Corrected Transcript

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Asana, Inc. (ASAN)

Q2 2026 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Thank you for standing by and welcome to Asana's Second Quarter and 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 Second Quarter Fiscal Year 2026. With me on today's call are Dustin Moskovitz, Asana's Co-Founder and Chair of the board; 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, including AI Studio and our expectation for revenue to be generated by AI Studio, our retention and expansion opportunity, 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 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 Dustin.

Dustin Moskovitz

Chief Executive Officer, Co-Founder & Director, Asana, Inc.

Thanks, everyone. I'll kick things off before transitioning to Dan. When Justin and I started Asana, our vision was simple, but ambitious: to fundamentally improve how humans work together. We set out to transform collaboration from a source of friction into a source of focus, so that teams everywhere could achieve more of what really matters. That's why our mission has always been to help humanity thrive by enabling the world's teams to work together effortlessly.

Over time, that vision evolved into the Work Graph, a foundation that doesn't just reduce work about work, but gives teams clarity on goals, alignment and impact. That clarity is what enables organizations to move from

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reactive busy work to proactive value creation. Today, we're at a major inflection point. AI is transforming collaborative work management and Asana is uniquely positioned to lead. Unlike most AI platforms that start from a blank canvas, Asana begins with the Work Graph, a rich, structured model of how work gets done. This context lets AI embed directly into workflows like a teammate, with enterprise grade security and access controls delivering outputs that are predictable, trustworthy and immediately useful. And because it's layered into the workflows teams already use, adoption is seamless and time to value is faster. That's the opportunity in front of us.

From the beginning, our vision was about human to human collaboration, helping every teammate work together more effectively to drive greater productivity. Today, that opportunity has evolved into something even more powerful, a future where humans and AI teammates work side by side to unlock new levels of focus, clarity and impact. An opportunity like this calls for both vision and operational excellence, which is why I'm so confident in Dan's leadership. He scaled companies at critical inflection points, pairing innovation with discipline and the accelerating growth while expanding margins.

And in just his first months as CEO, he's already leaning in to sharpen our execution, mapping our differentiated AI approach to mission-critical workflows in our target departments like IT, marketing and more, while also deepening our focus on non-tech industries like retail and regulated industries. As for me, I'll remain engaged as Chair of the Board, working with Dan to enhance our product vision and strengthen our AI differentiation.

And with that, let me hand it over to Dan to share his perspective on the quarter, his early impressions and how he sees us capitalizing on the opportunities ahead. Dan, over to you.

Dan Rogers

Chief Executive Officer & Director, Asana, Inc.

Thank you, Dustin, and welcome, everyone. I'm excited to be speaking with you today for the first time as CEO of Asana. Before we dive into my initial observations and highlights from the quarter, I want to acknowledge Dustin's vision and leadership in building Asana into the company it is today. I also want to thank all Asanas for their support during the transition and warm welcome I've received. It's truly an honor to lead an extraordinary team with such a strong mission and unmatched product foundations and collaborative work management.

Let's turn to the highlights from the quarter before I discuss my observations. Q2 was a solid quarter for Asana with broad-based performance above expectations across our business. Total revenues were up 10% year-over-year, exceeding the top end of our guidance, with strong contributions from all customer cohorts and geographies. Both North America and International growth accelerated, with International continuing to outpace US.

We also saw encouraging vertical trends. Some of our fastest growing verticals this quarter included manufacturing and energy, financial services and retail and consumer goods. Non-tech customers continued to grow in the mid-teens, while tech was stable. Rolling four-quarter NRR went to 96% from 95% last quarter. Overall customer growth remained healthy with the number of $100,000 plus customers growing 19% year-over-year. We continue to see strong momentum in AI Studio. We've more than doubled our AI Studio, ARR quarter-over-quarter and adoption continues to strengthen as customers build and scale on the platform.

Our continued focus on profitable growth and efficient scaling is driving meaningful margin expansion. Non-GAAP operating margin expanded almost 1,600 basis points year-over-year to 7%, above our guidance range. In my first couple of months, I've spent much of my time meeting with customers, partners and key stakeholders to understand where we're delivering exceptional value and where we're seeing opportunities to do more.

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Customers view Asana as a trusted partner in coordinating their most critical industry and function-specific work. Across industries, customers have shared with me how they're using Asana to orchestrate marketing campaigns, resolve IT tickets, accelerate product launches, manage employee, vendor and customer onboarding, ensure compliance with the regulatory programs, and drive large-scale transformation initiatives. In each of these cases, Asana helps reduce cycle times, improve accountability and drive measurable business outcomes. It's become clear from these customer conversations that when we deeply understand a customer's needs, speak the language of their industry, tailor solutions to their workflows and deliver measurable outcomes, we win decisively. My goal is to make that experience the standard across every engagement.

At the center of this value is the Work Graph. This gives customers clarity on who's doing what, when, where and why? By connecting people, projects, goals and timelines in a single source of truth, Asana helps organizations stay aligned and deliver results faster. This foundation provides the essential structured context AI needs to be truly effective within the four walls of a company. Without it, AI is limited to point answers to individual productivity, helping you draft a note or summarize a document, but it can't really drive team productivity, doesn't know how to bring the right people together, align work across functions or execute towards shared goals. For example, you couldn't ask your favorite LLM to set up a meeting with the key stakeholders driving customer retention, define the problem statement for the meeting and propose potential recommendations for them. It doesn't know where the work is happening, who's responsible or how to identify and process the organizational context required to move the work forward.

