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Freshworks, Inc. (FRSH)

Investor Day

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MANAGEMENT DISCUSSION SECTION

Brian Lan

Director of Investor Relations, Freshworks, Inc.

All right. Can you hear me? Oh, great. Good morning, everyone. As you can see, today, we're all about how Freshworks un-complicates. It's great to see so many of you in person. And I also like to thank everyone joining us via the live webcast.

I'm Brian Lan, Director of Investor Relations here at Freshworks. And on behalf of the entire leadership team, it's my pleasure to welcome you to Freshworks Investor Day 2025. We have a full agenda lined up. But before we dive in, let me quickly cover a few housekeeping items.

Okay. First is our all-important disclaimer slide, the highlight of the show here. Over the course of the presentation today, we will make some forward-looking statements. And as a reminder, actual results may materially differ from expectations. You can find the associated risks and disclosures, along with a reconciliation of our GAAP and non-GAAP results, in the presentation, which will be made available on our Investor Relations website at ir.freshworks.com and in our public SEC filings.

Okay. With that out of the way, here is today's agenda. Dennis, our CEO and President, will kick us off to discuss our company's vision for durable growth driven by AI and un-complicated solutions. He will then walk us through our product innovation and strategy in EX, AI, and CX.

Our Chief Product Officer, Srini, will also showcase demos of our products in action. We'll take a quick 10-minute break. And then, Ian, our Chief of Global Field Operations, will go through our go-to-market strategy. Afterwards, you will hear directly from our customers in a panel hosted by our Chief Customer and Marketing Officer, Mika. We'll wrap up the prepared section with Tyler, our COO and CFO, who will provide the financial overview and updates. Finally, we will conclude the day with Q&A with our speakers, followed by a network lunch. So, lots of exciting stuff to get through.

So, with that, let me welcome our CEO and President, Dennis Woodside.

Dennis M. Woodside

Director, President & Chief Executive Officer, Freshworks, Inc.

All right. Welcome, everybody. Welcome, everybody, in the room. Thank you to our investors for supporting us and our analysts for covering us. We've got an exciting day today. So, it's been two years since our last Investor Day. And in that time, we've accomplished a lot. We're going to talk a lot about that.

Three years ago, I joined Freshworks as President because I saw a clear path for driving durable growth. We had these amazing products. We had these amazing customers. We're addressing the needs of thousands of customers around the world in customer support and in IT. And I saw a real opportunity to expand on what the company had built and deliver more meaningful value for our customers.

Now, what I've observed is that for decades, customers have been forced to choose between really lightweight tools that just don't scale with their business as they grow and heavyweight platforms that bury IT and customer

support teams. The complexity, the high cost, we heard these from prospects. We heard this from customers. And despite the arrival of gen AI, too many business software vendors are repeating that same playbook, right.

You hear about the months that it takes to implement AI now, ROI that's not happening, pricing that's very opaque. At Freshworks, we take a very different path, and you're going to hear about that throughout the morning. We build enterprise-grade products that are easy to use and easy to deploy and to scale, software that delivers measurable value in weeks, not months or years.

So, our vision has never been clearer. We are poised to be the uncomplicated AI-native service platform for organizations who are looking for easy-to-use software to deliver exceptional customer and employee experiences. That's what we do.

Today, over 74,000 companies have chosen us over much larger competitors like ServiceNow and Zendesk and Salesforce to remove complexity from their business, drive efficiency and drive growth. Businesses like TaylorMade Golf have chosen Freshwork (sic) [Freshworks] (00:04:36) over our competition because we offer enterprise-grade alternatives that are easy to use and get value from.

Now, our customer base today is highly diverse. It includes Fortune 500 companies like Panasonic who you'll hear from today, and S&P Global. Some of the largest media and entertainment companies, including AMC Networks. High tech leaders like Seagate and Databricks and RingCentral. And you'll hear from RingCentral today as well.

Leading universities like the University of Pennsylvania, the University of Aberdeen, UCLA, and more than 1,000 government entities from local municipalities like the city of Bellevue in Washington to California's Franchise Tax Board. All of these organizations trust Freshworks today.

Now many of you have been following our journey since our IPO in 2021, but some of you in the room and some of you virtually are newer to our story. So, I just want to give a quick primer of our products and our business before looking forward.

So, we compete in two large growing and adjacent markets, each at different stages of maturity in our business. We compete in IT and employee service, and we call that employee experience or EX. You'll hear the term EX referred to throughout the day. The second is customer service, and we call that customer experience as well. So, in employee experience, Freshservice is our AI-powered platform for managing IT and employee services, IT assets and operations. In customer experience, Freshdesk is our modern AI-powered customer service solution. That streamlines these operations for support.

And of course, at Freshworks, we've been building AI into our products since 2018. With the rise of gen AI, we brought offerings to market like Freddy AI Copilot for front-line teams, Freddy Insights for managers, and Freddy AI Agent is for autonomous customer and employee support. So, that's our portfolio today.

Now, in the last two years, we've delivered on the commitments that we made at the last Investor Day. Our first commitment was to scale the business with an innovative portfolio. We've made significant progress on product innovation, especially in AI, and we're going to show you that today. Second, we said we put the company on a path to durable growth. We've shown compelling growth momentum, going from about \$560 million in recurring revenue then two years ago, to around \$840 million in recurring revenue as of the last quarter. We reached the Rule of 40 milestone ahead of schedule, achieving Rule of 45 in our most recent quarter.

The third commitment was around AI monetization. We built a \$20-million recurring revenue AI business from the ground up. AI monetization doubled in the last year. The fourth commitment we made was to expand the market by continuing to move upmarket and serving larger and larger customers. We have truly evolved from being seen primarily at our IPO as an SMB-focused SaaS provider to one that's recognized as a leading mid-market and enterprise SaaS company successfully competing against much larger competitors.

Okay. Finally, strategic M&A and the use of capital. We said we would leverage M&A to grow faster, and we did that with the acquisition of Device42. We successfully completed that acquisition in June of 2024. And we fully integrated them into our sales motion into our offering. So, in the two years since we last did our Investor Day, our business has evolved significantly. Today, the majority of our revenue is driven by mid-market and enterprise customers, and that mix continues to shift upward. These larger customers represent high-value relationships, multiproduct adoption [audio gap] (00:08:40) offer a very long runway for growth.

Now, we're starting to see this flywheel of mid-market and enterprise customers switching from and choosing us over legacy providers like ServiceNow. You see that in our numbers. 25% growth in revenue across the segment of customers who spend more than \$100,000 with us. That's both for EX and for CX. Deals that are more than \$100,000 now make up a third of our revenue. Today, we have 70 customers that spend more than \$0.5 million with us. And we have a dozen that spend more than \$1 million. So, we're truly moving upmarket rapidly.

Okay. Across all our products, all segments, we win and expand because we offer a unified experience that enables customers to consolidate fractured tech stacks. Our products are uncomplicated. They're easy to use. They're easy to train on. They're easy to maintain. Talk to any customer, that's one of the first things they'll say. We create much faster time to value than our competition. We don't require scores of consultants to get to value. That's super important. Some of our customers come from solutions that require 5, 10 people just to keep them up and running. As a result, the total cost of ownership of our solutions can be a fraction of that of our competition. And we've proven that we can innovate more rapidly than many of our competitors. And you're going to see those innovations today.

Now, this isn't just me talking. This is some of the things that our customers say. You'll hear these things throughout the day. But what I want you to do is hear from the customers directly. So, let's play the video.

[Video Presentation] (00:10:18-00:12:31)

All right, great. So, we'll hear more from customers throughout the day. We have a couple of more videos. We've got some customers coming up on stage. But I think that's a good taste of what we work with, the kind of businesses that we work with every day and the value that we're delivering.

Okay. My last point, before I talk about where we're going, really is about the team. We have the best team to lead Freshworks through the next chapter of growth. Each of these leaders, some of which you'll see today in action, has helped us deliver on our commitments over the last couple of years. They've also assembled world-class teams in their function. They're proven executives from some of the world's most respected software companies like Google, Oracle, ServiceNow, SAP. And they've all successfully scaled businesses through critical growth phases and bring deep, functional expertise to Freshworks. But what really sets them apart is their commitment to competing and winning. And we are in a competitive market. We compete every day for every customer that we win. They've built their careers at companies that have had to compete. They've defined categories, disrupted markets, and they've delivered results. Now, they're bringing that same energy, that same competitive fire to Freshworks. I'm very proud to have this team here.

All right. Now, if there's only a few things that I want people to take away today, here's what they are. The first is that we're positioned to win in an \$80 billion market by continuing to move upmarket. We have the products right now to do that. The second is our EX business, in particular, can sustain 20% growth for years. And we're going to show you how we can do that. The third is that AI is driving measurable monetization right now. We're not playing games with how we report the numbers, and it's going to be a catalyst to growth in both EX and CX for years to come.

The fourth is that we're going to continue to be disciplined about how we allocate cash to support our growth. And the last, which Tyler will get into, is that we're on track to achieve over \$1.3 billion in recurring revenue by 2028, with best-in-class cash flow and operating margins.

Now we're going to talk about how we're going to get there. Okay, I'm going to talk about the market opportunity and what we call our growth algorithm first. And then, we're going to go through the three major product areas, EX, AI and CX.

All right. The total addressable market for where we compete for EX and CX software is estimated by Gartner to be about \$80 billion. It's a huge market. Now, we are positioned to serve the mid-market and the lower end of enterprise in particular better than anybody out there. That market is huge. In the US alone, the mid-market and what we call the lower end of enterprise accounts for more than \$10 trillion of economic activity. And every one of those businesses needs to automate their customer support operations and their IT operations. Software in that sector is not optional.

So, these businesses are in a unique position. They've got unique challenges. They've got the same sophisticated demand as a Fortune 100 company. They're typically global businesses. They face the same complexity, the same customer expectations as much larger companies, but they typically don't have the resources, and they don't want to spend the money to manage software. They're looking for something that's enterprise grade without the enterprise complexity, and that's fast time to value an overall lower total cost. And that segment is where we're winning. They're already turning to us. So, this is where we win. This is where our growth is going to continue to accelerate.

Now, this is how we think about growth going forward. We think about a growth algorithm with three components. The first is building on our core products, which is Freshservice and Freshdesk, to increase market share. This is all about strengthening those flagship offerings, maturing them into unified full-suite platforms to deliver on the needs of larger and larger customers. In EX, that means we're going to continue to build deeper integrations. We're going to offer vertical solutions. We're already seeing success in verticals like education. We're going to deepen our enterprise capabilities there. In CX, that means offering more advanced ticketing capabilities and continuing to rapidly innovate on the core Freshdesk platform.

Okay. The second element to the growth algorithm is scaling our add-on products, and this is very important. By add-on products, I mean ESM, IT Asset Management, and Freddy AI. Each of these three products has product market fit today. It's core to our selling motion. It's core to our upsell motion. And each of them today has over \$20 million in recurring revenue, some much more than \$20 million. Importantly, each product has a path to \$100 million in recurring revenue within the next three years, AI much more than that. And each product is a natural add-on to a Freshservice or a Freshdesk deployment. It fills the need that nearly all of our customers have today.

The third component of the algorithm is expanding into new adjacencies, finding the next business that can get the \$20 million and eventually get to \$100 million. We're going to place strategic bets that become the scale businesses of tomorrow. There are several adjacent product areas that customers regularly ask us to help them

with. These are areas like AI ops, Workforce Engagement and SecOps. They're natural extensions of the product that we've already built. Now, some of these products we can build ourselves. Others we may look to acquire. Now, customers are looking to us to provide this capability because they want a single platform that they can support their – that they can run their support and IT teams on and they trust us.

Okay. Now, that you've seen where we're going, I'm going – we're going to take a deeper look into each product category. And to help me do that, Srini Raghavan is going to come up in a second to show you the product. I'm going to explain what we're doing in each of the three areas, and then Srini will show. So, a little show and tell or tell and show.

All right. So, we're going to start with EX. So, our multi-product EX portfolio includes Device42, Freshservice for Business Teams which is our ESM product and more than 300 integrations. We create scalable workflows across departments in IT, HR, finance, facilities and many more. And these products are enterprise grade. They're positioned to serve the needs of enterprise customers.

As companies modernize their IT departments, Freshservice is becoming deeply embedded in how they run their company. That's very important. So, Freshservice today, it's much more than an IT helpdesk tool. It's a platform for managing work across the entire department. And these are some of the needs that we fill with Freshservice.

So, we built over the last couple of years, deep capabilities that larger organizations need to manage complex IT operations. And these are companies like Sophos Software and Nucor Steel and Seagate. They're leaders in their field. They're scaling fast. They're demanding. AI is deeply embedded today in these workflows. AI is core to what Freshservice does, and you'll see that in the demos. And the results have been wins for customers, more efficient agents, happier employees and lower costs. Some of the data points are on the slide here. So, at this point, Freshservice truly is mission critical for our customers.

Now, the investments we've made to improve the Freshservice product over the last two years have paid off. Our EX portfolio now accounts for \$450 million in recurring revenue. And we're winning larger and larger customers, over a 30% increase in Freshservice customers with more than \$100,000 in annual revenue. Our customers are using our product at scale. We saw a 50% growth in tickets created in the last year. That just shows you that the product is important, it's getting used. And we are moving upmarket, which you see in the ARPA figure. More importantly, customers are seeing value. They're improving the productivity of their service teams. They're unlocking growth, right. They're driving sustained bottom line savings. These are just some of our customers with some of the results that they've seen, and they've reported back to us. Very proud of what we've been able to deliver. And you can see here these organizations are organizations you've heard of. They're leading in their fields. And what we're doing for them is critical to their success.

Let me just share two examples real quick. Okay. The first is Databricks. Databricks, super innovative AI company. And they can work with any software provider in the world. They chose us. They unified nine departments on a single ITSM platform with Freshservice. And the product did so well for them in IT that they've expanded outside of IT to power multiple departments in their service needs as well. You see some of the results that they've driven, but super proud to have them as a customer.

Another example is Coherent. And again, think about where we came from. We came from a place of when the company was started, we were an SMB company, Coherent has 30,000 employees worldwide. They're also a beneficiary of AI. They're a global leader in networking, manufacturing. They transitioned all of their IT workflows off of competing products, including ServiceNow to Freshservice in under four months. Let's hear directly from that customer.

[Video Presentation] (00:22:36-00:24:24)

All right. So, that's a great example of a customer where we landed with IT with Freshservice. We saw an opportunity to help them with onboarding an off-boarding, super important workflow for them. IT is very much involved in that. They're talking to us about facilities as well, and they're working with us on AI. So, good example of how we're going to grow the business and that growth algorithm at work.

