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# Freshworks, Inc. (FRSH)

JMP Securities Technology Conference - Fireside Chat

## CORPORATE PARTICIPANTS

**Tyler Renwick Sloat**

*Chief Financial Officer, Freshworks, Inc.*

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## OTHER PARTICIPANTS

**Pat Walravens**

*Analyst, JMP Securities LLC*

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## MANAGEMENT DISCUSSION SECTION

**Pat Walravens**

*Analyst, JMP Securities LLC*

Good morning, everyone. So look, we're just delighted to have Freshworks joining us at The Citizens JMP Technology Conference here at the Ritz-Carlton Hotel in San Francisco. Sitting to my left is Tyler, the CFO, and thanks for coming today.

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**Tyler Renwick Sloat**

*Chief Financial Officer, Freshworks, Inc.*

Yeah. Thanks for having me.

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**Pat Walravens**

*Analyst, JMP Securities LLC*

Yeah. Yeah. Yeah. How was your commute?

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**Tyler Renwick Sloat**

*Chief Financial Officer, Freshworks, Inc.*

The commute was okay. It's a little rainy, too. I didn't expect that but, yeah, it was good.

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**Pat Walravens**

*Analyst, JMP Securities LLC*

How long did it take to get here? What time [ph] did you (00:27)...

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**Tyler Renwick Sloat**

*Chief Financial Officer, Freshworks, Inc.*

45.

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**Pat Walravens**

*Analyst, JMP Securities LLC*

45?

**Tyler Renwick Sloat**

*Chief Financial Officer, Freshworks, Inc.*

Yeah. Yeah.

**Pat Walravens**

*Analyst, JMP Securities LLC*

Is it a plane? Is it actually traffic again?

**Tyler Renwick Sloat**

*Chief Financial Officer, Freshworks, Inc.*

I'm not in the city very much anymore, so it was a...

**Pat Walravens**

*Analyst, JMP Securities LLC*

And how was it when you came in? Did it seem like it was the apocalypse or [indiscernible] (00:37)?

**Tyler Renwick Sloat**

*Chief Financial Officer, Freshworks, Inc.*

No, it actually seemed okay.

**Pat Walravens**

*Analyst, JMP Securities LLC*

Yeah. It's shocking.

**Tyler Renwick Sloat**

*Chief Financial Officer, Freshworks, Inc.*

Yeah.

**Pat Walravens**

*Analyst, JMP Securities LLC*

It's actually – so, despite what you might read...

**Tyler Renwick Sloat**

*Chief Financial Officer, Freshworks, Inc.*

Yeah.

**Pat Walravens**

*Analyst, JMP Securities LLC*

...San Francisco's coming back to life.

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**Tyler Renwick Sloat**

*Chief Financial Officer, Freshworks, Inc.*

Yeah.

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**Pat Walravens**

*Analyst, JMP Securities LLC*

All right. So our framework for today's conversation is that I can ask how's business. And then we're going to go back to September 2023 when Freshworks laid out a three-year plan and they broke that down by their three product categories. So we'll talk about that and then we'll talk about AI a little bit and then we'll open it up to questions.

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**Tyler Renwick Sloat**

*Chief Financial Officer, Freshworks, Inc.*

Awesome.

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## QUESTION AND ANSWER SECTION

**Pat Walravens**

*Analyst, JMP Securities LLC*

Q

All right. So starting at the top, oh, by the way, just for anyone who doesn't know, tell us about your professional background prior to Freshworks.

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**Tyler Renwick Sloat**

*Chief Financial Officer, Freshworks, Inc.*

A

So I'm four years at Freshworks. Before that, I was almost 10 years at Zuora. So I joined Zuora. We're about 40 people, something like that.

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**Pat Walravens**

*Analyst, JMP Securities LLC*

Q

So it was 2010? Was it that when you joined?

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**Tyler Renwick Sloat**

*Chief Financial Officer, Freshworks, Inc.*

A

Yeah. Yeah. Exactly.

