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MNDY.OQ - Q3 2025 monday.com Ltd Earnings Call

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## PRESENTATION

### Operator

Good day. My name is Eric, and I'll be your conference operator today. At this time, I would like to welcome everyone to monday.com's third quarter fiscal year 2025 earnings conference call.

I would like to turn the call over to monday.com, Vice President of Investor Relations, Mr. Byron Stephen. Please go ahead.

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### Byron Stephen - *monday.com Ltd - Director of Investor Relations*

Hello, everyone, and thank you for joining us on today's conference call to discuss the financial results for monday.com's third quarter fiscal year 2025. Joining me today are Roy Mann and Eran Zinman, Co-CEOs of monday.com; Eliran Glazer, monday.com CFO; and Casey George, monday.com CRO.

We released our results for the third quarter fiscal year 2025 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](http://ir.monday.com).

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

Additionally, non-GAAP financial measures will be discussed on the call. Reconciliations to our 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.

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**Roy Mann** - *monday.com Ltd - Co-Chief Executive Officer, Co-Founder, Director*

Thank you, Byron. And thank you, everyone, for joining us today. In Q3, we delivered another quarter of strong results and disciplined execution, putting us firmly on track towards our Investor Day revenue target of \$1.8 billion of FY27. We saw robust net additions of over \$100,000-plus and \$500,000-plus paying customers, reflecting the strength of our go-to-market engine and the expanding demand of our platform.

We also reported our largest ever non-GAAP operating profit, reinforcing our ability to scale efficiently while continuing to invest in innovation. The combination of accelerating customer expansion, record profitability, and surging engagement with our AI offering positioned monday.com strongly for its next phase of growth.

Our Q3 results follow a highly successful Investor Day where we showcased our evolution into multiproduct and AI-powered platform. The event grew nearly 1,000 online participants over 4 times the viewership from 2023, reinforcing investor confidence in our vision and the significant opportunity ahead as we execute towards our FY27 goals.

Additionally, our Elevate user conference in New York City and London reach new heights in both scale and impact. Attendance more than doubled year-over-year, reflecting our growing excitement around our platform and the new AI capabilities. These events not only amplified customer enthusiasm and engagement, but also generated record engagement and strong pipeline heading into 2026, setting the stage for continued customer expansion and growth.

Let me now turn it over to Eran to walk you through some of our business highlights for the quarter.

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**Eran Zinman** - *monday.com Ltd - Co-Chief Executive Officer, Co-Founder, Director*

Thank you, Roy. The investments we've made in our sales organization over the past year continues to drive strong results. We delivered solid net additions among larger customers, improved net dollar retention for accounts over \$50,000 in ARR and achieve accelerating RPO growth, all reinforcing the effectiveness of our upmarket strategy and disciplined execution.

We continue to rebalance our go-to-market investment towards mid-funnel channels to target larger opportunities. While these motions come with longer sales cycles, they are yielding high-quality pipeline and position us well for sustainable growth.

Moving on, our multiproduct strategy is delivering strong results, expanding monday.com reach across more teams and use cases. New products now account for over 10% of total ARR, surpassing our 2025 goal ahead of schedule. New bundle offering combining work management with CRM, service, and dev provide a unified, cost-efficient experience while accelerating cross-sell momentum.

And within CRM, our new AI powered monday campaigns product has seen rapid adoption since September launch, reinforcing our vision of a connected sales and marketing suite. Since this gradual release in July, monday vibe has seen rapid adoption with customers creating more than 60,000 apps to part of their unique workflows built directly on monday.com enterprise-grade infrastructure. These apps are secure, scalable, and fully integrated with granular permissions and theme contacts.

To better reflect the value customers are realizing, we introduced a new pricing model that lets users select a tier aligned with their AI needs from unlimited free access to build and test apps to pay tiers that scale as the usage grows.

We also recently introduced Agent Factory, a new AI product that lets anyone design and manage intelligent agents to automate complex workflows. Operating as a stand-alone solution with flexible consumption-based pricing, these agents function as integrated team members, pending tasks like updated CRM records, sending e-mails, and scheduling full ups.

And to simplify the AI experience, we're rolling out a new AI credit system in Q4, shaped by extensive customer feedback, providing a more transparent and intuitive way to scale AI usage and measure impact across organizations.

This quarter results reflect the incredible dedication of our teams and the trust our customers place in monday.com every day. With accelerating customer expansion, record profitability, and growing enthusiasm for our AI power platform, we're entering the next phase of durable profitable growth that will create meaningful long-term value for shareholders.

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

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**Eliran Glazer** - *monday.com Ltd - Chief Financial Officer*

Thank you, Eran. And thank you to everyone for joining our call. Q3 was another strong quarter for monday.com, highlighted by solid revenue growth, supported by our success with larger customers and continued improvement in operational efficiency.

Total revenue came in at \$317 million, up 26% from the year ago quarter. Our overall NDR was 111% in Q3. We continue to expect overall NDR to be stable at 111% for fiscal year '25. As a reminder, our MDR is trailing four quarters 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.

Third quarter gross margin was 90%. In the medium to long term, we continue to expect gross margin to be in the high 80s range. Research and development expense was \$57.8 million in Q3 or 18% of revenue, up from 17% in the year ago quarter. Sales and marketing expense was \$151.8 million in Q3 or 48% of revenue compared to 52% in the year-ago quarter. General and administrative expense was \$27 million in Q3 or 9% of revenue compared to 9% in the year ago quarter.

