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Asana, Inc. (ASAN)

Q3 2026 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Thank you for standing by, and welcome to Asana's Third Quarter Fiscal Year 2026 Earnings Conference Call. At this time, all participants are in a listen-only mode. After the speaker presentation, there will be a question-and-answer session. [Operator Instructions]

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

Eva Leung
Head-Investor Relations, Asana, Inc.

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 2026. With me on today's call are Dan Rogers, our 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 release and benefits of our product offerings and our expectation for revenue to be generated by those offerings, our retention and expansion opportunities, our expectation for our financial outlook, including our revised full year guidance, strategic plans, our market position and growth opportunities, and our capital allocation strategy, including our stock repurchase program, among other items.

Forward looking statements include 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 Dan.

Dan Rogers

Chief Executive Officer & Director, Asana, Inc.

Thank you for joining us today. This was a solid quarter. We believe the future of work is one where humans and AI collaborate with the right context, controls and checkpoints. That's the foundation of AI Studio and our newly announced AI Teammates. And customers use these capabilities in production and are already delivering real productivity gains. I'm excited to share more about our AI platform in a moment. But first, let's turn to the financial highlights from the quarter.

Q3 revenues were $201 million, growing 9% year-over-year, exceeding the high end of our guidance. We generated non-GAAP operating income of $16.3 million or an 8% operating margin, also exceeding the high end of our guidance. Our margin improvement reflects disciplined cost management and a thoughtful reallocation of spending towards high leverage areas while still preserving capacity to invest in our AI platform.

Free cash flow was also strong at $13.4 million in the quarter, or 7% on a margin basis. Overall NRR was 96%, a slight improvement across all cohorts from last quarter, even with a heavier volume of large, predominantly tech renewals this quarter. Retention within our monthly customer base is at a 12-month high, reflecting the work we've done to strengthen customer satisfaction and in-product experience, which Anne will share more about in a moment.

We expanded with some key customers this quarter, including one of the largest multinational entertainment companies in the world, two of the largest Fortune 100 healthcare service providers, and several large tech sector customers, including a Fortune 500 people cloud platform as well as a leading AI data platform.

AI Studio delivered another good quarter, with solid growth in sequential bookings, including early traction with self-serve users. I want to highlight two AI Studio wins that demonstrate how customers across industries are already using our platform to modernize mission critical workflows. A global premium glassware manufacturer serving hospitality and luxury brands worldwide is using AI Studio to modernize core marketing workflows from campaign management to rapid content generation. One of Europe's largest and most influential tradeshow operators is now leveraging AI Studio to digitize their planning processes, streamline cross-department collaboration and accelerate decision making on major strategic programs, including the OKR roll-out.

Asana has pioneered three waves of work transformation, collaborative work management, workflow automation, and now AI transformation. These form the basis of our strategy to help companies on their journey to the agentic enterprise, unlocking productivity for teams as they deliver against their goals smarter and faster. So let's take a closer look at each of these waves.

The first wave was all about solving the most fundamental challenge in modern work, creating clarity and accountability for company's work. For many of our customers, work was once scattered across emails, spreadsheets and disconnected tools. Asana created the structure and visibility teams needed to stay aligned and accountable with our collaborative work management platform. Powered by the Work Graph, teams now have a shared understanding who is doing what, by when, how and why.

The second wave is centered on workflow automation. Once teams had this clarity, they also wanted to increase their velocity. Asana's no-code workflow builder makes it simple to standardize and automate repeatable processes, from marketing intake to engineering sprint planning. And to make it easy, we created a workflow gallery to let you launch any workflow instantly. So teams get the value in a secure, fast context-aware way.

Now, we're entering a new wave with AI transformation. Every customer I speak with sees the immense potential. But the reality is many AI projects today are just not delivering. In fact, a recent MIT report said as many as 95% of AI pilots are failing to deliver on their productivity promise. Why is that? Our point of view is that a lot of AI solutions and applications today lack three fundamental things.

Number one, they lack context. If you think about foundational models, they understand very little of the work that's actually getting done within your organization. They don't have the memory of how things have been solved in the past. They aren't properly informed, so they can't be accurate or effective. They also lack checkpoints. AI can't be trusted to just run an end to end process without having humans in the loop. But these checkpoints today are nonexistent in many of the tools. And finally, they lack controls. What we see and what I hear from executives is that AI agents often have more access to data than employees themselves. Employees are carefully given things like role based access control, but this somehow doesn't translate to the agents that they have in their organization, which, of course, is a risk.

This is exactly what Asana's AI platform was built to solve. As a platform for human-AI collaboration, Asana delivers the context, checkpoints and controls that enterprises require. The context is really the who, the what, the when, the why and how. Context is king. If you want AI to be useful, it needs to understand how this was solved in the past, who was involved, who needs to be involved next, what approval process do we need to have? Thanks to the Work Graph data model, Asana can give AI this rich and relevant context.

And you also need the checkpoints. It's our strong point of view that humans need to be in the loop on most of these AI processes to approve things and course correct if needed. In Asana, you can check the quality of AI's work and iterate with it so it will continue to improve. And finally, unique controls. We have a strong belief that agents should not have more access to data than your regular teammates. They should follow the same governance process, the security controls, the access to proprietary customer data that you've already established. These are the three Cs as we call them, context, checkpoints and controls, and are the foundation of our AI platform.

