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PRESENTATION

Operator

Good day. My name is Charlie, and I'll be your conference operator today. At this time, I would like to welcome everyone to monday.com's Second Quarter Fiscal Year 2022 Earnings Conference Call. I'd now like to hand the call over to monday.com's Director of Investor Relations, Mr. Byron Stephen. Byron, please go ahead.

Byron Stephen; Director of Investor Relations

Good day, everyone, and thank you for joining us on today's conference call to discuss the financial results for monday.com's Second Quarter Fiscal Year 2022. Joining me today are Roy Mann and Eran Zinman, co-CEOs of monday.com; and Eliran Glazer, monday.com's CFO.

We released our results for the Second Quarter Fiscal Year 2022 earlier today. This quarter, we have introduced a new shareholder letter with our results and commentary for the quarter. You can find the shareholder letter, along with our investor presentation that accompanies our prepared remarks and a replay of today's webcast under the News and Events section of our IR website at ir.monday.com. Certain statements made on the call today will 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 will be discussed on the call. Reconciliations to the most directly comparable GAAP financial measures are available in the earnings release and the earnings presentation for today's call, which are posted on our Investor Relations website. With that, let me turn the call over to Roy.

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

Thanks, Byron. Good day, everyone, and welcome to our second-quarter earnings call. It's been 1 year since our IPO, and monday.com continues to grow. Our total revenue in Q2 was \$123.7 million, up 75% from Q2 last year. We continue to move upmarket at a fast pace, wearing our enterprise customer base to more than 1,000 customers this quarter while maintaining our best-in-industry net dollar retention rate. We continue to see strong growth across all customer segments with enterprise customers leading the way. In the second quarter of fiscal 2022, we finished with 1,160 enterprise customers, 147% year-over-year increase. The second quarter saw a significant improvement in our operating margin as we continue to make our business more efficient. Since the company was founded, we've generated approximately \$4 in recurring revenue for every \$1 we burn.

The secret behind our efficiency is our big brain analytics platform. If you ever visited our offices, you've seen dashboards on nearly every wall is playing insights from BigBrain, our in-house business intelligence tool. BigBrain collects over 200 million events a day, which informs each of our marketing campaigns and every interaction we have with our customers. By measuring everything, we empower our employees to make efficient data-driven decisions, optimizing for cash flow and maximizing efficiency. Another key part of our long-term strategy is expansion of our product offering. This past quarter, we announced our new Work OS product suite, and we've already seen impressive adoption.

Within 2 months, we have had over 1,000 new paying accounts sign up with our new Work OS product. Our new end-to-end products are tailored by vertical and build on top of the monday Work OS platform, including monday projects, monday sale CRM, monday dev, and monday marketer. Customers can now switch between products within their Work OS platform so they can unify work across their organization. We're committed to being best-in-class in every one of our product categories, and we are confident that we can achieve that thanks to the flexibility and unique infrastructure of our Work OS. These new products expand and elevate our go-to-market strategy and create additional entry points for new customers to our platform. Let me now turn it over to Eran to walk you through how customers are using monday.com to run their businesses better.

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

Thank you, Roy. Monday.com is core to our customer's business success. We're proud of the efficiency of the reaching with the Work OS platform with a customer base of more than 152,000 in over 200 countries and 200 different industries, our customers spend thousands of diverse use cases. We've pulled a handful of examples to give you a sense of that range. Renault Group recently signed up with monday.com and now uses the Work OS platform to share and manage the communication activities of its brands around the world. They're using the platform to increase their communication functions collaboration and efficiency across 39 countries.

As part of their goal to innovate the property industry, Savills turned to monday.com to execute impactful marketing campaigns across the global markets. Our implementation consultants are partnering with Savills to standardize their marketing processes, minimize wasted time and align faster decisions with their KPIs and OKRs. Lastly, in the total economic impact study released in March, Forrester cited Motorola's use monday.com for its global internal creative agency. The report showed that Motorola had significant cost saving along with increases in overall productivity, producing an overall return on investment of 346%. Reading this report was really exciting. We built monday.com as a unifying workspace that increases operational efficiency and productivity. And it's amazing to see that in action.

