



Asana Inc.

First Quarter Fiscal Year 2022 Earnings Call

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C O R P O R A T E P A R T I C I P A N T S

Catherine Buan, *Head of Investor Relations*

Dustin Moskovitz, *Co-Founder and Chief Executive Officer*

Chris Farinacci, *Chief Operating Officer and Head of Business*

Tim Wan, *Chief Financial Officer*

C O N F E R E N C E C A L L P A R T I C I P A N T S

Brent Bracelin, *Piper Sandler*

Brent Thill, *Jefferies*

Steve Enders, *KeyBanc Capital Markets*

George Iwanyc, *Oppenheimer & Company*

Mark Murphy, *JPMorgan*

Alex Zukin, *Wolfe Research*

Melissa Dunn, *Morgan Stanley*

Andrew DeGasperi, *Berenberg Capital Markets*

Patrick Walravens, *JMP Securities*

P R E S E N T A T I O N

Operator

Welcome to Asana's First Quarter Fiscal Year 2022 Earnings Call.

I would now like to hand the conference over to your speaker today, Catherine Buan. Please go ahead.

Catherine Buan

Good afternoon and thank you for joining us on today's conference call to discuss the financial results for Asana's First Quarter Fiscal Year 2022.

With me on today's call are Dustin Moskovitz, Asana's Co-Founder and CEO; Tim Wan, the Company's Chief Financial Officer; and Chris Farinacci, the Company's Chief Operating Officer and Head of Business.

Today's call will include forward-looking statements pursuant to the Safe Harbor provisions of the Private Securities Litigation Reform Act of 1995, including, but not limited to, statements regarding our financial outlook, market position and growth opportunities. Forward-looking statements involve known and unknown risks and uncertainties that may cause our actual results, performance or achievements to be materially different from those expressed or implied by the forward-looking statements.

Forward-looking statements represent our Management's beliefs and assumptions only as of the date made. Information on the factors that could affect the Company's financial results is included in its filings with the SEC from time to time, including the section titled Risk Factors in the Annual Report on Form 10-K filed by the Company for the year ended January 31, 2021.

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 equivalent are available in our earnings release, which is posted on our Investor Relations webpage at investors.asana.com.

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

Dustin Moskovitz

Thanks, Catherine, and thank you to everyone for joining us today for our Q1 Fiscal Year 2022 Earnings Call.

We had a remarkable first quarter and continued to see the business accelerate across revenues, paying customers and customer expansions. Revenues grew 61% year-over-year, with growth accelerating for the second quarter in a row. We added over 7,000 net new paying customers in Q1, up from 4,000 added in the previous quarter. Growth in the number of paying customers accelerated for the third quarter in a row, to 30% year-over-year.

Also, dollar-based net retention rates continue to be strong. For customers overall, it was over 115%. For customers spending \$5,000 and over, it was 123%. And for customers spending \$50,000 or more, it was over 140%.

Based on our outlook for the rest of the year, we're raising full year guidance by over 8% to \$336 million to \$340 million, representing a 48% to 50% year-over-year growth rate. This is based on several things.

First and foremost, we continue to see momentum in Enterprise. As the flywheel effect of Asana's Work Graph data model gains traction, we're closing larger deals and expanding in organizations. The number of customers spending \$50,000 and over grew 92% year-over-year. We're clearly seeing more momentum in the market, and our investments and our product strategy are paying off.

Second, we're seeing a record volume of interest at the top of the funnel, and the increasing demand is geographically broad-based, indicating that we're solving universal problems.

Third, both conversion rates and customer adoption metrics are going up. We're seeing customer satisfaction rates, NPS scores and retention rates at or better than pre-pandemic levels. This is

translating into continued strong net new paying customer growth and strong seed expansion, affirmation that Asana is delivering the features and capabilities that users and organizations want.

While the pandemic may have heightened the awareness of how difficult it is to achieve clarity at work, the problems themselves are not new. Even before the pandemic, 1.25 billion global knowledge workers largely relied on outdated tools, email, spreadsheets and status meetings to get clarity on who is doing what by when. According to our annual survey, called the Anatomy of Work, 60% of knowledge workers' time is spent on work about work, rather than the work itself.

Over the last year, people have expended more effort to have the same or even less impact. The average person is working later each day, 26% are still missing deadlines, and seven out of 10 people experienced burnout last year. Asana provides a more productive and sustainable way to work.

Going forward, there will be a spectrum of types of environments, from fully remote to fully back to office, and in many cases, a hybrid of both. Whether teams are work-from-home or in offices coordinating work across departments and geographies, clarity on who is doing what by when is essential. This persistent need for clarity will be a durable secular driver for our business.

