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EDITED TRANSCRIPT

MNDY.OQ - Q3 2021 Monday.Com Ltd Earnings Call

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PRESENTATION

Operator

Thank you for standing by, and welcome to the monday.com Q3 Fiscal 2021 Earnings Conference Call. (Operator Instructions) As reminder, today's conference call is being recorded.

I would now like to turn the call over to your host, Mr. Byron Stephen, Investor Relations Director. Please go ahead, sir.

Byron Stephen

Thank you. Good day, everyone, and welcome to monday.com's Third Quarter 2021 Earnings Conference Call. Joining me today are Roy Mann and Eran Zinman, co-CEOs of monday.com; and Eliran Glazer, monday.com's CFO.

Earlier today, we released our results for the third quarter. Our earnings materials are available on our Investor Relations website at ir.monday.com. There, you'll find the investor presentation that accompanies our prepared remarks and a replay of today's webcast under the News and Events section.

Certain statements made on the call today may be forward-looking statements, which reflect management's best judgment based on currently available information. These statements involve risks and uncertainties that may cause actual results to differ from our expectations. Please refer to our earnings release for more information on the specific factors that could cause actual results to differ materially from our forward-looking statements.

Additionally, non-GAAP financial measures may be discussed on the call. Reconciliations to the most directly comparable GAAP financial measures are available in our earnings release and the earnings presentation for today's call, which is posted on our Investor Relations website.

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With that, let me turn the call over to Roy.

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

Thank you, Byron, and welcome to the monday.com team. Thank you, everyone, for joining us today.

During our first earnings call, we were thrilled to introduce many of you monday.com and to share with you our thoughts on the company and the large opportunity ahead of us. Going forward, we will focus these calls on our most recent performance and our future expectations. We invite those of you who are still just getting to know monday.com and our Work OS platform to visit our company and Investor Relations websites and where we have many videos and a lot of other content that should be helpful to understanding our company and our business.

Now let me briefly talk to you about Q3, which was another strong quarter of growth. Even more organizations use monday.com to create software that fits their needs. Revenue grew 95% year-over-year to $83 million as we continue to drive growth through the acquisition of new customers and increase adoption and expansion within our existing customer base.

As mentioned previously, upmarket growth is one of our top priorities. I'm pleased to report that our expansion into the enterprise space continues to gain momentum. We ended the third quarter with 613 enterprise customers, up 231% from 185 in the third quarter of 2020.

Additionally, we continue to expand within our existing customer base. Our net dollar retention rate increased in the third quarter as a result of our ability to continue to deliver strong ROI and great customer experience. Net dollar retention for customers with more than 10 users improved to over 130%, and our net dollar retention rate for all customers improved to over 115%. As a reminder, our net dollar retention rate is a trailing 4-quarter weighted average calculation.

Because of these outstanding results and our continued upward trajectory, we are raising guidance for the remainder of the year. For full year revenue, we are increasing guidance to a range of $300 million to $301 million, representing 86% growth for the year. Eliran will provide you with more details on our third quarter results, along with full updated guidance.

I'll now turn it over to Eran to give you some further highlights from Q3.

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

Thank you, Roy. As we continue to take our product innovation to new heights, we give our customers more capabilities to easily build their perfect no-code/low-code work software. In Q3, we experienced a strong start to our new monday workdocs, launched new capabilities with My Work and introduced one of the first 2D work management apps in the Quest store at Meta recent Connect event.

Let me first touch on monday workdocs. In Q3, we launched workdocs, giving our customers the ability to manage their work, ideas and data in an unstructured way. These are more flexible ways to onboard and adopt our platform, adding a new customer entry point.

To date, our customers are using monday workdocs for a range of use cases and industries, such as marketing, operations, CRM and more. More than 40,000 existing customers are already using monday workdocs, with many using monday workdocs for core, complex workflows.

Since our launch, our customers have created more than 300,000 workdocs on money.com. It's amazing to see how much our customers love monday workdocs. And in line with our mission, we wanted to provide our customer with even more freedom to adjust monday workdocs to their business needs.

That's why we launched to create layout with monday workdocs. Layouts allow customers to create any kind of template with live data for their monday workdocs, such as the CRM contact page, a deal page, a marketing campaign review and much more.

