

REFINITIV STREETEVENTS

EDITED TRANSCRIPT

MNDY.OQ - Q2 2023 Monday.Com Ltd Earnings Call

EVENT DATE/TIME: AUGUST 14, 2023 / 12:30PM GMT

CORPORATE PARTICIPANTS

Byron Stephen *monday.com Ltd. - Director of IR*

Eliran Glazer *monday.com Ltd. - CFO*

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

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

CONFERENCE CALL PARTICIPANTS

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

Arjun Rohit Bhatia *William Blair & Company L.L.C., Research Division - Co-Group Head of the Technology, Media, and Communications Sector & Analyst*

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

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

George Michael Iwanyc *Oppenheimer & Co. Inc., Research Division - Associate*

Jackson Edmund Ader *SVB Securities - MD of Technology Equity Research*

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

Jason Vincent Celino *KeyBanc Capital Markets Inc., Research Division - Senior Research Analyst*

Kasthuri Gopalan Rangan *Goldman Sachs Group, Inc., Research Division - Head of Software Coverage*

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

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

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

Steven Lester Enders *Citigroup Inc., Research Division - Research Analyst*

PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by. My name is Desiree, and I will be your conference operator today. At this time, I would like to welcome everyone to monday.com's Second Quarter Fiscal Year 2023 Earnings Conference Call. I would like to turn the call over to monday.com's Director of Investor Relations. Mr. Byron Stephen. Please go ahead.

Byron Stephen - *monday.com Ltd. - Director of IR*

Hello, 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 2023. 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 earlier today. You can find our quarterly shareholder letter, along with our investor presentation and a replay of today's webcast under the News & 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 the 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. Now let me turn the call over to Roy.

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

Thank you, Byron, and thank you, everyone, for joining us today. In the second quarter, we continued to make significant strides in executing our long-term strategy, deliver exceptional results. Revenue grew 42% as demand for our customers remain healthy. We continue to demonstrate improved operating efficiency and cash generation, reflecting our ongoing commitment to driving sustainable growth, Eliran will talk you through our financial performance in more detail.

This quarter, we are thrilled to announce the completion and release of Monday DB 1.0 to all our accounts. This is the initial version of our brand-new infrastructure for the Work OS platform. With Monday DB customers are already experiencing large and more complex boards loading 5x faster, enabling them to work more efficiently and handle data-intensive and complicated workflows. Future releases of Monday DB will provide even more speed, enhancement, scalability and functionality.

In Q2, we also launched our AI assistant and introduced several new AI capabilities. This include automated desk generation, formula builder, e-mail composition and content generation. Additionally, we opened our AI assistant infrastructure to external developers and hosted a global AI Hackathon, which generated tremendous interest with over 1,600 registrants and more than 40 AI apps developed, the Hackathon showcased the enthusiasm and talent within our monday.com community.

We have also been working to optimize our infrastructure and interface to enhance the user experience and reinforce a robust multiproduct ecosystem. We see an extraordinary opportunity to enhance cross-selling efforts, strengthen inter-department organizational connection and solidify monday.com as a vital partner across all business use cases.

Let me now turn it over to Eran to walk you through some of our recent innovation efforts.

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

Thank you, Roy. As Roy mentioned, we remain focused on our multiproduct strategy and ensuring that our products can successfully enable cross-functional collaboration for our customers. Monday Cell CRM is now available to approximately half of our customers, and we continue to see strong demand for the product. We are committed to continuously elevating our cell CRM product with best-in-class features.

This quarter, we introduced new mass emailing capabilities, allowing users to reach out to multiple contacts through Monday cell CRM. In addition, we've revamped and upgraded our mobile item page making it easier than ever before to access and update information on the go. We also recently announced that Monday Dev successfully transitioned out of beta. Initial demand for the product has been strong, and Monday Dev has already earned a place as one of the top-rated bug tracking softwares on G2.

As we gradually roll out Monday cell CRM and Monday dev to our existing customer base, we see an incredible opportunity to foster cross-selling. Since the launch of our product suite in 2022, we've seen an impressive 1,656 accounts initially began with our work management product and later expand their portfolio with an additional product. This significant expansion underscores the value of our offering and the trust our customers have placed in us.