For those of you who may be new to Asana, we're accelerating our growth expansion with the Asana Work Graph, our key differentiator. Like the Social Graph my Co-Founder J.R. and I worked on, the Asana Work Graph is a flexible data model powering Asana. The Work Graph is a fully connected, up-to-date map of the work in an organization. It enables Asana to provide clarity at every level of an organization, regardless of size, structure and complexity.

Customers like Japan Airlines, Sky, Under Armour and thousands of others use Asana today to get products to market faster, budget resources better, and have a birds-eye view of the business. We are the solution that can provide clarity for the individuals, teams and executives, based on a shared source of truth enabled by our proprietary data model, the Asana Work Graph.

First, for executives, we provide work-wide visibility and alignment with goals and portfolios. Just this week, we announced Universal Reporting, which gives leaders real-time visibility into work across their organizations. This real-time graphical dashboarding capability is built directly on top of our Asana Work Graph. Unlike other reporting tools, the Work Graph data model enables company and team leaders to create reports by selecting particular projects, teams or portfolios across their entire organization and view their progress together in a single chart, not just across individual projects.

Executives used to have to wait for their teams to manually prepare quarterly reviews for this level of insight. Universal Reporting makes that level of insight available instantly, dynamically and automatically. For example, an executive can create single charts that track product roadmaps within or across product lines, track budgets within teams or across departments, or track efficiency and attainment within their area of responsibility or across an entire company objective. They can then add them to a shareable dashboard in a few clicks, making progress reporting easy and ensuring that important decisions are made with up-to-date data.

Second, we provide a single source of truth to power work across teams. Universal Reporting gives teams the progress and resourcing reports they need to move quickly. We also continue to enhance our workflow automation capabilities, and we're aiming to launch a new workflow gallery by the end of the year, our version of an App Store.

Lastly, we help individuals maximize their productivity. Next week, on Wednesday, June 9, we'll be hosting our Asana Focus & Flow Summit. We'll be joined by some of the leading researchers on high performance, including Adam Grant, organizational psychologist and bestselling author; Dr. Sahar

Yousef, cognitive neuroscientist at UC Berkeley; and Dr. Michael Gervais, a renowned psychologist on optimal performance for world class athletes and Fortune 100 CEOs.

We are unveiling a new suite of personal productivity features that help individuals prioritize their work, reduce distractions and improve focus. Some of the new features include video messaging to reduce meetings, an upgraded My Tasks experience to enable more ways to prioritize and automate your work, a smart calendar assistant to create more time for focus, and an Asana desktop app, one of the top requests from our community. We will be featuring demos of capabilities that are based on the unique benefits of the Asana Work Graph. Please join us for this event on June 9 from 10:00 AM to 11:00 AM Pacific Time.

Our product roadmap this year is stronger than ever. We're investing aggressively in our product strategy and making great progress towards our vision. We continue to ship capabilities at a rapid pace this year, including the Asana Partners introduced in Q1, which featured over 200 technology partners, including ServiceNow, Zendesk and Adobe Integrations. We launched Asana's Channel Partner Network and expanded four new languages. In Q2, we launched Universal Reporting, and we have a new suite of personal productivity features coming to market next Wednesday. We also have additional Enterprise platform news in Q3, and we're on track to launch our entirely new take on workflows by the end of Q4.

Before I hand it over to Chris, I want to conclude by highlighting that we continue to scale our Company while evolving and developing our culture. We are expanding into seven new languages this year, for a total of 13 by the end of the year. We opened offices in Singapore and Paris, bringing us to 11 offices on four continents. Lastly, Asana has been named to *Inc. Magazine's* annual list of the best workplaces for 2021 for the fourth year in a row.

As our Company continues to scale rapidly, we also continue to focus on intentionally evolving a great culture built around ensuring everyone has real-time clarity about what's expected of them and how their work fits into our higher level goals. As the Company grows on top of this strong foundation, we get ever better and faster at delivering value for our customers.

Now, I'll hand it off to Chris.

Chris Farinacci

Thanks, Dustin.

Asana had a great first quarter to start off the year. We had another quarter of accelerating revenue growth, with revenues growing 61% year-over-year. We are firing on all cylinders, from the top of the funnel to large enterprise expansions. Some highlights from this quarter's business performance include the following.

First, we accelerated new customer growth, adding over 7,000 net new customers this quarter, and passing the 100,000 paying customer milestone. Top of funnel performance continues to be strong globally.

Second, we're seeing strong expansion within our existing customer base, particularly with our larger customers. The net retention rate for customers spending \$50,000 or more with us annually was again over 140%.

Third, as Dustin mentioned, we're seeing our investments paying off with growing Enterprise momentum. The number of our customers spending \$50,000 or more annually grew 92% to 485 customers.