Built on that foundation of context, checkpoints and controls, the first AI add-on product we introduced was AI Studio. Think of AI Studio as supercharging your workflows. I like to think of it as inserting nodes in a given workflow that consult those foundational models, but doing so in the context of that workflow and the context of that work. It allows you to insert AI nodes directly into the process to handle specific tasks. For example, an intake node can check an incoming request, see if it's missing a due date, and assign it back to the requester automatically. A triage node can analyze that request against your company's goals and flag it as high priority. A quality node can check a deliverable against a predefined knowledge base to ensure it meets specifications. A risk monitoring node can proactively flag when tasks are falling behind schedule well before they cascade. And a translation node can automatically convert content for global markets and route it to the right local teams. This is our first step towards enabling the agentic enterprise, ensuring smarter, faster delivery of your goals.

Which brings us to the next strategic step in building agentic enterprise, enabling AI not just to coordinate work, but to do the work alongside your teams as a true collaborative teammate. At our Work Innovation Summit events in London and New York, we announced Asana AI Teammates, and we're already receiving strong, positive feedback from our initial set of 30 beta customers. We expect AI Teammates will be generally available early next year. Asana AI Teammates are collaborative agents that help you deliver real business outcomes. They remember, take action and adapt with full context on projects, goals and how your teams operate. They show their work and have built-in checkpoints so you can course-correct. And with our AI Teammates, you are always in control.

And we've already built out 12 out of the box teammates across engineering, IT, marketing, operations and PMO. These aren't prototypes or demos. They're prebuilt, tested and ready to deploy. Each teammate operates with full context from the Work Graph, clear checkpoints for human guidance, and enterprise-grade controls. Marketing teammates that manage campaigns and create content. PMO teammates that track projects and flag risks. IT Teammates that triage tickets and optimize resources. Customers can also build their own AI Teammates in minutes by defining the role, connecting it to the right data sources and refining behavior through checkpoints. This makes agentic AI accessible to every team, not just technical teams.

So what makes our agents different? Well, first, they have context. Powered by the Asana Work Graph, they understand from the moment they are assigned how your work gets done, how you solve problems before, and exactly who to involve. That context allows them to be truly collaborative because they understand the work. They can actively drive execution alongside people in the team. And crucially, they are multi-player by design. Our teammates publish their plans openly. This creates a shared, transparent starting point where everyone can provide feedback, ensuring the AI learns from your team's collective input.

The early response from customers has been positive and reinforces the opportunity ahead. Morningstar, an earlier adopter of Asana AI, is leveraging AI Teammates to tackle complex strategic work that requires deep analysis and humanlike reasoning. By creating a specialized AI teammate, the product management team was able to complete tasks that normally take up to two weeks in just 10 to 12 hours.

Level Agency has built AI Teammates for marketing to act as a workflow accelerator, saving three to five hours per content project as well as for IT to help triage support tickets, and company-wide to intelligently review and operationalize new process ideas. We're also using AI Teammates internally at Asana. Our product, design and engineering teams use a Figma and Cursor teammate to convert prototypes into production ready UI code in roughly 15 minutes with more than 90% accuracy. Our [ph] Brief Buddy (00:13:32) teammate supports every marketing kickoff and removes about an hour from the start of a project. And our marketing teams' localization teammates achieve roughly 90% language parity at about half the cost, allowing us to reinvest savings into SEO and global growth. These examples reinforce that agentic AI is not theoretical. It's already improving how we run our own business.

Across all these deployments of our AI products, trust is central. Teammates only see the data they're explicitly granted access to, admins control who can create or modify them, and customers have full visibility into the usage and cost with the ability to set limits to ensure strong ROI. We built these capabilities into AI Studio and AI Teammates from day one because enterprise adoption depends on governance as much as capability.

This focus on enterprise-grade AI is the foundation of our strategy. But in addition, operational priorities I laid out last quarter remain consistent, and our Q3 results show clear, measurable progress against them. First, as I shared last quarter, when we go deep in a vertical, speak the language of that persona and align to the core workflows of that industry, we win. I want to highlight this playing out in a meaningful way. For example, in the healthcare vertical, where we closed several marquee expansions this quarter.

One of the largest healthcare and insurance organizations in the US expanded to more than 3,000 seats and crossed the $1 million ARR threshold. They have standardized their clinical service intake across a 20,000 person business unit and are expanding into adjacent teams like analytics, pharmacy and student health, all running mission critical workflows in Asana. Another major diversified healthcare company, now well above $1 million in ARR with us, embedded Asana deeply in their Medicaid organization to support the creation and expansion of Medicaid managed care plans across local markets. Asana is also being adopted across many new teams. And a global pharmaceutical leader selected Asana as a preferred PMO solution, including for mobile clinical trial workflows, an innovation model designed to expand trial access to patients far beyond traditional sites. These healthcare wins are a testament to Asana's ability to adapt to industry specific solutions with ease.

Second, we're improving go to market execution and value realization across our sales and self-service motions. We believe our focus on customer health improvement initiatives is contributing directly to the continued improvement of NRR. We delivered our strongest retention in more than a year amongst monthly self-service customers, an encouraging signal that our self-service engine improvements across product experience and support are taking hold.

Third, we're maintaining our focus on disciplined, profitable growth. Our significant improvement in non-GAAP operating margin and strong adjusted free cash flow are direct results of this discipline. Our operating leverage and continued commitment to driving higher productivity from our cost base gives us the capacity to keep investing in high leverage areas, especially our AI platform, all while expanding our margins.

Next quarter, I look forward to sharing additional proof points, customer stories and outlining the FY 2027 priorities that I believe will support long term growth acceleration and continued margin expansion.