Our dedicated product alignment team works on meeting the complex needs of our increase in enterprise customer base. This past quarter, we prioritized making our platform even more resilient and reliable with less platform friction and more customizable administrative permissions, we improved our platform infrastructure and database, strengthening our board's stability by 75%, improve our board loading time by over 15%, expanding our multi-region architecture and made our core building blocks world worthy with hundreds of fixes and improvements across boards, dashboards and docs. In addition to those platform improvements, we prioritized the granular customizable security and administration features that our customers need, including editing permissions by sub-item and item-specific review information. These new features has helped us maintain our best in industry retention rates and enabled higher ARR.

Finally, every quarter, our customer success managers helped hundreds of customers reach their business goals and add measurable value to the company. For example, in Q2, one of our customer success managers worked with a larger consumer goods customer to maintain 100% of the monday.com licenses of remaining employees during layoffs. Our efforts resulted in more than 65% jump in average monthly active paying users and high satisfaction with the platform. At the same time, we're improving the way we communicate with customers around the platform. We started rolling out support over chat as well as an e-mail to the CEO feature, which allows users to directly send us feedback. Both initiatives have shown us where our platform can grow while increasing customer engagement. Let me now turn it back over to Roy.

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

Thank you, Eran. Our marketplace and partnership continues to be one of our larger growth drivers across our company, increasing our ability to serve any and all types of organizations. At the end of Q2, our partner ecosystem consists of 177 active channel partners, 417 new referral partners, and over 150 marketplace apps with 30 monetized apps that show meaningful traction. Such strong product innovation, expanding ecosystem and consistent growth is only possible with our amazing team. We finished Q2 with nearly 1,500 monday.com employees around the world. And even as we grow, we maintain our culture and employee engagement levels. We see that not just from our internal surveys, but from outside the world as well, winning 2 major workplace awards this year with Fortune certifying monday as a great place to work and Inc recognizing us as one of the best workplaces of 2022. With this success, we remain committed to aid nonprofits with digital transformation through our digital lift initiative, including our commitment to donate 10% of our equity over time to foundations.

During the past quarter, we launched a Digital Lift product, an open application for a year-long grant up to \$100,000. In parallel, our emergency response team partnered with the organization around the world to streamline their relief efforts. We leverage the monday.com platform to support humanitarian and disaster relief efforts of NGOs on the ground, including initiatives in Durban, Ukraine, and more. All in all, it's been a strong impact to a quarter, and we're excited to see what the next quarter brings. With that, I'll turn it over to Eliran to cover the financial and guidance.

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

Thank you, Roy, and thank you to everyone for joining our call. Today, I will review our second quarter results in detail and provide an updated guidance for the third quarter and full year 2022. We delivered another strong quarter of growth driven by customers increasingly adopting the broader monday.com Work OS and our product suites across the organizations. Total revenue came in at \$123.7 million in the second quarter, up 75% from the second quarter a year ago. Additionally, we saw significant margin expansion during the quarter, stemming from our platform-based land-and-expand strategy and operational efficiencies. We continue to see strong expansion within our existing customer base, which is reflected in our best-in-industry retention rates. Our net dollar retention rate remained stable across all categories in the second quarter. Net dollar retention rate for customers with more than \$50,000 in ARR was over 150%. Net dollar retention rate for customers with more than 10 users was over 135%, and our net dollar retention rate for all customers was above 125%.

As a reminder, our net dollar retention rate is a trailing 4 quarters weighted average calculation. For the remainder of the financial metrics disclosed, unless otherwise noted, I will be referring to non-GAAP financial measures. We have provided a reconciliation of GAAP to non-GAAP financials in our earnings release. Second quarter gross margin was 89%. In the medium to long term, we continue to expect gross margin to remain in the high 80% range. Research and development expense was \$24 million or 19% of revenue compared to 16% in the year-ago quarter. We will continue to invest significantly in R&D throughout the remainder of the year as we build our product suite and scale our Work OS platform, both horizontally and vertically. Sales and marketing expense was \$86.7 million or 70% of revenue compared to 79% in the year-ago quarter.

We anticipate sales and marketing expenses as a percentage of revenue to remain at the low to mid-70s throughout the remainder of the year. G&A expense was \$14.6 million or 12% of revenue compared to 9% in the year-ago quarter, reflecting increased costs since becoming a public company. Operating loss was \$15.4 million and operating margin was negative 12% a net loss was \$14.9 million. Total employee headcount was 1,489, an increase of 205 employees since Q1 2022. We hired across all major functions with over 60% of new hires in customer-facing roles.