Let me ask Sriniv to come up and show you the products. Sriniv?

Srinivasan Raghavan

Chief Product Officer, Freshworks, Inc.

Thank you. Thank you, Dennis, and good morning to everybody. So, there's three key takeaways, I'm going to do demos of all three areas that Dennis talked about in his first section for EX, AI and CX. And I'm going to do that in the form of the personas that we serve, which is number one is IT, number two is HR, and number three is support. And I want you to take away three things. From all the demos that I do, there are three takeaways. Number one is what Dennis mentioned earlier, which is we deliver uncomplicated solutions, which is, from a product perspective, the way it manifests itself for the two flagship products that we have, Freshservice and Freshdesk, is Freshservice provides a single pane of glass for our IT and the HR personas. Freshdesk provides a single pane of glass to the support customers. What that leads to is the uncomplication, which then leads to faster implementation cycles that Dennis mentioned, faster time to value. And finally, it leads to total cost of ownership being lower.

So, number one key takeaway is uncomplicated solutions. Number two is it helps the customer outcomes. The customer outcomes is what we heard from Big Bus Tours, which is it helps them in a way to automate and make the operations go faster. That's the second key takeaway.

Third one is [indiscernible] (00:26:23). How many of you here have seen the movie Click? It's an Adam Sandler movie. Okay. We're going to provide the click button. We provide the click button to our personas to make it go faster and find a needle in the haystack. So, those are the key takeaways. So, I was told that some of you may not pay as much attention to demos, but there is an [indiscernible] (00:26:44) because I'm going to do a pop quiz. You all are going to ask questions to me later and others. So, I'm doing to a pop quiz on the demos – right after the demos.

Okay. All right. So, to get this going, I'm going to introduce a fictitious customer, ModeMax. It's ModeMax, but it's really ModeMax is how it's spelled. ModeMax is a leading global retailer which is headquartered in Chicago, Illinois. They have an online business and they have physical stores. They have about 80-plus stores. And their business, they have thousands of customers across the world and thousands of employees across the world. So, what this results to is a large and scaled IT operations to support their technology needs, scale each our operations because they have a lot of employees around the world and a support operations because there's a lot of customer requests that they get. Okay.

So, this is a complex customer with complex needs. And what I want to show you is why ModeMax chose Freshworks to achieve the outcomes that I mentioned, to simplify, automate and innovate their operations across IT, HR and support, including our core solutions, Freshdesk and Freshservice and an agentic AI solutions.

All right, let's start with IT. Some of you are from larger companies, and you guys all use various types of devices. There's a lot of IT operation that goes on. So, there's customer supply teams to support third-party software,

customer support software, sales software, homegrown software, and they have to support various collaboration tools.

So, it is a very complex endeavor for a customer like ModeMax because they have global locations, et cetera. They often manage devices, things [indiscernible] (00:28:39) things go up. So, it is a very complex operation.

All right. The CIO. I'm going to introduce the personas as they go along. The IT, the number one persona that we saw is CIO. The CIO has faster and better and – the mandates that they have is fast – providing faster and better employee experience. Number two is to modernize that IT operations with AI. And finally, doing this, security and compliance are top of mind.

Any questions on IT, we actually have a IT expert in this audience, our COO and CFO, Tyler, runs that IT. So, any questions on IT, you should direct them towards Tyler. Okay? All right.

Now, let me talk about the first demo. What you're going to see here today is first one is Freshservice. As Dennis mentioned, it's a unified product with embedded IT service management, ITSM, IT operations management and IT asset management. These are the three things. And IT asset management is powered by Device42. It's natively integrated Freshservice. So, as I said, first key takeaway, unified experience. Everything is within Freshservice and Freddy AI is part of it. Freddy AI, as Dennis mentioned earlier, has three components. Component number one is Copilot, which is helping the agents to be more effective. Number two is Insights, which helps the leader find needle in the haystack. And finally, it's the AI Agents which helps automate their operations.

What you're about to see is for ModeMax, they have a lot of – as I said, they have 80-plus stores [indiscernible] (00:30:19) e-commerce operations. Their point-of-sale system has gone down. Think holiday season, think a retailer point-of-sale solution goes down, well, that's chaos because they are losing revenue. And you will see how they recover from this failure really fast using the capabilities of Freshservice. Number one, it's – you will see how they find the needle in the haystack. Why did the system go down? Pop quiz for you as you watch the demo, I'll ask the question, what was the root cause of why the system went down? So, be prepared to answer that.

Our product AI Insights surfaces why it went down, and number two is our Freshservice. Think of it as the command center. Freshservice is IT command center. It sort of showcases everything and it helps orchestrate between the service desk, the NOC, network operation center, how everybody swarms together to find the problem and solve the problem. And finally, what you're about to see is Copilot helping the service desk agents to be way more effective and productive. Okay. So, those are the three things that you're going to see.

So, without further ado, let's watch the demo.

[Video Presentation] (00:31:33-00:33:14)

So, every time I watch this video, it's like this happy woman that comes at the end. She's really happy after shopping, right. Most people are. So, pop quiz, what was the root cause for why the system went down?

Unverified Participant

[indiscernible] (00:33:31).

Srinivasan Raghavan

Chief Product Officer, Freshworks, Inc.

Sorry?

Unverified Participant

POS.

Srinivasan Raghavan

Chief Product Officer, Freshworks, Inc.

Yes, exactly. POS issue, the database was down because the firmware upgrade happened, and the database went down. That's like the root cause of why the issue happened and they were able to find the needle in the haystack. The AI Insight showed this. And then, there we'd have – Device42 sure exactly pinpointed out what happened. And finally, they were able to resolve the issue. And then, they created a document, let's say, okay, this is why it went down, so that it can be used as a reference for the future. Okay? So, that is the power of uncomplicated solution with a single pane of glass. Okay.

So, Freshworks is sort of transforming the IT with this unified IT part solution. What are the outcomes that we deliver? As I said, there are three personas within IT that get value from the solution. Number one is CIOs and the IT leaders. It's integrated with multiple third-party enterprise systems, which Dennis talked about, is we're continuing to expand that relations with enterprise system, so that there is a single pane of glass.

Number two is service teams. They have a single pane of glass. Any agent in IT, they can access the information from a single pane of glass within Freshservice. And Freddy Copilot helps them be more effective. IT agents come and go, and when the new person comes in, they can access information instantly through Copilot, helps them, hey, this kind of ticket was solved in the past. So, here's the – here's a similar ticket, so they can resolve issues faster.

And finally, the most important constituent is probably all the people in this room and in place that work in the companies, right. You want instant service and a higher employee satisfaction is what it implies. So, those are the three outcomes that we drive for our customers.

Okay. That was IT. Now, let's go to my favorite persona, HR, because JJ is sitting there, our Head of HR, and we'll show you how we solve – Freshservice for Business Teams solve the HR issues. The ModeMax HR team, as I said, it's a global company, has people in many locations. That includes their corporate employees and it includes their retail store employees. And employees move from one location to another, they move, people come, people go. There's a lot of activities that happen. Onboarding, offboarding, parental leave, PTO, like this – this is – I mean, JJ will tell you that this is a big help, right. And HR needs to coordinate between legal, IT, facilities. There's a lot of coordination that happens. The process as it stands right now at ModeMax, it's sort of error prone. It's very slow. There's a lot of discrepancies that happen.

So, this is where Freshservice for Business Teams comes in. What we call as – what Dennis referred to in his presentation as Enterprise Service Management, ESM. It's embedded with Freddy AI, the capabilities of Freddy AI described earlier. What you're about to see is how ESM Journeys capability – it's a core capability called Journeys. We introduced this in June of this year. How that integrates with the third party system what – most of

HR information usually sits in Workday. It integrates with Workday and it automates the employee need such as onboarding, offboarding, training, and it orchestrates between the multiple departments that I mentioned, right?

So now, without further ado, let's see this in action. The Easter egg here – sorry. Hold on. Don't play the video. The Easter egg here is I want you to answer what is the language that was translated. Let's do it.

[Video Presentation] (00:37:14-00:39:08)

All right. I'm going to skip the question. Looks like we're running a little bit over. So, let's keep going. For the three key takeaways, like I said, similar to IT, the ESM product serves three different personas. Freshservice for Business Teams serves three personas. Number one is HR leader, which is a person like JJ. It helps – Freshservice Journeys is used by the HR team to automate their processes, and it's integrated with the enterprise systems, so it automates their workforce.

Number two is for the service teams. There are a lot of agents that serve the end customers when they have questions. So, Freddy Copilot helps them and Freddy AI agent helps answer questions. So, higher agent productivity. And finally, for the employees, it's seamless access. There's just so many questions that people have. And today, they just send e-mail, they submit tickets in portal, et cetera. So, it helps employees get faster service. So, those are the key benefits that the personas get.

Okay. It was not just – ModeMax is getting these benefits. A lot of brands that you see here, some of which Dennis talked about. Customers are just coherent. And you – retail giants such as Carrefour, Amex Global Business Travel, Smartsheet whom you heard from earlier and probably [indiscernible] (00:40:31) TaylorMade Golf. They all get – they all are using Freshworks services. And you're going to hear from RingCentral, actually, [audio gap] (00:40:39) before I joined Freshworks. So I was with RingCentral before this. And you're going to hear from Vineet Sachdev, the Head of IT on how RingCentral is using this.

All right. With that, I think this is the show-me-the-money part, like the Jerry Maguire. Dennis is going to talk about the growth trajectory.

Dennis M. Woodside

Director, President & Chief Executive Officer, Freshworks, Inc.

Great. Thanks, Srin. Okay. So, how are we going to sustain growth of Freshservice over the next several years? So, I'm going to talk about just about the catalyst for sustaining 20%-plus growth through EX. And I'm going to do it through the lens of that growth algorithm that I talked about earlier. The first is, and you – you saw that in the demos, we are going to continue to infuse AI across our core IT and service operations workflows. We see a lot of opportunities to enhance the value of the product, solve more problems using AI. We're also going to expand with vertical offerings with a focus on education, health care and government. Those three segments we're making tremendous progress in now. In all three, we've got literally over a thousand customers each. And we see the opportunity to make the products smarter, make the product more integrated into those environments. And we're going to continue to invest in and build advanced integrations and advanced capabilities into the core Freshservice product, ITSM and IT operations and management.

The second is our add-on products. We're going to continue to scale our IT asset management, product and Device42. You heard a lot about Enterprise Service Management, Freshservice for Business Teams, and then AI. All three are breakout businesses within Freshservice. Now, within the next several months, we're going to launch a cloud-native IT asset management product based on Device42. We're also going to launch a stand-alone ESM product. Today, you need a Freshservice instance in order to buy ESM. But lots of customers come to us and

they say, I want to start outside of IT and eventually we'll move into IT. So, that will open up new growth avenues for us. And we're going to continue to accelerate Freddy AI adoption with more and more capability in Copilot and then with deeper Agentic capabilities as well.

Okay. The third are adjacencies in areas that are attractive to us where customers are asking us to offer more. One is AIOps; another is SecOps. There are there are several other spaces that we see the opportunity to expand our product, their natural add-ons to what we do. These can be expansions through partnership, organic and inorganic growth. So, you'll see more there over the course of the next couple of years.

All right. Let's turn to AI. All right. So, today we have more than 5,000 paying customers that are actively using Freddy AI to drive efficiency, productivity and innovation. Now, our modernization isn't just growing at scale. It's doubling. Like I said earlier, we doubled our recurring revenue. The \$20 million doubled over the last year, and we don't see that slowing down. Now, that represents direct monetization of AI agent and of Copilot. AI agent, we monetize on the CX side. We included in the enterprise package for EX and then Copilot will be monetized in both EX and in CX.

As you saw in the demos, we have other AI capabilities that are embedded across the products as well, but those are not included in that \$20 million figure. And that early traction, coupled with our very large customer base, signals to us that we've got a very long runway ahead to monetize AI.

Now we continue to build on the rich, rich feature set across our suite of AI products. In June, we launched many new AI innovations for both EX and CX at our semi-annual Refresh event, and our customers are already seeing value from these. And I think this is one of the points that we make is fast time to value. We have one customer, a major sports retailer in Europe that implemented AI agents. And two weeks after implementing, they already were seeing 44% of their agent conversations being handled and resolved through agentic AI. Compare that to some of our competitors where implementation of AI can take a very long time.

We're going to continue this rapid pace of innovation, and you're going to see more innovation at the next Refresh event, which is going to be held here in San Francisco in November. Welcome to come to that. Now across – importantly, across all of our AI products, we're seeing strong adoption. We've doubled the number of paying customers in the last year. And usage is also strong. We're seeing about 40 million monthly ticket assists by Copilot. Millions of agent conversations are being handled since we GA-ed that product just in February. And the most important metric is the impact that those products have on our customers' businesses. And you see some of the examples here. They're seeing significant improvements in response times and ticket deflection rates. And just two examples, and then we'll show you the product in action.

One, you saw in the opening video, a company called Big Bus Tours. They're the world's largest open top sightseeing operator. They turn there – and our customer didn't say this in the video, but they turned their customer service center from a cost center to a profit center. They freed up their agents time and those agents turn from service activity to selling. So, when a customer calls in with a question, it's an opportunity to upsell them into another tour or a higher pay product. Revenue directly created now from the service department exceeds the total cost of running it. And that's because of Freddy AI. That's the kind of story that we can enable with AI and that customer support is going to work going forward.

Another example is ClickFunnels. So, ClickFunnels migrated 21 million records seamlessly on to Freshdesk. No downtime, minimal disruption, very fast. And then with Freddy AI agent, they saw faster resolution times while improving the actual – their customer satisfaction score. And that's not uncommon either. All right. So, now I'm going to ask Srinu to come up and we're going to take a look at the product in action.

Srinivasan Raghavan

Chief Product Officer, Freshworks, Inc.

Thank you, Dennis. So, before we see the product in action, I'm going to touch on a couple of things on AI. This AI field has evolved significantly, as all of you know. And I've been doing this for six years. I was at Five9 before this running the AI product portfolio there. Menu-driven chatbots have been there for a while, for like 15 years. Problem with menu-driven chatbot was the deflections was low. Then we had NLP-driven bots which were answering questions. The challenge with NLP was the implementation cycles were really longer.

Then we had LLM-driven Q&A which was this is a post ChatGPT moment where a lot of the questions were answered. Implementation cycles got shorter, but Q&A was the main thing and we had – our products in each of these areas, we have a chatbot, we had that AI self-service. Then we introduced the AI agents last year. Now we're in the agentic AI era with actions, which is what we introduced this past June at our Refresh event.

