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# Freshworks, Inc. (FRSH)

J.P. Morgan Global Technology, Media and Communications Conference

## CORPORATE PARTICIPANTS

**Dennis M. Woodside**

*President & Director, Freshworks, Inc.*

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## OTHER PARTICIPANTS

**Pinjalim Bora**

*Analyst, JPMorgan Securities LLC*

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## MANAGEMENT DISCUSSION SECTION

**Pinjalim Bora**

*Analyst, JPMorgan Securities LLC*

Hey, everyone. Thanks for the patience. I'm Pinjalim Bora, SMID cap analyst at JPMorgan. I blame the elevators on this one, but...

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**Dennis M. Woodside**

*President & Director, Freshworks, Inc.*

We were on 36. So we hit every floor coming down.

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**Pinjalim Bora**

*Analyst, JPMorgan Securities LLC*

Yeah. But delighted to have Dennis Woodside here, President of Freshworks. Dennis, welcome to the conference.

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**Dennis M. Woodside**

*President & Director, Freshworks, Inc.*

Thank you. Thanks for having us.

## QUESTION AND ANSWER SECTION

**Pinjalim Bora**

*Analyst, JPMorgan Securities LLC*

Q

Yeah, why don't we start with just a introduction about yourself when you joined the company and maybe a few words on what is Freshworks?

**Dennis M. Woodside**

*President & Director, Freshworks, Inc.*

A

Sure. So I'm Dennis Woodside. I spent about 25 years in technology. I spent quite a bit of time at Google, Dropbox, joined in September. Freshworks, as many of you know, is a business software company. We have about 65,000 customers worldwide, about 5,400 employees, founded in India.

**Pinjalim Bora**

*Analyst, JPMorgan Securities LLC*

Q

Yeah. I'm just silencing my phone.

**Dennis M. Woodside**

*President & Director, Freshworks, Inc.*

A

Yeah.

**Pinjalim Bora**

*Analyst, JPMorgan Securities LLC*

Q

So, you joined in September. I'm sure you had some expectations coming in to the company. Talk about where were you positively surprised looking back now in, whatever, nine months or so. And were there – or are there some room for improvement that you have figured out at this point?

**Dennis M. Woodside**

*President & Director, Freshworks, Inc.*

A

Yeah. So coming in from the outside, my impression of Freshworks was that it was primarily an SMB business, that most of our customers were SMB, and that's just not true. Freshworks was started in the CX space. We compete today in CX, IT, and CRM. Our first product was called Freshdesk, and that was targeted for smaller businesses. And we grew a very big business using a product like growth motion that drove customers in to try a free trial of our products, which we later converted. And

that allowed us to then continue to invest in the product. We invested in an IT set of products that there's ITSM today, ITOM and ESM as well. And as those products matured, more and more larger companies, mid-cap companies, mid-sized companies, have been attracted to the platform. So, we automate workflow for both employees and for customers. And increasingly, we have moved into bigger and bigger deployments.

So a couple examples. S&P Global, large global organization. I want to say about 10,000 to 15,000 employees. They have adopted our platform for all their interactions with their customers. Their customers tend to be financial institutions, of course. Bridgestone Tires, more of a B2B use case, they have adopted us as well for their interactions with their customers on customer support.

So these are big, sophisticated IT buyers. And the reason that they're attracted to us is our software is user-friendly for their agents, for the people actually interacting with the software every day. And it's very fast time to implement. So, unlike a lot of legacy software, which requires lots of consultants and a lot of expense to implement and to run, our products tend to be simpler, easier to use, but still scale to these large organizations.

So, coming in, I thought that most of our opportunity or most of our business was more in the smaller end of things; been very pleasantly surprised that we're already making a lot of traction in these larger markets. And a lot of that is because the product is quite mature and ready, and we're getting pulled more and more into these deployments.

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**Pinjalim Bora**

*Analyst, JPMorgan Securities LLC*

**Q**

What about the second part of the question? Any areas that you think are lagging behind your expectation that you think you can improve?

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**Dennis M. Woodside**

*President & Director, Freshworks, Inc.*

**A**

Yeah, I've spent a lot of my time focused on the go-to-market side of things. So if – both from a sales and marketing standpoint, I think we historically have played a little bit under our actual weight in terms of our ability to get in, get in front of the right decision-makers at the right time.

