Catherine – Introduction and Safe Harbor

Good afternoon, and thank you for joining us on today's conference call to discuss the financial results for Asana's second quarter fiscal 2023. With me on today's call are Dustin Moskovitz, Asana's Co-Founder and CEO; Anne Raimondi, our Chief Operating Officer and Head of Business; and Tim Wan, our Chief Financial Officer.

Today's call will include forward-looking statements, including statements regarding our expectations regarding free cash flow, our financial outlook, strategic plans, our 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 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.

Lastly, in service of investors and customers who need ESG data for reporting and RFP requirements for our many enterprise deals, we publish comprehensive and easy to use disclosures around ESG on our IR website. You'll find downloadable SASB index data and climate data along with our annual ESG report.

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

Dustin

Thank you Catherine, and thank you to everyone for joining us on the call today.

Asana's Q2 results beat expectations on both the top line and the bottom line.

- Revenue grew 51-percent year over year and beat our guidance by 6-percent, driven by strength in the US and the enterprise businesses.
- We had 462 customers spending $100-thousand or more in annualized GAAP revenue and are seeing broad adoption at some of the world's leading enterprises.
- Dollar-based-net retention rate remains strong overall. Across our customers spending $100-thousand or more, the dollar-based-net retention rate is well over 145 percent, illustrating that we are not only winning large deals but these large deals have the highest expansion rate among our customer cohorts.
- In particular, our enterprise business is growing more rapidly than our overall growth rate, and thus becoming a larger and larger portion of our business over time.
- We remain committed to building the most effective, most scalable work management platform capable of serving organizations of all sizes around the world. Evidence of our progress includes our continued success with the industry's largest deployments, plus our end-user adoption rate, now at over two-point-five million paid seats.
- As a result, we are raising our top line guidance for the fiscal year 2023 to $544 to $547 million, representing a growth rate of 44-percent to 45-percent. We expect currency headwinds to continue to be a significant factor this year. Excluding the currency impact, our guidance would represent 46-percent to 47-percent growth.

We are winning across important industries and with iconic enterprise leaders. And where we have the greatest leverage we are focusing, growing, and investing to win.

State of Work

The growth we have seen over the last several quarters is being driven by both the trends we see in the market and the way **our product strategy** delivers on what companies need as a result. Companies are investing in solutions that offer time to value, help them do more with their technology stack, and better align their employees around the work that matters. And **the bigger the company, the more true this becomes**.

We recently performed an analysis of how our enterprise customers get value from Asana and found that **the vast majority** are using it for cross-functional collaboration. I share this with you because this is truly how we are most differentiated from other work management software. These tools make it easy to track single projects for single teams. In contrast, more than half of all work tracked in Asana is cross-functional in nature. This number jumps to over 60% for customers spending more than $100,000, and we see an even higher proportion of this cross-functional collaboration in the features we've built as we've moved up market, including Goals & Portfolios.

Asana also creates shared clarity and accountability at every level. Leaders have to know how the work being done delivers on business priorities. Asana uniquely does this, because the Work Graph creates a map for all of the work in your organization, including where it stands, the people responsible, and how it connects all the way up to company-wide goals. That's incredibly powerful, especially when it's critical to keep a large team in sync around changing plans.

The Asana platform serves as a critical hub for your most important business applications, helping customers make better use of existing investments and giving employees a single place to track requests across email, chat, documents, and other frequently used applications. Asana is built on the foundation of safety, security, and performance at scale that global enterprises expect. Companies are continuing to recognize Asana as an essential partner for solving modern work challenges.

Enterprise Product Announcements

This is why we continue to improve on and expand the functionalities required by the largest and most complex organizations. We have a strong fiscal year 2023 product cycle and on October 11th will be giving investors a preview of how we will be delivering even more value in three big ways that help companies successfully execute on their top priorities.

First, by helping decision-makers quickly understand the health of strategic work across the organization.

- **Asana Goals is already the #1 product**, according to the G2 Enterprise Objectives and Key Results (OKR) software market, and we're about to make it even better.
- Customers will soon be able to use the **Salesforce for Goals** integration, our first out-of-the-box integration for Asana Goals. When work happens in Salesforce, the progress of linked goals in Asana will be automatically updated, making it easier to monitor impact and make informed decisions.
- Leaders will also be able to get a bird's eye view of **Goals in Universal Reporting**, including the ability to report, filter, and group Goals metadata.

We are also rolling out **all-new integrations** from Asana Partners that help our customers improve the productivity and quality of work across their applications.