We are seeing much higher deflection rates with actions because now customers can not only get answers, but they can take action. Think of actions as in any system where you can, not just get all the details from a third-party system, or cancel your orders, change the apps, it's like that. So, we have evolved Freddy AI to be the AI – to be the agentic AI platform.

What does this mean? What it means is three key things. Number one, you have domain-specific AI agents talk to the team of uncomplicated and having a unified platform, you can have a single platform, which is the AI agent studio where you have out of the box AI agents for verticals and functions, verticals such as e-commerce, functions such as IT and HR.

And number two is the agentic workflows are enabled with actions, which is they can reason. AI agents can now reason, orchestrate and act just like humans can. So, AI agents have become a lot more powerful. And they could do it across different channels such as WhatsApp, Microsoft Teams, Slack, WebChat, et cetera.

So, here's an example of the type of actions that these AI agents can take for different industries. Take, for example, e-commerce. As I said, you can think of your favorite experience when you go to an e-commerce website. You want to cancel an order or you want to expedite an order, I want to change the address, like these type of things. They can do it by connecting with third-party systems like order management systems, like Shopify or shipping systems to [ph] Shiprocket (00:49:57), et cetera, and you're going to see that in action shortly. Or in case of an HR, instead of a human answering these complex questions based on standard operating procedures, they can take actions in their system of record such as Workday. Okay. The possibilities are just endless.

Back to our favorite customer, ModeMax. The third persona that I'm going to touch on is support. As Dennis mentioned in his two custom examples that he gave, ClickFunnels and Big Bus Tours, similar to that, ModeMax has a sprawling e-commerce business and how they are using agentic AI to automate their growing support needs. ModeMax, just like many customers out there, they have a mandate to implement AI and use AI. However, they are struggling. There are more – thousands of startups that claim to have AI solutions, but they are all point solutions. And then, there are large software vendors where the implementation cycles are longer. Just to implement AI takes a long time and to get value off it takes even longer.

Then, they are concerned with increasing the throughput and service quality of their existing software and their people – and finally they need to upskill their people in the AI first world, okay. So these are the challenges that they are grappling with. What you're about to see shortly is how the AI Agent Studio delivered uncomplicated solution to ModeMax. And the way they're doing it is it doesn't take an IT person to implement AI. What you're going to see is a support supervisors who logs into the AI Agent Studio that we launched and creates a bot, and

he can launch the bot as well. Okay. So, it's very simple and it's integrated with third-party systems such as Shopify and shipping systems such as [ph] Shiprocket (00:51:57). So, without further ado, let's see how.

[Video Presentation] (00:52:02)

Looks like we're having a video challenge. Should we keep going? Sorry, wait or keep going? Sorry. All right. Should we keep going? All right. We'll keep going. I think we'll come back and play this AI [indiscernible] (00:52:48). Actually, you will see a continuation of this in the CX because the CX section demo will actually show you how the bots are being used.

All right. So, what is the benefit that the three personas that I said. The three personas in this case, get benefits from AI, one is the business leader as because the Agent Studio is integrated with other third-party systems like Workday [ph] Shopify, Shiprocket (00:53:08) et cetera. And they can launch agents out of the box. If you're an e-commerce company and you want order status, you can launch the e-commerce business directly. You don't have to code a bunch of things.

Service teams, they can use AI in studio and figure out what are the things that I want to automate? There may be things that they actually want to reach his human base. So, they may not want to automate? Thing will automate things that they – they can choose to automate what they want to automate. And the EchoPilot is going to help the service agents to be more effective. One of the examples that you saw was it helps me write summarization of tickets or it helps me find similar tickets, et cetera. So, those type of things are is where corporate helps and it helps lower the service costs and improve the service quality.

And finally, the customers and employees, they can get services in the channel of choice, whether it's Slack or Microsoft or Chat or WhatsApp, et cetera. So, they will be much more happier and you'll get much more faster services, what they get. Okay. I think I'm going to – so, these are the brands. Big Bus Tours you saw in Dennis' section. And Clopay, these are the CX customers. Coherent is EX customer that's using our AI solutions and there are many more customers.

I think I'm going to pass it on to Dennis unless we can play the video. Okay, it looks like it may be a challenge. All right.

Dennis M. Woodside

Director, President & Chief Executive Officer, Freshworks, Inc.

All right. Thank you. Showing the video up here – are we going to play the video or not? We're going to play the video.

[Video Presentation] (00:54:40-00:56:09)

So, I might – one point I want to make on that video is how easy it is to actually get up and running. And if you talk to customers who are working with or have in the past worked with some of our competitors, that's a huge challenge. It can take months to get the AI to actually work for them. And we have example after example of customers getting up and running fast with what we've built. That's a core part of our value proposition. You hear the term-forward deployed engineers with some of our competitors, that means there's someone doing custom work just for you to get the AI to work. That's not how we think at all.

All right. So, how are we going to make this into a big business? We are confident that our AI business will reach over \$100 million of recurring revenue in the next three years. Today, we have more than 5,000 paying customers

for Freddy. We've got a customer base of more than 74,000. We believe that every one of those customers is going to need what we've shown, is going to need AI both for their agents and for their customers.

And both AI and AI agent have multiple levers to make them each \$100 million businesses on their own. That's how big this opportunity is. Copilot can be \$100 million product just by driving penetration within our existing base. Remember, we – the Copilot is \$29 additional per seat per month for both CX and EX. And we're very early in the penetration of that product across our customer base.

AI Agent can become \$100 million product on its own. As we increase adoption, we increase the capabilities, we increase the agentic capabilities to take more and more actions on behalf of our customers. That creates huge savings for our customers, and we can build a big business on that. So, AI we're very bullish on, and we're excited about where it's going. We're excited about the early traction. We just got to keep executing.

One important point, our AI revenue is real revenue. It's reflective of real traction with our customers. We're very transparent about the financial metrics. You'll see other companies that play some games and do fund allocation strategies to try to attribute revenue to AI that might be from – really from other products or they're including acquisition revenue or just making very vague statements. We're very clear, this is directly paid revenue for our Copilot SKU and for our agents.

Okay, the last component to our product strategy is customer experience. Now, over the last year, we've refocused the CX product and go-to-market efforts on our core Freshdesk product. We've consolidated our product portfolio around a unified Freshdesk Solution, which is going to allow us to scale faster. We've also applied AI across the whole product set. AI is sparking a resurgence in growth in Freshdesk. You saw growth tick up slightly in the last quarter, particularly among mid-market accounts.

Now, Freshdesk started as an SMB-focused product. We're making the product and go-to-market investments to bring that product to the enterprise, too, over time and we're seeing results right now. So, today, over half of our largest accounts are both Freshdesk and Freshservice customers. Customers are expanding from CX to EX and vice versa. An example of that is a company called Momentum Software. They decided to replace ServiceNow with Freshservice. And after they had a really good experience in IT, they decided to use Freshdesk for their CX environment. So, the opportunity going forward is to bring Freshdesk more aggressively to that mid-market and enterprise customer. We've seen that work with the Freshservice business and it's going to work for Freshdesk.

Freshdesk is delivering results for our customers right now. These are just a few examples of customers who have seen higher CSAT scores, they've seen better operating metrics, lower costs, overall happy customers after implementing Freshdesk. And you can see a range of size of companies; NAVBLUE, which I believe is a division of Airbus, Bridgestone Tire, Decathlon. All these are bigger companies. You have small companies in there as well.

Now, one example is Satair Group. Satair is also a division of Airbus to [Technical Difficulty] (01:00:49) faster ticket handling time after going to Freshdesk, which is a significant increase in efficiency, they handle mission-critical aerospace logistics. So, if you're Lufthansa Airline, you need a part for your Airbus, you work through Satair to work the logistics out and make sure the part gets to the plane as fast as possible. Freshdesk ensured or enabled them to unify their global operations, gave them visibility in the requests around the world and deliver for their customers.

Okay. With that, let me ask Srimi to come up one last time to show you the product in action.

Srinivasan Raghavan

Chief Product Officer, Freshworks, Inc.

Thanks. Thank you, Dennis. So, back to our favorite customer, ModeMax. So, what you saw so far are three demos were Freshservice product – for the first two, IT and HR personas, we have Freshservice infused with the AI was used. What you saw in the demo in the AI section was the support persona. And we actually have a Support Persona person in the room, Mika, who's our Chief Customer and Support Officer. Their team internally uses Freshdesk and AI agents as well. And in the support, I'm going to show you Freshdesk Omni product infused with the AI that is the single product, single platform that we are using. So, ModeMax CX Teams. This chart should be same as what you saw in IT, except the channels here, the complication that ModeMax faces is they're getting these customer support issues from their web, from email, from phone, from WhatsApp, etcetera, so they have to grapple with all these channels and they need to solve all these customers and the information in these multiple systems, it's in their support system, CRMs. There's many, many systems that they need to grapple with.

Similar to CIO that we saw in IT, in CX, the mandates that the CX leader has are to deliver seamless omnichannel support. That is the number one thing, because you may start in web and then you go to e-mail, then you go to chat, like the context should be maintained, so the omnichannel support is important. And a single – from an agent perspective, omnichannel support is important because the agent needs to maintain context across the different channels. And second is volume. Service volumes continue to keep growing up and the business can keep up with that. And the challenge there is you have people who are frustrated and just hang up and they're just going to reach out in the chat. And then there is a services attrition. The services attrition is real. A third of the employees who work in the customer support churn every six months or so. So, you're literally having like new employee base every six months. And these people take time to come up to speed. And that's the challenge that they need to tackle. These are the challenges.

So, what you saw in the previous demo that we showed in AI was the support supervisor created an AI agent in our AI agent studio. What you're about to see here is what ModeMax has done is they have taken the chatbot and they have actually personalized it. They internally, they call it Ask Max. Ask Max is a branded AI agent. It's integrated with Freshdesk Omni, which is their platform that they use for omnichannel support. You will see not only how that AI agent helps with chat conversations, but also e-mails. There's billions of emails that flow through our system and you will see how the email AI agent is able to answer questions. Chat agent is able to answer the questions and everything is within the Freshdesk Omni platform, and invariably there will be questions that will be come to the human ears. You will see how the Copilot is going to help the service agents resolve the issues faster.

Because this is the last section, I'm actually going to bring back my pop quiz. I want you to answer which language is the agent automatically translating. Agent don't speak the language, but he gets the question from a different language than the one he speaks, but Copilot help solve the problem. So, I want to ask the question at the end of this demo.

[Video Presentation] (01:04:59- 01:07:10)

Okay. So, what was the language that was translated anyway? Anybody paid attention? Yes, [indiscernible] (01:07:18) said that you're going to get an iPhone Air. It's in the back. I'm just kidding. Okay.

All right. So, let's recap. So what you just saw was what is agent command center? Freshdesk Omni as an agent command center where AI is helping the users, the end users to get timely support because you have the AI Agent Studio integrated with Freshdesk Omni, and it's helping the end users. And it's also helping the humans to

get – to deliver service faster, which is the agents. And it's transform the complete customer support operations. Because you have operations across the world. Some agents may speak the language. In this case, the customer was French, and the agent was not speaking French, but they can still respond. So, it's making the agent experience much more easier and employee experience much better. Okay.

So, three personas. Just like how we had in IT and HR. In CX, there are three personas that we sell. Number one is a CX and ops leaders. For them, it's an omnichannel CX platform, back to what we started with, what Dennis said, a unified platform, a single pane of glass is what the leaders get. Second is for the service teams, we have a unified service desk where they can access all the omnichannel conversations in a single place and they have access to the AI Agent Studio, which as they see, I'm getting these repeat questions, I'm going to launch an agent for it, so that I don't get these repeat questions often. And finally, for the customers, they can get their answers through multiple channels like e-mail and chat, etcetera. So, it's – then that you build deep customer loyalty. So, these are the three benefits that our customers get from using our solution.

And it's not just ModeMax. A lot of other customers that you already saw, for example, you saw Panasonic, who you're going to hear later today. And Frasers Group, which is an e-commerce company, Bridgestone Tires, Solidaris, etcetera. And probably the financial analyst favorite, GameStop. Everybody knows why GameStop is a favorite of financial analysts. Okay. So, lots of customers that are getting benefit.

I think, with that, I'm going to transition to Dennis. Thank you.

Dennis M. Woodside

Director, President & Chief Executive Officer, Freshworks, Inc.

Thanks, Srin. Okay. As with EX, I'm going to run through the growth algorithm for CX. As with EX, we're focused on hardening our product for the demands of enterprise customers. And that means building ticketing depth, expanding into multimodal experiences, things like text, voice, and beyond all in one unified workspace.

The second element to growing the CX business really is to scale into add-on products. We see a lot of opportunities to add capabilities into CX today. Over the next year, we're going to launch hundreds of AI-enabled workflows in CX. That's going to enable actions, as Srin showed, like returning orders or changing flights without human intervention. And those are monetized based on consumption. And we plan to offer voice AI agents as well, which will be tightly integrated with Freshdesk.

The third are opportunities to expand in markets that are adjacent to CX. We can do this organically through acquisition or through partnership. Areas that we're exploring include CCaaS, workforce engagement, field service management. There are many opportunities in spaces directly next to what we provide today.

Okay. To step back, for the company, let me just summarize our growth strategy. So, our growth strategy is to mature our core products with deeper capabilities to continue to win share in the mid-market and in that lower end of enterprise, to scale our investments in add-on products with demonstrated product market fit, and then to make a handful of strategic bets to expand into new adjacencies over the next couple of years.

Freshworks is truly built for this moment. We are and we will continue to be the uncomplicated service platform. We've got the right strategy. We've got the right team. We've got the right products to capture a massive and growing opportunity.

Now, after we come back from a short break, you're going to hear more from the leaders who are turning that vision into reality. So, let's take a break. I think we're back in 10 minutes. All right. Thank you.

Brian Lan

Director of Investor Relations, Freshworks, Inc.

All right, everyone. Hello. Can you please take your seats? Awesome. All right, great. We're about to kick off the second part of today's agenda. Up next, Ian, our Chief of Global Field Operations, will walk us through how we are scaling our go-to market strategy worldwide. Following that, we'll welcome two of our amazing customers for a moderated panel discussion hosted by Mika, our Chief Customer and marketing Officer. So, let's get started, and I'll hand it off to Ian.

Ian Tickle

Chief-Global Field Operations, Freshworks, Inc.

