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Asana, Inc. (ASAN)

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MANAGEMENT DISCUSSION SECTION

Andrew DeGasperi
Analyst, Berenberg Capital Markets LLC

Hello. Welcome, everyone to the third day of our Berenberg Thematic Software Conference. My name is Andrew DeGasperi, I'm a senior analyst covering the enterprise space here. It's a pleasure for me to welcome Tim Wan, Chief Financial Officer for Asana, welcome.

QUESTION AND ANSWER SECTION

Andrew DeGasperi
Analyst, Berenberg Capital Markets LLC

Q

And I'd like to kick it off with maybe a quick introductory question for people that maybe not be familiar with what you do. Maybe if you could give us an overview on Asana and why should they look at the stock now?

Tim M. Wan
Head-Finance, Asana, Inc.

A

Okay, sure, yeah. Well, Andrew, thank you again for having – for inviting us. We're very excited to share the Asana story with you and the investors that's on the call today. So Asana was founded in 2008, the Co-Founders are Dustin Moskovitz, Co-founder of Facebook and Justin Rosenstein. And Justin was also an early Google employee as well as an early Facebook employee. And they wanted to solve this problem that they face when they were very early on at Facebook. And this problem was this coordination, this spending so much time on work about work and trying to figure out where things were at and not having clarity or team alignment.

So, Dustin and JR on the weekends in the early days at Facebook started writing, built their own product at Facebook. It took off virally and more and more – and they saw all the value that they were getting – that they were getting on the engineering team and then it took off to other parts of the organization. And when Dustin and JR left Facebook they thought wow, the impact that it had on teams and organization within Facebook, what if we commercialized it and have the same impact for companies and teams outside. And thought, hey, giving people

5%, 10% or 15% of their time back to work on the things that really matters to them and reducing this work about work. Wouldn't that be amazing?

So that's kind of the premise of how Asana was founded. So Asana is really a collaborative work management platform. And if you're kind of new to the story the best way for me to like try to get people to think about Asana is if you're familiar with Jira or [indiscernible] (00:02:25) we are Jira for non-developers. That might be a very easy and simplified way, but we're probably we're much broader from use case standpoint much more horizontal and much more easy to adopt.

So the value proposition is that we help teams collaborate, be more efficient by providing clarity and bringing alignment to their work. And so the three macro trends that we see is this problem of the chaos at work. 60% of knowledge workers today they're still doing it. They're spending their time doing work about work. With remote work we think over time and people being back to the office and teams being distributed, organizations need more clarity on alignment more than ever. So yeah, that's kind of the quick pitch on Asana.

Andrew DeGasperi

Analyst, Berenberg Capital Markets LLC

Q

Well then, we can all agree that Facebook did pretty well [indiscernible] (00:03:27) product was built. But I guess when you mentioned that Asana helps workers be more efficient, definitely something that I think we can all attest to during a pandemic working from home and the difficulties of collaborating. One of the things I did want to ask you, is Asana did a fairly extensive study on the problem I think. I mean, one of the takeaways I noticed was everyone – you came away, then everyone's burned out. But maybe you can highlight some of the [indiscernible] (00:04:01) was illuminating to you in terms of that study and what – how can Asana help on that front?

Tim M. Wan

Head-Finance, Asana, Inc.

A

Yeah, I think the burnout one like 70%, 71% of knowledge workers experience burnout especially during this period, during the pandemic. The one constant that I was kind of surprised at we haven't seen as much progress despite all the collaboration tools, all the messaging tools, all the different ways that we can work together is this kind of knowledge worker still say that, they're spending 60% of their time just doing work about work.

And this problem is so massive and the feelings that people have around this that they're not having an impact, and that they're spending way too much of [indiscernible] (00:04:57) just coordinating versus doing the work that matters. The fact that we haven't made a lot of progress really surprise – kind of surprised me.

And I think in conjunction with that, I think like and I think even in the survey people are very honest. 26% of them self-reported that they're missing deadlines, things are being dropped and that it's just really hard. And that's really hard with the way that we work now even with especially with kind of remote work or distributed teams and just the lack of clarity and alignment and the blurring of the lines between even home and work. So, I think that study just really illuminates the large [indiscernible] (00:05:39) market and the problem they're trying to solve.