While the numbers speak for themselves, our customer adoption trends tell the story best. Our largest customer deployment expanded to 50,000 seats this quarter. This highlights the scalability of the product and shows our value proposition is resonating with some of the biggest enterprises in the world. It's a credit to our Work Graph data model, which enables our vision and is a core competitive differentiator. Customers are realizing the benefits, especially our largest customers who have cross-functional teams with complex workflows.

We saw traction in Q1 around the world and across a range of industries. We continue to see significant expansions within our current customer base. Here are just a couple more highlights.

In Q1, VICE Media Group, the world's largest independent youth media company, upgraded its organization to our Enterprise solution and added hundreds of new seats. They needed to improve visibility into work happening across the company and centralize it in one place to eliminate silos between departments and teams that are spread across the world. Now teams from marketing to video production to advertising operations will be using Asana to manage their work and track their strategic goals.

With everything in one place, teams can now see how their individual work aligns with department-wide timelines. Additionally, leadership will have real-time reporting on progress and blockers to make informed business decisions.

Duke Clinical Research Institute and the Center for Health Equity Research at the University of North Carolina at Chapel Hill selected Asana's solution to manage cross-functional workflows at scale for a large federally-funded COVID-19 program targeting underserved populations. Asana Portfolios will help them monitor the program and provide reporting to the sponsor.

As we look towards the rest of the year and beyond, I'm very excited. We continue to focus our business on three major growth drivers: acquiring new customers, existing customer expansion, and Enterprise momentum.

First, in new customer acquisition, we're continuing to expand our customer reach to make Asana accessible to a significantly larger portion of the world's teams by executing on one of our largest new market expansion initiatives to date. We've already made Asana available in four new languages this year, traditional Chinese, Russian, Dutch and Polish, with three more on the way. We also launched our Channel Partner Network to expand our reach.

Second, we are focused on customer expansion. We continue to see a large and growing expansion opportunity in our existing base of now over 100,000 paying customers. I'm particularly excited about our new product launches this quarter, including the personal productivity suites we're launching at the Focus & Flow Summit next week and our recently announced new Universal Reporting capabilities.

Our third major growth driver is Enterprise. Not only are we seeing momentum in enterprises broadly, we are seeing rapid adoption expansion of our product in some of the world's most valuable companies. The business imperative for real-time clarity and alignment across teams and organizations is accelerating. Our enterprise demand is building, and we're seeing organizations across industries choosing Asana. Examples include leaders in financial services, manufacturing, media and entertainment, technology, and retail in our most recent quarter.

We're scaling our Enterprise Sales organization, growing our Sales team as fast as we can to service this growing demand. We're also continuing to invest significantly in our Enterprise platform and capabilities. Asana is uniquely suited to scale as a trusted partner and provider of real-time clarity and alignment for large enterprises.

With that, I'll now turn it over to Tim to go through our financial results.

Tim Wan

Thanks, Chris, and thank you, everyone, for joining us today. We are very excited to report another great quarter with strong results across the board.

Q1 revenue growth accelerated from the last quarter to \$76.7 million, up 61% year-over-year. We added over 7,000 net new paying customers and now have over 100,000 at the end of Q1. This represents a 30% year-over-year increase and our third consecutive quarter of accelerating customer growth.

We have 11,272 customers spending \$5,000 or more on an annualized basis, up 53% year-over-year. Growth in our larger customers is even stronger. We have 485 customers spending \$50,000 or more on an annualized basis, which accelerated this quarter to 92% year-over-year. As a reminder, we define customers spending \$5,000 or more and \$50,000 or more based on annualized GAAP revenue in a given quarter.

Revenue from customers spending \$5,000 or more represented 64% of our revenue in Q1, compared with 56% in the year-ago quarter. This part of our business grew 82% year-over-year. Our overall dollar-based net retention rate was over 115%. As a reminder, our dollar-based net retention rate is a trailing four quarter average calculation. Among customers spending \$5,000 or more, our dollar-based net retention rate was 123%, and among customers spending \$50,000 or more, our dollar-based net retention rate was, again, over 140%. This further demonstrates our success with our land and expand strategy and how Asana is resonating, particularly with our largest customers.

Before turning 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 89.8%, up from 87.1% in the year-ago quarter. Research and development was \$30.5 million or 40% of revenue, as we continue to invest heavily to fuel innovation at a high velocity.

Sales and marketing was \$52.5 million or 68% of revenue, reflecting the investment in both our self-serve and direct sales motion.

G&A was \$19.3 million or 25% of revenue. Operating loss was \$33.3 million, and operating loss margin was 43%. Net loss was \$33.8 million, and our loss per share was \$0.21.