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Our no-code automations and integrations are used by the vast majority of our customers. 100% of our enterprise accounts use them, while 88% use more than 50 different automations. Over the past year, our customers have automated over 900 million actions using our platform. Starting this quarter, we introduced a dynamic workflow builder, enabling our customers to easily create, without any code, any kind of new automation or integration, no matter how complex they need it to be.

Customers can now mix and match actions and triggers, without limits on the number of actions and triggers involved. Developers can add their own no-code automations and integrations to create even more applications for our customers. Our dynamic workflow builder will completely take our automations and integration to the next level, giving even more power to customers and developers.

We're excited to announce today the launch of My Work, a place for customers and organization to centralize all items, whether it's deals, campaigns, tasks or anything else, associated with their accounts. This mega-table gives individuals within teams the ability to gather customized data across all business units. We believe My Work is another step in giving organizations the resources to improve operational efficiency and productivity.

Let me turn it back to Roy to further discuss our expanding ecosystem.

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

Thanks, Eran. We made steady progress during the quarter in growing our ecosystem and expanding our global footprint. During the third quarter, we signed a new global alliance agreement with Tata Consultancy Services, a leading global IT services, consulting and business solution organization. TCS and monday will work together to innovate digital workflow and automation solutions, transforming workflow collaboration while ensuring regulatory compliance.

We have also partnered with Hootsuite and Semrush, who have built apps on the monday marketplace, to help deepen the value for customers using monday for marketing operations. Partnering with our customers is key to molding our platform's future together. Lastly, we expanded our workforce presence with additional offices in Tokyo and Sao Paulo. We will continue to invest in growing our ecosystem and workforce in order to serve over 1 billion global knowledge workers.

Now let me turn it back to Eran to discuss our operating highlights.

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

Thanks, Roy. We had another outstanding quarter in terms of customer wins and expansions. These were broad-based across industry verticals, with major companies including Jamf, eBay, Cegedim and Outbrain. Let me speak briefly about Jamf and how their usage of our Work OS continue to evolve.

Jamf is the world leader in Apple Enterprise Management, helping more than 57,000 companies, schools and government organizations around the world manage and secure more than 25 million Apple services (sic) [devices]. Jamf's marketing team has been using the monday.com Work OS to increase collaboration and efficiency since 2019.

Recently, they have added many more groups, such as product, engineering, project management and sales enablement to the platform, allowing their 2,000 employees to work more closely together. This is another example of how monday.com can help high-growth global companies, and we're very happy to be part of their growth and success.

Our exceptional third quarter results are further proof that our customers are seeing the value of using our Work OS. With the platform's no-code capabilities, customers can adopt each building block to build software applications and tools that fit their desired use cases and evolving needs.

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Creating a great user experience is at the core of how our company operates, which was recently on display at Elevate, our flagship customer conference. At this year's Elevate, we're able to help even more customers reimagine the way that they work, with over 52,000 registrants from over 100 countries, over 3x the number of registrants from last year.

Additionally, we continue to make investments in our people, and leading publications are taking notice. During the past quarter, monday.com was recognized by Fortune magazine as one of the Best Small to Medium Workplaces, along with one of the Best Places to Work for Millennials.

I'm extremely proud of our employees and where our company has come in a short amount of time. The opportunity ahead of us is huge. We believe that we are at the intersection of a number of work trends: no-code/low-code, massive digitization and remote work, that positions our Work OS to become the market leader in our category.

I'll now turn it over to Eliran to cover our financial and guidance.

Eliran Glazer - *monday.com Ltd. - CFO*

Thank you, Eran, and thank you, everyone, for joining our call. Today, I'll review our third quarter fiscal 2021 results in detail and provide updated guidance for the fourth quarter and full year fiscal 2021.

We are extremely pleased with the results of the quarter, which demonstrated continued high growth at scale across all fronts. As Roy mentioned, total revenue in the third quarter came in at $83 million, up 95% year-over-year, led by large expansion within our existing customer base and acquisition of new customers.

