

**Asana**

**FY26 Q1 Earnings | Prepared Remarks**

**June 3, 2025**

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**Eva Leung**

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 2026. With me on today's call are Dustin Moskovitz, Asana's Co-Founder and CEO; Anne Raimondi, our Chief Operating Officer and Head of Business; and Sonalee Parekh, our Chief Financial Officer.

Today's call will include forward-looking statements, including statements regarding the expected release and benefits of our product offerings, including AI Studio, and our expectations for revenue to be generated by AI Studio, 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 programs. Forward-looking statements involve risks, uncertainties, and assumptions that may cause our actual results to be materially different from those expressed or implied by the forward-looking statements. Please refer to our filings with the SEC, including our most recent annual report on Form 10-K and quarterly report on Form 10-Q, for additional information on risks, uncertainties and assumptions that may cause actual results to differ materially from those set forth in such statements.

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

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

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## **Dustin Moskowitz**

Thank you all for joining us on the call today.

Q1 was a milestone quarter: we achieved non-GAAP profitability for the first time, and AI Studio, which reached General Availability in Q1, surpassed \$1 million in ARR, demonstrating powerful early momentum. This progress fuels our journey to sustained profitable growth and positions Asana as the definitive platform for human + AI coordination.

- In Q1, Total Revenues were up 9 percent year over year, exceeding the top end of our guidance.
- Non-GAAP operating margins improved more than 1300 basis points year over year, from an operating loss margin of 9 percent to an operating income margin of 4 percent. This is a significant milestone for the company as we reached non-GAAP profitability for the first time.
- Adjusted free cash flow margin also improved more than 700 basis points year over year, with free cash flow margin at 5% for the quarter.
- Once again our non-tech verticals grew faster than overall growth for the quarter and grew mid-teens year over year.
- Some of our fastest growing verticals this quarter included Manufacturing and Energy, Media and Entertainment, and Financial Services.
- We continue to make progress in our enterprise customer acquisition. Our \$100,000 and over customers grew 20 percent year over year, consistent with last quarter.

A landmark achievement last month was closing the largest deal in Asana's history with one of the largest employers in the world. This three-year \$100 million plus contract renewal, is a testament to Asana's unique ability to power complex, cross-functional execution at an enterprise scale. The growth within this customer showcases a powerful combination of organic adoption and intentional expansion, driven by our close

partnership with their Enterprise Engineering teams to demonstrate ongoing value. After a rigorous evaluation, Asana was selected as its companywide standard for Project, Task, Work, and Goal Management, making Asana foundational to how they plan, track, and execute their most critical work.

Now, let's turn to AI Studio. We've seen tremendous momentum since our Q4 update, driven by customers recognizing the tangible value AI Studio delivers in solving real business problems. We've already crossed \$1 Million in AI Studio ARR and are entering Q2 with a robust and rapidly growing pipeline. The interest is truly global, with strong traction across all our major geographies. We're even seeing instances where AI Studio ARR is exceeding seat-based ARR. This highlights how a few users leveraging AI Studio can drive outsized value, and it underscores our conviction that AI Studio has the potential to not only eclipse the revenue scale of seat-based licenses over time but also to reduce our overall reliance on per-seat monetization. The cross-vertical interest is also exciting, with notable customer wins across Manufacturing, Retail, Technology, Financial services, and Healthcare, demonstrating strong and widespread demand.

What's most encouraging about AI Studio's momentum isn't the initial sales—it's the everyday usage we're seeing. Because the product is embedded directly in the workflows teams rely on, automation happens where the work happens. That makes AI Studio inherently sticky, avoiding the "shelf-ware" fate of many hyped AI tools that live in separate apps or chatbots and end up under-utilized.

Our customers choose AI Studio for three clear reasons. First, it's built natively into Asana, eliminating the need for a behavior or workflow change. Second, its human-in-the-loop controls are built on familiar Asana features—approvals, work assignments, comments, and audit trails—keeping people firmly in charge of every AI step. Third, it runs on our Work Graph, a continuously-updating data store of every project, task, goal, and conversation. That deep, structured context lets the AI handle longer, more complex workflows and enables true human-AI coordination—something point-solution agents simply can't match.

This real-world impact is evident with Woolworths, one of Australia's largest supermarket chains with over 1,000 stores. They've implemented AI Studio to transform their Safety and Capital Governance process for store changes. Previously relying on inconsistent slide decks and meetings with up to 60 attendees, they have built a smart workflow with AI Studio that analyzes submissions, identifies required approvers, and automatically routes requests with all relevant context. This acceleration in decision-making allows Woolworths to implement strategic store improvements faster while maintaining rigorous safety and compliance standards. This kind of targeted automation showcases how our AI capabilities drive both immediate ROI and deeper adoption within enterprise customers.