Andrew DeGasperi

Analyst, Berenberg Capital Markets LLC

Q

Do you think the challenge maybe Tim is the fact that there's not a lot of what I would call awareness that those are available because I'm assuming the survey was just Asana users, it was probably broader-based. So is it a fact they just don't know that there's these other platforms are out there that can help really meet those deadlines, be more transparent and provide visibility and increase collaboration?

Tim M. Wan

Head-Finance, Asana, Inc.

A

Yeah, I would say so. I would think – I would say that we're still in the very early innings of a very long ball game. We think of the addressable market as like 1.2 billion knowledge workers, and we now have over 1.5 million paid users. So if you just – just the 1.5 million against 1.2 billion, we just feel like, wow, there's so much room and there's so much runway for growth in this market.

And I think you're right. I think the – I think what the pandemic has really helped illuminate is that the biggest impediment before was getting change management, getting people to adopt something new or changing the way they work. And I think what the pandemic forced was essentially knowledge workers had to figure out a new way to coordinate. First, everybody like how do we even just get on the same page and probably like how do we even like see each other? Zoom was probably like the big beneficiary, obviously.

But I think once people got through that like, okay, well, how do we stay connected? How does our work stay connected? Who's got what? What does that do? And I think more and more our top of the funnel has remained really healthy and strong during the pandemic and even now.

And what we're seeing in some of our data is that the cohort of customers that's coming in during this period, their adoption is better and their retention is better, which really tells me that the change management element of adopting something new, a new way to work, is accelerating.

Andrew DeGasperi

Analyst, Berenberg Capital Markets LLC

Q

Right. That's very interesting. I would say the one thing I wanted to ask you is one of the early use cases for Asana that I am at least speaking with some customers were what kind of obvious with marketing and onboarding of personnel sort of like your chat functions so to speak. How is it expanding beyond those two areas? And I think what I'm trying to get at with the question is, clearly, Asana is – what you say is cross-functional. It doesn't just supply to just one specific use case [indiscernible] (00:08:30)?

Tim M. Wan

Head-Finance, Asana, Inc.

A

Yeah, I think, generally, we do land with marketing teams and primarily I think part of that is marketing teams are just a organization that's really cross collaborative and there's generally not a commercial tool out there that's really specific for that work. And given the nature of their work, the creativity, the design, the cross collaboration across the entire company around events, product launches, campaigns were uniquely suited given just a flexibility and horizontal nature of our platform.

And you actually mentioned this, the onboarding, because you probably interview some of our customers during the pandemic. That's actually the one use case that I would say that I've been pleasantly surprised to see more and more of that, if you really think about how employees were being on-boarded pre-pandemic, companies probably had their very standardized template. They may have done it – did it out of Excel or a Google Sheet or even just e-mail or sticky notes and say, okay, this is how we onboard a physical person.

And companies really had to rethink how they onboard employees in a remote setting and how do you create tasks and make sure they fill out the right forms, connect to the right people and – so, we've seen a lot of new use cases that's really associated kind of like cases like an onboarding or even publishing is another one that we've

seen. So it's just pretty much across the board. I think all workflows that people were took for granted in a in-person environment had to be re-architected or rethought about.

Andrew DeGasperi

Analyst, Berenberg Capital Markets LLC

Q

And one of the things that I noticed particularly after the last quarter was that you seem to be continuing to accelerate growth despite the pandemic. In other words, you didn't see what I would call a pop in the early days as people went remote. And then all of a sudden you're kind of decelerating or facing some difficult comps as economies reopen. Would that – is that a fair statement? You've been consistently moving in the upward trajectory.

Tim M. Wan

Head-Finance, Asana, Inc.

A

Yeah. I would say we did see some headwinds last year during the pandemic and I think given our large customer base. We have customers that were impacted. They were in hospitality, travel and retail. So we did see – we did have higher churn during that period, but we also saw pretty strong top of the funnel. And I think – and we – even prior – before the pandemic we're already growing north of 70%. So even pre pandemic we're growing fast.

