



Asana

Third Quarter and Fiscal Year 2022 Earnings Call

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

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Rob Oliver, *Robert W. Baird*

Steve Enders, *KeyBanc*

Ittai Kidron, *Oppenheimer*

Keith Weiss, *Morgan Stanley*

Andrew DeGasperi, *Berenberg*

Brent Bracelin, *Piper Sandler*

Brent Thill, *Jefferies*

Mark Murphy, *JPMorgan*

Jerry Reznik, *JMP*

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

Operator

Welcome, everyone, to the Asana Third Quarter and Fiscal Year 2022 Earnings Call.

At this time, I would like to turn this call over to Catherine Buan, Head of Investor Relations. Please go ahead.

Catherine Buan

Good afternoon. Thank you for joining us on today's conference call to discuss the financial results for Asana's Third Quarter Fiscal Year 2022. With me on today's call are Dustin Moskowitz, Asana's

Co-Founder and CEO; Tim Wan, our Chief Financial Officer; and Anne Raimondi, our Chief Operating Officer and Head of Business.

Today's call will include forward-looking statements, including statements regarding our financial outlook, market position and growth opportunities. Forward-looking statements involve risks, uncertainties, and assumptions that may cause our actual results to be materially different from those expressed or implied by the forward-looking statements. Please refer to our filings with the SEC, including our most recently 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 performance 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.

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

Dustin Moskovitz

Thank you, Catherine.

We're very pleased to be reporting another quarter of strong top-line growth, large customer wins, and record-breaking adoption.

As you can see from our results, the momentum at Asana continued into Q3. We're now at an annualized quarterly revenue run rate of over \$400 million. Quarterly revenue surpassed \$100 million for the first time and grew 70% year over year, driven by new heights in paid customers to over 114,000. Our larger customers grew even faster, with 96% year-over-year revenue growth from customers spending \$5,000 or more, and considerable momentum in enterprises, with the number of customers spending \$50,000 or more accelerating for the third consecutive quarter. Our dollar-based net retention rate increased across all cohorts, illustrating the larger expansions across the customer base. Finally, we're seeing continued record adoption, with paying users topping two million this quarter, a new milestone.

Put simply, as our enterprise momentum continues, we're landing bigger and expanding faster. We've seen our investments in product-lead growth and the enterprise succeed in the past, and we continue to see that they're paying off now.

The Asana Work Graph is uniquely architected to give organizations cross-functional capabilities that deliver measurable business value and, according to IDC, an estimated 225% ROI in the first year.

Today's reality is that we're more distributed than ever and are frequently collaborating both cross-functionally and with people we've never met in person. This complexity compounds the larger and more dispersed a company is. Yet most enterprises still organize workers based on their location and function.

The enterprise Work Graph solves those problems by coordinating the right people around the right work at a global scale. It's why Asana is so powerful for large companies and why we're seeing such amazing growth. Rather than micromanaging, leaders are free to macromanage their teams, by aligning them around key objectives and the work needed to achieve them, no matter where they are in the world.

In the third quarter, we continued to invest in enterprise-grade infrastructure that supports our customers' needs. At our launch event, Scale, we hosted thousands of attendees from all over the globe and generated significant pipeline. We showcased how two incredible companies, Okta and Zero, are better orchestrating work and achieving their growth goals with Asana.

We also announced a new suite of enterprise-specific functionality in three key areas.

First, we released greater security and scalability features for IT, such as enterprise key management or EKM; SCIM functionality, which automates setup and syncs profile updates with Okta and Microsoft Azure AD; and better admin capabilities to deploy Asana with audit log API and admin announcements.

Second, we've made cross-functional and cross-team coordination even easier with Workflow Builder. Now it's possible for anyone to build comprehensive and repeatable processes that connect teams, regardless of location or function, and move work forward.

Third, we've improved alignment and visibility for execs, including a new Goals API for linking our natively built Goals product to data and insights for mission-critical tools, and the ability to report on data trends and workflows over time in universal reporting. Universal reporting is more and more viable on customer deployments scale, and we see our large customers adopting faster in the overall customer rate.

Our Company values guide how we develop our products, how we serve our customers and their missions, and how we show up and work together.

