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Freshworks, Inc. (FRSH)

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MANAGEMENT DISCUSSION SECTION

Elizabeth Elliott Porter
Analyst, Morgan Stanley & Co. LLC

Good morning. My name is Elizabeth Porter. I am an analyst on the US Software Equity Research team. And I am really excited to have with us Freshworks' CEO, Dennis Woodside.

Dennis M. Woodside
Director, President & Chief Executive Officer, Freshworks, Inc.

Hey, everyone.

Elizabeth Elliott Porter
Analyst, Morgan Stanley & Co. LLC

We're going to take audience Q&A at the end, so a mic will go around. And before we start, for important disclosures, please see the Morgan Stanley research disclosure website at www.morganstanley.com/research disclosures.

And with that, Dennis, thank you so much.

Dennis M. Woodside
Director, President & Chief Executive Officer, Freshworks, Inc.

Thanks for having me.

Elizabeth Elliott Porter
Analyst, Morgan Stanley & Co. LLC

So, over the last few years, Freshworks has really evolved from largely serving customer use cases for SMBs, to addressing now, actually a larger percentage, the employee experience, ITSM market but for mid-market and enterprise customers.

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And I think to kick it off, it'll be great for you to be able to provide the overview with the Freshworks business and importantly how it's evolved over the last few years.

Dennis M. Woodside

Director, President & Chief Executive Officer, Freshworks, Inc.

Sure. So, at Freshworks, we provide AI-enabled solutions for customer support teams and for IT teams. So, every company in the world has to automate their IT operations, whether that's service requests or managing change in the software environment, managing assets, they need AI to do that. We provide the software that does that. Every company in the world has a customer support team, needs to use AI to enable that team to deliver more effective answers, more accurate answers as well as enable their customers to answer questions on their own through AI agents. Our business is roughly 55% in EX. Our EX business is around a $400 million run rate business and that business is growing at around 35% last quarter. That is our growth engine. That is where we're really investing to drive growth for the company.

We came from that customer support business which skews more to SMB. That's around a $340 million run rate business, growing around 7% last quarter on a constant currency basis. AI spans both sets of products. So we offer three AI products, one which we call AI Agent. That is the product that answers questions directly from either employees or customers and allows the support team to get better leverage out of their people. The second product is AI Copilot. That enhances the productivity of the agent themselves, suggests answers to questions, summarizes conversations, allows them to create FAQs from historical questions-and-answers to customers. And then we have a new product that just went into beta that's called AI Insights. That's for managers. So, a manager who is managing a support team, either an IT or customer support can come in, and in a conversational way ask questions about the service levels and performance and get answers back in a natural language.

So that's how we go-to-market and that's our overall business. The business, like I said, started in customer support. We're increasingly investing in that IT side, what we call Employee Experience or EX business. There we compete. Number one competitor is ServiceNow and then a distant second would be Atlassian. And as you mentioned, Elizabeth, our sweet spot is the mid-market customer. Think of a 5,000-person company for which a ServiceNow deployment is just too complicated, too expensive. There really is a market that is craving an alternative and we built that alternative: enterprise-grade, AI-enabled and so forth.

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QUESTION AND ANSWER SECTION

Elizabeth Elliott Porter
Analyst, Morgan Stanley & Co. LLC

Q

Great. And before we really dig into the business and the debates, I'd love to get your view on the macro. You guys delivered a solid Q4. You were showing good traction, moving upmarket, some stability in the SMB side of the business. So can you just talk to how demand has evolved in the recent months and what your initial observations are for 2025?

Dennis M. Woodside
Director, President & Chief Executive Officer, Freshworks, Inc.