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**Pat Walravens**

*Analyst, JMP Securities LLC*

Q

Wow. I never saw this.

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**Tyler Renwick Sloat**

*Chief Financial Officer, Freshworks, Inc.*

A

And kind of went through a journey with them, which was great. Took them public, left about two years after we went public. My first CFO job was with a mobile payments company called OBOPAY, which was really fun actually.

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**Pat Walravens**

*Analyst, JMP Securities LLC*

Q

I do remember OBOPAY. What happened to OBOPAY?

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**Tyler Renwick Sloat**

*Chief Financial Officer, Freshworks, Inc.*

A

They eventually kind of sold piece parts.

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**Pat Walravens**

*Analyst, JMP Securities LLC*

Q

Yeah.

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**Tyler Renwick Sloat**

*Chief Financial Officer, Freshworks, Inc.*

A

But it was a great thing. It was just too early, but that was a lot of fun. I was at a company called Decru before that, running all finance. We're a hardware encryption business.

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**Pat Walravens**

*Analyst, JMP Securities LLC*

Q

I don't know.

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**Tyler Renwick Sloat**

*Chief Financial Officer, Freshworks, Inc.*

A

We sold that to NetApp. I was the Controller, Emerging Products Group at NetApp. And before that I was – did a little while at Siebel Systems running finance for their on-demand division that they formed with IBM.

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**Pat Walravens**

*Analyst, JMP Securities LLC*

Q

[indiscernible] (02:13)? Who was the guy who ran that? It was an acquisition, right? It was an acquisition of...

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**Tyler Renwick Sloat**

*Chief Financial Officer, Freshworks, Inc.*

A

Well, we bought UpShot, right?

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**Pat Walravens**

*Analyst, JMP Securities LLC*

Q

You bought UpShot. Yeah.

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**Tyler Renwick Sloat**

*Chief Financial Officer, Freshworks, Inc.*

A

And Keith Raffel was one of the founders of UpShot and Rob who ended up becoming the CEO of Intacct, right?

**Pat Walravens**

*Analyst, JMP Securities LLC*

So that's who, yeah.

Q

**Tyler Renwick Sloat**

*Chief Financial Officer, Freshworks, Inc.*

But then there was actually like four different leaders. Mike Betzer was another guy, so we bought a company called Ineto. Mark Sunday was a CIO. He ran it for a while and Bruce Cleveland, we brought back in to run it.

A

**Pat Walravens**

*Analyst, JMP Securities LLC*

Oh, yeah.

Q

**Tyler Renwick Sloat**

*Chief Financial Officer, Freshworks, Inc.*

So yeah, it was like a swinging door of different leaders. And before that, my private experience was at POET Software in the late [ph] 1998 (02:52) as a Controller.

A

**Pat Walravens**

*Analyst, JMP Securities LLC*

Oh my gosh.

Q

**Tyler Renwick Sloat**

*Chief Financial Officer, Freshworks, Inc.*

We took that public, really interesting deal. We had half our money from Europe, so we took it public on the [ph] Nuromark (03:00) but we're a US company so we had to file with the SEC as well. And I started Coopers & Lybrand early.

A

**Pat Walravens**

*Analyst, JMP Securities LLC*

Wow. Tom Siebel was sitting there yesterday. Yeah, he's landed on his feet.

Q

**Tyler Renwick Sloat**

*Chief Financial Officer, Freshworks, Inc.*

Yeah.

A

**Pat Walravens**

*Analyst, JMP Securities LLC*

Tom's doing just fine. Okay. You look younger than you are, apparently. So, one, two, three, four, five. So this is your sixth company in a fairly significant...

Q

**Tyler Renwick Sloat**

*Chief Financial Officer, Freshworks, Inc.*

Yeah. It's my fifth project, three of them got public. We sold one, which was the Decru and then OBOPAY was a fun experience.

A

**Pat Walravens**

*Analyst, JMP Securities LLC*

Q

Yeah. Okay. So that raises the question, why did you pick this one? Because you have plenty of reps, right? So you kind of probably knew what you were looking for.

