

02-Mar-2026

# Freshworks, Inc. (FRSH)

Citizens Technology Conference

## CORPORATE PARTICIPANTS

**Tyler Renwick Sloat**

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

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## OTHER PARTICIPANTS

**Patrick Walravens**

*Analyst, Citizens JMP Securities LLC*

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## MANAGEMENT DISCUSSION SECTION

**Patrick Walravens**

*Analyst, Citizens JMP Securities LLC*

All right. Let's go ahead and get started. So, look, we're just delighted to have Freshworks joining us today. Tyler is the CFO and COO. He spent – he joined Freshworks in 2020. So, it's been six years. So, you definitely have your feet wet at this point. Before that, he spent 10 years at another company that we knew quite well, Zuora. How are you doing?

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**Tyler Renwick Sloat**

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

I'm good.

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**Patrick Walravens**

*Analyst, Citizens JMP Securities LLC*

You're okay then?

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**Tyler Renwick Sloat**

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

Good to see you, Pat.

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**Patrick Walravens**

*Analyst, Citizens JMP Securities LLC*

Good. Nice to see you, too. Nice to see you too.

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**Tyler Renwick Sloat**

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

I think I've done this with you for [indiscernible] (00:01:42) 16...

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**Patrick Walravens**

*Analyst, Citizens JMP Securities LLC*

I know. We should go count it up.

**Tyler Renwick Sloat**

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

Yeah, exactly.

**Patrick Walravens**

*Analyst, Citizens JMP Securities LLC*

I'll bet it's like 15 times.

**Tyler Renwick Sloat**

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

Yeah. I think so.

**Patrick Walravens**

*Analyst, Citizens JMP Securities LLC*

Well, obviously 15 times.

**Tyler Renwick Sloat**

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

Yeah.

**Patrick Walravens**

*Analyst, Citizens JMP Securities LLC*

Where do you live?

**Tyler Renwick Sloat**

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

[indiscernible] (00:01:54) Peninsula.

**Patrick Walravens**

*Analyst, Citizens JMP Securities LLC*

Yeah. How was it getting up here?

**Tyler Renwick Sloat**

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

Easy. Yeah. Yeah. Big rainbow causing a lot of traffic, apparently.

**Patrick Walravens**

*Analyst, Citizens JMP Securities LLC*

Yeah. Yeah, yeah, yeah. Okay.

## QUESTION AND ANSWER SECTION

**Patrick Walravens**

*Analyst, Citizens JMP Securities LLC*

Q

So, we're just going to start off on the two big questions with you guys. First of all, how's business?

**Tyler Renwick Sloat**

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

A

Business is great. We...

**Patrick Walravens**

*Analyst, Citizens JMP Securities LLC*

Q

It is, right? Yeah.

**Tyler Renwick Sloat**

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

A

Yeah. It really is. We had earnings two weeks ago. We felt that really, really strong fact. Last year was just a really good year of performance for us, and we talked about it kind of every single quarter. We ended the year kind of 13% constant currency growth. We actually raised our revenue, kind of forecast from what we had previously said on our Investor Day to 14% for this year. Really strong margin profile. We actually did a lot better than we said we're going to do in Q4 on operating profit and said we're going to produce \$250 million this year. So, we feel like we're doing really, really well. It's on the back of the strength of our EX products...

**Patrick Walravens**

*Analyst, Citizens JMP Securities LLC*

Q

Yes.

**Tyler Renwick Sloat**

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

A

...which continues to be an over 20% grower, now over \$500 million in ARR and recently announced an acquisition of a company FireHydrant, which is going to fill out a four-pillar strategy for us, which I can talk about in a minute.

**Patrick Walravens**

*Analyst, Citizens JMP Securities LLC*

Q

Oh, yeah, let's do that. What's FireHydrant about?

**Tyler Renwick Sloat**

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

A

So, FireHydrant is really going to be kind of the core of our ITOM capability. So, we had light operations management, and it really feels like you've seen – it's going to be very similar to what we did with Device42, where we had kind of light ITAM asset management, bought Device42 to kind of get enterprise-grade asset management. And now, if you look across our entire portfolio, we have ITSM at the core, which is Freshservice,

which has been our products now for 15 years or roughly. With ESM, some employee service management, really focused on HR and legal and procurement and functions like that with HR kind of being the core. We had an ITAM, and now we have ITOM. And between the four of them, they're actually somewhat different buyers, but all on the same platform, which we view as going to be a huge growth opportunity for us.