We anticipate that the levels of hiring will slow in the second half of fiscal 2022. We anticipate that the levels of hiring will slow in the second half of fiscal year 2022. Moving on to the balance sheet and cash flow. We ended the quarter with approximately \$834.6 million in cash and cash

equivalents. Net cash used in operating activities was \$14.1 million in the quarter. Deferred revenue increased to \$177.9 million at the end of the second quarter, up from \$160 million at the end of the first quarter. Adjusted free cash flow was negative \$19.2 million and included year-end bonus payment of \$6.6 million and an insurance payment of \$7 million.

Adjusted free cash flow margin as defined as adjusted free cash flow as a percentage of revenue was negative 15.6%. Adjusted free cash flow is defined as net cash from operating activities, less cash used for property and equipment, and capitalized software costs, excluding non-recurring items. Now, let's turn to our updated outlook for fiscal year 2022. For the third quarter of fiscal year 2022, we expect our revenue to be in the range of \$130 million to \$131 million, representing growth of 57% to 58% year over year. We expect a non-GAAP operating loss of \$25 million to \$24 million. For the full year 2022, we now expect revenue to be in the range of \$498 million to \$502 million, representing growth of 62% to 63% year-over-year. We expect the full-year non-GAAP operating loss of \$112 million to \$108 million and a negative operating margin of 22% to 21%.

With the recent strengthening of the U.S. dollar, we now expect FX to negatively impact our full-year revenue growth estimated by approximately 300 basis points. Given the concerns about the macro economy and the market, we have provided prudent, yet achievable forward-looking guidance. It should be noted that we did see some softness in demand in Europe at the end of Q2. And while 1 month is not enough data to extrapolate a longer trend, we are closely monitoring the demand environment across all areas of our business and will be transparent with our investors about our expectations. We clearly have momentum across all of the areas critical for us to drive sustained levels of high revenue growth over the long term, including new customer acquisition, strong net dollar retention and an expanding product suite. Our strategic focus remains on balancing healthy investment in the business with improving efficiency and profitability. We'll continue to measure and monitor our returns and adjust investment levels as needed. I'll now turn it over to the operator for your questions.

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*

Reporting on a day like Monday, I wouldn't expect anything less from Monday, so spectacular results, congratulations to the entire team. I had 2 questions. One is with the rebranding around the Work OS and having new functionality focused on the developer, marketer, CRM, et cetera. How are sales cycles changing for the company? And who are the targets you're able to reach out to what budgets are you able to tap into? That's one thing. And second is more of a financial question. You talked about operating efficiencies. And I'm curious how you do that while not sacrificing the growth potential of the company. Thank you so much again.

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

Yes. Thanks, Kash. This is Eran. I'll send the first part of your question, and then I'll have it over to Eliran. So first of all, it's not a rebranding. We see this more of an evolution from where we were. So just as a reminder, originally, the platform up until this day is very dynamic and flexible, allows everybody to build anything on top of our Work OS. And then last quarter, we took it a step further and further packaged our product as a CRM product, as a tool for developers, and for marketers.

And we saw great momentum in the last quarter just reported that we saw more than 1,000 paying customers using those products in addition to using the work management platform. And this is, again, part of our strategy. We offer the flexible platform. But in addition to that, we help customers onboard with those specific solutions. We see this create better dynamics in terms of our ability to sell to larger enterprises, our ability to land new customers while also offering the flexibility which to grow into once they start using this initial product. So overall, this increase ability to go to market and also land larger customers and offer better solutions for our customers.

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

Kash, this is Eliran. With regards to your question, as a reminder, we always said that we invest based on the return that we see from our investment. And this is the playbook of monday. So when we think about investing into the future, we are focusing on making sure that we invest in product and engineering, and we grow the revenue-generating sales outcome as we did. In H1, we hired a lot of employees and added a lot of talent, and we continue to invest also in online marketing. But the important thing is if it doesn't meet our guidance, internal expectations with regards to return, we take it in a more modest way. So from our perspective, we continue to invest when we see the returns that we are used to. And this is a playbook that we operate in accordance.

Operator

Our next question comes from Ittai Kidron of Oppenheimer.