Before I hand over to Anne, I also want to take a moment to share that Anne will be leaving Asana after seven years. I'm so grateful for all that Anne has done. Anne has played a major role in our story. First, as a highly engaged board member, and then as our COO and Head of Business, where she was instrumental in building our enterprise go to market motion and serving as one of our most trusted customer voices. I personally want to thank Anne for her leadership, partnership and the foundation she's helped shape across our product, customer and field teams. As we look ahead, given our size, scale and the need to drive tighter alignment across product, product led growth, sales-led growth and marketing, our go to market leaders, including the CRO and CMO, will now report directly to me and we'll not be backfilling the COO role.

This structure strengthens our ability to move with speed and focus and it best positions us to accelerate growth over the long term and capitalize on the large and growing opportunity we see in leading the market for human AI collaboration. I'm grateful for everything Anne has done to help us get to this point and wish her the very best.

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

Anne Raimondi

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

Thanks so much, Dan. It's been a privilege to spend the past seven years helping build Asana, first in the boardroom and then alongside the team every day. I've loved this company from the start and that hasn't changed. I'm proud of the progress we've made building a true enterprise grade platform and deepening our relationships with the most innovative customers around the world.

I want to sincerely thank the entire Asana team for their incredible passion and dedication. I'll continue to be a strong advocate for Asana and a dedicated Asana user. I genuinely believe that the foundations are in place for the company to lead the next wave of work centered around AI human collaboration and to define how teams work for years to come. That progress was evident again in our Q3 results.

In Q3, our enterprise motion continued to scale. The number of customer net adds from the $100,000 plus cohorts grew 15% year-over-year, while Core customers spending $5,000 or more grew 8% year-over-year. International markets remain a strength for our business, especially EMEA and Japan. Our international revenue grew 12% year-over-year and the US market grew 7% year-over-year.

Here's an example of that. We landed a new multi-year competitive deal with Guardian, the British-based global news organization, to consolidate their tech stack and improve cross-departmental collaboration. Asana was chosen over competitors for its flexibility, enabling teams like product, advertising, and group technology and data to streamline everything from agile roadmapping to resource capacity planning on a single platform.

We continue to increase our presence in non-tech, with those sectors once again growing in the teens. Dan noted some of the momentum we saw in healthcare. And I want to call out two other important areas where we saw meaningful wins this quarter. Financial services and the public sector, both key growth verticals for Asana.

In the financial service vertical, we expanded with a large North American financial services company. Their goal was to cut marketing campaign execution time by 25% to 50%. Their existing intake process had 29 steps, and they needed a single system that could simplify workflows, automate handoffs and improve reporting. After evaluating Asana against our peers, they chose Asana for its superior user experience, flexibility and ease of adoption, requiring minimal training while still offering the customization needed to modernize their workflows.

We also saw strong momentum in the public sector this quarter, including a meaningful new win with a major German government research agency that manages roughly 6,000 projects each year. This was a competitive win. They selected Asana for its ease of use, templates, workflows, Work Graph-driven OKR support and enterprise-grade security. They're implementing Asana as an audit compliant system to manage thousands of research and innovation funding projects across Germany and Europe. Asana gives them real time visibility into project progress, budgets, team allocations, and much more.

We're also seeing sustained momentum in our channel ecosystem with partner attach growth for the third straight quarter and consistently higher NRR in accounts where partners are engaged. The global biopharmaceutical customer win that Dan mentioned was secured in partnership with a global SI partner. We also landed key new logos with partners at a leading automotive manufacturer in India, a major UK food delivery platform, and a global enterprise digital experience platform.

While the tech sector continued to be a headwind to our growth this quarter, we successfully renewed with several large tech companies, as Dan noted. This is one of the key factors impacting NRR improvement quarter-over-quarter. Core customer NRR and $100,000 plus customer NRR both improved 100 basis points to 97% and 96%, respectively. In-quarter NRR improved across all cohorts.

Enhancements in our support infrastructure, improvements in customer satisfaction metrics, and AI-driven onboarding for self-serve customers resulted in our lowest churn numbers from monthly customers in the past year. In our SMB business, we continue to be affected by the evolving top of funnel dynamics we mentioned last quarter, particularly in relation to LLM-driven changes in search and paid media investments.

Our approach to mitigate these pressures focuses on three areas. First, we're building modern self-serve experiences that get users to value fast. Our new prompt to project flow takes someone from a prompt on our website to a working Asana project in seconds, and we're optimizing each stage of the buyer journey to turn that engagement into durable growth.

Second, we're evolving our content strategy and technical foundation to maintain authority as AI led discovery changes, strengthening our presence where LLMs train and ensuring Asana shows up as the leading answer in our category. Third, we're implementing smarter, behavior-based personalization for high propensity accounts to improve both acquisition and expansion. As we shared last quarter, we expect these headwinds to persist through Q4.

We concluded the quarter with our marquee customer event, the Work Innovation Summit in London and New York, where we officially introduced AI Teammates to the world. Across the two events, we had over 1,600 customers, partners and analysts in attendance. Our sponsors included Google, AWS, KPMG and Deloitte. The strategic impact of these events was immediately clear from the response from third-party experts. We held over 30 industry analyst briefings with one analyst noting, no one is doing agentic like Asana. That's what makes you best in class.

This is echoed by another industry analyst who called our multi-player human plus AI collaboration approach unique in the market. These global events are a critical component of our go-to market motion. They are driving new business, strengthening executive relationships and validating our strategy as the leader in agentic AI.

Quoting from one of our financial services customers, the event was one of the most stimulating, engaging conferences I've been to in a while. Asana's application of AI is like no other company today. Another Fortune 100 multinational mass media and entertainment customer said, I love that this event was focused on helping me get more out of what we're already doing, which inspires me to want to buy more. We are energized by this feedback and the validation of our strategy.