**Patrick Walravens**

*Analyst, Citizens JMP Securities LLC*

Q

Okay. So, business feels like it's great. You'll like where you're positioned. Stock is at \$8, right? So, we're going to talk about, you get to a point where the terminal value doesn't matter that much anymore. You can just discount the cash. Well, got it, right? I think we're kind of getting there with you. And then we should also just talk about AI in your business, but let's do the math for us first. You're like 7 times free cash flow.

**Tyler Renwick Sloat**

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

A

Yeah, roughly.

**Patrick Walravens**

*Analyst, Citizens JMP Securities LLC*

Q

So, share the math with us on that.

**Tyler Renwick Sloat**

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

A

Well, first of all, we announced a buyback last week on Thursday morning, \$400 million buyback. This will be our second buyback. We finished our first \$400 million buyback in August of last year. I think the average price was just over \$14 that we did that at. This one, as you said, we're trading around \$8 right now. We have roughly 300 million shares fully diluted. We have, before the buyback, a little over \$800 million in cash with no debt. We said we're going to produce \$250 million of free cash flow this year. Maybe look at that, we have enterprise value of like \$1.6 billion.

**Patrick Walravens**

*Analyst, Citizens JMP Securities LLC*

Q

Yeah. So, 300 million shares, \$8, \$2.4 billion, take out \$800 million in cash, right?

**Tyler Renwick Sloat**

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

A

A little over, yeah.

**Patrick Walravens**

*Analyst, Citizens JMP Securities LLC*

Q

\$1.6 billion and you'll generate \$250 million in free cash flow.

**Tyler Renwick Sloat**

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

A

Yeah. So, we feel like we're in pretty good shape from a balance sheet perspective, very much in control of our own destiny, clearly working on growth. But our core product, EX, is already a 20% grower. Our CX product, we're really refocusing that product. It kind of...

**Patrick Walravens**

*Analyst, Citizens JMP Securities LLC*

We'll get to that in a second.

Q

**Tyler Renwick Sloat**

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

Yeah.

A

**Patrick Walravens**

*Analyst, Citizens JMP Securities LLC*

Let's do part two of why the stock is \$8, right?

Q

**Tyler Renwick Sloat**

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

Part two, yes.

A

**Patrick Walravens**

*Analyst, Citizens JMP Securities LLC*

Right. Part two is, so, is AI killing your business because that – why is the stock \$8?

Q

**Tyler Renwick Sloat**

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

Well, I think – so, I don't know why the stock is \$8.

A

**Patrick Walravens**

*Analyst, Citizens JMP Securities LLC*

Because people think AI is killing your business.

Q

**Tyler Renwick Sloat**

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

That is why, yeah.

A

**Patrick Walravens**

*Analyst, Citizens JMP Securities LLC*

So, let's just hit it, let's just hit it.

Q

**Tyler Renwick Sloat**

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

But – no, absolutely not. We have really strong AI capabilities across all of our products, and that's been a strategy that we've had well before any ChatGPT or LLM model stuff. But obviously we've been innovating very, very fast on that. We have three core AI products. We have AI Agent, which is kind of frontline deflection both across CX and EX, and the usage on that is increasing dramatically quarter-over-quarter. We have our Copilot products which are an add-on to agents across our CX and EX products. And we have an Insights product which is really for kind of the managers and corporate to think about how they run their business.

A

AI is obviously very, very important; and it's going to be core to success for any software company going forward. We've seen that for a while. And you can see it kind of in what's happening when customers are buying. Our deals over \$30,000 have over 50% attach rate on AI, Copilot specifically. Our AI products at our Investor Day, we said we think specific AI agent and Copilot could each be \$100 million products. But we said, the goal is to get them both to \$100 million, 2028. We have over 8,000 customers using our AI products today, and that's even across the SMB, which is that long tail where we have a high double-digit attach or it's high-teens attach rate on Copilot in those products. So, clearly, it's really, really important.