During the third quarter, we were honored to be recognized for our investments in product innovation and customer experience across several more platforms. Asana was named as a leader in IDC MarketScape: Worldwide Collaboration and Community Applications 2021 vendor assessment. We were recognized in *Fast Company's* first annual list of Brands That Matter, and also we were on *Inc.* magazine's inaugural list of Best-Led Companies in 2021. These recognitions are outcomes of our culture and diligent pursuit of our mission.

Before I pass it on to Anne, I want to call out the addition of Amit Singh to Asana's Board of Directors. Amit, who serves as the Chief Business Officer for Palo Alto Networks, has impressive go-to-market leadership experience, including founding and building Google's cloud business and leading business and operations for Google's AR and VR efforts. Prior to Google, Amit spent 20 years at Oracle in various product, engineering, sales and strategy roles. He will be a tremendous resource for Asana as we continue expanding our enterprise footprint.

Now, I'll hand it off to Anne.

Anne Raimondi

Thank you, Dustin.

I'm thrilled to be here and excited to experience my first end of quarter leading Asana's business team. For those of you who I've not yet had the pleasure of meeting, I'll briefly introduce myself. During my career, I've had the good fortune of scaling organizations including eBay, SurveyMonkey and Zendesk. As a former Asana customer, I deeply understand our customers' pain points and the value we can deliver for them. And as a former member of our Board of Directors, I spent over two years working with the Asana leadership team as the Company was growing, scaling and creating the strategy that we now have in place.

Much of my first 90 days as COO has been spent meeting with our customers. I've been struck first by how much people love Asana, how passionate users are about the product, and how strong our brand is in terms of customer satisfaction and employee engagement. It's gratifying to see how we are enabling enterprises across auto manufacturing, global consumer packaged goods, high tech, and the nonprofit sector to work more effortlessly across growing teams. Leading companies such as Amazon, Japan Airlines, Roche and thousands of others are partnering with us to empower their teams. I also find it remarkable hearing CEOs, COOs and CIOs at these companies tell us about their cross-functional pain points and the huge challenge they are experiencing keeping their teams connected during this time.

These themes translated into some really amazing large company deals in Q3.

In North America, we're excited to welcome Warner Music Group as a new customer. They are one of the three largest multinational recording companies in the world. They chose Asana's enterprise solution in Q3 to organize, manage and track the end-to-end process of how they identify, evaluate and bring new artists into its various labels faster and more effectively. I think we all have a favorite artist or two under one of their many labels; mine are Red Hot Chili Peppers and Bebe Rexha. This was a net new customer and a significant land for our team.

In Japan, we signed a strategic deal with one of the largest automotive manufacturing companies in the world. They expanded their use of Asana's enterprise solution this quarter, as they focus on improving operating efficiency so teams can spend more time developing innovations for their vehicles. These new teams will be managing software development for their mobile app, product development for things like digital keys, and new hire onboarding for thousands of employees in the platform. This reinforces the credibility we are getting across traditional industries.

We also closed yet another big global brand in North America. One of the largest chocolate manufacturers in the world chose Asana's enterprise solution. They were struggling with significant time and resource management challenges and painful project handoffs across departments that were slowing down campaigns. They knew they needed a better way to manage their work in order to hit deadlines and more quickly produce the iconic marketing campaigns the brand is known for, and they chose Asana.

Not only are we landing bigger, but we are also expanding faster. Benevity is a corporate purpose platform that helps companies like Nike, Coca Cola, Google, Apple, and many of the Fortune 1000 empower their people to be the agents of social change through giving, volunteering and grant making. It is one of Western Canada's largest startups and another great impact company that went wall to wall on Asana as a net new customer this quarter. Now all departments at Benevity will use Asana to manage their work, from OKRs to revenue operations, roadmaps and everything in between so they can execute quickly and effectively to hit their aggressive growth goals.

We did another strategic multiyear deal with an important impact organization called Team Rubicon that unites the skills and experiences of military veterans with first responders to rapidly deploy emergency response teams. They chose to go wall to wall with Asana's enterprise solution. They deploy thousands of volunteers around the world. In Asana, they get critical information to their large volunteer base in the field and will be able to increase their operational agility and help people prepare, respond and recover from disasters and crises faster.

In fact, we have great momentum as an important brand that supports impact organizations everywhere, including Allbirds, The Citizenry, chapters of the United Way, and many others. We have believed from the beginning that it's critical to have a mission that guides our work and core values. This mission underlies Asana's foundational commitment to support impact organizations to empower their teams to pursue world-changing work more effectively.