Good morning, everybody. I hope you enjoyed a nice cup of coffee or maybe even a cup of tea, which is also very welcome. Hey, look, thanks so much for taking the time today. One of the things I wanted to do before I start running through our go-to market strategy is to really talk about one of the things I do a lot, which is talk to prospects, talk to customers, talk to our partners and understand where the market is, what's working, what's resonating and where the challenges are. And there's a couple of points that continually come up. Some of these won't be a surprise. They want to reduce the complexity. They want to drive efficiency. They want to use technology to deliver a better service. They want to have better agent efficiency. But there's one that's increasingly being said more and more, relationship. They want a relationship with the people who are providing these solutions and these offerings, so they feel like it's a true partnership. They want to feel that we're there to help them, that we can help guide them and use our experience of our collective knowledge to be able to deliver the experience that they require and to test and challenge some of their theses. And it's one of those trends that I think we're going to continue to see, how does the vendor engage with the customer and how do we engage with the prospects and how do we talk to the partners to drive the resolutions we require.

So, if we have a look at Freshworks, we've be broken into three areas for the go-to-market strategy. We have the field sales motion, our inside sales motion, and our partner ecosystem. As Dennis mentioned, we're growing our field sales motion with in-region, very focused and targeted environment. The inside sales motion is a massively scalable and effective operational unit for us as well. Our partner ecosystem continues to give us the depth and breadth and subject matter expertise in those areas where we require help or support or we just haven't yet targeted as a direct contact point. The partners continually deliver for us.

If we have a look at the go-to-market from a where do we have people in region or are people actually sitting for us. You can see on the map here there's one region, EMEA, Europe, oh, I remember those days, particularly dear to my heart. North America continues to be our largest environment, continuing to deliver and to grow. And we continue to put thoughtful expansion into those regions where we see is appropriate for the market and for the demand and for our customer base. The rest of the areas, we work with our partners. That's the point of the partner ecosystem, so they can engage with us and help us deliver a more effective global reach and deliver to the customers that we serve.

So, let's talk about our customers that we serve. And again, as we mentioned earlier on, we're super excited that the traction and the momentum that we've seen in this mid-market and upper market environment for us. It really is exciting, not only for me as the revenue leader but also for the team who are engaging with the customers, who are having the conversations. And if you look at the names that are up on the slide, it's just a small subset of the accounts we work with. And what I can say is, when I'm talking to prospects particularly, there's one thing that's increasingly becoming obvious, the disenfranchised with their legacy provider. They don't feel they have that partnership. They don't feel like they have that relationship. They don't feel like it. So, it's combining the two thought processes to drive a better execution level.

That's what my team is really good at. They're really good at building that relationship in execution. And if you hear from the customers later on, hopefully, that will come out and you see that we really are embedded into what they're achieving and how they're trying to drive their goals. The byproduct of that is that we're winning more deals. We're winning larger deals, and we're also expanding those. And continually working with a customer on their needs and opportunities.

So, let me take you through a journey. Now, this is just one journey. [audio gap] (01:16:37) has multiple journeys, but this is one of the like a classic motion that we go through, and it's where we land and then we look at working with the partner and the customer and how do we then continue to grow. So, this is a multibillion-dollar US credit union. It's about 600 employees. It's a nice environment for us. And we land – and we have IT agent optimization. Why? Well, pretty common that there's legacy tools in place that may not be effective, may not be delivering.

Sometimes, actually, they don't even have tools, which is replacing spreadsheets and emails and just all the legacy environments that you have. So, we can get in and we can talk and then we can work with the customer. And the key is then how quickly can you get up and running. Not just selling them the solution, but how quickly can you actually get them active because that helps on the return of investment and have some of the total cost of ownership. But it also helps because we deliver value quickly. And that's then where we have the opportunity to expand our footprint.

Now, when we expand the footprint, it could be one of two things. It could be the fact that there's more agents because the customer's growing. So, they just need more people by default, so they have more agents. Or it could be those other departments [indiscernible] (01:17:51) that we work in, and they want to involve themselves inside the offering as well. But it gives us an opportunity to continue that relationship and continue the conversations.

And then, typically, we do see expansion outside of the core IT, hence, ESM stand-alone, is one of the greatest traction points we have. It gives us the ability to talk to all of our existing customers about a new offering, a new solution, a new capability. And many a time you'll find that they are excited. They're coming to us requesting because they love the experience that they have with the Freshworks team.

As we continue the journey, more things pop up. A new property comes in. Could be asset management, it could be enterprise service management, it could be the adoption of AI. And one of the things that we see is the agent addition and adoption of AI go hand in hand. Many organizations are using our AI technology to make the agent more efficient, to give them a better working environment, to give them a better ramping if they knew, to help them grow and develop inside the organization and give them access to new technologies and capabilities.

And then, mergers and acquisitions. Very classic or it could be cross-departmental. This is a journey that we see our ability to not only just land the customer and build that relationship, but to continue to grow that customer and to continue to look at the total ownership across the entire time. It's essential for us. The only way we can do this is by having the relationship. The relationship is key. The technology is super important, and the delivery and the execution has to go hand in hand. So, that's the field sales motion, very in front of people, talking and meeting.

And our SMB motion, it's slightly different. This is an engine built for volume and velocity, and this enables to serve over 58,000 customers with remarkable efficiency. It is highly efficient. It's targeted and scalable and is a go-to-market motion is one that you can see we continue to grow. The growth is greater. The conversion is great. But the AI adoption in our SMB market space is also fascinating because it shows that irrespective of being

midmarket, enterprise or SMB, the need for AI is ubiquitous across all those regions and all those segments, and it gives us the ability to continue to grow agent account whilst helping be more efficient with AI technologies.

I'll give you an example, iPostal (sic) [iPostal1] (01:20:37). So, this is a virtual mailbox provider with 3,000-plus locations. Pandemic hit and they grew rapidly. And the challenge that they had was they had a lot of legacy tools and a lot of legacy applications. They had to optimize. They had to find a different way to serve this newfound customer base. So, they had to act at speed and they had to act at scale. And they had to ensure also that the brand was consistent in the delivery of their support because it is so essential as you engage with organizations.

So, they started with Freshsales, Freshservice, Freshdesk, and built an environment out that enabled them to deliver the results that you can see on the screen, a 50% deflection rate, enabling their agents to be more effective on the more complex, more hard-to-resolve environments, and also to build that brand relationship with the people that you engage with. So, it gave them the opportunity to really then grow and expand their footprint. And then other teams, other departments also engage because they saw the value of the relationship and how it brings value to both parties. It's a great example of how you can continue to look at legacy systems optimize and deliver strong results.

Now, we couldn't do this without our partner ecosystem. Our partner ecosystem is super important to us. As you see on the map, we do have opportunities for areas where we don't have current physical presence. The partners are a great force multiplier for us. They're a fantastic growth engine for us. They're fantastic at delivering bespoke subject matter expertise, local experience, best in language operating technology, albeit in a particular use case that they have. This is a motion we're embracing across all segments. So, it's across SMB, mid-market and enterprise. We have a rapidly expanding partner base. And as you can see, there's a great breadth of portfolio of the partners we have, ranging from someone like Gorilla Services who do phenomenal work for us in the European organization, to Unisys, to CDW.

When we look at CDW, this partnership's been going for just over a year, great relationship with them as an organization. They really do cover all of the market segments that we're interested in as well. They have access to people we don't have access to because of their client base is so wide and varied. That's a win-win for both of us. They have a need to be able to have a solution that can deliver a uncomplicated environment for their customer base because their customer base is saying the same thing, the complexity is hurting, the complexity stifling them, and it's not enabling them to deliver. This is where companies like CDW and the rest of our partners bring this value-added service to help people through that journey. And we're delighted to be on that journey with them.

So, to summarize, we have three motions. The field sales where we're really investing, in the people and the time. I am so proud of my field sales organization and the way that they've built in their relationships with their customers. It enables us just to continually grow that. We're bringing in additional talent. The talent that we have [audio gap] (01:30:51) organization is so exciting. Layering it on top of the current employees we've got who are absolutely maximizing the potential is such a great time for us as an organization. The inside sales team that continues just to deliver. They continue to look at all of the ways they can generate opportunities and drive success, and that is so just overwhelmingly fun to work with, to be honest with you. The reach is phenomenal. And the growth multiplier is the partner ecosystem. That's where we're really going to focus our time. We're going to continue to work with our partnerships. The growth is there inside the base. We now have to continue to help them, onboard them, develop and then go to market and build this market out as much as Freshworks can see the potential for that.

With that, I appreciate your time. Thank you very much. So. Thank you.

So, it gives me great pleasure to welcome Mika to the stage. Who is going to talk to a couple of our customers. Mika? [indiscernible] (01:24:57)

Mika Yamamoto

Chief Customer & Marketing Officer, Freshworks, Inc.

Hold on. Thank you. Good morning. Thank you for being here. You've heard thematically through [audio gap] (01:25:23) is to make it uncomplicated for organizations of all sizes around the world to offer delightful experiences to their customers and their employees, and accelerate that delight in business results through AI. And so, we're going to be joined today with two customers, who represent the employee and customer experiences. And they're going to share with us the tangible benefits that they're seeing with AI. So, we're going to be joined by Michelle Esgar, who is the Head of Marketing and Customer Experience at Panasonic, Consumer Electronics division. And we're also going to be joined by Vineet Sachdev, who is the Head of IT at RingCentral. So, please join me in welcoming them on stage.

Thank you for being here. So, we're going to get to know you a little bit just to understand your companies. And we'll start with you, Michelle. Can you just tell us a bit about yourself, your role, some of the business challenges and opportunities that you're facing?

Michelle Esgar

Director-Marketing & Experience, Panasonic Consumer Electronics

Sure, sure. So for a very, very long time, Panasonic Consumer Electronics was a sales company in the United States. And so, our job was essentially to move boxes from Japan into the retailer. Obviously, the environment has changed dramatically. And so, now, we are learning how to become a brand, how to build our own relationships with customers, and how to customize that experience for each individual category of business that we have.

Mika Yamamoto

Chief Customer & Marketing Officer, Freshworks, Inc.

Awesome. How do you measure success? I mean, what is the president of your organization say? Michelle, you've got to you've got to nail these measures of success.

Michelle Esgar

Director-Marketing & Experience, Panasonic Consumer Electronics

Yeah, yeah. And I think that is very telling that I'm running both our marketing and our post-purchase experience. Because what used to have been, let's say, an SLA for the support side would have been time to resolution. Now, what we're really looking at is building loyalty with those customers; it's return visits to the website; it's engagement in our emails.

Mika Yamamoto

Chief Customer & Marketing Officer, Freshworks, Inc.

Awesome. Vineet, now over to you. RingCentral. What adventures are you up to at RingCentral in terms of opportunities, challenges and how does your leadership team hold you accountable in terms of measures of success?

Vineet Sachdev

Head-Information Technology, RingCentral

First of all, thank you for having me.

Mika Yamamoto

Chief Customer & Marketing Officer, Freshworks, Inc.

Thanks for being here.

Vineet Sachdev

Head-Information Technology, RingCentral

Good morning, everyone. My name is Vineet, and I am the Head of IT at RingCentral, and my mission is to fundamentally transform IT with the power of AI. And a bit about RingCentral, we empower businesses to collaborate via phone conversation, video meetings, SMS and extract conversational intelligence via AI. So, talking about in the context of Freshworks, one of the main challenge started in the world of pandemic when, overnight, we had to transform the company and move thousands of employees to remote locations. And the key to success or how I'm measured against that is general employee experience and can I significantly decrease the manual workloads that my IT organization had to do.

Mika Yamamoto

Chief Customer & Marketing Officer, Freshworks, Inc.

Got you. Minor detail here. No problem there. So, Vineet, we'll start with you in terms of the next question, and that is why Freshworks? Why did you pick Freshworks? And how do we if you think of what you're accountable to deliver, how do we help you succeed in that area?

Vineet Sachdev

Head-Information Technology, RingCentral

So, we started this journey in 2019, just around the pandemic time, and we had the legacy system and I mentioned that, and I had to chuckle thinking about that. It was quite clunky and had massive amount of customization. And we were looking for a vendor that truly delivers a product, not a platform, and ask me to develop the product. And I think that was the big decision factor for us that I can take something and deploy at mass scale in the matter of weeks and start seeing the results.

Mika Yamamoto

Chief Customer & Marketing Officer, Freshworks, Inc.

Excellent. And so, Michelle, I mean, why Freshworks? As you think about the challenges you face, why'd you pick Freshworks?

Michelle Esgar

Director-Marketing & Experience, Panasonic Consumer Electronics

Yeah. When I walked in the room here yesterday and I saw un-complicate everywhere, that resonated really deeply because we have what I thought was a very simple problem in terms of our data, which was just a multi, multi relationship. So, in other words, we have thousands of SKUs and each one relates to a lot of different questions. And then, you have thousands of questions and each one relates to multiple SKUs. And there was not a solution provider out there that could help me do that in a simple way, and Fresh could, to some extent, do it

natively, but more importantly, had a really, really flexible API, so that I could build out and do what we needed to do with our data in an easy way.

Mika Yamamoto

Chief Customer & Marketing Officer, Freshworks, Inc.

And so, how has it helped you with the success metrics that you're held accountable to?

Michelle Esgar

Director-Marketing & Experience, Panasonic Consumer Electronics

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Well, I mean, we started integrating chat bots very early with Fresh, and they're already handling 80% of our chat interactions. So, immediately, that's a big win, and it's not even about the efficiency there. It's really about the time that it's opening for my team and my resources to then go that extra mile and stop using support in a defensive way and start using support and more on offense and as an opportunity to connect with customers.

Mika Yamamoto

Chief Customer & Marketing Officer, Freshworks, Inc.

So, we'll continue this conversation about AI. We'll go to you, Vineet, and talk about, if you think about AI, how's your attitude towards adopting AI evolved over the last year? I think we've observed that it's one of the most – the acceleration in terms of going from pilot to production has actually definitely been something unprecedented. So, how have you thought about AI in terms of using it and how has it helped you in terms of efficiencies and again, meet your business goals?

Vineet Sachdev

Head-Information Technology, RingCentral

What a profound transformation we all are observing right now in the industry, way larger than the mobile first and the SaaS first and everything else we have seen in our life. See, listen, in last 12 to 18 months, we have come a long way from experimentation to this is the only way forward. And I'm not viewing AI as, hey, how I can extract 20% more efficiency or productivity for my employees. AI has given me an opportunity to fundamentally rethink every business process we have, whether it touches GTM, customer support, innovation or finance, and that opportunity has never existed. So, I am living, breathing, eating AI day in, day out, and reimagining every aspect of employee experience.

