

REFINITIV STREETEVENTS

EDITED TRANSCRIPT

MNDY.OQ - Monday.Com Ltd at JPMorgan Global Technology, Media & Communications Conference

EVENT DATE/TIME: MAY 23, 2022 / 2:00PM GMT

CORPORATE PARTICIPANTS

Eran Zinman *monday.com Ltd. - Co-Founder, Co-CEO, & Director*

Roy Mann *monday.com Ltd. - Co-Founder, Co-CEO & Director*

CONFERENCE CALL PARTICIPANTS

Mark Ronald Murphy *JPMorgan Chase & Co, Research Division - MD*

PRESENTATION

Mark Ronald Murphy - *JPMorgan Chase & Co, Research Division - MD*

Okay. Good morning, everyone. I'm Mark Murphy, software analyst with JPMorgan. And it is a great pleasure to be here with Roy Mann, who is the Co-CEO and Co-Founder of monday. We also have Eran Zinman, also Co-CEO and Co-Founder. Gentlemen, can't thank you enough for being here.

Roy Mann - *monday.com Ltd. - Co-Founder, Co-CEO & Director*

Thank you. And we're excited to be here.

QUESTIONS AND ANSWERS

Mark Ronald Murphy - *JPMorgan Chase & Co, Research Division - MD*

And thank you for making such a long trip. It means the world to us. Okay. So maybe we can begin with just a very brief introduction of yourselves and the company for the benefit of anyone in the audience who might not be familiar at this point.

Eran Zinman - *monday.com Ltd. - Co-Founder, Co-CEO, & Director*

Yes. So I can start. So my name is Eran. Nice to meet you all. And just a little bit of background about Roy and myself. So we both have come out of a similar background. We're both software developers. So we're very engaged, and we both had start-ups prior to monday. When we started this company, our ambition was to create a new kind of software, something that's pretty unique in the software ecosystem that we know today.

We want to build something that's very generic, very flexible. We want to build something that people are able to customize and kind of build their own tools on top of our platform. So essentially, giving the people that power to democratize software and use it how they see fit for their own use. So this is how we started. This is our vision up until this day. And this is what we're trying to do as a company.

Roy Mann - *monday.com Ltd. - Co-Founder, Co-CEO & Director*

Yes. I can add that we have customers on like worldwide, like 170 countries, 200 different business industries. Like really, people use the platform to do any kind of thing you can imagine, like run manufacturing plants, build airplanes, do clinical trial research and manage that, run hotels, really anything. And 70% of our customers come from non-tech segments, like not tech companies. And we see that as a very strong indication for the ease of use of the platform and the fact that everyone can really adopt it and build whatever they want.

Mark Ronald Murphy - JPMorgan Chase & Co, Research Division - MD

So that's a great introduction. Thank you for that. The -- what we've been noticing clearly is the results have been -- the business results have been just spectacular, really by any standard, right? So you've had -- you're growing in the mid-80s. The run rate of the business is getting close to \$0.5 billion. You've got 100% recurring revenue, as you mentioned, doing business globally and really not burning much cash, right, to kind of power all that growth. So it's been efficient.

What do you think is the underlying phenomenon that's kind of allowing the business to scale like that so rapidly? I think we -- is it the fact that the product is so easy to use? Is it the fact that you have these really vivid product demos, right? I mean, I can picture them in my mind's eye. I see them all the time. Is it having kind of a better -- you've got a more sophisticated go-to-market motion? Can you maybe walk us through what the secret is here?

Roy Mann - monday.com Ltd. - Co-Founder, Co-CEO & Director

Yes. So I think it's two main areas. One is like we're really efficient and always are trying to scale the business in a smart way, like adding more customers that will see us as a solution. I think the launch of the products this quarter really demonstrates that, that we want to cater to more customers and have the platform be something they are looking for and they find that rather than we say, hey, we have a lot of abilities. So we focus on them, on the customer.

And the other part is obviously, the product itself and the fact that we are built as an infrastructure that allows us to move really quickly. So again, like the product is, again, a good example like I would say more than 90% of all the 4 products we've built is the Work OS itself, like we didn't have to build that. We have a great mobile. We have the great platform. We have everything underneath in terms of capabilities, and we needed to just package that on top and provide so much more value to customers easily.