We continue to execute against an ambitious hiring plan. For Q3, we ended the quarter with close to 950 employees globally. This represents an increase of more than 50% from a year ago, with the majority of additions coming from R&D and sales and marketing. We plan to continue to make substantial investment in these categories for the foreseeable future.

For the reminder of the financial metrics disclosed, unless otherwise noted, I will be referencing non-GAAP financial measures. We have provided a reconciliation of GAAP to non-GAAP financials in our earnings release.

Gross margin came in at 90.2%, up from 87.1% in the year-ago quarter. Research and development expense was $14.3 million or 17% of revenue compared to 22% in the year-ago quarter. We will continue to invest purposely as we position monday to drive durable growth and win in large addressable markets. While we continue to invest significantly in R&D, the pace of our revenue growth has outpaced the investment growth.

Sales and marketing expense was $61 million or 73% of revenue compared to 128% in the year-ago quarter. The improvement was driven primarily by continued efficiencies as we continue to scale our sales and marketing spend to focus on customers with 10-plus users and enterprise customers. Similar to R&D, the pace of our revenue growth has outpaced the investment growth.

G&A expense was $9.1 million or 11% of revenue compared to 9% in the year-ago quarter, reflecting increased costs of being a public company. Operating loss was $9.4 million, and operating loss margin improved to negative 11%. Net loss was $11.4 million, and loss per share was negative $0.26.

Moving on to the balance sheet and cash flow. We ended the quarter with approximately $876.2 million in cash and cash equivalents. Net cash provided by operating activities was $3.8 million in the quarter.

Adjusted free cash flow was $2.9 million and was driven by strong collections stemming from our continued strong billings. Adjusted free cash flow is defined as net cash from operating activities, less cash used for property and equipment and capitalized software costs, excluding nonrecurring items such as costs related to the build-out of our corporate headquarter office in Tel Aviv.

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Now turning to our outlook for the fourth quarter and the full year 2021. For the fourth quarter of fiscal year 2021, we expect our revenue to be in the range of $87 million to $88 million, representing growth of 74% to 75% year-over-year. We expect a non-GAAP operating loss of $23 million to $22 million.

For the full year 2021, we are raising guidance and now expect revenue to be in the range of $300 million to $301 million, representing growth of 86% to 87% year-over-year. We expect a full year non-GAAP operating loss of $65 million to $64 million and a negative operating margin of 22% to 21%.

As our guidance indicates, we expect to end 2021 on a very positive note and enter 2022 with strong momentum. We plan to introduce guidance for 2022 on our next earning calls. With that, now let me turn it over to the operator.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from Kash Rangan of Goldman Sachs.

Kasthuri Gopalan Rangan - *Goldman Sachs Group, Inc., Research Division - Analyst*

Congratulations on a spectacular quarter here. Not only did you show solid top line, but you're able to show leverage on the bottom line here as well. All the metrics look fantastic, so congrats.

My question is, as you look at '22 and beyond, it looks like when you compare your financial results to the current company with the largest revenue, you're coming up on them very quickly. And so I'm curious to get your thoughts on the competitive landscape. As you especially move upmarket, what is it like? Are you still seeing the wide open space that you did at the time of the IPO and before? Are you seeing the margins and changes in the competitive landscape?

And as a result of moving upmarket, I would assume that the prospects and the deal sizes that are afforded to you will start to expand pretty significantly. And so you're going to have to hire more enterprise or the enterprise-class sales people. How does that motion coming along for you guys as you look upon this tremendous option in front of you?

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

Kash, it's Roy. Thank you for the questions. So yes, we see -- as we grow, and you asked like if we see this as a greenfield market. So the answer is like, definitely, yes. We are now only starting to see that companies are asking for Work OS, okay? Up until now, they looked at us for different solutions, but not for the core of like building their own software. That's what they understood after they asked for us.

We're starting to see that they are asking it for -- before. So I think that's a really positive momentum in the market, that people are starting to understand this category. Companies are looking for it. So I think we're just like really in the beginning.

And obviously, as we grow upmarket, we will have to scale our sales operations and invest a lot more in both marketing and sales and build that as we scale our operation. And yes, that's something we're planning on doing this year, next year. And like it's something we're very bullish about.

