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Freshworks, Inc. (FRSH)

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CORPORATE PARTICIPANTS

Rathna Girish Mathrubootham

Chairman, Chief Executive Officer & Co-Founder, Freshworks, Inc.

OTHER PARTICIPANTS

Mark R. Murphy

Analyst, JPMorgan Securities LLC

MANAGEMENT DISCUSSION SECTION

Mark R. Murphy

Analyst, JPMorgan Securities LLC

Okay. Good morning, everyone. I'm Mark Murphy, software analyst with JPMorgan and it is a great pleasure to be here with Girish Mathrubootham, who is CEO and Founder of Freshworks. Girish, can't thank you enough for taking the time to be here with us and coming all this distance. So thank you very much.

Rathna Girish Mathrubootham

Chairman, Chief Executive Officer & Co-Founder, Freshworks, Inc.

Good morning, Mark. Good morning, everyone, and thank you for having me.

Mark R. Murphy

Analyst, JPMorgan Securities LLC

Yeah. And I want to mention that Tyler and Joon are here as well and available to people. So, first of all, maybe we could begin. Maybe you could give us a brief moment or two just to introduce Freshworks and introduce yourself for the benefit of anyone in the audience who might not be familiar yet.

Rathna Girish Mathrubootham

Chairman, Chief Executive Officer & Co-Founder, Freshworks, Inc.

Sure. My name is Girish Mathrubootham. I'm employee number one at Freshworks, Founder and CEO. At Freshworks, we build modern customer engagement and employee engagement software. So our customers choose us because we are unlike any their typical enterprise software vendor. What I mean by that is software that's expensive, clunky and takes years to implement. Our fresh approach to software, when we started in 2010, which still is what differentiates us today, is we design our software to delight the frontline users of the software, the salespeople, the support people, the IT folks. Our software can be deployed in days or weeks, not 12 to 18 months unlike – and doesn't require an army of consultants. And our software is designed to be affordable for – and accessible for organizations of all sizes.

And today, Freshworks has got more than 58,000 customers in over 120 countries. We operate in three large markets across customer service, IT service management, and sales and marketing. On an annualized basis, we are over \$400 million of revenue.

QUESTION AND ANSWER SECTION

Mark R. Murphy

Analyst, JPMorgan Securities LLC

Q

Okay, wonderful. It's great to be here with employee number one. So, Girish, think back on the timeline a bit. Freshworks went public less than a year ago. It was just last September and the environment has changed a bit since then, but it's a company that continues to grow right in the – call it, the 30s, 40s, but you're growing this way actually without much cash burn, which is something that we respect. If I were to just say to you, how do you think the company has evolved, right, since then in that kind of brief period? Any vectors of change or priorities for you as we're kind of moving through 2022?

Rathna Girish Mathrubootham

Chairman, Chief Executive Officer & Co-Founder, Freshworks, Inc.

A

So, this is a question that have been asked a lot, how has life changed after being a public company? I think, first, let me tell you what has not changed. So, from a long-term priority standpoint, our approach to building products that are easy to use and affordable has not changed. Our approach to culture scaling a company that – where are very proud of, a company that's loved by employees. So, that has not changed.

So, what has changed from being public is definitely the operating cadence of the company to reporting metrics on a quarterly basis and me spending a lot of time with shareholders, including conferences like this has changed. And we are doing that to make sure our shareholders really understand what's happening with the business. So, that's the biggest change. Otherwise, our long-term priorities are still the same.

Mark R. Murphy

Analyst, JPMorgan Securities LLC

Q

Is anything in particular that's top of mind for you this year as you think through markets, products, geos, culture, anything along those lines that you're putting extra thought into?

Rathna Girish Mathrubootham

Chairman, Chief Executive Officer & Co-Founder, Freshworks, Inc.

A

So, I think I'll start with the – like top of mind for all of us here is the global macro...

Mark R. Murphy

Analyst, JPMorgan Securities LLC

Q

Right.

Rathna Girish Mathrubootham

Chairman, Chief Executive Officer & Co-Founder, Freshworks, Inc.