**Tyler Renwick Sloat**

*Chief Financial Officer, Freshworks, Inc.*

A

Actually, I didn't think I was going to jump into a new gig after leaving Zuora. Thought I'd take some time off but got introduced to G. First of all, he's just an amazing human being with incredible vision. But I've always thought about looking at really, really big markets that are either broken or ripe for disruption.

**Pat Walravens**

*Analyst, JMP Securities LLC*

Q

How were you introduced to G? G, for anyone who doesn't know, is the founder.

**Tyler Renwick Sloat**

*Chief Financial Officer, Freshworks, Inc.*

A

Yeah, Girish, sorry, our CEO. I had a friend who's actually a recruiter call me and said we've got a really special one. And at the time, Freshworks was literally in the building next door to Zuora. And so I just walked next door.

**Pat Walravens**

*Analyst, JMP Securities LLC*

Q

Oh, they were in that building?

**Tyler Renwick Sloat**

*Chief Financial Officer, Freshworks, Inc.*

A

Yeah.

**Pat Walravens**

*Analyst, JMP Securities LLC*

Q

Where is it? [ph] Not in San Francisco (04:18)...

**Tyler Renwick Sloat**

*Chief Financial Officer, Freshworks, Inc.*

A

Yeah, in Bay Meadows. Yeah, right there. And I just started talking to him and just hearing about his vision and what he was building.

**Pat Walravens**

*Analyst, JMP Securities LLC*

Q

And had you seen him like in the elevator or something, in the lobby before?

**Tyler Renwick Sloat**

*Chief Financial Officer, Freshworks, Inc.*

A

No, as in separate buildings. Actually, the thing about Freshworks is – which is still, to this day, we are not incredible at brand marketing and so I actually never heard of Freshworks. I thought it would be most kind of Bay

Area SaaS companies and we actually used them at Zuora. We used them for internal IT, Freshservice, the product. We had a small implementation of that and they started asking around was, like, oh yeah, we use them too and we use them. And then you start realizing they're much bigger than what I thought. But it wasn't Freshworks that was known. It was Freshdesk or Freshservice or something else.

But really the reason that I got there, culture was one. But two, the capability to go attack a global SMB and building products for the end user, which is really building it for the SMB, which means it has to have an incredible user experience, has to be really, really easy to get implemented, and then has to be affordable. And if you build your products that way from the beginning and then over time, you add feature functionality, all of a sudden you kind of wake up and you're – have the right to go engage with larger companies.

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**Pat Walravens**

*Analyst, JMP Securities LLC*

Yeah.

Q

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**Tyler Renwick Sloat**

*Chief Financial Officer, Freshworks, Inc.*

But you still...

A

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**Pat Walravens**

*Analyst, JMP Securities LLC*

Doesn't work the other way.

Q

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**Tyler Renwick Sloat**

*Chief Financial Officer, Freshworks, Inc.*

No. You can't do it. We tried to at Siebel and it didn't work. And that's the way Freshworks was built. And we stayed true to that DNA and that's kind of the evolution that we've gone through.

A

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**Pat Walravens**

*Analyst, JMP Securities LLC*

And so what are the characteristics to be able to move upmarket? It has to be affordable...

Q

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**Tyler Renwick Sloat**

*Chief Financial Officer, Freshworks, Inc.*

Great user experience.

A

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**Pat Walravens**

*Analyst, JMP Securities LLC*

Great UI.

Q

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**Tyler Renwick Sloat**

*Chief Financial Officer, Freshworks, Inc.*

We say bought our products for the end user. We don't build them for the C-suite. We build them for the actual agents and everything else who are actually using the products. The second, they have to be really easy to implement.

A

**Pat Walravens**

*Analyst, JMP Securities LLC*

Right.