Operating income was a record \$47.5 million in Q3, up from \$32.2 million from the year ago quarter, and operating margin was 15%. Net income was a record of \$61.9 million in Q3 '25, up from \$45 million in Q3 '24. Diluted net income per share was record \$1.16 in Q3, based on 53.3 million fully diluted shares outstanding.

Total employee head count was 3,018 employees, an increase of 151 employees since Q2. We continue to expect to grow head count by approximately 30% in fiscal year '25.

Moving on to the balance sheet and cash flow. We ended the quarter with \$1.53 billion in cash and cash equivalents down from \$1.59 billion at the end of Q2. Marketable securities were \$211.7 million at the end of Q3, up from \$60.1 million at the end of Q2.

Adjusted free cash flow for Q3 was \$92.3 million, and adjusted free cash flow margin was 29%. Adjusted free cash flow margin is defined as adjusted free cash flow as a percentage of revenue. Adjusted free cash flow is defined as net cash from operating activities, less cash used for property and equipment and capitalized software costs, plus costs associated with the build-out and expansion of our corporate headquarters.

Now, let's turn to our updated outlook for fiscal year 2025. For the fourth quarter of fiscal year 2025, we expect our revenue to be in the range of \$328 million to \$330 million, representing growth of 22% to 23% year-over-year. We expect non-GAAP operating income of \$36 million to \$38 million and an operating margin of 11% to 12%.

For the full year of 2025, we expect revenue to be in the range of \$1.226 billion to \$1.228 billion, representing growth of approximately 26% year-over-year. We expect full year non-GAAP operating income of \$167 million to \$169 million and an operating margin of approximately 14%. We expect full year adjusted free cash flow of \$330 million to \$334 million and adjusted free cash flow margin of approximately 27%.

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

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## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions) Kash Rangan, Goldman Sachs.

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### Kash Rangan - Goldman Sachs Group Inc - Analyst

Good to see the quarterly results. I'm also curious to get your perspective on two things. One is as you look at the spending environment on the next calendar year down to '26, what is top of mind for your customers? And where does monday stand in terms of spending priority.

Also, secondly, when you look at the results, this looked like a smaller magnitude of beat relative to what we've come to expect on monday in the past prior quarter. So if you could talk about what might be behind the numbers that is the go-to-market transition, et cetera, that hopefully will set you up for a very good success in the years ahead. But I wonder if the go-to-market transition, the pivot towards larger deals also cost us the kind of upside that the company expect in the results and the guidance looking forward into the fourth quarter and the year ahead. If there's any go-to-market transition that we should be thinking about as you work through these numbers.

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### Eran Zinman - monday.com Ltd - Co-Chief Executive Officer, Co-Founder, Director

Kash, this is Eran. Maybe just to start before I sort answering your question, I know this is your last earning call [cover]. I just want to say thank you for the whole period and the coverage throughout the years. Just to your first part of the question, and then I can defer to everyone to go about guidance and Casey.

So in terms of customer demand, like you mentioned, we see a transition in the business basically across all customer segments, the \$50,000, \$100,000, \$500,000, we see acceleration. Our go-to-market strategy in terms of any bigger accounts is working really well, and we see accelerating on all fronts.

In terms of what customers are asking for. So definitely, we see an increase in terms of our profitability. More customers are buying more products. Definitely, more and more customers are interested in AI features and AI products. And I think a lot of the new announcements and new features that we launched really resonates with customers.

So overall, we see a very healthy demand across all customer segments. We see healthy demand with our existing products and specifically with the new air features that we offered, and we announced during the Investor Day.

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**Eliran Glazer** - *monday.com Ltd - Chief Financial Officer*

Thanks, Eran. Kash, it's Eliran. With regards to the guidance in Q3 and what we've provided, so the more measurable bet is mostly due to timing effect as we rebalance investments or the higher ROI area.

And it relates to your question, so we see the direct sales motion, the new products like monday service, CRM, and per channel such as video and social media actually providing higher ROI. And they tend to have a longer sales cycle, but we see a very positive momentum.

When you look at the \$50,000 customers, \$100,000 customers, \$500,000 customers, they're all accelerated in this quarter going into next year. So this provides us a lot of confidence with regards to our next year assumptions.

And maybe, Casey, you can add what are top of mind of customers next year.

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**Casey Georges** - *monday.com Ltd - Chief Revenue Officer*

Yeah. We just finished up our world tour with Elevate. So tens of thousands of customers and partners came out to hear everything we had to offer, especially around our AI offerings.

The consensus back was I'm not taking full advantage of monday. And obviously, when we only have 6% of our customers consuming more than one product, the opportunity for us is significant. And so as we start this multiproduct journey, which obviously has just begun, all indications are we're going to have a much more material impact on the revenue associated with customers consuming more than one product. So at this point, it's early, but all signs and indications are that this is going to be a significant contribution for us going forward.

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**Operator**

Jackson Ader, KeyBanc Capital Markets.

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

The first one that I had was on the move-up market and its impact on deferred revenue or billings. As you guys keep signing kind of larger customers and maybe longer-term contracts, more heavily weighted toward annual and even multiyear, I would expect deferred revenue to outgrow recognized revenue. And so I'm just curious what the dynamics are there that are causing deferred revenue to come in below revenue.

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**Eliran Glazer** - *monday.com Ltd - Chief Financial Officer*

Jackson, it's Eliran. Just as a reminder, when you -- with regards to billings, we said it in the past, this is not the perfect measurement of our business because it's based on a cash basis, not accrual basis. As a reminder, we tend to be more conservative on that. So therefore, there are some fluctuations with regard to that.