CIOs, CMOs and business leaders I speak with come to us with detailed process maps and a clear vision for where they want to drive improvement. To unlock productivity in today's modern companies, AI must be context-aware and embedded where teams already collaborate. We are building the future of the agentic enterprise, where organizations can deploy pre-built or custom agents embedded in structured workflows with the right context and guardrails. This is exactly what leading companies are asking for, agents that actually deliver outcomes aligned to their roles and departments working right alongside their teams and achieving increased levels of productivity.

Here's what I'm really excited about. Everyone's talking about agents. You see the billboards on the side of the highway. You hear the hype. But most companies are still struggling to get real productivity out of agents. In fact, a recent MIT report said 95% of generative AI pilots at companies are getting zero return. The report cites generic AI tools excel for individuals due to their flexibility, but they stall in the enterprise because they don't learn from or adapt to workflows.

Asana believes the real unlock is putting agents on rails, giving them the context, structure and connections to work, so they can be trusted to deliver. It's a massive, underserved opportunity and a chance for Asana to unlock it is what fires me up. We're already bringing this vision to life with AI Studio, Smart Workflows and soon to be launched Teammates. With AI Studio, we're delivering a platform for AI-powered work. At its core is our No Code AI Workflow Builder, which allows organizations to inject AI directly into their processes to unlock meaningful productivity gains. Many of today's known workflows lend themselves naturally to AI-driven optimization. With AI Studio, we're enabling teams to automate and accelerate those processes at scale.

Building on this, Smart Workflows are repeatable AI-powered automation flows that embed generative AI logic directly into Asana. We provide out-of-the-box templates for Smart Workflow Gallery. It helps teams get started quickly in areas like PMO operations, IT and marketing. Instead of relying on manual updates or static rules, Smart Workflows orchestrate work from trigger, outcome, handling actions like assigning tasks, drafting briefs, updating milestones, or escalating blockers in real-time.

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By reducing coordination overhead, surfacing insights and accelerating cycle times, AI is able to take on the busy work and make the Asana platform increasingly self-driving as teams scale. Complementing this, AI Teammates extends automation into areas where reasoning and judgment matter. These intelligent digital collaborators aren't just reactive bots. They remain embedded in projects, bringing context awareness into the flow of work. Teammates can handle routine tasks and monitor progress, but they can also enhance non-deterministic workflows, where reasoning through the logical next step can supercharge outcomes. This makes them powerful partners for collaboration, engaging not only inside workflows, but also in ad hoc on-demand scenarios. AI Studio, together with Smart Workflows and AI Teammates, can deepen platform stickiness, expand Asana's role as a system of execution, and deliver measurable ROI for enterprises by lowering operational costs and improving throughput.

Customer highlights, what gives me conviction that we can unlock the massive opportunity in human AI collaboration even at this early stage is that we're already seeing customers leverage AI Studio to reimagine how work gets done; change the way that teams operate and realize significant cost and time savings. With AI Studio, it's not theory or hype. It's real productivity gains and real transformation happening today.

Let me share a couple of examples. First are a couple of early adopters of AI Studio that were part of our initial pilots. Morningstar, a global leader in financial services, are using AI Studio to transform their research and retirement product teams. For their research team, we've delivered an AI-powered content pipeline that saves them nearly 15,000 person-hours annually, turning over $600,000 in efficiency gains. Meanwhile, for their retirement product team, we've automated request triage, reducing intake timelines by a full two weeks. iDO, a fast-growing consulting firm, is leveraging AI Studio to streamline client intake, resource allocation and lead enrichment. By building these AI-powered workflows, iDO is saving its consultants up to 12 hours per month each. This frees up capacity to deliver value to their clients.

Now I'll share a couple of examples who've recently adopted AI Studio this quarter. One of the world's leading global chemicals companies is expanding from 2,500 to 4,500 users by consolidating JIRA and other legacy tools into Asana. A really cool application of AI Studio they have rolled out is automating their IT intake workflows to process requests faster and with greater accuracy. One of the most successful franchises in modern NBA history has expanded six-fold by consolidating Wrike and Smartsheet into Asana. I love how their IT guest experience and construction teams are using AI Studio to build an intelligent prioritization system to identify the priorities with the highest impact and focus resources there. A leading AI foundational model provider nearly doubled its footprint this quarter by standardizing critical processes on Asana. They are leveraging Asana to automate many of their risk intake workflows, including modern work processes for AI safety and compliance with our large language models.

By automating these critical workflows with Asana, they are able to scale operations more efficiently, while maintaining the rigor that mission demands. What am I looking forward to? In the path ahead, I see an extraordinary opportunity to build on what I've heard from customers that Asana is at its best when it speaks their language, fits naturally into their workflows and delivers measurable outcomes. The Work Graph gives AI this context it needs to deliver on the productivity unlock of AI across departments and roles, whether that's in IT, marketing, software development or operations. To bring that value to more customers, we see an opportunity to reach them with greater speed and efficiency by sharpening our go-to-market execution, focusing on our highest propensity accounts and scaling both partner motions and our self-serve engine.