Separately, we are excited to announce that we are elevating the workflow experience for our customers with the introduction of Monday workflows add-on. Monday workflows offers a fully customizable and visually intuitive interface, empowering users to build workflows with ease. By utilizing drag-and-drop blocks, Monday workflow simplifies the entire workflow creation process, making it accessible to users of all levels of technical expertise. The new Monday workflow is currently open to 20% of our customers and will be gradually open to all customers by the end of Q3.

With that, let me turn it back over to Roy.

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

Thank you, Eran. As we continue to grow, we are focused on ensuring we have the right team and the right place to lead monday.com into the future, and we took steps in the quarter to strengthen our management team with the promotion of two senior executives. Daniel Leyera appointed as the first Chief Product and Technology Officer, and (inaudible) was appointed as our Chief People and Legal Officer. Both Daniel and (inaudible) has served as an outstanding senior leaders for many years here at monday.com and we are confident that they will both excel in these new worlds.

Finally, we are excited to announce that this year's New York City Elevate Conference on December 6, will feature a segment exclusively for our shareholders. Mark your calendars and join us for our first ever Investor Day as we showcase our exciting journey ahead. We are incredibly proud of what the monday.com team accomplished this quarter. We are just scratching the surface of our potential, and we are excited about the opportunities to continue to generate sustainable long-term value for our shareholders.

With that, I'll turn it over to Eliran to cover our financial and guidance.

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

Thank you to everyone for joining our call. Today, I'll review our second quarter fiscal '22 results in detail and provide updated guidance. Q2 2023 was another strong quarter driven by increasing customer demand for the monday.com works (inaudible) platform and product suite. Total revenue in Q2 came in at \$175.7 million, up 42% from the year ago quarter. Excluding the impact of foreign exchange, revenue grew 43% year-over-year.

Our overall net dollar retention rate declined in Q2, reflecting a continued slowdown in customer seat expansion amid the challenging macroeconomic environment. We continue to expect some pressure on NDR in the second half of fiscal year '23, and our guidance now assumes full year NDR slightly below 110%. As a reminder, our NDR is trailing 4 quarter weighted average calculation.

For the remainder 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. Second quarter gross margin was 19%. In the medium to long term, we continue to expect gross margin to be in the high 80s range. Research and development expense was \$27.9 million or 16% of revenue compared to 19% in Q2 2022.

For fiscal year '23, we anticipate that R&D expenses as a percentage of revenue to be in the high teens as we build our product suite and scale our work OS platform, both horizontally and vertically. Sales and marketing expense was \$98.8 million or 56% of revenue compared to 70% in Q2 2022.

G&A expense was \$14.7 million or 8% of revenue compared to 12% in Q2 '22. Net income was \$21 million, up from a loss of \$14.9 million in Q2 2022. Diluted net income per share was \$0.41 based on 51.2 million fully diluted shares outstanding. As of the end of the quarter, total employee head count was 1,646, an increase of 64 employees since Q1 '23. We expect to continue hiring throughout the course of fiscal year '23 with a focus on our R&D product and sales teams as we build out our platform and product suite.

Moving on to the balance sheet and cash flow. We ended the quarter with \$989.4 million in cash and cash equivalents, up from \$935.6 million at the end of Q1 '23. Free cash flow for Q2 was \$45.9 million, and free cash flow margin as defined as free cash flow as a percentage of revenue, was 26%. We continue to expect to report positive free cash flow on a consistent quarterly basis moving forward and to achieve our third consecutive year of being free cash flow positive in fiscal year '23.

Free cash flow is defined as net cash from operating activities, last cash used for property and equipment and capitalized software costs.

Now let's turn to our updated outlook for fiscal year 2023. For the third quarter of fiscal year '23, we expect our revenue to be in the range of \$181 million to \$183 million, representing growth of 32% to 34% year-over-year. We expect non-GAAP operating income of \$4 million to \$6 million and

an operating margin of 2% to 3%. For the full year of 2023, we now expect revenue to be in the range of \$713 million to \$717 million, representing growth of 37% and 38% year-over-year.