A

...but we'll get to that in a bit. But I think from what we can control standpoint, if I think about what is top of mind for Freshworks, we have clearly defined priorities. Our number one priority in the customer service market is to tap into the emerging trends of conversational engagement and messaging, which we talked about in the last two

earnings calls. And you heard probably Zuckerberg talk about this in the Meta conference about how every business wants to engage with customers through messaging channels.

So we are actually making several investments in that area for messaging – conversation messaging and bots. So in the ITSM business, the Freshservice business, so our priority is to move beyond ITSM and expand into enterprise service management where – allow other departments inside the company like finance or travel or legal or HR offer the same kind of modern employee engagement that IT teams can do with Freshservice and continue to invest in our Neo platform, which helps us power so much innovation. So I think those are the longer term priorities that are top of mind obviously, and we focus on what we can control. And thanks to the IPO, we are glad that we did it and when we did it, we are well-capitalized now and we can execute in these three really large markets and keep going.

Mark R. Murphy

Analyst, JPMorgan Securities LLC

Q

Okay. That's a great vision. Girish, as a team, we always care very deeply about what we're hearing from your customers directly and so as we were doing the diligence on Freshworks, I mean I feel like we've been doing the diligence on the company for probably about 8 or 10 years really. But even in the most recent round, there were a couple of quotes that stood out. This is one I wanted to mention. It's really easy to use, has a lot of powerful functionality that has driven user adoption. And then there was another customer saying I think it's a great value and he paused and said actually, it's a fantastic value. So there's this rare – we think that there's a combination of attributes here that is kind of rare on easy to use, but also powerful functionality and then the great value, right? And then it sort of is driving this adoption. How are you getting all of those kind of rare attributes to come together successfully?

Rathna Girish Mathrubootham

Chairman, Chief Executive Officer & Co-Founder, Freshworks, Inc.

A

So internally at Freshworks, we have a product design philosophy where we say that, hey, our UI/UX has to be consumer grade, our tech has to be enterprise grade, and our go-to-market is SMB mid-market. So that is how we run the company and also, it's important to understand the context. Freshworks was a company that was started in 2010 from Chennai, India, right? So we have been pioneering what is today called this product-led growth. We didn't – like we didn't call it product-led growth back then.

But our software, we call it an inbound engine where people come to our website, they try the product and they buy it. So we had to have our design philosophy around that ease of use and offer value. And that's why I said we make sure our pricing is making it affordable for companies of all sizes. So that's been in our DNA, right, from day one, and I think I'm glad to hear that message being resonated in your feedback.

Mark R. Murphy

Analyst, JPMorgan Securities LLC

Q

Yeah. It was product-led growth. You just didn't know it at the time.

Rathna Girish Mathrubootham

Chairman, Chief Executive Officer & Co-Founder, Freshworks, Inc.

A

Didn't know the term.

Mark R. Murphy

Analyst, JPMorgan Securities LLC

Q

So part of the vision you've had was – I love this quote. Business software should be as simple and intuitive to use as a smartphone application. And I think we have found some of that – quite a bit of that when we're out there mingling with your customers that they will – what they'll say is, listen, as a line of business person, we can actually go in and deploy Freshworks, and we don't really have to involve the IT department, right? So they don't have the bottleneck of IT. The question, I think, we get from investors is, well, how are you going to maintain – you're trying to balance simplicity and then powerful features and you're trying to do that as you move upmarket. How do you think about balancing that?

Rathna Girish Mathrubootham

Chairman, Chief Executive Officer & Co-Founder, Freshworks, Inc.

A

So I'll answer that in two parts, right? One, you have to understand there is a macro where users inside companies are demanding a say in the software that they want. So the top-down push the software sale through the CXO is actually becoming obsolete, and we know this. How did Zoom enter a company? How did Slack enter the company? So that is actually a macro change in behavior that's happening where teams are deciding what software they want. So that is what is helping us do that.