Operator

Our next question comes from Ittai Kidron of Oppenheimer.

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Ittai Kidron - *Oppenheimer & Co. Inc., Research Division - MD*

Maybe a couple ones for me. Guys, can you talk about workdocs? And My Work seems to be off to a very nice start here. How do you think about the impact of those solutions on your net retention numbers?

And then also, Eliran, maybe you could talk about the Israeli shekel [currency]. It's acting quite aggressively. What does it do for your planning and your OpEx as you move into '22? How far ahead are you hedged? And when and how does it hit?

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

Yes. So Ittai, this is Eran. I can start with the first part of your question, and then I'll hand over to Eliran. So as we mentioned in the beginning, we see amazing adoption of workdocs. More than 40,000 accounts are using it. But I think, even more importantly, 50% of workdocs are being used for what we define as core workflows, meaning that's a very important part of how companies manage their day-to-day.

This is, up to date, one of our most widely adopted features in such a short amount of time. More than 250,000 workdocs were created since we launched it. It was like a soft launch. So looking at all parameters, we see this as a huge success.

It's hard to say how much this will impact net retention because it's still early days. But judging from the adoption and the excitement and the fee that we get from users, I'm sure it has a lot of value to our customers. And it will be reflected in their satisfaction and how they use the platform over time.

Eliran Glazer - *monday.com Ltd. - CFO*

Thank you, Eran. Ittai, it's Eliran. With regards to your question on the shekel and dollar, obviously, this is a challenge for the entire industry in Israel, the ecosystem of the start-up companies. But if you think about us from a global perspective, first of all, 50% of our expenses are in U.S. dollars, if you think about our online marketing spend and payroll outside of Israel. So this is hedged by definition.

In addition to that, we are doing and using an hedging company in Israel to make sure that we are protecting the budget. Obviously, this year, we took the dollar rate, 3.2, and now the shekel at 3.1, but we are trying to proactively hedge against it. We don't see yet -- seen a big issue due to the cost breakdown. However, this is something that we are very much focused on with regards to the Israeli shekel-dollar.

On the revenue side, most of our revenue is collected in U.S. dollar and a small portion is in euro and British pound. So we are also looking at hedging strategies to make sure that we're also protecting our top line, where possible.

Operator

Our next question comes from Scott Berg of Needham. (Operator Instructions)

Our next question comes from Mark Murphy of JPMorgan.

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

I'll add my congrats on a very solid quarter. My first question is, curious to what extent you think you're seeing uplift in demand based on favorable linkage with being able to enable companies to adjust to hybridized workforces. In other words, having employees that would be both remote and in-office as the economies start to reopen from the pandemic, just in terms of creating this ability to have better collaboration around projects and deadlines.

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

Thank you. It's Roy. So I think that, even during the beginning of the pandemic, we've got a lot of reports from customers that it will seem less for them to move to work remotely. And I feel we'll play a big part in helping people organize, companies organized around anything, whether they are in work or work remotely or both.

So this thing, that changes all the time. I think this is the world we live in, but it's going to stay. I don't know how it is around the world. In Israel, I can tell you, we go back and forth. And the systems stay stable, and you can work with it wherever you are.

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

Okay. As a follow-up, I was chuckling because I saw another monday.com ad on my browser when I logged in this morning to listen to the call. And I think, every time I see one of your ads, I -- a couple of times a week, I think these advertising campaigns are brilliant and they're fantastic. You had one that -- it has a gorilla or big foot or something like that. They're super creative.

We also keep hearing that Apple's deprecation of IDFA is kind of upending that -- this model of performance advertising, right, because you might not be able to use cookies or some of these low-privacy schemes. And so, I guess, I'm curious, how have you been able to adapt and keep this retargeting going with these ads across our devices and websites? And just how have you been able to successfully navigate that and stay ahead of the curve?

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

Yes. Mark, this is Eran. So I can answer that question. So I think the changes that you referred to are affecting more B2C companies who rely heavily on advertising through mobile devices and tracking people across different applications. We're in a different position in terms of how we exercise.

First of all, obviously, a big part of our budget is -- goes to Google AdWords and other services that are more intent-based. So it's not about tracking people, but seeing people's intent and what they're searching for.