So, we made quite a few changes to how we go to market in the last nine months, brought in a new set of leaders. So our CRO was previously an entrepreneur, as well as a long-time Microsoft exec. He is new in role, brought in a new Head of Sales Ops, who was the Head of Sales Ops for AWS. We brought in new sales leaders in Asia-Pac, in Southern Europe, and a number of other places across the company. I think talent really matters and getting the right talent, people who have been at Salesforce and Zendesk and some of these other companies that have scaled up.

We've also clarified our go-to-market motion to ensure that we have teams that are focused just on new business acquisition. And we've done actually quite well despite the macro economy in acquiring new business and winning new logos every single quarter, and separating those from more of the account management and customer success teams, whose job is to grow our existing customers. That's really important, because historically, those two things have been melded together. Most of the focus, or a lot of the focus, was on growing our existing accounts, and we had lost a little bit of focus on new business.

And then, we've really taken advantage of India. 4,000 of our 5,200 employees are in India, which gives us a huge cost advantage. But all of our engineering is in India. We have focused all of our customer-facing resources in market, but moved as much into or kept as much in India as we can, which has helped us drive efficiency, and as you saw last quarter, non-GAAP profitability, free cash flow generation, those sorts of things. So those are some of the things that we've done to try to adjust the selling model and continue to follow our customers up into the mid-market.

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**Pinjalim Bora**

*Analyst, JPMorgan Securities LLC*

**Q**

Yeah, understood. Now, taking a step back, I wanted to ask you a more broader kind of vision question, right? You have dominated the mid-market SMB space, you are playing in both the front office and the back office...

**Dennis M. Woodside***President & Director, Freshworks, Inc.*

Yeah.

A

**Pinjalim Bora***Analyst, JPMorgan Securities LLC*

...right? When you look forward, and I hear that you might have some HR products at some point, you have IT covered, you have support, customer support covered, sales, marketing, obviously. As you look forward, what is the vision? Is Freshworks trying to be kind of the one-stop shop for SMBs? This is the thing that you need to run your business? Is that kind of the vision? How are you thinking about the longer term?

Q

**Dennis M. Woodside***President & Director, Freshworks, Inc.*

Well, if you think about – every company, regardless of size, in the world is struggling with some of the same issues. How do I make my employees more productive? How do I make my interactions with my customers more productive, better for them? How do I apply AI and ML and bots to automate work that is lower value, so my employees can focus on higher-value interactions? That's not a problem that's confined to the largest companies in the world. And the competitors in the space have tended to gravitate towards those mega customers, top 2,000 companies in the world.

A

We think that's a problem, that these problems are experienced by every business in the world, and that is our opportunity. So, we're focused on automating the work – the kind of work that either is being done inside a company. So think about IT. You mentioned ESM. So ESM allows us to go beyond the IT department to solve problems for HR. Think about requesting a proof of employment, right, that's a fairly automatable task, but you need software to do that. Finance departments, legal departments, all of those can use our – what is Freshservice for business teams, which is our ESM product.

On the other side of the equation, every interaction with customers, we have software that can support, whether that's a customer support interaction or sales and marketing interaction. So our vision is, every company is going to need to automate all these interactions, and we provide a platform that allows them to do that, that's easy to use out of the box.

**Pinjalim Bora***Analyst, JPMorgan Securities LLC*

Yeah. Understood. You brought up AI. So, let's go there, right, generative AI is topic de jure nowadays. How is Freshworks kind of thinking about generative AI across its platform?

Q

**Dennis M. Woodside***President & Director, Freshworks, Inc.*

So we've offered AI functionality since 2018 through a product we call Freddy AI. Now what we do today is we can do things like summarize interactions. So if I'm a customer support rep and I'm going back and forth with a customer in a complex query, let's say, it's an S&P Global with one of their institutions, we can summarize that interaction using AI, so that a manager, or if the agent attrites, the next agent can see exactly what happened over the course of many, many back and forth interactions. So that's a functionality that's available now.

A

If you're on the marketing side, we can suggest campaigns. As you're creating a campaign, what is the – how do you describe your product, what is the offer that you're making, all of those things can be automated with AI as

well. So we think AI is, it's very much like where bots were a couple of years ago, where it's obvious that everybody is going to want some AI functionality to improve the interaction with their customers.