In closing, what excites me is the chance to help every team feel the wow moments customers describe when Asana transforms the way they work. With our technical foundation and platform investments, we're well positioned to make the agentic enterprise real, where human and digital teammates collaborate seamlessly

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through AI-powered workflows to drive better, faster, business outcomes. I'm energized by the opportunity ahead and I look forward to sharing more about our strategic priorities and progress in the quarters to come.

I'll hand it over to Anne to share how our go-to-market priorities are driving customer adoption and expansion.

Anne Raimondi

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

Thank you, Dan. I love the new perspectives you bring to Asana and how excited the team is with the direction you're starting to lay out. In Q2, our enterprise motion continued to scale. The number of customer net adds from the $100,000 plus cohort grew 19% year-over-year, while our core customers spending $5,000 or more grew 9% year-over-year.

International markets remain a strength for our business, driven by growing global demand for our platform, especially in EMEA and Japan. Our International revenue grew 13% year-over-year and the US market grew 8% year-over-year. Japan is one of our fastest growing markets with customers such as Sumitomo Mitsui Trust Bank, demonstrating the power and relevance of our platform in financial services. They grew their Asana footprint by nearly 70% this quarter and added a Foundational Service Plan. Asana has been implemented in six business divisions, including a full rollout in the Asset Administration business and has seen strong adoption in their investor and corporate business units.

We continue to increase our presence in non-tech, with those sectors once again growing in the mid-teens. Wasserman, a leading global sports, music and entertainment company, standardized on Asana this quarter in a multiyear agreement that includes AI Studio and a Foundational Service Plan. Building on the success of their marketing and creative teams who use Asana to produce one-of-a-kind campaigns and experiences across the world, they are migrating key departments like the experience and global communications teams, plus recently acquired assets onto Asana to provide better visibility into project timelines and resource allocation. Wasserman will use AI Studio to automate their creative production workflows.

The strategic investments we've made, along with the reallocation of resources towards higher leverage areas, are driving incremental impact. In Q2, customer health showed stability. Our overall NRR improved to 96% from 95% last quarter. In-quarter NRR increased despite the modest ACV downgrade, resulting from the $100 million plus renewal we called out in Q1.

Offsetting this impact were improvements in both logo churn and expansion, driven by strong seat growth and healthy AI Studio and Foundational Service Plan adoption by existing customers in the quarter. The programs we put in place to improve customer health and drive customer value are starting to bear fruit. For example, our concerted efforts to improve our CSAT scores, particularly with small monthly customers, is contributing to improvements in our monthly retention, which in Q2 was at its highest level since Q4 FY 2025.

Foundational Service Plans or FSPs are a strategic initiative to boost customer health and retention. Since launching, customers with FSPs show a 20% increase in utilization of their Asana seats within three months of adopting an FSP plan. FSPs' AI Studio and new add-on offerings like compliance management and permissions management and upcoming product add-ons like timesheets and budgeting are systematically enhancing price-to-value alignment for our customers. We're starting to see incremental benefits to retention, expansion and seat reach and expect to see more over time.

While we are observing modest improvements in NRR, our SMB business continues to be impacted by evolving top-of-funnel dynamics, particularly in relation to search and paid media investments. We have successfully

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countered declining Web traffic by achieving higher conversion rates from more qualified leads for several quarters.

Nevertheless, this situation has the potential to weigh on small business customer growth in the second half. It's becoming increasingly critical to develop AI-native self-service experiences that can guide potential buyers through a reimagined customer journey. We believe we have the plan to address and offset this pressure in the long term.

The increased buyer scrutiny and elongation in decisions related to broader consolidation or software stack transformation efforts that we called out last quarter continues to persist, however, have not worsened. The pipeline remains healthy, with strong demand generated across our diverse global channel.

Let's turn to product updates. Last month, we reached a milestone with the launch of AI Studio Plus for self-serve. Roughly 40% of customers purchase Asana through our self-serve channel, making it one of our most important customer acquisition channels across small, medium and large businesses. Within the first week of launch, we saw our first self-serve customers rapidly ramp their consumption and exceed their limits on the Plus tier. We're seeing strong excitement for AI Studio in our self-serve base.

Smart Workflow Gallery, a suite of pre-built AI-powered workflows, is also off to a strong start. In the last month of the quarter, almost 20% of AI Studio Workflows were created through the Smart Workflow Gallery. These are especially popular in marketing, IT and operations and we are rapidly expanding the breadth and depth of prepackaged AI studio workflows in our Smart Workflow Gallery.

Looking ahead on our second half product roadmap, I share Dan's excitement for AI Teammates, which is coming to public beta soon. With these new capabilities rolling out, we've been taking these innovations on the road to showcase them with customers worldwide through our Work Innovation Summit customer event. We had a record attendance at our Sydney event in early May, more than double our attendance from last year, and also hosted our first regional partner summit there. Attendees included senior executives from Australia's largest banking and retail organizations and public sector departments.

In early August, we held a highly successful Work Innovation Summit in Tokyo. The event attracted over 200 customers and partners, representing a twofold increase in both attendance and pipeline generation compared to last year. The audience included an impressive array of Japan's senior executives from leading technology, automotive, manufacturing, consumer electrics companies and leading financial services enterprises. We gave attendees a preview of AI Teammates and it was well received by our customers as they found the product intuitive and easy to use. These global events help drive new business in our international markets and amongst large customers.