Mika Yamamoto

Chief Customer & Marketing Officer, Freshworks, Inc.

And so, how has Freshworks from an AI standpoint helps you with this?

Vineet Sachdev

Head-Information Technology, RingCentral

Listen, we have already deployed Freddy, and we have seen a significant improvement in the agent productivity. So, thank you, your amazing product team. But that is just the beginning. There is so much more we can do by joining hands. When you have a like-minded vendor, you can – being from a reactive IT organization to truly proactive and become a business partner to our business because it classically has been in a ticket taking in a

mode, you tell me what you want me to deliver and I'll deliver it for you. This is the first time I have an opportunity where I can be proactive and be a business partner.

Mika Yamamoto

Chief Customer & Marketing Officer, Freshworks, Inc.

Excellent. So, Michelle, for you, you mentioned AI a second ago. If you could go into a little more about how your attitude has shifted and Panasonic's attitude has shifted towards AI, and how Freshworks has helped you with that.

Michelle Esgar

Director-Marketing & Experience, Panasonic Consumer Electronics

So, I don't know how up-to-date everybody is on what Panasonic has been up to lately. We are shooting this on Panasonic cameras, so I do appreciate that. But we're not like the just kind of the TV company anymore. That's the reality. Each line of business that we have, we have very, very unique kind of a customer. So, for example, Lumix, which is our high-end camera line. That is a customer that by no means whatsoever wants to call us, right. They want to go on a forum and they want to have a two-way conversation with other users. They kind of don't want to talk to us at all. Whereas – and I'm going to throw a shocking number out here, but we still sell \$35 million worth of landline phones every year, so cordless landline phones. And that customer is an aging demographic. And 90% of what they call us about is already in the manual. But to be fair, the manual is in like size four font and I can barely read it, so they certainly can't. And a lot of times they just want to talk to somebody.

And so, when I think about AI and what used to be, okay, how do we just sort of get the scale down to a place where we can handle it. Now, it's getting really exciting, like Vineet said. There's unlimited possibilities to how I'm going to be able to uniquely serve each of these customers and really give them, like, an incredible, like, a delightful experience. I mean, we know that if a customer buys a product from us and everything goes well and they're happy with the product, they're about 70% likely to recommend us to a friend. If a customer has a product, that product breaks and they call us and they have a phenomenal experience with us, they're actually 82% likely to recommend us. So, that support experience, it's probably the number one opportunity for us to engage with customers in a one-on-one way and really build something loyal. And so, that's where AI gets excited.

Mika Yamamoto

Chief Customer & Marketing Officer, Freshworks, Inc.

Excellent. And so, if you think about this and you think ahead and you think of all that you've gone through, I think all you've gone through even just over the last year, Ian had mentioned that one of our key areas that we want to focus on a lot as a company is on our product and innovation, but also on the relationship we establish with you. So, how has your relationship with us evolved as your needs have evolved? So, how has Freshworks helped you support your business needs as you've evolved?

Michelle Esgar

Director-Marketing & Experience, Panasonic Consumer Electronics

So, this is actually really interesting. When we first signed up for Fresh, I sort of feel like we snuck in the back door, like, we had conversations and we had account conversations. But I think who we were, we had originally just sort of however we reached the sales, didn't necessarily understand Panasonic is Panasonic, like the scale of our business. And so, we just had a normal, like, I think the way that you went on board, like a really small customer. And then somebody, I guess, looked through it, oh my god, Panasonic is working with us.

And then, from that point on, it was just outstanding. I mean, we – never mind the customization, but we did the partnership lead program and they came for a couple of days with our team, really mapped out our vision, customized that for us. I mean, where we landed on our vision was actually like a Japanese concept of customer experience that resonated so well with the rest of my exec team. So, I think that the entire team was so impressed with the way that Fresh started to like build this relationship. So, we maybe started not traditionally how you would expect but ended in a very good place.

Mika Yamamoto

Chief Customer & Marketing Officer, Freshworks, Inc.

That was excellent. How about you, Vineet? How has our relationship evolved in terms of Freshworks and RingCentral as your needs have evolved?

Vineet Sachdev

Head-Information Technology, RingCentral

Listen, when you are running an IT organization of a \$2.5 billion company, you have a lot of vendors in your portfolio. We do a lot of buys and build type of strategy. And you always value a vendor who is like-minded and they are thinking about the end game as you are. So, having that alignment, having that flexibility that I can pick up the phone, I can reach out to the organization and where they're – I'm not being just being sold the next thing, that's priceless. And we have that incredible relationship.

And because of that, the journey that started just as an ITSM for IT organization, we have expanded that to the entire company, whether it is procurement or HR or sales operations. We have not only expanded the footprint but we have also expanded how we have integrated this platform across all of enterprise applications. So, it has evolved into a truly enterprise orchestration platform for me. And that's where it stands out from all other relationships I have.

Mika Yamamoto

Chief Customer & Marketing Officer, Freshworks, Inc.

Extraordinary. Just last night we were talking about how we could even go even further to expand that.

Vineet Sachdev

Head-Information Technology, RingCentral

Absolutely.

Mika Yamamoto

Chief Customer & Marketing Officer, Freshworks, Inc.

So, we were excited about that. So, we're going to think into the future now. And I'll start with you, Vineet, is if you think in the future and you could pave the path and forecast the future, which we all wish we could do, I'm sure. How do you see and how would you like Freshworks to participate? I mean, what do you see the biggest need from us that you'd like to see from us to be able to make you successful?

Vineet Sachdev

Head-Information Technology, RingCentral

Excellent questions. Listen, again, I'm going to go back. When you're running an organization and you have a complex, complex needs – before I started this job, trust me, I had long, lustrous hair and now, none left. That's what the complexity of the job does.

I want to join hands with Freshworks and I want to double down on agentic AI, and move away from this concept that, hey, I'm giving you an agent that is going to make your life 20% better. It is not about how I can increase the efficiency and productivity of an agent. I want the AI to become truly autonomous, where we start detecting proactively where the problem is and not wait for somebody to report it to me. So again, if I have to – if I have a forward-looking vision, I would say let's double down on agentic AI. And agentic AI is just isn't generative AI, it is where agents are truly taking actions proactively.

Mika Yamamoto

Chief Customer & Marketing Officer, Freshworks, Inc.

Awesome. Well, we look forward to that with you. Michelle, you've got your magic wand, your crystal ball. If you look into the future, how do you want us to be able to participate in that future?

Michelle Esgar

Director-Marketing & Experience, Panasonic Consumer Electronics

I mean, I definitely think, like Vineet said, that word, proactive, is really key. Panasonic, the consumer business is actually a very small piece of the portfolio in North America. We have so many different solution-oriented businesses that we work in. Obviously, we are all circling around AI and how we use AI. And so, where I see Freshworks kind of growing in this partnership is helping us to predict what's going to come next, what does Panasonic need to be doing, and how can we support each other and create new solutions and new pathways and new ways of serving that no one's even – it's not on anyone's radar right now because there's little obvious things. We know that AI needs to read our manuals for us so we don't need to manually write content. We know we're going to want an avatar that can interact with you realistically and help you with your camera. But I have no idea what's going to be after that, and I think that's a place where Freshworks can really step in and we can kind of hold hands together.

Mika Yamamoto

Chief Customer & Marketing Officer, Freshworks, Inc.

Awesome. We look forward to that as well. Thank you very much for being here. Let's give them a round of applause for being here. Thank you so much. Vineet, thank you a ton. And so with that, we are going to have our last speaker. The best – saving the best for last, and that is Tyler, our CFO and COO, is going to come up and give us some remarks. Let's welcome Tyler.

Tyler Renwick Sloat

Chief Operating Officer & Chief Financial Officer, Freshworks, Inc.

All right. Vineet, Michelle, thank you for being here, and also thank you for your partnership and telling your story a little bit. Mika, that was a great kind of Q&A. Just to – I think it's a representative of some of the journeys that we've gone through with our customers, and you're going to see that, specifically in Michelle's point, right, on the engagement model and how it's evolved over time and how we engage with larger and larger companies now. You heard from Dennis earlier today that we've made really good progress in the last few years since our last Investor Day, progress both on the top line. And we've painted out a lot of what our growth algorithm is today. And hopefully you can see how we've gotten to where we are today, but also the opportunity set that's in front of us that we're really excited about. What we haven't spent as much time talking about is how we've been able to do

that really, really efficiently; and at the same time, really thought about profitable growth. And that's where we talk about the Rule of 40.

The AI component, if you've seen our growth, we think it's going to come from our two main products, but AI is going to be integral to both of that. And when we talk about \$20 million, Dennis is right. It's not any kind of allocation [indiscernible] (01:43:17). These are actually the value of the SKUs that are being purchased from us. And yet the penetration rate that we have so far is what we view one of our other massive opportunities because the feedback that we're getting from our customers is that this is providing true value. So, we have a long ways to go. And then lastly, just the evolution of where we are as a company. We're now at 60% of our ARR is coming from that mid-market enterprise customer base. I want to spend the next few minutes double-clicking into a couple things. Mainly, number one, that growth algorithm that we've been talking about all day, how we've gotten here, but also what we think the opportunity set is.

Second, that journey that we've made to profitability and also that path to GAAP profitability that we see right around the corner. And then lastly, I'm going to give an update to kind of our three-year model going through 2028. We've already put up the number of the \$1.3 billion in ARR and how we're going to get there, but I'll just do a double-click into that really quickly. So first, it's about growth. And if you can see, the CAGR since our IPO is over 20%. In the last couple of years, this has really been anchored by the massive opportunity we have in EX. And we believe that this is a durable 20% growing product in a massive market. At the same time, we've got another really big product [ph] at scale (01:44:29) at CX, and we've been making really, really good progress there. On the EX side, what we didn't talk about earlier is that as we continue to innovate, we've been getting pulled into larger and larger deals and larger organizations, and that's representative in our ARPA increase. Just in the last year alone, we've got a 14% increase in ARPA.

On the CX side, we really are, on the new business, have been focused on the SMB kind of mid-market space, yet we're still seeing increased ARPA in that space as well, and both product lines have been doing really well. When I talk about getting pulled into larger and larger customers, this is all about the feature functionality that we continue to deliver. And then, we have companies like Panasonic that you just heard coming to Freshworks and wanting to use Freshworks for their customer and employee service needs. As you can see, we now have 80% of our customer base on the EX side coming from that mid-market and enterprise customer, and almost 50% from our CX side of the house. What does this mean for the actual kind of makeup of our customer base? We put some of the stats out there earlier in one of Dennis' slide, and we give the greater than \$5,000 and the greater than \$50,000 pretty much every single quarter now.

When we look at it, the greater than \$50,000 over the last four years has had a CAGR or 31%, right? And that's now over 50% of our customer base is paying us greater than – of ARR is paying us greater than \$50,000. But what we've talked a little bit less about is \$100,000, and now we're giving out the \$500,000 and \$1 million customer base where over 70 customers over \$500,000 – I mentioned this a little bit earlier, but he also gave you kind of a trajectory of a real customer, and that's actually pretty typical. Our kind of sweet spot of land in that kind of mid-market enterprise space is around \$100,000 to \$300,000. We are seeing those \$500,000 deals now, but the majority of the customers are evolving into that. What that means is that as we land and we can create an efficient machine here, we have the capacity to grow with our customers, and we're continuing to see that. That's reflected in the cohorts that we have.

So, this is something that I think is really interesting as a CFO. And when I came five years ago, it was factored in because it continues to maintain. But every single annual cohort since 2012 is positive, meaning that the churn that we have, which we do have churn [ph] we sell (01:46:48) to the SMB, is being outweighed by the expansion. In fact, the last couple years the cohorts are very healthy, and you can see that in this chart right here. When you

think about, okay, how does this get reflected in net dollar retention? We are one of four right now. And as a reminder, as we called out in our last call, that actually had about two-thirds of a point pressure from Device42, on the base of business that we inherited there. But we've been around that 104%, 105% range now for about a year and a half.

We believe through 2028, without doing anything really different, as the mix shift continues to shift to EX, if we keep EX at around 110% net dollar retention that it's at right now and we don't even make that much improvement on CX – not much improvement, any improvement on EX so it hovers right around 100% million, we're going to be at 106%. We're not happy about 106%, but we are actually building that into our model. When we talk about the \$1.3 billion, that's what we put in. But we view that there's huge upside on top of that, and we've already painted out what some of those upsides are in our growth algorithm. We've talked about, okay, we're going to get to \$1 billion just based on our core EX and CX. But we actually think we have multiple products that could each be \$100 million products, ESM, ITAM, and AI. In fact, we painted out how AI, we think, could be each, Copilot and agent, each \$100 million product, but we're only including \$100 million in that growth algorithm.

That's going to be our upside to our net dollar retention going forward. Again, as the mix shift continues where we get to 65% as with normal growth rates right now we're experiencing, that's what's going to happen in the next three years. Now growth is our priority. We've been talking about growth kind of all morning long, and we've been digging into a growth algorithm by each product and kind of demonstrating, okay, how are we going to get to this \$1.3 billion. But the reality is we've been focused on growth while also focused on a ton of efficiencies internally. In fact, every single group in the company is utilizing tools and systems to drive efficiencies in how we operate, and we've been able to drive a lot of efficiencies into our entire business model. In fact, in the first half of this year we hit one of our kind of early milestones of what we talked about two years ago at Investor Day to get to 20% non-GAAP operating margin and over 25% free cash flow margin.

In fact, for the first half of the year we're 23% and 27% for the both of those things. We're going to continue to drive these efficiencies while we invest in growth. We've also said there's going to be a three-step process to profitability. The first step we've talked about is to get consistently free cash flow-positive, which we've done; the second step is to get consistent non-GAAP operating profit; and then the third is to get to GAAP profitability. Two years ago at our Investor Day, we said, hey, we plan to be GAAP profitable by the end of 2026. We are on track to still hit that goal by Q4 of next year to get to GAAP profitability. And we're very proud of that, right, because it's not just about the non-GAAP things that we're looking at, it's also about the impacts to whatever the GAAP numbers are. When you think about the major impact, it is about equity.

We have been – we think stock is a really important tool when we actually think about compensation. But we've actually been very, very prudent about how we've been using that over the last couple of years, and there's a couple of things we've been doing. Number one is natural, which is the amortization of our pre-IPO stock, which we've been talking about to investors as that filters through. The second is the use of equity to really drive down stock-based compensation to what we think can be sustainably below 20% by we get to 2028. We coupled that with two different things. One is the use of capital to do net settle repurchases, which we've been doing since we went public, which is really important and it's a good use of capital. The second thing, which we announced at the end of Q3 last year, was our initial share buyback of \$400 million. I'm happy to announce that in August we actually completed that \$400 million buyback, buying back almost 10% of our outstanding shares at an average price of just over \$14.