We expect full year non-GAAP operating income of \$24 million to \$28 million and an operating margin of 2% to 4%. I'll now turn it over to the operator for your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Your first question comes from Kash Rangan with Goldman Sachs.

Kasthuri Gopalan Rangan - *Goldman Sachs Group, Inc., Research Division - Head of Software Coverage*

Congratulations on the superb quarter. Roy, Eran and Eliran. Glad to see the growth and the free cash flow margin expansion here. I'm curious to get your thoughts on the dev OS and also the database product. What is the unique differentiation that Monday has for these products within its customer base? And if these products are successful, should we expect net expansion rate to stabilize at some point? When do you think we see the bottom in that? Because obviously, if you've got installed base potential for these two products, we should start to see a turn in that metric. So just wondering if you have any thoughts on that.

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

Yes. Thanks, Kash. This is Eran. So just to repeat the first part of your question, you were asking about Monday DB and Monday debt?

Kasthuri Gopalan Rangan - *Goldman Sachs Group, Inc., Research Division - Head of Software Coverage*

Exactly, exactly. The differentiation of these two products within your base versus the competition?

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

Yes. So Monday DB, Monday database is basically, it's not a product, but a new set of capabilities that we released to all of our accounts and users. You can think about it as the infrastructure change and the impact of that, we just announced that we finished the deployment of version 1.0, which is ahead of schedule and a major milestone for us as a company.

This new infrastructure just allows customers to dramatically scale on top of our platform in terms of size of boards, size of dashboards, automations, integrations. And we think that this will lead to enterprise customers being able to dramatically scale their operations and accounts, add more users, more use cases, which will ultimately lead to more net extension and more usage and more attention among our larger customers.

Monday Dev is our product that's competing in the dev industry, basically allowing developers and product managers and designers to work effectively on agile sprints and managed R&D operations. And this product is going very nicely. We just launched out of beta, as we mentioned. And we see some good numbers and momentum, and we see this as a very strategic industry for us as a company.

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

Yes Kash, it's Roy. I can add that like the differentiator we see for dev and all our products, also CRM and the work management is the fact that we are in a platform. The products are built on top of the platform, which allows our customers to shape the solution to whatever they see fit and how

their organization works. And we see this as a huge advantage also on deals and with customers when we talk with them, it's a major thing that it's built on top of the work OS.

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

And I will address your question on MG.

Kasthuri Gopalan Rangan - *Goldman Sachs Group, Inc., Research Division - Head of Software Coverage*

Yes.

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

I wanted to just [MDR], but please follow up on maybe you have...

Kasthuri Gopalan Rangan - *Goldman Sachs Group, Inc., Research Division - Head of Software Coverage*

No. I just wanted to get the thoughts on -- what is kind of missing in the marketplace with the dev community that you think you could address the particular problem? That was what I was curious about.

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

So I think there is like one major player within this market. And what we see is that it's very geared towards developers. When we look at the R&D teams, it's comprised also of product people and designers, and then you have the rest of the company that you want to connect to. And with Monday, we feel -- our customers feel they can customize it better have a workflow where everyone takes part more and it's also more connected to other parts of the organization and not just the developers.

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

Okay. Thank you, Roy. This is Eliran, Kash. I will address your question on -- with regards to MDR. So as we said, we continue to expect moderate pressure on MDR throughout the remainder of the year. And by the way, we took it into account in our guidance -- and we assume full year net MDR to be slightly below 110%. To your question, when we expect it to stabilize, though, already going into July, we see signs of stabilization, and we expect it to level off by the end of the year. Just as a reminder, because it's a waited 4 quarters average, then there is a lagging effect.

Maybe just also worth mentioning that the gross retention on the same kind of -- on the same level remain stable. And even though we saw some MDR decline, it was offset by strong customer acquisition.

Operator

Our next question comes from Pinjalim Bora with JPMorgan.

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

Congrats on the great quarter. Roy or Eliran. I wanted to ask you about the platform itself as you were talking in the previous question, mainly about the marketplace. It seems like the percentage of apps that are being monetized are kind of going up steadily. I see it about 45%. You recently

launched the API version. One of your partners said it could accelerate third-party development. You are exposing the AI layer as well as the workflow engine seems like to the partners. Do you think marketplace starts emerging as a material growth driver in 2024?