We also secured our first AI Studio deal in India for a popular bakery chain. Working with a local partner, we developed an AI Studio solution to prevent fuel theft across their fleet of dozens of vehicles—a common challenge in that market. Using a simple form to upload fuel receipts, AI Studio automatically extracts and logs fuel data, creating a complete audit trail while eliminating manual entry. This has given managers real-time visibility into fleet expenses and improved coordination between drivers and finance teams. The solution is now fully embedded in their daily operations, delivering measurable efficiency gains within weeks of implementation.

AI Studio is designed specifically for human-AI coordination, enabling people to move work forward when and where they're needed. Stand-alone agent models can only succeed when they're capable of automating entire workflows, ironically relegating them to narrow use cases. In contrast, we focus on augmenting human capabilities at key points in the process—triaging inbound requests, drafting briefs, extracting unstructured data, running deep research, or crunching complex analyses—while teams keep full visibility and control. We don't replace human expertise; we amplify it, in a predictable way, freeing people to focus on higher-impact work. The result: work moves faster—customers are cutting response times from days to hours and eliminating slow meeting-driven processes altogether—delivering immediate, measurable productivity gains that compound over time.

We are just at the beginning of a long-term opportunity with AI Studio, our initial offering in a broader AI strategy. With AI Studio, our focus has been on empowering customers who want to build their own AI-powered workflows, automating steps and taking on repetitive work within clearly defined and controlled processes. Realizing the full, transformative potential of AI Studio—and for it to truly become a major growth driver—depends significantly on broader adoption across our customer base.

To that end, to accelerate the uptake of AI and AI Studio, we're launching several key initiatives. Last month at our Work Innovation Summit event in Sydney we launched the Smart Workflow Gallery, a suite of prebuilt, AI-powered workflows designed to help organizations scale the use of AI in everyday workflows. Based on best practices from a wide range of global companies, these Smart Workflows provide a blueprint for effective human + AI coordination across Marketing, IT, and Operations. Customers can choose to build from scratch with AI Studio or adopt one of these prebuilt workflows to get started with AI immediately. For instance, a creative team could deploy a gallery workflow in minutes to have AI review new work requests, evaluate briefs, gather information, flag blockers, and prioritize tasks, elevating humans out of tedious work while maintaining oversight. Our Smart Workflow Gallery is now live, with several key workflow templates for IT, Marketing, and Operations available today. And we'll be rolling out many more over the coming months.

We're also introducing AI Studio Plus, a new mid-tier package launching this month through sales and partner channels and later this summer for self-serve customers. This strategic addition creates a three-tier structure—Basic, Plus, and Pro. Each tier offers distinct value: Basic, which as of this month, will be available as part of all Asana paid tiers, provides AI Studio credits with monthly usage caps; Plus gives customers the flexibility to self-serve and scale up their usage over time; while Pro delivers generous quarterly credit allowances and enterprise-grade controls. This tiered approach ensures customers can select the right level of AI capabilities for their specific needs.

Our strategy here extends beyond simply broadening access to AI Studio. By complementing it with new offerings like Foundational Service Plans and upcoming product add-ons such as Resource Management in Q3, we are systematically enhancing how we deliver value. This approach is designed to improve price-value alignment for our customers, which we expect will, in turn, strengthen Net Dollar Retention. This is consistent with the value-based pricing strategy we've discussed, and we see this combination as a powerful engine for significant long-term expansion.

Looking to H2, we'll be introducing new goal-oriented agentic collaborators, AI Teammates, rounding out the full spectrum of AI capabilities inside Asana. At the foundation of AI Studio is our AI-powered workflow-automation engine—built to automate the repeatable workflows across your business. The Smart Workflow Gallery packages those best-practice automations into pre-built AI workflows any team can deploy in minutes. AI Teammates sit on top as more flexible agents: they keep multi-step work moving with minimal guidance, leveraging prior context, our Work Graph, and fine-grained permissions. For instance, a product lead can assign an AI teammate to implement a feature: it can write code using the Claude Code API, initiate and participate in review and approval workflows, generate and apply fixes in response to feedback, merge the update, and ask another dedicated AI teammate to get started on customer support material -- all while posting live status updates in Asana showing its progress. By evolving these capabilities into a persistent coworker, we deepen human-AI coordination and unlock usage-based revenue streams beyond seat licenses, further strengthening our leadership in AI-powered work management.