We view our job is to create those products that plug into the platform that we've already built and enable our customers to take advantage of AI, whether that's generative or whether that's AI that's proprietary to their dataset or proprietary to our collective dataset at Freshworks. So that's what we're building.

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**Pinjalim Bora**

*Analyst, JPMorgan Securities LLC*

**Q**

How much is kind of the incremental generative investments at this point? Freddy has been there for some time [ph] and you have been investing (09:46). How much is the incremental – are you leaning in on generative at this point?

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**Dennis M. Woodside**

*President & Director, Freshworks, Inc.*

**A**

Yeah, we are. So, we view generative as a functionality that can augment what the agent is actually doing. We don't view it today as something that's really ready for primetime for the customer. So, an example – another example would be, if I am an agent and I'm in an interaction, let's say I'm working at Blue Nile, which is one of our customers, I'm in an interaction with a customer, and that customer is having a problem with a product, we can suggest the answer using generative AI in a way that makes the agent more productive. But the agent doesn't need to use that answer if, for whatever reason, the answer is not appropriate, or the agent can edit that answer in a way that's more appropriate for the customer. So those are some examples.

Another example is tone, right, ensuring that your agents are using a similar tone across all their interactions with customers that – through what we call Rephrase. That's a really important way of improving the interaction with customers and ensuring some level of consistency in how your team is communicating with their customers. So we think there's a lot of application for generative, and a lot of our investment is going there.

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**Pinjalim Bora**

*Analyst, JPMorgan Securities LLC*

**Q**

And how are you – if you look under the covers, how are you kind of training the models? Is that – the data is – obviously you have a lot of customer data, which is there's a privacy aspect of it. How are you kind of segmenting that?

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**Dennis M. Woodside**

*President & Director, Freshworks, Inc.*

**A**

So there's three different data sources. So think about data that's proprietary to the customer, data that's proprietary to our overall platform. So we – and that's what Freddy has been based on so far is those two things, with a little bit of the predecessor to ChatGPT-4 (sic) [GPT-4] (11:24). What we are not going to do though is allow our – that data to be used for training the external models, right? So, we're ensuring that that data remains protected in a sense, because we don't want the models to learn from what they're being asked, which they could.

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**Pinjalim Bora**

*Analyst, JPMorgan Securities LLC*

**Q**

Yeah. Yeah, understood. So, I'll ask one more on AI and move on. But there's a debate around the productivity gains that AI brings and kind of the pressure on seats, especially around call center seats, contact center seats, and all that, right? You obviously play in that domain. But there's a counterargument that as humans are replaced

or number of seats go down, you have the ability to capture part of the value that AI is providing. How are you kind of thinking through all of that from a pricing point of view? Help us understand that.

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**Dennis M. Woodside**

*President & Director, Freshworks, Inc.*

**A**

So, we're pricing AI in a couple different – or any kind of automation in a couple different ways. We've had bots for years, and that's a form of automation that potentially does impact seats. We price bots. In our higher packages, you get more bot sessions. And then secondly, if you exceed those bot sessions, you basically move to a consumption model where you have to buy more sessions.

So we think that kind of a model applies in AI as well. What we'll do initially though is for access to the generative AI functionality, we are going to price that in addition to the seat license. So that will be an additional price. Does AI affect seat count? I think automation generally has affected seat count. That's historically. We see a lot of our customers relying on automation so that their agents can do higher value activity. And we think that that trend also will persist.

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**Pinjalim Bora**

*Analyst, JPMorgan Securities LLC*

**Q**

Understood. Okay, let's talk about macro, right? That's topical again. You reported good results in early May. I'm sure you have spoken to a lot of customers. What's your view of kind of the macro environment at this point, the demand environment, the business sentiment from talking to customers?

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**Dennis M. Woodside**

*President & Director, Freshworks, Inc.*

**A**

So it's uncertain for sure. I think about our business in two ways. On the IT side, IT budgets are still going up. And there's still a large number of companies that are looking to automate workloads in IT that are either managed in a fragmented way and they're looking to consolidate, or not managed at all. So, our ability there to win new business is actually quite strong, especially as the capability of the product expands. We've added in ITOM over the last year. That allows IT departments to manage incidences, which is super important, and we've added in the ESM capability as well.