With that, I'll turn it over to Sonalee to walk through the financial highlights for the quarter.

Sonalee Elizabeth Parekh

Chief Financial Officer & Head-Finance, Asana, Inc.

Anne, I want to thank you for your partnership and everything you've brought to Asana. I'm grateful for the support, clarity and customer focus you've helped instill across the business. You've had an enormous impact on the company and so many people here. Now, let's turn to our financial results for the quarter.

Q3 revenues came in at $201 million, up 9% year-over-year, which exceeded the high end of our guidance by almost 1 percentage point. We have 25,413 Core customers or customers spending $5,000 or more on an annualized basis. Revenues from Core customers grew 10% year-over-year. This cohort represented 76% of our revenues in Q3. We have 785 customers spending $100,000 or more on an annualized basis and this customer cohort grew at 15% 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%. Core customer NRR was 97%. And among customers spending $100,000 or more NRR was 96%. As a reminder, our NRR is a trailing four-quarter average and therefore a lagging indicator of more recent trends. Our in-quarter NRRs improved across all cohorts. The $100,000 plus cohort had the largest improvement amongst the cohorts. Q3 in-quarter NRR increased mostly due to improvements in downgrade and expansion, thanks to our multiproduct strategy and seat reach.

While we have more work ahead, I am encouraged that Q3 marks our second consecutive quarter of in-quarter NRR improvement. While Q4 includes several large enterprise renewals that are concentrated in our technology vertical, we believe that we are at or near the floor. And the initiatives we have in place position us for continued NRR improvement over the intermediate and long term. This continues to be a key area of focus and we believe the initiatives in place on the retention side and the expansion opportunity with our AI platform set us up for continued improvement going forward.

Now, moving to profitability where I will be discussing our non-GAAP results. We continue to be extremely focused on driving efficiency and productivity throughout our business, maximizing the operating leverage we enjoy from our strong gross margin at 89%. We expect to maintain these levels of gross margin in fiscal year 2026 while expanding operating margin as we continue to scale. We continue to make meaningful improvements in our operating expenses as a percentage of revenue.

R&D expenses were $47.3 million or 24% of revenue, down 14% year-over-year. Sales and marketing expenses were $86.5 million or 43% of revenue, down 3% year-over-year. G&A expenses were $29.1 million or 14% of revenue. As a result of driving productivity and efficiency gains, we delivered an 8% operating margin or $16.3 million of operating income in the quarter, which is a 12 percentage point improvement year-over-year.

Net income was $17.9 million or $0.07 per share on a diluted basis. Our profitability improvement continues to be driven by operating leverage, reallocating spend to the highest ROI go-to-market motions, optimizing infrastructure and cloud costs and exercising discipline across discretionary spend. We're also aligning our talent footprint with industry benchmarks by shifting certain roles to more cost effective regions, creating a strong foundation for sustained efficiency and multi-year margin expansion.

Moving on to the balance sheet and cash flow. Cash, cash equivalents and marketable securities at the end of Q3 were approximately $463.6 million. Our remaining performance obligation, or RPO, was $500.9 million, up 23% from the year-ago quarter. Current RPO will be recognized over the next 12 months and was 77% of RPO and grew 15% from the year-ago quarter. Our total ending Q3 deferred revenue was $305.1 million, up 8% year-over-year.

Building on our operating margin strength, Q3 adjusted free cash flow was $13.4 million or 7% on a margin basis. We continue to take a disciplined approach to capital allocation. Given our strong balance sheet, positive free cash flow and confidence in our long-term strategy, we believe share repurchases are an effective way to return value to shareholders while offsetting dilution. This quarter, we bought back $30.8 million of our Class A common stock or 2.2 million shares, at an average price of $14.10 per share. As of October 31, we had $97.5 million remaining for repurchases moving forward.

Now, moving to guidance. For Q4 of fiscal 2026, we expect revenues of $204 million to $206 million, representing 8% to 9% growth year-over-year. We expect non-GAAP operating income of $14 million to $16 million, representing an operating margin of 7% to 8%. And we expect non-GAAP net income per share of $0.07 assuming diluted weighted average shares outstanding of approximately 244 million.

For the full year, we are updating our revenue guidance to $789 million to $791 million, representing 9% year-over-year growth from $780 million to $790 million previously. Currency is about 40 basis points growth benefit to our full year guidance, 10 basis points less of an impact from what we guided last quarter. We are raising our guidance to incorporate our actual Q3 results. SMB continues to grow at a healthy double-digit pace, though, as Anne noted earlier, we are seeing top of funnel pressure given the evolving search landscape, which we expect to be a continued headwind to our small business growth in Q4. These dynamics are fully reflected in our updated Q4 and full year fiscal year 2026 revenue guidance.

On a non-GAAP basis, we expect full year operating income of $52.5 million to $54.5 million, representing an operating margin of 7%, up from our prior guidance of 6%. We are reinvesting a portion of our Q3 operating profit outperformance back into the business, primarily in our AI platform and product development initiatives. As a result, our Q4 operating margin guidance reflects the impact of this reinvestment as we support the roadmap and build toward long-term growth acceleration.

In addition, we expect non-GAAP net income per share of $0.25 to $0.26, assuming diluted weighted average shares outstanding of approximately 243 million. Across the leadership team, we're aligned on the priorities that position Asana to lead in the agentic enterprise and accelerate both growth and margin expansion over the long term. AI Studio momentum continues to strengthen and we believe scaling our AI platform with Teammates will be a major driver of durable growth.

And with that operator, we're ready for questions.