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So, throughout the course of last year, we saw some positive dynamics. We're adding around 600 customers a quarter in the first-half of last year. Last quarter, we added over 2,000 net new customers. Now, a lot of those customers are on the smaller-end but nevertheless we're seeing good traction in the market overall. We see traction. We see more traction obviously when you see it in the growth rate on that EX side of the business and that continues. We're seeing more and more large accounts come to us every quarter. Last quarter was our best quarter ever for deals over $100,000 as an example, new deals over $100,000. We're seeing a lot of sales that are motivated by AI, right? So, about half of our new deals that are going out the door have a paid AI component to it. And we finished last quarter with about 2,300 customers for our AI Copilot product, which is the product that's getting the most traction in the market now.

So AI is really driving conversations around change to ITSM, change to ITAM, change in the support side of things. That's leading customers to evaluate whether the solution they have is the right one. And that's making us more and more present as these deals come up for renewal, or if we're in a jump ball for an end-of-life off of a legacy solution.

Elizabeth Elliott Porter
Analyst, Morgan Stanley & Co. LLC

Q

So, you're really starting to see AI drive these conversations. And if I rewind a couple of months, there was all these debates on build versus buy and you had announcements from companies like Klarna planning to develop its own SaaS solutions, the risk that we're going to replace our existing vendors and it certainly sparked a lot of debate. However in the most recent earnings call, you guys actually highlighted that Klarna expanded and increased their spend with Freshworks. So, I'd love to just hear your thoughts on the overall debate and really what it means for Freshworks going forward?

Dennis M. Woodside
Director, President & Chief Executive Officer, Freshworks, Inc.

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So, our value proposition for our customers is that we provide an AI-enabled solution that's easy to implement, fast time-to-value, and overall about half the total cost of either a best-of-breed solution or some of the larger competitors like a ServiceNow or a Salesforce. Our customers, a good example is TaylorMade Golf. TaylorMade Golf has around 2,000 people. They don't want to stitch together a bunch of point solutions. They need a solution for their IT department that comes ready-made with AI integrated, easy to get up and running, easy to get their agents trained on it so their agents can start using it and see value fast, and easy to manage over time as their business needs evolve.

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So we see those customers wanting to go with a platform that has the traditional ticketing aspects, ITEL compliance, if we're on the IT side. It has adjacent assets like IT asset management so they understand all the software and hardware in their space. They are looking for that single solution, that platform that provides all of those. There are going to be customers that are much larger or have very large engineering teams that are going to want to go directly to OpenAI to do some of the AI capabilities, but they're still going to need the kind of solution that we provide on the ticketing side. So for Klarna, they are a customer of ours. They use our customer support software and they use it for ticketing, escalations, problem management, those sorts of things. They have always managed their L1 support. That's the interaction between their customers and their product themselves because they're a technology company in the first place. And that interface for them is very important. So some customers will go down that route.

We have 70,000 customers. Our customers skew on the mid-market and smaller side in terms of size. And those customers are looking for a single solution that offers fast time-to-value and is easy to implement and use.

Elizabeth Elliott Porter
Analyst, Morgan Stanley & Co. LLC

Q

Great. One of the things you referenced is e growth engine of the business really being its Employee Experience. You referenced ARR growing north of 30% last quarter, now accounting for $400 million of ARR and that's up from just $100 million three years ago.

Dennis M. Woodside
Director, President & Chief Executive Officer, Freshworks, Inc.

A

Right.

Elizabeth Elliott Porter
Analyst, Morgan Stanley & Co. LLC

Q

So the two questions here are, first, just looking back, what was it about the market, Freshworks' capabilities or the solution that really allowed you to jump into the market and accelerate growth so quickly?

And then the second is, looking ahead, how durable is this growth and what are some of the main levers to keep you at a growth rate well ahead of the industry average?

Dennis M. Woodside
Director, President & Chief Executive Officer, Freshworks, Inc.