Eran Zinman - monday.com Ltd. - Co-Founder, Co-CEO, & Director

I would add two more things. One is the market is literally infinite. So we mentioned that tech and non-tech, 200 different business verticals. So almost no limit to the size of the market. And also because from day 1, we've really focused on product life growth. So although we focus a lot on demand and price as well, we don't sacrifice the small accounts. For us, each one of them has the potential to grow and really focus on the onboarding experience for everybody and also the actual product usage across all sizes of different companies.

Mark Ronald Murphy - JPMorgan Chase & Co, Research Division - MD

Okay. So I want to come back and touch on a lot of what you just mentioned, including kind of the way you leverage the core platform, right, to build on top of it. But before I do, just to make sure we've kind of got everyone grounded, I want to ask you about the core differentiators as you see them in terms of the product. Because I think at times, we'll be speaking with investors, and some of them maybe can't always fully perceive or appreciate the differences, right? And so they'll say, "Well, we have monday, we have Asana, we have Smartsheet, we have Airtable, we have ClickUp." And we want to really understand a little bit better because they all seem like they have something to do with project management, right?

So -- but you don't call it project management, right? You call this the Work OS, so you have this kind of different vision. How would you explain from maybe a nontechnical audience, what are the biggest differentiators of monday?

Eran Zinman - monday.com Ltd. - Co-Founder, Co-CEO, & Director

Yes, it's a great question because I could share that as part of our journey when we started this company, initially it wasn't easy with investors. We would say, okay, we are Work OS. We offer these flexible platforms and investors told us, "Oh, so you're a project management tool." So no. But this is the category that people knew back then. I think we see the shift in how people think about this category because at the end of the day,

project management is a very vertical tool. It's a tool that's built for a very specific task. It has projects, they have tasks, and this is what people use it for.

With monday, people use it for many use cases, anywhere from a CRM, people use it to manage their sales team, project management, obviously, developer team management, marketing management. And the reason behind it is because it's not built in a very rigid specific way. It basically allows you to build any tool on top of it. So it doesn't limit you in any way, it doesn't point you to use it in a very specific way. It just gives you the freedom to build. So it's a different kind of software compared to Asana and Smartsheet that you mentioned, even though you can also do project management on top of monday.

Roy Mann - *monday.com Ltd. - Co-Founder, Co-CEO & Director*

And a good example for that would be that we see -- we are very good in the CRM market. We don't see Asana or Smartsheet there at all, like zero, because they're not, okay? And we see other competitors that are CRM based. And so you can go in every one of the products we release in many more go to markets we have. We see those verticalized software competing there.

So the question is, so essentially, it's like platforms against vertical software or old type vertical solutions. And we're able to do a better ease of use to adopt it. It's much broader and it allows us to be more competitive, like -- and I said that as a platform, there are maybe will be other platforms that are also successful because we invest in the platform and everyone gains from it. So like for -- like a really simple example is the mobile, like we have a mobile app that becomes better and better and better. And then when we go after another use case, the mobile is already there and really great.

Mark Ronald Murphy - *JPMorgan Chase & Co, Research Division - MD*

Okay. So it's a platform as opposed to verticalized project management. I mean, if we begin with that kind of foundation, and I would ask you, well, how ubiquitous can this become? So you've got this Work OS category, how ubiquitous? I think you used the word infinite a moment ago, Eran. The -- we have 1 billion knowledge workers in the world, right? How many of them do you think are applicable? I think a lot of times people say, well, I don't know, maybe everyone who uses a spreadsheet can use the Work OS or everyone who uses Slack? Is there any good analogy you can think of on how far this can run?

Roy Mann - *monday.com Ltd. - Co-Founder, Co-CEO & Director*

Yes. So first off, it's like for everyone. That's our view. And the example you gave for a spreadsheet is really good because it gradually penetrated into like so many -- like every one of us uses spreadsheets for more than just calculating numbers, okay? And -- but it's still like one product, whereas monday is a platform that you run the whole business on. So essentially, our vision is that everyone in the organization, any organization we have, will use Monday. But it also extends into noninformation workers. We also have truckers that are given the mobile app that they see what they need to do. So essentially, when you can build your own software, it's for the whole business, okay?

So that's where it's like the spreadsheet thing kind of [works out] and you need to like understand you're actually building the tools that runs your business. And it's not just like one simple thing. It's reimagining how software is built. And that's why we always say like platforms, and that's why we call it a Work OS because essentially, it's an operating system and you build the application you want to run your business on top of that.