We will host two more Work Innovation Summit events in London in September and New York in November. At these marquee events, we plan to unveil new capabilities for Asana in AI Studio, as well as introduce and demo Asana AI Teammates to their fullest potential, showcasing specific examples of the business outcomes they can drive for our customers.

And now, I'll turn it over to Sonalee.

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

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Thank you, Anne. Dan, I have really enjoyed partnering with you. And I share your conviction that the themes you've outlined have strong potential to drive revenue growth acceleration. With that, let me turn to our results. Q2 revenues came in at $196.9 million, up 10% year-over-year, which exceeded the high end of our guidance by 1%. Excluding the impact of currency, our Q2 revenue was up 9.4% year-over-year, still exceeding the high end of our guide.

We have just over 25,000 core customers or customers spending $5,000 or more on an annualized basis. Revenues from core customers grew 12% year-over-year. This cohort represented 76% of our revenues in Q2. We have 770 customers spending $100,000 or more on an annualized basis and this customer cohort grew at 19% 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 96%. And among customers spending $100,000 or more, NRR was 95%. Both were stable from last quarter. 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 for the overall and core customer cohorts, while the $100,000 plus cohorts declined mainly due to the large renewal we mentioned last quarter. We saw a slight improvement in gross retention across all cohorts quarter-over-quarter. Q2 in-the-quarter NRR increased mostly driven by improvements in downgrade and expansion metrics, thanks to our multi-product strategy and seat reach.

While I am encouraged by the progress we made this quarter on NRR, it's too early to call Q2 an inflection point given potential downgrade pressure that could cause NRR to revert back to Q1 levels. We have several large enterprise renewals in the second half that are concentrated in our technology vertical. As a reminder, the second half has historically had a larger volume of contracts coming up for renewal as compared to the first half.

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 90%. We expect to maintain these levels of gross margin in fiscal year 2026, while expanding sequential operating margin as we continue to scale.

As a result of our focus on efficiency and resource allocation towards higher leverage areas, we have been able to drive significant improvement in our cost structure. R&D expenses were $47.7 million or 24% of revenue, down 16% year-over-year. Sales and marketing expenses were $88.2 million or 45% of revenue, down 3% year-over-year. G&A expenses were $27.4 million or 14% of revenue, down 1% year-over-year. As a result of driving productivity and efficiency gains, we delivered a 7% operating margin or $14 million of operating income in the quarter, which represents 240 basis points above the midpoint of our operating margin guide and an almost 1,600 basis point improvement year-over-year.

I want to call out that about 50 basis points of the Q2 margin improvement was due to the timing of hiring, which shifted from Q2 to the second half of the year. Net income was $15.1 million or $0.06 a share. Our profitability improvement continued 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 are 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 Q2 were approximately $475.2 million. Our remaining performance obligation, or RPO, was $507.3 million, up 29% from the year-ago quarter. Current RPO will be recognized over the next 12 months and was 75% of RPO and

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grew 16% from the year-ago quarter. Our total ending Q2 deferred revenue was $313.6 million, up 8% year-over-year.

Building on our operating margin strength, Q2 adjusted free cash flow was $35.4 million or 18% 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 $27.8 million of our Class A common stock at an average price of $14.20 for almost 2 million shares. As of July 31, we had $128 million remaining for repurchases moving forward.

Now, moving to guidance. For Q3 fiscal 2026, we expect revenues of $197.5 million to $199.5 million, representing 7.4% to 8.5% growth year-over-year. We expect non-GAAP operating income of $12 million to $14 million, representing an operating margin of 6% to 7% and we expect non-GAAP net income per share of $0.06 to $0.07, assuming diluted weighted average shares outstanding of approximately 244 million.

For the full year, we are updating our revenue guidance to $780 million to $790 million, representing 8% to 9% year-over-year growth from $775 million to $790 million previously. Currency represents about 50 basis points of growth benefit to our full year guidance, no material difference from what we shared last quarter. We are raising the low end of our guidance to incorporate our actual Q2 results and maintaining the high end of our guide. While logo churn and expansion are improving, potential pressure from downgrade activity persists, which is reflected in our updated guide.

SMB continued 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 headwind to our small business growth in the second half. These dynamics are reflected in our updated Q3 and fiscal year 2026 full year revenue guidance.

On a non-GAAP basis, we expect full year operating income of $46 million to $50 million, representing an operating margin of 6%, up from our prior guidance of at least 5.5%. Adjusting for the 0.5% impact on margin improvement from the timing of hiring, we continue to expect sequential improvement throughout the year, with Q4 operating margin in excess of our full year guidance. In addition, we expect non-GAAP net income per share of $0.23 to $0.25, assuming diluted weighted average shares outstanding of approximately 243 million.

Dan, Anne and I are fully aligned on the emerging priorities that will drive long-term growth, acceleration and margin expansion. We are excited about the momentum we continue to see with AI Studio and believe the expansion of AI Studio across our full customer base through Teammates, Smart Workflows and Self-Serve will be a powerful driver of long-term growth and consumption revenue.

And with that operator, we will open up the call to questions for Dan, Anne and myself.

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QUESTION AND ANSWER SECTION

Operator: Thank you. [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 Brent Bracelin of Piper Sandler. Please go ahead, Brent.

Brent A. Bracelin
Analyst, Piper Sandler & Co.