A

So, we think the market and the market is huge, which leads us to believe that the growth is quite durable. So, if you just look at the mid-market, which is our sweet spot, in the US alone that accounts for like $10 trillion in economic activity and every company needs to automate their IT department. They need a solution. It's not a nice-to-have product. So the market's big. So, that to us means the growth opportunity is quite large. It's not well served. If you were to look at ServiceNow, they are not focused. They're focused on the G2K. That's what they talk about in their earnings. That's what they're really focused on the largest accounts in the world. That mid-market is not what their product is designed for. And we have customers every quarter who are coming to us from ServiceNow deployments that are, in some cases, 13, 15 years old, where three years ago our product was not mature enough to handle these larger customers. Now it is. Now, we're winning business there.

So, we think that that opportunity is quite durable. The reason that we have been successful, we started out by providing a product that was very easy to get up and running and easy to use. And then, over time, built in the functionality that allows us to compete in larger businesses. So, security, enterprise-grade controls and so forth.

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And that focus on usability, ease-of-use, ease-of-training your agent, ease-of-changing the product as your workflow changes, that's exactly what a mid-market customer needs. So that product is off to the races and there's just a lot we can do to continuously expand our workloads that we can take on that IT side. You see that with Device42 acquisition which provides a much more advanced capability in IT asset management. Companies like New Balance are using it to manage a mixed IT environment of both on-prem and cloud. You see that with our Freshservice for Business Teams, which allows us to provide a help desk experience outside of IT.

Elizabeth Elliott Porter
Analyst, Morgan Stanley & Co. LLC

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And I want to go back to the Device42 acquisition. It's been a benefit to growth in EX, but it's also been more strategically allowing you to get into larger deals that you otherwise wouldn't have been able to get into. And between Device42 and Freshworks, next year you're expected to have more of a fully cloud-based product. And so should we think about this as an opportunity to be just another unlock to addressing some of the larger market customer base?

Dennis M. Woodside
Director, President & Chief Executive Officer, Freshworks, Inc.

A

Yeah. So we acquired the company at the end of June. We used the third quarter of last year to align around our pipeline and then Q4 was the first quarter we were, full on, selling it into our base. And remember, 70,000 customers. About 14,000 of those are IT customers. So we had success. So three of our top 10 deals for the quarter were Device42 deals. We entered this quarter with twice as much pipeline for Device42 as we had in Q4. And Q4 was the best quarter for net new in Device42's history because they are able to sell into our base quite consistently. So, many of our customers are interested in adding much more advanced asset management capabilities. They need to understand what assets they have, especially if you're a highly acquisitive company and you've, over time, acquired more and more IT assets. They need that for security purposes. They need that for audit purposes. They need that when they have to respond to a problem. They have to know where is the problem and that's what asset management does. So in these larger accounts, like a New Balance, it's absolutely essential that they have that. So, it's enabled us to move upmarket much more than what we had.

Our biggest deal in Q4 was a large hardware manufacturer. About 20,000 employees, IT asset management, Device42 was integral to that. Our biggest deal this quarter is an optical networking company. Again, 20,000 employees, about $5 billion in revenue, and Device42 was integral to that deal as well.

Elizabeth Elliott Porter
Analyst, Morgan Stanley & Co. LLC

Q

Okay. And before we move over to the Customer Experience side of the business, one more on EX. There is a lot of disruption as it relates to the legacy vendors, the BMC's, the Avanti's. So, could you just give us an update on kind of what you're seeing as it relates to displacing the legacy vendors? How much room is there still to take share from these vendors as they're doing some end-of-life with migrating customers?

Dennis M. Woodside
Director, President & Chief Executive Officer, Freshworks, Inc.

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Yeah. So, you have Avanti and BMC, and those two roughly are somewhere in the neighborhood of $1.5 billion in revenue. Now, they span from the largest organizations all the way down to small. So, our addressable market within that is a portion. But we see many of those customers coming up for renewal. Whenever a BMC or an Avanti customer does an RFP, they're going to include us and they're going to include ServiceNow. So we have to beat ServiceNow no matter what, but we do see quite a bit of business coming off of them as well. And then

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beyond that, the market is actually very fragmented. There's lots of small point solutions. There still are very large organizations that are managing things in a fairly manual way. So the room for growth is actually quite large beyond just those two. And then there's the renewal business of ServiceNow at that mid-market that's quite strong.