And we think a better measurement of this, this is an RPO. RPO is a new metric for us that we disclosed in the Investor Day. And as you can see, it's accelerating quarter-over-quarter, and it also reflects the full contract value that we see going up market. So we think there is going to be some timing of the billings. This is why it's not perfect measurement. Therefore, we intend to see the RPO is a better measurement going into next year.

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

Okay. All right. Great. That's fair. And then what should we take from -- the implied growth rate here for the fourth quarter is like 22.5%, 23% or so year-over-year growth. What should we take a signal for the right level to be thinking about 2026?

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**Eliran Glazer** - *monday.com Ltd - Chief Financial Officer*

So we are going to provide our initial expectation for fiscal year 2026 and our next quarter earnings. And I think in the Investor Day, we provided good outline. We said that we are going to be \$1.8 billion by fiscal year '27 and we are committed to achieving this number and to the guidance we have provided during the Investor Day. So -- and this is something that not only we are growing on the revenue but also expecting operating and free cash flow margin to expand.

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**Operator**

Arjun Bhatia, William Blair.

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**Arjun Bhatia** - *William Blair Capital Partners - Analyst*

Yes, perfect. I want to maybe just go back to the fact that '26 might see some improvement given that you're rebalancing investment. Can you just maybe elaborate a little bit on where the investment is going? What you might expect your kind of goals are for 2026 to either reaccelerate growth?

And then I think Eliran, I heard you say 30% increase in head count this year? I'm curious how your plans are shaping up for 2026 within that investment framework.

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**Eran Zinman** - *monday.com Ltd - Co-Chief Executive Officer, Co-Founder, Director*

Yeah, this is Eran. So I can start. So look, we feel very confident on the strategy and how it's going so far, specifically, I can point out, are going upmarket worked really well. Just as a reminder, just three years ago, it seems like a big stretch.

But right now, the majority of the business is based on \$50,000, \$100,000, \$500,000 accounts. We see those accounts as much better retention, much more expansion, much more stability, definitely changes the nature of the business, and we see some of that as for the results, but we're very confident on where we're heading with those customers. We feel the potential to do more cross-sell, more expansion over time will really pay off.

In addition, as we mentioned during the Investor Day, we -- a lot of investment in terms of product. We're executing in the last three or four quarters like never before, adding a lot of AI features, functionality, those are really well received with our customer base.

There's a lot of excitement. Casey mentioned, Elevate. We've got great feedback from customers across the board. So all in all, looking at all the investments we've made and all the innovation in the product, we feel very confident in where we had it and how our customers are using products.

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**Eliran Glazer** - *monday.com Ltd - Chief Financial Officer*

Arjun, this is Eliran. Just to answer your question on head count. So as we said, we expect hiring to remain focused on sales, product, and R&D this year. We estimate it to be around 30% growth in head count by the end of the year.

And we think that as for [next year], and we already said it in the Investor Day that we believe the numbers are going to be closer to 20% in terms of adding additional headcount. It's going to start to decelerate already in H2 of this year going into next year. And we think that most of the investment already is behind us. So we're going to see less investment in head count next year.

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**Arjun Bhatia** - *William Blair Capital Partners - Analyst*

Okay. Understood. Very helpful. And then one just on vibe because it seems like it's getting very good adoption, 60,000 apps, I think, in a short number of months. What are customers building on monday vibe? I mean is that different from what you see the -- how you've seen them historically use sort of the monday work management platform?

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**Roy Mann** - *monday.com Ltd - Co-Chief Executive Officer, Co-Founder, Director*

Yeah. It's Roy here. So vibe is amazing, like we see that customers are really leaning into it and it's filling up a lot of gaps. And I feel like as a product, it triggers their imagination. Like whatever they want out of software.

They just like put in there and they built like stuff we wouldn't have imagined like some of them we shared in the investor letter, fill gaps, build like the software of [their dreams] and it's all built on top of the monthly infrastructure, meaning it's like enterprise grade. The data is everything they expect from the platform itself, they get into vibe and some of them are leaning really hard into it.

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**Operator**

Josh Baer, Morgan Stanley.

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**Josh Baer** - *Morgan Stanley - Analyst*

I wanted to ask on the product bundles that you're starting to introduce this quarter in Q4. I guess, first, is there a change on the product side from a capabilities or an integration perspective? Or is it more about the go-to-market and pricing?

And I guess the follow-up is like what is the change or here? Is it effective discounts? Like what's the goal here? And which parts of the market are you trying to target with this.

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**Casey Georges** - *monday.com Ltd - Chief Revenue Officer*

Yeah, Casey George here. I'll take this one. So we just launched bundles. We launched three bundles here this last month, so this quarter.

We obviously have a lot of visibility on how can customers use our products. And what we saw in the market, there were three in particular that stood out where there was pretty consistent use cases with work management and service CRM and work management and around our CRM and service. And so what we did was we put those into the market, and there is some commercial advantage for the customer to consume those, but it's also ease of use because these are ready built bundles that they can deploy very quickly and get value from them. immediately.

And again, we saw in particular industries where these were pretty pervasively used. And therefore, we bundled them up, made them available to the market and our sales team in early days, but we are seeing very good traction with these bundles here in the first quarter since they've been launched.

**Operator**

Brent Thill, Jefferies.

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**Brent Thill - Jefferies LLC - Analyst**

Just going back to the guidance. I don't think there's a time in a model where you didn't raise guidance on the quarter out. So I think many are asking what's happening? What are the causes for this? Obviously, you see your stock premarket and what's happening? So I think a little more explanation is needed to better understand what happened there?