Moving on to the balance sheet and cash flow. Cash and marketable securities including long-term investments at the end of Q1 were approximately \$398 million. Our free cash flow is defined as net cash from operating activities, less cash used in property and equipment and capitalized software costs, excluding nonrecurring items such as our direct listing fees and expenses and the build-out of our San Francisco office. In Q1, free cash flow was negative \$7.7 million.

We are very proud of our achievements and the business momentum. Now, moving to our Q2 and Fiscal Year 2022 outlook.

For Q2 Fiscal 2022, we expect revenues of \$81 million to \$83 million, representing growth rates of 56% to 60% year-over-year. We expect non-GAAP loss from operations of \$44 million to \$42 million. We expect loss per share of \$0.27 to \$0.26, assuming basic and diluted weighted average shares outstanding of approximately 163 million shares.

Now looking out to the full Fiscal Year 2022, we are raising our previous guidance and now expect revenue to be \$336 million to \$340 million, representing a growth rate of 48% to 50% year-over-year. Given the large opportunity ahead, we will continue to invest for growth to maintain our leadership position. We expect full year non-GAAP operating margins to improve slightly from Fiscal Year 2021.

Longer term, we believe that we can execute on our growth strategy and that our best-in-class gross margins and strong unit economics will provide the leverage and flexibility to invest into the enormous market opportunity. We believe this investment will provide durable and sustainable growth as we pursue this large market opportunity with a best-in-class product.

Operator, let's open the line up for questions.

Operator

Your first question comes from the line of Brent Bracelin from Piper Sandler. Your line is open.

Brent Bracelin

Thank you and good afternoon.

Wanted to go back to this reacceleration in revenue growth above 61%, it's the highest we've seen in a year. It looks like it was strong across both new customers as well as expands, with a record number of net new 50K adds. What is resonating most with clients? Why now, and are you seeing any sort of material shifts in the Partner channel tied to Teams or Slack or Bastion? Just would love to get a little more color on what's driving this reacceleration. Thanks.

Dustin Moskovitz

Yes. Well, I really point you at the fact that we saw strength across the board, so there's not really any one factor that's driving the growth. The three big drivers. First of all, the Enterprise momentum which you mentioned, we saw 92% growth with the customers spending \$50,000 and over. We're also really excited, our largest deployment is now 50,000 active users, so a lot of momentum, and Chris will probably add some color after me on that front.

Then additionally, really strong top of funnel demand, and we're seeing that across all regions, a variety of geographies and industries and scale of company. That helped us achieve the new milestones of over 100,000 paying customers and 1.5 million paid users.

Then we're also seeing funnel metrics improving. We definitely saw a dip in adoption and retention rates during the pandemic, but now we're seeing levels that are even higher than before COVID started. All of those are really contributing to the reacceleration, and because of that, we feel more confident that they'll be durable growth drivers for us because it's not just a single fact that's driving the acceleration.

Chris Farinacci

Yes, and this is Chris.

I guess I would just add a couple things, because I think you had a question there about channel and maybe the competitive mix. As Dustin said, we're seeing strong growth across acquiring new customers, expansion in our base, and particularly around momentum in Enterprise.

On the Partner channel side, we continue to see growth and momentum with our 200-plus technology partners. There, we're focusing our efforts on the needs of our Enterprise customers in particular. Some of those key partners are Slack, Google, Microsoft, Salesforce, Zoom, Adobe and Jira. We just announced recently a new partnership with ServiceNow. And on the channel side, our Channel Partner program continues to grow quickly, and we're seeing particular traction with our Enterprise-focused channel partners.

I'd note that Channel is an important and strategic growing part of our business, but it's not really a material part of our business yet. I think you also asked about competitive mix, and we're not really seeing anything new there. By and large, the market is greenfield and wide open. Our primary competitor remains the status quo, and when we do compete, we don't see a change in mix or any one in particular.

Brent Bracelin

Great to see the mind (phon) business. Thank you.

Operator

Your next question comes from the line of Brent Thill from Jefferies. Your line is open.

Brent Thill

Good afternoon.

On the Enterprise business, I'm curious, Dustin and team, if you could maybe just dive a little deeper into what you're seeing; some pretty impressive metrics as you're moving upstream. What's kind of surprising you there? Any key metrics that you would highlight that is showcasing this ongoing success upstream? Thank you.

Chris Farinacci

Thanks, Brent. It's Chris.

Yes, I mean, the business imperative for real-time clarity and alignment across teams and enterprise organizations is accelerating. We saw it in the numbers. We mentioned the number of customers spending more than \$50,000 with us annually growing 92% year-on-year, and seeding that, revenues from customers spending \$5,000 annually accelerated to 82%. That cohort was 64% of Q1 revenues, so up from 56% in the same quarter a year before.