Eran Zinman - *monday.com Ltd. - Co-Founder, Co-CEO, & Director*

I would say that just to add to your question that if you look at the tools that all of us use, until today, there are comments from everybody in the company, I would say, probably some version of Office and e-mail. And those tools were invented like 20 years ago. I think that monday has the potential to become another one of those tools that everybody in the company uses to some extent. There are comments when everybody in the company -- and the market is basically infinite, as you said. We see a huge potential to grow in almost any company in any time.

Mark Ronald Murphy - JPMorgan Chase & Co, Research Division - MD

So it goes beyond the spreadsheet users?

Eran Zinman - monday.com Ltd. - Co-Founder, Co-CEO, & Director

Yes. And I'm sorry, I have to like expand on that a little bit because we're talking about like end user kind of offices, like everyone uses them separately. And I think the difference here is that we run the core of operations. Like if you -- like the core software that runs the business, the CRM, like you take it out, no one can work. They don't know what to do. And the workflow, you take it out, it's like the core thing of the business.

Mark Ronald Murphy - JPMorgan Chase & Co, Research Division - MD

So I -- we tend to care mostly about what we're hearing from the customers, right, when we get out there and do diligence. There -- and I was reflecting back on this, there were a couple of quotes that really stood out in my mind that came directly from your customers.

So here are two of them. "We stack them all up. monday definitely seemed the most visually interactive and flexible. monday's uses are kind of infinite." There you go, there's the word infinite. "It has so much flexibility. It's so much easier to set up your specific use cases." So what we're hearing, do you think that, that aligns pretty well with kind of the design goals that you've had, kind of what you've done architecturally? And I mean, can you help us understand like what is the secret sauce here that you built that's causing us to hear that kind of commentary?

Eran Zinman - monday.com Ltd. - Co-Founder, Co-CEO, & Director

I would say that, first and foremost, we wanted to build a product that's beautiful and easy to use. I think for too many years, people got used to the fact that if you use a B2B software, you're going to suffer from using it, but you have to use it. But we said we want to create an amazing experience because at the end of the day, if you realize that people are going to spend hours and hours using your tool every day, you want to be there and want to provide them the best experience.

And in terms of the infinite use cases, so definitely, like it's -- I feel that the sort of paradigm are I'm going to buy a software, and then I'm going to change how we work so we can adopt to that software, is the old way to think about software. The better way to think about this, we're going to give you the tools to work in the way that suits you because it doesn't make sense that everybody works in the same way. Every company is unique, every department is unique and a company goes through an evolution as they grow. So you want to provide them the tools and not the specific use cases or mold they have to fit into.

Roy Mann - monday.com Ltd. - Co-Founder, Co-CEO & Director

And again, like the reason we're able to do that is because monday is built like from the beginning, there is no database schema. There is no rigid anything there. Like you come and you build whatever you want. And a lot of other software like started with like, let's say, projects or tasks or CRM, it's like a table of contacts and a table of deals. So we're not rigid in that way from like the core infrastructure. So that allows us to actually -- like everyone is like when they sign up, they build their own product, although they -- most of them don't know. They think they adopt a CRM, they adopt a project management, they adopt -- but essentially, they can change anything.

Mark Ronald Murphy - JPMorgan Chase & Co, Research Division - MD

Yes. I can tell you it gets marketed to me as a CRM. So somehow, your big brain is looking at me, that's a CRM, right? And it's right. So -- but let me ask you, so can I come back to -- Roy, you had mentioned, I think you said a truck driver, right? Now -- but -- so I'm assuming maybe I'm wrong, but

I'm assuming someone else was the builder, someone else took monday and said, "I am building something, you're going to use this as a truck driver." And I think that's one of the questions that we get.

So what does the user population look like? Is it like we have 5% to 10% of -- you get 100 people and 5 or 10 are kind of in there and saying, okay, we have the aptitude and the time and the interest, and we're going to build, right, for others? Or is it something -- is it a different kind of a ratio, right, between the power -- the builders and the non-builders?

Roy Mann - *monday.com Ltd. - Co-Founder, Co-CEO & Director*

Yes. So I think we started monday and got a lot of the builders population, the ones that we really want to build. And surprisingly, we got the 70% non-tech companies. So in a non-tech company, there is someone that is technical. They want to build something, okay? And like -- and then you have the people who need to use it. They like it because they can offer changes, and they can change what was built. So essentially, they become builders. They didn't -- they're not the one who initiated it, but they can change the workflow and improve it.