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**Eliran Glazer - monday.com Ltd - Chief Financial Officer**

Brent, it's Eliran. So maybe as a reminder, we keep saying it every quarter, it's important. Our guidance approach is consistent with prior quarters. It hasn't changed and we didn't change the philosophy.

As we said in prior quarter, the more measured it reflects timing effects as we rebalance investments towards ROI areas. So we are investing in performance marketing where we see the return on investment. And due to our big brand capabilities, when we see high returns, we are investing in performance marketing, and we see [return] dollars.

As we started to shift our upmarket, obviously, there is a timing effect because the investment is taking longer to see the results. However, the momentum and the trends are very positive. So there is a timing effect, as I mentioned, that's flowing into the next quarters and is impacting the numbers that we are seeing this year in terms of revenue and [ARR].

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**Brent Thill - Jefferies LLC - Analyst**

Okay. And from Casey's approach, I know it's still early in his journey, but I think many are asking how that transition is going upmarket. What's still needed to go? What's going well? [I think] everyone loved to hear his thoughts.

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**Casey Georges - monday.com Ltd - Chief Revenue Officer**

Yeah. No, thank you. It is going exceptionally well. If I point you back to the key metrics that we follow around moving upmarket, the \$50,000, \$100,000, \$250,000, and \$500,000. We accelerated on all of those. And you may ask yourself why is that important? If you understand that the first deal is typically a \$50,000 deal, not a \$1 million deal and it starts at the \$50,000 goes to \$250,000 and then accelerates into hopefully a seven-figure deal. We're seeing that trend continue.

I'll point to three big wins we had in the quarter, all over \$1 million. All three of those started three or four years ago at probably around \$50,000 and they accelerated over the course of the three, four years. Love to talk about a couple of those opportunities and particularly one of the largest logistics companies in Europe that is consuming 5,000 seats, 1,500 of those are CRM. We obviously have work management and then there's service fees associated with that win. So here's a large logistics company that's consuming 5,000 seats across three of our products that was over \$1 million this quarter.

We had a large tech company that uses our product across about 10 different departments. Most importantly, they use it to manage all of their M&A, and that's another company that started with us three, four years ago around \$50,000. So all of the metrics that we follow are accelerating and obviously, encouraging signs for our ability to move upmarket.

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**Operator**

Mark Murphy, JPMorgan.

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**Mark Murphy** - *JPMorgan Chase & Co - Analyst*

The metrics are clearly strong with your larger customers. Can you speak to what you saw in mid-market and below, for instance, how did the downmarket business trend versus internal plans? Or is there much of a spread in the growth rate there if we compare it to that over \$100,000 cohort?

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**Eran Zinman** - *monday.com Ltd - Co-Chief Executive Officer, Co-Founder, Director*

Yeah. Mark, this is Eran. I can start. So look, looking at Q3, a couple of growth trends were choppy overall. We saw some continued volatility in Phase 2 performance. However, the good news are that towards the end of the quarter, we saw encouraging stabilization in new sign-up and top of funnel.

So overall, I would say, going forward, the pipeline remains healthy. A lot of it is based on upmarket, but also the bottom-up mid-market part also is healthy going forward. So we saw a solid growth in large and high-quality opportunities, both touch and no touch.

And overall, I'd say we're really confident that all the actions that we've done in terms of top of the funnel, how we replace our acquisition channels, and all the investments we've made in the last quarter, we paid off going forward.

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**Mark Murphy** - *JPMorgan Chase & Co - Analyst*

Okay. And as a follow-up, at what point would you think the traffic buildup that you're seeing from LLM, I think you referred to that as AIO, and some of the other channels would be able to make up for what you're losing on the Google search side? Is it conceivable to get back to a net neutral position coming out of Q4 or maybe sometime in the first half of '26?

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**Roy Mann** - *monday.com Ltd - Co-Chief Executive Officer, Co-Founder, Director*

Yeah. It's Roy. So what we see is that we are able to shift the budget of our marketing towards like more sales-led sources and rebalance them and get an ROI. And like Eliran mentioned, these channels take a bit longer to mature, and that's what we see now. We also are getting a lot of traffic from an increasing amount of traffic from AIO, it's too soon to tell if it will fill that gap, but we are already feeling it with a different strategy.

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**Operator**

Scott Berg, Needham.

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**Scott Berg** - *Needham & Company LLC - Analyst*

I think it was Eran earlier talked about some early traction with some of the AI functionality that your customers are using. I just wanted to see if you had some -- maybe any specific use cases or maybe internal corporate departments that you willing to call out that you're seeing maybe the most early traction from some of the AI use cases.

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**Casey Georges** - *monday.com Ltd - Chief Revenue Officer*

Yeah, Casey George here. It's actually been pretty fascinating. We launched a lot of these offerings that Elevate, and I had the opportunity to spend some time with some pretty significant customers at Elevate and the resounding feedback was this is a very powerful tool and could solve a lot of problems in our organization.

But specifically, we had a large highly regulated insurance company in Europe who needed to solve a reporting issue, right? And typically, they had to acquire some software to go do that at roughly \$150,000 that they really didn't want to spend. They didn't get a ton of value out of this -- out of this software. And so they went home that night or to their hotel. And in 20 minutes, they built a better tool that they could use that would effectively get far more value out of. And obviously, they didn't have to spend \$150,000.