We're going to continue to look at uses of capital in this way, right? Where we've talked about M&A as something that we're going to continue to look at, and Device42 is the first one that we really did last year of any substance. We're going to look – we're going to continue to do our net settles on RSUs. We're going to also continue to talk

to our board and management about future buybacks and things like that. We're able to do this because we've been driving profitability and efficiencies throughout the business, which has also allowed us to drive a lot of cash. We're very proud of the fact that we have turned it from burning capital the year after we went public to now this year, going to be producing over \$200 million in free cash flow. And that's something we are proud of because we have a very efficient go-to-market motion. We have a predictable customer base, and it's a healthy customer base that has gotten healthier over time.

We've talked about how churn has reduced over time but also just the quality of the customer base, as we've moved up to that mid-market enterprise base, has gotten better and better. This also is included in the amount of customers who are paying us annually in advance, which gives us cash before expense, which has allowed us to produce more cash ahead of non-GAAP operating profit. We now – at the end of the quarter, we ended at \$900 million. And this is going to give us a lot of optionality as we go forward to execute against those things that I just mentioned from a capital allocation perspective. So, when you couple growth and our free cash flow margin, the other thing that we're very proud of is that we've actually hit the goal on Rule of 40 an entire year before we said we were two years ago. So, we said this was going to be a 2025 event two years ago, and we actually hit it at the end of last year.

And we're not going to look back, right? What you'll see coming forward, like the goal is to be 40-plus and that mix of growth and free cash flow margin to continue as we go forward. This slide is up here. I want to remind everyone we're not making any updates to our projections that we just made at the end of the quarter about a month ago for Q3 and for the full year. But I can say we were very, very happy with our Q2 and Q1 performance. Actually Q4 as well and we've strung together three really great quarters. What that means for us is that we're actually feeling pretty good about where we sit across our peer set in SMID. But that's actually not where we really want to be. As you can see, we think the opportunity is growth and we think the opportunity is on the upside, so what can we do better across all of these metrics going forward.

Well, the first thing is starting with growth, right? We've talked about how we're going to hit \$1.3 billion in ARR by 2028. And we said, okay, \$1 billion of that is going to come from just our core products and then natural growth across those core products. And again, we view EX as a sustainable 20% grower for the foreseeable future. We also have multiple adjacencies that are already in place, whether it's ITAM, AI across Copilot and agentic, or ESM. Dennis already mentioned that ESM right now is an attach for us, so we only sell it to Freshservice customers that are already buying Freshservice. We are – we've been talking about how we are going to be launching ESM as a standalone SKU which is going to open up a huge opportunity for us to go engage with customers, potential customers that could be customers of some of our competitors and allow us to get in there, prove our value, and actually get us as an entry point into broader opportunities.

When we get to 2028, this is what we think we're going to look like. We're going to be at that \$1.3 billion, we're going to have 65% of our ARR coming from EX, and we're going to have 70% of our ARR actually coming from those mid-market enterprise customers. Now, this is just the trajectory that we're already on. This does not assume some big inflection point of things that are going to happen. This is just continuing to execute like we have been over the last couple of quarters and the last year and continuing on this trajectory. And I already painted out where the NDR is, how it's going to get to 106%. That \$1.3 billion is going to translate to \$1.2 billion of revenue for that year and also translate to roughly \$340 million of free cash flow. When I said Rule of 40 is not where we're stopping and we want to be Rule of 40-plus, this is what I was talking about where by the end of 2028, our expectation at a 15% to 16% growth rate – and I'll show you how that stacks up here in a second for 2028 – and 28% to 30% margin on free cash is how we get to the Rule of 45.

So how do we get there, right? And what is the evolution right now? So, 2025 is the estimates that we provided on our last call and where we're going to be. Now, I want to make a little indicator that the 15% growth, as a reminder we purchased Device42 in the middle of 2024, so 2024 only includes half a year of revenue for Device42. So, when you actually look at normalized growth without that half year, it's 12%. We already see a path on how to get to 13% to 14% next year on the trajectory that we're doing and based on what we've already closed for the first half of this year. And then, we are confident that we'll be able to – as mix shift changes and the EX becomes a bigger part of our business on how we're going to hit the 14% to 15% and 15% to 16%. At the same time, we are committed to profitable growth, yet we are going to fund growth. And we view that we can actually drive those growth levers while also driving efficiencies across every single line item, but not dramatic efficiencies at this point.

But by doing that, we're already so efficient that that's going to drive us to the 20% to 30% free cash flow margin as well as the GAAP net margin of 1% to 2% by the end of 2028. We're posting all of this, right? So, all of this entire deck, I hear the clicks happening and this is all going to be online. So, let me summarize again. And Dennis already put this up here, right? We are focused on growth because we – the reason we are is that we view we have the right to win in a very massive segment of the market. And that right is actually increasing every single quarter as we continue to innovate and we have customers continue to come to us for their service needs across EX and CX. EX has really been the backbone of our growth over the last couple years, and we expect that to continue with the massive opportunity, and that we view could be a 20% durable grower. That being said, AI across EX and CX are very, very important, and you saw all of the things that we actually are doing on the CX side.

Yet the reality is we've been pretty prudent in how we built that into the model on how to get to \$1.3 billion, and pretty prudent on how we think about net dollar retention. We're going to let these things play out, but we're already seeing some of the progress there. Disciplined capital allocation is going to continue, right? We said we've been very open to M&A. M&A, the way we've looked at it historically, are things that could accelerate roadmap items and adjacencies that just make sense for us and think about much more about tech and teams, and we're going to continue that. But we're also going to use our capital prudently and also return it back to shareholders if that makes sense as well. We're going to continue to look at that. We've already proven that we will do it.

And lastly, we're on track to have a really, really good business model, \$1.3 billion in ARR by the end of 2018 and to exceed Rule of 40, and you just saw a Rule of 45 if everything plays out the way we think it will here, okay? There's a lot of data. I know I went through that relatively quickly, but we've been talking about growth all morning long, we've been talking about the growth algorithm, and this is the way we think internally. And we are excited about continuing to provide metrics, which we've been doing over the last couple quarters, that gives you guys all an idea of how we're making progress against the way we're running the business internally. What we're going to do right now is we're going to take a 10-minute break, okay? We're going to put some chairs up here and then we're going to have about 45 minutes of Q&A before we break for lunch, okay? Again, thank you all for being here both in person and online, and we're looking forward to your questions. All right.

Brian Lan

Director of Investor Relations, Freshworks, Inc.

Thank you so much, Tyler. Actually, we're doing really great on time. So after a break, we'll start Q&A a little bit early. We'll start at 11:00, so thank you.

QUESTION AND ANSWER SECTION

Brian Lan

Director of Investor Relations, Freshworks, Inc.

A

Thank you so much, everyone. Really appreciate it. Okay, so we have about 40 minutes for Q&A and then we'll wrap up a little bit before noon for lunch. We do have a couple of mic runners here, so if you could raise your hands, we'll help direct. In order to get through as many questions as we can, try to limit yourself to one question, if possible. Please also state your name and your firm clearly into the mic so that everyone on the webcast can hear before you ask your question. So, let's get started. Okay, over here.

David Hynes

Analyst, Canaccord Genuity LLC

Q

Hey. Thank you, guys. DJ Hynes from Canaccord. First, thanks for the event. Very concise, very comprehensive, so I appreciate that. I'm going to break the rules, Brian, right off the bat now and ask two. Dennis, I'd love to hear you talk about AI monetization. And as you roll out more agentic capabilities, that kind of call to action, how are you thinking about consumption and pricing and kind of how that contributes to the growth matrix? And then, I'll ask the second one just right up front, Tyler, which will be directed at you. Just the acceleration in growth over the next couple years, I think it's about 3 points of organic growth. You called out NRR improving by 2 points, which implies real durability in that kind of customer add portion of the growth matrix. Just maybe talk about what gives you confidence in that.

Dennis M. Woodside

Director, President & Chief Executive Officer, Freshworks, Inc.

A

All right. So, I'll start on AI. So, our AI model, I think if you were to roll the clock back a year, 18 months ago, there's still a lot of uncertainty in the market, [indiscernible] (02:01:13) buyers willing to pay, but how is this market going to evolve. I think we have a lot more clarity now on how the pricing is evolving. So for us, our customers want to make their agents more productive, they want AI to do that; they're willing to pay. And – because they see the value. And so, they're – the model of a seat addition on top of our pro or enterprise plan for Copilot, that has traction. That's something that we're scaling quite well or we know how to sell it. And I see that as continuing to be a big driver of growth for us because ultimately, everybody is going to need the AI capabilities that we build. We're not sitting still with Copilot.

Every [ph] release (02:01:50) that go into Copilot that makes it more compelling to buy makes it have greater value for the agent and for the customer. So, I think that's a very clear path, and the customers like the predictability of that model and they like that they can budget for it. On the AI agent front, we've priced that as a consumption-based model. Our customers buy pax obsessions. Obsession is an interaction over 24 hours between one of their customers or employees and the AI agent. As we build out agentic workflows into that product, as we're able to do things like return an order, change a flight, complex actions, we're going to price those appropriately. So historically, we priced pretty aggressively, about \$0.10 a session. As we go into GA with our agentic product, that pricing is going to change. You have Salesforce has a sticker price of \$2 a session or interaction; I think Intercom is at \$0.95.

So, we'll find a price that's much more aligned with value and the value that's actually being created for the customer. And that's where that hockey stick of growth can happen because you saw the volume of tickets that we get just in Freshservice, and I think it's in the billions in Freshdesk. If we're handling a small portion of those

through AI and we're monetizing AI at \$0.50 per session, that's a meaningful revenue stream for us. And again, customers are getting more comfortable with the idea that a portion of their value is a variable and will evolve with consumption. They're used to paying for, like, consumption oriented-pricing to Databricks or [indiscernible] (02:03:34). So, we've shown and we believe that the market's willing to take that path for the AI agent product. And then, for other elements of AI, we're just being smart about where we put them.

What goes in the enterprise plan or the pro plan, where do we give customers a taste of AI that they then can sort of think, well, oh, if I do make the upgrade, if I do go to the enterprise plan, I'm going to get even more value. So, it's not just in those two areas that we're offering AI as you – yeah, I think you saw in a lot of the demos.

Tyler Renwick Sloat

Chief Operating Officer & Chief Financial Officer, Freshworks, Inc.

A

Yeah. So, DJ, I'll take the second half of the question which was really the confidence in the growth model and what we painted out there. So, we spent a lot of time talking about how are we going to get to \$1.3 billion, right, with a \$1 billion from our core products and then \$300 million from – \$100 million each from these other products. Net dollar retention is a component of it. But I also painted out for net dollar retention to go to 106%, we actually – it's just the current run rates that we're on so there's going to be a mix shift change and assuming that we'll be able to maintain that roughly 110% we're on EX and that CX will be hovering around 100%, and so it's actually not assuming any improvements there. To get to the \$1.3 billion, we clearly have to continue to execute on the EX side. But it really is our belief that this is a durable 20% grower, and also not assuming there's going to be some big inflection point to growth in that happening.

So, it really is about the mix shift of the EX becoming 75% of our kind of – or 70% of our total ARR base. To be honest, we've been probably a little bit conservative on the CX side, right? We view it's a massive opportunity there, but we obviously want to see this play out. We've already made considerable progress over the last year, but we want to have every single quarter kind of add on to itself. And so, based on the performance that we've even seen in the last three quarters, Q4, Q1, and Q2, which we've been very open have been really good quarters for us, we already see a path to how to get there for next year. And we will obviously update as we go along, but we're pretty confident that we can do it.

Elizabeth Porter

Analyst, Morgan Stanley & Co. LLC

Q

Great. Maybe another one for Tyler. On the operating margin side, you talked about how – you're not going to see...

Brian Lan

Director of Investor Relations, Freshworks, Inc.

A

Oh, I'm sorry. Can you state your name and...?

Elizabeth Porter

Analyst, Morgan Stanley & Co. LLC

Q

Oh, sorry. Elizabeth Porter of Morgan Stanley. On the operating margin side, you noticed that you're going to continue to see efficiencies but maybe just at a more modest pace. And we've talked a lot about how AI is driving a ton of efficiencies for your customers, so I wanted to hear a little bit about how AI is driving efficiencies internally. When we could see that start to move the needle on operating margin? Or is it just a matter of, look, we're really pushing the investment on R&D and go-to-market so maybe that doesn't quite show up?

Dennis M. Woodside

Director, President & Chief Executive Officer, Freshworks, Inc.

Mika, why don't you take that?

A

Mika Yamamoto

Chief Customer & Marketing Officer, Freshworks, Inc.

So, we're using AI across the board, from marketing through to support. We're using first party products as well as third party products, and we've seen great efficiency gains. So for example, 50% reduction in cycle times with our engineers, so we can get more code done with the engineers that we have. If you look at website development, we're able to produce website – new webpages in a matter of hours versus a matter of weeks. From a support organization standpoint, we're seeing 25% increase in productivity among our agents. We've been able to enjoy seeing that in bringing on new agents, we're able to reduce the amount of time it takes them to get fully productive and ramped, move from six months to three months. And we expect as we continue to invest in AI that we'll expect to see those efficiencies increase.

A

So, if you think about how we're redeploying assets, from a support standpoint we're looking at we used a straight-line essentially and say, look, we're straight-lining how many agents we need based on how many customers we anticipate we're going to grow by next year. We're actually not growing from an OpEx standpoint as we're able to actually grow the OpEx for support at a decelerating rate compared to how we were straight-lining before. And then still redeploy some of the savings into higher-skilled employees to be able to handle more complex problems and, frankly, move it to the upper end of the market to offer premium support in support of our biggest customers without adding on to our cost – into our cost model. So, it's been incredibly efficient for us and we've been able to, again, redeploy and still have bottom line savings, and we anticipate we'll continue to see that in the future.

Scott Berg

Analyst, Needham & Co. LLC

Hi. I echo my sentiments on the data. Thanks, everyone. Like DJ, one question, two parts maybe.

Q

Brian Lan

Director of Investor Relations, Freshworks, Inc.

Scott? Scott?