And then you have, let's say, we said truck drivers, but like end users, who are not using it -- or not, sorry, changing, not building. But what we also see is that this is one use case. Like you start off like that, but then you get it and then you have something new and then you become the builder, okay? So for many of our customers, it starts with their own personal stuff, and I can share like it's really funny. So we have like some executive like kind of build something for his company. And then at home, he gave it for his kids and manage their chores because it was that easy.

So some people use it for very personal stuff and then they go on and when they encounter another challenge, they start thinking monday, okay, they open a board and they say, "Okay, how am I going to manage this?" And I think that's like the magic part when you get it, that you can control it, you can build whatever you want. It's in there and you just will figure it out and you'll love your own software.

Mark Ronald Murphy - *JPMorgan Chase & Co, Research Division - MD*

So I think part of the perception that we have of monday is that it's a -- there's a pretty rapid pace of building and innovation, right, from your -- coming from your own developers. The -- you've had this recently, WorkForms, you've had Canvas, right? You now -- you've kind of announced you're calling it the Work OS suite, right, where there are -- you're going to have 4 products that I believe you're saying they're going to be priced to -- actually, they'll be priced separately. Can you touch on that a little bit and just help us understand how is all that fitting in with the longer-term vision?

Eran Zinman - *monday.com Ltd. - Co-Founder, Co-CEO, & Director*

Yes. So this is a big part of our strategy because we see our customers -- we see amazing reactions from people using the platform. But unfortunately, nobody goes on Google and search for a flexible platform or I want to build my own tools. Maybe some people do.

Mark Ronald Murphy - *JPMorgan Chase & Co, Research Division - MD*

They don't know it exists.

Eran Zinman - *monday.com Ltd. - Co-Founder, Co-CEO, & Director*

Yes. They don't know it exists. So it's not something they're kind of focused on right now. What do people search for is they search for CRM, they search for a project management tool, they have a specific problem they're trying to solve. And as part of our strategy is how do we reach mass market, how do we reach all of our potential audience. So that's why we package our product as a CRM, as a project management, as a developer tool. Basically, people search for that term, they log in, they get a specific onboarding, specific experience. You capture that audience, they scale, and then they add more department and they discover that they could do much more things with monday.

So it's very much of a go-to-market strategy. But now with the extended kind of step of packaging that even further, we can go deep in each one. So our goal is to become enterprise ready for each one of those, for CRM, for developers and so on to compete with the big players in the market. And we feel we can do it. Like we said, we got all the features, all the capability to go very deep in each one.

Roy Mann - *monday.com Ltd. - Co-Founder, Co-CEO & Director*

And I can share that the early results, still no numbers, but very -- like we feel it's a different type of customer that adopts these tools. They are looking more into, hey, what does that column mean then how do I add a column. And then later on, like a few weeks in, they use the platform, and then they say, how do I add a column and then they get, hey, I can build whatever I want. So definitely, the mass market need to be educated and we're like there to fit whatever they want to adopt right now. If you want to build stuff, obviously, it's there.

Mark Ronald Murphy - *JPMorgan Chase & Co, Research Division - MD*

Yes. Okay. So -- and you've sort of touched on what people think about, right, when they're searching and how you're kind of inserting yourself into that. What I think of is what you're doing with the -- of course, with the performance marketing, right, or really the digital advertising. And by the way, I have to say, again, they're incredibly well done, right? They're engaging, they're funny. It kind of -- you look at this product for about 15 to 20 seconds and you say, I think I could do that. I kind of want to do that.

And so you're making people kind of want to go out and try it. The -- but I think of this, I look at it and I think that you kind of cracked the code on doing that and getting that to work, I think, before really any other enterprise software company did that. The -- so the questions we get are -- and I don't know how much you're able to share, but we get questions like, well, how much are they spending on it, right? And how do you kind of maintain the efficiency of that, right? Because especially, you're going to have -- you're maybe starting to have other companies mimicking that type of motion, right?

Roy Mann - *monday.com Ltd. - Co-Founder, Co-CEO & Director*

Yes. So it's a really important question for us. So like if you look at the history of the company, for every \$1 we burned, we generated \$4 of recurring revenue, more than \$4. So we're super efficient, we always were, even from the beginning. And we really care about the returns. And we believe in that for two reasons. One, it's always good to be efficient with cash. And the other, I think, it's like it makes us improve the right things. Other than throwing more money at it, we improve the funnel, we improve the product, we improve the customer experience, and we've always done that.