And I think what we're seeing is now that hey, with kind of this tailwind of the pandemic where the change management element is lower, our top of the funnel continue to be strong and users and companies are trying to figure out a new way to adopt tools to help their teams have clarity and alignment. And I think we're benefiting from that. Like I said the – what's really encouraging for me is the users that we're getting today are – have higher utilization, lower churn and my suspicion is what will come out of the pandemic with a better customer base than we entered in the pandemic. So, I think that's really encouraging for us.

Andrew DeGasperi

Analyst, Berenberg Capital Markets LLC

Q

That's very interesting. A little bit in terms of the competitive landscape. I think we should dive into that a little bit. I mean, obviously there's a huge market [indiscernible] (00:12:29) some estimates out there like \$40 billion, \$60 billion, \$80 billion, \$90 billion in revenue, but the penetration as you said really very small. We are maybe single – low single percentage points, but there are a lot of products out there competing products, just wondering in terms of what differentiates Asana from these other products? I think you mentioned Jira is for software developers in particular. But how would you say Asana today is different than for example monday.com or [indiscernible] (00:13:05)?

Tim M. Wan

Head-Finance, Asana, Inc.

A

Yeah. I think there's a couple of big differentiation. I think one of the areas that we really focus on as a company and we feel a strong differentiation is the fact that we're easy to use and adopt and that we have a really strong focus on the end user. And you saw that with the announcements that we had a couple – about a week and a half ago in terms of some of the integration that's really specific to help end users be more successful from a – from their ability to focus. So we launched an integration with Vimeo. We launched integration with Clockwise. We added dependency or custom rules for MyTasks, so users can really focus on their work. So I would say that's like that easy to adopt that focus on the end user is one.

I think the other one is not as noseful, but is probably the biggest differentiation is our Work Graph. Many of the other players in the space have a architecture that's based on a container model. Our architectures based on

what we call the Work Graph, think of it as a social graph that a unit of work can live in multiple places and connected to multiple projects. And when you update that unit of work or when you update that record, everything else is updated.

So you don't have – in a container model, you could copy that unit of work into another project, but – and then you can copy it again in a third project. But we think work is really complex, right? Work is like this coordination and how you do work with different people. So it's much more efficient to have this Work Graph that allows you to leverage – to allow you to leverage that one piece of information across multiple work streams.

And the beauty of what we're building is we launched Goals earlier kind of at the end of last year. And what Goals will allow us to do is connect every piece of work up to the objective of the company. So you can think of it as, we have this, what we call the pyramid of clarity so task, projects, portfolio, objectives.

You can think about – you can kind of think about the architecture that hey, a individual contributor or team member at the lowest level with 50 task or 50 pieces of different of work will be able to see how their work impacts the objective of the company and vice versa that the leaders of that organization will be able to go right into the objective and understand what are the projects or the portfolio of projects that are really important to this objective. And then double click and understand where things are at, one of the bottlenecks and how they need to rebalance their resource to hit the objective.

So you can think of that as kind of a longer term, the longer term view of what we're really building. But you can start seeing the pieces altogether, universal reporting, making my task even better, OKR and Goals reporting. And so all these things are kind of a manifestation of the [ph] pyramid (00:16:36) of clarity.

Andrew DeGasperi

Analyst, Berenberg Capital Markets LLC

Q

Yeah. That's – I mean, I definitely would say it helps to know who is following behind [indiscernible] (00:16:46). I just want to know then another in terms of competition. I mean, we always hear from investors, well why doesn't Microsoft do that? Why doesn't Google do this with Microsoft Planner? I mean, would you say the same characteristics that Work Graph differentiation, the integrations is what differentiates you with those tools? Or is it something that might be call it lacking in those specific – other specific issues that might be lacking on there...?

Tim M. Wan

Head-Finance, Asana, Inc.

A

Yeah. Yeah. I think I mean we're in the software business, so obviously like I think Microsoft, Google they have talented engineers and these things can be built. But I think the way we view it is especially with Microsoft, the coronation layer is so broad, you need a unified strategy and point of view across every one of their – they would need a point of view on every one of their productivity suite and how they view work being connected. And I don't think they have that point of view today, we've been thinking about this problem for much longer and they probably would have to re-architect a number of different products to even do the – to do what we can do, not to say that they can't do it. So I think that's one.

