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MNDY.OQ - Q4 2024 Monday.Com Ltd Earnings Call

EVENT DATE/TIME: FEBRUARY 10, 2025 / 1:30PM GMT

CORPORATE PARTICIPANTS

Byron Stephen *Monday.Com Ltd - Vice President, Investor Relations*

Roy Mann *Monday.Com Ltd - Co-Chief Executive Officer, Co-Founder, Director*

Eran Zinman *Monday.Com Ltd - Co-Chief Executive Officer, Co-Founder, Director*

Eliran Glazer *Monday.Com Ltd - Chief Financial Officer*

CONFERENCE CALL PARTICIPANTS

Pinjalim Bora *JPMorgan Chase & Co - Analyst*

Alex Zukin *Wolfe Research - Analyst*

Arjun Bhatia *William Blair & Co LLC - Analyst*

Steve Enders *Citigroup Inc. - Analyst*

Gili Naftalovich *Goldman Sachs Group, Inc. - Analyst*

Brent Thill *Jefferies - Analyst*

Brent Bracelin *Piper Sandler & Co - Analyst*

Michael Berg *Wells Fargo Securities - Analyst*

Michael Funk *BofA Securities - Analyst*

Tom Blakey *Cantor Fitzgerald & Co. - Analyst*

Derrick Wood *TD Cowen - Analyst*

Ittai Kidron *Oppenheimer & Co. Inc. - Analyst*

DJ Hynes *Canaccord Genuity Corp. - Analyst*

Jackson Ader *KeyBanc Capital Markets Inc. - Analyst*

Scott Berg *Needham & Company - Analyst*

Taylor McGinnis *UBS Investment Bank - Analyst*

Allan Verkhovski *Scotiabank - 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 the monday.com fourth quarter fiscal year 2024 earnings conference call. (Operator Instructions)

I would now like to turn the conference over to Byron Stephen, Vice President of Investor Relations. You may begin.

Byron Stephen - *Monday.Com Ltd - Vice President, Investor Relations*

Hello everyone, and thank you for joining us on today's conference call to discuss the financial results for monday.com's fourth quarter and fiscal year 2024. Joining me today are Roy Mann and Eran Zinman, Co-CEOs of monday.com, and Eliran Glazer, monday.com CFO.

We released our results for the fourth quarter and fiscal year 2024 earlier today. You can find our quarterly shareholder letter, along with our investor presentation, 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 risk 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-Chief Executive Officer, Co-Founder, Director*

Thank you, Byron, and thank you, everyone, for joining us today. We close out Q4 on a high note, capping off an incredible year. 2024 has been a period of transformation and growth, with our business reaching new heights across every area. We've made substantial progress in solidifying our market leadership while driving innovation to meet the evolving needs of our customers.

A major milestone this year was reaching \$1 billion in annual recurring revenue, underscoring the strength of our Work OS platform and the increasing demand of our solutions. Our financial performance was equally exceptional in 2024. We achieved record operating margins and delivered record-free cash flow, reflecting both the efficiency of our business and the scalability of our model.

Total revenue in Q4 came in at \$268 million, up 32% from a year-ago quarter, and \$972 million in FY24, up 33% from the prior year. On the product front, we continued to make considerable progress in our multi-product strategy. Monday's CRM has exceeded expectations, and we added a record number of net new accounts for both CRM and dev during the year.

We were also proud to be recognized as a leader in the Gartner Magic Quadrant in three different categories. This recognition further validates our strategy and our continued commitment to delivering value to our customers.

In 2024, we made significant strides in our AI development, unveiling several new capabilities, including AI Blocks. Since AI was integrated into the Monday platform, users have performed approximately 10 million AI actions. This ongoing progress highlights our commitment to enhancing the user experience and driving greater efficiency through innovating AI solutions.

One of the most significant milestones of 2024 was our strategic expansion into the enterprise market. We successfully grew our largest seat count to 80,000 seats, signaling strong adoption and deepening enterprise customer engagement. All this enterprise expansion would not have been possible without mondayDB, our data architecture.

In 2024, we completed the latest phase of mondayDB, mondayDB 2.0, enhancing the platform's scalability to support larger, more complex use cases. As we look ahead to 2025, we remain focused on continuing this momentum, building on our achievements and further expanding our reach and impact with a strong foundation in place. We are excited for the opportunities to come.

Let me now turn it over to Eran to walk you through some of the product highlights of this quarter.

Eran Zinman - *Monday.Com Ltd - Co-Chief Executive Officer, Co-Founder, Director*

Thank you, Roy. We're excited to announce that monday service is now officially available to all customers. monday service is an AI-first enterprise service management solution that helps service teams deliver exceptional support faster through smart AI-powered automation. Initial customer

demand has been very strong, with monday service already showing the highest cross-sell of our new products and the highest ACV of the entire Monday product suite.

As Roy mentioned, we have been very busy on the AI front. To make AI more accessible, we've introduced a flexible, consumption-based pricing model for AI Blocks, offering a baseline level of free usage for all plans. For organizations with larger AI needs, additional usage can be purchased at different levels.

In 2025, our AI strategy will be focused on three main areas, AI Blocks, Product Power-ups, and Digital Workforce. AI Blocks will be expanded to provide more advanced ways to automate tasks. Through Product Power-ups, AI will be deeply integrated into each product to address specific user needs. And finally, the Digital Workforce will include AI agents, like monday Expert, Deal Facilitator, and Service Analyzer, which will offer actionable insights and streamline processes for users.