And the way we do that is by taking – we understand that as we move upmarket, larger companies need customization, need integration, need interoperability with their existing systems. So we deliver that in a very differentiated approach. We don't actually have a big consultant – like a professional services company come and sign an SOW and do a 12-monthlong project. Our new app, Marketplace, we have a marketplace of more than 1,100 public apps, so people can install. It's like installing an app if you want an integration with Jira or Workday. So, we enable rapid customization, rapid interoperability, and that's how we are able to keep the simplicity while solving for the needs of the mid-market.

Mark R. Murphy

Analyst, JPMorgan Securities LLC

Q

Okay. If I step back, you just said at a very high level, how important is the move upmarket to the future of Freshworks? I think – is it something where – is it a major push, right, where you're looking at it and saying, it's just going to yield better economics for the business or is it more of a subtlety where you're suddenly being pulled that way?

Rathna Girish Mathrubootham

Chairman, Chief Executive Officer & Co-Founder, Freshworks, Inc.

A

So I think we are – the answer to the question is we, in 2015 or 2016 asked ourself, why not, right? Because – I'll explain to you what I mean by that. When we started, we started with the inbound motion where predominantly, the customers who are coming to us were SMB customers. But we also saw that there were teams from larger companies like Burger King or [ph] Standard Electric (10:25) or 3M or Sony Pictures who came like to our website and we were closing all this business from India. And we realized that our product is working well in larger companies. So why don't we augment our inbound efforts with an outbound go-to-market motion so we can go after these larger teams.

So even today, our inbound actually feeds some of the mid-market deals. So there are teams from larger companies coming in but we also have over the last four, five years, built an outbound sales motion where we are taking the product. So I think it's like we wanted to see if we can do what everybody else is doing, right? Like the outbound sales and that motion is working well. So we manage these two motions separately looking at efficiencies and the product works so we follow where we can – my goal is to put Freshworks products in the hands of as many customers as possible.

Mark R. Murphy

Analyst, JPMorgan Securities LLC

Q

And just for the benefit of the audience, when you say outbound, I mean it's something very clear to you. Do you mean – are you talking about outbound telesales? Are you talking about outbound kind of direct sort of reps on the ground in California and in Europe? What does outbound mean to you?

Rathna Girish Mathrubootham

Chairman, Chief Executive Officer & Co-Founder, Freshworks, Inc.

A

So, yeah, we don't have a traditional enterprise field salesforce. When I say outbound, we are talking about outbound in region, inside sales reps, our telesales. Like we have people in Denver, in San Mateo, and then in Europe, we have London and Berlin. And we have a couple in Australia also. So these are all places where we have outbound reps, but they are more like in-region inside sales reps.

Mark R. Murphy

Analyst, JPMorgan Securities LLC

Q

Okay. So if we step back and say if we kind of think about all these assets or elements that you're weaving together and just say, well, how much runway is there in this market? So if you continue to succeed the way that you have, I think we think of customer support. We think of sales and marketing. We think of IT helped us. They're not optional. Pretty much every company is going to have it as a necessity. You have – I think you said 58,000 customers.

Rathna Girish Mathrubootham

Chairman, Chief Executive Officer & Co-Founder, Freshworks, Inc.

A

Yeah.

Mark R. Murphy

Analyst, JPMorgan Securities LLC

Q

So do you have any personal kind of goals or ambitions on how far you want to scale this business?

Rathna Girish Mathrubootham

Chairman, Chief Executive Officer & Co-Founder, Freshworks, Inc.

A

First of all, there is – we are operating in a really, really large TAM across these markets. I think it's more than \$120 billion of TAM. So that is like we can keep Freshworks going for a long, long time and just think about some of the larger enterprise companies in our space which have revenue – annual revenue in \$7 billion, \$6 billion in each one of these categories. So I think of it as that is coming up for renewal every year, right? So I think we can keep – if there is one problem that Freshworks will not have, it's going to be a TAM problem. So we have a lot of TAM. We can keep this going for a long time.

Mark R. Murphy

Analyst, JPMorgan Securities LLC

Q

So that what – in your mind's eye, you're looking at some of these distinct market that have companies with \$6 billion or \$7 billion in revenue, and you're thinking of that as the opportunity. Okay.