Elizabeth Elliott Porter
Analyst, Morgan Stanley & Co. LLC

Q

And just one more on the competitive landscape. So, you've talked a lot about you see ServiceNow and the competitive advantage there as you've really broadened the portfolio. You have the capabilities that these more sophisticated customers need at the right price point and having a big benefit, I think 50% total cost of ownership. When you see Atlassian, what is the competitive differentiators in there?

Dennis M. Woodside
Director, President & Chief Executive Officer, Freshworks, Inc.

A

Yeah. So, Atlassian's product has been acquired over time. I think they did five acquisitions to offer Jira Service Management. We see them more in developer-centric customers, but we have lots of those as well where they already have a larger Jira footprint and where the engineering team is driving decisions more. That's where we see Atlassian.

But Atlassian is a distant second to ServiceNow in terms of our compete. Where we win in those deals is ease-of-use for the agent. Again, going back to that ethos of we need to build a product that's out-of-the box, works for the admin and for the agent. They can get up to speed and train on it quite quickly. Especially if you think about how AI is being introduced. An agent, you need to make the AI very simple for the agent to understand and to use and we've done that. So we win in those situations based on ease-of-use for the agent, for the admin where Atlassian tends to have a strong footprint though is in those developer-centric companies.

Elizabeth Elliott Porter
Analyst, Morgan Stanley & Co. LLC

Q

Can you give us a little bit on the different flavors that you can get within Freddy, your AI solutions. Whether it was more of a self-service, the Copilot, the Insights. Can you help us understand like, one, Freddy AI products is doing better than another? Is it by customer segment? Is it by use case? So, what are some of the distinct challenges that they're serving and how is it different in the use case and the customer segment?

Dennis M. Woodside
Director, President & Chief Executive Officer, Freshworks, Inc.

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So, Copilot is, by far, the product that has gotten the fastest adoption, the fastest growth, the best monetization for us so far. And that again, that's priced at $29 per seat per month on top of the plan that you're already paying for. And it enhances the productivity of the agent on average by about 30%. It's very easy to do an A/B test of agents with and without the Copilot, see what the accuracy of their delivery is, what the customer satisfaction is, what's the time to resolution is, and do the math to see if it's worth paying the $29. Customers do that and they're adopting. And the reason that it's the first product to be adopted is many companies are comfortable exposing AI to their agents. They're less comfortable exposing AI directly to their end users. So, the first step for our customers at least, is adopt Copilot, get our agents up to speed on how to use AI in their daily lives to improve their productivity and answer accuracy and so forth.

And then the second step often is, okay, what are we going to do to deflect questions entirely using AI? That's our AI Agent product and that's priced for customer support on an interaction basis, so it's a consumption model. We

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incorporate the same functionality into our EX product line in the enterprise plan because there's just not as many questions coming from employees as there are from end customers. So, on the AI Agent side, the customers that are adopting are customers with very large customer bases because that's where the value is the greatest in completely deflecting answers altogether.

Elizabeth Elliott Porter
Analyst, Morgan Stanley & Co. LLC

Q

So, you're going to have this bit of a hybrid. You have the seat-based model with the Copilot. That's the add-on. You also are going to have the consumption piece start to ramp as people want to move that outward, directly to the facing the customer. And a question we often get asked is as this productivity continues to increase, if companies decide to be able to say, look, we can start to reduce heads and you're actually displacing a good amount of that overhead cost in hiring that employee. Is there like a framework or any sort of way you think about is there an upper limit that we can start to have on the attach – or the seat add-on prices?

Dennis M. Woodside
Director, President & Chief Executive Officer, Freshworks, Inc.