The second question is, is it destroying our business? For EX specifically, if you look at the cohort of customers who had Copilot a year ago, their Agent counts grew, meaning like not only are they buying Copilot, but they're also continuing to buy Agents as they've gone along. And for two quarters now, we've said, well, the other thing is about net dollar retention and we're about \$1.05 at a corporate level on that [indiscernible] (00:07:45).

**Patrick Walravens**

*Analyst, Citizens JMP Securities LLC*

Q

Obviously their Agent count grew.

**Tyler Renwick Sloat**

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

A

Yeah, their EX Agents, so they're buying more Agents and they're buying Copilots on...

**Patrick Walravens**

*Analyst, Citizens JMP Securities LLC*

Q

Yeah.

**Tyler Renwick Sloat**

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

A

...attach [indiscernible] (00:07:51).

**Patrick Walravens**

*Analyst, Citizens JMP Securities LLC*

Q

When we say Agents, we're talking about humans?

**Tyler Renwick Sloat**

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

A

Humans.

**Patrick Walravens**

*Analyst, Citizens JMP Securities LLC*

Q

See that, yeah, that's...

**Tyler Renwick Sloat**

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

A

Humans.

**Patrick Walravens**

*Analyst, Citizens JMP Securities LLC*

...quite amazing.

Q

**Tyler Renwick Sloat**

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

Humans, yeah.

A

**Patrick Walravens**

*Analyst, Citizens JMP Securities LLC*

Human.

Q

**Tyler Renwick Sloat**

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

Humans.

A

**Patrick Walravens**

*Analyst, Citizens JMP Securities LLC*

So, that's kind of interesting, right?

Q

**Tyler Renwick Sloat**

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

Yes.

A

**Patrick Walravens**

*Analyst, Citizens JMP Securities LLC*

What's going on there?

Q

**Tyler Renwick Sloat**

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

What we're seeing is that, okay, companies are continuing to grow, but as we've continue to innovate, but also a four-pillar strategy across those pillars, our customers are adding humans. And as they're doing that, they're also adding our Copilot capabilities.

A

The other stat we gave out over the last two quarters, two quarters ago we said, hey, for the customers who had purchased AI Copilot year before where our corporate NDR rate is 105%, the NDR net dollar retention for that cohort is 112%. That actually increased this past quarter, meaning that clearly the expansion, both adding human agents, but also adding copilot capabilities is outweighing any churn for that entire cohort. Now, it's two quarters of data, right? Clearly, we would expect all of our AI capabilities to allow our customers to be much more efficient, and that's going to continue to happen specifically on the frontline deflection; and that, for us, is a usage-based model. So, today, it's sessions. And a session is an interaction between our customer and their employee or our customer and their customer within a 24-hour period. And customers have to buy session packs. And so, we're looking at this as like, has to be core to your capabilities today. It's almost something that is going to be kind of commoditized. If you want to compete, you have to have great AI capabilities. We're proving that we do. And we're also proving that we can provide our customers a lot of efficiencies as they go out and do their jobs. But at the same time, they're buying more. So, it's demonstrating that it's working.

**Patrick Walravens**

*Analyst, Citizens JMP Securities LLC*

Q

Part of my takeaway from that is that it's not like you have already penetrated all the possible customers and that in each of those possible customers, you've already – you've penetrated the entire firm, right? Like, you guys are growing. There's tons of new potential customers, right? And then when you land, there's a whole bunch of new things you can sell, which is part of the reason that just as everyone adopts more AI and even lowers their head count, that doesn't necessarily mean that your business...

**Tyler Renwick Sloat**

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

A

No, we've proven that. Well, pricing and packaging is going to be obviously the key going forward. And everybody is changing their pricing and packaging so much. We've been kind of taking a slower approach. We want to see what happens. We want to see usage. We've come out with our pricing and packaging, and we've changed the prices, but we haven't changed the structures yet.

**Patrick Walravens**

*Analyst, Citizens JMP Securities LLC*

Q

Yeah.