Q

**Tyler Renwick Sloat**

*Chief Financial Officer, Freshworks, Inc.*

[indiscernible] (06:09) easy to onboard. And still to this day, even though we're just trying to gauge with larger customers, our implementation times are kind of in months, not in quarters. In some cases, years, for really heavy products.

A

Third, has to provide great value, right? We have to – and we do try to build great software and deliver great products at a great value and that's true to our DNA as well.

And so those three things, we stay true to that. It really is the capability to add feature functionality over time while you do it and then you get pulled into deals because mid-market, low enterprise customers say, well, you have everything I need and great volume's really easy to implement. Will you please come engage with us?

**Pat Walravens**

*Analyst, JMP Securities LLC*

Yeah. And do you know this company, DigitalOcean? Yeah? So I've had people ask, well, I don't understand why would you use DigitalOcean when you can use Amazon Web Services and add one CEO? I don't know, Pat. Why would you buy a Honda Civic instead of a tank, okay? The Honda Civic will get you around. If I want to shoot things, then I need the tank, but I don't need to shoot anything, right? So yeah.

Q

**Tyler Renwick Sloat**

*Chief Financial Officer, Freshworks, Inc.*

And it's going to work?

A

**Pat Walravens**

*Analyst, JMP Securities LLC*

And it works great. They work great. They work great. Okay. So it's an actually helpful little framework for us as we think about the company.

Q

**Tyler Renwick Sloat**

*Chief Financial Officer, Freshworks, Inc.*

Yeah, but that's why it's [ph] now Freshworks (07:30).

A

**Pat Walravens**

*Analyst, JMP Securities LLC*

It's helpful. It's great. It's great. Okay. So then next question, how's business? What would you say?

Q

**Tyler Renwick Sloat**

*Chief Financial Officer, Freshworks, Inc.*

I think business is going exactly as we thought and it's actually doing well. We're really proud of what we accomplished last year. First, kind of just in our kind of more shift, I'll say, upmarket, but it really is getting pulled into, call it, more mid-market, low enterprise deals. It's really being led by our Freshservice product, which is really

A

regarded as the number one ITSM solution kind of underneath ServiceNow for that lower enterprise space. And that continues to do really, really well.

The AI capabilities that we built-in both into Freshservice but really into Freshdesk. We've got thousands of customers who are using our beta product of kind of Freddy Copilot towards back half of the year and that's now just flipped to GA. And so our sales folks are upselling it and starting to convert those customers.

And then lastly, kind of what we were able to do on the efficiency side, there's always been a [ph] quota (08:29) of efficiency in the company. We are founded out of India. By far, the majority of our folks are in India. It allows us to have, number one, access to highly technical talent at a really efficient rate but also sell globally really efficiently. And we were able to flip to producing a decent amount of cash last year as well as bringing some non-GAAP operating profit. And that was a journey that we had talked about and we were able to accomplish it.

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**Pat Walravens**

*Analyst, JMP Securities LLC*

Q

Yeah. And so that's a lot of the past. How's business today?

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**Tyler Renwick Sloat**

*Chief Financial Officer, Freshworks, Inc.*

A

I think it's similar. We came to this realization that, okay, we now have two kind of separate businesses in some respects from a go-to-market perspective. We have the inbound business that is really top of funnel-led and top of funnel mean like we're driving to the website through to paid, organic. And really getting customers, prospective customers to start trials and then converting. That feeds 100% of our SMB business.

But the realization that we also have this field motion that is still relatively new for us, a couple of years, that is completely different. And so part of what we did the back half of the year kind of led by Dennis is bringing on Mika Yamamoto as our Chief Customer and Marketing Officer. She runs all of inbound now and then bringing Abe Smith on in the last – we announced him a couple weeks ago to run our field. And he's kind of a proven field leader.

Field for us is still – it's not big enterprise sales. We're talking about sweet spot of \$100,000 to \$200,000 deals there. But that is something that we've been building out and something that is still driving the majority of our growth. And so, making that realization, kind of hiring those two leaders to really go run those businesses.