And in other platforms such as Facebook or Instagram, we target mostly what people are interested in and not personal information. So those changes that you refer to aren't affecting us at all in terms of our ability to target people and find relevant customers on those platforms.

Eliran Glazer - *monday.com Ltd. - CFO*

And maybe, Mark, to add to what Eran said, we also have a DPO in the organization that is working very closely with us. And we are looking into all the security issues with regards to our campaigns. We don't see much of an impact. But I would like also to take the positive of what you said earlier and said that we continue to invest aggressively in our online campaigns and what you see.

This is part of our strategy. So onwards, if you look at Q4, even next year, this is one of the things that we would like to double down to make sure that you and your friends and your colleagues will continue to see these amazing advertisements as we continue to invest in them.

Operator

Our next question comes from Derrick Wood of Cowen and Company.

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James Derrick Wood - *Cowen and Company, LLC, Research Division - MD of TMT - Software & Senior Software Analyst*

Very impressive quarter. A couple of questions on the inflection on new $50,000 customers. Is that driven all by expansion business? Or are you starting to see more net new customers landing in that $50,000 range? And maybe could you comment on what geographies you're seeing in terms of incremental strength?

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

Yes, this is Eran. So I would say both. So we see our existing customers -- just to remind us, in our model, it's land and expand. So usually, people start using monday organically and scale. And then our sales team pick up those leads and have them scale. So we definitely see a lot of benefits from that, and we get more and more customers that are able to scale within our platform.

But one very interesting trend that we're starting to see, as we scale and as we kind of grow our brand, is customers who land with higher contracts, people that want to adopt monday widely within their company and sell with larger account. So my answer would be both those 2 trends are what's affecting the growth. And like Eliran mentioned in the beginning, this is a core part of our strategy going forward and a big focus for us as a company.

Eliran Glazer - *monday.com Ltd. - CFO*

And maybe just to add to Eran that we land bigger and we see better retention profile, it will obviously impact all our KPIs to the results that you have seen in the press release.

James Derrick Wood - *Cowen and Company, LLC, Research Division - MD of TMT - Software & Senior Software Analyst*

Fantastic. And second question, interesting to hear you or see you spark a new global alliance with Tata. Can you just talk about how you plan to build on this relationship and generate new channel leverage? And what's the strategy with trying to coalesce other SIs?

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

Yes, I can pick this one. This is Roy. So we see partners as a big part of our strategy worldwide. Tata is one of them. And we work with -- we have over 100 worldwide of medium size, and we're growing into the large ones. And it's amazing. We see a lot of synergies with the existing practices that they have, that we can just like integrate into those. And it's super exciting.

Operator

Our next question comes from DJ Hynes of Canaccord.

David E. Hynes - *Canaccord Genuity Corp., Research Division - Analyst*

I want to ask a little bit about the marketplace. You've announced Hootsuite and Semrush building out apps in the marketplace. I think you've talked about launching a payment system into the marketplace at some point. Obviously, that would be huge for your partners there. Just any thoughts around timing and ability to monetize that -- the marketplace as it continues to scale?

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

Yes, sure. So this is Eran. So yes, definitely, having the ability to monetize through our marketplace is on the road map going forward. We don't have exact dates, but probably at the beginning of next year, that's kind of the time line. Again, we keep investing into the marketplace, adding a lot of more features. And we've seen those big partners, those also on apps.

And overall, we see much more adoption within the marketplace, more asking bills, more users, installing those applications. And we have a lot of features that we plan to add to that marketplace. As I mentioned, it's a very strategic part of how we think about monday as a platform. So we're going to invest heavily into that.

Operator

Our next question comes from Brent Thill of Jefferies.

Sang-Jin Byun - *Jefferies LLC, Research Division - Equity Analyst*

This is John Byun for Brent Thill. I have 2 questions. On -- first, on workdays (sic) [workdocs]. Wondering if you're seeing different use cases compared to the use of boards, whether the same users are doing -- using both boards and docs? Just if you can give more detail there.

And just a quick housekeeping. On the share lock-up that was mentioned in the press release, wondering approximately how many shares may be released? I think from the F-1, it looked like it was a fairly small amount, but it sounds like it may be more broad-based.