So for us, when we scale marketing and when we see that we are able to scale more and this first -- in the first quarter, we saw we can spend more. And pretty much every year, if you look at the company from its inception, like Q1, we ramped up and addressed more customers. So we want to see the same rate of return on cash. And so when we do that, we improve the product and the funnel and our addressability rather than just like increase gross margins and like spend more on something that works less well. So we work a lot. And if you look forward into the year, we're expecting -- we front-load a lot of expenses, and we expect that to -- sorry -- so we expect that to improve as we optimize during the year. So...

Mark Ronald Murphy - *JPMorgan Chase & Co, Research Division - MD*

It's Q1 loaded.

Roy Mann - *monday.com Ltd. - Co-Founder, Co-CEO & Director*

Yes. Yes.

Mark Ronald Murphy - JPMorgan Chase & Co, Research Division - MD

Particularly, right?

Eran Zinman - monday.com Ltd. - Co-Founder, Co-CEO, & Director

Just one thing to add. We have an in-house tool we built called BigBrain, apart from being a very big brain, it tracks all the metrics. We measure everything, every campaign. So we optimize. We're very data-driven as a company, and we try to optimize everything that we do. So that's a huge part of that.

Mark Ronald Murphy - JPMorgan Chase & Co, Research Division - MD

Okay. So when people say who's the brains behind this operation...

Roy Mann - monday.com Ltd. - Co-Founder, Co-CEO & Director

It's a computer.

Mark Ronald Murphy - JPMorgan Chase & Co, Research Division - MD

All right. One of the questions we get, it's one of the biggest topic right now in software being debated. Did companies have pull forward, right, last year from the pandemic environment? So let me just put it to you this way. When you look back on it last year, I don't think originally, you were planning to grow probably quite as rapidly as how you did. But do you think that the pandemic might have given you a few extra points of growth, a little extra tailwind or maybe customers had a little urgency to move faster?

And then the second question we always get is, well, now people start returning to the office and returning to conferences like this. So is there a kind of a lull somehow that happens afterwards?

Roy Mann - monday.com Ltd. - Co-Founder, Co-CEO & Director

Yes. So we always said that like up until now as well, like COVID was like mixed for us. So on one hand, everyone wanted to digitize even faster. And it happened a lot before COVID as well. So we didn't see like any change in intent, like maybe it was more pronounced. On the other hand, like being remote, it was harder to adopt software. So when you adopt with a team, so for us, like -- it was kind of like a net zero in terms of like the effect COVID had. And now people returning to the office, it's easier for them to make a change. People talk more, they discuss their process, their understanding and they can -- are better able to adopt software.

And I feel that the understanding they got about what digitization and why is it important and the efficiencies and being -- tracking things, measuring things, I think that didn't go way back to what it was, right? Like people got it that they need to do that. So I think all in all, like we're in a -- the market now is better for us, regardless of the economy, which is like a different factor into that. But which -- again, like Q1, we don't see any softness anywhere, but we're very aware of what's going on and monitoring that. But like in terms of like the intentions and what's driving it, I think it's just better.

Mark Ronald Murphy - JPMorgan Chase & Co, Research Division - MD

Okay. So net zero and like economy aside, net zero and it kind of helps you in terms of awareness. Okay. So since you brought it up, then, let's talk about the demand environment. There is so much volatility out there, right? And I think we all know what's driving it. It's inflation, it's interest rates.

You get the Fed tapering here, right? You've got the war in the Ukraine. So you have these clear concerns about a recession, probably or possibly starting in Europe. And -- but Monday kind of sailed straight through that, right? In Q1, you didn't see anything.

The -- what is your gut feel? We've got -- if you think about -- so there's a certain demand environment now heading into June, and I don't know if perhaps you have any guess on what you're going to encounter, just demand-wise in the second half?

Eran Zinman - *Monday.Com Ltd. - Co-Founder, Co-CEO, & Director*

Yes. Yes. I mean, currently, we don't see any softness, maybe a little bit specific cases, but nothing broad, not in Europe and not in the U.S. But we are monitoring the situation, like on a weekly basis. If we'll see any changes in the environment or in the demand, we'll adjust, but currently, we don't see any.

I would say that we're -- I think as a company, we're in a great position because of our customer base. We mentioned that 70% is non-tech. So I think any effect on tech sector is not very significant for us. And also, 200 different business verticals, so nonspecific vertical that kind of have an effect or -- it's very spread across many countries, many business verticals in tech and non-tech. So overall, on average, we don't see kind of any major changes.