Q

Good afternoon. Thanks for taking the question here. Dan, you have a diverse background, senior leadership roles here at several marquee growth companies, Rubrik, ServiceNow, Salesforce, AWS, Microsoft. Why Asana? Why now and has there been any surprises since you joined the firm here in July?

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

A

Yeah. Thanks, Brent. Nice to meet you. So, yeah, first of all, why Asana? Well, if you look from afar, it's very obvious that AI is going to transform the modern enterprise and there's going to be a great productivity unlock. Many enterprises haven't realized that unlock today. It's my bet that the unlock is going to come from human-AI collaboration and that Asana is going to be super well-placed to deliver upon that. Yeah, you mentioned my background. I just see this as a great fit for me. It's about, if I think about ServiceNow, that was very much around how to extend workflows into every nook and cranny of the enterprise. If I think about Rubrik, that was very much around how do you inflect revenue and create massive top line acceleration.

And I think about AWS, that was very much around the self-service experience and kind of having that beginner's mindset and really confronting the problems as they come. So hoping to apply many of that to the challenge ahead. In some ways, the collaborative work management category is coming into its own right now. This could be the inflection point of the agentic enterprise. So you asked about surprises as well. Look, I'm about 40 days in. There's a lot things I don't know at this point. But what I have been doing is spending time with our customers. I've really been externally focused and trying to figure out how are we giving them success today and what are we looking for in the next part of our journey?

And again, what is really clear is that we are in mission-critical workflows today, helping across industries, whether that's retail, manufacturing, media professional services. So we're already deeply embedded. And my hope and joy is going to come from how do you take that embeddedness in the workflows and actually deliver magical experiences with agentic experiences unlocked by AI Studio. So appreciate the question and looking forward to working with you.

Operator: Thank you. Our next question comes from the line of Alex Zukin of Wolfe Research. Your line is open, Alex.

Alex Zukin
Analyst, Wolfe Research LLC

Q

Hey, guys. Thanks for taking my question. Maybe just a two-parter quickly. You mentioned a meaningful expansion of the service with the AI Foundation model company. Can you maybe just dive into how you've seen that use case expand, kind of maybe conceptually size it for us? And how repeatable is that within the other AI companies? And then just maybe pne on the demand environment...

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Eva Leung
Head-Investor Relations, Asana, Inc.

A

Hello, Alex. This is Eva. We lost the second half of your question. I think you have a problem with your cell.

Alex Zukin
Analyst, Wolfe Research LLC

Q

No problem. Can you guys hear me now?

Eva Leung
Head-Investor Relations, Asana, Inc.

A

Yes.

Alex Zukin
Analyst, Wolfe Research LLC

Q

Yes. Sorry. Just comment on the second part of the question was just the demand environment. You mentioned the top-of-funnel headwinds that you saw presumably in the SMB. And then you mentioned on the – maybe just the enterprise deals, the pace, how they're progressing and then kind of how you're seeing that for the rest of the year.

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

A

Hi, Alex. It's Anne. Thanks for your question. So on the first part of your question, you're really focused on like how repeatable are the AI Studio use cases? And I would say what we are seeing is the more that customers are deploying AI Studio across especially cross-functional use cases, they're discovering other opportunities to create more workflows. So we definitely see that as expansion opportunity within accounts. The other things we're doing though for customers that might need a bit more guidance upfront is the Smart Workflows Gallery that we mentioned. So having prepackaged AI Studio workflows where they can get going really quickly, that also inspires more usage.

Your second question was on the demand environment. So, we're definitely still seeing about the same demand environment dynamics we described last quarter, increased buyer scrutiny and elongation in decisions related to broader consolidation and software stack transformation efforts. However, it's not worsened and then we are seeing good activity in new business in both enterprise and SMB. However, you called out specifically sort of top of funnel and we are observing a shift there. So we are seeing pressures based on the transition to more LLM-driven changes and search behavior. Things there that we've been working on though specifically over the last few quarters is really investing in driving higher quality traffic. So while top-of-funnel traffic is down, conversion rates are up, reflecting that we've got a higher intent audience.

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

Steven Enders
Analyst, Citigroup Global Markets, Inc.

Q

Hi. Great. Thanks for taking the questions here. I guess I was going to ask on in terms of those pressures or headwinds that you're seeing on the SEO side and it sounds like maybe some down-sell pressure is maybe being accounted for as well in the outlook. But just maybe how are you accounting for that versus kind of what you're

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seeing today? Is there any way to maybe to, I guess, quantify between those impacts, what's actually being accounted for in the numbers here?

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

A

Hi, Steve. It's Anne. I'll start and then I'll let Sonalee cover some of the second part of your question around guidance and how we've factored it in. But just following on what I was sharing to Alex's question, the areas that we've been really focused on as AI overviews have impacted organic traffic is investing in measurable improvements by building more modern self-service, AI-driven experiences designed to get users to value quickly.

Second, we're also evolving our content strategy and technical infrastructure to maintain visibility and authority in AI and LLM customer research and discovery. And then the third is we're implementing smarter engagement and personalization that adapts based on buyer behavior so that we can drive improvements in both acquisition and expansion. So we very much see that the environment is still changing and we've got plans in place to offset the adverse effects through Q4. And we think this approach that we're taking really sets us up to continue to innovate and adapt as buyer discovery and decision making is increasingly AI-driven.