Looking ahead to 2025, we have a lot to be excited about. Our momentum is stronger than ever, positioning us for continued growth and innovation. The success this year would not have been possible without the dedication and talent of the money.com team.

In 2024, we increase our workforce by 35%, bringing our total employee headcount to over 2,500, and expect strong hiring in 2025. As we move forward, we remain focused on investing in our people, delivering exceptional value to our customers, and driving sustainable long-term growth for our shareholders.

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

Eliran Glazer - Monday.Com Ltd - Chief Financial Officer

Thank you, Eran, and thank you to everyone for joining our call. Today, I'll review our fourth quarter and full year 2024 results in detail and provide initial fiscal year 2025 guidance. As Roy mentioned, 2024 was an exceptionally strong year.

Total revenue in Q4 came in at \$268 million, up 32% from the year-ago quarter, and \$972 million in fiscal year 2024, up 33% from the prior year. Overall NDR increased to 112% in Q4. We expect NDR to remain stable throughout 2025. As a reminder, our NDR is a trailing four-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. Fourth quarter gross margin was 89%. In the medium to long term, we continue to expect gross margin to remain in the high 80s range.

Research and development expense was \$48.1 million in Q4, or 18% of revenue, up from 16% in the year-ago quarter, and \$162.7 million in fiscal year 2024, or 17% of revenue, up from 16% in the prior year. Sales and marketing expense was \$127.8 million in Q4, or 48% of revenue, compared to 54% in the year-ago quarter, and \$499.7 million in fiscal year 2024, or 51% of revenue, compared to 57% in the prior year.

Net income was \$57.3 million in Q4 '24, up from \$33.7 million in Q4 '23. For fiscal year '24, net income was \$183.3 million, up from \$94.9 million. Diluted net income per share was \$1.08 in Q4, and \$3.5 in fiscal year '24, based on \$52.9 million and \$52.4 million, fully diluted shares outstanding, respectively.

Total employee headcount was 2,508, an increase of 203 employees since Q3. We expect to grow headcount by approximately 30% in fiscal year '25, with heavier investment in the first half of the year, as we continue to ramp up hiring for our sales, R&D, and product teams.

Moving on to the balance sheet and cash flow, we ended the quarter with \$1.41 billion in cash and cash equivalents, up from \$1.34 billion at the end of Q3. Free cash flow for Q4 was \$72.7 million, and free cash flow margin, as defined as free cash flow as a percentage of revenue, was 27%.

In fiscal year '24, free cash flow was \$295.8 million, and free cash flow margin was 30%. We remain on target to meet our investor day goal of generating over \$1 billion in free cash flow from fiscal year '23 to fiscal year '26. Free cash flow is defined as net cash from operating activities, less cash used for property and equipment, and capitalized software costs.

Now let's turn to our updated outlook for fiscal year 2025. For the first quarter of fiscal year 2025, we expect our revenue to be in the range of \$274 million to \$276 million, representing growth of 26% to 27% year-over-year. We expect non-GAAP operating income of \$25 million to \$27 million, and an operating margin of 9% to 10%.

For the full year 2025, we expect revenue to be in the range of \$1,208 million to \$1,221 million representing growth of 24% to 26% year-over-year. This forecast assumes a negative impact from FX of 100 basis points to 200 basis points. We expect full year non-GAAP operating income of \$134 million to \$142 million, and an operating margin of 11% to 12%. We expect full year free cash flow of \$300 million to \$308 million, and free cash flow margin of approximately 25%.

Let me now turn it over to the operator for your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Pinjalim Bora, JP Morgan.

Pinjalim Bora - JPMorgan Chase & Co - Analyst

Oh great. Hey, thank you for taking the questions and congrats on a strong quarter. I want to start with AI. Seems like your AI capabilities are seeing really strong momentum on AI actions. You introduced some AI credits. Maybe help us understand how the AI credits are supposed to work. It seems like 500 credits is in the plan. How is that going to consume? Is that per AI action? How are you defining an action? And if somebody wants to buy more, what does that pricing look like?

Roy Mann - Monday.Com Ltd - Co-Chief Executive Officer, Co-Founder, Director

Hi, it's Roy. Thank you for the question. So, what we wanted to do with this different pricing of consumption is that everyone can use it, like all our customer base. And essentially, we have like a starting plan, like you said, for 500. And an action is everything that AI does within our platform, like a summary, like doing any kind of action on the board.

So essentially, if you create a workflow, you can use a lot of AI actions to build a complete workflow and really automate things in a way you couldn't before. And as you progress and use it more and more, in the consumption model, we have different plans that you can purchase more actions.

Pinjalim Bora - JPMorgan Chase & Co - Analyst

Yeah, understood. Okay. Eliran, one question, the constant currency guide seems very strong, seems like about 26% or over 26% at the high end. Can you talk about some of those assumptions? Because you were seeing a little bit of a choppiness around macro in Europe. How did that progress? What are you assuming for the guide? What are you assuming on pricing benefit?

And then lastly, how should we think of contribution from kind of non-core, non-CWM products for 2025? Thank you.

Eliran Glazer - Monday.Com Ltd - Chief Financial Officer

Sure, Pinjalim. So with regards to 2025 guidance, what we took into account is, first of all, we saw consistent demand trends across all regions. The US demand is very healthy. The rest of the world, including Europe and Middle East, is stabilizing compared to what we have seen in November. We took into account the fact that NDR remains stable at 112%. We expected negative FX impact, as you stated, because of geopolitical and strong dollar versus the other currencies. 65% of our revenues or ARR is US dollar-based in terms of reporting.