There was another large retailer I spent time with who pretty much did the same thing that a reporting gap in their organization. They've been trying to solve it for an entire year. They're on the spot with some help from our team developed a reporting tool in a matter of less than 30 minutes and effectively solve the problem, as I said, that they've been trying to solve for a year.

So it's a super powerful tool. And as Roy mentioned, it's on a platform or an enterprise platform that's already integrated in their organization. So their ability to deploy that and get value from it instantaneously is super powerful for them. So we continue to see use cases like that pop up all over the place. So obviously, we're pretty encouraged with early signs.

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**Scott Berg** - *Needham & Company LLC - Analyst*

Understood. Helpful. And then maybe a modeling question for Eliran. As you pivot to some of these other channels that you guys started last quarter from a sales and marketing go-to-market kind of perspective is, how should we think about leverage of sales and marketing kind of in the near term? Do those channels still require I guess, some overinvestment here in the short term to effectively turn them on? Or would we -- or do you expect to still see some leverage there, given that you're not spending and maybe that Google channel as much.

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**Eliran Glazer** - *monday.com Ltd - Chief Financial Officer*

Scott, Eliran here. So as a reminder, we have a hybrid model, which is a combination of PLG, the performance marketing spend that we already mentioned, we are shifting to other channels as well as the head count that quota carrying around partners, sales channels, and customer success.

So overall, when we are thinking about going into the investment, we believe that the share of the performance marketing as a percentage of total S&M is going to decline, potentially in total dollar value, it may stay flat or slightly below, but we are going to see the investment mostly in headcount. It's going to be more moderate than what we have seen in the past.

And the momentum, as we said, continues to be very strong. We are expanding within existing customer base. You can see it with the MDR or 50,000 customers, 100,000 customers an upmarket motion, ACV is going up, lending is bigger. So this would be an area of investment, but more moderate to what we have seen in the past.

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**Operator**

Steve Enders, Citi.

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**Steven Enders** - *Citi Infrastructure Investments LLC - Analyst*

I guess I just want to dig a little bit more into just the performance marketing channel, specifically? And just I guess it would be great to kind of get a breakdown for kind of what you saw within the paid Google channel, I guess, hopefully through October, if you have that?

And then I guess, secondarily, just how the kind of the ramp in the other channels is working? And how that's kind of, I guess, trending versus your expectations there?

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**Eran Zinman** - *monday.com Ltd - Co-Chief Executive Officer, Co-Founder, Director*

Yes. Steven, this is Eran again. So look, as I mentioned, we talked briefly about the [investor] in the Investor Day. Our Google AdWords channel accounts for less than 10% of new revenue.

And overall, like I mentioned, we saw some choppiness Q3, but towards the end of the quarter, we saw a stabilization. And that's across Google AdWords and across all other channels, we see very healthy double funnel activity. Also, the pipeline looks very healthy. It's growing according to our plans. So look, I think overall, we feel confident going forward with our acquisition strategy.

And also, we also mentioned during the Investor Day, the quality of the quantity. We continue to see a trend of this, our equality customers, bigger land, more expansion, high retention. So overall, we feel confident about the strategy and confidence about our ability to continue to acquire new top-of-funnel activity.

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**Steven Enders** - *Citi Infrastructure Investments LLC - Analyst*

Okay. All right. Great. That makes sense. And then I guess on the guidance, again, just -- I understand Q4 is coming down a little bit. I guess on the back of that, I guess, what maybe gives the confidence as we think through '26 and in '27 that you still feel good about that \$1.8 billion number, especially as we think about lapping some of the price increases going into next year. Just yeah -- how should we think through those factors and what gives you all the confidence behind those numbers?

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**Eliran Glazer** - *monday.com Ltd - Chief Financial Officer*

So when we think about a few reasons why we are confident in next year numbers. First, demand and expansion from our larger customers. So we're accelerating year-over-year growth for all upmarket customers. So you have seen \$50,000, \$100,000, and \$500,000 I mentioned earlier. We're accelerating year-over-year growth of RPO, and we are improving \$50,000 NDR.

In addition to that, we have the multiproduct adoption that continues to trend positively. CRM is becoming very significant with more than \$100 million in ARR, and we are seeing customers increasingly adopting multiple solutions. We are only in the early innings of customers that are adopting more than one product. And only, I think it was 6% that we said in Investor Day, and now we're doing much, much better.

AI product engagement is accelerating. We were focused on educating, and we are focused on adoption of customers in the market, and we see a very healthy adoption of AI products that we believe are going to monetize next year in a more significant way. And as Eran mentioned, we have signs of stabilization in top of funnel at the end of the quarter that we are encouraged by that going into the fourth quarter and into next year.

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**Operator**

Alex Zukin, Wolfe Research.

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**Alex Zukin** - *Wolfe Research LLC - Analyst*

Maybe just since we're bundling kind of all the new products into one category. Now, maybe what's the latest on monday CRM service products in terms of traction in the quarter? How much they're contributing to net new ARR today? And then I've got a quick follow-up question on the model.

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**Adi Dar** - *monday.com Ltd - Chief Customer Officer*

Yeah, Casey, I'll take this one. So CRM, as we just mentioned, eclipsed the \$100 million this year in a very short amount of time, I think, less than two years. We continue to see traction, of course, across SMB and mid-market and particularly.

With service, this has really been a great story for us. It's only nine months in, but we continue to see even more significant contribution coming from service. I believe our size of service customers is 2x that of other products. So service continues to accelerate.

Obviously, nine months in. We don't have a year-to-year compare, but we're very bullish on both of those products going into next year.

