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Freshworks, Inc. (FRSH)

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CORPORATE PARTICIPANTS

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Chief Financial Officer, Freshworks, Inc.

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Scott Berg

Analyst, Needham & Co. LLC

MANAGEMENT DISCUSSION SECTION

Scott Berg

Analyst, Needham & Co. LLC

All right. We're good to go here. Wanted to thank everyone for joining us today. My name is Scott Berg. I lead our enterprise software and SaaS research efforts here for those that are unfamiliar with us. You can't quite hear us? Maybe – they're shutting the door. Maybe it's a little background noise. I'll move this up here.

Today with us, we have no stranger to the Needham conferences. We have Tyler Sloat. For those that are familiar with Tyler, Tyler has been with Freshworks for three years. We also helped take his prior company, Zuora, public, and I think we've been doing this for about seven years up here on stage, plus or minus and it's been great. But let's talk Freshworks. Obviously, that's why we're here. Why don't – Tyler is also the company CFO. I failed to mention that. But why don't you give an overview of Freshworks for those that are less familiar with the company?

Tyler Renwick Sloat

Chief Financial Officer, Freshworks, Inc.

Sure. Freshworks, we are a software company founded in 2010 kind of on the premise that SaaS, the promise of SaaS, which was supposed to be easy-to-use, kind of affordable software, had kind of embossed. Their first product, Freshdesk, was customer support software founded by our CEO out of India even though we're a US company. And his was founded by an experience, right? He had already built several support applications in his lifetime, but realized, okay, the whole market's shifting and the end customer is going to want a different way to engage with their vendors. And that engagement, which is now playing out as all through omni-channel and a lot of chat and messaging-driven things. That's our Freshdesk product, which now arguably we compete with Zendesk, Salesforce, and we service the SMB all the way up to kind of mid-market, large enterprise.

We then introduced our second product, Freshservice, which is ITSM. Several years later, after seeing a lot of our Freshdesk customers using it for internal ticketing and realizing, okay, you need a purpose-built solution. Freshservice has been an incredible product. It has great competitive dynamics in that space. We've said it's our fastest-growing product, has been largest contributor to our growth over the last couple of years. Freshservice is

for internal ITSM applications. Within that, we actually just introduced Freshservice for business teams, which would be for more ESM applications and really servicing – a product to service your employee base.

Third product is Freshsales and marketer, really under a CRM umbrella. Newest product of the three, still relatively small, focused on SMBs and a lot of focus on B2C businesses within the SMB framework. So three main product lines that we have really selling them globally with about 40% of our revenue in North America, 40% in Europe and 20% Rest of World. And then servicing from the SMB all the way up, mainly Freshdesk and Freshsales really start at the SMB and then go up to mid-market enterprise. Freshservice kind of plays straight in that mid-market enterprise space.

QUESTION AND ANSWER SECTION

Scott Berg

Analyst, Needham & Co. LLC

Q

So we're going to take the questions in a different order than what you spot on earlier.

Tyler Renwick Sloat

Chief Financial Officer, Freshworks, Inc.

A

That's fine.

Scott Berg

Analyst, Needham & Co. LLC

Q

We did say we're leaving as soon as June walked into. So we're done. June runs company's IR for those that are less familiar as well. I've said for several quarters now you probably haven't heard this. This is new. I think you all have operated really well, kind of quietly not as well known by some of the investors that are out there. I think your excuse last four or five quarters been really good relative to expectations, especially in this macro backdrop.

If we dissect what's going on in the business a little bit, a lot of your NRR is driven by C-sales as you guys have been very open and talked it about. And I think we've known that for a while. But why are your net new sales still reasonably strong in a macro that's certainly seen weakness for other vendors because Mike will upsell and your new customer acquisition doesn't seem to be far off from where we were a year ago. It's good for you obviously.

Tyler Renwick Sloat

Chief Financial Officer, Freshworks, Inc.

A

Yeah. I think a couple of things. Number one, we weren't one of the first companies that come out and say we saw something happening in the market. We actually said at the end of Q1 last year. And from an operations perspective, we were able to adjust. For new business, it's kind of a testament to what we bring. We've always said, hey, we're going to deliver great software at a great value to customers. And that great value is not just hey, we can be less expensive than others, but we can get you up and running really, really quickly. We actually professional services isn't even a big enough line item to break out. Most of our customers can get deployed in weeks, not months or quarters. And it's a great – the products have great usability because that's the way they've been designed. So, in tough markets, we actually have an opportunity to do well because we can go to customers and provide them a great alternative.