So on the IT side, we see less pressure. On the CX side, you do see companies that are not expanding their employment on customer support, and that obviously is affecting seat licenses. That said, our business is still – or our net dollar retention rate is still positive. It's come down over the last year, but our customers are still finding increasing value from our products.

The other thing that we've been able to do over the last year is we have an increasing number of vectors of expanding our relationship with a single customer. So, if you think about all these new features and functionalities, they open up entire new teams for us, like ESM or ITOM. A lot of IT departments aren't going to buy an ITSM solution unless ITOM is offered. Now that we have ITOM, that opens up a whole new slew of customers that tend to be larger and gives us a vector of expansion.

Consumption pricing is another vector of expansion. So think about bot sessions, think potentially about AI. And like I said, we think AI is another vector of expansion over time. So, the macro is absolutely affecting everybody. But despite that, we've been able to grow through it, I think, because of the reasons that I was...

**Pinjalim Bora***Analyst, JPMorgan Securities LLC*

Q

Can I double-click on the ITOM part? I don't think it's well understood in kind of what that – use cases that drives. Maybe talk a little bit about...

**Dennis M. Woodside***President & Director, Freshworks, Inc.*

A

Yeah. Like very simply, if, let's say, that there's a security incident within one of our customers, you need to manage that incident actively. And what ITOM does, it allows the IT team to respond to the incident, manage it, basically work the problem until it's solved. So, super important use case for IT departments.

**Pinjalim Bora***Analyst, JPMorgan Securities LLC*

Q

Got it. Now as you came in, one of your obviously focus, as you were saying, is going upmarket and driving large deals, right? Talk about what that enables for the company, and is the product actually ready to go at this point to kind of scale up? Seems like you're adding some of these large customers already. Where do you sit in terms of your go-to-market motion at this point and the product?

**Dennis M. Woodside***President & Director, Freshworks, Inc.*

A

Yeah. So, we're seeing more and more larger accounts bring us into deals, because they're not satisfied with whatever prior solution they may have had, whether that's on the IT side or the CX side or even the CRM side. So, every quarter, we're getting more swings at more deals, and these are sophisticated buyers. So think about a large industrial in Europe like Viessmann, right? Viessmann has been around a long time, very sophisticated IT department.

We were in a competitive situation with very large cloud competitor, where the customer was just not happy with what the solution actually delivered versus what was sold to them. They were not happy with the cost of maintaining the solution over time and the cost of making changes to the workflow that that solution was managing.

So, we get into the RFP, we win that kind of a deal. Or Carrefour in Belgium, right? So Carrefour in Belgium interestingly came to us through a trial. So their IT department opened up a trial of our ITSM product. We saw that – we made the trial successful, which was a small trial. But ultimately then we went in with our sales team and expanded that to a much larger deployment.

So we have – we still have this product like growth motion that does get involved in larger deals, but we're also supplementing that by building out, and we've built out a field sales team that's capable of going out, getting into a competitive RFP process, and winning.

That has required us to, like I said earlier, like, bring the right people in. We've made the investment that we think we need to make, so we don't foresee a massive investment going forward in sales and marketing to drive that upmarket motion. And we're being brought more into deals than we're having to push to get into deals, because there is dissatisfaction out there with the current incumbents in all of these spaces.



**Pinjalim Bora***Analyst, JPMorgan Securities LLC*

Q

Yeah. As you go upmarket, obviously, the sweet spot for you is ITSM, right? We have done a lot of work. Seems like the market is poised for disruption there. But does that – as you push upmarket, does that mean a deliberate mix shift in the business towards more ITSM versus CX?

**Dennis M. Woodside***President & Director, Freshworks, Inc.*

A

Both ITSM and CX are growing at good rate. CX is our larger business. That's where we came from. That was the first product that we shipped. And that business still has a lot of opportunity. So, our penetration of that market is relatively low. Our value proposition in that market is actually quite strong. That market is fairly fragmented with lots of small solutions, and customers are looking to consolidate. They don't want to buy their bots from a different provider than their core ticketing solution. They don't want to buy a conversational solution, which does things like chat and text answers from a different provider than their ticketing solution either. So, consolidation helps us there. And that market is very big, and we're still very underpenetrated.

On the IT side, like you mentioned, we have a very good competitive position as well, with a lot of whitespace between ServiceNow at the high end and then a number of the more legacy on-prem solutions. And that market has a lot of smaller fragmented competitors as well that customers are looking to get out of.