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**Alex Zukin** - *Wolfe Research LLC - Analyst*

Got it. And then maybe Eliran, and just for you, you've had a couple of questions regarding how you feel maybe about next year specifically. I think it's just given some of the changing dynamics that you're mentioning around channels and how you're going to market and shifting spend, what seemingly is a little bit of a change in terms of your guidance for Q4 versus previous years and periods in terms of passing through the beat and this timing adjustment.

Maybe just help us pace how we should think about the growth? Are you comfortable with where consensus is for next year? Is it something where it may be a little bit more back end loaded, and you could actually see acceleration in '27 because of some of these timing adjustments that you're calling out. I think it would be really helpful for us to just understand the pacing of growth given some of these evolving dynamics.

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**Eliran Glazer** - *monday.com Ltd - Chief Financial Officer*

Alex, Eliran here. So I think I mentioned it earlier, but if you think about where we're going to be in fiscal year '27, we said that we are going to achieve \$1.8 billion in revenue, we feel very confident with that. We feel very confident with the number based on everything that we see today.

And this is something that we -- when we made the assumptions, we took into account the trends that we see today. We made some assumptions about the cross-sell motion, the new products that we are launching to the market. The fact that AI is going to be monetized to a certain extent, and the fact that we are going to expand within existing customer base.

So having all of this into -- taking all of this into account, we feel that the \$1.8 billion in fiscal year '27 is achievable in the interim. We are confident with the consensus number for next year as well.

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**Operator**

DJ Hynes, Canaccord.

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**Taylor McGinnis** - *UBS AG - Analyst*

Eliran, the new AI pricing model and the introduction of Agent Factory, feel like it gives you more or less visibility into the model? I'm just trying to think about how these changes may impact the ability to forecast the business if AI becomes a more meaningful driver going forward?

**Eliran Glazer** - *monday.com Ltd - Chief Financial Officer*

It's Eliran. So with regards to visibility, it's early days. As I said earlier, we are focused on education and adoption within our customer base. It gives us confidence that we see that there is a strong momentum. However, it's not something that is going to be very meaningful in the -- in terms of revenue next year. So we take it into account, but it's not very meaningful.

**David Hynes** - *Canaccord Genuity Corp - Analyst*

And maybe I can go back to Jackson's question. I mean, obviously, we saw the acceleration in the RPO metrics that you're sharing. Are you seeing changes in contract duration as you go further up market? Is that a tailwind to that RPO metric.

**Casey Georges** - *monday.com Ltd - Chief Revenue Officer*

Yeah, this is Casey. For sure, obviously, as you move up market, we would like longer-term contracts and obviously, our customers as well. So we are seeing an acceleration on the term length for our contracts as we move upmarket.

**Eliran Glazer** - *monday.com Ltd - Chief Financial Officer*

Yeah. Maybe to Casey -- just to add to Casey, kind of what we see is basically that the percentage of ARR in terms of contract duration. So [multiyear] is becoming more meaningful in terms of the numbers coming from 5% five years ago to now around 13%. And -- we see the annual contracts are going from 65% to 70%.

So altogether, when you combine the annual plus the multi-product, you're getting more than 80% of ARR coming from annual plus multiproduct. And this is something that the trend continues.

**Operator**

Raimo Lenschow, Barclays.

**Raimo Lenschow** - *Barclays Services Corp - Analyst*

Perfect. Can I stay on RPO? Like, if I look at the old deck and the new numbers, it looks like you restated it, and the numbers came down a little bit. Can you just explain what was going on there?

**Eliran Glazer** - *monday.com Ltd - Chief Financial Officer*

Yeah, sure. It's Eliran. So when we presented the numbers in the Investor Day, it was during mid-August, and the RPO is a new metric for us. And upon further review post Investor Day, we made some adjustment to ensure consistency and accuracy [prosperior].

This was part of our Auditor's review of Q3 and the signed off the RPO data presented in our Q3 earnings. And we are confident that these metrics, as I said earlier, to check some questions, provide a clear and reliable view in terms of our contracted revenue based and future growth visibility going into next year.

**Raimo Lenschow** - *Barclays Services Corp - Analyst*

Okay. Perfect. So then we should be clean on RPO going here? Or it's just a change in accounting basically?

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**Eliran Glazer** - *monday.com Ltd - Chief Financial Officer*

Yes, correct.

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**Operator**

Derrick Wood, TD Cowen.

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**Derrick Wood** - *Cowen and Company LLC - Analyst*

So you mentioned that upmarket motions carry longer sales cycles, but you did see really strong growth in upmarket KPIs, new customers accelerating, RPO accelerating. So are you seeing upmarket pipelines tracking even higher than your revenue growth? And if not for longer sales cycles, you could be even stronger. And I guess, given Q4 tends to be when larger deals have seasonal flush dynamics, how do you think Q4 is setting up? And any kind of share with how the quarter is tracking to date?

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**Casey Georges** - *monday.com Ltd - Chief Revenue Officer*

We do continue to see an acceleration in our pipeline as we move upmarket. As it relates to the quarter, all I would say is that when you move up market, obviously, you create somewhat of a hockey stick in the quarter and in the year.

As we progress upmarket, we continue to see that phenomenon play out. But we're very encouraged with the pipeline that we've built up market. And again, we haven't really even started with the cross-sell motion. So we're bullish that that will only add additional pipeline for the year.

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**Derrick Wood** - *Cowen and Company LLC - Analyst*

Got it. And on the AI side, I mean, when you look at magic, vibe, sidekick agent builder, what would you call out as getting the most traction? Or how would you rank this group in terms of potential adoption over the next year or two?