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

Nice numbers. Eliran, maybe you can just talk about the softness you've seen late in the quarter in Europe. How much of this you think is macro? Is FX a little bit more of a play here? And maybe you can give us some color on the month of July. Has that weakness continued into July? Or you've seen an improvement. Help us think about have you qualified what you've seen into the rest of the year guidance.

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

It's Eliran. So as we said, we did see some softness in Europe. We think it's broad-based. It's not specific countries, but you see it across many countries and also not specific to any segment. It started in June. We also see it in July, to be honest. And if you combine into this, the FX impact, it's also definitely something that we should account for. So we said that in Q2, we estimate the FX impact approximately 2% negative on our growth rates. And we estimate that by the end of the year, it's going to be around 300 basis points. We don't have a crystal ball. But looking at the macro economy and geopolitical terms, the Russia, Ukraine war inflation and everything, we definitely monitor carefully, the level of impact on our businesses and we adjust our investments accordingly. So I would assume that we should take it into account even when we speak about guidance probably by the end of the year.

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

Got it. And just as a follow-up regarding your expectations of a slower hiring in the second half of the year. Is that just because you've kind of pretty much did what you needed to do on headcount? Or again, this is with the macro environment in mind, trying to be a little bit more cautious and focused on margins.

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

So when you think about timing, we did what we expected to do in H1. We hired the positions that we think we needed in order to scale the company for mature growth. Now we are more focused in H2 on bringing additional headcount, definitely not only related to the macro economy, but this is according to the plan that we had originally and also looking at the macro economy, but this is not the main driver. So we're going to slow down the having and focus on positions that will now help us to complete the supporting functions to scale the company.

Operator

Our next question comes from Arjun Bhatia of William Blair.

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

Perfect. Congrats on a great quarter, guys. I wanted to touch on the enterprise traction. It seems like you're getting really good performance in that 500k cohort, it sounded like I think this was the highest sequential adds that we've seen. Can you just talk about the dynamic that you're seeing there? Is that customers expanding seats? Are those new customers landing at those high ARR metrics? And then I'm curious, as customers do grow with you, is there -- are you starting to see more consolidation of spend on monday across several different software solutions, perhaps and departments as well?

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

Yes. Jon, this is Eran. So definitely, we're very focused on our enterprise customer segment, keep seeing great growth there, and we see the momentum increasing over time. So definitely, we see fruits on that investment, and we're committed to continue to invest going forward. We sell that to your question specifically, we do see larger initial deals as a trend. So definitely, that's one trend. I would say that the additional new products that we launched last quarter definitely also make a big impact on those customers, our ability to sell more products over time and expand their usage is definitely another trend that we're seeing.

Also in regard to your question about consolidation, I think that -- in addition to what Eliran said with the macro economy, -- we see here a great opportunity for us as a company because a lot of our customers realize that they can do much more with monday as a platform. They might have several use cases, but now they see the potential of the spend on monday throughout many more departments and perhaps consolidate a few different tools under monday. So definitely, we're starting to see this as a trend. So that's also very interesting. It's something we also push in given the macro economy.

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

Very helpful. And just I think Eliran, just touched on this, but I wanted to maybe ask a little bit more pointedly. When you think about the go-to-market strategy in the back half of the year, how much are you balancing between performance marketing versus the direct sales investments? Is it just that the direct sales investments are already made and you don't need to add more? Or are you pulling back on performance marketing even further in this environment? How do you view that in the back half?

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

So as a reminder, when we spoke in Q1, we said that we fund loading expenses in online marketing in Q1, which was an outlier. And then when we continue in Q2 going forward, it's going to be a more modest investment. We continue to invest in performance marketing. We believe this is an important go-to-market tool for us, driving and generating leads. In addition to that, we also continue to hire salespeople, but it's going to be in 2 -- if you think about it, first, we are looking at the return on investment that we are doing on performance marketing. And second, we are going to hire in a slower pace, the additional salespeople and CPMs in the partners team.

Operator

Our next question comes from Scott Berg of Needham.

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

Congrats on a really nice quarter. I guess 2 questions here. First of all, I wanted to start on partner impact on the quarter before I discussed some of the momentum that you're having here. But if you look at your new bookings in the quarter or whether it was directly through a partner or just influence from your ecosystem, how would you compare the traction in the quarter, say, versus a year ago?