So we estimated around 100 basis points to 200 basis points based on calculations that we have done. We took into account the growth of 30% in headcount in 2025. And we didn't take into account, for example, your prior questions, any revenue from AI. It's still early days to take it into account. And mostly, when we think about products, there is becoming, CRM is becoming more significant in terms of the contribution to the ARR.

So we already took it into account. Service is still just out of beta, contributing small amount of revenue, but it's growing really fast. And they've pretty much also took into account certain contributions. But overall, we see the trends that I mentioned as part of our 2025 guidance assumption.

Pinjalim Bora - JPMorgan Chase & Co - Analyst

Anything on the pricing benefits, Eliran?

Eliran Glazer - Monday.Com Ltd - Chief Financial Officer

So on the pricing, so what we have said last year that we estimate between 2024 to 2026 \$80 million contribution. The way we looked at it was around \$30 million in fiscal year '24, around \$40 million in fiscal year '25, that is already baked into the guidance, and also there is going to be about \$10 million in 2026. Because pricing will be rolled out by July 2025. This is where we're going to end the kind of pricing rolled out, that we have done started last year.

Pinjalim Bora - JPMorgan Chase & Co - Analyst

Thank you very much.

Operator

Alex Zukin, Wolfe Research.

Alex Zukin - Wolfe Research - Analyst

Yeah. Hey, guys. Congratulations on another great quarter. I guess maybe back to the Pinjalim question. If you look at what happened in the quarter for you guys with respect to Europe and the US, what actually transpired in the month of December?

And as you think about the pipeline, and specifically on the enterprise, did you see it being more seasonally weighted? Did you see any impacts from the changing competitive landscape? Walk us through a little bit of the shape of the demand curve in the quarter and what it's telling you about as you really head into next year.

Eran Zinman - Monday.Com Ltd - Co-Chief Executive Officer, Co-Founder, Director

Yeah. Hi, Alex. This is Eran. So yeah, like Eliran mentioned, the US demand has been pretty much healthy and stable throughout November and January and December. Outside the US, like we stated -- we saw a little bit of choppiness in November, but right now, judging what we've seen, including Europe as well, we see signs of stabilization. So that's great to see. It gives us a lot of confidence going forward.

Like I mentioned, there's some FX impact, but apart from that, that's kind of the environment that we've seen going forward. Overall, I would say that growth retention continues to be at record levels, so very strong growth retention and NDR as well. Enterprise has been our fastest growing segment, and it continues to be like that. And we see the growth accelerating in the enterprise segment as well. So judging all those parameters together, it feels healthy, and it feels like we're on track to fill our plans for 2025.

Eliran Glazer - Monday.Com Ltd - Chief Financial Officer

Maybe I will just Alex, this is Eliran. Maybe just adding to Eran, something that we have said last year, as we see a transition in the business from PLG to SLG motion, we're also starting to see the results of each quarter coming in the back end of the quarter. So going into December, like we used to see a more kind of flat in the prior years, now it's skewed towards the end of each quarter.

So we have seen good signs in December compared to what we've seen in November back in Europe-Middle East last year.

Alex Zukin - Wolfe Research - Analyst

Perfect. And then with respect to the guidance, guys, I'm not going to ask you about price, but what I'm going to ask you about is just given how much stronger the guidance looks, I think to what some people were expecting, maybe just walk us through, A, how are you thinking about the conservatism and the prudence given changing go-to-market dynamics from a talent perspective this year, as well as just how many products you have from service to AI blocks to CRM to dev?

How are you thinking about or layering, more importantly, in those assumptions into this guide relative to previous years? And thank you, guys.

Eran Zinman - Monday.Com Ltd - Co-Chief Executive Officer, Co-Founder, Director

Yeah, so sure, Alex. So I will repeat what I said to Pinjalim. So first of all, maybe one thing worth mentioning that this year, I think, is more unpredictable when you compare it to prior years, the geopolitical situation across the world is -- to a certain extent, there are some things that you can't really predict. So this is also something that we took into account as part of our guidance.

To your question on product, we have four products, on the platform with now service being out of data, monday dev, monday CRM, and monday work management. So this is something that obviously we took into account. NDR continues to be stable at 110% and -- 112%. Sorry.

The new products, will contribute a certain amount of revenue is growing. But other than CRM, that is now becoming more significant, we will see the results of the other products next year. So when we took all this into account, bear in mind that we also increased headcount last year in 35%. And now we see the full impact of this hiring last year. So we try to have a prudent, I don't know what to call it, conservative or not. This is a responsible guidance based on what we know today.

Operator

Arjun Bhatia, William Blair.

Arjun Bhatia - *William Blair & Co LLC - Analyst*

Perfect. Thank you, guys. And I'll add my congrats. Very nice end to the year here. One thing, Roy, that stuck out in your shareholder letter in regards to service, I think you called out that it's the highest ACV across your product line that you're seeing. I understand. I know, I think it's still a small customer count given how early it is.

But can you, you know, walk through what the drivers there are? Like, are you selling this product to larger customers? Are there more add-ons? What makes service higher ACV? And should we expect that to continue as customer count grows for that product?

Eran Zinman - *Monday.Com Ltd - Co-Chief Executive Officer, Co-Founder, Director*

Yeah. Hi, Arjun. It's Eran. So, yeah, I think it's a combination of a few things. One is, we see -- every product, I would say, has a different go-to-market. But one thing that really stood out with Monday Service is that it feels like there's a big overlap between our existing customer base and the potential customer base for service.

So relatively to other products, we see more momentum with cross sell to begin with. It's still low numbers, but just percentage-wise, it feels like there's a big overlap between the audiences of who we already have as a customer and people that are interested in Monday Service.