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**Pat Walravens**

*Analyst, JMP Securities LLC*

Q

Yeah. Were you guys satisfied with the performance of the sales organization in Q4?

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**Tyler Renwick Sloat**

*Chief Financial Officer, Freshworks, Inc.*

A

Yeah. I mean, yeah.

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**Pat Walravens**

*Analyst, JMP Securities LLC*

Q

You hit the number, right? Yeah.

**Tyler Renwick Sloat**

*Chief Financial Officer, Freshworks, Inc.*

Yeah. We actually came into the quarter...

A

**Pat Walravens**

*Analyst, JMP Securities LLC*

The reason I asked is because the stock is off and it's perplexing to me. But we'll get there. But that's the context. Yeah. It was a good quarter, right?

Q

**Tyler Renwick Sloat**

*Chief Financial Officer, Freshworks, Inc.*

It was a really good quarter. It really was.

A

**Pat Walravens**

*Analyst, JMP Securities LLC*

Yeah, yeah, yeah.

Q

**Tyler Renwick Sloat**

*Chief Financial Officer, Freshworks, Inc.*

And the caveats there is that we've been talking about pressure on SMB for a while. And so there's still pressure on SMB but that motion is going. We have a couple of initiatives. One of them's called – we call it PLG 2.0, internal product-led growth 2.0, which is a lot around the trial process. So it's a mix of product and sales engagement for that inbound.

A

The biggest pressure we've seen over the last couple of years is really kind of a drop-off on our expansion motion. And for years and years, really when I got there four years ago, we looked back five years before that was incredibly predictable. I mean, we land with a small customer and the weighted average of all those customers that you just add agents over time as those customers grow.

Some churn, but the majority add and it was incredibly predictable. At the beginning of 2022, that started to fall off and we started talking about it. And that has been the main pressure we've seen in the business. And that expansion motion driven by agent addition started to decline and it was kind of in motion with broader economic pressures. And companies stopped growing and started laying off at the beginning of 2023.

At the same time, though, we've been shifting to more field and having a lot of success there as our products have earned the right to go engage in those markets. And so, it's really kind of offset some of those pressures.

Lastly, we've been focused...

**Pat Walravens**

*Analyst, JMP Securities LLC*

So, for context, net dollar retention constant currency, I'm just looking at this chart you guys have, right? Q4 2022 was 110%, right? And then was Q3, 106%? And then it popped up?

Q

**Tyler Renwick Sloat**

*Chief Financial Officer, Freshworks, Inc.*

A

Q4?

**Pat Walravens**

*Analyst, JMP Securities LLC*

What was Q3? So, we're at a bottom.

Q

**Tyler Renwick Sloat**

*Chief Financial Officer, Freshworks, Inc.*

106%, 107%, and then essentially 107%. We were calling 105%. Almost all of last year, we were calling it, hey, we think it's going to go down to 105%. It didn't and now, we're saying in Q1 we think it's going to be 106%, but we do think it's going to stabilize at that point.

A

The reason it didn't go down as much as we thought is partially expansion motion actually. Specifically for CX, we had a really good quarter in Q4 in expansion, but also we've been doing really well on churn. And since we went public, churn at that time was kind of low-20s gross churn percent. We got that down to kind of mid-teens. And so, we've got 6 to 7 points of tailwind on net dollar retention on churn improvement. But at the same time, since we went public 2.5 years ago, our net dollar retention number's gone from kind of, let's call it, 113% to 115% based on constant currency down to that 106% even though we've got 7 points of tailwind.

That drop has all been on the expansion motion on agent addition. It will come back at some point, but we're just not counting on it, right? We have to figure out how to grow without that and that's what we've been doing.

**Pat Walravens**

*Analyst, JMP Securities LLC*

Yeah. Okay. I guess we better talk about agent addition then because this plays right into the whole AI worry, right?

Q

**Tyler Renwick Sloat**

*Chief Financial Officer, Freshworks, Inc.*

Yeah.

A

**Pat Walravens**

*Analyst, JMP Securities LLC*

So, historically, what drove agent addition? It's definitely softball.