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] You will be limited to one question and one follow-up to allow everyone the opportunity to participate. Please stand by while we compile the Q&A roster. Our first question comes from the line of Matt Bullock of Bank of America. Please go ahead, Matt.

Matthew Bullock
Analyst, BofA Securities, Inc.
Q

Great. Thanks for taking the question. First, I wanted to ask about AI Studio, specifically the self-serve launch. Anything you can share in terms of early learnings from that launch? Any feedback in terms of ARR contribution from the self-serve launch? And then separately, would love to hear more color on the influence AI Studio is having on the renewals this year given that it's the first renewal cycle you guys have had being a multiproduct company.

Anne Raimondi
Chief Operating Officer & Head-Business, Asana, Inc.
A

Hi, Matt, it's Anne. I'm happy to answer that. In terms of AI Studio self-serve, we just launched that last quarter and so we are – what we're pleased with is just the wide adoption and customers really trying it out, customers of all sizes, including those that regularly buy self-serve from us. So that's the good news is it just really democratizes access to our AI Studio and people get to try it and actually get value out of it. So, we're continuing to watch that and watch consumption on that. It also gives us signal and the sales team signal on where to call into the self-serve signals in corporate and enterprise. So, excited about that and continue to watch that.

You asked a good question about renewal. I think AI Studio has been a real help in renewal conversations. One, it's strategic. There's just more for us to sell to customers and we're really helping to advise them on their AI strategy overall. So, we're pleased with how that's been helping renewals. And then for customers that have bought AI Studio, what we're really paying attention to is adoption and consumption. And so, getting as many use cases implemented as possible, having them see real value. So, those are how we're monitoring everything around AI Studio.

Operator: Thank you. Our next question comes from the line of Steve Enders with Citi. Please go ahead, Steve.

Steven Enders
Analyst, Citigroup Global Markets, Inc.

Q

Okay, great. Thanks for taking the questions here. And Anne, great to had worked with you, and best of luck on the next adventure there. I guess just to start, I want to ask one, within the tech vertical specifically. I think there's been some, I guess, further high profile layoffs in that space. I guess what is it that you're seeing that's maybe giving you confidence that we're, I guess, near a trough there or things are going to improve? And just how are you kind of viewing the impact of that into Q4 and maybe into next year?

Dan Rogers
Chief Executive Officer & Director, Asana, Inc.

A

Yeah. Hi. First to answer your question one, we do see tech vertical stabilizing. It does remain overall headwind to us, but there are a few important dynamics worth calling out. First is we don't see a follow-on downgrade path with those tech customers. Once they've downgraded once, they tend not to downgrade again. And that's a meaningful shift. So, in fact, several of our largest customers this quarter actually expanded as they renewed and logo churn continued to improve. And we also saw, and certainly, we'll touch on this later, I'm sure, a 12-month high in gross retention among some monthly customers.

And then, we do see this nice, and just kind of rounding out the piece here on our AI Studio, a nice move from multiproduct moving us off of seat-based products. AI Studio and AI Teammates open up new budgets for us, new use cases, and they do create a strong lever to mitigate those seat downgrades. They also introduced a new consumption-based revenue stream with our foundational service plans and those drive deeper adoption and much higher utilization in our customers, and they can be even stickier. And then as customers stick with us to do cross-functional workflows even more deepened by AI Studios that helps us expand to new budgets and makes us a lot more less dependent on employee count of those tech companies.

Steven Enders
Analyst, Citigroup Global Markets, Inc.

Q

Okay, that's helpful. And maybe just to follow-up, just to get a little bit more clarity on the 4Q guide. It looks like a pretty healthy raise here. And just kind of wondering maybe what's changed in your assumptions for Q4 versus how we're thinking about it last quarter when you provided the guide there?

Sonalee Elizabeth Parekh
Chief Financial Officer & Head-Finance, Asana, Inc.

A

Yeah, sure. Thanks for the question. So, four things I'd really call out that I'm seeing which are giving me confidence this quarter to raise that full year guide. So the beat in Q3 was driven by consistent execution across most of our core pillars. So, first thing to call out is enterprise strength. We saw a 15% year-over-year increase in customers spending, $100,000 or more. And we're seeing stable demand trends in this segment and improvement in pipe conversion that is leading to productivity gains.

So, the other thing I would just mention there is that whilst we don't typically break out our $50,000 to $100,000 customer cohort, we saw exceptional strength there this quarter. On the international side, that remains a strength for our business. So especially EMEA and Japan, so continued strength there. International revenues grew 12% year-over-year, outpacing our overall corporate growth rate improvement in our NRR. And I think this is really key and you'll have noted like my commentary around this changed.

So, we successfully renewed with several of the large tech companies that I called out last quarter that were looming. This was one of the key factors that impacted our NRR improvement quarter-over-quarter. Retention within our monthly customer base, as Dan said, is at a 12-month high. And that reflects a lot of the work and investments we've made to strengthen customer satisfaction and then the in-product experience which you've heard Anne talk about over the last several quarters.

And then, finally, AI momentum. So we saw continued momentum with AI Studio. We saw sequential strong quarter-over-quarter growth. That's helping drive conversations with customers at renewal, which Anne just touched upon. So, AI Studio and FSP are leading to larger initial land, expansion and mitigation of downgrade. So, just a reminder as well of what I said in my prepared remarks is that I'm really encouraged by the Q3 trends in NRR, and that was part of what gave me the confidence on raising the guide overall.

Operator: Yeah. Our next question comes from the line of John Baer of Morgan Stanley. Please go ahead, Josh. I'm sorry.