**Tyler Renwick Sloat**

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

A

What I think you're also getting at, Pat, is like I talked about the attach rates on new business; and I said, okay, for the deals are over \$30,000, it's over 50% attach on Copilot. I also said we have 8,000 customers using our AI today, but we have 75,000 customers. So, clearly our opportunities that we we've been very open about is our existing installed base, which we are going back and engaging with all of our existing customers. It's really interesting because the counterpoint to is AI destroying your business is like, well, why would wouldn't every single customer be buying it then, right, and adding it? And the reality is a lot of customers, especially in our customer base, they're saying, that's great, we'll watch it, will contest it, but it's not top on our priority list right now, yeah.

**Patrick Walravens**

*Analyst, Citizens JMP Securities LLC*

Q

And a lot of these CX customers are really small.

**Tyler Renwick Sloat**

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

A

Yes.

**Patrick Walravens**

*Analyst, Citizens JMP Securities LLC*

Q

Right. Like...

**Tyler Renwick Sloat**

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

A

Yeah. We've always been kind of on the CX side, kind of long tail of SMB. We have some very large CX customers, but the majority of our customer base is in that long tail of SMB on the CX side, which we also have

been very open that we're starting to focus away from that long tail, and that's one of the reasons that our actual customer count went down this past quarter...

**Patrick Walravens**

*Analyst, Citizens JMP Securities LLC*

Q

Yeah.

**Tyler Renwick Sloat**

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

A

...because we've been purposely not trying to go after that customer base anymore.

**Patrick Walravens**

*Analyst, Citizens JMP Securities LLC*

Q

We have a panel later this afternoon on how AI impacts SaaS businesses and then we have Anu, the former president of Atlassian; and Dan Springer, the former president of DocuSign.

**Tyler Renwick Sloat**

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

A

Yes.

**Patrick Walravens**

*Analyst, Citizens JMP Securities LLC*

Q

So, both former, right? That should be really interesting.

**Tyler Renwick Sloat**

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

A

Yeah, that should be interesting.

**Patrick Walravens**

*Analyst, Citizens JMP Securities LLC*

Q

Yeah, it should be really interesting. But one of the questions sort of focuses on when you look at the impact of AI on SaaS businesses, there's sort of an offensive perspective to it, which you just talked about it, right? But then there's also the defensive perspective, which is sort of what are your moats, right, that prevent an Anthropic from coming in and restraining your business...

**Tyler Renwick Sloat**

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

A

Yeah.

**Patrick Walravens**

*Analyst, Citizens JMP Securities LLC*

Q

...or that prevent your own customers from just vibe coding a solution? What would you say are the defensive moats that Freshworks has?

**Tyler Renwick Sloat**

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

A

I think it's a couple of things. One, if you look at the software that we build and sell, it is must-have software. So, every company of some scale in the world needs an IT kind of software behind the scenes to be able to engage with their employee base and not just help them be productive, but also keep the firm safe. And if you look at what's required for that, that's not something that you could just put a thin layer on top of. Secondary, we've been doing this for a long time. So, we have 16-plus years of data, of tickets, of resolutions, of customer interactions that not only help us train our own models, but also provides a capability for our customers as they continue to use to get better and better and better. These things are all what I would consider, moats or just proofs of system of record that you have to have. Clearly, there's going to be application layers on top that are doing agentic activities to help solve some things. But we're also building these things. But we have yet to see any customers actually just build their own or completely rely on an LLM model to go replicate.

The second thing is that we're serving mainly the mid-market low enterprise. And specifically for our Freshservice product, our ICP tends to be kind of lower tech organizations that this is not their skill set either. And what we've seen from them is that they have zero interest or capability to go do that. And so, we're just plugging away with [indiscernible] (00:14:05).

**Patrick Walravens**

*Analyst, Citizens JMP Securities LLC*

Q

Yeah. If you break out your customer base by sort of industry, what is, super roughly?

**Tyler Renwick Sloat**

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

A

It's all...

**Patrick Walravens**

*Analyst, Citizens JMP Securities LLC*

Q

How much is tech and how much is, you know?

**Tyler Renwick Sloat**

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

A

I would say we absolutely have tech customers in there, but we are not like a SaaS company that's grown up by selling to other SaaS.

**Patrick Walravens**

*Analyst, Citizens JMP Securities LLC*

Q

Yeah.