Our Enterprise demand is building, and we're seeing it build across industries, regions and functions. We're also seeing rapid adoption and expansion of the product in some of the world's most valuable companies. Our largest customer is now 50,000 seats; and maybe to give you some more color, I can just give you a couple more examples than I gave in my prepared remarks.

Let's see. One of the world's leading media properties chose our Enterprise solution for its entire company, a couple thousand users, to manage 100-plus workflows and projects a quarter and provide leadership with visibility into the work happening across the company.

Another example of an Enterprise deal is a large bank in EMEA who's undergoing digital transformation initiative and chose Asana to track its OKR, objectives and key results, and connect that with the associated work happening in the organization.

Yes, the Enterprise, I'd say we believe Asana is differentiated and uniquely suited to scale as a trusted partner and provider of clarity for large orgs, and we're seeing demand rising.

Tim Wan

Just to answer the surprise part of it, I think mostly this is going according to plan and we're seeing enterprises adopt because of our differentiated product strategy and the ability to be a superior solution for cross-team work and to scale with the needs of large organizations.

The part that's surprising is just quite how quickly it's going; in particular, with some of these larger deployments, the one that is now 50,000 active seats has just been growing very, very quickly. There are a couple others not quite at that scale but still very large that have similar growth patterns. We're just seeing a lot of enthusiasm and organic distribution within our existing customers that's helping us grow the deployments really quickly.

Brent Thill

Tim, just a quick follow-up, you saw a 10 point margin improvement but you're guiding to slight margin improvement for the year. Is seeing that, hey, you're doing so well, why take your foot off the gas on expense, we're just going to keep on it given the degree of acceleration? Is that the overall theme, or can you walk through...

Tim Wan

Yes, that's exactly it.

Brent Thill

...why (cross-talking).

Tim Wan

Yes, Brent, this is Tim.

Yes, that's exactly it. I think we believe there's just a huge market opportunity that we're growing extremely fast, and we want to continue to grow and capture and continue to be the leader in this space.

Brent Thill

Great, thanks.

Operator

Your next question comes from the line of Steve Enders from KeyBanc Capital Markets. Your line is open.

Steve Enders

Hi, great, thanks for taking my question.

Pretty impressive billings growth in net new adds on the 50K customer line. Can I get a better sense of what you think is resonating in the market? Is the prospect of distributed and hybrid work leading to more

opportunities coming up, or are there levers that you're pulling on in the top of funnel conversion rates that you think is helping drive that?

Dustin Moskovitz

Well, I would say that remote work and the pandemic in general have really just heightened the awareness of the problems, of the pain of trying to get clarity about who's doing what by when with your team. But the problems themselves aren't new.

I think that if you think about the addressable market of about 1.25 billion knowledge workers globally, the vast, vast majority of them are still using that status quo, long email threads and the shared spreadsheets and status update meetings. Moving to remote work just made it viscerally clear how poorly those solutions were serving them. I think that that helped drive some awareness and sort of urgency to adopt Asana, but the longer-term pains and the trends really go well beyond remote work.

Post-pandemic, we know that a lot of customers are going to continue to work with having fully remote teams, some that are going to come back into the office, and we're going to see a variety of hybrid versions that represent the spectrum in between. In any of those situations, Asana is a critical need for helping to drive clarity at work.

Steve Enders

Okay, great. Great to hear. I think it's been about a year now since you announced OKR functionality, but I guess, how have you seen that trend so far within your customers, within the first-year release? How does some of the new Universal Reporting functionality that you're releasing kind of augment the broad-based opportunity there?

Chris Farinacci

Yes, this is Chris. I'll start.

Yes, we've been building out against this differentiated vision for the pyramid of clarity, right? Leveraging the Work Graph and the differentiation of our data model to provide clarity at the individual, at the team and at the enterprise level. As you mentioned goals, last year, I think last summer was another set of functionality at connecting that executive and strategy level with work execution. We've seen real strong adoption. It's relating to what we've seen, real strong adoption. I mentioned a couple customer examples in remarks where large customers are starting to do that. I'll give you another one.

An innovative mobile phone carrier owned and powered by one of the world's leading telcos went well with their enterprise solution, this is in Q1 as well, to enable a work source of truth and provide transparency and connection into how their actual work is tracking against their company goals. We're seeing real strong demand. It's not really just about that goals functionality; it's buy-in and the business imperative around driving clarity from the top of companies down to the actual work.

Dustin Moskovitz

I'll speak to Universal Reporting. We just launched this two days ago. We're really excited by it. It's really building on—we had launched Project Dashboards a few quarters ago, but this is a little different because it allows you to report across multiple projects at once, or even entire teams or departments. We really focused on the functionality that would best showcase the power of the Work Graph and being able to aggregate that data in very flexible ways.