Josh Baer
Analyst, Morgan Stanley & Co. LLC

Q

Yes, thank you. Questions for Dan. Just as AI agents become embedded across probably most productivity tools, how should we think about Asana's competitive position there? I mean, are you expecting Asana to be one of many agents that knowledge workers engage with or is an important for Asana to really become that orchestration layer that coordinates all agentic workflows across the enterprise? And if so, what really differentiates you – gives you the advantage to win that opportunity?

Dan Rogers
Chief Executive Officer & Director, Asana, Inc.

A

Thanks, Josh. Appreciate the insightful question. Yeah, look, here's how I would frame it. This is not going to be a winner-takes-all opportunity for agents. In fact, we will sit alongside many of the other agentic players. But to turn to your question of differentiation, the way I think about it is today, broadly speaking, the alternatives fit into three different buckets. Bucket number one, single-player copilots and personal assistants. Now, they're great for personal productivity. They're very easy to pilot. They're great at doing lightweight individual tasks, but they don't scale across an organization. Each person is kind of building their own version and that is leading to agent sprawl. Context often stays siloed, knowledge doesn't compound, quality, and costs vary by individual, there's no shared governance model.

Second approach we see are bucket two for agents we see is point solutions, and these are from some of the systems like CRM or ITSM solutions. Those are deeply integrated into the tools they're already being used and so they're really good for structured workflows within their domain. But as you can imagine, they're limited in that narrow ecosystem. They don't address a lot of the cross-functional work or the unstructured work between the spaces and between the departments.

Third bucket is DIY solutions that people are really hacking and building directly on top of LLM providers. They are super flexible for experimentation, attractive for quick prototypes or bespoke workflows. But again, they seem to run into issues of governance, duplication, scaling costs, cross team coordination, and maintaining those prompts and controlling access and ensuring consistency all requires ongoing admin.

So, at Asana we take a completely different approach. Our AI platform has context, controls, and checkpoints built in. So, if you look at our AI Teammates, these address many of those gaps because they operate as true members of the team, not just individual copilots. So, if you think about all of the context that Asana has in our Work Graph, who's doing what? By when? How and why? Those are the key ingredients that's missing in those other approaches.

Intelligence alone isn't enough. AI needs this rich context and rich workflows to be effective. But Asana also provides the checkpoints, review steps, permissions and governance models to prevent that sprawl and maintain quality and cost control at scale. And because AI Studio and AI Teammates work together in one system, customers get reliable automations that are repeatable for work, as well as flexible agents for more nuanced, judgment-based work. So this is all without the overhead that we talked about on those DIY agent solutions, all without limitations of some of those functional silos of CRM and ITSM native tools. The result is an AI layer that actually scales across teams and not just within them.

Josh Baer
Analyst, Morgan Stanley & Co. LLC

Q

Great. Thank you for your insights.

Operator: Question comes from the line of Rob Oliver of Baird. Please go ahead, Rob.

Rob Oliver
Analyst, Robert W. Baird & Co., Inc.

Q

Great. Thank you. Good afternoon. Anne, I also wanted to extend my best wishes to you, and it's been nice working with you.

Dan, my question is for you just around the channel ecosystem and some of the momentum that you guys called out there, partner attach growth being strong again. Can you give us some sense for where you see kind of the partner ecosystem currently as someone who has a background with a lot of companies that have pretty advanced partner ecosystems? Where is it today? What inning are we in? Where does it need to be and where in particular are you guys seeing that traction today? And then, I had a quick follow-up as well for Sonalee. Thanks.

Dan Rogers
Chief Executive Officer & Director, Asana, Inc.

A

Yeah. And Anne mentioned we're hot on the heels about London and New York with summits. And we had the opportunity to do partner breakouts of both of those. And I couldn't be more excited about our channel ecosystem. Our product and our category lends itself very well to the channel. And so, I see nothing but opportunity for us in building out that channel ecosystem. As I talked to many of our partners today, they just want to do more. They want us to be more consistent in how we help them to be successful. And so, I do see it as a true ecosystem and partnership where we help ensure their success and not just a transactional channel for us. So, yeah, very excited about partner opportunity and think we're the early innings of it.

Rob Oliver
Analyst, Robert W. Baird & Co., Inc.

Q

Great. Very helpful. Thanks. Appreciate that. And then, Sonalee, just for you. Obviously, a lot of work has been done by you and the team on the cost optimization side, infrastructure cloud. And just was curious, I know you've been reallocating kind of stuff around the organization to try to drive higher ROI. But when it comes to those costs, how much more runway do we have on that? Have they been optimized? Is there more to go? If you can give us a flavor for what might be left, that would be great. Thank you.

Sonalee Elizabeth Parekh
Chief Financial Officer & Head-Finance, Asana, Inc.

A

Yeah. So the work is definitely not done. Thank you. Appreciate your support. But there is more margin upside to go for as we think about the remainder of this year, fiscal 2027 and beyond. So growing profitably continues to be a key focus of this team with continued emphasis on geo mix benefits, in terms of where our head count sits, vendor rationalization, there's more to do there. Productivity improvements in sales and marketing, which Dan has been very focused on, and that will allow us to continue expanding margin sequentially and for multiple years to come.

That being said, we are balancing margin expansion with reinvestments in our AI platform to sustain our product leadership and to accelerate growth. Both our priorities, but we are investing alongside expanding margins to support that revenue acceleration goal. So, if you think about fiscal 2027, we will build off our exit margin in Q4, which you see how I guided today. The only thing I would just caution is don't expect the same rate of margin expansion in fiscal 2027 as you saw in 2026. But I think that's well captured by consensus today. But by no means is the work done.