I think the other point is unlike Slack or even Zoom, I think in our space, it's not an all-or-nothing for a company proposition right now, right? Zoom, you kind of want your whole company to be on that. Slack like messaging is one where like you kind of half of your company on Teams and then half your company on something else. But I think with work management, we can live within a department or a team for a long period of time continue to expand and stay within that department. So we're less – I would say, we're also less of a threat in that way to some of the bigger players in the space. But I think the category is just so – the TAM is so big. And I think if you

look at the other players in the space, we're all growing fast. And the reality is we don't see each other. We barely see each other. And I think that really just speaks to the nature of how much runway we have in this category.

Andrew DeGasperi

Analyst, Berenberg Capital Markets LLC

Q

Yeah. And I just want to quickly touch on that, I mean the – you don't see each other and I noticed that a lot of customers we spoke with said that they oh, there's different teams that have used different tools and three or four are using Asana, they don't even know each other within the same organization. So just curious a little bit in terms of as you accelerate that enterprise or the ELAs within your customer base, once you sign these deals like the one you did recently, that 50,000-seat more deal that you recently announced. Is there a chance that you can get very competitive for those larger enterprise deals over time?

Tim M. Wan

Head-Finance, Asana, Inc.

A

Yeah. I mean, I think – certainly I think we do have this view that over time, given the importance of work management, that the consolidation will happen longer term. I think in the short term what we're seeing today now and probably in the short to midterm is that there'll be – that we'll coexist with other players like we coexist with Jira. We coexist with Smartsheet and some companies. We coexist with Monday and other companies. And I think the nature is that we can continue to coexist for a period of time.

But I think what's really important for us is that Asana is built for scale. Asana is built for cross-collaboration. And I think what we've proven is even with this 50,000 seat, as that – that we have deployments that are large and allows organizations to have – to cross-collaborate effectively. Even the next-largest customers are still in the tens of thousands of seat. So we know – we've built a platform that's robust, that's robust enough for us to kind of like try to maintain moving up the enterprise trajectory, if you will.

Andrew DeGasperi

Analyst, Berenberg Capital Markets LLC

Q

Yeah. That's helpful. I wanted to touch a little bit on the integrations that you mentioned earlier. Obviously, you've integrated you mentioned with Zoom and Slack and other communication tools. You've also integrated with some content tools or content layer. Just curious in terms of why is that really so important to have those integrations? And then, secondly, where are we in terms of that integration roadmap? Are we – have you basically integrated with everyone that [indiscernible] (00:21:33) is needed at this stage, or do you think there's still a long runway in terms of these third-party applications that could work with Asana?

Tim M. Wan

Head-Finance, Asana, Inc.

A

Yeah. I think – I would say we have this approach of making the product rich and great for the end user and the integrations that we launched recently are for end users. We also talked about on earnings call that we'll be launching a gallery which will allow other – which essentially will allow other developers and other companies to build on top of Asana.

So I think there's definitely more to come. I think we're going to be – we're living in a world, we're best-of-breed. And the dynamics of end users because of SaaS end users adopting wanting to get up and running very quickly with a tool to get their work done whether it be Asana or whether it just be something else. I think that's not going away.

The days of IT dictating to the end user what they're going to roll out, I think, is shrinking. And that it's really the business users and the end users that's dictating back to the organization. Hey, these are the tools that we want to use. This is what we're already using. And we wanted to play it in a more broad sense. And I think that's the world we're living in today. It may not be the majority but that's probably the – that's probably the use case in how organizations and IT organizations are responding.

Andrew DeGasperi*Analyst, Berenberg Capital Markets LLC*

Q

That's helpful. And then in terms product road map, if we [indiscernible] (00:23:12) of that topic. You've been very prolific in terms of enhancements. Last week, you had a Focus & Flow [indiscernible] (00:23:22).announced several upgrades or additions to the platform. Can you maybe – for those who may not have listened in, run through what those are and what should we expect maybe in the next few months?