**Tyler Renwick Sloat**

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

A

If you look at who we talk about on the EX side, it's pretty heavy manufacturing there. We have – like we're one of the largest – I think we might have the most like law firms in the world. We have a ton of sports teams, McLaren who we are – a sponsor of us – they're a customer of ours, and that's why we actually went to sponsor them. And so, you could consider them a tech team because they're very tech-forward and things like our tech company, but they are not internally developing software that they are all going out and selling.

**Patrick Walravens**

*Analyst, Citizens JMP Securities LLC*

Q

Okay. So, for manufacturing companies, law firms, sports teams, there's not a lot of vibe coding of SaaS applications, that's not [ph] incorrect (00:14:56). And an important thing to keep in mind, right, that's not...

**Tyler Renwick Sloat**

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

A

Absolutely.

**Patrick Walravens**

*Analyst, Citizens JMP Securities LLC*

Q

...that's not how they're going to win...

**Tyler Renwick Sloat**

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

A

Yeah.

**Patrick Walravens**

*Analyst, Citizens JMP Securities LLC*

Q

...right? Now, you are a software company. So, are you looking internally at the systems that you use? And are you thinking, gosh, maybe there's some of the stuff we could recreate? And to write a little context for that question, I asked globally this question after their earnings call, and they said, we have an internal SEAL team of AI experts and they're going around and they're looking for places and it's not that we are looking to replace SaaS companies and save however many thousand a year. It's where can we build something that we think will suit our needs better than what we're currently using

**Tyler Renwick Sloat**

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

A

Yeah.

**Patrick Walravens**

*Analyst, Citizens JMP Securities LLC*

Q

And they found three examples. So, in their business they have a BI solution where they're building their own internal solution that they think will do a better job for them, whatever they're using now, and I don't know what they're using now, but there was a knowledge management solution. They think they can build a better one. And then the last one was they have a solution where they transcribe all the salespeople's phone calls, right, and then...

**Tyler Renwick Sloat**

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

A

Yeah.

**Patrick Walravens**

*Analyst, Citizens JMP Securities LLC*

Q

...and that they're building their own kit. So, just as an example. Are you guys doing that internally?

**Tyler Renwick Sloat**

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

A

Well, first of all, we use our own products, so both our Freshservice and Freshdesk.

**Patrick Walravens**

*Analyst, Citizens JMP Securities LLC*

Q

Yeah.

**Tyler Renwick Sloat**

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

A

So, absolutely using our capabilities there and trying to optimize our own work product internally and efficiencies the same way we're trying to provide to our customers.

**Patrick Walravens**

*Analyst, Citizens JMP Securities LLC*

Q

Yeah.

**Tyler Renwick Sloat**

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

A

We consider ourselves customer zero. And so, Ashwin, our CIO, who sits on my team, like we redeployed even Freshservice over last year and made sure that we are forefront of using our own technologies.

Second is we obviously buy a lot of software, too. And so, the...

**Patrick Walravens**

*Analyst, Citizens JMP Securities LLC*

Q

Go rough ballpark. How many SaaS solutions you think you guys [indiscernible] (00:16:35)?

**Tyler Renwick Sloat**

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

A

Oh, 100s.

**Patrick Walravens**

*Analyst, Citizens JMP Securities LLC*

Q

100s?

**Tyler Renwick Sloat**

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

A

Yeah, 100s.

**Patrick Walravens**

*Analyst, Citizens JMP Securities LLC*

Q

Wow, okay.

**Tyler Renwick Sloat**

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

A

And like our customers do to us, right, you need to hold companies accountable and [indiscernible] (00:16:43) accountable to provide the capabilities that they say they're going to. We have initiatives internally to drive automation and AI, learn to drive efficiencies within the organization, across every single team. Internally, we also have, like you described, the SWAT team or Tiger teams. We do have...

**Patrick Walravens**

*Analyst, Citizens JMP Securities LLC*

Q

[indiscernible] (00:17:00).