A

Yeah. Well, I mean what's – I think you saw today, OpenAI is suggesting that they're going to be pricing some of their products at some extraordinary rate. I think I read $10,000 a month, right, because for a developer product, the value actually could be there at that high price point. So I think you're going to see pricing change pretty significantly. As you know, the seat-based model applies. But at the end of the day, what are we doing? We're improving productivity for the company and that's saving them money, right? And that's saving them labor typically. They can choose to redeploy the labor. They can choose not to have the labor. So our model will evolve to capture our fair share of that value equation, whether that's through pricing on the seat model, whether that's through interaction pricing, where as the product is used more, you pay more. In some cases, we charge based on assets. That's how we price our ITAM product. So, the model is definitely going to evolve and flex as the value becomes more apparent and you start seeing that impact.

Elizabeth Elliott Porter
Analyst, Morgan Stanley & Co. LLC

Q

Got it. Turning over to the Customer Experience side of the business. ARR growth there has been more limited to the single-digit range. Just as the company is digesting a lot of the macro pressure, particularly in the SMB segment that we have been going through overall for the last couple of quarters, years, and there was also some go-to-market changes. So, where are we in the turnaround of the segment and what are some of the specific initiatives that you are implementing to accelerate growth?

Dennis M. Woodside
Director, President & Chief Executive Officer, Freshworks, Inc.

A

So we've made a lot of changes in both go-to-market and the product over the last nine months, so I've been the CEO for nine months. So we've gotten the growth rate at this point. It stabilized for the last two quarters, around 7%. We need that growth rate to be in the teens. That's our aspiration. That's not embedded in our guide at all but that's our aspiration, and that's really where we think we can get over time.

We are focusing our development effort on the product that has the most traction, the most customers, that's Freshdesk. We've had multiple products in the past that we've been trying to develop in parallel for customer support. Freshdesk is the hero product going forward. That's where we're going to be incorporating all of our latest features, functionality, AI, conversational, all those things. So that alone we think is going to drive greater clarity, greater focus and we're seeing it. You saw it in terms of the net adds where we're seeing net adds go up in

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part because we're very much focused on driving that Freshdesk product. Whereas in the past, we were trying to drive three different products.

We also believe AI, over time, will be a big accelerant to that business as customers see the value from AI to productivity of their agents and employees. So we have some work to do on the product side. We have – I brought in a new Chief Product Officer, Srini Raghavan. He joins us from RingCentral where he was the CPO as well. So he has some exposure to that side of the business. He's brought in a new SVP who's really rethinking the product strategy on CX, and that's something that we intend to make traction on this year for sure.

Elizabeth Elliott Porter
Analyst, Morgan Stanley & Co. LLC

Q

Great. And thinking about where we were sitting last year, a lot of the conversation was around the Enterprise Salesforce and we have seen a lot of progress made by the company going upmarket. You talked about in Q4, 77% of the Employee Experience, ARR from businesses with greater than 250 customers. Do you have the investments in place that you need today in order to address those larger customers? Do you feel like that plan is set or are there still some initiatives that you have left outstanding to implement?

Dennis M. Woodside
Director, President & Chief Executive Officer, Freshworks, Inc.

A

Yeah. So I became CEO last May. We shifted several hundred engineers into that EX business from other parts of our business to accelerate our roadmap, in particular around what I would call a long list of enterprise-grade features that customers have been asking for and that we know help us win new business as well as reduce churn. So we've already made some of the changes that are necessary to continue to drive that business upmarket. We've made investments in our field teams, both direct sellers and partners. Partners are increasingly becoming a bigger part of our business.

We announced just last month, a partnership with Unisys. So, Unisys is a GSI. The reason that they came to us is that their customers, they have a large mid-market base and their customers were asking for a choice. They historically have been a big ServiceNow partner. ServiceNow is great for their very, very large customers. But the mid-market customers were looking for something that's more flexible, greater value and they evaluated the entire market and chose us to build a product line around. They're going to both serve as an MSP, so entirely outsourcing an IT department for a mid-market company and they're going to resell the product. So we're making investments in go-to-market, we're making investments in product and we are seeing the results. We're seeing the growth every single quarter.