Really excited to see our customers use it. We've only had it for a little while internally as well, but the place where it clearly appeals most is the individuals in an organization that are working above the project level, where they're managing a portfolio or a group of programs. This gives them powerful reporting capabilities across their entire purview. We're starting there, and this is just the V1 for us. We're going to keep building on this functionality to make it more powerful and integrate it with other layers in the Work Graph. It'll start to appeal to even more senior people in the organization, all the way up the C suite.

Steve Enders

Okay, awesome, great to hear. Thanks for taking my questions.

Operator

Your next question comes from the line of George Iwanyc from Oppenheimer. Your line is open.

George Iwanyc

Thank you for taking my question.

Given the strong top of the funnel activity that you're seeing, can you maybe give us a sense of the type of incremental leverage you think you can get from all the Asana partners and channel initiatives that you're implementing?

Tim Wan

Yes. I think Chris mentioned this a little bit earlier on the call. We're continuing to build out both our Partner ecosystem and our Channel ecosystem. We have quite a number of technical integrations already into different products, but we view both Channels and Partner opportunities as really upside to the business right now because they are still a small part of our revenue base.

Dustin Moskowitz

I would just maybe re-highlight the greenfield opportunity. The vast majority of teams in the world aren't using anything in the category. We're able to reach some of those types of customers with performance marketing, but depending on the industry or scale or region, the other channels will be more appropriate and successful in reaching them, so it's really just about giving us reach into every part of the market.

Chris Farinacci

Yes, it's Chris.

I'd add one thing, because I think your question got to the connection between top of funnel and Channel, which is ultimately about coverage in the market. As we mentioned, we continue to expand our customer reach to make Asana accessible to a larger portion of the world's teams by executing on this addition of languages. We shipped four already this year. Three more are coming: Italian, Korean and Swedish. And we're investing in our Channel Partner Network to expand our reach in those markets as well. As we launch those new languages, they help us with reaching those new markets, as does the Channel.

George Iwanyc

All right. Just following up on the Enterprise strength, Tim, can you give us maybe an update on the success you're seeing with hiring and what your plans are for the rest of this year from a sales perspective?

Tim Wan

Yes, I would say we have aggressive goals and we are hiring pretty aggressively. I think we're happy with where we are. We try to front-load most of our hirings, but I would tell you that a number of folks that we've hired will start this quarter, in Q2. We're building capacity for the large opportunity in front of us.

George Iwanyc

All right, thank you.

Operator

Your next question comes from the line of Mark Murphy from JPMorgan. Your line is open.

Mark Murphy

Yes, thank you very much.

Tim, I'm wondering if you see potential for the net dollar retention to improve above this 115%-plus level as the economy reopens? Just based on your commentary, it sounds like you might anniversary past some of the pandemic period churn, and then perhaps you'd have SMBs getting healthier and employment picking up and expansion rates improving?

Tim Wan

Yes, I would point to two things. I would say, one, because of the calculation, our NRR calculations are lagging in CAGR (phon). Once we lap I would say Q2, Q3, we expect our NRR to pick back up to pre-pandemic levels.

Then the other thing I would say is what we're seeing in the cohorts, in the customers that we've been acquiring, that their adoption behavior is stronger than the pre-COVID one. This whole acceleration in terms of customers needing clarity, needing a work management product to do their work, we think all those things will help bolster the NRR on a go-forward basis.

Mark Murphy

Okay. Just as a quick follow-up.

Dustin, I believe you mentioned a win that was federally funded, relating to COVID-19. I was wondering if you could just remind us how you are approaching that U.S. Federal Government business. Are you in the Fed ramp process to try to target some of the larger agencies directly, or perhaps just a little more focused on private industry?

Dustin Moskovitz

Yes, to just replay that, the customers do clinical research. We're really proud of this appointment because of what they're doing. They're the ones that are federally funded, but they're a research institute, and they're running a large program and using Asana to manage cross-functional work in reaching

underserved populations. It's not really a government entity in that example. I do think that's in our future, but maybe a little further out.

Mark Murphy

Thank you.

Operator

Your next question comes from the line of Alex Zukin from Wolfe Research. Your line is open.

Alex Zukin

Hi, guys, thanks for taking the question.

Maybe first to Tim, it does feel like there's been a change on these wall-to-wall deals, that you saw a couple of them last quarter and you're seeing more of them this quarter. I want to talk about, just what is the 'aha moment' in your customers that kind of makes those wall-to-wall deals possible?