And the other thing I would just say is we are reallocating spend and what we're doing is reallocating to areas where we see higher ROI. So, that should have an overall benefit to operating margin. And then the final point I would make is just our gross margins continue to be in the 89% to 90% range. So, just the operating leverage that we get as we continue to grow and scale will continue to play through and have a positive impact on margins.

Operator: Our next question comes from the line of Jackson Ader of KeyBanc Capital Markets. Please go ahead, Jackson.

Jackson Ader
Analyst, KeyBanc Capital Markets, Inc.

Q

Great. Thank you. The first question, it's really nice to see the retention rates picking up and it sounds like that was due to lower gross churn. But if I think about revenue growth slowing just a little bit, should we read into this to mean that maybe the expansions or the upsell of existing customers was more muted than it has been in the prior quarters? Thank you.

Anne Raimondi
Chief Operating Officer & Head-Business, Asana, Inc.

A

Hey, Jackson. It's Anne. I'll take that. Yeah, I do think what we're pleased with is the improvements we saw in downgrade. And then, as Dan mentioned, seeing some good expansions in some of our large tech renewals. And we really are investing in the multi-product strategy approach. So in some cases, what we're seeing is that because we've got FSP and we've got AI Studio, what we're able to do is drive a flat or slightly uptick in renewal. But both of those are great for future retention and expansion. And so that's really where we've been making the investments, as well as on the monthly side.

So, a large portion of our base is still monthly customers, and that retention has been at a 12-month high. And so that's a lot of the work that we're doing, both in customer support and in product experience. So both of those levers in terms of what we can sell to larger customers as well as continue to make sure the monthly base is healthy, I think will ultimately lead to healthier retention.

Jackson Ader
Analyst, KeyBanc Capital Markets, Inc.
Q

Okay. All right. Got it. Thank you. And then I have quick follow up. Sonalee, it was this time a year ago your first call with the company and you said, the goal – I can't remember exactly. That Asana could do both. You could both re-accelerate revenue and also expand operating cash flow margins. I think on the margin side, like pretty clear what you were just talking about with Rob, absolutely delivered. But if we think about revenue acceleration coupled with that margin expansion, is that still doable? Is that still the goal, the expectation as we kind of head into 2027 or even – or beyond?

Sonalee Elizabeth Parekh
Chief Financial Officer & Head-Finance, Asana, Inc.
A

Yeah. So without guide into fiscal 2027 because I always do that in March. What I will say is that we are early innings on our new product strategy, our multi-product strategy, and I believe that AI Studio and AI Teammates are going to be the key unlock in terms of driving that growth reacceleration. We, by no means, have given up on that and it is absolutely this team's strategy to continue to do both.

And I am strongly encouraged by what I saw on the NRR side. And if you think about NRR, if we can even drive it a couple of points, you're looking at a very, very different growth profile, a very, very different financial profile. And I didn't – when I put the comment in the prepared remarks about being at or near a bottom, I didn't put that in lightly. What's giving me confidence is the data that I'm seeing underlying the Q3 trends. So, second consecutive quarter of in quarter improvement. I don't know if you remember, but when I saw the first quarter improve, I said, one quarter does not make a trend. Well, two quarters certainly gives me a lot more confidence.

Secondly, what a couple of us have called out on improvement in gross retention, that is across the board that we're seeing. And then, the multi-product, it's early days, and I talked about the impact of AI Studio being small for this year. But as we look ahead and when I think about the contributors to our net bookings for fiscal 2027, AI Studio and AI Teammates will play a much stronger role there. So you can count on us to be delivering both for you. I'm going to hand over to Dan because I think he wouldn't have taken the job if he didn't feel like he could do both.

Dan Rogers
Chief Executive Officer & Director, Asana, Inc.
A

Thanks. Yeah. Maybe I'll just add a little color. And the color really is around, look, number one, collaborative work management. Our category is about to have its moment in the sun because of AI. CWM becomes the system of record for work, which means we've got the who, the what, the when, the where and why and how of the work. And that context is just great to make AI effective. And that's exactly why we launched AI Studio and why we followed up this quarter with the beta launch of AI Teammates.

Secondly, the PLG opportunity for us remains massive. Today, it's about 40% of our business. And in an AI search and LLM-driven world, we can double down on those high performing channels of AI search and really target our marketing dollars towards higher propensity customers. So we're optimizing that trial experience and we continue to help customers to reach value faster.

CWM itself, this is number three, is a large and growing TAM. And we have a recognized leadership position, but our work isn't done. There's a huge runway for us to innovate and expand the surface where work gets done and deliver even more value to our customers. And fourth, and as Sona touched on, whilst we've made some progress in our go to market motion and efficiency, there's a lot more work to do. So I'll be focusing on everything from persona-based selling, tightening our execution and customer success, improving productivity through high propensity leads and routing across all of our segments to unlock the potential in our go to market motions.

And finally, for me personally, my style is really about injecting tempo, which is about creating velocity for the organization, which is around faster decision making, faster learning cycles, getting to beta faster and strengthening the operating rhythm of the company. So all of these will lead to an improvement in innovation and execution velocity.

Operator: Question comes from the line of Patrick Walravens of Citizens Bank. Please go ahead, Patrick.

Pat Walravens
Analyst, Citizens JMP Securities LLC

Q

Oh, great. Thank you. I'm going to change my question, Dan, because what you just said was super interesting. So I love the idea of increasing the velocity. How do you actually do it? Like, how to make everyone to run a little faster? We have all the code red stuff going on with OpenAPI and Google right now and so many people are commenting that just tell me everyone to run faster doesn't mean it's going to work. And sometimes, in fact, it backfires. So how do you do it? How do you increase the velocity?