We are fundamentally repositioning Asana as the platform for human + AI coordination, marking a powerful new chapter in our company narrative. As AI becomes integral to how work gets done, the need for a system that coordinates work between people and AI at scale is paramount. This is more than just a technological shift; it's a redefinition of teamwork itself. We believe Asana is uniquely equipped to lead this charge. Our Work Graph data model provides the essential structured context—the map of an organization's

work, goals, and processes—that AI needs to be truly effective in a collaborative environment. This, combined with our deep expertise in fostering human coordination, allows us to build AI solutions that don't just automate tasks, but enhance clarity, alignment, and accountability across entire organizations. This is the generational opportunity we are seizing: to define the future of how humans and AI achieve great things together.

As we look to the future, in regards to the CEO search, we're seeing strong interest and considering candidates carefully. We will be patient to find the absolute right leader to guide Asana through this next phase of growth. I am fully committed to driving our strategy as CEO until my successor is in place. And I am incredibly excited to partner with our future CEO on our product and AI strategy, as we work together to establish Asana as the leader in this generational opportunity.

Our key priorities for FY26 are centered on setting Asana up for long-term profitable growth. These include driving customer health, accelerating customer acquisition, and delivering increasing customer value through product innovation, particularly with AI.

With that context, let me turn it over to Anne to discuss our go-to-market momentum, key initiatives and customer wins.

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**Anne Raimondi**

Thanks Dustin.

**[Business update]**

The strategic investments we've made—along with the reallocation of resources toward higher-leverage areas—are driving incremental impact.

- We continue to make progress in scaling our enterprise motion. The number of customer net adds from the \$100K+ cohorts grew 20% year over year, same as

last quarter.

- Our strategic, multi-year renewal with one of the largest employers in the world is a testament to our differentiation in the enterprise as the collaborative work management platform best positioned to work at global enterprise scale. With hundreds of thousands of active users, teams are driving material impact across functions, which has translated into significant labor cost savings by eliminating manual work and meaningful improvements in employee productivity. Powered by our Work Graph, Asana connects goals, workflows, and data across silos, while our enterprise-grade AI accelerates execution by automating processes and surfacing real-time insights at scale.
- International markets remain a key strength for our business, driven by growing global demand for our platform especially in EMEA and Japan. As organizations worldwide recognize the value of Asana in improving coordination and driving productivity, our international revenue grew 11% year over year.
- To date, we haven't seen a material change in the demand environment in any of our segments or regions as compared to the last several quarters. However, we are beginning to see some increased buyer scrutiny and elongation in decisions related to broader consolidation or software stack transformation efforts. That said, the pipeline remains healthy. We're seeing strong demand generated across our diverse pipeline generation channels, where initial investments — including our optimization of paid media — are driving greater leverage.

### **[Update on initiatives]**

Let me discuss the progress on our three strategic growth priorities: customer acquisition, customer health, and customer value.

First customer acquisition. New business remains strong and our investment in vertically focused go-to-market teams and driving adoption of vertical-specific product use cases is resulting in strong growth in our non-tech verticals, which grew once again in the mid-teens, accounting for over 70 percent of our business. We are seeing particular

strength in financial services, manufacturing, and media and entertainment. A couple customer examples in our strategic verticals I want to highlight are:

Bozzuto is a diversified real estate company specializing in multi-family residential communities across the United States. They expanded their use of Asana in a 3-year deal. Asana will enable their nationally dispersed workforce to more efficiently manage projects and streamline workflows for property setups, maximize throughput and reduce time to market. Additionally, they have invested in AI Studio to optimize work and automate various manual tasks, further enhancing operational efficiency.

We had a great expansion deal in financial services. One of the largest credit unions in the world deepened their Asana partnership in a 3-year expansion deal. The organization is using Asana in their core workflows across the real estate lending and contact center operations. Most importantly, after careful evaluation, the procurement team classified Asana as essential software that provides unique value for its cost. Their competitive analysis and ROI assessment showed that Asana effectively addresses their specific needs that no other solutions can match, making us worth maintaining in their software portfolio.

While tech continues to drag on our overall growth, we saw another quarter of stabilization of ARR in this vertical and strong demand for AI Studio from technology customers.

Expanding our presence with the channel is a key growth and NRR expansion driver. Since the re-launch of our partner program in March, we are making great progress with the channel. Deals with partners attached have exceeded our expectations and grew double digits year over year. Of our top five deals this quarter, three were partner-led. We saw especially good traction in APAC and EMEA. Almost 40% of our APAC deals are partner attached and we are seeing great digital transformation deals brought forth by our partners.