Tim M. Wan*Head-Finance, Asana, Inc.*

A

Yeah, sure. So we did a – we updated My Tasks, which is really the end-user experience that includes automations and dependencies, so made it a much more rich experience. We launched integrations with Vimeo. So you can now have video messaging or recording attached, integrate into Asana. Asana will actually – what I'm not sure we talked about as much was that we'll actually transcribe that video and it can become searchable, so that becomes part of the Work Graph which is really important long term. We also integrate it – we also announced an integration with Clockwise. So – which is really calendaring as you're creating tasks or projects you can actually set time, it will integrate into your calendar. So block off time for you to work on those things that are most important to you.

So that's like – that's one end of kind of the easy-to-adapt pillar where we think about making the user – making – really focusing on the end user, making sure that they're having an impact that Asana is helping them do that. And then the other side is in the fall, we'll be making some more announcements around enterprise functionality. But that's going to be a fall announcement, so that will be exciting. So you can kind of see the two spectrums announcements that we'll have.

Andrew DeGasperi*Analyst, Berenberg Capital Markets LLC*

Q

No, I don't want to steal your thunder on the new announcements, but it's interesting. I guess when it comes to the user community which is pretty active, I mean, we actually look at it from time-to-time. What did you – what would you say the most popular requests are in terms of new capabilities?

Tim M. Wan*Head-Finance, Asana, Inc.*

A

Wow. Yeah. That really depends, I think like on the end user – on the end user side the smaller teams or the individual users, hopefully, we were able to address some of them with – integrations with Clockwise and messaging and video messaging. I think on the enterprise side, it's generally control – more controls, admin controls, and those will be some of the – those will be some of the things that we'll be talking about kind of in the fall and obviously taking a kind of this at marketplace if you will that we'll also be discussing in the fall.

Andrew DeGasperi*Analyst, Berenberg Capital Markets LLC*

Q

Got it. And just if I – touching a little bit on the enterprise customer opportunity, as you mentioned earlier, there is a large enterprise deal, 50,000 seats, I think you said it like – I think we said [indiscernible] (00:26:30) figures or so, which is very big by your standards. I mean, how should we think about that opportunity in terms of what it contributes to growth, top-line growth and [indiscernible] (00:26:41) differ for this type of customer versus what you did historically?

Tim M. Wan*Head-Finance, Asana, Inc.*

A

Yeah. I mean I think that's – we – it's our first eight-figure deal, obviously, and we're very proud of it. And I think it's really just demonstrates the power of Asana and the viral nature of the product. And this customer wasn't someone that we landed via an enterprise sale. This customer actually started bottoms up maybe five years ago. A team – someone from their team creating account on a credit card, add a number of users, and it just grew and grew in an organic way. And then we engaged with – from both a customer success standpoint and inside sales, and we're able to really successfully ramp this account.

Obviously we love to have more of those. But if you step back and you look at our customer base, we have just over 11,000 customers paying us \$5,000 or more. And that customer base only represents about 64% or 65%, 64% of our revenue. And that revenue grew 82%.

So – and we're only less than 5% penetrated even within that customer base. So, even if we were to double, triple, quadruple just that existing cohort, we would have extremely large business. So, I tend to think about the motion as more how we move our 5-K customers to spend \$50,000. And how do we move those \$50,000 to be in the \$100,000. And then I think gradually over time what will naturally continue to kind of get them into these seven figures and then eight figures. But there's just so much runway just even on the 5,000 customer cohort that we fit really feels early days.

Andrew DeGasperi*Analyst, Berenberg Capital Markets LLC*

Q

Right. So, we're going to...

Tim M. Wan*Head-Finance, Asana, Inc.*

A

We don't – the business doesn't need to be one or two eight figure deal. The business could be a very lucrative just slowly moving those customers up the value chain and getting them to continue to expand.