Whether it's with large impact organizations, the most modern fast-growing innovators, or increasingly traditional industries, we're simply landing bigger and expanding faster. As a result, my top priorities over the next several quarters are these.

First, scaling our global enterprise go-to-market sales organization where we are quickly ramping to capture the enormous enterprise opportunity. In fact it's worth mentioning, with the tremendous momentum in the enterprise over the last few quarters, we have been closing seven- and eight-figure deals, and we're still early.

Second, helping our largest customers succeed and grow adoption. Our strong net expansion rates are evidence of our ability to win and expand in large enterprises where work is by nature cross-functional.

Third, continue our international momentum by meeting customers where they are, with local anchor support and cultural localization, as well as leveraging partners to expand our reach.

And I will continue to spend considerable time further nurturing our strategic customers and our partner relationships. We expect to further expand our partner ecosystem over the coming quarters.

As you can see, we're investing to win and grow with our product-led strategy and go-to-market motion focused on customer success.

With that, I will hand it over to Tim to go through our financial results.

Tim Wan

Thank you, Anne.

Q3 revenue growth represented continued momentum in the business. Revenues were \$100.3 million, up 70% year over year. Revenue from customers spending \$5,000 or more annualized grew 96% year over year. This segment represented 68% of our revenues in Q3, up from 59% in the year-ago quarter.

We now have over 114,000 paying customers at the end of Q3, up 7,000 in the quarter. This represents a 28% year-over-year increase. We have 14,143 customers spending \$5,000 or more on an annualized basis, up 58% year over year, and growth in our larger customers is even stronger. We now have 739 customers spending \$50,000 or more on an annualized basis, up 132% year over year, our third consecutive quarter of accelerating year-over-year increase. As a reminder, we define customers spending \$5,000 or more and \$50,000 or more based on annualized GAAP revenues in a given quarter.

Dollar-based net retention rates increased across every cohort. Our overall dollar-based net retention rate increased to over 120%. Among customers spending \$5,000 or more, our dollar-based net retention rate increased to 130%. And among customers spending \$50,000 or more, our dollar-based net retention rate was well over 145%. As a reminder, our dollar-based net retention rate is a trailing four-quarter average calculation.

Before turning to expense items and profitability, I would like to point out that I will be discussing non-GAAP results in the balance of my remarks.

Gross margins came in at 90.7%, improved from 87.7% in the year ago quarter.

Research and development was \$39.1 million, or 39% of revenue. We continue to invest heavily to fuel innovation.

Sales and marketing was \$65.8 million, or 66% of revenue, reflecting the investments in growth in both our self-serve and direct sales motion.

G&A was \$27.3 million, or 27% of revenue.

Operating loss was \$41.3 million and operating loss margin was 41%. Net loss was \$42.5 million and our net loss per share was \$0.23.

Moving on to the balance sheet and cash flow. Cash and marketable securities including long-term investments at the end of Q3 were approximately \$353.6 million.

Our RPO is \$190 million, up 87% from prior year.

Our free cash flow is defined as net cash from operating activities less cash used in property and equipment and capitalized software costs, excluding non-recurring items such as the build-out of our San Francisco office. In Q3 free cash flow was negative \$29.5 million, reflecting our investment in growth and rapid onboarding of new headcount during the quarter.

Now, moving on to our Q4 and Fiscal Year 2022 outlook. For Q4 Fiscal 2022 we expect revenues of \$104.5 million to \$105.5 million, representing growth rates of 53% to 54% year over year. We expect non-GAAP loss from operations of \$53 million to \$51 million. We expect net loss per share of \$0.28 to \$0.27, assuming basic and diluted weighted average shares outstanding of approximately 187 million.

Looking out to the full Fiscal Year 2022, we are raising our previous outlook and now expect revenue to be in the range of \$371 million to \$372 million, representing a growth rate of 63% to 64% year over year. We expect non-GAAP loss from operations of \$166 million to \$164 million. We expect net loss per share of \$0.96 to \$0.95, assuming basic and diluted weighted average shares outstanding of approximately 176 million.

With an addressable market of over 1.2 billion knowledge workers, the industry has tremendous growth ahead, and our success with some of the most valuable companies in the world demonstrates our early leadership position. As you can see from our outlook, we're investing to grow rapidly and win, through industry leading innovation and operational execution.