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

In partners... Scott, it's Eliran. So we continue to see strong momentum with our partners channel. We now have -- with regard to global expansion, we are covering new markets where we don't have reps directly. As of today, we have more than 177 active channel partners with 26 channel partners added on Q2. And we have outside of monday, addition of 470 new referral partners on Q2. So overall, we see momentum. Obviously, with the current situation in Europe, potentially, there might be some slowdown in the future, but this is something that we account for and measuring or looking at on a constant basis.

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

Got it. Helpful. And then from a follow-up question perspective, I know there was a question that was already asked and the cash asset on the new Work OS launches recently, the new functionality there. But how should we think about the impact on that on your bookings going forward? Is that more to help land with new customers? Or does it help expand with your existing customers better?

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

Scott, it's Roy. So that move with introducing new products was both of the things you said. One, it allows us to open up new markets and have other customers consider monday on a different approach and gain more market share and more quickly. And on the other hand, and especially in these times, it help customers expand into new use cases, adding more departments, adding more use cases and deepening their usage of Monday, even within existing departments. So it plays on both ends, and that's how we see it.

Operator

Our next question comes from Pinjalim Bora of JPMorgan.

Pinjalim Bora - *JPMorgan Chase & Co, Research Division - Analyst*

Great. Congrats on the great quarter. I wanted to ask you on retention. I know you don't give the fidelity, I guess we know it's been pretty stable over a certain amount. But is there a way to understand qualitatively the directionality of that metric? And how has gross dollar retention been trending in the business?

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

Pinjalim, it's Eliran and congratulations for the first time you're covering us. So good question on retention. So when we speak about retention, we mentioned that we believe we are now at a stage where it's stabilized. So we also spoke about ranges. When we are now with all customers above 125%. And when we think about the range, probably the range that we expect is between 120% to 125%. If you think about 10-plus users is 135% to 140% and when we think about enterprise customers of 50,000, it's around 145% to 150% and above. So potentially, this is kind of the ranges that we believe that are going to be. With regards to gross retention, we look at gross retention, obviously, it's getting better. The fact that we are actually getting more momentum with customers with 10-plus users and enterprise accounts also improving our gross retention. We usually don't disclose this number, but this is getting better as we continue to move upmarket.

Pinjalim Bora - *JPMorgan Chase & Co, Research Division - Analyst*

Okay. Understood. One follow-up for you, Eliran. Obviously, you said you're seeing some softness in Europe. You said it continues into July. I see the upside to the revenue guidance is a little bit timid versus prior years or prior quarters. Is there -- is it possible to estimate what kind of a macro impact are remodeling at this point? And what other assumptions are you baking into the guidance?

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

So naturally, when we look at guidance, we take into account all of the number of considerations, inclusive of, of course, the geopolitical situation as well as the FX impact and other macro economy environment that is out there. So this is part of the way we measure. This is part of the way we do our projections, so we take it into account altogether.

Operator

Our next question comes from Brent Bracelin of Piper Sandler.

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

I wanted to go back around some of the momentum you're seeing here with the enterprise customers. The vendor consolidation is a narrative. We're starting to hear a little bit more about. You've obviously come out with the new Work OS platform that expands the reach into CRM, dev, marketing. Are you seeing that play out and drive some of the momentum, record number of enterprise customers this quarter or not? Is that a narrative you're going to lean in more on? Just love to get your views around the opportunity you see with your low cost platform given vendor consolidation is a narrative we'll start to hear a lot more in the enterprise space.

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

Yes. Thanks, Brent. So this is Eran. So I mean, definitely, we see this as a great growth driver. I don't think we're going to see like immediate impact in terms of our already great momentum in the enterprise customers might take some more time to have another growth on top of the already existing growth that we have. But definitely, in terms of consolidation, this is something that's really helpful. So the timing was really right considering what we've seen in the market. And if you think about it, monday is literally one of the best platforms to do consolidation on because from day 1, monday was very flexible, very generic allows -- and customers already use it for many use cases.

So already customers, even before going to happen now in the market, if you use monday for a variety of use cases. Some companies ran all the departments and use cases on top of our platform. So I think we're in a great position as a company to offer that consolidation. It happened with customers in the past. And definitely, we've seen those conversations right now. And we're pushing that through our customer success and sales team and even get feedback from customers that's going through this process. So definitely something with a big upside that we have as a company, and we'll continue to offer that with our customers as we go forward.