Q

**Tyler Renwick Sloat**

*Chief Financial Officer, Freshworks, Inc.*

Organic.

A

**Pat Walravens**

*Analyst, JMP Securities LLC*

Yeah.

Q

**Tyler Renwick Sloat**

*Chief Financial Officer, Freshworks, Inc.*

Organic. I mean...

A

**Pat Walravens**

*Analyst, JMP Securities LLC*

Companies are growing. They're adding more customers.

Q

**Tyler Renwick Sloat**

*Chief Financial Officer, Freshworks, Inc.*

Yeah. Actually, one of the things I liked about the motion as an SMB business, you can't convince a small company to buy more than they need, right? They buy exactly what they need, and as they hire another person, they add another agent. At the same time, if you're landing in a mid-market, you land maybe in a small division and then you get to go cross-sell to another division. And that would be essentially agent addition there as well. But it really was just truly organic growth that just happened, right?

A

**Pat Walravens**

*Analyst, JMP Securities LLC*

Yeah.

Q

**Tyler Renwick Sloat**

*Chief Financial Officer, Freshworks, Inc.*

And as companies stopped hiring, that's what slows down agent addition.

A

**Pat Walravens**

*Analyst, JMP Securities LLC*

Yeah. Sorry. I'm trying to say which direction I go. I think let's do the AI thing. So...

Q

**Tyler Renwick Sloat**

*Chief Financial Officer, Freshworks, Inc.*

Sure.

A

**Pat Walravens**

*Analyst, JMP Securities LLC*

Who was it – [ph] Sherry (14:47), you in here? The lights are blinding me. What was the article? What was the...

Q

It was just the Klarna.

Q

**Tyler Renwick Sloat**

*Chief Financial Officer, Freshworks, Inc.*

Klarna, yeah.

A

Could we just talk about the context in which they would be relevant to the customer service area? Obviously, Freshworks is a lot broader than what they're doing.

Q

**Tyler Renwick Sloat**

*Chief Financial Officer, Freshworks, Inc.*

Sure. And I'll give folks context.

A

**Pat Walravens**

*Analyst, JMP Securities LLC*

Yeah, thank you. Thank you.

Q

**Tyler Renwick Sloat**

*Chief Financial Officer, Freshworks, Inc.*

I'll give folks context. Klarna is a customer that's one of our very large customers that we've highlighted on calls in the past, and they came out last week with a press release – I might get something wrong – that they have built some of their own AI capability straight into ChatGPT for Level 1 support.

A

And so the clarification is that Klarna's never used us for Level 1 support. They use us for Level 2 support, and nothing there has changed. In fact, they renewed in January and we're super happy with that renewal, and they're still a really important customer to us.

And the improvements that they're making on that Level 1, they've been working on that for a while is our understanding and there's nothing really new there. And so I think in that regard, if they were using us for Level 1 as we have a lot of other customers using us for Level 1, our Freddy AI products, really Freddy Self-service is the first and think about that as kind of direct-to-customer engagement through bots and kind of issue resolution without human intervention.

Then there's Freddy Copilot is our second. That is the one that just flipped to GA. Freddy Copilot is about making your agent more productive. So once something does come through, making them more productive. And then there's Freddy Insights, which is about the management layer behind the agents, providing the company tools to go manage all of the agents better.

Freddy Self-service, we actually don't sell in itself. The monetization of Freddy Self-service is going to come through increased bot usage and so when we released our AI capabilities in our Freddy Self-service in the middle of last year, we also changed the entitlements and the pricing for our bots and that is we're starting to see that slowly come through, right? So what happens? We go sell. Companies have to build the bots. We go help them build the bots and then as they are doing issue resolution through bots, through chat mainly, right, and that could be through Apple Business Chat, WhatsApp, any type of the chat kind of mediums that are being used, the companies – our customers will have to buy more bot packages.