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

Pinjalim, it's Roy. It's hard to say how much material it will be because we have our core product, the CRM that does the work management, which is the main growth driver. We do believe that the marketplace will help us close larger deals. There's a lot of, like you mentioned, partners are working on it and making each of those products, more complete, more suited for long-term solutions. And so we put a lot of emphasis on the marketplace and a lot of investment and in the ecosystem. And I think it's a very it's a longer-term play rather than just like making the numbers for next year.

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

Understood. Just one follow-up on the macro environment. It seems like that 110% earlier on -- you're expecting it to stabilize at about 110% seems like it's a little bit of a tick down. You're now saying slightly below. What are you seeing in the macro? Has that changed a bit? You also said that it's stabilized? I'm a little bit confused on maybe what are you seeing in the macro environment, help us tease through that? And maybe if you can talk about the top of the funnel in July and August? That will help.

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

So demand development hasn't really changed to what we said Pinjalim in the prior quarter. We still see some pressure with the new customers' expansion, with mostly expansion with regards to decision makers are brought to the table and longer sales cycles. So there wasn't really a big change and the pressure on net dollar retention, we also called it out in power quarters and now said that it's going to be slightly below 110%.

But we did see some stabilization with the net dollar retention going into July as kind of it's getting flat. So by the end of the year, because of the lagging effect of the four trailing quarters it's going to continue, but then we believe that it's going to pretty much flatten by then. And then hopefully, next year, we're going to see a change in the trend.

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

Understood. Any comments on the top of the funnel demand at this point in July and August?

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

Top funnel activity remains healthy. We still see a very healthy stream of new customers that joining Monday, also having in mind the fact that we now have CRM and Monday Dev is out of beta, it definitely contributes to the fact that we are bringing a healthy stream of customers.

Operator

Next question comes from Jackson Ader with Mofit-Nesanssen.

Jackson Edmund Ader - *SVB Securities - MD of Technology Equity Research*

First one on the commentary from Monday DB. Are there any kind of quantitative metrics to report in terms of whether these faster load times on big boards are driving either increased usage or adoption or seat count or something at some of your largest customers?

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

Yes. Jackson, this is Eran. So in terms of the impact, Monday DB has already -- it's about 5x the performance in terms of loading large boards. And as we release additional versions, we'll see more impact on other parts of the platform. So definitely, customers feel that we get great feedback from customers. Customers are able to use larger and larger boards. We don't see it yet in terms of revenue numbers or net retention because just as a reminder, we just finished rolling it out to our customers. And we expect this to have a longer-term effect on customer expansion and usage.

But in terms of customer feedback and the results that we measure in terms of loading time and performance, the results are super positive. So we're pretty certain it will have an impact. It's really hard to quantify it exactly right now.

Jackson Edmund Ader - *SVB Securities - MD of Technology Equity Research*

Okay. Yes, that makes sense. And then in terms of the net retention rate, it kind of keep coming back to it, but I'm just curious whether there's any -- in the signs of turning around that we -- that you talked to in July. Any particular segment of the market, whether it's enterprise or 10-plus users or small end that seem to be stabilizing ahead of time and might have a little bit more lift as we head into next year?

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

Jackson, it's Eliran. It's pretty broad-based. We're seeing it when you look on a month-on-month basis, first of all, it's the decline is becoming more and more moderate but across the board. So I wouldn't call out any specific segment. Just more encouraging across all segments.

Operator

Next question comes from Steve Enders with Citi.

Steven Lester Enders - *Citigroup Inc., Research Division - Research Analyst*

Okay. Great. I do want to ask on the CRM side and the success of the cross-sell back into the customer base at this point. I guess as we think about that and look at those numbers, I guess, what's like the typical customer journey look like going from the platform to the CRM? And is it for kind of net new use cases? Or is it customers kind of converting over from maybe already using some of those existing capabilities for CRM like use case?