A

Scott Berg

Analyst, Needham & Co. LLC

Scott Berg with Needham. Sorry, almost gotten there. The questions on the enterprise kind of upmarket side on the CX or, excuse me, on the EX part of the business. When I look at all the information disclosures, to me that's where most of the "risk" in the numbers is in the next two or three years. Is – but I guess my questions are, one, is what else are you seeing from the demand or the sales side that gives you the confidence that EX can continue to grow at 20-plus percent, which is predominantly in those areas? And then secondly, your largest competitor upmarket there is talking a lot about agent-to-agent functionality over the last couple of weeks, in a month in particular. It's kind of a product or a functionality area that we're seeing some larger customers ask more about. I didn't hear any of that commentary in the product side today, so would love to hear how you're maybe trying to attack that a little bit.

Q

Dennis M. Woodside

Director, President & Chief Executive Officer, Freshworks, Inc.

A

Sorry, I didn't hear the word that you said that was kind of the key to the second part of that.

Scott Berg

Analyst, Needham & Co. LLC

Q

Agent-to-agent.

Dennis M. Woodside

Director, President & Chief Executive Officer, Freshworks, Inc.

A

Agent-to-agent, okay. So on the enterprise side, so what gives us confidence that we can continue to move upmarket? I think if we just look at – the pipeline that I look at and Ian and Mika look at every week, the deals that we close every week, the size of those deals, the velocity of those deals, two years ago a \$100,000 – we were talking about this earlier. A \$100,000 deal for us was – that was kind of a big deal. Now, it's pretty routine. I mean – and these are lands. And you see the logos that we're talking about. You don't win a customer like Coherent or a customer like Seagate or Nucor Steel, and in every one of those cases you're replacing that competitor without having a product that is truly performing in a large, sophisticated, demanding environment. So I see many, many, many more customers that look like Coherent, that look like Seagate. And we're also seeing it in – they're coming in chunks.

So, if you talk about legal services for example, we have hundreds of law firms. And when I was talking to the CIO of a law firm recently, you typically offer, well, you should talk to this. They already know, like we're the standard in the legal – for a law firm, for large law firms like Covington & Burling and so forth. And that's happening; that's happening in education, you're seeing it in government. Typically, these are organizations that are pressed for resources. They can't afford the Cadillac and they're looking for a product that is just faster time-to-value, everything that we said, and that's what we built. So to me, the confidence comes from just seeing the trajectory over the course of the last, let's say, two years. And knowing that there's a lot more customers that look like the ones that we have that, over time, are going to make the decision to move away from a legacy platform onto us.

On the second, agent-to-agent, look, I think there's a lot of noise out there about what the world is going to look like in five years. I think we've taken the deliberate approach of sharing with you what we're doing right now and what our customers are seeing right now, real value, and where we're going in the near-term. So for us, the priority is very much broadening our ability in agentic. Launching a large set of agentic-oriented work flows that allow businesses, regardless of the size, to take actions that their customers and their employees are trying – are currently using humans to take. That's the focus. That's the real value over the next 12 months. And maybe in some distant future, there's an agent-to-agent world that matters. But right now, what our customers are asking us to do is take the workload off of their employees of common use cases, common actions that their customers and their employees want to take.

Matt David VanVliet

Analyst, Cantor Fitzgerald & Co.

Q

Thank you. Matt VanVliet from Cantor. I guess on that topic, as we think about the deployment of agentic and the monetization effort you've talked through already is straightforward and gaining traction, but over time there has to be whether you want to call it cannibalization or kind of moving revenue from one pocket to another. So, what's sort of built into the forecast of maybe the actual seat-based model is on somewhat of a flat or slow growth, the agentic side really takes over? How should we think about that mix shifting within your targets? And how do you

prevent some of that kind of bottom of the bucket leaking out as you add more over the top beyond just shifting usage from one to another to make it one agent plus one human is more than just the combination of the two?

Tyler Renwick Sloat

Chief Operating Officer & Chief Financial Officer, Freshworks, Inc.

A

Yeah. I think – thanks, Matt, for the question. I think, yes, over time, like as the technologies evolve, the only point is that actually, you are able to drive a lot of efficiencies for our customer base. I also think that's why our pricing and packaging is going to evolve as well, and we've actually been pretty prudent about that. And Dennis already talked about instead of throwing out a whole bunch of new pricing and packaging and doing it repeatedly and having to change it, we've been trying to be pretty thoughtful in engaging with our customers on it. The way we think about it from a modeling perspective, right, the biggest impact initially is going to be kind of that expansion, agent expansion increase, right, will be kind of replaced through whether it's session packs, if we continue that pricing, or Copilot additions.

And the way we've thought about the pricing is how do we actually get to a model where it's kind of a win-win-win, where the very end customers are winning because they're getting a better experience, our customers are winning because they're actually saving money, and that money saved is going to be at the cost of what they would have as an additional employee versus what they have to pay us additionally, and then what we win because we actually get incremental revenue. So far, we've thought about it. It's kind of like an 80/20 model where we would like our customers to get 80% of the benefit and we'll take 20%. But I do think that's going to evolve as well, and it's evolving as the technologies get better.

Taylor McGinnis

Analyst, UBS Securities LLC

Q

Yeah. Hi, Taylor McGinnis of UBS. Thank you, all, for taking the time with us today. I want to talk about, and this is maybe piggybacking off the last question, the path to \$1 billion in the core. So maybe, Tyler, first question for you would just be what does the core look like in terms of ARR today and what is the growth rate? And then as we look ahead, how do you think about the mix between EX and CX within that? And then Dennis, maybe for you. When we think about the growth there, there's also concerns on the durability of seat-based models, right? So, when you think about what's going to continue to push that accelerating growth, how are you thinking about the durability of that versus net-new logo adds, which it sounds like you guys are really excited about? So, those individual moving pieces based on what you're hearing from your customers.

Tyler Renwick Sloat

Chief Operating Officer & Chief Financial Officer, Freshworks, Inc.

A

Yeah, I'll answer the first part of the question. So, when we put out the ARR values for EX and CX as a whole, and we've talked about, okay, we have \$20 million of AI revenue right now, we haven't broken out the other components of it so far. And that's something where I said hey, we're kind of – now that we've said hey, we've got \$100 million going to come from different products, and clearly we're going to start thinking about how do we actually educate the investor base on what that's going to be. I'd say from the AI side, it's relatively even from a Copilot perspective across CX and EX. But the AI agent tends to be more CX which makes sense for us because that's on the customer support side, and we expect that to continue for now. On Device42, you can see what we inherited from that business from an ITAM perspective. But the rationale on making that acquisition was two things. Really, one, increased win rates as we go kind of compete at the enterprise level, which we're seeing, and that has been playing out, as well as penetration of our existing installed base.

And I'd say we're relatively early on that penetration side. And we have – that's also an area that we feel confident, especially as we move that product to the cloud. That's going to be a much more relevant solution for our existing install base. And then ESM, what we've talked about that we don't even land with ESM today. It's a pure add-on to a Freshservice customer, and that's going to be a huge opportunity I think for us going forward. So as we think about, okay, what is the core right now, we haven't broken out by pulling all those pieces out. That's something we'll think about. But we do believe just because EX and what we're seeing from an enterprise-grade customer coming to us now, market opportunity is absolutely there. Again, we've been relatively conservative on our expectations on CX growth.

Dennis M. Woodside

Director, President & Chief Executive Officer, Freshworks, Inc.

A

So on seats, look, we're not the lumbering incumbent with millions of seats today. A lot of our seat growth can come through share gain. Even that said, the customers of ours that are using – that are the most aggressive users of AI, we're still seeing seat count grow. So, I think – we think about the overall value that we can provide to the customer. Today, we have a model that is mixed. We have seats, we have [ph] seat adders (02:17:09), we have asset-based pricing for ITS management, we have consumption-based product for our AI agent. So, I think that mix will continue to evolve over time and continue to shift as the value that we provide to customers comes in different forms and through different products. But I'm pretty comfortable that at the end of the day, think about the problem that IT has: the complexity that they have to deal with, the problem that the support center has and the complexity they need to deal with.

The value that we're providing is absolutely huge for them, and we'll be able to monetize it over time.

Brian Peterson

Analyst, Raymond James & Associates, Inc.

Q

Thanks. Brian Peterson from Raymond James. So, you mentioned in a couple of the different slides that there are adjacencies that you could potentially target through M&A. So, I'd be curious what is your appetite for M&A and how do we think about the potential contribution to that \$1.3 billion target from an organic? Thanks, guys.

Tyler Renwick Sloat

Chief Operating Officer & Chief Financial Officer, Freshworks, Inc.

A

Yeah. I'll answer the last piece and you can answer the first.

Dennis M. Woodside

Director, President & Chief Executive Officer, Freshworks, Inc.

A

Yeah.

Tyler Renwick Sloat

Chief Operating Officer & Chief Financial Officer, Freshworks, Inc.

A

We have not assumed any M&A in those dollars. Anything that we do would have to be incremental.

Dennis M. Woodside

Director, President & Chief Executive Officer, Freshworks, Inc.

A

So, I think, look, the – we're exploring different areas all the time. And in some cases we're asking ourselves, well, what would it take to build the next level of capability in an area that our customers are asking us to get into. And in some cases, we're looking at companies that might be providing a good product in that area and thinking about

bringing them in. So, it's not the kind of thing that we can say with certainty exactly what path we're going to take. But we know that these spaces that are adjacent to the core EX product and the core CX product, they're really important for delivering the overall service that the customer is looking for and the value that the customer is looking for. And we have a right to play there because we're already providing so much value and really automating so many of their operations. So, I think it's more about as we build our portfolio out, as our customer base continues to evolve up, those needs are becoming more and more apparent.

And Device42 was an example where we already had an asset management product. It was great for cloud assets and cloud discovery. We didn't have capability on-prem the way that Device42 is. And in that case, we decided the right path was to acquire the company and embed it into our solution and bring it to market. So, that's the kind of path that we are constantly evaluating and looking at.

Madeline Brooks

Analyst, BofA Securities, Inc.

Q

Hi. Madeline Brooks, Bank of America. Two questions for you. The first one is if you kind of take a look at everything that we've talked about today from the product side, the go-to-market side, I think there's really a lot to like landing bigger, getting more strategic in enterprises, re-invigorating the channel as well. But at the same time, when I think about the growth that was put up there, it was kind of still teetering around that 13% to 15% versus seeing true acceleration, right? I'm just wondering if there's anything baked into that guide, whether it be continued macro weakness or maybe because you're going into enterprise those deal cycles are longer that we should think about in that guide, or is it more just conservatism because it's early innings. And then one follow-up question as well.

Tyler Renwick Sloat

Chief Operating Officer & Chief Financial Officer, Freshworks, Inc.

A

Yeah, so I'll take that. So, again, we want to paint a picture of something we view as very achievable but also how we're going to get there. And right now, that's really on the back of EX over the next couple years, so we do believe it's a 20% grower. We painted out how we think we can get to the \$100 million each on those adjacencies, which we think is very, very achievable. On the AI side, on the Freddy side, \$100 million on each product but we built in \$100 million there. Again, CX, we've actually been pretty prudent in how we model that out. And we are very optimistic on the things that we're doing that are actually going to be really valuable for our customer base, but that one we want to play out and make sure we're executing against it every single quarter.

Madeline Brooks

Analyst, BofA Securities, Inc.

Q

And then just a quick follow-up to kind of on the enterprise side. As you go more upmarket and you're really building out your enterprise sales force, can you talk about on the go-to-market side how you're thinking about capacity and productivity as it relates to the targets that you put up?

Ian Tickle

Chief-Global Field Operations, Freshworks, Inc.

A

Yeah, absolutely. Thank you. So, I mean, we continually review all of our capacity models and our productivity and also the efficiency of the organization as well. So as we look at the markets we should embrace and continue to expand into, I have a very clear go-to-market strategy that looks at the opportunity and the time that it will take us to land the customers and expand them. And that all bakes into a capacity model where I can look at the capacity and the capability versus the revenue we'll receive from it as well. So, when I look at the market, the enterprise and mid-market segments are exciting for us. We're moving into them. We're seeing good traction with

them. The pipeline continues to be delivered for them as well. The sales cycle isn't demonstrably longer than the majority of the business within – inside these segments as well. And the other part to it is we're just getting more momentum and it's getting more exciting and we know that we can win this opportunity.

The final thing I'll say is people are starting to come to us as well with the problem. So, I was talking to a prospect the other day, the classic dis-enfranchised organization where they felt that they're no longer relevant to the company that they were using. And our relationship and the way to engage with them, and that's becoming our reputation, is that they knew we would look after them but also give them a very rapid environment where they could get up and running quickly. And that then takes the risk away of moving from legacy vendors to a vendor such as Freshworks.

Dennis M. Woodside

Director, President & Chief Executive Officer, Freshworks, Inc.

A

One of the things that Ian and Mika have done in the last year or so is to create a much more predictable engine in that mid-market and enterprise motion. Our SMB motion had been pretty predictable, right? We have leads; you convert them and that drives sales. We are getting much better at being able to see how much pipeline do we have, how is that going to convert in that field sales motion as well. And that gives us a lot of confidence and helps us plan capacity, all the things around efficiency that Tyler showed. The free cash flow doesn't just happen. It's a combination of the AI enabling our service department and needing fewer people there, being more efficient there. It's a combination of getting more productive among sales reps as we go upmarket. The attainment is higher. All those things are coming together.

Brian Lan

Director of Investor Relations, Freshworks, Inc.

A

We have a question here from the webcast here. So, I think it's directed to you, Sridhar. So for your AI [ph] product development (02:23:43), how are you feeling about the product development velocity and the R&D muscle within AI?

Srinivasan Raghavan

Chief Product Officer, Freshworks, Inc.

A

How are we...?

Brian Lan

Director of Investor Relations, Freshworks, Inc.

A

Yeah. Product development velocity and R&D muscle within AI?

Srinivasan Raghavan

Chief Product Officer, Freshworks, Inc.

A

Look, as I said in my presentation, we've been doing AI innovation for a while now. For the last 10 years, we sort of evolved from menu-based AI agents to LLM-based AI to now agentic AI, so we're sort of constantly improving the velocity. We – so my partner Murali is here; he's the CTO. And the engineering team is continuing to drive the – continuing to drive and accelerate the innovation velocity, which is why you saw everything that you saw. We introduced the LLM-based bots last year. In September, we introduced the agentic AI capabilities in June. And watch out in November some of the things that you talked about, Scott, on A2A and stuff. There's more news coming up in November, so we're continuing to accelerate those efforts.

Tyler Renwick Sloat

Chief Operating Officer & Chief Financial Officer, Freshworks, Inc.