And so even if where we would be binding greenfield and things like that, if those are tougher in macro, we are also supplementing that with takeaways from other companies. And that has been one of the things that we've been able to drive for the last year.

Scott, you're right, we land, but we don't land heavy like a big deal for us is 100K maybe 200K and then we grow with our customers. And as part of that, agent addition has fueled the majority of our expansion motion. And starting at the end of Q1 last year is when we started to see that agent addition was actually going to slowdown. And we were able to adjust. What we're working on now is how do we figure out how to grow with our customers outside of agent addition, not knowing whether that's going to come back anytime soon. And that's what we've been focused on for kind of the last quarter or two.

Scott Berg

Analyst, Needham & Co. LLC

Yes.

Q

Tyler Renwick Sloat

Chief Financial Officer, Freshworks, Inc.

So, you look here and our number kind of the last quarter or two.

A

Scott Berg

Analyst, Needham & Co. LLC

Yeah. So, you look at your NRR number, net revenue retention, you've talked about it coming down to the 105% range. It's been above that. You can drive that number that compression from where it has been to where it is today for a – through a variety of different angles. Is it more just lack of expansion just because of hiring environments, weakening for a lot of your customers or are you actually seeing some sort of down sell or compress seats in some of your customers?

Q

Tyler Renwick Sloat

Chief Financial Officer, Freshworks, Inc.

Yeah. I'd say it's both. So we went public, we said, hey, think of us as this kind of 110% base net dollar retention business. Since we went public, we've actually done a really good job – so I'll talk about both sides of the coin – of reducing churn where when we went public, our churn was in the low-20s, and we've actually brought that now down to kind of mid- to high-teens.

A

And so we've gotten some leverage on net dollar retention because churn has come down. Churn includes downsell for us. And downsell, actually it happens. It happens every single quarter. And specific to at least some of our large CX, which is our desk customers, specifically B2C businesses, which are our biggest customers, we had like huge agent expansion as their business grew through kind of COVID and everything else. As they've come up for renewal, they've decreased, right, and so that has driven some of the churn and downsell.

On a flip side, the expansion motion, which was very, very predictable for a number of years, did fall off. And that's where we were at mid-teens net dollar retention, we said it's going to come down 105% in Q2, we were at 107% in Q1, 108% constant currency, so we think there's going to be a little bit of pressure. We do think it's going to level off at that point. But the majority of that, even though we've got a little leverage on churn, has been because that agent edition has fallen away.

Scott Berg

Analyst, Needham & Co. LLC



Yeah. So – and that's not surprising given where obviously hiring is right now both here and globally. But 105% is still a positive number last time I checked, more positive than 100%. What modules that are really driving most of that? Is it going from desk moving to CRM or are you seeing more towards ITSM products? How should we think about going from desk moving to CRM or you're seeing more towards the ITSM product? How should we think about that journey?

Tyler Renwick Sloat

Chief Financial Officer, Freshworks, Inc.



Yeah. I mean, there's still companies that are growing, right? So, they're adding agents and agent addition is still driving the majority of our upsell. We put out a number of 24% of our customers use more than one of our products. The nuance of that number is it doesn't mean it's actually one of our three core products. Actually, that number is driven by a lot of add-on products in our desk world where companies are moving to omni-channel. So maybe they start with traditional support desk, which is mainly e-mail, and they add chat or messaging to it. And that really is that driver. That number was stable last quarter.

What we have in place right now is kind of three ways we're focused on how to grow with our customer base outside of agent addition. The first one is new products like Freshservice for business teams. We announced it in Q4, really started selling it in Q1. And that's going to be something we're very focused on. Second is moving companies up the addition stack and so the feature functionality, then the higher levels of additions, how can we actually move our existing base off of that stack? The third is cross-selling across personas where Freshservice has done incredibly well. We have the manager, the Head of IT or the CIO really leveraging that mindshare to get involved in any type of support conversation that they're having. And we really haven't had those prescriptive players in the field before. And so we put in an overlay group for Cx that their sole purpose is to go in and do that.