Then, with respect to the pipeline, how would you categorize and classify it? Is it your Sales teams have gotten better at selling, the awareness of the category has been increased because of COVID, the competitive differentiation is better understood? Just qualify it a bit for us in terms of what's going on there.

Tim Wan

Okay, so I'm going to make sure I answer your question. The first part was the transition to wall-to-wall and how that's going. Yes, I mean, it's all a natural part of the customer journey over time, right. We kind of, with our self-serve business, seed organically in companies of all sizes. From there, our Sales team engages and lands and expands. From there, we tend to go wall-to-wall. I would say that the value and beauty of the data model and the Work Graph and that map it creates is, the more users it deploys, the more value customers get and the more power they see from the platform.

We tend to land in a critical workflow spread cross-functionally there, maybe to a whole department or across a couple departments, and then go wall-to-wall from there. Then in terms of where we are on that journey, it's just also part of that growing up in companies, and again, we are 3% to 4% penetrated in our paying customer base, so there is so much expansion opportunity in front of us. The wall-to-wall maturity, I would think of it as, we're starting to see a lot of that mid-sized companies and maybe departments in large-size companies. We continue to expect that to grow intentionally as our customers grow and our businesses grow.

I think the second question was around the mix of what's going so well here. I can say, across the funnel, we're seeing record volumes of interest, top of funnel, and our free to pay conversion rate is at an all-time high. Conversion rate, pipeline, ACV, customer adoption metrics are going up. Churn rate, customer SAT and NPS scores are at or better than pre-pandemic levels, so it really is all tides are rising. It really is growing across the board.

Then in terms of the Sales team, yes, we're growing the Sales team aggressively to ensure global coverage and take advantage of that demand.

Dustin Moskovitz

If I may add onto that as well, in terms of the aha moment, what we hear played back from customers is the three differentiators.

First, Asana is easy to adopt and it's designed to maximize personal productivity. In practice, that means it's easy to deploy. If they sort of give the green light to their teams or allow teams to self serve, then we often see that organic viral adoption.

The second is Asana is the best platform for cross teamwork. When we do end up in consolidation conversations, we're often the favored choice by those cross-functional teams, or just by the most teams because we're able to appeal to all those different constituents and allow them to work really well together.

Then the third is, we're the platform that connects goals and strategy to the execution and underlying work. That helps provide clarity for everyone, but it's also creating these powerful overviews for the senior leaders and executives that are going to be the decision makers. When they get a chance to experience that power, they want more of it and they want it in more of their organization.

Alex Zukin

Understood. Maybe just one more, Dustin, for you. The innovation engine looks to be on overdrive. The amount of products you're announcing, from the new slate of productivity tools, the new video messaging, automation of work capabilities, the smart calendar, it's a lot of new product. What I wanted to ask you, what's your approach or your thought process going forward in terms of organic versus inorganic product innovation for the company as you try to continue to scale up?

Then, which of these new capabilities or functionalities or features would you say that—not that you're most excited about, because I don't want you to pick from all your children, but what could be most impactful from an upsell perspective into your customer base?

Dustin Moskowitz

Yes. The first question, a couple ways of answering that. One, it's really important to us to have a single holistic product experience. I think sometimes the feature sets that Asana is advancing actually present as a suite of sort of unrelated products that integrate, and we think we can deliver a much better customer experience by having them be all part of a single product. That means we have a pretty strong bias towards what I think you described as organic product innovation, so building in house.

That said, we often have great opportunities to partner with other organizations, so the video messaging capability that you mentioned is basically a white label technology, so somebody else actually built the video part of it and we're just integrating it into our UI. The calendar integration we're talking about next week is also of that nature, and we're enabling more partners to have more powerful experiences within our product, so allowing them to customize the UI and build it to be a really great experience. I think that's the way we get more of the inorganic leverage that you mentioned.

(Multiple speakers)

Dustin Moskowitz

Yes, you asked about what's most exciting in terms of additional leverage for the business. Yes, it's hard to choose my children, but I think the one that will drive the most, especially in the Enterprise part of the business, so in Q3, we have a set of new announcements around our Enterprise platform. Then in Q4, we're unveiling the workflow galleries for businesses. That's sort of like an App Store but it's for team

workflows, and a lot of our product investment this year is really going towards that particular launch. We think that it's going to do a lot to help with driving adoption within our existing customers as well as enticing new customers to the platform because of better support for use cases.

Alex Zukin

Awesome. From work to workflow, I love it. Thank you guys.

Operator

Your next question comes from the line of Stan Zlotzky from Morgan Stanley. Your line is open.

Melissa Dunn

Hi, guys, this is Melissa Dunn on for Stan. Thank you so much for taking the question.