Now, I noticed as well, it felt to me like there is perhaps a bit of an evolution or kind of a simplification of how you're segmenting the products, right? If I compare to maybe five or six years ago where you have it fitting into their software for customers and there's software for employees, right?

Rathna Girish Mathrubootham

Chairman, Chief Executive Officer & Co-Founder, Freshworks, Inc.

Yeah.

A

Mark R. Murphy

Analyst, JPMorgan Securities LLC

Very simple, very clean, very neat. Part of that employee portion falls into the realm of HR as well and I think it doesn't come up as much. It's not quite as much on the front burner. But – so let me ask you, how ambitious are the plans to expand within each of those, right, customers and then employees? And I think one of the questions we get – well, let me begin with that and then I've got a second part.

Q

Rathna Girish Mathrubootham

Chairman, Chief Executive Officer & Co-Founder, Freshworks, Inc.

Yeah. So the first part of my answer is like if you look at the current opportunities in both Freshdesk and Freshservice for customer and employee engagement, so we have an ad sales and marketing product on the customer site. So we have enough opportunity to keep executing there. So we don't really have to get into HR to do that.

A

But having said that, so we have an integration product called Freshteam. Again, it's not meaningful in any way right now, but it's an experiment like we have always been a company that fosters innovation and experimentation, and it actually feeds into the hypothesis of, okay, is that a large, clunky enterprise when they're expensive that can be disrupted? So we feel like it's an early stage incubation product right now. But if it becomes meaningful and material, we'll talk about it.

Mark R. Murphy

Analyst, JPMorgan Securities LLC

Would you ever consider the idea of diving much deeper into that area and maybe building core HR, building a payroll system? Because I think when you talk Freshteam, I think it's a little more positioned on a kind of hiring and onboarding processes.

Q

Rathna Girish Mathrubootham

Chairman, Chief Executive Officer & Co-Founder, Freshworks, Inc.

Yeah. See, one of the things I've talked about our longer term vision is what is our vision on the customer side and what is our vision on the employee side. So I'll explain that here so that everybody understands.

A

Mark R. Murphy

Analyst, JPMorgan Securities LLC

Okay.

Q

Rathna Girish Mathrubootham

Chairman, Chief Executive Officer & Co-Founder, Freshworks, Inc.

See, on the customer side, we said we believe that the silos of sales, marketing and support will get broken down to help businesses understand everything about the customer. And the way we are delivering on that vision is to build a Unified Customer Record on top of which sales, marketing and support can all access the same customer record.

A

Now, during our IPO roadshow, we also spoke about this. Like our longer term vision towards employees is we believe that these silos can be broken down around the employee as well. So today, we are talking about ITSM and ESM, which is Enterprise Service Management. It's all about employee engagement. But if you want to help a business truly understand what's happening around the employee, so there are aspects of HR that could come in culture and other stuff. So – but again, right now, that's not our priority. That's not our focus.

Mark R. Murphy

Analyst, JPMorgan Securities LLC

Right.

Q

Rathna Girish Mathrubootham

Chairman, Chief Executive Officer & Co-Founder, Freshworks, Inc.

It's a small incubation experiment that's running. But our longer term vision is we believe that the core customer record and the core employee record would be the two things that matter the most to our business.

A

Mark R. Murphy

Analyst, JPMorgan Securities LLC

Understood. Okay. So – and you just used the word incubation and I love that word. It was something we were trying to emphasize that during the kind of IPO roadshow process. We think Freshworks is having a few highly visible main products, right, a lot of ARR. We think of it as behind the curtain. There are some of these incubation products we just don't know as much about, right? Can you comment on any of those? We've seen Freshping. We've seen Freshrelease. There are – there's probably a handful at least of others. Do any of these show signs of traction that have you interested?

Q

Rathna Girish Mathrubootham

Chairman, Chief Executive Officer & Co-Founder, Freshworks, Inc.