- New **Rules integrations with Gmail, PagerDuty, Twilio**, and more automate work across tools to help teams stay connected and remove bottlenecks.
- Context switching between tools makes it hard for individuals to stay focused on the work itself and oftentimes, causes that work to fall through the cracks. With a new **Asana for Workplace** integration with Meta, teams can create Asana tasks, receive project notifications, and see link previews for important status or milestone updates right from Workplace.
- A new independent report by Nucleus found that Asana can cut the time it takes to complete a project by as much as 60 percent and increase project loads by up to 25 percent, without adding staff.

- The study also found that users of Asana reduce errors by as much as 90 percent when automating complex processes.

The third thing to note about our product roadmap this fall is that we are further elevating **security, privacy** and **compliance.**

- Asana now offers data residency options and flexibility in Australia and Japan to meet customers' needs, in addition to EMEA.
- We're also supporting global organizations with enhanced Mobile Data Controls, so admins can ensure data stays secure with biometric authentication and restricted attachment sharing, while empowering employees to work from the Asana app anywhere.
- For companies that store, consume, and transmit personal health information for different business processes, Asana plans to introduce a HIPAA-compliant offering this fall.
- And our new API and partnerships will provide IT leaders with **Data Loss Prevention (DLP)**, **eDiscovery**, and **Archiving** solutions for increased control and support of security and compliance controls while still facilitating important cross-functional connection.

I'll close by acknowledging that we are actively managing our business and staying vigilant as we carefully navigate through the current macroeconomic cycle. We will continue to balance growth and profitability, which includes managing our investments conscientiously while maintaining our leadership in product innovation and vision.

And now I'll turn it over to Anne-

Anne

Thanks, Dustin.

It's the conversations we have with our customers that make us so confident in our investments in product innovation. As we move up market, our product strategy has successfully evolved to address customers' growing needs. These up-market product announcements will help to further drive adoption of our business and enterprise tier. In Q2, the US region and enterprise segment led our overall growth. This is a good indication that Asana is a great market fit for organizations today, especially with the challenges and opportunities they are facing now and going forward.

Over the last several months I've been on the road spending time with our customers around the world. The stories they share with me are amazing. These are just a couple of key observations:

- First, our conversations in enterprises are moving up the authority chain. Digital transformation is mainstream and work management is an essential component of that. In enterprises, as Dustin showed with the data, cross-functional collaboration is not a ***thing*** they do, it's ***everything they do*** in order to run their business processes. Asana is a critical platform that allows companies to work the way things get done: cross-functionally. The market fit is clear.
- Second, we are closing deals with some of the largest and most recognized brands in the world. Some of the most prominent and successful companies across industries – such as Media, Automotive, Financial Services, and Telecom – are choosing Asana to help them grow, compete, and leverage their tech stack investments.
    - We now have 462 customers spending over $100-thousand on an annualized basis, and these larger deals represent our fastest growing customer cohort, up 105-percent year over year.
- Third, the more our customers use Asana, the more they realize value and this increases product adoption. We are seeing more new users join existing Asana Enterprise deployments and quickly collaborate cross-functionally with colleagues. Our dollar-based net retention rate for customers over $100-thousand is well above 145-percent.
- And Fourth, Asana is a beloved brand: Customers LOVE Asana and want Asana

to win. One customer who runs an operational team said: “Asana has been a game changer for our organization. We’ve been able to streamline how requests for products come to our team, and move away from never-ending email chains with overlapping voices and calls for edits. Thanks Asana!”. Our brand equity is remarkable.

Overall, we continue to see strong demand, we are closing deals with large customers and we have strong engagement across our user base.

Customers

As I look across our customer base, we are seeing broad cross-industry adoption with significant traction in Fortune 100 customers, of which over 80-percent use Asana.

Some of the most important companies in the world are adopting and expanding with Asana this year.

- To call out a few:
  - One of the world's largest automotive manufacturers is a growing customer. They are using Asana Enterprise in R&D divisions to improve clarity across the organization about the status of various initiatives and how they are progressing toward their goals.
  - A well known and one of the largest container shipping line and vessel operators is another six-figure customer. They are using Asana Enterprise for critical customer contract logistics workflows, to ensure shipments are fulfilled in their Warehouse and Distribution division.
  - One of the largest global grocery and convenience store chains headquartered in Europe is using Asana Enterprise in their online shopping division to ensure efficient execution with cross functional workflows across Sales and Operations.
  - And one of the largest telecommunications companies has thousands of employees using Asana Enterprise for managing their global supply chain initiatives, orchestrating their field technicians and retail operations.