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

So it's Roy. I can take the workdocs part. So yes, we have many users that are builders, like they build the workflow. And for them, it's both, like they create a board and connect it to a document. Sometimes you create like a whole area of work, where you have both integrated.

And the reason we created workdocs is because we wanted to allow people an unstructured way to start work. And we see a lot of people just start with the document and might write some things, and then you create a board within that doc, okay? And then it takes off from there.

I can tell you that many people do the exact opposite. They have a board, and then they had a document column. And they have moved lot of documents within the board, and they manage documents from the structured way to the unstructured.

So I think we really saw -- one of the things we are trying to achieve, which is a multiplication of abilities effect, like you add like seamlessly just like 1 building block, but then it's multiplied by the power of others. So it's really like a really core and amazing addition to the Work OS.

Eliran Glazer - *monday.com Ltd. - CFO*

This is Eliran. Just to make sure, you were asking about the share count? Just to make sure this is the question.

Sang-Jin Byun - *Jefferies LLC, Research Division - Equity Analyst*

No, the release of the share lock-up. That's coming up on Friday?

Eliran Glazer - *monday.com Ltd. - CFO*

The release of the share lock-up, so we are going to do this Friday, on November 12. That is going to be the release of the lock-up, the expiration.

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Sang-Jin Byun - *Jefferies LLC, Research Division - Equity Analyst*

Is there a rough number of the shares that you expect to be eligible for release? I mean, from the F-1, I think we're getting some questions that the numbers were fairly small, but looks like it's broad-based.

Eliran Glazer - *monday.com Ltd. - CFO*

We can't really tell. We -- remember, we had 2 gradual releases along the way, so we can't anticipate what will be the number of the release.

Operator

Our next question comes from Brent Bracelin of Piper Sandler.

Brent Alan Bracelin - *Piper Sandler & Co., Research Division - MD & Senior Research Analyst*

I'm impressed to see another quarter of accelerating growth here, gentlemen. But I'd be curious to hear how the freemium offering is impacting the land motion, top-of-funnel build. Are you starting to see any kind of conversions to paid yet? Any color on the freemium offering that -- and tier that was launched early this year would be helpful.

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

Sure. This is Eran. So as we mentioned, it was a very successful launch for us as a company, and we've seen no negative impact on the conversion. But on the other hand, it would be a new type of funnel for the user. I would say that it's not yet super significant in terms of adding new paying customers because the funnel is very long.

But what we do see is that, with awareness of our brand, we see more people using the platform in absolute numbers because we get a lot of free accounts, individual usage. And we feel that, over time, this will create more exposure for our brand. Conversion rate is steady. So we see that free funnel converting over time, but it's still hard to kind of forward-predict how much impact this will have on our bottom line of the company.

So overall, it's a very successful step and change in our product. And I'm sure it's going to have a very positive effect on our brand. And over time, we might see more and more paying customers converting from that free funnel.

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

Yes. I can also add, it's Roy, that we see the free as a base infrastructure to build more stuff. Because if you have that ability to give customers something that they can rely on forever for free, you can offer other stuff that they can tie into, like forms and other things. So I think it's a base for us to jump into future products more than anything, and that's what we're super excited about.

Brent Alan Bracelin - *Piper Sandler & Co., Research Division - MD & Senior Research Analyst*

Helpful color there. And Eliran, just one quick clarification. You did generate positive free cash flow in the quarter. It's well ahead of a year, ahead of schedule there. I guess, how are you thinking about balancing kind of growth here in cash flow? Do you plan to further accelerate investments? Just how should we think about kind of the nice little surprise here on free -- positive free cash flow this quarter? And how should we think about that going forward?

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Eliran Glazer - *monday.com Ltd. - CFO*

Thank you, Brent. Actually, I expected this question. So obviously, this is the result of the fact that we had a significant increase in revenue and ARR. And just as a reminder, our business model is paying upfront -- [10%] of the subscribers are paying upfront and 30% are paying monthly. So the fact that we had an eye for growth, together with a very efficient collection, drove this efficiency within our cash flow.