So, I think Freshping and Freshstatus, for example, are examples of products that we use for lead gen. So they are freemium – what we call as freemium products. So we actually – if you look at who's the ideal target profile for somebody who is monitoring websites and using a status page for downtime, so it's the IT folks. So we use that to get IT folks to come into us so that we can then later on sell them Freshservice.

A

So, like as a company, we are a product-oriented company who likes to experiment and so we keep building such things. Instead of writing white papers and marketing [indiscernible] (18:10) we – somebody came up with an idea, hey, why don't we actually build tools that are valuable for our target customers but which we can give them for free. So that – and it doesn't cost us a lot to build these smaller tools, right? So I think thanks to our Neo platform, like we are able to spin up a product and offer it as a lead gen product.

Mark R. Murphy

Analyst, JPMorgan Securities LLC

Okay. So freemium lead gen kind of top of funnel is the way to think of that.

Q

Rathna Girish Mathrubootham

Chairman, Chief Executive Officer & Co-Founder, Freshworks, Inc.

Yeah.

A

Mark R. Murphy

Analyst, JPMorgan Securities LLC



Now, one of the stats you had mentioned was 22% of customers have more than one product. I think we've heard that interpreted as usually a pretty promising sign, right, that this could develop into a suite. So is cross-sell – when you look at the next couple few years, is cross-sell going to be a catalyst for growth? Are you emphasizing that more or just kind of landing with individual products? And then do you see kind of a future where we're going to look across Unified Customer Record, employee record, and say that this is – Freshworks is becoming a synergistic suite?

Rathna Girish Mathrubootham

Chairman, Chief Executive Officer & Co-Founder, Freshworks, Inc.



Cross-sell is absolutely going to be a very big opportunity for us, and we are designing for that, right? So, for example, today, if you look at our multi-product adoption, so currently we disclose that the number is 22%. During our IPO, it was 18%. So there are two or three main drivers today for multi-product expansion. So which is – one is our Freshdesk customers either using our omnichannel product or adding on conversational messaging and [ph] bars (19:45) capability. So that's one of the bigger drivers. We have Freshdesk customers also buying Freshservice. Even though these two products do not have a natural business use case, they just buy it because of the familiarity with the vendor and the relationship.

The more and more in future, we expect to see like cross-sell between Freshdesk and Freshsales and Fresh marketer. So sales and – or vice versa. Like people can land with sales or marketer and then buy support. So that is something because the architecture of the Unified Customer Record will allow us to land with one product and demonstrate the value of a Unified Customer Record to customers. So that is how we expect. We definitely want to make sure that cross-sell is going to be a big driver and for SMB customers, the way we have done that is automatic discovery of the other products. Like when you sign up for Gmail, you don't actually sign up for calendar or drive. You just access it because it's available to you.

Mark R. Murphy

Analyst, JPMorgan Securities LLC



Right. Right.

Rathna Girish Mathrubootham

Chairman, Chief Executive Officer & Co-Founder, Freshworks, Inc.



So, we have a similar architecture where people can – SMB customers can find it and like if they like it, they can just sign up, click one click trial and they can get started with that.

Mark R. Murphy

Analyst, JPMorgan Securities LLC



Okay. So this is happening. It's intentional and it's a pretty big push for you multi-year. Let's go back because I think you alluded to, at the beginning of the discussion, you did allude to the macro environment. I did as well. There is so much volatility out there in the macro today. I would say probably the biggest discussion at this conference so far is slow down recession, right? Everyone is trying to figure that out. How are you feeling about the demand signals? I mean if I were just to ask you pipeline generation and what you're sensing in terms of business confidence out there in the SMB world, mid-market above it as well.

Rathna Girish Mathrubootham

Chairman, Chief Executive Officer & Co-Founder, Freshworks, Inc.

A

So in Q1, we said we did not see a macro change in demand but we also said that we are taking a measured and cautious approach for Q2 because like everybody else, we are watching what's happening closely and our CFO, Tyler, actually said we would be stupid if we don't think that that is going to be some kind of effort.