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

That's helpful color. And then just, Eliran, as we just think about maybe the path to positive free cash flow here, you have certainly a very strong balance sheet of \$800 million in cash. You only burned \$14 million, but how much of that cash position do you think you're going to need to consume before you get to positive free cash flow?

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

Brent, it's Eliran. So with regards to free cash flow, maybe to start and say that we expect margins in H2 to improve as part of the business growth. I don't want to tell you the exact number of how much we are going to consume. But I think if we continue to deliver the growth and improved margins as we see now. So potentially, with regards to free cash flow, as we said in the past, is going to be low double digits free cash flow as a percentage of revenue by the end of the year. And I would assume that somewhere next year in H2, we're going to see a shift towards breakeven or some free cash flow positive. So this is the plan. And if you think about the range that we are currently consuming, I expect it's not going to be very meaningful from our total cash.

Operator

Our next question comes from Andrew DeGasperi of Berenberg.

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

I know this has been asked several times on this call. But in terms of the annual guidance, what I just want to make clear is you flagged a weakness in Europe, and you said that you're accounting for that. But are you also accounting for any additional potential weakness in other regions or end markets as part of the guide, the after the year?

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

Andrew, it's Eliran. When we look at the guidance, we examined wide range of potential outcomes and set our guidance to the level that we feel confident that we'll be able to meet and exceed. And certainly that on a wide range of potential outcomes include the macroeconomy environment that could be worse and potentially the geopolitical situation can be longer than expected. So we try or we make sure we take it into account to a certain extent. We don't want to be completely conservative or pessimistic. So we take all of this into account when we do the projections.

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

And then just one on your pricing strategy. I know you haven't raised prices since 2019. Just curious to know, given the inflationary and wage pressures a lot of companies are facing, are you thinking or are you changing that? Or are you taking a closer look at it?

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

Yes, Andrew, this is Eran. So we haven't made any significant changes to our pricing structure. If anything, we always try to make it easier and simpler for our customers. I would say, as we mentioned, we have a big upside with our new Work OS products that offer us the ability to charge a premium over our work management platform while giving this value to our customers. So definitely, this is a big upside that we have also in terms of pricing and engagement and usage. We also see this as a potential to increase the number of seats within accounts. So that's a big upset that we have in terms of pricing. But in regards to our basic price model, we don't expect to see any changes right now.

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

Yes. It's Roy. I would add that given our motion to enterprise, we see a lot more in the percentage of seats which are enterprise within our revenue is growing. So it is not a price increase, but it is like a much more significant portion.

Our next question comes from David Hynes of Canaccord.

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

So R&D spend ticked up a little bit, right? You clearly invested in product. I'm curious, what do you see as the more significant opportunity? Is it horizontal expansion of Work OS or vertical expansion?

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

It's Roy, David. So we actually see both. Like the reason we launched the product is because we saw of our past horizontal moves, what customers actually did with us. We took that and launched the product, so we can go deeper inside each one and be best-in-class within every vertical. What happens outside this product is that customers on board to the works and still use us for many more use cases, which we, in the future, will probably turn into products as well. So all these products move was actually to get deeper into areas.

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

Yes. Okay. And then a follow-up for Eliran. Just the softness you're seeing versus your expectations, is that showing up more in top of funnel activity or expansion momentum?

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

David, it's Eliran. I think it's both. On one hand, when you think about extension, so the conversations are different. If you think about companies, now the sales cycles are taking longer. Companies are taking some of the -- companies out there are making a decision with regards to the level of spend with regard to the level of expansion. This is on the extension side. On the top of funnel, when you get into new audiences, definitely the spend or the online spend that companies are doing is different. Therefore, there is, I believe, some slowdown in this in the environment as part of the macroeconomy challenges.

Operator

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

Andrew Michael Sherman - *Cowen and Company, LLC, Research Division - Research Associate*

It's Andrew on for Derrick, nice quarter. The Renault Group was an impressive win. They have 170,000 employees. Was this a displacement or greenfield? And could you give us any color on how many seats this deployment is? And then to reach like close to 50,000 seat levels, what would need to improve on the product to get to those levels?

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

Can you just repeat the first part of the question? You were breaking up a little bit. First part...

Andrew Michael Sherman - *Cowen and Company, LLC, Research Division - Research Associate*

Sorry. The Renault Group was impressive. They have 170,000 employees just trying to get a feel for the size of this by seats and whether this was displacement or greenfield?