And then we're also very, very focused on additional products being sold in the outside of the two main products. And lastly, a little bit of price leverage where specific to Freshservice, we have provided great product at great value. Some of the feedback, as many – could you get some leverage? We started that in Q1. We increase the price of the highest additions by 4%. So we're not talking about a huge increase. And then we have been looking at customers as they come up for renewal. I've been thinking about it more as like decreased discounts as opposed to price and trying to just get a little bit more. We've had zero pushback on that so.

Scott Berg

Analyst, Needham & Co. LLC



It becomes easier to do in an environment that's seeing 5% or 6% inflation. Customers understand it...

Tyler Renwick Sloat

Chief Financial Officer, Freshworks, Inc.



Not just inflation. Well, we have a lot of peers who are – they're looking at that as a mechanism for all of their growth, right? And that is not what we...

Scott Berg

Analyst, Needham & Co. LLC



That's been in the sales force playbook for years, right? You start off with 25% increase in your negotiations and see where you go.

Tyler Renwick Sloat

Chief Financial Officer, Freshworks, Inc.

A

Yeah. That is – it's been kind of – it's similar – it was a conversation internally even for that 4% because that is the antithesis of what we do, right? We want to provide great software at a great value, and we don't want to move away from that. But at some point, your value, you've underpriced even your value. So...

Scott Berg

Analyst, Needham & Co. LLC

Q

So in my customer conversations since we've been doing diligence on Freshworks with the product now, I know Gee likes to use the word delight as well. Your customers really do like your product. It's crazy how good the feedback I think is about your product. But how do you think about the product strategy kind of going forward. It obviously started with that and moved into a couple of different areas. You've tried a couple of products that maybe haven't worked and you've moved them aside, but that's the beauty of this business. If it doesn't work, you move on. How do you think about the product strategy over the next four or five years? Do you, I don't know, double down in the sales support area or are there other areas in the enterprise that you have the opportunity to venture out to, do you think?

Tyler Renwick Sloat

Chief Financial Officer, Freshworks, Inc.

A

Yeah. So broadly, we think about products that help our customers delight their customers and products that help our customers delight their employees. So we put them in these two buckets. In those spaces, specifically desk, broader CRM, which desk technically fits on [indiscernible] (11:37) keep the sales and marketing and then ITSM. These are massive markets that we have a lot of area to grow. So we don't see introducing anything new per se, like a whole new market. We think there's a lot to do within the space that we're at.

On ITSM, Freshservices for teams is the first, but we are looking at other feature functionality that we can add to make it a deeper and broader product, and we're starting to learn a lot from our customers. And so that one, I think, we're very excited about ITSM applications. We're going to go deeper on that. Also, how we can land at other companies where they may not be using ITSM, but we can land in their HR department or in their procurement department, facilities department or something like that. So, super excited about that.

In CX, it's really about a vision of providing this seamless journey from marketing down to support and being able to provide a customer with an out-of-the-box solution. It really can just be turned on across that whole journey. On top of that is really about enabling omni-channel experiences across all of those journeys and omni-channel really driven by chat and messaging that more and more we're seeing that our customers are wanting to engage with their customers over these mediums. And we've known that for a long time and we built that into the product years ago, but continuing to go deeper on that.

Scott Berg

Analyst, Needham & Co. LLC

Q

I don't think we can get out of this meeting because I haven't gotten out of any other of them over the last six weeks. Do you know where this is going? Generative AI...

Tyler Renwick Sloat

Chief Financial Officer, Freshworks, Inc.

A

I just gave you the layup on that...

Scott Berg

Analyst, Needham & Co. LLC



I know. Exactly. How should we think about Freshworks' ability to leverage those technologies going forward? Because there's a narrative out there right now maybe because it showed up in a basket of stocks from a bulge bracket firm or two that believe some of these AI solutions are going to minimize the use of sales and marketing applications. How do you all think about what that looks like?

Tyler Renwick Sloat

Chief Financial Officer, Freshworks, Inc.



Yeah. I mean, I think, to your point, I think the bear model is that agent-dependent business models, right, will suffer. So, if I back up, AI is core to our strategy and has been for years. We introduced Freddy, I think, five years ago. Freddy is our moniker for our internal AI. And the focus initially was really on L1 support and how do we actually provide our customers the capability to automate a lot of the L1 support? So, if you think about here, what is the application there, it's mainly through bots, and mainly – the majority of our chat customers use bots to do deflection. And the whole thing is how can you do ticket deflection without human intervention? So, we've been doing this already for years.