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

Steven, this is Eran. So as we mentioned, over 1,600 accounts that were using work management as lot the CRM product and the product in addition to that and so it's not like initially buying those two products, but accounts that were already using Monday sometimes for a few months, sometimes over a year, has explored our product offering and then decided to buy the CRM product.

I think what's interesting, what we found is that almost in all cases, the CRM users were in addition to the one that we're using the work management platform. So you would see people -- salespeople and manager from the sales team buying additional seats for the CRM product. So I think this is kind of really encouraging to see other departments joining and (inaudible) a large deployment within customers.

So mostly with new teams, sometimes they were already use us from the work management, but a lot of times, it was new teams that were introduced to the new CRM product. And just as a reminder, we didn't put a lot of effort yet to promote it within the platform or any promotions or self-(inaudible) approaching customers and sound (inaudible) organically. But we're very encouraged with the numbers and this is really connected to our strategy of selling moving products to different departments within the organization.

Steven Lester Enders - Citigroup Inc., Research Division - Research Analyst

Okay. Got you. That's helpful. And then maybe for Eliran, really strong free cash flow in the first half of the year. Is there anything that we should be thinking about in terms of like linearity throughout the rest of the year? And anything like onetime in nature that maybe got pulled into -- got pulled into the first half that would change some of the typical seasonality there?

Eliran Glazer - monday.com Ltd. - CFO

Yes. So with regards to -- Steve, with regards to free cash flow, so when we're looking at Q3, we're probably looking at high teens, and we are looking at fiscal year '23 as a whole, probably low twenties. We're seeing a very healthy disciplined spending and improving efficiency that also contributed to that a very healthy top of funnel activity that contributes to the collection cycle. So all in all, we kind of increased our expectations for Q3 and the end of the year.

Operator

Next question comes from Arjun Bhatia with William Blair.

Arjun Rohit Bhatia - William Blair & Company L.L.C., Research Division - Co-Group Head of the Technology, Media, and Communications Sector & Analyst

Congrats, guys, on a great quarter. I wanted to touch on some of the upmarket traction that you're seeing. It's clear 50,000 customers are strong. You're rolling out product capabilities with DB and workflows that are going to be more catered to the enterprise. Have you thought just at a high level about how far upmarket you would want to go? Like what's the ideal customer profile for you as you focus on more enterprise capabilities? Whether that's from a company size or complexity perspective? Is there a limit that you're putting on it? Or do you want to just keep moving as high as possible into the enterprise?

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

Thank you for the question. It's Roy. So I think it's a journey going upmarket. We've been taking it for a while now. And every time we keep seeing, as we roll out new features, and new capabilities, we see strong demand for even deeper and newer ones. Like a good example would be Monday DB. This opens up the door for a lot of new use cases and then those use cases we want probably more stuff. So we do not see ourselves as limiting our -- the company to an exact size. But I think it's a journey that will take a few years to really go into larger and larger companies all the time. And we are pushing towards that direction.

Eliran Glazer - monday.com Ltd. - CFO

Maybe, Arjun, just to add to Roy, this is Eliran. We have -- at the end of last year, we had the 186,000 customers and when you think about adding more capabilities and more functionalities and more products, basically, it allows us to have better retention and increased monetization of not only new customers but existing customer base. And as part of this journey, customers that may be joined as SMB or mid-market, can become enterprise accounts in the following year. So we have both the new customers, the land and as well as expansion with an existing customer base that our potential for growth.

Arjun Rohit Bhatia - *William Blair & Company L.L.C., Research Division - Co-Group Head of the Technology, Media, and Communications Sector & Analyst*

All right. Perfect. That's very helpful. And then I want to touch on the new products again because it seems you're getting a lot of good adoption on dev and CRM, both from new customers and cross-sell into the base. If I look at the 1,600 customers that you -- that have kind of cross sold from work management, I mean there's quite a few that have just adopted CRM or dev net new. And so the question, I guess, is how do you think about dev and CRM becoming a top of funnel landing point for customers and then cross-selling the other way into the work management platform? Is that an opportunity that's still out there? Or have you seen those 8,000-plus customers adopt your work management platform already?