And so we are talking about recession and inflation. So we are watching things cautiously and so we have guided – our guidance takes into consideration what we are seeing.

Mark R. Murphy

Analyst, JPMorgan Securities LLC

Q

Yeah. Okay. Probably a wise decision. So, when we think back to that Q1 earnings call, you did mention – I think it was uncertainty associated with changing macro and the war in Eastern Europe. Are you able to share what you're seeing in Europe specifically? Because you have enough of a footprint there, right? You have enough – I mean there's a critical mass of customers. I would think that you could be a bit of a barometer.

Are there any divergences in the behavior? If you compare what's happening, you can compare what's happening in Europe with other regions, what's happening in Europe with kind of the recent past in Europe.

Rathna Girish Mathrubootham

Chairman, Chief Executive Officer & Co-Founder, Freshworks, Inc.

A

So I think again, in Q1, we said our direct exposure to Ukraine and Russia is not very significant. It was less than 1% of our revenues. We also said that in Q1, we did not close enough larger deals in Europe and we attributed that to our internal execution. So because we couldn't clearly say that it was macro but going into Q2, we are still cautious. And one of the other macro things that could play a factor is FX for us, which is not included in our guidance.

So we actually guided to March 31 numbers, but then the dollar is strengthening against other currencies. And we have like a portion of our revenue coming which where revenue is billed in GBP and euros so...

Mark R. Murphy

Analyst, JPMorgan Securities LLC

Q

Okay. Thank you for sharing that, Girish. How do you think of recession? We don't want to go too far off the deep end in thinking that this is guaranteed to be a recession but the possibility is there. Would growth slow from low 40s? Even in the low 40s, would it grow and slow into the 30s? Would it slow into the 20s? Could there be a side effect where the value proposition of Freshworks, right, there's a lot of functionality in there for the price that people are paying, right? And I think the world is discovering that. Could the value proposition actually become clearer?

Rathna Girish Mathrubootham

Chairman, Chief Executive Officer & Co-Founder, Freshworks, Inc.

A

So it is – that is why we said we are uncertain and we are taking caution. But if you look at anecdotally, one of the things that we have seen in the past like even in 2020 when COVID hit, we saw that a lot of mid-market and larger companies, they wanted to save money and they came off of larger enterprise systems and actually bought our software.

So we saw that effect and we have shared some anecdotes about how American Express Global Business Travel during COVID, they moved out of ServiceNow and onboarded Freshservice. And the fact that our software can be like taken live in a few weeks as opposed to – and being affordable, so those could be a factor. But at the same time, a decision can also impact SMBs. We don't know how the effect on SMB and when we say SMB, let me clarify. We are talking about companies with 250 employees or less, not the mom-and-pop store.

So if there is broad-based effect on SMBs where they are suffering then it could have an impact. So we are watching the situation very closely, so it could play out both ways.

Mark R. Murphy

Analyst, JPMorgan Securities LLC

Q

Okay. Talk to me for a moment about profitability of the business because I think again, we have been impressed at the ability to scale-up multiple product pillars at an early scale without burning much cash. You've had periods of generating cash. If investors are going to pivot and focus a bit more on profitability in this environment, is that something that you would consider? Would you consider pivoting a little?

Rathna Girish Mathrubootham

Chairman, Chief Executive Officer & Co-Founder, Freshworks, Inc.

A

So I think if you look at where we are today, right, so we have already guided that we moved our – so we were supposed to burn \$25 million this year. We brought it down to \$20 million.

Mark R. Murphy

Analyst, JPMorgan Securities LLC

Q

Right.

Rathna Girish Mathrubootham

Chairman, Chief Executive Officer & Co-Founder, Freshworks, Inc.

A

And so we have \$1.2 billion on our balance sheet.

Mark R. Murphy

Analyst, JPMorgan Securities LLC

Q

Yeah.

Rathna Girish Mathrubootham

Chairman, Chief Executive Officer & Co-Founder, Freshworks, Inc.