And that led to more mature customers buying into Monday Service. Also, it's more of a top-down decision process. So we have, management kind of involved in the process, which ultimately, if you combine those two things, leads to higher ACV deals, more top-down deals. And it just feels like it had a lot of potential to grow into a more kind of mature ACV mid-market enterprise going forward business.

Arjun Bhatia - *William Blair & Co LLC - Analyst*

All right. That's very helpful. Thank you. And then maybe to follow up, just when I'm looking at, I think, some of the annual customer count disclosures you've given, and if I look at Q4, I think net customer adds for CRM and dev, it's the only thing that looks like there's a little bit of a slowdown.

Can you just help us understand what's going on there? Is that mostly your move up market and greater focus on cross-sell, or is there something else on the net new customer front that we should be reading into?

Eliran Glazer - *Monday.Com Ltd - Chief Financial Officer*

So Arjun just wants to make sure that I understood the question. You relate to the total number of customers, or you speak about CRM and dev? Just want to make sure that I follow the question.

Arjun Bhatia - *William Blair & Co LLC - Analyst*

Yeah, thanks, Eliran. It's a little bit of both. Maybe, you know, I think the total customer number also slowed compared to 2023, and then in Q4, CRM and dev. I'm trying to maybe encompass all of it in one question.

Eliran Glazer - *Monday.Com Ltd - Chief Financial Officer*

Sure. So in terms of total number of customers, you know, we are now at 245,000 customers, which is more than, I think, most of our peers. As we said in the past few times, we are going to focus on expanding within existing customer base, going up market. And we said that, we are going to probably grow high single digit within the total number of customers.

With regards to CRM and dev, this is related mainly to seasonality of performance marketing spend. In Q4, usually in Q4 of the year, due to the holidays that are coming at the end of the year, customer acquisition channel spend is usually lower than what we are doing before that.

And it's similar to prior year. We allocate more budget to performance marketing spend at the beginning of the year, because we want to get the full impact of the performance rather than the second half of the year. So this is, I would say, the main reason for the numbers that you've seen.

Arjun Bhatia - *William Blair & Co LLC - Analyst*

Okay, got it. Very clear. Thank you.

Operator

Steve Enders, Citi.

Steve Enders - *Citigroup Inc. - Analyst*

Okay, great. Thanks for taking the questions here. I guess maybe just to start, I want to ask on some of the, I guess, enterprise sales changes that are going on. I know that CRO left last quarter, and it sounds like maybe there's some other changes.

But how are you kind of thinking about, how that search is going, how you're thinking about kind of future changes in the go-to-market structure or strategy within that? Just, yeah, any more color details around that would be helpful.

Eran Zinman - *Monday.Com Ltd - Co-Chief Executive Officer, Co-Founder, Director*

Yeah. Hi, Steven. This is Eran. So, yeah, definitely, we're looking for a new CRO. We've been pretty invested in the process. Hopefully, we're kind of looking to finalize this process by the end of Q2. We're looking for a person with a proven track record and deep understanding of the complexities of scaling up markets.

I can share that we see great candidates, and hopefully, we'll get somebody across the finish line in the next few months. I would say that given all that, in the last few months, we've seen great results from the CRO organization. You can see that with the enterprise ads and overall momentum feels good.

So, definitely looking for a replacement. But so far, the management within the organization is doing phenomenal work to drive results forward.

Steve Enders - *Citigroup Inc. - Analyst*

Okay, great. That's great to hear. I guess maybe following up on that, it sounds like there's maybe been some catch-up spend in that kind of organization and, further kind of investments coming from a headcount perspective this year. Just, I guess, what is it that you're seeing out there maybe that's leading to the confidence to kind of invest behind that? And just kind of what are you kind of seeing in the pipeline that leads to, yeah, the confidence to fully back that motion?

Eran Zinman - *Monday.Com Ltd - Co-Chief Executive Officer, Co-Founder, Director*

Yeah. So, this is Eran again. So, yeah, definitely, we continue to invest into the sales org. Overall, between sales and general partners, managers, our total quota carriers have grown to almost 400, 395 by the end of Q4. It's a significant increase Q-over-Q.

Overall, we feel confident scaling the organization for a few reasons. First, we see the results and we see that we have a lot of potential for expansion within our existing customer base. We have those additional products that amazing fuel for our sales team. Our existing customers are scaling more to the enterprise, Monday DB was a big unlock for enterprise customers to scale even further.

So, it just feels that within our own customer base, there's a lot of potential for growth and we can add even more account managers to expand our customer base. And also, performance marketing continues to be strong and we've seen great demand not just across work management but across the other products as well.

So, if you put all those things together, it just feels that it's very healthy to increase the sales organization. We see the ROI for that and we continue to do that in 2025.

Steve Enders - Citigroup Inc. - Analyst

Perfect. Good to hear. Thanks for taking the question.

Operator

Gili Naftalovich, Goldman Sachs.

Gili Naftalovich - Goldman Sachs Group, Inc. - Analyst

Hi, good morning, everybody. It's Gillian for Cash. Thanks for taking the question. I have one for Roy and Eran and maybe a follow-up if I can. First, if we can talk about AI, it's so central to the top three pillars you laid out as your strategic priorities in 2025.

I'd love to get your perspective on how you see the AI landscape evolving over the next few years. What do you envision this meaning for Monday? How do you believe the engagement with the platform may change and how are you positioning the company to take this opportunity?