Now, it's essentially, it's like, well, okay, how is this going to be supersized or really made better through new access to more information through the latest versions of GPT? We are taking that, we're inserting it more into bots and everything else, but we've also taken it across all of the different use cases within the product. So, for example, we've already are in beta on three different, or four different use cases, one of them is a summarizer, it is a great bit of case that we have, or essentially if you think about tickets, they come in from all these different channels, e-mail caller and messaging, and each one of those channels could have a little bit of different information about maybe a customer issue.

One of the agent's jobs today is to summarize all of this stuff, so you can now use AI to look across all the tickets and create a great summary that is then available for the next agent who comes in to be able to service that customer even better.

Another use case is in terms of being able to provide our customers the capability for their agents to have that much better communication with their end customers through that, if they type, write an e-mail to be able to look at that e-mail and make sure it's in proper English that it's phrased the right way or even put it into a different language. This is going to allow for our customers to be able to have their support groups and everything else, maybe in different locations or maybe in an area that they didn't have to before. All of this stuff that we've built in that is, I think, going to be core to our products going forward.

And so the question is, okay, how does that impact the business model? We don't necessarily think that means less agents even though it could. But it will actually drive a lot more of the consumption-based models. For us, we already charge for our bots based on a consumption-based model, so it's already in there. We've already been doing that. We're just going to see more and more of that over time.

What I can say is that I don't think anybody, at least from what I've seen in all of the peers and whatnot and what they're announcing, have really figured out what the pricing and packaging is going to look like on these things. And a lot of that is because the way that we are being charged, say, Freshworks from, say, Microsoft or OpenAI, that is static yet either. And so all this stuff is going to evolve over time. We'll come out with new pricing in the back half of the year on some of that future functionality. My gut tells me that on like Summarize and all of these things, they will be built into the highest tier of our product and we will charge a little bit more for it.

Scott Berg

Analyst, Needham & Co. LLC

Q

That doesn't sound like it's going to crush sales and marketing products or technologies in the stack where you all like to play, at least.

Tyler Renwick Sloat

Chief Financial Officer, Freshworks, Inc.

A

I don't think anything in the near term. I think it's going to make the products a lot better and provide us a capability to provide a lot more value to our customers. So, the question is, how do you just extract value for that value?

Scott Berg

Analyst, Needham & Co. LLC

Q

Sure. So, moving to go-to-market competition a little bit, all of your products compete in highly competitive end markets for the most part. I remember going through the IPO, the first question I get is name the product. How does Freshworks win against a large vendor here that we know are a large vendor there, obviously? Outside of easy to use, how do you think about feature functionality, not just parity but pushing that dime relative to those vendors? Because as a newer software vendor in the space, you probably actually have an advantage than the old behemoths that can't innovate nearly as quickly.

Tyler Renwick Sloat

Chief Financial Officer, Freshworks, Inc.

A

Yes. Freshdesk, we're comfortable going up in feature functionality against anybody. So we're constantly competing against Zendesk and Salesforce for larger deals. That product also competes all the way down the stack to for larger deals. That product also competes all the way down the stack test. So, the beauty of it is the same exact product for everybody, right? And feature functionality is governed by the addition that you choose to use. But all of this with products built for the SMB first and really focused on usability and very easy to deploy, if you stay true to that DNA, then you add feature functionality over time, you just get to enjoy the best of both worlds, and that's the holy grail of kind of SaaS.

So Freshdesk, I would argue we can go up against anybody and we can go compete against anybody feature functionality. Freshservice is a really interesting competitive marketplace. ServiceNow, a great company. They're very focused on the high-end enterprise. It is a very expensive, bulky, heavy software.

Ours, right, it has still have that DNA where we can get you up and running. But over time, those we've been building it, we're now being pulled into very large deals on Freshservice. Outside of ServiceNow, you've got a lot of legacy and some of that legacy has actually been proactively forcing their customers to maybe shift from on-prem to cloud or been raising prices, which has just allowed opportunity for us to be brought in to deals.