With that, I'll turn it back to the Operator for questions.

Catherine Buan

Great, thanks. This is Catherine, I'm just going to jump in. We have a couple of analysts who are on airplanes and are kind enough to still put out some questions, so I'm going to read them aloud.

For the first question, we have a question from Rob Oliver of Baird. I'm going to read his question, because he had to email it in from the plane.

The question is this. "Large deal deployments. You guys have called out a few 50K- and 25K-seat deployments in the past. I think you cited a very large deal that helped billings last quarter. Are those size deployments still outliers, or are you starting to see deals approach that size? Can you give us a sense for how large enterprise deployments are trending and if you are seeing those grow, given the recent enterprise enhancements you rolled out such as security features at the Scale event?"

Anne Raimondi

Catherine, I'm happy to take that.

We are seeing strong growth in both landing larger and expanding faster. As we shared, our 50K customers accelerated for the third quarter in a row. I feel like we're really seeing it because work management is a business imperative now. Definitely our enterprise enhancements are resulting in customers choosing to partner with us to help them solve their most strategic mission-critical cross-functional initiatives. For example, Warner, which I mentioned, it's one of their kind of most important initiatives across the company to identify and onboard new artists.

Catherine Buan

Great. I'm going to cue up the next question to. The next question will be from Steve Enders, and following that will be Ittai Kidron from Oppenheimer. So next question from Steve Enders, please.

Steve Enders

About the Scale event, you guys recently had a lot of exciting announcements around enterprise automation, security, etc. What's been the early customer feedback on that, and traction? I have a follow-up.

Anne Raimondi

Thanks for that question. The early customer feedback has been incredibly positive. Many of the features we announced were based on customer feedback, so we're excited to deliver features that our customers want. We're excited to see it help net retention as more customers expand with us because of their ability to scale.

If there's additional product questions, I will have Dustin also chime in.

Dustin Moskovitz

I think you said you had a follow-up.

Steve Enders

A follow-up made for Tim on billings. A little bit of slowdown, I think the previous question mentioned maybe large deal impacts in the last quarter. Anything to note for this quarter's billings, and what does the pipeline look like? Thank you.

Tim Wan

I would say there's nothing to note. I do want to remind the investors on the call that about a third of our customer base are still on monthly. So billings isn't really a perfect guide or a perfect barometer for our growth rate. But really nothing to note from a Q4 standpoint.

Steve Enders

Okay. Thanks, and congrats on the \$100 million. Have a great rest of the quarter.

Catherine Buan

Thank you. The next question is going to be from Ittai Kidron from Oppenheimer, and after that will be Stan Zlotsky from Morgan Stanley. Ittai please?

Ittai Kidron

Thanks. Hi, guys, a great quarter.

Tim, I wanted to dig into the numbers a little bit and get a little bit more color behind the net dollar expansion, the improvement over there. Can you give us a little bit more qualitative, perhaps, breakdown of what's been driving that, how much of that is seat-driven versus shifting pricing plans more towards the business side from premium?

Tim Wan

Great question. Hi, Ittai.

I would say our net expansion rates across all segment increased, particularly in the 5K and above. They went from 125 to 130. That segment of revenue grew 96% year over year. I would say it's really a combination of both seat growth and customers moving up the value chain from business to enterprise. So we just recently today announced that we ended the quarter with over two million seats, and we're incredibly proud of the way we're growing the business through new logos and more seat deployment.

Ittai Kidron

Okay, very good. Maybe a follow-up for Anne. Great to hear you're a Red Hot Chili Pepper fan, so that's great to hear, so maybe on that tone, what are some of the dark necessities you'll have to employ over there internally in order to drive the company, scalewise, to a \$2 billion, \$3 billion, \$4 billion in revenue over the next few years?

Anne Raimondi

I like the reference.

Really, my priorities, as I dived in over the last 90 days, have been meeting with executives at some of the largest organizations in the world, and the cross-functional pain points are so clear and particularly acute as organizations are thinking about the future of work. So, based on these interactions with customers, really my priorities are to continue to grow our customer-facing teams around the world and, in particular, continue to invest in supporting faster adoption and expansion. As we shared, as we're landing bigger, the deployments are bigger, and they're really focused on ensuring that we're delivering value as fast as possible, so really excited to invest in our post-sales teams in particular.