A

So, we don't necessarily want to pivot because of this focus on profitability because we have already said that by Q4, we will be free cash flow positive and then we'll continue to be positive from next year onwards. So, we want to invest in growth while we can efficiently invest in growth and if we can't, we won't. But we have already demonstrated that over the past several years, we have run an efficient business. Our gross margins are...

Mark R. Murphy

Analyst, JPMorgan Securities LLC

Q

Right

Rathna Girish Mathrubootham

Chairman, Chief Executive Officer & Co-Founder, Freshworks, Inc.

A

...like in the – like 81%, 82%-plus.

Mark R. Murphy

Analyst, JPMorgan Securities LLC

Right.

Q

Rathna Girish Mathrubootham

Chairman, Chief Executive Officer & Co-Founder, Freshworks, Inc.

So...

A

Mark R. Murphy

Analyst, JPMorgan Securities LLC

Yeah. Okay. \$20 million and \$1.2 billion is not much and then you're profitable at that point. So you – maybe it's a good segue into talking about India for a moment. Can you talk to us in terms of what do you think are the advantages of having – it's really several thousand, right? It's a few thousand employees based in India there. We think of Freshworks as kind of the most preferred SaaS startup, right, to work for in all of India. It's a prestigious position. Pound for pound, how do you think that they compare just in terms of what you see globally, right, in terms of the – you've got the design sense. You've got their overall kind of level of talent. You've got the efficiency of that group of people. How do you think about it?

Q

Rathna Girish Mathrubootham

Chairman, Chief Executive Officer & Co-Founder, Freshworks, Inc.

So first of all, we started the company in Chennai, India, and we are super proud of our Indian roots. So, I look at India as a very strategic asset for Freshworks and because of our access to high-quality talent pool. And we don't just do R&D from India. All of our product development is done from India. We have three offices in Chennai, Bangalore, and Hyderabad, but we also have a lot of our go-to-market functions, like the inbound motion where the digital marketing teams actually generate traffic for our website. It's entirely done from India, right?

A

Our SMB sales, global SMB sales, which is over 40% of our revenue is actually fully closed from Chennai, so – and we are talking about selling across – for all SMBs across the world. So, for our mid-market teams, we have marketing support from India. We have field marketing or customer marketing. So, all of our customer support success groups have hybrid teams in India which are supporting.

So, we are like not an offshore engineering outsourcing company. We are...

Mark R. Murphy

Analyst, JPMorgan Securities LLC

Right.

Q

Rathna Girish Mathrubootham

Chairman, Chief Executive Officer & Co-Founder, Freshworks, Inc.

...at the core product work as well as a big chunk of the work that's involved in the GTM operation of the company is done from Chennai, and we are super proud of that and that enables us to power this disruptive model in the inbound business where we are able to sell profitably to the SMB, which wasn't actually doable before. Like if you take typical enterprise software, you can't sell to the long tail of the global SMB profitably, and that's something that we are proud of that we [ph] have cracked (29:40) with our India model.

A

Mark R. Murphy

Analyst, JPMorgan Securities LLC

Q

How would you respond to someone and I mean this in a respectful way, but if you encounter investors out there, right, who say, well, in theory, couldn't another company go out and hire developers in India or kind of build a presence there, right, and try to tap into some of that talent as well? And therefore, so how do we know that what Freshworks has there is kind of like a durable competitive advantage?

Rathna Girish Mathrubootham

Chairman, Chief Executive Officer & Co-Founder, Freshworks, Inc.

A

So, yeah. You can theoretically, right? But it's not like companies don't have an India office today. Like everybody from Microsoft and Google and Salesforce, everybody has an India office, right? But typically, what happens is when companies are headquartered here, most of the core product work and the go-to-market work is done here in India. On the go-to-market side, they use the India teams to sell to India only and they also outsource some product work to India whereas for Freshworks, the reason why even people who work for Google or any other valley company here, when they move back to India, they are looking for high-quality work and that is where Freshworks is differentiating it. And unless companies start to really start in India and that would be a good thing for India. If new startups decide that and with COVID, you don't have to be in valley anymore. If they say, okay, I can go to any other place in the world and start it...