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

Yes. This is -- thanks, Arjun. This is Eran. So I think you made a great point. Obviously, those products are obviously more new than the work management product. So we are more focused on seeing how existing customers can move from work management to CRM or dev. But one thing that we're really focused on from the very beginning was to make those products also a substantial go-to-market for us as a company. That was our initial focus.

So definitely, going forward, we'll see accounts moving from CRM to work management. And going back to our strategy, I think it really helps us as a company in two ways. One, really extends our go-to-market. So instead of having just one, which is work management. Now we have multiples of both CRM and work management. But also, it allows us to have a greater ACV for customers. So you can buy customer, but the potential revenue, potential expansion is not limited only to that specific vertical, but to have mutual products on top of that.

So I think that creates a big opportunity for us in terms of go-to-market. And going forward, we'll see the other way around people moving from CRM to work management as well.

Operator

Next question comes from Derrick Wood with TD Cowen.

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

You guys mentioned that you launched the AI assistant this quarter. Can you just talk about what the initial interest has been? And then just remind us how you're thinking about the approach to monetizing AI down the road?

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

Sure. It's Roy. So we have taken several layer approach to AI, where we started with like adding a layer to the platform to the entire platform that you can add any AI capabilities you want to any section of the product. And we released a few examples for it, like formula builder and like auto complete stuff and those kind of things. The reaction we got from the marketplace actually from developers was amazing because we had like 1,600 people sign up for hackathon and a lot of apps are being built right now and we were hoping to launch new going forward.

I think it's very early days, and we see a lot of customer interest in those areas. And we feel it's a journey ahead that will take, and we're really committed to AI. And even adding more stuff going forward, with AI as really it's like the place for us to give more power to people to control how they manage their business.

James Derrick Wood - TD Cowen, Research Division - MD of TMT - Software & Senior Software Analyst

Got it. That's helpful. I guess just staying on a product discussion. Now that you're through 1.0 of Monday DB, what's the next phase, I guess, the 2.0, can you just give us some color as to what things we should be expecting out of 2.0 and what that timeline may look like?

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

Yes. First of all, we have a complete timeline on our website, which we share with our customers as well. But overall, [next is], which is the Monday DB 1.1 is going to be released in Q4. This year, the focus is going to be on large dashboards. Just as a reminder, dashboard contains data from multiple boards. So that will go through a radical transformation in terms of performance and capability.

And then we plan another minor release of Monday DB 1.2, which is going to focus on our API and (inaudible) filter and [sort] and aggregation. Going into next year 2024, we're going to do a major release of Monday 2.0, which will be a really game changer in terms of accommodating larger and larger accounts. And we're going to focus a lot on just sheer size of databases and accommodating very large enterprise accounts. So we have a lot of releases in the pipeline, but having Monday DB 1.0 already released is, I think, the most significant part because now all customers are using a new engine and those incremental releases are going to be much easier to get out in to our customers.

Operator

Next question comes from Brent Thill with Jefferies.

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

The magnitude of the beat was great. You actually raised the guidance more than the beat. I'm just curious if you could maybe characterize the strength that you're seeing? Where you're seeing it to raise the guidance more than you actually saw a flow through? And I had a quick follow-up.

Eliran Glazer - monday.com Ltd. - CFO

Brent, it's Eliran. Yes. So based on -- just a well reminder, we beat revenue by \$7 million and with the help of also the FX dollar versus the (inaudible) very strong. It's also contributed to the fact that we are healthy on our cost side. So the combination of the new product that we have, the momentum that we are seeing together with the disciplined and efficient spend that we have as part of a Monday playbook, provide us with comfort to increase the guidance for the end of the year and to achieve these numbers.

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

And when you think about for CRM, the type of price uplift that you're seeing in some of these deals, is there an average? Or when you think about the monetization, ultimately, what do you think this looks like in terms of the additive nature to what you're seeing already in the core platform?

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

Yes, Brent, this is Eran. So I think it goes two ways. One, as I've mentioned, we see new users using those additional products. So that's additional seats that we didn't have before. In addition to that, the CRM product has higher pricing per seat. And we're going to experience with that. We're still below the market average. So there's more room to increase those prices. So I think both in terms of the individual pricing for each product and also the potential and having more seats for a company, those two factors as a major upside to increase the average ACV of our customers.