And then you have players at kind of the lower end and then companies like Atlassian who are starting with JIRA, then they move to GSM and then try to expand from there. But we I think we are regarded as the number one SaaS alternative under ServiceNow. We are leaning in heavy to that, right?

For fresh sales and fresh marketer, yes, that's probably the most competitive space but it's also the biggest one. And so for that, we've been very focused on who is our ICP, our Ideal Customer Profile, and really just trying to focus on serving their need, not trying to go and compete with everybody.

Scott Berg

Analyst, Needham & Co. LLC

Q

So you had brought up a component we we're talking macro before customers seem to like your product easy to use, easy to implement. You get to get there quickly in hours or days versus months or quarters. How do you think about customers seem to like your product, easy to use, easy to implement, you get there quickly in hours or days versus months or quarters. How do you think about win rates in this environment? Does that mean your win rates probably have changed maybe a little bit more positively than maybe what you saw [indiscernible] (19:49) see anything there?

Tyler Renwick Sloat

Chief Financial Officer, Freshworks, Inc.

A

Yeah. I mean, no, win rates in Q4 were good and they actually got better. Q1 I think they are kind of the same. But one dynamic that happened in Q1, we're actually getting more of bats. And so win rates may not be going up, but we are actually seeing more deals. And so, in that space and like specifically in desk as well, but again, competitive dynamics where you have Zendesk there that a lot of anxiety among their customer base. We are – we're very focused on win rates, very focused on our bats. But I would probably take at bats the same win rates are more of them as opposed to just wanting smaller or less fewer deals.

Scott Berg

Analyst, Needham & Co. LLC

Q

I agree. That probably means the market's healthier, again, more deals out there as well to be had.

Tyler Renwick Sloat

Chief Financial Officer, Freshworks, Inc.

A

Yeah.

Scott Berg

Analyst, Needham & Co. LLC

Q

So, you talked about especially with Freshservice kind of moving up market there a little bit. When I first got introduced to Freshworks, it was still called Freshdesk probably eight or nine years ago, but it was also the first time I ever got introduced to the term product-led growth, which is really a new definition, some extent of online digital marketing, bringing in, having great product, letting your customers try it, and sell them. But that doesn't work in the enterprise nearly as well historically, at least. How do you think about your go-to-market strategy or changes to it as you start to service more of these large customers across all your products?

Tyler Renwick Sloat

Chief Financial Officer, Freshworks, Inc.

A

Yeah. We still. So we have about – it depends on each quarter, 50% to 60% of leads are driven inbound. And inbound mean, like they're just organic search or paid search mainly. That product growth motion for us, as somebody lands, they start a trial on the website, that trial converts in 25 days or hopefully it converts in 25 days. During that process, there is some engagement with inside sales, but it'll happen.

That inbound actually does feed a portion of the midmarket enterprise business because if you think about it, about 60% of our business now is midmarket enterprise. We supplement that with traditional selling, right? So we have outbound, SDRs, BDRs, and AEs creating pipe. The nuance for us is that our enterprise sells we describe it, it's in geo, meaning like we have in North America and Europe and parts of Asia, but it's mainly still inside sales.

And there tend to be not big enterprise reps, probably not the big reps are going, closing million-dollar deals. So, big deal for us \$100,000 or something like that. And so there's still velocity to the deal and a relatively short sales cycle.

Scott Berg

Analyst, Needham & Co. LLC

Q

As you kind of break down by segment, by geo because you talked about how global your business really is, which is different than most of my coverage universe, it's usually heavy US, maybe 20%, 25% rest of world. Do you see anything different on the macro kind of by geo or whatnot? I'm hearing vendors talk about Europe is now improving versus a year ago it was really poor in Q1 and Q2.

Tyler Renwick Sloat

Chief Financial Officer, Freshworks, Inc.

A

Yeah. We got that question earlier today is like, hey, is Europe stabilized or come back? And we talked about Europe a year ago in Q1 of 2022 that it was a little bit – didn't have the best execution. And then we kind of saw pain on the SMB specifically, the micro SMB, which is one of the 50 in Europe more than other areas although SMB was kind of hurt globally. But Europe kind of Q3, Q4 did what we expected it to do. And I think it's – I don't know if recover is the right word, but we saw the pain earlier in the year, I would say.