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**Casey Georges** - *monday.com Ltd - Chief Revenue Officer*

So vibe has definitely taken off. That is -- there's been a resounding excitement around that offering. Obviously, we just announced that that I had the opportunity, as I mentioned, [since] customers that Elevate. There was a ton of excitement around that. And as I mentioned, a couple of use cases, there's a dozen more that I could speak to where customers are literally using it that day and getting value from it.

So we're obviously, as I mentioned, very early on, but we're super excited about the prospects of vibe. Most particularly because we're in the market to absorb that. So we're the work management company. We're in a perfect spot for customers to change how they work and actually do work for them instead of just managing it. And these offerings do absolutely that, whether it's our agents or vibe. So again, pretty excited where we are. Looking forward to next year and seeing how that develops as we go.

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**Eran Zinman** - *monday.com Ltd - Co-Chief Executive Officer, Co-Founder, Director*

Maybe just to add to what Casey mentioned, this is Eran. So I 100% agree. vibe right now presents the best opportunity for monetization, and we see the most momentum with.

I would say, in addition to that, we feel that monday agents can also unlock new go-to-market, a new type of customer that we didn't have before. So we excited about this one, both for our existing customer base, but also our ability to step into new type of customer audiences.

**Operator**

(Operator Instructions) Rob Oliver, Baird.

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**Rob Oliver** - Robert W. Baird & Co Inc - Analyst

My question is for Casey. So Casey, obviously, a lot of changes going on your side. On the comment relative to sales cycles, I just -- the first part of my question is on the longer sales cycles. Obviously, those are going to lengthen as you move up market, but it does sound like that comment is a bit of a change from when you were on stage a few months ago.

So I just wanted to understand putting aside the obvious change in sales cycles as you move up market, which is clearly having success kind of what changed in the market? And then I had a quick follow-up.

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**Casey Georges** - monday.com Ltd - Chief Revenue Officer

Yeah, I don't think there's really been a whole lot of change. What I would say is we have to do two things at once, and we are.

We still have our high velocity business in SMB. That continues to pace at a healthy rate. And then we layered in the upmarket motion, which I'm stating the obvious, which those sales cycles are typically a little bit longer. But again, we have to do two things at once, and we are. So still very encouraged. My strategy hasn't changed, and it's consistent with what I mentioned at Investor Day.

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**Rob Oliver** - Robert W. Baird & Co Inc - Analyst

Got it. Helpful. And then as you think about the move up market, obviously, you guys have a very powerful partner network, the low to mid-range and I know you're thinking a lot about partners moving up market as well. Is there a way for us to think about how partner contribution may play a role and perhaps as a percentage of new business? Or how you're thinking about those partner relationships and also ownership of those accounts in terms of internal versus a partner basis?

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**Casey Georges** - monday.com Ltd - Chief Revenue Officer

Yeah. The ecosystem has always been very strategic to us and will continue to be. We continue to grow our partner ecosystem almost daily, especially as it relates to some of our new offerings. We have new partners coming on board that want to take advantage of our CRM offering, our service offerings, and obviously, now our AI offering. So it's not just about the existing ecosystem we have today.

It's about recruiting the right partners to give us depth and breadth across the different regions. Obviously, depending on the region, they pay you a more significant role, especially as you look at some of the emerging markets in APJ and LatAm, they play a very significant role, and we are really growing in those regions on the back of that partner ecosystem. So I'm super excited about where we are with the ecosystem, even more excited about where it's going.

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**Operator**

Tom Blakey, Cantor.

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**Thomas Blakey** - *Cantor Fitzgerald LP - Analyst*

Just two for me. On the sales cycles and the move up market. I don't think that's necessarily new. You've been very articulate in terms of laying that out even before Analyst Day. Just wondering if anything maybe kind of like a downtick in terms of expectations there in the most recent couple of months. Things are just maybe taking a little longer. The deals are getting more complicated, as they become more penetrated a victim of success, so to speak.

And then secondly, double clicking on the SMB. You're doing so well in these metrics that you're talking about with regard to NRR and RPO at the high end and the decel that's kind of implied into this \$1.8 billion estimate for calendar '27. Has anything changed in terms of -- I know you've been asked a couple of times on the call about gross churn on the SMB side near term? And what are your expectations? You did a good job articulating what the calendar '27 estimates of kind of a bridge there? What are you expecting in terms of SMB with regard to that \$1.8 billion. So near term and long term on SMB.

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**Casey Georges** - *monday.com Ltd - Chief Revenue Officer*

Yeah. So this is Casey. I'll answer the first part, and I'll hand it to Eliran. So -- if you understand, when we talk about moving upmarket, it doesn't necessarily mean we're talking about the Fortune 100, right? We're moving up through mid-market.

And quite honestly, the larger accounts are coming to us. So as it relates to some of the sales cycle, it's just the natural sales cycles we see as we move up market. That has not changed. That's consistent. We planned for that, and that's played out in a very healthy way in the numbers, right?

On the SMB side, that has been a very consistent business for us. It continues to be -- we see acceleration, especially with the opportunity to sell a full platform. Because we can sell the full platform into those -- that customer set, including our AI offerings. So really no change. I wouldn't highlight any concern whatsoever. It's playing out exactly as I expected. In some instances, it's actually playing out better.

But I'll hand it to Eliran for some of the guidance on the SMB.

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**Eliran Glazer** - *monday.com Ltd - Chief Financial Officer*

Tom, it's Eliran, to your question on gross retention. So gross retention is now historically high, and we see this improvement going from fiscal year '23. This is a result of the fact that we are growing our market, but also as part of the price increase that we have done and the quality of the customers that are joining the platform has been better.