**Tyler Renwick Sloat**

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

A

...a small set of engineers who are working with teams on how we can actually build our own little apps to kind of automate things. And these are typically areas that have manual processes around them that you can just automate. And so, yes, we're constantly doing that, and we made a lot of progress last year, and I think we're going to continue to make this year. And I think it shows in kind of how we're operating, right? We've done really well on both free cash flow generation, but on operating profit as well.

**Patrick Walravens**

*Analyst, Citizens JMP Securities LLC*

Q

Awesome. So, have you replaced anything internally of the 100s of the?

**Tyler Renwick Sloat**

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

A

Well, yeah. I mean, the rule is like if you want to buy one, you got to [indiscernible] (00:17:42) two, right? And what I think you're going to see, especially it's – when you're doing really well, you don't necessarily have to have the discipline to just go in and cut everything.

**Patrick Walravens**

*Analyst, Citizens JMP Securities LLC*

Q

Yeah.

**Tyler Renwick Sloat**

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

A

And then sometimes you wake up and just like, well, guys, if we're trying to drive automation, we're trying to drive efficiencies, and we're looking across all our teams, and we're thinking about what does work look like internally a year from now, two years from now. You're going to go evaluate every single system that we have. And a lot of the systems, they are changing as well. And so, as you go through that, you can add, say, a solution to go look at all of your cloud spend and see what the utilization of that are, and I think there's a lot of opportunities for us to even get better at what we're doing [indiscernible] (00:18:24).

**Patrick Walravens**

*Analyst, Citizens JMP Securities LLC*

Q

Have you tried [indiscernible] (00:18:24)?

**Tyler Renwick Sloat**

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

No.

A

**Patrick Walravens**

*Analyst, Citizens JMP Securities LLC*

I tried it [indiscernible] (00:18:27).

Q

**Tyler Renwick Sloat**

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

Oh, no. I personally have not tried it, but we have a lot of people in the teams who have tried it, yeah.

A

**Patrick Walravens**

*Analyst, Citizens JMP Securities LLC*

Yeah. It's mind boggling.

Q

**Tyler Renwick Sloat**

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

Yeah.

A

**Patrick Walravens**

*Analyst, Citizens JMP Securities LLC*

It really is. Your comment about how work is going to change in a year, it's mind boggling.

Q

**Tyler Renwick Sloat**

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

We're Google shop, so Workplace Studio. There's a lot of stuff you can do there just for efficiencies of your own day to day...

A

**Patrick Walravens**

*Analyst, Citizens JMP Securities LLC*

Yeah.

Q

**Tyler Renwick Sloat**

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

...and I've done some of that, yeah.

A

**Patrick Walravens**

*Analyst, Citizens JMP Securities LLC*

Will it go through your calendar and find all of [indiscernible] (00:18:51)?

Q

**Tyler Renwick Sloat**

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

Exactly.

A

**Patrick Walravens**

*Analyst, Citizens JMP Securities LLC*

Yeah.

Q

**Tyler Renwick Sloat**

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

Yeah.

A

**Patrick Walravens**

*Analyst, Citizens JMP Securities LLC*

So, that alone is a huge time saver.

Q

**Tyler Renwick Sloat**

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

Yeah. It's great.

A

**Patrick Walravens**

*Analyst, Citizens JMP Securities LLC*

It's huge.

Q

**Tyler Renwick Sloat**

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

Correct.

A

**Patrick Walravens**

*Analyst, Citizens JMP Securities LLC*

So, two current events I want to talk to you about. And if you don't want to – if you're like, I really don't want to touch on that, that's fine, right? But number one, number one is the layoffs at block, right, where you have a company that – 10,000 employees and they let 4,000 go and they say it's because we're embedding intelligence in our business. What did you make of that?

Q

**Tyler Renwick Sloat**

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

I don't know. I mean, like the story this morning is all about AI washing, right? I think that's a first. I don't know what's that block. If you look at their head count, I think they went up dramatically.

A

**Patrick Walravens**

*Analyst, Citizens JMP Securities LLC*

They sure did, yeah.

Q

**Tyler Renwick Sloat**

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

And so, whether this is them coming down, but I have no idea. If you look at us, our head count was relatively flat over the last year and is actually down from the year before that. And I think you have to constantly be looking at

A

technologies internally on how to drive efficiency. You got to make – constantly looking at making sure you have the right people in the right roles...