Roy Mann - Monday.Com Ltd - Co-Chief Executive Officer, Co-Founder, Director

Yeah. Hi, Gili, it's Roy. So, when we look at AI and where Monday plays in it, we feel we have a huge power of democratizing it, meaning really giving the power to people to build whatever they want, to harness AI into their business, into improving efficiency. And that's what we're doing and that's the feedback we get from the beta we have in blocks and what we've seen customers do.

And going forward, this is what we're planning to go for next in the vision, to actually give people technologies they can use and they can implement right off the bat and that it's easy and fun to use.

Gili Naftalovich - Goldman Sachs Group, Inc. - Analyst

Yeah, very clear. And so, the second question I had was a little bit more on the record number of net new CRM and dev accounts that you mentioned you are able to add this quarter. Can you talk about what drove that momentum? Is this a leading indicator or byproduct of the headcount growth that you guys saw this year or is it a result of maybe a multitude of different factors?

Eran Zinman - Monday.Com Ltd - Co-Chief Executive Officer, Co-Founder, Director

Yeah, I think overall, we're very happy with the -- this is Eran with the ads of customers both in the CRM and dev. I would say that converter Q3, Q4 was a little bit slower and we mentioned that because of performance marketing seasonality. But going to 2025, we definitely see the momentum continues with both of those products.

I would say that in both, we invested more into going off market in each one of those products, adding more features and functionality, which will also contribute not just to the total number of customers, but to higher ACV in both. So, that's kind of what we focus on right now going forward.

Operator

Brent Thill, Jefferies.

Brent Thill - Jefferies - Analyst

Thanks. Just back on the hiring front, when you think about quota carrying sales rep hiring versus the stated goal of 30% total growth, are you growing your reps at or below or above that line? And then when you mentioned 395 quota reps, can you just update us what that growth was for '24 over '23 and just give us a sense of what you're seeing from a hiring perspective?

Eran Zinman - Monday.Com Ltd - Co-Chief Executive Officer, Co-Founder, Director

Hi, Brent. This is Eran. So, for the first part of your question, the year-over-year growth in terms of total quota carriers is about 26%, so a little bit below the overall 30% that you mentioned. We plan to ramp up hiring for sales into the first half of 2025. So, this is the plan going forward for 2025. Just a year ago in Q4 of 2023, we had about 313, total quota carriers. So, now almost 400. That's a significant growth in the last year.

Brent Thill - Jefferies - Analyst

Okay, great. And now with service added in, when you think about the packaging that go to market, as you move to enterprise, we've seen a lot larger companies do these ELAs or bundles. I mean, how are you thinking about how your packaging is evolving to make it easier to consume the breadth of all these new solutions you're coming to market with?

Eran Zinman - Monday.Com Ltd - Co-Chief Executive Officer, Co-Founder, Director

Yeah. So, this is Eran. So, look, I think going forward, definitely we see a future where we sell a bundle of products, definitely the ones that we see high percentages of cross-sale. I think I mentioned this earlier, but I think what's unique with the Monday Service release is that we see high percentages of cross-sale. So, that's definitely an indication from work management.

So, that's definitely an indication for us that potentially work management and Monday Service can be packaged together because for a lot of people, a ticket or a request is basically a beginning of a project or a workflow. So, those two products really work well together.

So, going forward, we might sell the products in a bundle to begin with, but currently it's mostly focused on cross-sale between existing customers.

Brent Thill - Jefferies - Analyst

Great thanks.

Operator

Brent Bracelin, Piper Sandler.

Brent Bracelin - Piper Sandler & Co - Analyst

Thank you. Good afternoon. Good morning. I wanted to double-click in North America. It looks like growth in North America accelerated 200 basis points sequentially here, more than offsetting a decellular sign internationally. What drove the strength in North America?

Are you seeing SMB optimism start to kind of drive activity? Is it more influenced by large enterprise expansions? Just walk through the strength that you saw in North America this quarter here and what drove that acceleration? Thanks.

Eran Zinman - Monday.Com Ltd - Co-Chief Executive Officer, Co-Founder, Director

Yeah. Hi, Brent. This is Eran. So, I think it's mostly been enterprise customers that are driving that. I mean, we mentioned that we have some choppiness in November and December, but that seems to be stabilized. But I think overall, if we look at longer-term trends, definitely in North America, our enterprise segment has been the strongest in terms of growth. And also, we're reaching bigger and bigger customers. So, that's definitely a very significant driver in that region.

Eliran Glazer - Monday.Com Ltd - Chief Financial Officer

Yeah. Brent, this is Eliran, also to run. I also think we are gaining market share. One of the things that we have seen last year is that we have a strong machine that works really well. There have been some changes in our competitive landscape, which allowed us actually to take market share, to grab market share. Some of our competitors also focused on enterprise. So, it leaves the down market to us in terms of SMBs and mid-market.

So, overall, a few trends that are actually pushing us into gaining more market share and increasing our footprint in North America.

Brent Bracelin - Piper Sandler & Co - Analyst

Great to see that. And just as a follow-up here, I know historically, sales, dev, these were largely new products that were landing new customers. I think you mentioned service. I know it was just kind of in beta here, early release, but it was something like 60% cross-sell of the service customers, which is very different than what you saw with dev and sales.

So, can you just double-click into maybe the cross-sell, why is service different? And are you starting to see broader cross-sell opportunity across all platforms? Thanks.

Eran Zinman - Monday.Com Ltd - Co-Chief Executive Officer, Co-Founder, Director

Yeah. So, this is Eran. So, overall, we see more cross-sell between all products. But like I mentioned, there's a lot of synergy between monday Service and monday Work management, mainly because monday Service is usually the beginning of a process or a workflow. So, a lot of people kind of use monday Service to manage the request and the admin around the request, and then kind of move on to actually executing the workflow.

