dilution while returning excess capital to shareholders via share repurchases.

[Outlook]

Moving to guidance, for Q4 Fiscal 2025 we expect

- Revenues of \$187.5 million to \$188.5 million, representing 10% growth year over year.
- We expect non-GAAP loss from operations of \$6.5 million to \$5.5 million, representing an operating margin of negative 3%.
- And we expect non-GAAP net loss per share of 2 cents to 1 cent assuming basic and diluted weighted average shares outstanding of approximately 229 million.

For the full fiscal year 2025,

- We now expect revenues to be in a range of \$723.0 million to \$724.0 million, representing a growth rate of 11% year over year.
- Non-GAAP loss from operations of \$46.0 million to \$45.0 million, representing an operating margin of negative 6%.
- And non-GAAP net loss per share of 15 cents to 14 cents assuming basic and diluted weighted average shares outstanding of approximately 229 million.

[Guidance Assumptions]

While the macro continues to be a headwind to sales cycles, and in the tech sector in particular, we believe the investments we have made in the platform and our go-to-market motion are leading to stabilization in our revenue growth and early signs of the potential to re-accelerate growth. We see that with our *in-quarter* NRR improvement, growth in our

\$100,000 and above and Core Customer segments, pipeline and early adoption of AI Studio, and traction with the channel. While we are still in the midst of our planning and are heads down executing to drive a strong finish to fiscal year 2025, for next year we will be focusing on revenue growth and material operating margin expansion on both a GAAP and Non-GAAP basis. Anne shared some of the levers for growth acceleration, the areas I am seeing thus far to drive efficiency and productivity benefits, include:

- 1) NRR expansion** - It is much more profitable to keep a customer than acquire a new one and the investments we are making in improving the user experience, including onboarding, pricing and packaging, and new features will help drive improvements in both gross retention and the ability to expand with our customers over time.
- 2) In R&D** - Our investments in R&D have enabled us to deliver Enterprise-grade capabilities years ahead of the competition and differentiate through the Asana Work Graph, scalability and Enterprise readiness. That said, we have an opportunity to optimize resources by geographic locations such as Warsaw and Reykjavik where there is tremendous talent. In addition, we have the opportunity to consolidate AI into the core product allowing us to capitalize on the opportunity with AI Studio without significant new R&D headcount.
- 3) In Sales and marketing**, we have the opportunity to leverage our existing resources and accelerate growth. We are focusing on the routes to market and marketing channels that maximize efficient growth.
- 4) In G&A**, we can drive more automation throughout the functions and grow and scale G&A headcount in lower cost geographies. In addition, there is a large opportunity to reduce our non-headcount spend by optimizing and rationalizing third-party and discretionary spend.

Dustin, Anne, and I are focused on building and executing on a long-term plan that allows Asana to re-accelerate growth while materially expanding profitability. A key principle of this will be to grow revenue significantly higher than operating expenses, while reducing dilution. I look forward to sharing more next quarter on our Fiscal 2026 plan.

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