So, I would say we're growing both sides, and both are growing well. IT, for the moment, is growing at a very rapid rate, and we're leaning into that. For sure, that's resulting in a mix shift. That's resulting in higher ARPA. And the dynamics of larger customers, when it comes to churn, retention, expansion, obviously, are quite positive for us. And you saw that in our churn rate or our churn last quarter, our NDRR being quite positive.

**Pinjalim Bora***Analyst, JPMorgan Securities LLC*

Q

Yeah. On that ITSM point, we have heard of at least couple of quarters, I think, that that has been the largest kind of growth vector on the ARR side. How should – I guess, we don't know the exact mix at this point since you have not disclosed it. But I'm assuming it's over \$200 million at this point from my math. How should we think about the kind of the potential long-term growth in that market from your perspective? When does it kind of cross-desk from an aggregate ARR side?

**Dennis M. Woodside***President & Director, Freshworks, Inc.*

A

Yeah. Well, our goal is not to have it cross-desk necessarily. Our goal is to grow both as fast as we can. The ITSM or IT business in many ways is just getting started because some of these core areas of functionality are relatively new. So, if you think about a large competitor like a ServiceNow, they've had ITOM, they've had ESM for a long period of time. And that's a big growth driver.

We think that that is going – those two pieces of functionality are going to drive growth for us for quite some time. And there's a large market of companies that are not satisfied with current solutions, are looking for faster time to value, easier to use solutions, and are open to a conversation with us. Whereas two years ago, our product wasn't ready. And that's why we're more and more in the mix on the IT side.

Now, that said, CX is still a very attractive market. It's more affected in the short term by the macro, but that's going to change as well. And so, we view that as important as IT for sure.

**Pinjalim Bora***Analyst, JPMorgan Securities LLC*

Q

Yeah. In our work, we have heard apparently BMC and Ivanti has something like 3,000 customers who are disenfranchised and ready to be picked at. You are one of the leading vendors that are trying to go after that. But there's another company that's trying some of their luck, I guess, that's called Atlassian.

**Dennis M. Woodside***President & Director, Freshworks, Inc.*

A

Sure.

**Pinjalim Bora***Analyst, JPMorgan Securities LLC*

Q

How are you thinking about that? Are you seeing them in the market? It seems like they're investing a lot on their ServiceDesk product. Maybe talk about that a bit.

**Dennis M. Woodside***President & Director, Freshworks, Inc.*

A

Yeah, we have seen them not as much as we've seen the legacy players or a ServiceNow in a compete environment. They tend to come at it with a very different perspective. So, we've built our product natively ourselves. It's our own code. It's seamless. They have acquired multiple parts and stitched together a product that is trying to do ITSM. So a lot of customers don't like that. They don't want to have to integrate different parts of Atlassian's product portfolio in order to provide an ITSM solution.

The product also – their product tends to be much less user-friendly. That – where we started from, our initial value proposition for all of our products is that user-friendliness. And their products tend to be more developer-centric, which is harder to use for the average person in IT. So that – we tend to win when the customer is looking for fast time to value, fully integrated solution, a solution that their team is going to use, be able to adjust on the fly, change as workflows change as work changes, and that's when we win.

There have been a number of situations, one very large animation studio in Southern California that had a big developer community that used Jira. And Atlassian pitched their ITSM solution. We won that deal for the reasons that I described: easier to use, faster time to value, better solution overall, more integrated. So we do see them, but we haven't seen them making huge headway against us at least.

**Pinjalim Bora***Analyst, JPMorgan Securities LLC*

Q

So win rates have not really deteriorated against them [indiscernible] (23:58)?

**Dennis M. Woodside***President & Director, Freshworks, Inc.*

A

No, no, no.

**Pinjalim Bora***Analyst, JPMorgan Securities LLC*

Q

Got it. So I'll ask one more, and I'll open it up to see if there are other questions in the room. One point of skepticism that we have heard from investors is this cross-sell motion, right? Because you have CX, which is a

completely different buyer, versus IT, which is a completely different buyer. But more recently, I think you have kind of highlighted [ph] Forbes (24:20), I believe, was one...

**Dennis M. Woodside**

*President & Director, Freshworks, Inc.*

Yes.

A

**Pinjalim Bora**

*Analyst, JPMorgan Securities LLC*

...that made kind of the change. How do you think of that cross-sell motion? Is there something extra that is needed to be done on the go-to-market enablement? How are you thinking about it?