I think that's a big benefit also in terms of our market position for customers, but also shows the strength of having multiple monday products. It just feels like the overlap between the buyer for work management and the buyer for monday Services is very large compared to other products. And the synergy between the products is very high as well. So, that's what kind of drove the very high cross-sell percentages that we see.

Brent Bracelin - *Piper Sandler & Co - Analyst*

Okay. So, just to clarify, you're not seeing service and sales bundled and cross-sell together. You're seeing service and work management more often.

Eran Zinman - *Monday.Com Ltd - Co-Chief Executive Officer, Co-Founder, Director*

Yeah. I mean, we also see monday dev and monday CRM as well, but just the percentage of the services are way higher.

Brent Bracelin - *Piper Sandler & Co - Analyst*

Got it. Helpful. Thank you.

Operator

Michael Berg, Wells Fargo.

Michael Berg - *Wells Fargo Securities - Analyst*

Hey, congrats on the call, and thanks for taking my question. I want to double-click on service one more time. Maybe you can help us understand or provide a little bit more color on what it looks like when you land with service initially. Are you landing alongside existing other service solutions? Are you displacing something? Maybe you can help us understand what the customers have in place when you are lending, whether they are monday.com customers or not. Thank you.

Eran Zinman - *Monday.Com Ltd - Co-Chief Executive Officer, Co-Founder, Director*

Yeah. Hi, this is Eran. So, first of all, it's important to mention it's not just IT service. What we've seen from the product launch is that obviously we have IT service, but we have HR requests, operations, financial requests, marketing requests, customer support. So, it's a variety of different departments within the organization.

In terms of competition, sometimes we land with another vendor and sometimes we are the only vendor. Sometimes we compete with other players in the market and win the deal. So, I would say it's a combination of all of the above. Mainly, I think, again, it's still early days, but from what we've talked with customers, they love the flexibility of the platform. I think all the big players in this industry have a high degree of flexibility, and this is something that we offer from the very beginning.

So, the fact it's built on the monday platform is a huge benefit, and also the fact that, in a way, monday for them is the centralized way to work. And because monday Service is so deeply integrated with monday CRM and work management, that also gives us a huge benefit over other players in the market.

So, that's kind of the dynamic we currently see, but as I've mentioned, it's still early days. So, I think as time goes by, we'll have more clarity around this.

Michael Berg - *Wells Fargo Securities - Analyst*

Helpful. And then one quick follow-up for you, Eliran. On NRR, it inflected in the quarter in pretty much every metric, and you talked about stabilization on the NRR moving forward. How can we think about the impact of price there and how that's baked into your comment for stabilization of that metric for 2025?

Eliran Glazer - *Monday.Com Ltd - Chief Financial Officer*

Sure, Michael. So, in terms of, just by way of reminding to everyone, we are reporting a weighted average of the last four quarters. So, we said that gross retention has improved significantly. We have seen good trends last year of increasing numbers. So, now we're starting to see the results of this. And we said we're going to be, last year, we said we're going to be slightly above 110 and 111.

We will see the tick up as we start this year, and this is what happened. We estimate that the pricing adjustments will positively contribute around 100 basis points to the reported NDR in fiscal year 2025.

Michael Berg - *Wells Fargo Securities - Analyst*

Helpful. Thank you.

Operator

Michael Funk, Bank of America.

Michael Funk - *BofA Securities - Analyst*

Yeah, thank you for the questions this morning. I wanted to ask about the success with larger customers that you've seen recently. If you can just frame maybe the greater complexity of those deals, expansion prospects? May also come back to a comment you made earlier about market share gains and maybe some consolidation you might be seeing among the larger customers?

Eliran Glazer - *Monday.Com Ltd - Chief Financial Officer*

Sure, Michael, this is Eliran. So maybe, again, to take you a step back, we have started a process of improving the platform two years ago with mondayDB. So we had our plan to make sure that the platform is going to be scalable. We're going to address speed, performance, and scale. So we are now in a mondayDB 2.1 and we keep improving the infrastructure to allow bigger, larger customers to work on the platform.

In addition to that, we hired people throughout the hiring process of prior year going into this year that are more familiar with selling to the enterprise customers in terms of [lead-market] and enterprise, and this is a process that we continue to do.

We invested in the depth of the product, not only on the breadth of the products, although we have monday Service. So all of that together by way of the acknowledgment of the market at monday is indeed a platform that can be used within larger and larger customers, also having in mind the fact that we took market share from competitors. So we said that enterprise is our fastest-growing business segment.

The sales teams are performing well, particularly in the US. And you can also see the increasing [\$50,000 and \$100,000] customers NDR that is related to large contract expansion with the enterprise customers. Of the above, all of the things that we have done over the past, I see -- I would say, two years, the investment in people, in technology, in product is something that is driving the business forward into the enterprise.

Michael Funk - *BofA Securities - Analyst*

Great, thank you for the color. One more quickly, if I could. Against the backdrop of the strong net adds for CRM and dev and your comments on the macro and adding more quota-carrying reps, is there any reason to believe that net addition is slow in 2025 for CRM and Dev?

Eran Zinman - *Monday.Com Ltd - Co-Chief Executive Officer, Co-Founder, Director*

Yeah, this is Eran. So look, it might slow a little bit. I mean it's kind of hard to predict. But overall, we continue with strong momentum performance margin. I would say that overall, our strategy not just for CRM and dev for the company itself is to go upmarket and have higher customer ACVs.