Mark Ronald Murphy - *JPMorgan Chase & Co, Research Division - MD*

Okay. How about -- can you touch on the hiring environment then? Because I think that's something that comes up -- everyone is also trying to track wage inflation. There's a shortage of skilled labor out there. You hired a ton of people, I think especially...

Roy Mann - *Monday.Com Ltd. - Co-Founder, Co-CEO & Director*

Probably more than a ton. We found a way to do it.

Mark Ronald Murphy - *JPMorgan Chase & Co, Research Division - MD*

Yes. A couple of tons. So -- and I think a lot of that was happening in January or February. Could you just comment on the hiring environment? Because again, it's one of these concerns -- one of the concerns in the background is, can companies really keep that pace going.

Roy Mann - *Monday.Com Ltd. - Co-Founder, Co-CEO & Director*

Yes. So it's conflicting, right? Like you think like economy goes one direction, and it's hard to hire. So we definitely saw that it's easier for us to hire more people, like in Q1 and definitely see that as a trend. I think like -- well, we're -- like the hiring for us as other tech companies, that's who we compete with, so I think everyone kind of like backed off being so bullish in other areas, definitely. I can't really -- I don't want to -- I have my assumptions. But like in terms of what we really see is that it's easier for us to hire great talent.

I can also say that from the marketing perspective, we saw like the bids on some of the media, they got down, like a little bit down, the demand, the competition.

Mark Ronald Murphy - *JPMorgan Chase & Co, Research Division - MD*

No kidding.

Roy Mann - *monday.com Ltd. - Co-Founder, Co-CEO & Director*

Yes. So I feel everyone is kind of like kind of taking their breath on a lot of stuff. And for us, it's great. And I mentioned like I heard like one quote that I like that said that everything is going to be easier, except raising money for now. And so I'll take it, if that's the case.

Mark Ronald Murphy - *JPMorgan Chase & Co, Research Division - MD*

So -- and just to clarify, so easier hiring environment today than 6 or 9 months ago? And easier -- and sorry, kind of cheaper bids on performance marketing today than 6 or 9 months ago?

Roy Mann - *monday.com Ltd. - Co-Founder, Co-CEO & Director*

Yes.

Mark Ronald Murphy - *JPMorgan Chase & Co, Research Division - MD*

Wow. Okay. So it's great to hear. Why don't we take a pause and just see if we have any questions from the audience? If you do, go ahead and raise your hand. We got a couple here, and we'll get you a microphone. Here you go.

Unidentified Participant

How about data infrastructure spending? Is there any changes in that you're noticing?

Eran Zinman - *monday.com Ltd. - Co-Founder, Co-CEO, & Director*

What do you mean in terms of infrastructure, sorry?

Unidentified Participant

Are you trying to cut cost on data infrastructure spending or pricing has improved just given what's happening?

Eran Zinman - *monday.com Ltd. - Co-Founder, Co-CEO, & Director*

Yes. So currently, no, because we also don't see -- we mentioned that any kind of softness in the market or any kind of -- nothing that's changed in our ability to acquire customers. But as I said, we're monitoring that. If we see any changes, we'll adjust.

Roy Mann - *monday.com Ltd. - Co-Founder, Co-CEO & Director*

But in infrastructure, it's like our gross margin is very high. Like it's -- like with customer demands, we invest in infrastructure, whatever is needed.

Unidentified Participant

Could you talk a bit about how you think about stock-based comp and your use of stock-based comp going forward based on where the stock price is? How you guys can maybe look at alternative ways to compensate your employees? And anything you can say about retention of your employee base in that context?

Roy Mann - *monday.com Ltd. - Co-Founder, Co-CEO & Director*

I can take it. So first off, we're lucky because like we have IPO-ed and everyone who got like options are first above the water and then like way above the water because like it was pre-IPO that we -- so like everyone is really well retained on that aspect. Post-IPO, we gave like -- you get something with a [zero], you're always -- the employees are always above water. So there's no problem there.

And also, when we -- we're like -- that's nice, that's really good. So if you look at the ARR to headcount that we have, we have a lot of ARR per headcount. So it's easy for us to well compensate employees. And I can say, like everyone is like pretty happy because we have a very low retention rate -- very high retention rate, like really super high. So it's like not -- completely nonissue in that respect. And we're, again, hiring a lot.