Overall, we will continue to operate in accordance with our long-term plan. We don't aim -- this is not a target for us to be cash flow positive in the near future or to generate cash. Definitely, we are, as we said, we're going to continue to invest aggressively as we talked, if I may, relating to Mark's question earlier on the marketing campaigns and hiring. So from our perspective, this is -- obviously, this is great, but we would like to continue to invest aggressively and make sure that we see this efficiency going further.

As a reminder, one more thing that -- because we generate such a huge capital efficiency of 3x, if you think about every dollar that we burned since inception, it's -- we are getting like $3 in terms of ARR. Definitely, for us, it would be s(expletive) not to continue to invest. So this is the direction. We are going to continue to invest aggressively on all fronts.

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

Yes. And if I can support what Eliran is saying, it's Roy, then the plans we have for next year are going to challenge the revenue growth, but we can't predict. But we have big plans for next year.

Operator

Our next question comes from Arjun Bhatia of William Blair.

Arjun Rohit Bhatia - *William Blair & Company L.L.C., Research Division - Analyst*

And congrats on a great quarter, guys. I was particularly impressed with the $50,000 trends. And I'm wondering, as you kind of expand your presence, as brand awareness builds and as you see more upmarket traction, whether the profile of the customers that you're attracting has changed. Obviously, customers are willing to spend more. But I'm wondering if the profile tends to be more, are you starting to see more larger enterprises come in? Or is it too early to see that mix shift in the customer profile at this point?

Eliran Glazer - *monday.com Ltd. - CFO*

So yes, sure. So we are going to -- as we said, the core focus for our customers is the customers with 10-plus users. So we see the share of these customers, Arjun, are basically increasing, over time, their share of ARR and also will land higher. So the profile of these customers is definitely contributing to our net dollar retention rate and growth.

In addition to that, we see customers with more than $50,000 in ARR growing as well. So the combination of customer of 10-plus users, plus a group of them are sub-users, customers with more than $50,000 in ARR, are becoming the kind, I would say, the bulk of our customers. And this is the customers that we are pursuing as part of our marketing and sales efforts. So we expect this trend to continue up.

Important to say that we don't neglect the smaller customers because they are basically what later will become the bigger customers. So even if we start with -- we see the profiting of the big customers, it's important for us to have the small ones that later become the big ones, if it makes sense to you, Arjun.

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Arjun Rohit Bhatia - *William Blair & Company L.L.C., Research Division - Analyst*

Yes, that's very helpful. Very clear. And then I wanted to follow up on Brent's last question there around investments. It sounds like you have big plans for 2022. And I was wondering if you could maybe just touch on the go-to-market investments that you're making right now, particularly in that direct enterprise group.

Because we did see a big step-up in R&D expense this quarter. But I think the tick up in sales and marketing was a little bit more modest. So I was wondering if there's any hiring trends that you would point out that maybe are not coming in yet that might come in next year?

Eliran Glazer - *monday.com Ltd. - CFO*

So definitely, we are going to continue to hire aggressively. So just -- we had a PR in the past. We opened a cert academy in Israel, where we had, I think, thousands of registrations. And we only choose a few dozens of them just to make sure that we have the talent.

It's not only salespeople, it's customer success and customer success managers because they drove retention and customers, big customers. So this is another place of our effort. So we have big plans to double down on hiring the customer success managers, sales, and this is part of our go-to-market strategy.

In addition to that, we would like to continue to invest, as you said, on R&D. So the combination of investments in R&D as well as in sales and customer success, alongside the partners, this is, I would say, the main focus of us within next quarter and the following years.

Operator

Our next question comes from Scott Berg of Needham.

Scott Randolph Berg - *Needham & Company, LLC, Research Division - Senior Analyst*

I apologize for the audio issue earlier. Nice quarter. I guess, I got 2 questions here and 1 revisit, I guess, question from a moment ago around enterprise customers. But I wanted to ask the question, I guess, in a slightly different way is, as you just look at your lands broadly, whether it's a small customer or a large customer today, are your customers landing with a different seat count on initial sale kind of on average than, say, maybe a year ago, right as the pandemic was really kind of running full force?