A

Yeah. If you think about it, that's a reflection of how we're delivering. And if the question is about what are we doing internally to be able to do that, we have been driving a lot of efficiencies, but at the same time we are spending money on tools. And we are going to continue to do that to enable every single function to have access to kind of whatever the latest and greatest is. And so, that is, I think, a really, really smart trade-off to make, and we've been doing it across every single function. Both our own products, obviously, that we deploy internally and use but also every software vendor that we purchase from, kind of demanding from them that they deliver the same way our customers demand from us to deliver.

David Hynes

Analyst, Canaccord Genuity LLC

Q

Hey, DJ Hines from Canaccord again. I want to ask about the unbundling of ESM and just – maybe this is a question that bleeds into sales as well. But are you able to go out now and see the market and try and build a pipeline of customers that may be interested in a standalone ESM product before they look to IT? And Dennis, any update on the timeline as to when you think that may be ready to go to market?

Dennis M. Woodside

Director, President & Chief Executive Officer, Freshworks, Inc.

A

Yeah. So, the – we run into situations where we're competing for the core ITSM replacement. And some customers are ready to do that – and we get very close and some customers are ready to do that. Some customers are not ready to do that, but they don't want to double down on their investment with whatever vendor they're using and they want to create optionality in the future, and that's an opportunity for us. Okay, maybe this time through, we're not going to get that ITSM opportunity. But we are going to have the opportunity outside of that core IT because they don't want to increase their dependency. Or they're thinking about provisioning a team outside of IT. Their ITSM contract with another vendor doesn't come up for another year. They're going to choose us instead of choosing the incumbent vendor because they don't want to deepen their dependency on a vendor that they might not want to commit to for the long run.

So, we hear that all the time and that's where we haven't been able to – our product, because it's bundled today with Freshservice, we have not been able to do that. So, that's the opportunity that we see as potentially really interesting. And the other thing is teams outside of IT – companies are very different. In some cases, an HR department might just decide to buy a tool on their own come to our website. We have a lot of smaller businesses that are just going to come to the website and buy the product. We can't offer it alone today, so that changes by the end of the year?

Srinivasan Raghavan

Chief Product Officer, Freshworks, Inc.

A

Q4.

Dennis M. Woodside

Director, President & Chief Executive Officer, Freshworks, Inc.

A

There you go. So, Q4 of this year we'll have that product.

Tyler Renwick Sloat

Chief Operating Officer & Chief Financial Officer, Freshworks, Inc.

A

Yeah. The second piece of the muscle, which maybe one of you guys can speak to, is that you said can we seat it. We already have a lot of customers. In fact, our attach on ESM for new business for Freshservice is pretty high. And so, we already know the demand is there across all these different functions. I think it's going to start with HR, and you guys can speak to it, and we will have to build muscle on how to go sell directly to HR. We've already been starting to think about that.

Mika Yamamoto

Chief Customer & Marketing Officer, Freshworks, Inc.

A

We actually had an event recently in New York where in terms of seating, we had some HR professionals that we invited. One of the HR professionals was from a massive East Coast University. And he – and they don't have actually our ITSM product and he found out that we had this – we're going to go forward with a standalone ESM product. He's really interested in terms of engaging with us. We do really well with larger – with large universities, and so he was interested. So, we're starting to put – dip our toe on the water to say hey, if we put the word out and we put it out to that market, will they be interested. And it seems like as we start seating before in advance of November, that seems to the case in terms of seeing some interest.

Matt David VanVliet

Analyst, Cantor Fitzgerald & Co.

Q

Yeah. Matt VanVliet from Cantor. I guess you talked about some of the verticalization of the product, and would want to know kind of how much of that is more just go-to-market-focused versus the development side. What will you continue to invest in to sort of build out not only the depth of those verticals you picked today, but maybe the successes that you see there to move into even more verticalization? And what the proof points will be internally to say, yes, we want to pursue this with more aggressiveness or we've picked out the verticals we have and the rest of it is more better-served by a more horizontal team?

Murali Swaminathan

Chief Technology Officer, Freshworks, Inc.

A

Yeah. Verticals for us is – there's not a lot of heavy lift in terms of what we need to do to go into vertical. For example – a good example is ESM. ESM is a product like Freshservice for Business Teams/Enterprise Service Management is – it's being used for the HR teams, as you heard. And the things that we need to do on that front is integrations, so integrations to, for example, Workday. So, as we go into these verticals and some of the integrations that you saw when I talked about the agentic AI, we're doing these vertical-specific integrations and function-specific integrations. So, investment is mainly in integrating third party systems, which is not that much of a heavy lift for us. So, we naturally get pulled into some of the things like what Dennis talked about in his presentation. Like education vertical is where we see a lot of demand. There, there's not much of – a lot of customization that we need to do.

There are some horizontals/verticals we really need to do vertical-specific integration. So, it's not that much of a heavy lift to go into industry verticals.

Dennis M. Woodside

Director, President & Chief Executive Officer, Freshworks, Inc.

A

In some cases, there's certifications that you need for education, for example, or there's a special, specific channel to reach the market. So, it's a combination of having the right integrations, having the right certifications, having the right go-to-market for the three that we're focused on right now.

Patrick A. Schulz

Analyst, Robert W. Baird & Co., Inc.



Hey, guys. Patrick Schulz at Baird. You guys spent quite a bit time talking about the partner ecosystem, how that can become a growth multiplier. So, just curious what you guys are thinking are some of the key unlocks to get more partners onboard, especially as you guys are driving further upmarket. And then, do you guys have a goal for how much, I guess, new ARR bookings should be coming through that partner channel?

Ian Tickle

Chief-Global Field Operations, Freshworks, Inc.



Yeah, great. Thank you. So, from a partner perspective, we actually released a new partner program this year. So, we've been revisiting the program that we had and where we wanted to move in the partner direction. You saw in the slide that we're increasing partners coming to join us as well on that journey as well, so we see a natural traction from there as well. I think we've been far more efficient with the way they we're onboarding and enabling the partners as well to ensure that they have the right level of knowledge and relevance of the conversation that we're moving forward with as well. If we look at the partners we're engage with, they're also excited to work with us because of what we can offer them as well. So, we know there's a win-win situation here where they enjoy the opportunity to go and talk to their customer base about the delivery we could do. With regards to how we build that out, we're excited of the opportunity to drive into it and have a look at it.

But, yes, we envisage more and more contribution coming from the partner network.

Austin Cole

Analyst, Citizens JMP Securities LLC



Austin Cole, Citizens. I know you said, Tyler, that you're being conservative on the CX side. But when I think about 20% durable growth on EX and the ARR target out there, I think it implies a pretty modest kind of decel. So, can you remind us maybe some of the crosswinds in there? And then, what are some of the upsides in terms of agentic AI? It seems like a lot of use cases there. So, can you just parse out for us kind of what some of the moving pieces are on the CX side?

Tyler Renwick Sloat

Chief Operating Officer & Chief Financial Officer, Freshworks, Inc.



Yeah. I mean – so, yeah, I've said hey, we're really confident on the EX side and the 20% durable growth there [indiscernible] (02:32:28). We're actually really confident on the CX side as well with everything that we're doing. And a lot of what you saw today is all of the product innovation that we're bringing forward. And quite frankly, AI is going to be kind of a key component to that. But we did not build a lot of that into that go-forward model, right? We want to make sure that we're executing every single quarter against that and then be able to have the proof points to be able to bring that out. AI, we already talked about what we need to do to get each one of those product lines to \$100 million. And it really is about additional uptake against our existing customer base and additional usage against our existing customer base. It doesn't really count on us doing some big stair step outside of that. And if you look at the \$20 million that we've already disclosed, that's in a pretty recent period of time.

And so, when we have confidence over the next three years that we'll be able to achieve that, we're viewing that we have some runway to go do it.

Scott Berg

Analyst, Needham & Co. LLC



Hi. Scott with Needham again here. On the strategic [ph] side (02:33:38), you've mentioned a couple different times contact center-as-a service, voice channels. I guess what's kind of exciting about that relative to the overall product portfolio today, especially with most of the focus being on the EX side versus the CX side?

Murali Swaminathan

Chief Technology Officer, Freshworks, Inc.

A

So, we have a contact center product already. It's called Freshcaller. It is sold as part of Freshdesk today, Freshdesk Omni, so it functions well. So, we're seeing a lot of demand from our CX customers. So, all the customers we're talking to, they're sort of asking us for a voice solution. And the pipeline there is potentially we could go partner with some, we don't have the necessarily build, right? They're asking for an integrated solution as part of the overall CX solution, so that's where that's comes in. And other companies have done it fairly well as well, so probably that's the playbook there versus continuing to build.

Dennis M. Woodside

Director, President & Chief Executive Officer, Freshworks, Inc.

A

I think if you look at our customer base, you heard from Panasonic, our customers still have a lot of workloads coming in through voice, and they want to create an integrated experience for customer support that includes voice as well and that's why we get asked to bring that in. Our current solution, Freshcaller, is a basic solution. It's a little like ITAM where for a smaller business it's fine, but for a larger organization they need something that's much more complex. I don't envision us necessarily building that, but that is an area where we could partner. We could bring a partner in to our sales cycle in the market and build a business there as well. And importantly, that's what our customers are asking for, a solution to expand – our larger ones, to be able to enable those workloads in a way that our current Freshcaller product is not able to do. So, that's – those areas are interesting because they expand the scale and size of the customers that we can actually go after.

The larger customers are expecting that from their solution.

Murali Swaminathan

Chief Technology Officer, Freshworks, Inc.

A

Yeah. Just one more thing to add. This is not just the core contact center, it's also the AI agents, the voice AI...

Dennis M. Woodside

Director, President & Chief Executive Officer, Freshworks, Inc.

A

Right.

Murali Swaminathan

Chief Technology Officer, Freshworks, Inc.

A

...agents as well. Like, you deploy an AI agent on all the channels, you want to deploy it on voice as well. Large customers, even on the EX side, they want to have the service on the voice side as well. So, you'll see some of the innovations on the AI agent side and the voice side.

Brian Lan

Director of Investor Relations, Freshworks, Inc.

A

Okay. I think we have maybe time for one question.

David Hynes

Analyst, Canaccord Genuity LLC

A

Hey, DJ again. So, maybe I can just ask kind of a wrap-it-up question. So, you made the case today for accelerating revenue growth, really healthy cash generation. The stock is super cheap, right? So clearly, investors are nervous about something, whether it's seat-based models, disruptive AI startups, whatever it may be. If you could touch on what you're seeing competitively, if anything, from that AI disruptive cohort. And then broadly, like, what do you think investors are missing on the story?

Dennis M. Woodside

Director, President & Chief Executive Officer, Freshworks, Inc.

A

So, I'll talk about the AI cohort. So, we have not seen – for the most part, we have not seen our customers kind of running to some of the newer startups for AI. And if you look at like Cyera or some of the other competitors, Moveworks, in the space, a lot of what their strategy has been is start with a very large enterprise, put your engineers in their place of business, and design your – co-design the product with the customer; that's not what our customers want. Our customers want – you heard it from RingCentral. They want a product. They want to be able to get up and running with a product that we have done all the hard work, we've thought through, not them, and we're not asking them to build the product for us. So, there's certainly a cohort of customers that want to do – want to be first and want to do what Cyera is doing and what some of the startups are doing. By and large, most startups, that's how they're building their product.

That's not our ethos, that's not our culture. Our culture has always been out of the box, easy to use, easy to get time-to-value. So, there might be exceptions where a customer or two is evaluating a Moveworks, evaluating a Cyera. But we don't think that that's the majority of our customer base and of where we've built our business, and we think, that's a very, very large set of customers. So, that's kind of how – that's what we're seeing and that's why we're talking about, look, we've doubled real revenue at a scale that's bigger than a lot of the startups that are out there that are in AI, that are getting these rich valuations. So, I think, we're pretty confident that we're off to a good start. We have to innovate like fast and often to continue to build on what we've started. But I'm pretty confident that our customers, when we have the innovation, they're going to be very open to looking to us first. They don't want to go cobble together a bunch of startups and hope it works.

They want to work with a trusted provider that's already powering a big part of their operations. What was the second part of your question?

David Hynes

Analyst, Canaccord Genuity LLC

Q

What do you think investors are missing in the stock?

Dennis M. Woodside

Director, President & Chief Executive Officer, Freshworks, Inc.

A

I mean, maybe, Tyler, you can opine on to that to close it. But look, I think what we've seen in the last year is the stock price kind of bounced up and down and been more affected by external means around AI and how AI is going to affect things. And somebody will say something and all of a sudden the stock price changes, so I don't have a great answer to you. For us, we focus on executing, right? We focus on everything you heard today, driving that business, delivering results. We've done a good job in the last couple years of doing what we said we're going to do. We're going to do what we – we're going to spend the next couple years doing what we just said we're going to do. And over time, the market will figure it out.

Tyler Renwick Sloat

Chief Operating Officer & Chief Financial Officer, Freshworks, Inc.

A

Yeah. I guess I'll wrap it up, DJ. So, look, we spent today, in my mind, reiterating what we've already been talking about for a year. Dennis was appointed CEO a little over a year ago. We came out with a very clear strategy, we took it seriously internally, and we've been very open about what we're trying to go accomplish. And I feel like every single quarter, we've actually been making progress against that strategy. That being said, yeah, I think that there's a bear case around AI which came out a couple of years ago. The thing is we might be a recipient of that bear case, but we've actually been demonstrating that we are going to be in the middle of it and actually be a beneficiary, and that's what we're trying to show. I also think that there's a misunderstanding of what our EX opportunity is and how durable that growth opportunity can be for us.

And then that CX, as we've been making progress, which we've been talking about every single quarter, how that could be really, truly additive to our entire story. At the same time, there's not many companies who have been putting up the same profit metrics that we have and then using that capital to do what we did, which is essentially to buy back nearly 10% of our stock. There's things that have been happening, like in our last earnings which I thought were very, very positive, where we had a pre-IPO company distribute almost 5% of the stock the week before our earnings, right? Those things don't help. But in the long run, they actually do because there's a lot more liquidity out in the market and ways for things to actually not have an impact in the future for us. For us, we're actually really, really positive about what we're doing every single quarter. We think we have a great opportunity here, and we're actually demonstrating it now every single quarter.

But we have to actually be in a position to go show me, right? We're a show-me stock and that's what we are – we're all competitors up here and all want to win, and so that's what we're probably going to do.

Brian Lan

Director of Investor Relations, Freshworks, Inc.

Okay. Well, thank you so much. That concludes our presentation today. And now, we can all head downstairs for lunch. And thank you again for joining us in person and on the webcast.

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