- In fact, in the technology space overall, 8 out of the top 10 tech companies in the world are Asana paying customers

We are also gaining early traction with **financial services** companies that are using Asana to help automate critical operational workflows, saving time and increasing productivity.

- In Q2, Morningstar again expanded their use of Asana across research, operations, marketing, and client services.
- We also signed an expansion deal in Q2 with one of the largest hedge funds headquartered in NY and Chicago.
- And we are in conversations with other large North American and European banks.

We are seeing an impact in the **healthcare** industry as well. As Dustin mentioned, we expect to have a HIPAA compliant offering broadly available in a few months, which we expect to enhance our position with healthcare customers going forward.

Another big industry that has been going through significant digitization is **Media.** In the media world, bringing their product to market is their core service and it needs to be done faster and more effectively to stay competitive. Asana is the strategic partner of choice for several major media companies:

- In Q2, we closed a deal with Vox Media. They've now expanded and uptiered to Asana Enterprise, using Asana to ensure their core workflows for revenue generating partnerships from RFP process to deal close.
- ViacomCBS which is now a part of Paramount, and Discovery, along with other premium media brands are all customers we're proud to partner with as they embrace the future of work.

And as I noted earlier, Telecom is another vertical where we have strong traction:

- In Q2, we closed a deal with one of Asia Pacific's largest telcos. This was a land deal and another big industry win for us.
- Also in Q2, we won Three UK, a British telecommunications and internet

service provider. They're deploying hundreds of Enterprise seats.

- We are also deployed in the largest telco in the world, who expanded their seats this quarter.
- And of course there is T-Mobile, an existing customer, using Asana for developing strategies to launch new products.

These companies are leaders in their respective industries and know what it means to leverage innovation and technology to be fast, responsive and effective. Work is cross-functional and companies need a platform that allows teams to collaborate across the organization. They are choosing Asana because they believe Asana is the best platform available for work management.

While it is hard to predict how the current macro environment is going to impact our various customers in the short term, we believe the long term secular trends in digital transformation remain intact and the importance of work management software will continue to grow.

We remain committed to our long term strategy. We believe we can "win the category" as the awareness grows and our unique capabilities meet customer needs, providing time to value in weeks, not years, and high on-going return on investment.

With that, I'll hand it over to Tim -

Tim

Q2 Financial Highlights

Thank you Anne.

- Q2 revenue growth showed continued strength in the business overall. Revenues came in at $134.9 million, up 51% year over year. This puts us at an annualized quarterly revenue run rate of $540 million, over ½ a billion dollars.
- Revenue from the US grew 59-percent year over year, accounting for 60-percent of our total revenue. International grew 39-percent year over year,

accounting for 40-percent of our revenue. Currency impacted our international growth rate by roughly 400 basis points and the overall revenue growth rate by 200 basis points. International growth would have been 44 percent year over year and total revenue growth would have been 53 percent year over year without the impact of currency.

- At 64% growth, revenue from customers spending $5,000 or more on an annualized basis is a good leading indicator of our core growth. This cohort represented 72% of our revenues in Q2 up from 66% in the year-ago quarter and speaks to our success as we continue to move upmarket. The revenue growth for this cohort of customers in the US grew even faster at 73% year over year.
- We now have over 131,000 paying customers at the end of Q2, up approximately 5,000 in the quarter.
- We have 18,040 customers spending $5,000 or more on an annualized basis, up 41% year over year.
- We now have 1,141 customers spending $50,000 or more on an annualized basis, up 91% year over year.
- Our largest customers remain our fastest growing cohort. We have 462 customers spending $100,000 or more on an annualized basis and the customer cohort is growing at 105% year over year. We believe this metric is a good proxy for our enterprise business, and you can expect us to continue updating this number in coming quarters.
    - As a reminder, we define these customer cohorts based on annualized GAAP revenues in a given quarter.
- We will be sunsetting the use of $50,000+ and total customers stats over the next two quarters and instead plan to use $5000+ and $100,000+ stats as key indicators for the health of our business moving forward as we believe they are more aligned to the core business growth and future success with enterprise customers. We'll continue to disclose the current metrics on our IR website through the end of the fiscal year.
- Our dollar-based net retention rates remained strong across every cohort.
    - Our <u>overall</u> dollar-based net-retention rate was over 120%.

  - Among customers spending $5,000 or more, our dollar-based net-retention rate was over 130%.
  - And among customers spending $50,000 or more, our dollar-based net-retention rate was over 145%.
  - As a reminder, our dollar-based-net-retention-rate is a trailing 4 quarter average calculation.