The first one I wanted to ask was going back to the question on your net retention rate. Hoping to put a bit of a finer point on the trends and expansion that you saw in the quarter. And curious if the reason that the momentum seen in the quarter didn't necessarily translate to that 115% net retention rate was purely just the 12-month nature of that calculation, or is there a dynamic where maybe the net retention—or the expansion lags the new business momentum in any way?

Dustin Moskowitz

Yes, it's a combination of both, Melissa. One, it's the calculation. Then the second is, some of the larger expansion that we talked about or highlighted on the call, they generally happen towards the end of the quarter, so you don't see the same effect over that short period within the quarter. We would essentially pick up that benefit kind of in subsequent quarter.

Melissa Dunn

Okay, that makes sense. A quick clarification on your commentary around the more positive adoption trends that you've been seeing. I think for the 2020 more recent cohort of customers, were you referencing greater lands or greater expands when you talked about the better adoption?

Dustin Moskowitz

Yes, it's really both. We're really seeing strength across our entire funnel. We talked about top of demand growth, we're seeing customers in their first 30 and 100 days adopting more successfully. Then that always translates to, they continue to adopt and expand more successfully later in the lifecycle as well as retain better. It's really that complete picture.

Melissa Dunn

Okay, thank you. That's really helpful, thank you, guys, and congrats on the quarter.

Dustin Moskowitz

Thank you.

Operator

Your next question comes from the line of Andrew DeGasperi from Berenberg. Your line is open.

Andrew DeGasperi

Thanks for taking my question.

I have one on the Channel Partner program that was recently launched. Just curious to know if maybe you can elaborate a bit in terms of what partners exactly do they consist of, what's the international breadth that they have. I have a follow-up on that.

Chris Farinacci

Yes, this is Chris.

As we mentioned, and also mentioned in the last call when we more formally launched the Channel Partner Network, it's something we've been building for two years and really puts a more strategic focus beyond the beginning of this year as the Channel Network is now across 75 countries. We're beginning to see particular traction from an Enterprise-focused Channel Partner perspective.

Then, I think from a geographic mix perspective, we tend to focus coverage in two ways. One is coverage in new markets or markets that we are moving into. Our geographic mix and focus is very targeted. In Europe, we have a hub in Dublin, field offices in London, Munich and Paris, focusing specifically on those markets and growing out from there over time. In Asia, we have hubs in Japan and Sydney, and now a field office in Singapore that's growing quickly, focused in particular on those markets, and growing out from there.

The Channel Partners tend to either cover new markets, like some of the new languages we talked about where we don't yet have reps, and/or augment our services and support in selling in existing markets, maybe in particular segments where we need incremental coverage and those kinds of things.

Andrew DeGasperi

Just in terms of that expansion, should we expect customer acquisition costs to rise? I know that one of your peers recently released a set of financials that included some referral fees. Should we expect something similar from Asana?

Dustin Moskovitz

Not in the short term. I think like we said, it's still early stages right now for us.

Andrew DeGasperi

Great, thank you.

Dustin Moskovitz

Yes.

Operator

Our last question comes from the line of Pat Walravens from JMP Securities. Your line is open.

Patrick Walravens

Oh, great, thank you.

Dustin, can I ask you, with so many things going right here, what are your top three strategic imperatives for this year? Not for all time, but for this year?

Dustin Moskowitz

Yes, absolutely, it's a great question.

The first is really delivering the differentiated product vision to customers; that's the combination of the Universal Reporting launch this week. The Focus & Flow set of personal productivity features next week. And then again the Enterprise platform news in Q3, and the workflow gallery in Q4. That whole package of things, I think, has got to be strategic imperative number one.

Then the second is really doing everything we can to better serve Enterprise customers. We've seen a lot of strength there. That means there's a lot of implications on the product roadmap including, again, that Q3 launch, but also investing and scaling our Sales and Customer Success teams and investing in our Partner ecosystem. A lot of that, too, is a focus on global expansion. We mentioned that we're translating Asana into a total of 13 languages this year. We also opened up the Paris and Singapore offices; that's all part of helping us get that more global reach.

Then the third is really about hiring in the team, it sort of relates to the other two of course, but especially scaling Sales and scaling the R&D org and making sure that we're able to thoughtfully evolve and iterate our culture to deal with a larger headcount as well. Really, it's delivering the product, helping reach customers, especially larger customers with the product, and then delivering on our internal execution and scaling the team.

Patrick Walravens

All right, perfect. Thank you.

Operator

There are no further questions at this time. I turn the call back over to Catherine.

Catherine Buan

Great, thank you, everyone, for joining us today. We really appreciate your time.

Of course, as always, if you have any follow-up questions, you can reach out and call me and the team, and look forward to seeing you on the road this summer. Thanks.

Operator

This concludes today's conference call. Thank you for participating.