Andrew DeGasperi*Analyst, Berenberg Capital Markets LLC*

Q

I guess if we can maybe touch a little bit on the sales motion. I mean I think historically like in terms of how people can trial and now for free I think that you [indiscernible] (00:29:08) 15 people use it. And then I guess beyond that if you want some additional features, you're going to need to pay for it. But how does your sales organization as they build that out approach these customers? Is it entirely call it, cold-calling type sales motion or is this something a little more like a smart sale or a warm – is it much warmer than that?

Tim M. Wan*Head-Finance, Asana, Inc.*

A

Yes, it's very warm. So we have a [indiscernible] (00:29:41) motion where the majority of our customers, that's – the majority of our customers, that's how they land. There's not a salesperson. They're just coming on their own

either organically or via paid search. Only until I would say, 50 to 100 paid users on that account does a insight salesperson or customer success account representative reach out to help with them. And just like what are the use cases? How do we increase adoption? Have you thought about this? We – every account at Asana has account health score and that health score helps our sales team understand both the utilization, adoption trajectory and opportunity. So our insights sales team are all working off a pretty solid book of warm leads. Right, so they're all essentially existing customers that are looking to expand.

Andrew DeGasperi

Analyst, Berenberg Capital Markets LLC

Q

Yeah. And I guess maybe for the audience, might have been familiar. I mean, what is the advantage of being an enterprise customer versus just a normal premium or free customer?

Tim M. Wan

Head-Finance, Asana, Inc.

A

Yeah. So the enterprise product have more admin and security controls. So I think it's probably much more – it's got more robust functionality. But what it really does well is allows your IT team or the admin of the team – of the group to really control who can see what, how do you get certain things and it has enhanced security. And that generally that's – also has some easy functionality like single sign-on and things like that. But I would think of it more as like more admin controls and enterprise readiness.

Andrew DeGasperi

Analyst, Berenberg Capital Markets LLC

Q

Right. And I think that's also, for some companies, there's an ISO. So in order to – for them to meet some ISO standards, you need to have that, right?

Tim M. Wan

Head-Finance, Asana, Inc.

A

That's right. Yeah. Yeah. That's right.

Andrew DeGasperi

Analyst, Berenberg Capital Markets LLC

Q

In terms of the – I mean, the [indiscernible] (00:31:50) predominantly today, you're North America. Obviously you have some more robust ambitions to expand internationally. Can you maybe explain what are you doing on this front?

Tim M. Wan

Head-Finance, Asana, Inc.

A

Sure. So we're 60% – our revenue is 60% North America, about 40% international. We have sales offices in Dublin, London, France. We're opening up office in Singapore, we have an office in Japan, we have an office now in Sydney, Australia. So international – I would say international and North America are both growing fast and any given quarter one can grow slightly faster than the other. But they're all growing very fast. And I would say what we're doing in Japan is we're building out – the Japan market is slightly different. I would say that's probably one market that we've been really surprised by the progress we've made and trajectory in some of the logos that – some of the logo wins, very traditional Japanese companies that are really embracing digital transformation.

And then I would say in Europe, it's growing fast as well. And we have small companies to large companies like in Germany, we have [indiscernible] (00:33:15) which is one of our larger customers with essentially kind of close to wall-to-wall type deployment. And this is like a 100-year-old HVAC company, running their business HVAC company running their business on Asana. So the use cases are super broad, and it's really encouraging to see that. It's not just Silicon Valley's or tech companies adopting this new way of work, but that there's traditional 100-year-old companies that are global, international companies that are also looking for a new way to work.

Andrew DeGasperi*Analyst, Berenberg Capital Markets LLC*

Q

Right. And then one of the elements that I couldn't help, I notice is that your – there might be helping also on the international front, but in the US as well is that you've announced recently the launch of a channel partner program for Asana. How would this change your sales motion in any way? What are the potential financial implications of that? And maybe just generally why now? You've been around for a long time. Why would you want to engage with partners at this stage?

Tim M. Wan*Head-Finance, Asana, Inc.*

A

Yeah. I would say channels is still a small part of the business. It's not material yet, but it's growing fast. And I think what we're encouraged by is if we look at the over 30 million registered users that we have on Asana, they – there are users all over the world and countries that we have no presence. So the use of channels in those countries and in those geographies could be really highly leveraged for us. So it's a new – I would say it's a new motion. It's growing fast. But it's an area that we hope to unlock, and we think it's another growth opportunity for us.