Partners are critical to our growth and scaling of AI Studio and they also see it as a meaningful growth opportunity. We already have certified partners selling and supporting AI Studio.

Moving to customer health:

We've put renewed focus on addressing churn and downgrades, particularly with small, monthly customers, which represent a disproportionate share of overall churn. We have a new Chief Customer Officer in place to lead our retention efforts across segments, bringing greater executive focus and accountability to customer retention. We are enhancing early lifecycle engagement with targeted onboarding to accelerate early engagement and tailored interventions based on churn risk. In the mid-market and enterprise, we're driving earlier detection through health scoring, strengthening renewal planning, and aligning teams more tightly around at-risk accounts. While still early, these initiatives are showing encouraging traction and are central to our strategy to improve gross retention and NRR in the long term.

In addition, we launched Foundational Service Plans (FSPs) in early Q1 as a strategic initiative to boost customer health and retention while unlocking an additional monetization opportunity. The initiative has already proven highly successful in its first quarter, exceeding expectations with strong attachment rates especially for new business, and generating over seven figures in new business revenue.

We remain focused on aligning price to customer value – this is a key focus of our add-on strategy and AI Studio. In Q1, we exceeded our internal plan with over \$1M in bookings —with strong traction across EMEA, APJ, and our first wins in Australia and India. The majority of AI Studio bookings came from existing customers. While the initial success has primarily centered on new business acquisition and expansion opportunities, AI studio is becoming an important lever to mitigate downgrade in renewal conversations: a leading HR software company's CIO initially planned to reduce seats due to budget constraints. After showing the CIO the value of AI Studio, multiple teams including Creative Ops, HR,

and PMO decided to adopt AI Studio. The customer not only maintained their existing plan but expanded with AI Studio, turning potential churn into growth.

As customers begin to pair AI Studio with our new Smart Workflow Gallery, they're scaling these use cases faster and with less friction, opening up the potential for adoption of AI Studio across our base, not just those who build automations and custom workflows. With broader availability of AI Studio coming in Q3 via our self-serve Plus tier and on-by-default provisioning, we're positioned to scale AI studio even faster in the 2H of FY26 to both new customers and our existing customer base.

Our team is focused on our strategic priorities and growth initiatives that are centered around the customer and believe these priorities position us well for long-term growth reacceleration.

And now I'll turn it over to Sonalee.

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**Sonalee Parekh**

### **[Q1 Financial Highlights]**

Thanks Anne. Let me highlight the financial results for the first quarter and then comment more on the outlook.

- Q1 revenues came in at \$187.3 million, up 9 percent year over year, which exceeded the midpoint of our guidance by 1%.
- We have 24,297 Core customers, or customers spending \$5,000 or more on an annualized basis.
  - Revenues from Core customers grew 10 percent year over year. This cohort represented 75 percent of our revenues in Q1.
- We have 728 customers spending \$100,000 or more on an annualized basis and this customer cohort grew at 20 percent year over year.

- As a reminder, we define these customer cohorts based on annualized GAAP revenues in a given quarter.
- Our overall dollar-based net retention rate was 95%. Core customer NRR was 96%, and among customers spending \$100K or more, NRR was 95%.
- As a reminder, our NRR is a trailing four-quarter average and therefore a lagging indicator of more recent trends.
- Our in-quarter NRR was stable and we saw improvement in logo churn across all cohorts. However, while our in-quarter NRR was stable for the third consecutive quarter, we expect net retention in Q2 to be pressured.
- This is due to a combination of continued downgrade pressure — particularly in our enterprise and middle-market segments and the technology vertical. While our \$100 million plus renewal which we highlighted in our earnings today, materially increases our remaining performance obligations, providing greater visibility into FY27 and FY28, it represents a modest ACV downgrade as compared to our prior contract. This will negatively weigh on our Q2 NRR, especially in our \$100K cohort, as well as impacting the stability we have experienced over the past couple of quarters in our tech vertical. We are confident in long-term NRR improvement given the investments we have made in our customer success teams, AI Studio and add-on strategy, our work to better align price to value, and focus on improving customer health.
- However in the near-term, NRR will remain a headwind — which results in strong new business momentum and scaling contribution from add-ons and the channel being less prominently reflected in our overall revenue growth.

### **[Expenses]**

- 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, which held steady at approximately 90%. We expect to maintain these levels of gross margin in FY26, while expanding sequential

operating margin as we continue to scale.