Elizabeth Elliott Porter
Analyst, Morgan Stanley & Co. LLC

Q

Great. So, I'm going to ask another question and then I will open it up to the audience in case there's any. At the 2023 Analyst Day, Freshworks introduced some medium-term fiscal 2026 targets for 20% to 22% revenue growth and 18% to 20% operating margin. We have seen really strong improvement on the margin side of the equation. But on the revenue side, the 13% to 15% constant currency growth for fiscal 2025 seems a little shy of some of the initial expectations. So what are some of the factors that we need in order to drive the business back to that target growth rate, how much of it is macro, how much of it is execution and kind of how much further do we have?

Dennis M. Woodside
Director, President & Chief Executive Officer, Freshworks, Inc.

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Yeah. So the guide reflects what we know right now about the year and obviously we intend to beat the guide. We've had a history of beating our guidance over the years. And so I would just say the starting point is the guide is not – in my book, we are obviously targeting higher internally. The profitability of the business is actually better than what we had said a year-and-a-half ago where we're also guiding to free cash margins north of 25%. I think this quarter, we're guiding to something like 23%.

So, the overall shape of the business is a bit different. What's going to be required to kind of reaccelerate that growth? So we need to get a little bit of a lift out of CX, right? We need for that business to start demonstrating low-teens growth, which is roughly what the market is doing, and that alone will make a huge difference in the overall growth rate of the company. And we need for EX to continue to drive forward for newer products like Device42 AI, our ESM products to continue to get traction. If we have those things happen, then that company growth rate changes pretty meaningfully. Now, remember we did 22% growth last quarter. So, obviously there's a very different view of the year but that's going to reflect our kind of ingoing view based on what we knew when we issued the guide.

Elizabeth Elliott Porter
Analyst, Morgan Stanley & Co. LLC

Q

Great. Do we have any questions from the audience?

Q

Thank you. I wanted to ask maybe like a high-level question about movements within the industry. We're seeing Zendesk entering the contact center space. We're seeing Salesforce talking more about voice use cases and contact center. ServiceNow entering the CRM business. Like what is the convergence that is happening behind the scenes between ITSM, CRM, contact center and how are you going to play that out?

Dennis M. Woodside
Director, President & Chief Executive Officer, Freshworks, Inc.

A

It's interesting. Yes. You do hear about that. I'm not sure that customers necessarily want that. I've spoken with several customers recently that view that as a risk, of a lack of focus and not obvious value back to them for why I would need to buy my sales automation tool from the same provider as my ITSM. Very different buying centers, different budgetary constraints, different ways of looking at ROI.

So, for us, we're very much focused on, look, our IT products are sold to the IT department. They enable productivity across IT. That's really the sweet spot for us there. Our customer support products are sold to a customer support officer with an IT assist sometimes and very different sales cycles, very different competitive dynamics. So we're not playing that kind of broader convergence game right now. I don't think. We do see voice as an interesting area and potentially on the customer support side could be interesting. We have a fairly lightweight voice product that's embedded in our support tool. So voice could be an interesting avenue for us in the future.

Elizabeth Elliott Porter
Analyst, Morgan Stanley & Co. LLC

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Great.

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Q

Hey, Dennis. A question for you. You're a little less than a year into the CEO role. You've chopped a lot of woods since you took over. I mean the company did a deal. There was a big [ph] RFF (00:29:00) announced. What else do you think is left to be done for the business to really be humming in your image versus perhaps how the prior leadership team was running it? Yeah. I would just love to hear about that.

Dennis M. Woodside
Director, President & Chief Executive Officer, Freshworks, Inc.

A

I think there's a lot of opportunity in – if we just focus on the EX side. There is a lot of opportunity in adjacent spaces where we have some capability today, but there's an opportunity to go way deeper. And as we have with IT asset management and charge for the capabilities that we're providing. So I think that spaces that we're already covering. So, think of like SecOps or think of IT Ops, right, we can go much deeper with our capability and potentially monetize that. That's very interesting for us going forward.