Q

**Dennis M. Woodside**

*President & Director, Freshworks, Inc.*

So today, half of our customers – half of our top 20 customers are both CX and IT customers. So we've proven that we can drive that large-scale cross-sell. We have multiple ways of expanding with our customers, one of which is the true [ph] cross-persona sell (24:47), where we are, we tend to get brought in is, let's say we're – we have an ITSM customer. We make that customer successful. The IT director or VP for IT becomes our friend, and then makes the introduction on the customer support side. Often they're influential on that customer support sale. And that's how we tend to win.

A

But there's other ways of expanding. So, the cross-sell or expansion motion from ITSM into ESM, that's a big opportunity that we're just starting to tap, where the IT team tends to broker the relationship with HR or finance or legal and often implement the software. So they're the ones that are recommending the solution in many cases. That also is true on the CX side as well. So, we've had actually quite a bit of success in driving that cross-sell motion. The separation of teams that are truly hunting new business and teams that are trying to grow existing business, that helps quite a bit as well in getting real focus on that cross-sell motion.

**Pinjalim Bora**

*Analyst, JPMorgan Securities LLC*

Just want to go back on the one thing you said, half of your customers in CX and IT, is that what you said?

Q

**Dennis M. Woodside**

*President & Director, Freshworks, Inc.*

Half of our top 20 customers, our largest 20 customers.

A

**Pinjalim Bora**

*Analyst, JPMorgan Securities LLC*

Top 20, got it.

Q

**Dennis M. Woodside**

*President & Director, Freshworks, Inc.*

Half use IT and use CX.

A

**Pinjalim Bora**

*Analyst, JPMorgan Securities LLC*

Q

Got it. That 24% metric that you provide, which is multiple products, that's not representative of CX and IT, is it?

**Dennis M. Woodside**

*President & Director, Freshworks, Inc.*

A

That includes things like Freshchat, which is our conversational product, as well as Freshdesk, which is our ticketing product.

**Pinjalim Bora**

*Analyst, JPMorgan Securities LLC*

Q

Right.

**Dennis M. Woodside**

*President & Director, Freshworks, Inc.*

A

So that counts towards that 24% number, as do, let's say, a CX IT or CX CRM buyer.

**Pinjalim Bora**

*Analyst, JPMorgan Securities LLC*

Q

Got it. Let me see if there are questions in the room. We have a mic, please.

Q

Thank you. We're just curious as you have over \$1 billion in cash and your liabilities are pretty low. What are your plans on what you're going to do with that? Is it going to be M&A, buybacks? What are your thoughts with that cash because that's a lot?

**Dennis M. Woodside**

*President & Director, Freshworks, Inc.*

A

Yeah. What we've done so far is we've used that cash as a net settlement of shares when – for our employees in our stock plan. So, we – our stock plan compensates employees with restricted shares. We pay the taxes on behalf of the employee using cash from that pool. I think last year we paid over \$150 million in taxes, and that effectively is a buyback because those shares are not circulating in the market [ph] that has (27:26) effectively reduces our share count. So that's one use. Certainly, if there are acquisitions that came up, we would be open to using the cash for that. But we don't have any other plans currently for that cash.

Q

[indiscernible] (27:39-27:42).

**Dennis M. Woodside**

*President & Director, Freshworks, Inc.*

A

I'm not sure it's on.

Q

Yeah. Dennis, how do you go about thinking about international expansion, particularly prioritizing those markets that you might think are large, and in particular maybe Germany, Japan...

**Dennis M. Woodside**

*President & Director, Freshworks, Inc.*

Yeah.

A

Q

...the UK?

**Dennis M. Woodside**

*President & Director, Freshworks, Inc.*

Yeah. I was just in the UK last week, and huge important market for us. So, today, 45% of our revenue roughly is from the US, about 40% from Europe, and the rest from rest of world. Europe and the US are by far the most important markets for us now. We're historically strong in India because it's our home market. We're historically strong in sort of Southeast Asia as well. But our biggest international opportunity today is certainly Europe. And within Europe, UK, Germany, and France, that's where we're prioritizing our investment and our time.

And we're winning. We're winning big deals in those markets. Carrefour and Viessmann are two examples of big companies that have moved over to us in the last year. And that's starting to create a little bit of a flywheel, where we're getting more and more involved in more and more big opportunities in Europe as well.