Ittai Kidron

Got it. Maybe I can just push on this a little bit, Anne. If you're landing bigger, can you also talk on, well, whether you're also landing in multiple spots within organization when you land bigger, or is it still you're landing within one group, perhaps more people within one group? So how much of this is landing in multiple places versus just landing big within a single group?

Anne Raimondi

That's a great question. We are seeing that we're landing in multiple teams at the same time. We mentioned a couple of great customer examples, including Benevity, where we landed wall to wall. So we're being adopted not only by every department, but in particular to really tackle those cross-department initiatives. So that's where we're really excited to see, is that at the C-level we're being chosen for those really strategic cross-departmental initiatives that everybody in the company has to have clarity around.

Ittai Kidron

Very good. All right, good luck. Thank you.

Anne Raimondi

Thank you.

Catherine Buan

Thanks Ittai.

The next question is from Stan Zlotsky from Morgan Stanley, and just up next after that will be Andrew DeGasperi from Berenberg. But the mic is open for you, Stan.

Keith Weiss

Excellent. This is actually Keith Weiss sitting in for Stan Zlotsky this evening.

Very nice quarter, guys. And Anne, a pleasure to meet you. It's great how you could really know your audience, just throw out Red Hot Chili Peppers, and now we're all like "Dustin who? We got to let Anne talk." So, way to win over the crowd there, that was pretty impressive.

I wanted to ask a question about engagement. You guys have had an outstanding couple quarters here, new customer adoption really ramping up, hitting that like 7,000 a quarter mark and hitting that pretty consistently. You mentioned sort of customer support. Like, when you look at the customer base, and as you sort of built it out so quickly, have the engagement metrics kept pace? Like meaning like the daily active users, monthly active users, the solution; has that been kind of keeping pace with the rapid expansion of the customer count?

Then I have a follow-up for Tim.

Dustin Moskovitz

I guess I'll start with that. Thanks for the question, Keith.

I do think it depends on the metric, but when I think through the types of things you named, they all seem pretty strong. In fact, we talked a lot in the last earnings call about seeing sort of record metrics across the funnel in terms of conversion, adoption, retention. Those all tie back to those types of engagement metrics.

The accounts seem really healthy, and I think that's even more true when you look at those larger customers. So we're landing bigger and expanding faster. But we don't get to expand unless the

engagement is there. That's pretty clear. So I think you should see that as a direct indicator of the success of the employees within those organizations engaging well.

Keith Weiss

Got it. That's super helpful.

Then, for Tim, when we look at the profitability curve, and it's not that you sort of didn't tell us this was going to be happening, you're going through the investment cycle, but the operating losses are expanding into the back half of the year, you expect a bigger operating loss in Q4. As we think about FY '23 and the forward year, are we still thinking about kind of Q4 being the peak in terms of operating losses and then we'll be sort of more on the trajectory towards improving profitability into FY '23, and are we still kind of aligned to the schedule towards approaching breakeven that we had talked about around the IPO?

Tim Wan

What I would say is we'll provide a more updated view kind of on both the growth rate and profitability on the next earnings call. But we fundamentally believe that this is a huge market opportunity and that we'll continue to invest into the opportunity. But on a full year basis, Keith, I think if you kind of look at the numbers on a free cash flow margin, we did improve on a full year basis, year over year. There was some timing just related to quarterly fluctuations even within cash flows.

Keith Weiss

Got it. Thank you.

Catherine Buan

Great. Our next question is going to come from Andrew DeGasperi from Berenberg, and behind that will be Brent Bracelin from Piper Sandler. Andrew, the mic is yours.

Andrew DeGasperi

Thanks, Catherine.

Maybe one question that you probably get a lot, on competition. Just wondering if you've seen any changes this quarter relative to what you've seen in the past, and in particular, I know Microsoft has introduced a new product, they're making changes to Teams, and just wondering if that at all has an impact to what you see in the market right now.

Anne Raimondi

Hi, thanks for that question.

We're not really seeing a material change in the competitive environment over all, but there's definitely increased awareness and faster adoption of work management across companies of all sizes. So because of that acceleration and the need to manage distributed work, the topic of work management is moving higher up the strategic chain in companies, so we're really excited that we're talking to CIOs and C-level executives about how Asana can help them solve their most strategic and complex cross-functional needs.

I'd say what's really changing is more greater awareness of the pain points, and then greater desire to partner with someone who can scale really rapidly with them.