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

Okay. Yes. So this is Eran. So it's a very significant deployment. We didn't disclose the amount of seats, but it's a very significant deployment. I would say, a few hundred more to the top part. But definitely, this is an account that we play a virtual call in, and we continue to expand our footprint within this account. Part of the reason we're so excited is also the upsell opportunity that we have with that customer and the ability to expand to more departments over time. And this is just one use case out of many that we saw this quarter of larger enterprises to adopt monday on a big scale and continue to scale over time.

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

And the second question? Sorry. Yes. Can repeat that?

Andrew Michael Sherman - *Cowen and Company, LLC, Research Division - Research Associate*

Yes, just to get to the higher sea level numbers that like to get to 50,000 plus seats, what would need to improve on the product side to get there?

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

Yes. So I don't think it's much of things that need to be improvement to the product, although we keep investing more and more in terms of product features that allow enterprise companies to scale. First of all, it's a process. Companies go and scale over time gradually. So we definitely see this as a process. Our future enterprise customers are now growing, and this is probably the reason why we see so much momentum that group. But our sweet spot is still under 10,000. We continue to invest and raise the bar every year, and we'll continue as a company to invest and allow a larger enterprise to use monday both from a security perspective, governance and also in terms of features. We're heavily investing into that part of the business.

Andrew Michael Sherman - *Cowen and Company, LLC, Research Division - Research Associate*

Great. And then Eliran, on the billings number, was there anything -- the upside was a little softer. Is there anything invoicing flexibility-wise to customers that impacted this? And is this expected to persist in the second half?

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

Sure. So billings tend to be a bit lumpy, and we do not measure the business or manage the business to billing. We look at the dollar retention rate, revenue growth and customer growth. If you think about revenue growth on a sequential basis, we grew 14% quarter-by-quarter and 75% year-over-year. So this is the measures that -- or the metrics that we use to look when we look at the business as well as comparison more difficult this quarter when we are getting bigger on the numbers.

Operator

Our next question comes from Brent Thill of Jefferies.

Brent John Thill - *Jefferies LLC, Research Division - Equity Analyst*

Curious if you could update us on your quota-carrying sales rep hiring plan for the year. Have you changed your plan relative to what you're seeing. Can you just give us any color in what you're expecting this year?

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

Brent, it's Eliran. So with regards to quota carrying, we do change the plan numbers we continue to grow. This is another area, together with R&D that we invest, we continue to invest even with the current environment. So the plans are remain as we when we did the plan for the year.

Brent John Thill - *Jefferies LLC, Research Division - Equity Analyst*

And just real quick, what you're embedding in your overall guidance, are you assuming a flat environment, an improving environment or slightly worse in the environment, how would you characterize your guidance relative to the back half in your plan?

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

So as I mentioned earlier in one of my replies, we do account for the macroeconomy environment and the geopolitical challenges to continue by the end of the year. Again, I don't have a crystal ball, and I don't have better expectations than anyone else. We're trying to be a bit cautious, remaining optimistic with regards to next year. But by the end of this year, we think it's going to be the same environment that we see today.

Operator

(Operator Instructions). Our next question comes from Robert Simmons of D.A. Davidson.

Robert Edward Simmons - *D.A. Davidson & Co., Research Division - Senior VP & Senior Research Analyst*

Sorry if my audio is a little off. You have 30 apps so far. Is there any cadence we can expect the number of assets that will become monetized over the next quarters or years? And then are you earning revenue on those that are currently monetized? And if not, what's the (technical difficulty) for doing so?

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

Yes. Robert, this is Eran. So definitely, we have very good momentum in our marketplace. We continue to invest there and working with other third-party developers and companies that -- to help them develop apps on top of our marketplace. We did launch our payment service in the marketplace 2 quarters ago, and we see great momentum. We see app developers moving from independent payment to use our payment system and also new developers that join the marketplace using our payment system. It's still not significant, I would say, compared to our total revenue, but it's growing very nicely. So definitely, we're keeping tracking that. And for us, as we mentioned previously, it's a very strategic part of our product. And we see this as our ability to expand our use cases and offer long-tail solutions to our customers. So definitely a lot of investments in terms of R&D and our focus over in the marketplace. So we're very happy with the momentum.

Operator

At this time, we currently have no further questions. And therefore, this concludes today's call. Thank you for joining. You may now disconnect your lines.

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