- R&D expenses were \$48.9 million, or 26% of revenue, down 11 percent year-over-year.
- Sales and Marketing expenses were \$83.7 million, or 45% of revenue, down 5.5 percent year-over-year.
- G&A expenses were \$27.7 million, or 15% of revenue, up 2.2 percent year-over-year.
- As a result of driving productivity and efficiency gains, we had a positive operating income quarter for the first time in our company's history, delivering a 4% margin or \$8.1 million of operating income, which represents an operating margin of 300 basis points above the mid-point of our guide and a more than 1,300 basis point improvement year-over-year. Net income was \$12.0 million, or 5 cents per share.
- Our profitability improvement was driven by:
  - Rationalizing and reallocating program spend, particularly in marketing and lead generation, to meet ROI thresholds without sacrificing pipeline and pipeline coverage;
  - Reallocating resources to more productive GTM motions;
  - Driving down infrastructure costs by optimizing our cloud spend;
  - Exercising discipline around all discretionary spend;
  - Shifting certain hiring and backfilling to more cost-effective regions like Warsaw and Reykjavík to optimize our onshore/offshore mix and to better align with industry benchmarks

Our continued focus on efficiency and productivity lays a strong foundation for continued operating leverage and multi-year margin expansion.

### **[Balance Sheet and CF]**

Moving on to the balance sheet and cash flow:

- Cash, cash equivalents and marketable securities at the end of Q1 were approximately \$470.8 million.

- Our deferred revenue, remaining performance obligations (or RPO) and current RPO (or cRPO) were impacted by the timing of the \$100M plus renewal, which typically is billed in Q1, but was renewed in and will be billed in Q2 going forward. Given that significant impact, we will also be providing those measures as-adjusted for the large renewal.
  - Our RPO was \$420.7 million, up 11% from the year-ago quarter, and adjusted for deal impact would have been approximately \$521 million, up 37% year over year.
  - cRPO will be recognized over the next twelve months and was 83% of RPO, and grew 7% from the year-ago quarter. cRPO adjusted for deal timing would have been 73% of RPO, up 17% year over year.
  - Our total ending Q1 deferred revenue was \$290.3 million, down 2% year over year, and adjusted for deal timing would have been approximately \$323.7 million, up 9% year over year.
- Building on our operating margin strength, Q1 adjusted free cash flow was \$9.9 million or 5% on a margin basis, an improvement of more than 700 basis points.
- 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 \$15.6M of our Class A common stock at an average price of \$15.09, or 1.0 million shares. In May, our board increased our share repurchase authorization by \$100 million and removed the program's previous expiration date. As of April 30, we had \$56 million remaining under the prior authorization, representing a total of \$156 million available to us for repurchases moving forward.

### **[Guidance]**

Now, moving to guidance. For Q2 Fiscal 2026 we expect

- Revenues of \$192 million to \$194 million, representing 7% - 8% growth year over year.

- We expect non-GAAP operating income of \$8 million to \$10 million, representing an operating margin of 4% to 5%.
- And we expect non-GAAP net income per share of 4 cents to 5 cents assuming diluted weighted average shares outstanding of approximately 243 million.

For the full year, we are updating our revenue guidance to \$775 million to \$790 million, representing 7% to 9% year-over-year growth. This range reflects two planning scenarios:

- The **upper half** assumes continued execution within a stable macro, consistent with our Q4 view.
- The **lower half** anticipates elongated sales cycles, increased budget scrutiny, and a more cautious procurement environment, particularly with tech and enterprise customers.

We continue to monitor the impact of economic uncertainty on buying and renewal activity. As Anne highlighted, while we have not seen material change in the demand environment, we are observing early signs of increased buyer scrutiny and downgrade activity, particularly in our enterprise and corporate customer bases. While these early signs alone do not change our previous outlook, we do recognize that there is a growing macroeconomic risk and thus are reflecting this risk by expanding our guidance range.

We are raising our full-year non-GAAP operating margin guidance to **at least 5.5% for the full year**, up from our prior guidance of at least 5%, and continue to expect sequential improvement throughout the year. In addition, we expect net income per share of 22 cents assuming diluted weighted average shares outstanding of approximately 243 million.

I want to highlight that if the macro environment were to deteriorate, we have multiple levers we can pull which we believe would allow us to preserve profitability at the level of our guide without compromising the investments we have made and are making to drive revenue growth acceleration.

As we shared last quarter, Dustin, Anne, and I remain focused on executing a long-term strategy to drive long-term growth acceleration while meaningfully expanding profitability. We're defining how humans and AI coordinate work at scale , and we see a massive greenfield opportunity ahead of us. We believe we have the right strategy in place to capitalize on this opportunity.

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

**END**