Freddy Self-service, the way we've priced it – and I think a lot of companies are going to figure out pricing over time. But the way we've priced, so we've made assumptions based on what we know around what we think the agent productivity's going to be. And that agent productivity theoretically should allow our customers to have fewer agents. So it allows them to save money on head count but at the same time, they're going to have to add Freddy Copilot capabilities, and we're going to charge them for that. The ideal is that it's a win-win-win. It's a win for the very end customer. They get their issues solved faster, better with better resolution. It's a win for our customers. They get to save money with fewer head count, cost on the agent side, and it's a win for us as we get to monetize to a higher degree. Even though there might be slightly lower agent count, the increase of the Freddy Copilot is still very early, right? Freddy Copilot just went GA, and we're starting to see it come through on deals. And so now, we have to get the usage and actually increase that.

Q

Is that seat-based? Was that interaction-based?

**Tyler Renwick Sloat**

*Chief Financial Officer, Freshworks, Inc.*

A

So Freddy Self-service is interaction-based. So it's bot packages, right? And one kind of bot instance is kind of a conversation within 24 hours with an end customer. Freddy Copilot is an add-on to a seat. Yeah.

**Pat Walravens**

*Analyst, JMP Securities LLC*

Q

And the pricing is roughly what?

**Tyler Renwick Sloat**

*Chief Financial Officer, Freshworks, Inc.*

A

Depends on the thing, but \$29 to \$49 add-on.

**Pat Walravens**

*Analyst, JMP Securities LLC*

Q

And the seat that you're adding on to is roughly?

**Tyler Renwick Sloat**

*Chief Financial Officer, Freshworks, Inc.*

A

List prices could be \$79 to \$100, something like that, I think. Yeah. Looking at Joon to validate that.

**Pat Walravens**

*Analyst, JMP Securities LLC*

Q

So that's a big uplift.

**Tyler Renwick Sloat**

*Chief Financial Officer, Freshworks, Inc.*

A

Yes.

**Pat Walravens**

*Analyst, JMP Securities LLC*

Q

All right. I mean, 40% to 50% uplift. Essentially, because if you look like Genesys' pricing is on its website, it's not that much.

**Tyler Renwick Sloat**

*Chief Financial Officer, Freshworks, Inc.*

A

Yeah. I mean, again, I think we will learn a lot over time, right? You have to prove value to be able to charge price or charge it. With thousands of customers using it in beta over the last couple of months, we've gotten really good feedback.

**Pat Walravens**

*Analyst, JMP Securities LLC*

Yeah.

Q

**Tyler Renwick Sloat**

*Chief Financial Officer, Freshworks, Inc.*

You also need customers to use it to make the algorithms better, right?

A

**Pat Walravens**

*Analyst, JMP Securities LLC*

Right.

Q

**Tyler Renwick Sloat**

*Chief Financial Officer, Freshworks, Inc.*

So that's what we've been focused on.

A

**Pat Walravens**

*Analyst, JMP Securities LLC*

And so with the call center companies that we've been talking to, [indiscernible] (19:32), NICE, and Genesys, the no-brainer use cases are auto summarization, right, and agent assist. So we hosted a fireside chat with Citizens IT team yesterday and we have, I don't know, 1,700 agents, something like that. And I asked at one point, how many different – when they need to answer a question, like a policy question or something, [ph] sort of (20:02) regulatory in nature, how many different information sources do they have to go to, right?

Q

**Tyler Renwick Sloat**

*Chief Financial Officer, Freshworks, Inc.*

Yeah.

A

**Pat Walravens**

*Analyst, JMP Securities LLC*

And I thought the answer's going to be like 10. It was dozens. So these poor people, right? And so, the knowledge solution, the agent assists where an LLM summarizes that, right, and then they basically just read it off. It's huge, huge time saver. And the auto summarization, Genesys on average, agents have gone from 3 minutes to 10 to 15 seconds because they just read it and approve. So what's the driving use case profile is?