On the CX side, we're just talking about voice a little bit. There are also adjacencies that are quite interesting for us that could be areas that we decide to invest in as well. I think the big focus for this year is how do we get that CX business back to a reasonable growth rate, right, while continuing to drive growth in the 30% range for the EX business? We've been monetizing Device42, but we've really been selling it for one quarter, right? How do we really scale that? So every customer that is currently with Freshworks that has a need for asset management uses that product. That's a big opportunity for us as well.

And then if you think about AI, we have, for Copilot, 2,300 paying today but we have 70,000 customers. It's really a product that every customer should use because it's dead simple to use and it clearly enhances the productivity of the agents. That's another opportunity for us. So, very much focused on those areas: driving EX, driving AI and then getting that CX business back to higher rates of growth.

Q

[indiscernible] (00:30:58)

Dennis M. Woodside
Director, President & Chief Executive Officer, Freshworks, Inc.

A

They cut your mic. I'll repeat your question.

Q

The other question I have is both areas are still fairly ripe for Freshworks to penetrate EX and CX. There's also vendors who, frankly, I think a lot of people in this room trust as innovators who are bigger and throw off more cash on a dollar basis. I think of HubSpot and Monday in particular, who are making big pushes in each of those respective areas. So how do you think about new entrants across both of your core markets and your ability to sort of either tell a story that's unique to one segment of the market like the mid-market, or just fend them off from broader disruption?

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Dennis M. Woodside
Director, President & Chief Executive Officer, Freshworks, Inc.

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Well, we – so, we've competed against HubSpot for some time on the support side, right? And so that's – I wouldn't say that's new. Monday, recently launched an IT product. We'll have to see how that goes. An IT product is very different than project management. The needs of an IT department, especially if you get outside of a 100-person company, gets very sophisticated very fast and they need a complete solution, right, not just the help desk, which is what it seems that their initial offer is.

So we'll see. But we've always had – there's been – in all of these spaces, there are a lot of smaller competitors that you're constantly seeing and competing against and we've proven that we can win against them.

Elizabeth Elliott Porter
Analyst, Morgan Stanley & Co. LLC

Q

[indiscernible] (00:32:25)

Q

Hi, Dennis. A quick question just around capital allocation. You've obviously got a $1 billion on the balance sheet. Buyback authorized, we haven't really dipped into. Just keen to understand how you kind of stack-rank your priorities around capital allocation including other M&A opportunities?

Dennis M. Woodside
Director, President & Chief Executive Officer, Freshworks, Inc.

A

Yeah. So, we announced a buyback of $250 million which we can scale up if we want in Q4 and that buyback is underway now. So, I think you'll see that as an ongoing part of our capital allocation strategy. We are looking for acquisitions that we can make work at the right price and for the right capability. So that potentially is another use of that cash and that's our plan going forward.

Elizabeth Elliott Porter
Analyst, Morgan Stanley & Co. LLC

Q

Great. I think we have just one more minute so I'll try to sneak one in. With the long list of exciting opportunities to go after, how are you thinking about shifting some of the resources internally and being able to drive the investment to address the market opportunities while still driving that profitable growth?

Dennis M. Woodside
Director, President & Chief Executive Officer, Freshworks, Inc.

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So, if you were to look at like our engineering allocation today, it's heavily EX and AI. And then we are making investments in CX but to a lesser degree than that EX business. So, that's how we think of things in that order: EX, AI, CX. That's how we're allocating internal resources.

Elizabeth Elliott Porter
Analyst, Morgan Stanley & Co. LLC

Okay. Great. So with that, we are up on time. Dennis, thank you so much for sharing your insights and we're looking forward to seeing everything in 2025.

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Dennis M. Woodside

Director, President & Chief Executive Officer, Freshworks, Inc.

Thanks.

Joon Huh

Senior Vice President-Finance, Investor Relations & Treasury, Freshworks, Inc.

Thank you.

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