Dustin Moskowitz

Just to address the sort of direct part of your question too, we do see that Microsoft has a few different ways of thinking about work management, so they have Microsoft Planner, Microsoft Project, Lists, Flow. The thing that we compete with most often is actually Microsoft Excel, because it's part of the status quo of emails, documents and meetings. So vast majority of teams are still not using any form of work management solution in the space.

Then, yes, you mentioned they introduced a new product, Loop. I think that is a little more about sort of document-centric collaboration, so that's always been something that we've sort of competed with a little bit less. We're all about the co-ordination part of collaboration, so really helping teams get clarity about the plan, and who's doing what by when, and coordinating strategic imperatives.

Andrew DeGasperi

Thank you.

Catherine Buan

Great. Our next question is going to be from Brent Bracelin at Piper Sandler, and following that will be Brent Thill from Jefferies. But for now, Brent Bracelin, you have the mic.

Brent Bracelin

Thank you, and good afternoon. Maybe one for Dustin and Anne, and a follow-up for Tim.

If I look at the two million paid subscriber milestone that you reported, one, thanks for that, but it looks like by my math it took about 11 years to add the first million paid subs. You've added the next million in the last three years, which is obviously a testament to the expand motion that's happening here. But if I look at it on the seat basis, it's only about 18 paid users per customer; that is up from 16. Is that just a function of how early we are? Is there kind of more opportunity to accelerate the expands? Would love to get just your overall view as you think about the opportunity and potentially even the expand opportunity to accelerate further relative to just 18 paid users on average per customer.

Dustin Moskowitz

I think that's a great question. I think of that primarily as a function of the fact that that we have a hybrid business. So it's composed of everything from very small businesses, including one- and two-person companies, to the largest enterprises in the world, literally Fortune 5 companies. So when you think about 114,000 customers, the vast majority of them are going to be the SMBs or the VSMBs, very small SMBs. So that just sort of drags down the average.

But we are seeing a lot of the growth happen in those larger customers, and so a lot of the revenue growth is going to come from there, but you may still see a lot of the sort of raw logos and the customer accounts coming from the SMBs. So I wouldn't necessarily expect the average count to change all that much, even though we clearly see that the revenue is coming more up-market.

Brent Bracelin

Totally makes sense there.

Then Tim, just a follow-up for you. Really strong acceleration in the 50K customer cohort; that customer count accelerating again this quarter. But the implied is that we are seeing deceleration in the SMB, the smaller customer cohort. Were there any anomalies this quarter relative to churn or the monthly subscribers causing a little bit of a decel there? It's still growing nicely, but it did decel from last quarter. So any sort of color commentary on what happened in the smaller customer cohort this quarter that caused a slight decel?

Tim Wan

There's nothing really directly to point to. I mean I think where, you know, a lot of the investments that we've been making has been really around moving up market, both on the 5K and the 50K, and you now kind of see that the 5K and above customer base is about 68% of our revenue and growing 96%. I think, obviously, on the smaller teams you'll have some fluctuations here and there, but it's still growing at a very healthy clip.

Brent Bracelin

Got it. It's helpful color there. Thank you.

Tim Wan

Sure.

Catherine Buan

Great, thanks Brent.

And the next question is from the other Brent, Brent Thill from Jefferies, and after that will be Mark Murphy from JPMorgan. Brent Thill?

Brent Thill

Thanks, Catherine.

Tim, just curious kind of underneath the surface. There's a lot of surface level metrics, decelerating revenue, RPO and billings down, realizing you have tough comps. But I think many are asking is there anything you're seeing behind the scenes other than just the tough comps. Can you give us any color of—I know you said don't look at billings, but curious if there's anything else that we should point out.

Tim Wan

I mean, like, if I step back, and obviously how we kind of tend to look at the health of the business, obviously one is revenue growth. The other is, the way we want to grow our business. Right? We want to grow our business through adding more new logos and having those logos continue to adopt and expand, and I think you see that with our seats; and then over time, the marginal cost to have them increase or grow becomes less, because based on our net expansion rate for both our 5K and our 50K, you see that they've improved to pre-pandemic levels now: 130% on the 5K and above, and then over 145K on the 50K and above. But your question is really about the billings and RPO, and I think we've said, because a

third of our base is still on monthly, that billings isn't the best indicator for how we grow our business over time.