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

Yes. Thank you. So this is Eran. So Scott, I think definitely, yes, we see a trend where, as I mentioned, a big part of our enterprise strategy is bottom-up. But we're also seeing larger companies starting from a larger deployment within monday. So as we kind of increase our brand awareness and people are more aware about our solution, so we see kind of more companies started in adopting monday with other deployments.

I think it's also the fact that we improved our product and make it more enterprise-ready and on other changes that we're making to our platform. So definitely, yes. But again, it's both, both bottom-up and larger accounts deploying. But that trend you mentioned, we definitely see it.

Scott Randolph Berg - *Needham & Company, LLC, Research Division - Senior Analyst*

Great. And then from a -- a follow-up question is, I had heard from a consultant not that long ago on their thoughts that back to the office might actually have a positive impact for vendors in this space, mainly because they start seeing all the antiquated processes even more once they're in-person in an office versus maybe not seeing all the other challenges when they're working at home. Do you think going back to the office can be a trend to help adopt tools like monday today? Or it's -- maybe that trend's just been set from working from home over the last year?

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

It's Roy. So what we saw during like the shift from work to home is that people was struggling to organize things, and so we helped push them to digitize and organize themselves. And when they come back, what we see is that -- and it might support what you got, is that it's easier to adopt a new tool and to change things when you're together in an office, okay? So I think the adoption of new tools are easier when you're together. And kind of like doubling down on solutions, we already have kind of -- when people are apart, but also adoption, if it helps.

Eliran Glazer - *monday.com Ltd. - CFO*

So maybe just to add to Roy. If you think about what happened in the last 2 years in the industry, in the sector that we operate, so definitely, there is a secular tailwind and there is momentum with digitization. Obviously, there are more for the cloud, the use of cloud. So this is a long-term trend that we are seeing. So the fact that either with working remotely or going back to the office, that I think this trend will continue and will drive further growth in the sector, in our space.

Operator

Our next question comes from Andrew DeGasperi of Berenberger (sic) [Berenberg] Capital.

Andrew Lodovico DeGasperi - *Joh. Berenberg, Gossler & Co. KG, Research Division - Analyst*

Berenberg. Just 2 questions, if I may. The first one, at Elevate, you announced the workdocs release. And I was just wondering, how does that stack up, for example, with what Microsoft announced last week at Ignite with Loop? And how would you say -- is this just an indication that Microsoft is also trying to get into the work management space?

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

Yes. So this is Eran. Yes, I think Microsoft is definitely looking into this market. And I think kind of the disadvantage is that, that Microsoft is very fragmented. You have many, many tools that can do many things. I think the benefit of having 1 platform, 1 work less, where you can manage all aspects of your work is really a game changer in how users adopt our solution and how they use it.

Definitely, over time, we're going to see more kind of companies looking into, I think, those kind of capabilities. But again, I think we're in a very different position in terms of customer adoption.

As you can see, just -- since we released workdocs, the adoption and usage on our platform has been really significant. So this really shows that the combination of the other elements of the platform, the board, the views, the dashboard with the workdocs is the true game changer. I think the workdocs, just by themselves, would have made this impact on our users and how people use it.

Andrew Lodovico DeGasperi - *Joh. Berenberg, Gossler & Co. KG, Research Division - Analyst*

That's helpful. And then secondly, separately on the enterprise wins this quarter. Can you maybe disclose to us how many seats, so to speak, have the biggest deals landed with? And then -- and if any of the deals you signed an enterprise were wall-to-wall, so to speak, or exclusive?

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Eliran Glazer - *monday.com Ltd. - CFO*

Yes. So we are seeing thousands of seats that we are landing in and expanding within our existing customer base. We are approaching 7-figure transactions. And hopefully -- this is not why it's not the target for us. This is something that we would like to pursue as well. So we are seeing constant growth in the number of seats, and in the -- we land bigger within customers.

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

Yes. And correct me if I'm wrong, Eliran. We're not disclosing like wall-to-wall or how many accounts, but we definitely see those as well.

Operator

Thank you. I'm showing no further questions at this time. Ladies and gentlemen, this does conclude today's conference. Thank you all for participating, and have a great day. You may all disconnect.

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