**Patrick Walravens**

*Analyst, Citizens JMP Securities LLC*

Q

Yeah.

**Tyler Renwick Sloat**

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

A

...and we're doing that internally for sure.

**Patrick Walravens**

*Analyst, Citizens JMP Securities LLC*

Q

Yeah. But you're growing. What are you going to grow this year? Was it 14%?

**Tyler Renwick Sloat**

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

A

Revenue. Yeah, yeah.

**Patrick Walravens**

*Analyst, Citizens JMP Securities LLC*

Q

And you did that with the growth you had last year is on flat head count. So, that tells you a lot.

**Tyler Renwick Sloat**

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

A

Correct, it tells you a lot.

**Patrick Walravens**

*Analyst, Citizens JMP Securities LLC*

Q

Second question. This one, I think you're [indiscernible] (00:20:05). I mean, the whole [ph] Anthropic-Department at war (00:20:06) stand off.

**Tyler Renwick Sloat**

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

A

I don't – I know a little bit about it, right? We haven't had the government come to us to ask us to share anything. So, like, we'll just stay out of that.

**Patrick Walravens**

*Analyst, Citizens JMP Securities LLC*

Q

Yeah. I think a lot of people are going to say that today. Okay. Do we have any questions from our audience? And we are kind of blinded up here. So...

**Tyler Renwick Sloat**

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

A

It is. It is very bright.

**Patrick Walravens**

*Analyst, Citizens JMP Securities LLC*

Yeah. Please.

Q

Q

[indiscernible] (00:20:33). Is your Copilot the same thing as Microsoft's Copilot or?

**Tyler Renwick Sloat**

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

I mean, in terms of how it works?

A

**Patrick Walravens**

*Analyst, Citizens JMP Securities LLC*

We have to repeat the questions.

Q

**Tyler Renwick Sloat**

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

Yeah. So, the question was, is our Copilot the same thing as Microsoft's Copilot?

A

Our Copilot, so across our EX and CX portfolios, if a customer purchase an Agent specifically in the higher tiers, they can add a Copilot add-on to that Agent, and what that does is that allows that Agent to have access to a whole lot of capabilities that automates a lot of what those tasks would be and within the system itself. So, for example, a Summarizer capability. So, you have a whole bunch of tickets coming in and, yeah, oftentimes tickets will go from kind of one Agent to the next as it flows over shifts, for example. And that next Agent needs to know what's a history of what happened, Summarizer is one of it. First best response is another great example. So, I don't know if some of the capabilities are the same, but I think the structure is similar. It's really all about making the agent much more efficient at their job.

Q

When you're adding the AI LLM capabilities, is that driving your cost up because you're kind of reselling those tokens at some different margin, so your margin structure will change over time as you were trying to use those?

**Tyler Renwick Sloat**

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

Yeah. So, we've been doing this for a while.

A

**Patrick Walravens**

*Analyst, Citizens JMP Securities LLC*

You have to repeat the question.

Q

**Tyler Renwick Sloat**

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

A

Yeah. So, the question was, are we – in general, I think your question is, are we being impacted by LLM costs, right?

If you look at our gross margin structure, we're at 85% roughly on gross margin, and those costs would be incorporated there. Clearly, we look at it all the time. What we've done is we're clearly pinging the LLM and have token costs for all of the activities on AI Agent, but also on Copilot, but we're also looking at there are certain things that can happen without having to go paying the external or you can paying a lower cost model, which what we've designed for as well. But clearly we are monitoring it all the time because as the activities increase, which is what we want, there will be costs associated with it.

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**Patrick Walravens**

*Analyst, Citizens JMP Securities LLC*

Q

So, I was talking to a young AI engineer at one of the San Francisco startups, and he goes, oh, I saved my company \$250,000 today. And I go, how did you do that? You want to guess how he did it?

Q

[indiscernible] (00:22:49).

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**Patrick Walravens**

*Analyst, Citizens JMP Securities LLC*

Q

Someone said, didn't come to work. No. He said, I was looking and we sent all the stuff to Open AI we don't need to be sending to Open AI.

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**Tyler Renwick Sloat**

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

A

Yeah, yeah.