So I would say that our product focus is not necessarily to add a lot of very small businesses but whether to scale within our existing customers in CRM and dev and bring larger customers. So I would say, definitely in terms of revenue and ARR portion, we continue to accelerate in the product. It's just going to be a different mix between amount of customers and ACV going forward.

Roy Mann - *Monday.Com Ltd - Co-Chief Executive Officer, Co-Founder, Director*

Yeah. It's Roy. Like I think to what Eran said, like the decision to make the price increase is also a decision towards that end, okay? We prefer larger customers, more rather than increase the number of total customers.

Michael Funk - *BofA Securities - Analyst*

Great. Thank you for the questions.

Operator

Tom Blakey, Cantor.

Tom Blakey - *Cantor Fitzgerald & Co. - Analyst*

Hi, thanks for taking my question. I might have 2 here. The -- just going back to AI seeing as kind of parabolic increase in AI interactions. A couple of clarifications on the longer-term question. Is it safe to say that there was close to 0, if not 0 AI revenue in calendar '24? I think you mentioned you don't include any AI revenue in your calendar '25 guide. Just wondering what you're seeing in terms of that big uptick in interactions. And if you look out a little bit where you think AI revenue could be at this company in the longer term? And I have a follow-up.

Roy Mann - *Monday.Com Ltd - Co-Chief Executive Officer, Co-Founder, Director*

It's Roy. So it's really too early to say because what we saw is increased usage and then you introduce pricing and then you want to see customer reactions and how they grow. So we didn't predict anything and we couldn't bake it in.

Going forward, I think when we look at the market, we see so many different pricing strategies for AI. Some is for winning markets, some is for revenue, like we feel confident in the blocks and the usage of actions as additional value that customers are willing to pay for, but we'll have to wait and see how much this is true and what we can expect looking forward.

Operator

Derrick Wood, TD Cowen.

Derrick Wood - *TD Cowen - Analyst*

Great thanks. Congrats on a strong quarter. And I wanted to talk about -- come back to the larger deal theme. And you guys highlighted in the shareholder letter, you captured an 80,000-seat customer in 2024, which I know you've talked about previously. But could you talk about how you

feel about the opportunity to see more multi-thousand seat engagements in 2025 versus 2024. Just wondering if we can see a notable uptick in that kind of deal activity or if that will kind of be gradual over the -- looking out over the next few years?

Eliran Glazer - *Monday.Com Ltd - Chief Financial Officer*

Sure, Derrick. This is Eliran. So the way we do it is either we land bigger to begin with and then like a top-down transaction that we are now seeing more and more. So this is one way to do it, and we are -- the hiring in the sales organization, the changes that we are now doing in the sales organization, the profile are also contributing to that.

And on the other hand, we have customers that grew with us for a few years. And once they unlock the value of the platform, and we are adding additional products, they are doing consolidation on monday. We are replacing other vendors in terms of switching. So the trend, I think this is something that we started to see, I would say, about 1.5 years ago and now we're seeing more and more.

And it comes rete growth of the platform, the additional products and the profile of the people that we have together with the acknowledgment of monday as a solution that can address enterprise level needs.

Operator

Ittai Kidron, Oppenheimer.

Ittai Kidron - *Oppenheimer & Co. Inc. - Analyst*

Thanks, Guys, I guess, a couple of small ones for me. And following on Derrick's question on the 80,000-seats; great to see the expansion there. Maybe you could give us a little bit more color on the breadth of 10,000-plus seat customers? How many of those are in the wild?

And then second question is regarding AI. Do you see any risk of seat cannibalization with the adoption of your AI solutions? Thank you.

Eran Zinman - *Monday.Com Ltd - Co-Chief Executive Officer, Co-Founder, Director*

Yeah, hi Ittai. It's Eran. So look, I think like Eliran mentioned, overall, we see definitely more potential for larger deals. We had those expansion also this quarter, and we continue to have potential within our existing customer base for more deals like that. So it's kind of hard to predict because it's happening over a few quarters, but definitely something that might happen as well in 2025.

Regarding AI, so we made a decision, like Roy mentioned, to based on consumption and not place on seats because it's kind of hard to predict the long-term trends, but if AI can replace a manual work and automate some processes, we want people to be able to scale on that regardless of the fact that they're adding more people or not. So that made a lot of sense for us to base the pricing based on consumption. So I don't think it will cannibalize the seat count that we have, but just offer a different path of capability for our customers based on usage and not necessarily people.

Operator

DJ Hynes, Canaccord.

DJ Hynes - *Canaccord Genuity Corp. - Analyst*

Hey guys, So on one of the slides in your deck, the slide is where do we want to go from here, it lists expanding core work product lines as a key initiative. So I guess that begs the big picture question, like where does monday go next? Any thoughts?

Roy Mann - *Monday.Com Ltd - Co-Chief Executive Officer, Co-Founder, Director*

Yeah. So the general question, it's Roy. So one big thing is really deepening each one of our products into a suite like we took a conscious decision to deepen everything. Like what Eliran mentioned, the platform itself, the scalability, robustness that you can rely on it more and more, each one of our products, like we released in CRM, the marketing solution.

And we have like massive markets to go after and so we want to deepen the offering. And then AI is also a huge thing. Blocks is one of them, but we're also embedding AI within each one of the products in a way that really accelerates the vision we have. Like in project management, it will help people turn all their portfolio into being way more predictable, for example, CRM sell more. And so we have a very clear road map of like giving the same value just more, faster, better, and deeper.

Operator

Jackson Ader, KeyBanc Capital Markets.