Q

**Tyler Renwick Sloat**

*Chief Financial Officer, Freshworks, Inc.*

It's everything you just said. I think summarization is actually a little bit more nuanced in that. If you look at our products, so we have – Customer Service Suite is kind of our latest CX product. Before that, we had omnichannel and omnichannel was introduced as kind of the realization that, hey, it's no longer just about ticketing, right? And this whole next generation of consumers not writing e-mails and they're not even calling that much, they do want to do chat first. And so omnichannel is bringing in chat and integrating chat, caller, and ticketing altogether.

A

CSS is the next generation of that, which is really changing the entire UI and moving it to conversational first. And so, when an agent kind of logs in, they are seeing everything in one pane, whether it came from a chat interface, from a call or from a ticketer. To be able to actually provide a summarization of that is really important because

you're looking across all of these different mediums where a traditional call center might just be looking at the calls, right?

So our product is looking at summarization as the first thing, and when an agent – if you got somebody else coming in or it's been handed to someone else as opposed to having a write-up do a write-up of everything, being able to summarize it all there.

Then the recommended response is a next thing, right? And so looking at the summarization and then having a recommendation on response is also really, really important. And that is pulling in from all of our customers, whatever their prior tickets could be and all of their facts and everything else, and then also combining it with other information. That's huge.

Third is the kind of the capability to then whatever that recommended response or if somebody actually tools it themselves and they write it themselves to be able to read it and rewrite it, right, in natural English or in any kind of other language, but also to make that appear as if it's even a better response than the one that was just written. Those are, I think, the three first use cases. There's going to be more and more added.

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**Pat Walravens**

*Analyst, JMP Securities LLC*

Q

Okay. So sort of where this all comes to ahead is if you're selling a bunch of Copilot licenses for a 40% to 50% uplift, your NRR should go up.

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**Tyler Renwick Sloat**

*Chief Financial Officer, Freshworks, Inc.*

A

It should.

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**Pat Walravens**

*Analyst, JMP Securities LLC*

Q

But it's offset by the Klarna situations, right?

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**Tyler Renwick Sloat**

*Chief Financial Officer, Freshworks, Inc.*

A

Yeah. Like, again, that one, they're never using us for L1. So the savings they have, we'll have to see if that filters through the amounts that are coming to L2. But typically, the L1 is going to be remediated anyway. If things are going to get promoted to L2, they'll get promoted. So we're not as worried about the Klarna situation.

But you're right.

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**Pat Walravens**

*Analyst, JMP Securities LLC*

Q

NRR should go up.

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**Tyler Renwick Sloat**

*Chief Financial Officer, Freshworks, Inc.*

A

Net dollar retention, this is an upsell capability that we have now that we're going to engage. I think it's going to take some time. We've been telling investors that hopefully by the middle of the year, we could be coming back

with some stats, right, on how things are going. I think this is very, very new still. But yes, we think it's going to be a great tool for expansion.

My gut tells me on new business, I would expect that it's not going to be necessarily impactful to ARR. It should be but I also think it's going to be one of the reasons we win and win more. And that's my expectation. Kind of would be surprised if you see a bunch of CX deals come through without Copilot on them and I would encourage our reps to even give them a trial if they're selling a new deal on Copilot and try to get the customer to see the value there even if they don't want to pay for it initially and then have it be a future upsell.

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## Pat Walravens

*Analyst, JMP Securities LLC*

Yeah. Awesome. All right. Well, we can't wait to find out.

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## Tyler Renwick Sloat

*Chief Financial Officer, Freshworks, Inc.*

Great.

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## Pat Walravens

*Analyst, JMP Securities LLC*

[indiscernible] (24:28) is not that far away.

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## Tyler Renwick Sloat

*Chief Financial Officer, Freshworks, Inc.*

No. No. See you soon.

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## Pat Walravens

*Analyst, JMP Securities LLC*

Tyler, thanks so much for coming. It's great to see you.

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## Tyler Renwick Sloat

*Chief Financial Officer, Freshworks, Inc.*

Thanks for having me. Yeah.

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