I'll just add, I think that, part of your question is, is that a harbinger of doom or something like that, and so I'll just reiterate, we're really excited about the enterprise momentum and we raised guidance for next quarter by \$12 million.

Dustin Moskovitz

For the year.

Brent Thill

Great. Thanks for the color.

Quickly for Anne, on international, if you kind of frame the top one or two priorities—you mentioned that your third priority is continue that momentum. But if you had to drill in, what is the focus there, how would you characterize the one-two as it relates to the top-line priority?

Anne Raimondi

We're really excited about the opportunity in international, so we're continuing to invest in expanding language support, localizing content and resources to support customers. We had opened a new office in Singapore, so are growing that rapidly. Then really it's increasing sales and marketing capacity across all of these new offices and regions, so lots of hiring to support our customers. Then last but not least, leveraging partners. We're excited about our channel partners internationally to help us expand our reach.

Brent Thill

Thank you.

Catherine Buan

Fantastic. The next question comes from Mark Murphy at JPMorgan.

Mark Murphy

Thank you very much.

Dustin, I am interested in what you view as your highest priority R&D kind of innovation vectors heading into next fiscal year? For instance, is there anything bubbling up that is very highly requested in terms of features from customers or premium features you're building in that could kind of drive ongoing uplift?

Dustin Moskovitz

It's a great question. I'll just reiterate, we had the Scale event about a month ago, and that was a combination of announcing some new things and also previewing what's in our future. So there were three big categories. The first was more security and scalability features for IT, so we announced enterprise key management, SCIM functionality, integrations with Okta and Microsoft Azure AD, admin capabilities. Honestly there's just a lot more of that coming, there are plenty more requests in that vein of things. Additionally, we announced we're making cross-functional and cross-team co-ordination easier

with the Workflow Store and the Workflow Builder; so those are not yet released, that's something I've talked about across a few earnings calls, as we've been working towards throughout the entire year. So we're really excited about that launch at the end of the fiscal year. Even there, there's a lot we've been building and there'll be a lot more to do after that to really go deeper with the most important workflows to our customers.

A lot of how we think about the roadmap is what integrations they need to make those N10 (phon) workflows work really well, and just what we're hearing from customers as they adopt, helping them get the next important functionality on the margin.

Then finally we also talked about improved alignment and visibility for execs. We talked about our new Goals API, bringing data in from other sources to help you report on goals in real time, improvements to universal reporting. There's a lot more we're doing in those areas to improve goals and reporting and portfolios and give those really great high-level views for executives.

Then additionally another huge pillar for us is just helping make customers really successful throughout their lifecycle, so helping them adopt really quickly, adopt into those workflows and adopt into the product in general.

All of that together levels up to contributing to helping us again land bigger and expand faster with those larger enterprises. So that's really the big theme for our roadmap next year.

Mark Murphy

Okay, thank you, that's very helpful.

Then Tim, as a quick follow-up, do any of your ultra-large deployments crossed the threshold of 1% of revenue yet? Because you had landed some very large ones, especially over the summer. Or do you see that kind of potential developing in the next couple of years, or does it feel like the rest of the business is growing so rapidly that it wouldn't quite get there?

Tim Wan

I would say not at 1%, but getting very close that we do have probably a large deployment that will get close to 1%.

Mark Murphy

Okay. Thank you very much.

Catherine Buan

Great. Thank you. We have for our last, last but not least, we have Pat Walravens from JMP. Pat?

Jerry Reznik

Thanks so much. This is Jerry Reznik (phon) on for Pat.

I just had a quick one here for Tim. Is there anything you'd call out on the gross margin outperformance? Then how should we think about that, the trajectory of that metric going forward? Thanks so much.

Tim Wan

I think the gross margin outperformance generally has really been a factor of architecture and how we built the product. We're really benefiting from the investments we've made in R&D. I would expect that to kind of continue to be in the high 80s and right at 90. So, somewhere around there. Over time, yes. No real change.

Jerry Reznik

Thank you so much.

Catherine Buan

Thank you, and that's our last question for today.

Thanks very much for joining our call today. I know it's a really busy earnings week, and we appreciate your time and dedication to following Asana as usual. Look forward to seeing you guys either virtually or on the road sometime soon, and thank you again.

Operator

Ladies and gentlemen, this concludes today's conference call.