Scott Berg

Analyst, Needham & Co. LLC

Q

I just think it's really interesting, Europe was better in Q1 in general or maybe Q4. SMB has done better than people expected. I guess just...

Tyler Renwick Sloat

Chief Financial Officer, Freshworks, Inc.

A

We'll have to see, right, because you also – there's an FX nuance to all this stuff as well.

Scott Berg

Analyst, Needham & Co. LLC

Q

Right.

Tyler Renwick Sloat

Chief Financial Officer, Freshworks, Inc.

A

And so, does better mean because FX rates have largely stabilized, whereas all of last year, you just saw the euro and pound getting crushed.

Scott Berg

Analyst, Needham & Co. LLC

Q

Yeah.

Tyler Renwick Sloat

Chief Financial Officer, Freshworks, Inc.

A

We'll see as the numbers come out.

Scott Berg

Analyst, Needham & Co. LLC

Q

Does that happen environment cause you to think about pricing, your contracts differently, maybe local currencies, obviously it exposes you to more FX risk versus the customer in that scenario?

Tyler Renwick Sloat

Chief Financial Officer, Freshworks, Inc.

A

So, we price – we do price like in pound, euro, Australian dollar, and like, are we shifting more to that? No. I mean, we're kind of priced where we sell. There's – there's other areas we're not pricing in, in local currencies outside of that mainly. And we just don't feel the need we have to take that FX risk. But in areas that – if it's causing us not to be able to close business, and the nuances there, if a partner is taking the FX risk, we are looking at places that we're comfortable taking it and we can hedge against it especially if it's going to accelerate new business. But no, outside of that, we're not thinking about changing our pricing from a currency perspective.

Scott Berg

Analyst, Needham & Co. LLC

Q

So, we have the CFO here, we'll probably have to ask financial question or two. In the last 12 months in my space, it's all about profitability, you guys have seen significant improvements in your income statement last year as you start to lever up some of the efficiency moves that you've taken. Can you talk about what – I don't know, cost containment, cost controls look like, how you're still able to invest relative to your goals? And when you wrap that together, what does profitability look like over the next year or two, without guiding for next year, obviously?

Tyler Renwick Sloat

Chief Financial Officer, Freshworks, Inc.

A

Yeah. Yeah. No, we came into this year, we said it's going to be a three-step process. We're going to get sustainably free cash flow positive. We're then going to get to sustainable non-GAAP operating profit. And then third, we'll start talking about GAAP operating profit. We produce cash in Q4 and we guided at that point and said, hey, we're going to be cash flow positive for all of 2023. We produced cash in Q1 as well as there'll be a little bit of timing but I think we said we're going to produce \$20 million this year. Non-GAAP operating profit. I think we got there a little bit earlier than we thought, and we actually did really well in Q1. And there will be again timing in Q2, but then we actually guided to full year non-GAAP operating profit.

So the question is, do we have to do anything unnatural to get there? And the answer is really no. We had the advantage, number one, that we've – I have a company and the DNA of a company is to be efficient. We actually had produced free cash flow before we went public and just kind of invested a lot.

The second is that we have invested a lot in the field and by hiring a ton of people and building out the field infrastructure, which is really expensive. It's also driven us to be not quite as efficient as we'd like to be in selling.

And so, coming into kind of Q3 and Q4 of last year, we've been stocked. Started to hire a fewer people and then digest what we've already invested in. And that's what we've kind of done coming into this year. We did a kind of a sales go-to-market reorg at the end of the year, but it's more about shifting roles around. So that resulted in us having less than 100 people kind of exit the company. But it wasn't a rift per se. It was really a reorg.

And then we had our focal process. That's April 1 and just went through a normal performance based review cycle and that was about 100 people. But on a base of over 5,000, it's not like – it's not like a big number. And it wasn't like some announced layoff, which we don't feel like we need to do. We are being very prudent on where we're

hiring right now. And we're also trying to be really prudent on where we spend. But we're still hiring people. And I think we have other areas we can leverage as well.

Scott Berg

Analyst, Needham & Co. LLC

Q

Yeah, I think it's really interesting in your model where you're showing some consistent leverage in an environment where investors wanted, but you haven't announced the big riff. You haven't needed to.

Tyler Renwick Sloat

Chief Financial Officer, Freshworks, Inc.