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

A

Hi Steve. It's Sonalee. I just wanted to come over the top here because you asked about the impact on numbers. So, what I tried to make clear in the prepared remarks is that our Q3 and full year revised outlook does include the potential impact of that SMB and LLM disruption continuing. So, while our SMB business did grow double-digits in Q2, as Anne called out, AI search has disrupted some of the low intent traffic industry-wide. And Anne and her team have been really proactive in terms of mitigating this impact. But we've built continued risk into the second half guide.

The other thing I would just add is that we do feel better, a bit better about macro than last quarter, but that improvement has been partially offset by some of these headwinds that we're seeing in AI search. And then you also asked, I believe, about net retention and what we're seeing there. And I think what I would call out is that Q2 definitely benefited from stronger-than-expected expansion and downgrade activity. And continued improvement in logo churn, which was something we saw last quarter as well.

And the other thing I would call out there is that in our second half, we typically do see a larger proportion of renewals. So, as I think about NRR, as we look ahead, I didn't extrapolate the goodness that we saw in the current quarter. So when you think about NRR, we did see an improvement in the current quarter. But as I said in my prepared remarks, we do see a possibility of reverting back to Q1 levels if we don't see that goodness continue.

Steven Enders
Analyst, Citigroup Global Markets, Inc.

Q

Okay, perfect. Thanks for taking the question.

Operator: Thank you. Our next question comes from the line of Matt Bullock of Bank of America. Please go ahead, Matt.

Matt Bullock
Analyst, BofA Securities, Inc.

Q

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Great. Thanks for taking the question. I wanted to ask about the visibility into those larger renewal deals approaching in the second half in the tech vertical. Maybe just talk about how those conversations are progressing, what you're seeing in terms of utilization in those larger accounts and then how we should think about AI Studio as a potential lever to prevent downsell? Thanks.

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

Hi, Matt. Thanks for that question. So in tech in particular and the larger renewals that Sonalee mentioned, I think what we're seeing is greater – we brought on a new global head of renewals and we're just improving our operating discipline around renewal hygiene, utilization, interventions further ahead before the renewal comes up. And so all of that has been paying out. And then in terms of tech specifically, we saw stability in the tech vertical. However, that still is a headwind to our overall growth because non-tech is growing faster than tech.

We're definitely seeing improvements in logo churn and expansion overall. And specifically what's been helping on that front is healthy AI Studio and Foundational Service Plan adoption. And so that is mitigating that somewhat. And then the adoption of Foundational Service Plans going forward is making our accounts healthier. It's just, you know, faster adoption, healthier growth. They're really investing in the medium to long term to grow utilization in those accounts. So we're very pleased by the results on the Foundational Service Plans.

Matt Bullock
Analyst, BofA Securities, Inc.
Q

Super helpful. And then just one quick follow-up, if I could. Obviously encouraging to see the NRR inflect positively in tech stable. Is there a way you can help us frame how NRR would have looked like and the tech vertical ex that $100 million TCB renewal deal?

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

Yeah sure. Happy to do that. So you're absolutely right. So the NRR did improve both in our trailing four-quarter and in-quarter. If you were to remove that one large downgrade, the NRR would have been about 50 basis points better than what we reported. The other thing I would just add, if you were to look at our non-tech NRR, it would be closer to the level where it would not adversely impact our growth.

Operator: Thank you. Our next question comes from RBC. Please go ahead, Rishi.

Rishi Jaluria
Analyst, RBC Capital Markets LLC
Q

Oh, wonderful. Thanks so much for taking my questions. Maybe just two here and really appreciate all the detail that you've provided. Dan, as you talk about maybe the potential for collaborative AI, which is super important because I think it really feels like enterprises have maybe not really cracked the code on coordinating some of these efficiency gains that we talk about. Can you maybe help us understand, are there ways for you to not only benefit from that, but even start to productize that pre – you've had success with templates in the past, maybe have AI-focused templates or playbooks to help your customers actually realize some of the benefits of coordinating with collaborative AI.

And then not to keep being too much of a drum on the whole AI search summaries and the impacts there. But you've talked about, you've seen better pipeline conversion. What do you think about investments that you can make that not only you surface better in some of these AI searches and obviously there's higher intent and better

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conversion on that. But maybe even Asana through some level of thought leadership starts to be viewed as more of actual resource or citation, which maybe drives even higher conversion than what you've seen so far? Thank you so much.

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

Yeah, Rishi, appreciate the question and many of your observations as well. Like you said, the great productivity unlock from AI is ahead of us in the enterprise, within the four walls of an enterprise. We have all, of course, experienced personal productivity gains from the foundational models. But that unlock is really going to happen when AI has the context in which to operate. And that context includes really the who, the what, the why, the how or as we describe in our Work Graph. It's really the tasks and the relationships between goals, projects, tasks, dependencies, owners and timelines and a lot of the real-time execution context too which is about status, progress, blockers and ownership so that you can really go end-to-end on those workflows and we do think that is the unlock.

I spent a lot of time in the field and I'd say we're just scratching the surface today on what those workflows are going to look like. And one little nudge that we have in the future is this thing called AI Teammates. And those are really going to be rooted in this Work Graph and AI team is actually able to reason alongside humans and understand all that rich context and decide what the next step is and follow through on the execution. So, that's when we'll see a lot of this real productivity unlock manifesting.