Andrew DeGasperi*Analyst, Berenberg Capital Markets LLC*

Q

Got it.

Tim M. Wan*Head-Finance, Asana, Inc.*

A

Yeah. Like languages that we launched: Chinese, Polish, Russian. So there's a few other languages that we launched recently. And we're not – in some of those countries we don't expect to have a physical presence. So using channels we'll be essentially a highly leveraged way to get in.

Andrew DeGasperi*Analyst, Berenberg Capital Markets LLC*

Q

Yeah. I think – forget it if I'm wrong, but 13 languages is what the...

Tim M. Wan*Head-Finance, Asana, Inc.*

A

Yes. Yeah. That's right.

Andrew DeGasperi*Analyst, Berenberg Capital Markets LLC*

Q

Now, maybe if we can turn to AI and automation. I mean that's an area that a lot of software companies are brandishing or talking...

Tim M. Wan

Head-Finance, Asana, Inc.

Yeah.

A

Andrew DeGasperi

Analyst, Berenberg Capital Markets LLC

...about in terms of part of their product. Can you elaborate what Asana's capabilities are at this stage and maybe how will that evolve over time on the platform?

Q

Tim M. Wan

Head-Finance, Asana, Inc.

Yeah, I would say we're still in the early phases of kind of building out the AI/ML capabilities. I think it's – the beauty of Asana is we have a very rich set of data now around the work for an organization. And I think in our vision video that we launched last year, ultimately what we want to be able to do is understand what your dependencies are, be able to tell you what are the most important things for the company that you should be working that day and then what are the dependencies that your co-workers may be relying on for you to complete to help the objective. So essentially admit it's like a GPS for your work. It's kind of the ultimate goal that we're trying to build. And that's the level of AI and helping organizations get from point A to point B in the most efficient way possible.

A

I think there's a vision event that we had last year that I would encourage everyone to kind of go back and look at. And I think we'll be – there's also – I think there's also some stuff on our website that talks about how we think about the longer roadmap for the product. And we're one of those companies that's super transparent about what we're trying to build and the value that we want to bring to our customers. So, we really don't have a lot- we don't – we're not hiding anything from an ambition and product roadmap standpoint.

Andrew DeGasperi

Analyst, Berenberg Capital Markets LLC

Thanks. And then maybe if we can talk at some financials at this stage. Historically, a very high growth company, north of 50%. I know the guidance right now was upped recently on the latest earnings call. Potentially you're likely to exceed that guidance again. Yeah. What should we expect in terms of growth? I mean, are these sustainable levels in your view? Or you're just being conservative in terms of their guidance and you actually think that these type of growth numbers can be sustainable for a bit, not for long term, but for a little bit of time?

Q

Tim M. Wan

Head-Finance, Asana, Inc.

Yeah, I mean I think we think the TAM is large. We think we're still in the early stages. The category is still new. There's just massive runway. So we think we're going to continue to focus on growth in the short and mid-term. And we think there's just a lot of opportunity in front of us to not just grow our new customers, but also expand within the existing customer base. So, there's just – I think if you kind of look at our financials you'll see that the number of customer grew by 30% year-on-year. Our ACV grew in the mid-20s. And our seat – we don't disclose our seats every quarter. But if you kind of look back at the last time we disclosed seats, that also grew at a healthy clip as well. So, we try to – our growth isn't predicated on just focusing on the existing customer base or just growing ACV. It's really kind of focusing on new, expand with existing, let's get more seats and then growing with ACV over time.

A

Andrew DeGasperi

Analyst, Berenberg Capital Markets LLC



That's helpful. And then I guess how would investors' measure success for Asana, because I know some investors here might be familiar with such metrics as backlog and billings and other metrics. But for – if I remember, your business does not necessarily have these longer term contracts that we see another [indiscernible] (00:40:02) so it might not be the best measure – measurement. So how should [indiscernible] (00:40:06) from that perspective?

Tim M. Wan

Head-Finance, Asana, Inc.