Mark R. Murphy

Analyst, JPMorgan Securities LLC

Q

Yeah.

Rathna Girish Mathrubootham

Chairman, Chief Executive Officer & Co-Founder, Freshworks, Inc.

A

...then they will have to do everything there. Maintaining culture, it's a lot of things that have to go right. So, it's not like hiring people like....

Mark R. Murphy

Analyst, JPMorgan Securities LLC

Q

Yeah.

Rathna Girish Mathrubootham

Chairman, Chief Executive Officer & Co-Founder, Freshworks, Inc.

A

...throwing some engineering work.

Mark R. Murphy

Analyst, JPMorgan Securities LLC

Q

It is more rewarding for your people there to work for Freshworks because it's the core of the company.

Rathna Girish Mathrubootham

Chairman, Chief Executive Officer & Co-Founder, Freshworks, Inc.

A

Yeah.

Mark R. Murphy

Analyst, JPMorgan Securities LLC



It's the heart of the company. Okay. Let me check the audience for questions. If anyone has a question, go ahead and raise your hand. We have one here.



Thank you. We've heard a lot about the importance of customer data records from a variety of companies at the conference, whether B2B or B2C, and it sounds like interfacing with CRM, breaking down the silos, sales marketing support that you mention is important to the Freshworks model. Can you talk about how you play in the sandbox with other CRM providers, what the interface looks like kind of where the customer data sits, how mission-critical is Freshworks versus your core CRMs?

And then maybe a related follow-up is just in the increasing geopolitical fragmentation, how comfortable are larger Western markets like the US and Europe companies, their clients there with allowing the customer data to be on record with an Indian company? What types of steps do you need to take? Thanks.

Rathna Girish Mathrubootham

Chairman, Chief Executive Officer & Co-Founder, Freshworks, Inc.



Okay. So, I'll answer the customer data platform question first. So, a very important distinction to remember about how Freshworks is different is we are not selling a customer data platform like an Amperity to go and integrate with the Salesforce Service Cloud and the marketing cloud and try to create this 360 profile.

So, what we are saying is that approach is suitable for really large enterprises who already have that legacy of a sales cloud and a marketing cloud and a service cloud. And now, they are trying to create a 360 profile using customer data platform. What we have built is for companies that don't have that legacy, the customer data platform comes out of the box. We sell our CRM, so we sell Freshsales or Freshmarketer or Freshdesk, which is our support product. Customers can land with anyone of these, but at all time, they can add on the other modules. But they all operate under the core customer data platform that we give out of the box. That's not separately sold to companies and we will also allow integrations with other systems so that they can leverage this. But the idea here is and this is where we gave the analogy of the smartphone or the iPhone like before 2006 or 2005, we all used to have like an MP3 player and a TomTom GPS and a Nokia cellphone. We bought all this technology because it evolved over time. But when the iPhone came, it gave a product experience to have these technologies combined in one device.

So the same thing is happening in business software where we bought all these technologies that have Salesforce automation or marketing automation or customer support helpdesk, cloud telephony, chat bots. We have bought all – like businesses bought all these over time, but trying to patch them together is what is currently happening and large enterprises have no choice but to go that route. But the product experience, the superior product experience where everything is automatically combined is where we bet the future is going to be. That's how we are different on that.

The second aspect to your question is we are not – Freshworks is headquartered in the US and listed in the US. So we have the largest number of employees in India. So we are not an Indian company per se. We are a US company and we follow – like we have data centers in US. We [ph] have reviews (35:04) AWS predominantly. So we are in the US East, as well as in Europe. And we have – we abide by all the data residency rules for Europe customers data reside in Europe. US customers data reside in US.

Mark R. Murphy

Analyst, JPMorgan Securities LLC

Wonderful. And Girish, we are right on time to conclude the session. I want to thank you so much for being here at the TMC Conference and for sharing your story with us. It means a lot to us.

Rathna Girish Mathrubootham

Chairman, Chief Executive Officer & Co-Founder, Freshworks, Inc.

Thanks, Mark. Thanks, everyone, for your time.

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