You talked about our thought leadership as well as being a potential source of traffic and people really leaning into what I might describe as the agentic enterprise. Yeah, of course those are some of the things that we think about. And as our roadmap delivers on that future, we really do hope to be a thought leader.

Rishi Jaluria
Analyst, RBC Capital Markets LLC
Q

Very helpful. Thank you so much.

Operator: Thank you. Our next question comes from the line of Lucky Schreiner of D.A. Davidson. Please go ahead, Lucky.

Lucky Schreiner
Analyst, D. A. Davidson & Co.
Q

Great. Thanks for taking my questions and nice to hear about the AI Studio traction. I wanted to ask, are partners starting to show more contribution as AI Studio use cases develop or is Asana taking on more of that work with Foundational Service Plans moving forward? And maybe a follow-up to that is did partners play any role in either those consolidation deals you guys mentioned from JIRA and Smartsheet? Thanks.

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

Hi, Lucky. Happy to answer that. Partners are a critical part of our strategy and growth and in particular, we certified more partners on AI Studio this past quarter that and exceeded targets that we had set. Partners really see it as an opportunity to build their Asana businesses by helping customers build and deploy AI Studio use cases. We do also recognize we're still underpenetrated with channel and partners. It's a key growth driver for us because partner managed accounts actually have higher net retention rates. So, we continue to focus and invest in this area. So, we're looking forward to seeing kind of more growth come from partners. Right now, we have a

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lot of strong momentum, in particular, in EMEA and Japan and partners are critical in many of our consolidation deals.

Operator: Thank you. Our next question comes from the line of Patrick Walravens of Citizens Bank. Your line is open, Patrick.

Kincaid LaCorte
Analyst, Citizens JMP

Q

Oh, great. This is Kincaid on for Pat. Congratulations on the great quarter here, guys. I was just curious on the AI Studios perspective side, how are you guys really, beyond just the ARR expanding significantly, what's going to be a good measure of success of is this improving workflows within the companies and then as a follow up to that, if we look out over the next 12 months, what are you guys looking for to see, this was super successful, if there's three things you could call out there?

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

A

Hey, Kincaid, this is Anne. I'm happy to answer that question. Some of the things that we are – so maybe just taking a step back, some of the things that we're really watching on AI Studio is, first and foremost, we continue to expand access to it, starting in June, we made AI Studio available to all of our paid Asana customers by introducing AI Studio Basic, which provides a trial allotment of credits. And this really lets customers experience the power of AI firsthand and it creates a natural path to paid adoption of AI Studio, either through our Plus or Pro tiers. So, now that we've expanded access, we're really looking at credit consumption, what types of value-added use cases customers are deploying. That's also part of why we're really investing in the AI Workflows Gallery.

What we're seeing is the more use case, value-added use cases customers are adopting, the more that credit consumption is happening. And therefore it leads to a sort of a path to growth to paid plans, whether that's Plus or Pro. So that's the focus area right now is wider access and then driving adoption and driving valuable use case adoption.

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

A

Thanks. And it's Sonalee here just to come over the top again. As I think about AI Studio really and its impact on our forward growth, the things that all will be watching are really our AI Studio self-serve pipeline development and conversion from that. Secondly, conversion of our basic tier. So, that's the free tier that we've now included in most Asana packages to paid. Thirdly, the level of AI Studio mitigating downgrade risk. And this is something that we've already seen. So, you've heard us talk about being multi-product, causing NRR to improve and really looking for those stickier customers as they attach and buy more than one product for us. So, whilst it's too early to revise our guidance on account of AI Studio, we do expect to see AI Studio continue to ramp in terms of our ARR and it will have a much more meaningful contribution as we think about fiscal year 2027 and drivers to accelerate our growth.

Operator: Thank you. 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

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Great. Thanks for taking our questions, guys. The first one is on maybe just focusing on tech renewals. So, outside of the very large customer, how have tech renewals performed relative to your expectations here in 2025 versus maybe calendar year 2024? And then I have a quick follow-up.

Anne Raimondi A

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

Hi, Jackson, I'll take that first one. Tech renewals have been actually performing better compared to a year ago. I think some of that is, as I mentioned, just greater operational scrutiny on our renewals, better management of them ahead of time on utilization and sort of healthy utilization. But I think the other thing is, we're seeing customers be a lot more intentional about their tech investments. And so, that's been quite helpful as customers are going through consolidation, they see that the Asana users and departments are actually quite happy. And so, that's also driving some of the renewals, which is, we're seeing that Asana is replacing maybe other technologies and platforms that don't have that same level of utilization or team engagement. So, overall, I would say renewals this year for tech are healthier and better than renewals last year.

Jackson Ader Q

Analyst, KeyBanc Capital Markets, Inc.

Okay. All right. Great. And then a quick follow-up, Sonalee, on the timing of hiring getting pushed out of the second quarter and into the second half, is that just a regular life happening where you just – you wanted to hire more, but it's flipped into the second half or was that like a conscious decision that you made? Thanks.

Sonalee Elizabeth Parekh A

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

Yeah, it wasn't a deliberate, conscious decision. It really was timing, which is why I wanted to call it out because it's not like we've decided not to hire those people. Those will come into the second half and again, fully reflected in the guide that we provided today.

Operator: Thank you. Our next question comes from the line of Josh Baer of Morgan Stanley. Please go ahead, Josh.