Dan Rogers
Chief Executive Officer & Director, Asana, Inc.

A

Yeah, I'd say, fortunately, my prior experiences really were a training ground for velocity, high tempo organizations executing at scale. And so it's how I drive myself, but also the organizations. The first piece is around decision making and ensuring that you have a tight way to make decisions quickly with the right people involved and the right information you need.

The second is really a mindset or an operating principle around getting things to beta, and that is about launching new products, launching new capabilities in the knowledge that you're going to quickly iterate on them afterwards. And so it reduces the fear of kind of launching because you know that afterwards you're going to rapidly iterate. If you think about our AI Studio self-service experience, this gives us massive set of data points to continue to improve that product, get it right to the middle of the bell curve. And then having the right operating rhythm so that everybody understands exactly what needs to be done by when and really kind of pushing the pace and the expectations around that with all of our leaders, those are some of the things that we can kind of inculcate into the culture.

Pat Walravens
Analyst, Citizens JMP Securities LLC

Q

Great. Thanks. And then if I can just ask a follow up, I mean, not with a timeframe on it, but when you talk about multi-year margin expansion and this company is going to come up on $1 billion pretty quick, where can the margins be? I mean, maybe into 20%, where can they be?

Sonalee Elizabeth Parekh
Chief Financial Officer & Head-Finance, Asana, Inc.

A

Yeah. So when I think about the margin expansion that we've been driving thus far, it all starts with that 90% gross margin, or 89% to 90% gross margin, and the inherent operating leverage there. So think about it. If we continue growing even if – like I'm not going to guide, but just even if you use consensus, just if we kept expenses fairly flattish in many areas, you would still get consistent several percentage points of margin improvement every single quarter on a sequential basis.

So there is no reason in my mind that we can't eventually aspire to be among the best in class in terms of enterprise software companies on margin. I always think we're the envy of many software companies with the gross margins that we have today. And even if AI Studio and AI Teammates take off the way we hope they do and there's a little bit of pressure on the gross margin, there is still a ton of runway. So something with a two in front of it is certainly within the realm of possibilities.

Operator: And next question comes from Arsenije Matovic of Wolfe Research. Please go ahead, Arsenije. Apologies, Arsenije, your line is now open. Go ahead.

Arsenije Matovic
Analyst, Wolfe Research LLC

Q

Hey. Sorry. Can you hear me?

Operator: Yes, sir.

Arsenije Matovic
Analyst, Wolfe Research LLC

Q

All right. So just – thanks again for the question. How did the large tech renewals in 3Q trend versus your expectations given that heavier renewal volume in 4Q? Are you more confident in expansion and retention in 4Q than you were heading into 3Q? And is that also now reflected in the updated guidance, just to follow up?

Anne Raimondi
Chief Operating Officer & Head-Business, Asana, Inc.

A

Yeah, I'll take the Q3 renewals and what we're seeing in Q4. So they did perform better than we expected and we were very pleased by that. I think that's a combination of operational rigor on that as well as more products to sell. I think we're bringing that same approach into Q4. In Q4, while we have a higher volume of tech renewals, they're more mid-sized compared to the larger ones that we had in Q3. So continuing to make sure we bring that operational discipline as well as now with the launch of Teammates, even more to sell and more conversations to have.

Sonalee Elizabeth Parekh
Chief Financial Officer & Head-Finance, Asana, Inc.

A

Yeah. And I'll just add to that, just on the guidance side of things, when we look into Q4, even though we do have a large renewal base in Q4, as is typical, I would say I am more confident going into Q4 versus where I was when I guided on Q3.

Arsenije Matovic
Analyst, Wolfe Research LLC

Q

Got it. And just to follow up on that, you did mention the four factors supporting that confidence as well, but still embedding conservatism on new business. So I guess, would you just kind of unpack what specifically is supporting confidence in passing through, I think, double the beat in 3Q even with that slightly lighter FX tailwind than you expected entering last quarter.

Anne Raimondi
Chief Operating Officer & Head-Business, Asana, Inc.

A

Yeah, so net retention is a big factor there. So again, it's two consecutive quarters now of in-quarter net retention improvement, and then the gross retention improvement across all cohorts. And importantly, the $100,000-plus cohort saw the largest improvement among them. So that was even with the headwind from that large customer downgrade that we called out in Q1 but actually impacted from Q2 and will continue to impact for the next couple of quarters. So the fact that in Q3, we managed to improve in spite of that, that added to my confidence levels.

And then the multiproduct strategy and specifically AI Studio and the foundational service plans or FSPs, those are actively driving expansion and helping to mitigate downgrades and certainly have been extremely helpful in renewal conversations.

And then there are the other items that I called out earlier, but we're seeing strength in other areas of our business, including new business. So, the enterprise strength and that mid-market cohort, that $50,000 to $100,000, we don't break it out. But what I can tell you is what I saw this quarter was a lot of strength there. International, it's been strong for the last two quarters, expect continued strength. And then even in the enterprise side of the house, we saw 15% year-over-year increase in customers spending $100,000 or more. And if you couple that with stable demand trends and improvement in conversion, which leads to productivity gains, you end up with a or I ended up with a more confident picture as I look towards Q4 and the full year.

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

Eva Leung
Head-Investor Relations, Asana, Inc.

Thank you everyone for joining the call. We'll be on the road attending the UBS and Barclays Conference this and next week. Looking forward to seeing all of you. As always, if you have any questions, please reach out to me at ir@asana.com. Thank you very much.

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