Operator

Next question comes from George Iwanyc with Oppenheimer.

George Michael Iwanyc - *Oppenheimer & Co. Inc., Research Division - Associate*

Maybe digging into the competitive environment, are you seeing any differences in use case expansion head-to-head competition? Any signs of tool consolidation within either across departments or across divisions?

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

Yes. This is Eran. So I think it's pretty much aligned with what we mentioned before. As a reminder, 70% of our deals will see -- 70% no competition at all -- [feel grateful]. I do want to mention that in terms of the vertical products, we are seeing new competitors in the CRM market, we see new competitors such as Zoho CRM and Hotspot and a little bit of sales force and in the debt to, we are seeing new competitors. I think that's another part of the fact that we address new audiences and seeing those vertical tools turning deals, but still not one significant competitor or anything that has any impact on the business, still pretty much aligned with before.

George Michael Iwanyc - *Oppenheimer & Co. Inc., Research Division - Associate*

Great. And maybe in CRM, when a customer is already using Salesforce, are you seeing your deployment in parallel with Salesforce? Or do you see some of the opportunity actually with smaller customers to take over the overall account.

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

It's Roy. So we definitely see ourselves alongside sales force, and we have a lot of those deals. Even it's our #1 integration, to Monday, sales force, and we do a lot of deals together. So -- and definitely, this is the strategy going forward when we go to larger companies is to be like something that completes this for us and built around it to connect the rest of the organization to the CRM rather than displace them at all. So what we do see is like on the small mid-market there, we see that we can -- we compete with other CRMs that have graduated from the very simple ones and the rigid ones. And when they're looking upwards, they see us as one of the only solutions that they can really customize to what they need, and that's a big part in CRM to be able to make it your own.

Operator

Next question comes from DJ Hynes with Canaccord Genuity.

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

Just one for me. Roy and Eran, how do you think about the opportunity to revisit product packaging to kind of incentivize multiproduct lands as the scope of the platform continues to expand?

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

This is Eran. I think you touched on a great point. It's actually things we're discussing right now in terms of our strategy going forward. One of the options that we now have as we expand our product offering and also taking into account previously launched products such as WorkForms and Work [Kansas], is the ability to package mutable product into a product suite and then offer that not just a package of individual products that actually as a business solution that we can sell to senior management within companies.

I think that will also help drive more enterprise deals and talking more with decision-makers and allow us to do top-down sales. So definitely, caused our strategy going forward, and we're definitely looking into that.

Operator

Next question comes from Andrew DeGasperi with Berenberg.

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

Maybe first on Monday Dev. Just noticed you have, what, just under 800 customers. Wondering if the ramp-up for this product could be similar to CRM in terms of where it was at this stage? Or should we expect a different path? And then I have a follow-up.

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

Yes. Andrew, this is Eran. So it's still early days, I would say, with that product, but we're very happy with the traction and what we're seeing so far with the numbers. It's hard to tell if we will play faster than CRM or a bit slower than the CRM, but overall, if we compare it to benchmarks or even our own growth rate, when we started monday.com, we're very happy with the results. Momentum is very strong. And also the feedback we get from customers is very positive. So we're very happy with the growth, and we'll see how it plays out.

And I think this new product has a lot of potential to further expand within our organization. Roy mentioned that as part of a previous answer, but our customers are not using the product just for the dev team. We see product teams joining, we see designers, we see analysts. So basically, we got people using their old ecosystem around building products using this Monday debt product. So I think this has a lot of potential in terms of growth within the accounts that are using it.

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

And then maybe on the performance marketing side. I mean there was -- maybe can you elaborate a little bit in terms of what did you see in the market this quarter? Was it unique in terms of what happened? And do we expect this to change in the back half?

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

Sure, Andrew. So our marketing environment has been largely stable. We didn't see anything materially change that we should call out pretty much what we saw before. Obviously, some of the competitors have to come back into the performance marketing spend in order to start to acquire new customers. But it doesn't really affect significantly on the prices. There is some uptick, but nothing material that we're seeing.