Josh Baer Q

Analyst, Morgan Stanley & Co. LLC

Thank you for the question. Was hoping you could talk a little bit more about the go-to-market for AI Studio. I know you're referencing self-serve and some other successful examples. But was hoping you could talk about how much of it is back to the base type of expansion within existing customers. Is it helping to land new customers? And then for existing customers, if you could talk a little bit about kind of the conversations and the motion, how much of it is inbound demand from customers versus like focused outreach? Any context there would be great. Thanks.

Anne Raimondi A

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

Josh, thanks for the question. I'm happy to answer that. We have two motions with go-to-market. As Sonalee mentioned, one that we've been investing in is the Asana motion of self-serve. So, making AI Studio available self-serve to a lot of our SMB and smaller corporate accounts has been a great way for customers to be able to try it, get value and then when they need help, they can raise their hand and work with an account team.

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With our larger accounts, we've really first intentionally gone out to some of our, what we call, our builders, so customers that already have adopted rules are deploying workflows and now AI Studio can really accelerate their workflow development because it's just faster, more efficient and more powerful. And so that was the early go-to-market approach. We have actually seen some really good successes with brand new customers adopting AI Studio from the get go.

There's been a number of examples in both our EMEA and Japan markets where customers are coming in and wanting an AI-driven workflow solution from the start, but the original go-to-market motion was really selling into the installed base. So now that we've gotten cycles on both, I think those are the things that we're investing in. So self-serve and then the expansion opportunity there, going to installed base and giving them even more value and then being able to position new use cases for net new customers.

Operator: Thank you. Our next question comes from the line of Brent Thill of Jefferies. Brent, your line is open.

John Byun
Analyst, Jefferies LLC

Q

Great. Thank you. This is John Byun for Brent Thill. Two questions. One, maybe for Dan. I mean, as you were doing your due diligence before you joined and in your customer conversations after you joined, I mean, what kind of stood out about Asana's collaborative software technology and its approach to AI that you think is differentiated? And then I have a follow-up for Sonalee. Thank you.

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

A

Yeah. So, on the first question, as I described a bit earlier, we kind of all know AI is going to infiltrate the enterprise. It is going to be a productivity unlock. So, the question for myself was, so what's the gap? Why hasn't it happened today? Why have so many of these GenAI projects failed if we know that the inevitability of agentic enterprise is just around the corner? And the answer is the guardrails upon which AI works and those guardrails are super important. If AI doesn't understand the context, then it just can't add the value that enterprise needs, it's almost taken for granted that modern workflows need to have that context to be – to actually complete themselves. So what is that context? What context really matters? Well, you need to understand the who, which is who are the owners, what are the dependencies? You need to understand the what, which is the tasks, the projects that they're working on and the goals; you need just to understand the when, which is the timelines that things need to be delivered on. And you need all of that to be real-time and updated as the work travels through an organization.

So if you think of workflows, it's clear to me that the modernization of workflows are AI-enabled workflows that are about human-AI collaboration. And what better place for that to happen than on a collaboration platform that already has AI Studio. So, that was my mindset. And I would say as I visit customers and partners in my first 40 days, that really has been reiterated in spades that a great productivity unlock from AI is just ahead of us.

John Byun
Analyst, Jefferies LLC

Q

Great. Thank you. That's very helpful. And then my follow-up would be, I think in the prepared remarks, I think Sonalee, you alluded to some more downgrade pressure potentially in the second half. Where are most of those customers are in terms of maybe customer size, is it with the largest? And is that mainly the tech vertical or elsewhere as well? Thank you.

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

A

Yeah, thanks. So this is partly seasonal with Asana. So the second half typically does have a larger renewal base. The ones that I called out in the prepared remarks were tech downgrades, but they are nothing like the scale of the one that we called out last quarter. So they would be significantly smaller than that. It's just that there's a larger volume of them in the second half than first.

Operator: Thank you. Our next question comes from the line of Taylor McGinnis of UBS. Please go ahead, Taylor.

Taylor McGinnis
Analyst, UBS Securities LLC

Q

Yeah, hi. Thanks so much for taking my question. Maybe just one for me. I'd love it if you guys could talk about the demand trends that you're seeing across enterprise and SMB so far at the start of 3Q. And the reason I ask is because it looks like if SMB and I know you guys announced this partnership with MasterCard, it seems like that could be a tailwind that potentially offsets potentially some of what you're seeing on the SEO side. You have AI Studio, right, that could help on the retention side on some of these enterprise deals. So could you just kind of walk us through the puts and takes and how some of these self-help initiatives have the potential to translate to good growth in the second half? Thank you.

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

A

Hi, Taylor. It's Anne. Thanks for your question. In the demand environment, we're pretty much seeing the same dynamics that we saw last quarter. As we mentioned earlier, we are continuing to see strong activity in new business, both in enterprise and SMB. But given the pressures on top of funnel, I think we're being thoughtful about what that's going to turn into for SMB through the latter half of the year. We're going to continue to ensure that we are going out to market with the multiple products that we have. I think that's one of the things that'll help in both SMB and enterprise. So, that's the real focus area for us for the second half of the year.

Taylor McGinnis
Analyst, UBS Securities LLC

Q

Great. Thank you so much.

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 Citibank, Piper Sandler and the Wolfe 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 so much.

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

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