A

No.

Scott Berg

Analyst, Needham & Co. LLC

Q

Which is kind of unique in my space right now. You may or may not know this. There's a reporter in India that calls me after every quarter. She's written me up plenty of times, you probably know it is, but she had heard about some "riff" at the company and called me up and I'm like, I haven't heard anything. Usually have to disclose this and file it or whatnot. I said, given the time of year, this just sounds like your standard performance-based stuff that's happening, and that obviously turned out to be accurate. But impressive you're able to get leverage without doing a lot of other [indiscernible] (28:00).

Tyler Renwick Sloat

Chief Financial Officer, Freshworks, Inc.

A

Yeah. I mean, I think the difference is that we were just hiring so rapidly. So for us, it was really, okay, just – that's an area we got to slow down.

Scott Berg

Analyst, Needham & Co. LLC

Q

Last question for me and happy to turn it over to the audience for Q&A. You brought a new president last year, Dennis Woodside. You were just talking about something kind of go-to market, shuffling your changes that you made. Has he taken a fundamentally different approach to your go-to market or is it more about small changes that you're making out there?

Tyler Renwick Sloat

Chief Financial Officer, Freshworks, Inc.

A

I'd say more about small changes. But one of the more fundamental things is a recognition that a lot of our business is being driven by larger deals with larger customers. And have we really built out the team in the right way to go engage with those customers? And so he worked with Patty, who's our CRO through Q3 and Q4 to do those reorgs. And so, like, what are some of the changes? Like, we had a 100-farmer model and then we also built out this big customer success group realizing that our hunters were actually still doing a lot of farming, which we don't want them to do. We want them focused on larger deals and that they're also in the farming closing a lot of smaller deals.

And he said, okay, we're going to take that away, and we're going to take away all of the farmer, and we really want you all focused on closing large deals. Then the customer success and the AMS, which are the farmers, a lot of duplicative efforts there. That's what I talked about, okay, we reorg stuff and some jobs went away, he's like,

okay, let's combine these things and make sure that we have one concerted effort facing the customer, really with the goal of engaging with larger customers and larger deals.

larger customer or larger deals.

Again, when I say larger deals, we're talking about \$100,000 deal and a \$200,000 deal. This is not a huge enterprise stuff. We moved the commercial group, which was servicing 250 to 500 employee-based businesses. We were doing that in the field and we're like that we don't really need to do that. We move back down to India. And the SMB team that have been doing well down there, they took that over. These are all just little, I'd say, tweaks, more than huge changes, but with a focus on, okay, we have now earned the right to go engage with some larger customers. And to provide them great software, we need to make sure we're very good at doing it.

Scott Berg

Analyst, Needham & Co. LLC



That's all I have. Happy to take any questions from the audience if there are any. [ph] Johan (30:13), you can ask any.



In markets that are growing, how much are new logos and what's the give and take of getting those done?

Tyler Renwick Sloat

Chief Financial Officer, Freshworks, Inc.



So is that really what's different – the new logo versus expansion? So, yeah. So that's still happening and happening still mainly through agent addition, but also through cross-selling of products. I don't think the customers growing from SMB to mid-market and the mid-market to enterprise, that's a slower process, right? You don't have that many companies who are doubling or tripling in size that rapidly.

Part of the focus on getting the AEs, the true hunters, focused on larger deals and larger is to take away all that noise. And so, they shouldn't be handling one, two agent additions or even small add-ons. We should really have a team dedicated for that. And so that is one thing that we focus. We also built out a CX overlay group which we've never had before, where it probably isn't reasonable to think that the same sales person can have expertise on the IT side as well as the support side.

And so the CX group is now being brought in to do cross-sells specific to IT customers. And that's a slight nuance that we just put in place as well.

Scott Berg

Analyst, Needham & Co. LLC



Any other questions?

Scott Berg

Analyst, Needham & Co. LLC

Well, with that, we'll give everyone a few extra minutes back in the day.

Tyler Renwick Sloat

Chief Financial Officer, Freshworks, Inc.

Thanks for having us.

Scott Berg

Analyst, Needham & Co. LLC

Thank you for joining us today, Tyler. Appreciate the time.

Tyler Renwick Sloat

Chief Financial Officer, Freshworks, Inc.

You bet.

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