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**Patrick Walravens**

*Analyst, Citizens JMP Securities LLC*

Q

Right? So, the mass optimization period that we went through a year ago, we're not there yet, right, but I heard that and I was like, oh, there might be an opportunity for a similar sort of optimization around tokens at some point here.

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**Tyler Renwick Sloat**

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

A

Yeah. I think that's what you're going to see is that you don't – the latest and greatest models are the most expensive. But then one thing you're saying is that, okay, maybe you don't actually need access to the latest models to actually get great responses. So, that's one. And the latest costs more. But also, you're seeing a whole bunch of activities that are being brought in and you're running smaller models internally so you don't actually have to paying the external. And when you have a combination of those two things, especially with certain types of activities and they could be high-velocity activities, then you can actually get a weighted average cost that's a lot lower.

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**Patrick Walravens**

*Analyst, Citizens JMP Securities LLC*

Q

Yeah. Awesome. Okay, maybe time for one more, maybe in the back. Or you pick, you pick, Tyler.

**Tyler Renwick Sloat**

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

Go.

A

Q

So, you mentioned about 10% or so, 8,000 customers out of 75,000 have adopted AI. So, how do you see the trend? Are they picking up faster or slowing down and evaluating?

**Tyler Renwick Sloat**

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

No. So, it's increasing. So, the growth rate on our AI growth is much higher than, say, our revenue growth rate. And if you think about it, the attach rate, so even on Copilots, is 50% on larger deals, just \$30,000 and that is where our business is now, led by EX. And so, each quarter it's going to increase as we close more deals. Now, again, our opportunity set is our existing installed base. And so, we have multiple campaigns to go and engage with our existing customers, whether through POG motions or actual contact through sales and CSMs and things like that to go show them the value, which we'll be continuing to work on every single day and month this year. But the growth rate for AI, both adoption as well as purchase, is quite strong.

A

**Patrick Walravens**

*Analyst, Citizens JMP Securities LLC*

Someone was standing up in the back.

Q

**Tyler Renwick Sloat**

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

Yeah.

A

**Patrick Walravens**

*Analyst, Citizens JMP Securities LLC*

Whoever stood up gets a question.

Q

Q

[indiscernible] (00:24:59) product today and how will that translate into the pricing models [indiscernible] (00:25:01)?

**Tyler Renwick Sloat**

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

So, the question, I think, was where our customers are seeing the most value from our products today and how does that translate to the pricing model?

A



Correct.

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**Tyler Renwick Sloat**

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



Yeah. Today, EX is our driver for growth. It's clear. It's an over 20% grower. We feel that we have the number one solution for that mid-market low enterprise customer there and mainly landing with IT. And the value is our motto is uncomplicated; a software that just works, that has enterprise-grade feature functionality that we can get you live really, really quick and get you everything that you need to be able to run your business from an IT perspective. That's where customers are seeing the most value and ROI. And you can see, even on our income statement, our professional services are very, very low as a testament to the capabilities that we have on getting customers live and growing really quickly.

That being said, it doesn't mean that they're sacrificing feature functionality, and that's where the values that we're providing. As we can land in IT and do everything you need there, and that's demonstrated by the fact that customers are staying with us as they grow. We have some very, very large organizations now that we're running their entire kind of backend IT stack. But now expanding into ESM capabilities. So, we're landing with other functions; and our attach rates on ESM on new business is really high and growing.

And then moving on to asset management and ITOM. ITOM is actually going to be a different buyer. It's the people who run your services internally. And so, when you see the value we're providing specific to EX is really everything you need at great value and great time to value and then be able to run and grow your business on us and no need to change.

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**Patrick Walravens**

*Analyst, Citizens JMP Securities LLC*

Awesome. We're out of time, Tyler.

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**Tyler Renwick Sloat**

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

Awesome. Thanks, Pat. Good to see you u, buddy.

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**Patrick Walravens**

*Analyst, Citizens JMP Securities LLC*

Great to see you. Thank you so much for coming down.

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**Tyler Renwick Sloat**

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

Yeah.

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**Patrick Walravens**

*Analyst, Citizens JMP Securities LLC*

We really appreciate it.

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