Operator

Next question comes from Scott Berg with Needham & Company.

Unidentified Analyst

This is Rob Marelli on for Scott Bergen I got a disconnect a little bit, so apologies if some of these questions are already asked. But with the release of Monday DB and future releases coming, are you anticipating that these will like you to target and offer different use cases? And then hearing a lot of discussions around consolidation trends within the CWM space. Have you noticed any shifts in your top of funnel or with existing customer discussions?

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

Yes. This is Eran. So the first part of your question, I think we refer to it as part of the other questions, but basically, as we mentioned, we refund the DB 1.0. And more than anything, we feel this has a lot of potential to go up market and to serve larger and larger enterprise deals. We got great feedback from customers, and we see them scaling using this new infrastructure, and we plan to release additional minor versions and major versions in the next few months. And can you just repeat the second part of your question, sorry?

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

Just from a consolidation trend in regards to consolidation trends, have you guys noticed anything shifting within your top of funnel or just with existing customer discussions?

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

Yes. So we haven't noticed any change in customer behavior. We did see some customers consolidate on Monday taking a few products into the Monday platform, but nothing that super substantial. We also don't see any customers stop using Monday because of any consolidation. As Eliran mentioned, churn has been very stable. Downgrade is very stable. So overall, we don't see any movements like this.

Operator

Next question comes from Jason Celino with KeyBanc.

Jason Vincent Celino - *KeyBanc Capital Markets Inc., Research Division - Senior Research Analyst*

Eran I think you mentioned in your prepared remarks you're doing faster cross-sell. I didn't quite hear in your response to some of the other questions on this topic. Are you expanding here with the help of sales reps or marketing efforts? And then if not, when might it make sense to make a more forward approach here?

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

Yes. Jason, it's Eran. So we see both. We see both customers extending what we call no touch, meaning discover those new products by themselves and then buying into those new products and inviting new team members. And we also had ourselves team storing approach enlisting customers and offering them the Severn product. So we see both definitely, with our sales team, we are managing to land larger deals with more potential to expansion. But going forward, we'll keep optimizing that funnel and expand our ability to cross-sell into other accounts.

Jason Vincent Celino - *KeyBanc Capital Markets Inc., Research Division - Senior Research Analyst*

Great. And then Eliran, just a quick clarification question. I know we've you touched on your comments on July and you're seeing some signs of stabilization, but curious on maybe some of the subtle details if you're able to help us out? Is this a reflection of [slowing] down cells or slowing seat optimizations or slower down tiering? Just curious on some of those subtleties.

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

So with regards to the recovery, I believe that during the last 1.5 years with macroeconomy that was challenging, there was a decline that now we see the effect. If you think about the way we look at our net dollar retention it's a trailing 12 months and then weighted average. And now we're

starting to see a kind of a pickup from -- if you compare to a year ago. So pretty much there is some positive signs of getting back into the deals and we're starting to see the good cohorts that actually joined at the end of last year.

Now we are seeing the positive impact, and this is what drives stabilization in the MDR that we are seeing, still not calling a trend but positive signs.

Operator

Next question comes from Robert Simmons with D.A. Davidson.

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

I was wondering in the marketplace, are there any interesting or surprising trends that you're seeing there, maybe areas with more customer interest than you had expected that you might be able to pull into the core platform or into the product suite?

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

Yes. So can you repeat the first part of your question?

There was some breaking up.

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

Yes, in the marketplace. I'm wondering about interesting or surprising trends that you're seeing there and how that might inform your future product plans?

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

Yes. So we see good traction with our marketplace, and we see some apps being more popular than others. I think -- the most of apps we're seeing right now are additional capabilities on top of the Monday platform to kind of finalize our use cases. Definitely, it opens up opportunities in terms of additional features that we can have to the platform or maybe even thoughts going forward about potential acquisitions or extending our capabilities as a platform, but nothing significant that I can point on right now in terms of specific product features or capabilities.

Operator

(Operator Instructions) There are no further questions at this time. Ladies and gentlemen, this concludes today's conference call. You may now disconnect.

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.

©2023, Refinitiv. All Rights Reserved.