Mark Ronald Murphy - *JPMorgan Chase & Co, Research Division - MD*

Great. Anything else from the audience? We have one here.

Unidentified Participant

Just a quick question. How do you define non-tech? You said 70% of your customers are non-tech. Every company is becoming a tech company. So curious how you define that?

Roy Mann - *monday.com Ltd. - Co-Founder, Co-CEO & Director*

Yes. It's a really great question. So what we did is do that manually, like we went in and actually filtered a lot of companies. And it's -- there are gray lines and there are no gray lines, right? Like if you're a part of a...

Eran Zinman - *monday.com Ltd. - Co-Founder, Co-CEO, & Director*

I'm not sure. Is the question about how do we measure that? Or how do we read those companies?

Unidentified Participant

How do you measure.

Roy Mann - *monday.com Ltd. - Co-Founder, Co-CEO & Director*

How do we like categorize, how do we read those 70%. So like -- so if you're selling technology, okay, or a tech company, okay, and if you're a -- and so you are influenced from that segment. If you're like a, let's say -- even companies who build airplanes, they have like manufacturing plants and those like -- so those, we consider as non-tech because they have like a technical department, but the vast majority of their business and employees and everything is not the tech sector. So I hope it answers the question, but like we created a category for like each type of business and then kind of went on and categorized everyone.

Mark Ronald Murphy - *JPMorgan Chase & Co, Research Division - MD*

Yes, it gets a little -- it can get complicated because is Tesla a car company or a technology company, right? But I think we understand your process with that. Let's -- I think we have about 2 minutes left. So I do want to ask you about the enterprise trend because we -- when we observe this marketplace, there's an interesting element where when we look across, in this case, monday, Smartsheet, Asana, right? If I just look at the 3 that

are public, they're all targeting enterprise, right? They're all speaking to it. And you have this growth in enterprise. So you're over \$50,000 ARR, it almost tripled. And it hit 1,000. I mean it's roughly tripling.

So let me ask you this way, how strong is your conviction that you can win that enterprise battle or keep that kind of growth -- that progress going in enterprise, while you're also serving companies that might have 10, 20, 30 users? How do you balance it?

Eran Zinman - *monday.com Ltd. - Co-Founder, Co-CEO, & Director*

Yes, I think it's a great question because some companies what they do, they go to the enterprise. And what they do essentially is to kind of shut down the non-enterprise business, which I think long term is a huge mistake because all companies over time grow and without those new companies to try the product and give you feedback, at the end of the day, it just -- feedback from the sales team that kind of takes the product in their own direction, in my opinion.

So for us, it was always about the combination of both, having like a very strong no touch while going to the enterprise, and it's difficult to do, right? It's not very intuitive. But at the end of the day, I think it's the best way for it. We have great momentum with enterprise. It's our fastest-growing part of the business. The NDR is over 150%. We disclosed this quarter we're going to continue to disclose it for \$50,000 accounts. As you said, it's growing super fast. We invest heavily, mainly the product, we put a lot of focus on product and seen user engagement on the platform. So for us, it's something that we're very focused on. So we have a lot of confidence it will be -- continue to grow this way.

Roy Mann - *monday.com Ltd. - Co-Founder, Co-CEO & Director*

Yes. And just adding, like our go-to-market motion is like people sign up and we do the bottom-up approach, like we sell them and then sell them again. And so the way companies adopt software have changed. Like enterprises start -- a lot of them just like start by signing up and giving it a try. And some of them expense report it and those kinds, like shadow IT, those kinds of -- because they want to try. And then you reach out and help them and then they scale. So for us, there is really no contradiction because all the motion we have is tied to the same thing. So it's going to keep staying both. We're going to scale on both.

Mark Ronald Murphy - *JPMorgan Chase & Co, Research Division - MD*

It's a great note to end on. We're right on time. Roy, Eran, I can't thank you enough for taking the time to be here with us today. That's very helpful.

Roy Mann - *monday.com Ltd. - Co-Founder, Co-CEO & Director*

Thank you.

Eran Zinman - *monday.com Ltd. - Co-Founder, Co-CEO, & Director*

Thank you, Mark.

Roy Mann - *monday.com Ltd. - Co-Founder, Co-CEO & Director*

Super happy to be invited.

DISCLAIMER

Refinitiv reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES REFINITIV OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2022, Refinitiv. All Rights Reserved.