Jackson Ader - *KeyBanc Capital Markets Inc. - Analyst*

Great, thanks for taking our questions. So my questions are around the sales-led growth function. Just curious how you guys are managing the puts and takes on sales cycles as you begin to stack up multiproduct deals that might elongate some sales cycles and just make things generally more complex. So I'm curious about just the basic blocking and tackling you're doing around those sales cycles?

And then the other thing is, what would be like the best indicator of the efficacy of the sales-led growth motion that we should be kind of tuning into? Is there a way to split out maybe the enterprise customer lands versus existing customers or kind of graduates into that [\$50,000 or \$100,000], but yes, just some of the KPIs that we should all be looking out for to see if the sales-led growth motion is really working out? Thank you.

Eran Zinman - *Monday.Com Ltd - Co-Chief Executive Officer, Co-Founder, Director*

Yeah. Jackson, it's Eran. So regarding the first part of your question about the product. So definitely, we put a lot of thought into this. So I would say it's a combination of a few things. One, we have customers landing for multiple marketing campaigns, some land for our CRM products, some for work management, debt service, et cetera. So right now, the way it works, we have specialized teams for each one of those products that are handling new customers, depending on the products that they chose. And we basically scale those things based on the demand that we see and just to scale the product.

And then in addition to that, we have account managers that are already engaged with customers and when they identify an opportunity for expansion, whether it's through our big brand system, that identify new people joining the organization for one of the departments or whether it's by relationship and conversation, we have special functions called overlaid, which basically helps them cross-sell with people that specialize in those area, whether it's CRM or service and so on. And they help them close kind of initial deals with the decision-makers in the organization.

So we have different functions depending on the phase of the sales process that help go through this, and we're really kind of shaping that in terms of scale and just creating an autonomy for them to kind of build their own sales strategies.

And to the second part of your question about -- I think you mentioned about scaling the sales org and then selling to larger enterprises. So also there, we have AEs, account executives, to close new deals for each segment. So we have some SMB, some from mid-market and enterprise, and it's a totally different sales process for each one. And we have the same segmentation for account managers.

So we really kind of segmented the business based on products and then based on company size. And for each one, we have different kind of dynamics in terms of the sales process and also the time it takes to close the deal. So this is kind of how we think about this now and obviously, it will evolve over time.

Operator

Scott Berg, Needham.

Scott Berg - Needham & Company - Analyst

Hi everyone. Really nice quarter here. I guess my question is on the digital workforce strategy part of your AI initiatives here. For this year, we've seen many other vendors release different agents. And when they have, it's kind of created a halo effect for customers having to maybe buy more components of the solution to really make those agents work.

If you think about agents or digital workforce on the monday platform here this year, I guess, what parts of the platform does the customer really need to kind of create this? Is it just the core work management system or is there other pieces in the functionality add-ons that they need to also purchase to enable this technology?

Roy Mann - Monday.Com Ltd - Co-Chief Executive Officer, Co-Founder, Director

Hi. It's Roy. So like, we see agents as another layer on top of the Work OS, meaning it's like across everything. When you work with an agent, you'd love it to know. First of all, you'd love to control what it knows, but you eventually want it to be across product, okay?

And I think that's a lot of the power of monday. Let's say you want the monday expert agent to create a dashboard across a lot of different products. So it will be able to do that. And so we didn't have -- we don't have a plan for monetization for that part yet. I think we opened it up. So we will have in the future once we see the different agents, okay?

And so I'm excited about this because I think it's like a massive opportunity for us to build a marketplace, a lot of agents that can do different things and you can communicate with them and achieve way more. And obviously, because it's on top of the monday platform, each one of our agents will be able to do a lot of things across the platform and really perform powerful things you'd want them to do and not just like talk with them for those kind of [stuff].

Operator

Taylor McGinnis, UBS.

Taylor McGinnis - UBS Investment Bank - Analyst

Yeah, hi. Congrats on the quarter. Just focusing on the outlook for stable NRR. So the math seems to be pointing to an in-period NRR number that is higher than the [112%] trailing 12-month metric. So first, is that true?

And then second, I guess, why couldn't we see NRR trend up? Is that just conservatism? Are you not yet maybe seeing seat expansions recover in this macro? It seems that, that would just be more biased up given the cross-sell opportunity and focus upmarket. So Eliran, can you just help us understand some of the puts and takes there?

Eliran Glazer - *Monday.Com Ltd - Chief Financial Officer*

Yes. Sure, Taylor. This is Eliran. So first of all, we've been very encouraged about NDR improving faster than we initially anticipated back in 2024, and we were very transparent about it. On the other hand, given recent demand volatility and macroeconomic uncertainty, we're adopting a bit more cautious outlook on NDR because I think we are -- in some places, we are not yet -- the war in terms of global headwinds, economy headwinds are not yet out of the woods. So we're trying to be a bit more prudent on this one.

Operator

Allan Verkhovski, Scotiabank.

Allan Verkhovski - *Scotiabank - Analyst*

Hey, thanks guys. Can you talk about how, based on your AI product road map, how are you thinking about a few years from now, what an average customer could be spending for AI credits relative to their seat license cost?

Roy Mann - *Monday.Com Ltd - Co-Chief Executive Officer, Co-Founder, Director*

That's like predicting the future kind of question. so Really, we just released it. We'd love to see more data from customers, so we'll be able to answer those questions. So I can't really say. Sorry.

Operator

And that ends the question-and-answer session. Ladies and gentlemen, this concludes today's conference call. Thank you all for joining. You may now disconnect.

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