Yeah, I think in the short to mid-term about revenue is probably the best indicator because about a third of our revenue are still on monthly contracts, so billings isn't necessary. So you don't see that part in a deferred revenue, because of our kind of go-to-market motion where we just land with a lot of teams, a lot of teams do start on monthly and when they expand over time that's when they move to the annual. So, I think short to mid-term just look to our GAAP revenue as a good indicator, but I think if you're looking for bread crumbs obviously like RPO grew, I want to say about 80% which was in our filing and then on a billings basis we grew about 80% as well. And then even if you adjust that for the eight figure deal it grew north of 60%. So, I think any given quarter there could be some fluctuations, but I think over the long-term we feel really good about the growth trajectory and the progress we're making.

Andrew DeGasperi

Analyst, Berenberg Capital Markets LLC



That's helpful. And maybe we could talk about margins, profitability. I mean, one of the things that I was impressed with Asana was the gross margin which I think longer term we expect it to reach somewhere between 88%, 90% which is one of the highest we've seen. Can you maybe elaborate a little bit what gives you the confidence you can get there? Does it [indiscernible] (00:41:41) the architect, the software architecture the host? What is special about it that potentially gives you that kind of margin profile?

Tim M. Wan

Head-Finance, Asana, Inc.



Yeah. I would say three, four years ago we spent quite a bit of time re-architecting backend, so they can scale. Especially with the way we were building the data model around the Work Graph. So we've invested a lot for – so that we can have these kind of gross margins and that the business can scale in a very efficient way. So we expect our gross margins to be north of 88% to 90% in the foreseeable future. We don't have – we have very minuscule PS revenue and just given the nature of the product, customers don't need a lot of professional services or implementation services, because teams can easily adopt and get up and running pretty quickly on Asana. So I think we're really – yeah, the business model is great just from a gross margin perspective and the investments that we made it feels like it's really paying off.

Andrew DeGasperi

Analyst, Berenberg Capital Markets LLC



Just to quickly follow-up on that operating margin level. I think the plan is once the investment phase is over for those to potentially start generating some leverage. Just wondering can you let the audience know what those numbers are and what your expectations are?

Tim M. Wan

Head-Finance, Asana, Inc.

A

Yeah, I think right now what we said well, we've kind of said on the earnings call was that we expect year-over-year operating margin to improve. But we're still primarily focused on growth. And if you go back onto the investor deck which I think is still up on our website that you'll see kind of a growth phase operating margin. And then you'll see a longer-term model on operating margin. But just given our growth rate and the opportunity we have, we feel really good about the progress we've made. But it's – we're focused on the top line and we'll continue to make progress on the bottom line.

Andrew DeGasperi

Analyst, Berenberg Capital Markets LLC

Q

That's good. Maybe for the last question, M&A. We have not really seen Asana at least publicly [indiscernible] (00:43:48) short period of time. I guess what's your philosophy between organic and inorganic growth?

Tim M. Wan

Head-Finance, Asana, Inc.

A

Yeah, I think at the core we have such a high bar in terms of the – high bar from an engineering standpoint and the end user experience that we really haven't come across anything that we felt that we can integrate in a first class way. And just given the talent that we have on the team, the team feels that we can generally build on top of the platform in a much more efficient and a user-friendly way.

And we've also partnered with other – in the instance where like Clockwise, we didn't build that, like Clockwise built the integration. And we're leveraging partners to bring some of the functionality into the platform. So I think what you'll see from us is more partnerships like that where we're bringing other functionality from third party who's helping us into the platform.

But that's not to say that M&A can be something we look at down the road. But the reality is the history of the company is that we're really focused on having a first class experience. And I think M&A can – you can easily deviate from that principle when you do product M&A.

Andrew DeGasperi

Analyst, Berenberg Capital Markets LLC

Makes sense. Well, Tim thank you for joining us today on this fireside chat. It was very illuminating. If investors have any questions, we also have [indiscernible] (00:45:21). Feel free to reach out to IR of Asana or reach out to us for any questions. Thanks, Tim.

Tim M. Wan

Head-Finance, Asana, Inc.

Thank you. Thanks, everybody.

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