So, Europe is huge opportunity for us. We have not invested as much in, let's say, Latin America or Japan, which is another big opportunity for us down the road. But in the near term, it's really Europe, US are the two biggest markets that we're focused on.

Q

Hi, Dennis. So, great results in Q1 given the macro situation that we are in. But I also wanted your thoughts around the partner channel, where it's still relatively nascent for us in that space. So, wanted to get your thoughts how you're thinking of scaling that. And we heard that there have been – recently, there have been some – the incentivization of partner commissions there, so just wanted to understand your thoughts on scaling the [ph] partner channel (29:33).

**Dennis M. Woodside**

*President & Director, Freshworks, Inc.*

Yeah. Partner needs to be a big part of our business. And historically, we've used partners primarily to get into markets where we don't have people. But increasingly, we're using partners to acquire new customers, [ph] serve, (29:47) get those customers up and running, make them successful through the implementation as well. And we brought in a new head of partnerships, who was the early head of partnerships at GCP, so Google Cloud, as well as at Elastic. His name is Doug Farber. He is focused on really revamping our entire approach to partners, because we think there is just a big opportunity for us there.

When we talk to partners, one of the things I hear, and you talked about this a little bit, is there's a lot of dissatisfaction with, let's say, BMC and some of the more legacy players in terms of their pricing practices, their

A

contracting. They're going out into this market and looking for what I've heard is 20%-plus price increases. That's not sitting well with the partner or with the customer. So they're looking for an alternative.

I talked to one partner in Europe last week, large partner, multiple billions in revenue worldwide. They're looking for an alternative to their current partner or their current vendor of choice on the IT side. So, everybody is looking for choice, everybody is looking for value. We offer both, and increasingly, partners are coming to us. So we think it's going to be a big growth driver for us.

Q

Got it. And is there any specific persona of partner that you are going after? Are you going after like partner [indiscernible] (30:58) or...

**Dennis M. Woodside***President & Director, Freshworks, Inc.*

A

Typically, we're not going after like a global SI, right? That's not really what we need at this point. But in every region, there are regional players that have very strong relationships with a broad set of customers and who are very good at the implementation work in particular. With our product, the implementation work is not as extensive, that's part of the value. But we think that we can help these partners build good businesses around the work that does exist. There is work to be done around data migration, workflow configuration, bot configuration. Partners can help with all of that.

Q

Got it. Thanks. Thanks, Dennis.

**Pinjalim Bora***Analyst, JPMorgan Securities LLC*

Q

Any other questions? There's one here.

Q

[indiscernible] (31:43-31:48) ITSM. And specifically in the instances where you've replaced competition, what has been the pain points for customers that the other products in the market are unable to address?

**Dennis M. Woodside***President & Director, Freshworks, Inc.*

A

Yeah. So we tend to win, whether it's IT or CX, on fast time to value, lower overall TCO, in many cases about half what our competition would be when you consider the cost of implementation, the cost of maintenance of our products, and then ease of use for the agents themselves, for the people actually working in the software every day.

Typically, there's a proof of concept, but head-to-head against whatever competition we're up against, and they'll ask a small team to use both sets of software. Maybe they're already using one or the set of software already.

And that gives them feedback directly from the agents that are using the product on which is, in their view, easier to use, better suited to what they're up to.

We also tend to win because the way that our competition tends to contract and price is quite aggressive, and we historically have been much more, I would say, flexible with the need – to the needs of the customer to make them successful over time.

So, a couple examples of customers that have migrated to us from other solutions, we tend to win against like a Zendesk, because our product is fully integrated. We offer conversational, automation through bots, now automation through AI, as well as a second-tier ticketing tool, whereas Zendesk does not have great automation, doesn't have great bots.

We tend to win on the IT side against, let's say, a ServiceNow, because our product is better suited for a mid-sized organization that's not going to have the resources to drive all of the implementation work that's necessary to get the value out of that platform and for cost. So that gives you a little bit of a flavor for why we win and where we win.

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## Pinjalim Bora

*Analyst, JPMorgan Securities LLC*

Okay. And with that, we are out of time. Thank you so much, Dennis.

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## Dennis M. Woodside

*President & Director, Freshworks, Inc.*

Thank you.

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