With regards to your question about sales cycle, I just want to give kind of a more of a macro-overview. I think that over the past few quarters, not only for monday, but in general, there is some choppiness in the market with some uncertainties. And therefore, customers with regards to all businesses are making probably decisions. It takes them longer with everything that is going on. And I would say it's more from a macro team, but we are seeing a positive momentum as part of our [parents with KC].

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**Operator**

Matt Bullock, Bank of America.

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**Matthew Bullock** - *Bofa Merrill Lynch Asset Holdings Inc - Analyst*

I wanted to ask about Salesforce productivity. Obviously, you're adding quite a few quota-carrying reps on the managed sales side. Is sales productivity tracking in line with expectations? Maybe remind us how long it takes a typical enterprise or upmarket sales rep to ramp? And then should we start to see more of those benefits in '26 as we get more maturity in that Salesforce.

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**Casey Georges** - *monday.com Ltd - Chief Revenue Officer*

Yes. We're seeing productivity move in the right direction in a very healthy direction. I would tell you this is the part I'm most excited about, right? If you think about all the offerings we have available to the market. We're going to be our best reference.

And when I say that, we're using the technology that we're taking to market to effectively make our sellers more productive. So we have our AI agents. We have our customer success -- customer success AI agents. We have a number of internal processes that we're leveraging AI.

So it's not just about us going to market with these offerings. It's about making our sellers more productive, and AI is playing a huge role in that. So our productivity continues to improve. I do expect an even greater improvement next year because of some of the changes we're making with our AI agents.

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**Matthew Bullock** - *Bofa Merrill Lynch Asset Holdings Inc - Analyst*

Fantastic. And then one quick follow-up, if I could. It sounds like maybe the embedded contribution for 2026 from AI products is expected to be a little bit more measured, but -- maybe if you could help us think about what's embedded in terms of the assumptions for the 2027 \$1.8 billion revenue target. Is there anything you can give us in terms of the embedded product contribution? Or if not, maybe just the core versus the multi products. That would be helpful.

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**Eliran Glazer** - *monday.com Ltd - Chief Financial Officer*

It's Eliran. So as I mentioned earlier, there are not going to be any new products other than the air products that we introduced to the market. As a reminder, we have more than 250,000 customers and very few of them are using -- a very low percentage of them are using more than one product. So the cross-sell motion is going to be very strong between, for example, service and work management.

CRM will continue to be strong with monday [compared] that we introduced just recently. We are expecting some revenue from AI product. But as you said, it's going to be more moderate. But the impact of that can be on the retention of our existing customer base. It's not directly revenue, but the fact that our growth retention is better, the fact that we have more stickiness on the platform is generating more revenue opportunities that are going to impact other products as well. So taking all of this into account, provide us with the confidence on going into \$1.8 billion in fiscal year '27.

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**Operator**

Taylor McGinnis, UBS.

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**Taylor McGinnis** - *UBS AG - Analyst*

Maybe just the first one, I know you guys have gotten [this] question in a number of ways, but just to be a little bit clear. So if it's my understanding, it sounds like the success that you guys are seeing up market maybe isn't just yet offset some of the choppiness or sepsis down market. And so maybe that is what led to the 4Q guidance cut.

So can you just talk through and give a little bit more clarity on like what got tougher? Is it that you thought upmarket would have been growing faster to offset this lower growth down market? Or did something within SMB and down market gets softer than before?

**Eran Zinman** - *monday.com Ltd - Co-Chief Executive Officer, Co-Founder, Director*

Taylor, this is Eran. So I don't think it's a matter of something that's got harder in terms of acquisition, just a shift in the type of customer that we acquired during this quarter.

So as we've said, we've pivoted some of the budget to different channels, we saw those bringing great pipeline. Just this pipeline takes a little bit longer to convert. So it's not at one of the expense of the other, it just different types of customers. But overall, this serves our strategy, going up market, higher quality of customers and if anything, just accelerate the motion that we already started.

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**Taylor McGinnis** - *UBS AG - Analyst*

Perfect. And then just my last one is, Eliran, you talked earlier about comfort in the [street] numbers for next year. So just curious, in order to like hit those numbers, do we need to start to see like stabilization in the core work management business, maybe adjusted for some of the bigger changes in price?

And then if so, could you just speak to when it sounds like there's still choppiness in some trends out there. Is that something that's embedded in the outlook for next year? Maybe you could just speak to your comfort in the assumptions and how we're thinking about that number going forward?

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**Eliran Glazer** - *monday.com Ltd - Chief Financial Officer*

So with regards to numbers for next year, as I said, we are going to present them in our next earnings release in February. We're going to provide you full visibility and [surprise] with regard to the assumptions that we are taking into account.

I did say that we have some confidence in next year numbers as a fact of everything that all the trends that we are seeing now, the momentum that we are seeing up market as well as the fact that we are starting to see stabilization in our downmarket top of funnel activity. These are the things that makes us feel comfortable about consensus for next year.

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**Roy Mann** - *monday.com Ltd - Co-Chief Executive Officer, Co-Founder, Director*

And it's Roy, I can add that like work management is our leading product, and we see that we are succeeding with our upmarket strategy mainly through work management. So it's like we're leading that market, and we feel like great potential going forward and growing with it as well.

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**Operator**

There are no further questions at this time. Ladies and gentlemen, this concludes today's call. Thank you all for joining, and you may now disconnect.

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