Expenses

As I turn 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 90.1%, improved from 89.2% in the year-ago quarter.
- Research and Development was $50.4 million, or 37% of revenue. We continue investing to win and fuel innovation in our proprietary technology which will help us deliver on our vision.
- Sales and Marketing was $94.7 million, or 70% of revenue. We front loaded many of our customer facing roles this year to build sales capacity and infrastructure for the 2nd half and beyond.
- G&A was $39.1 million, or 29% of revenue, which includes $2.5M in costs related to a reduction in the size of our recruiting team. Excluding the one-time cost, G&A as a percentage of revenue would have been 27%.
- Operating loss was $62.6 million, and operating loss margin was 46%.
- Net loss was $64.3 million, and our net loss per share was 34 cents.

Balance Sheet and Cash Flow

Moving on to the balance sheet and cash flow:

- Cash and marketable securities including long term investments at the end of Q2 were approximately $239 million.
- Our remaining performance obligations, or RPO, was $261.6 million, up 53% from the year-ago quarter. 87% of RPO will be recognized over the next twelve months. That current portion of RPO grew 55% from the year-ago quarter.
- Total deferred revenue at the end of Q2 was $210.2 million, up 51% year over year. While we don’t normally comment on calculated billings*, since currency

had such a significant impact this quarter, I wanted to call out that calculated billings grew 43% year over year when we factor in the currency impact.

- 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. In Q2 free cash flow was negative $42.3 million or negative 31.3% on a margin basis.

Outlook

Moving on to our outlook—

For Q3 Fiscal 2023 we expect

- Revenues of $138.5 million to $139.5 million, representing growth rates of 38% to 39% year over year.
- We expect non-GAAP loss from operations of $66 million to $63 million, which is a significant decline in growth of operating expenses year over year. We are targeting flat operating margins quarter over quarter at the midpoint.
- And we expect net loss per share of 33 cents to 32 cents assuming basic and diluted weighted average shares outstanding of approximately 203 million which includes the newly issued shares.

For the full fiscal year 2023, we expect revenue to be $544.0 million to $547.0 million, representing a growth rate of 44 to 45 percent for the full year. We expect FX to negatively impact our full year growth by approximately 200 basis points. Excluding the currency impact, our growth would be 46 to 47 percent year over year.

We expect operating loss margin to be between 45% to 44% for the full fiscal year.

As you can see from our guidance, we front loaded our investments for the year. You should expect 2 percentage points of operating loss margin improvement in the second half of the year versus the first half, and even more improvement next year.

Private Placement

In addition, as you have seen in today's press release, we announced a private placement by our CEO. Dustin purchased approximately 19 million shares of Class A common stock at $18.16 per share, which was the closing trading price of our Class A common stock on Friday, September 2, 2022. This investment of $350 million will increase our cash balances to over $585 million in total.

We believe that this additional capital will provide sufficient funding to execute on our current strategies and for us to achieve positive free cash flow, which we are targeting before the end of calendar year 2024.

In addition, here are some of the major initiatives we are undertaking as part of our focus on efficiencies:

- We've moderated headcount growth significantly and you'll begin to see it manifest in the G&A and R&D expenses first. We've already slowed headcount growth from 13% sequentially in Q1 to 5% in Q2, showing a change in momentum and highlighting our commitment to expense management.
- We are focused on leveraging the existing infrastructure that we've built over the last several quarters, for example, ensuring our sales reps are successfully ramped.
- We are also pacing out other investments in various geographic markets and prioritizing the highest ROI go to market initiatives.
- We are actively working to drive more leverage in our cost structure and have taken significant measures to manage spend.

With strong top line growth, high gross margins, and our focus on increased efficiencies we believe we are on a solid path to generating free cash flow.

Importantly, there are no changes to our long term product strategy that has to date helped us succeed at being the most scalable and most widely deployed platform across our space. For example, we will continue to invest in product and marketing activities to support the momentum behind our enterprise product announcements in October. These will continue to drive our high growth and success in the enterprise.

With that, I'll hand it back to Dustin for some final closing remarks -

Dustin

Thanks Tim.

I am investing further in Asana because I strongly believe the market opportunity is enormous and that the Work Graph is the best possible solution for helping Enterprises achieve their most important goals, which always involve cross-functional workflows and necessitate clarity at every level. The market is ready and our customers are validating our strategy every day. Finally, I know our team is the very best in work management and hungry to achieve our mission. We are still in the earliest stages and we intend to win.

Catherine

And with that, I'll turn it back to the operator for questions.

END

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*Calculated Billings

We define calculated billings as total revenue plus the changes in deferred revenue in the period.