



August 17, 2021

**monday.com Ltd. (NasdaqGS:MNDY)**

Prepared Remarks

Q2 2021 Earnings Call

## Management Commentary

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### Keenan Zopf

*Investor Relations – The Blueshirt Group LLC*

Certain statements made on the call today may 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 may be discussed on the call. Reconciliations to the most directly comparable GAAP financial measures are available in the earnings release and the earnings presentation for today's call, which is posted on our Investor Relations web page at [ir.monday.com](http://ir.monday.com).

With that, I will turn the call over to Roy Mann, co-CEO of [monday.com](http://monday.com).

### Roy Mann

*Co- Founder & Co-Chief Executive Officer of [monday.com](http://monday.com)*

Thank you and thank you to everyone for joining us today. We are very excited to have completed a successful IPO and to announce very strong results in our first quarter as a public company. As you've seen from our press release, our business continued to accelerate across revenues, paying customers and customer expansions. We generated \$70.6 million dollars in revenue, up 94 percent year over year. Eliran, our CFO, will provide you with more financial details and commentary on what drove our Q2 results. He'll also provide our guidance for the rest of the year.

Since this is our first earnings call as a public company, I'd like to take a few minutes to tell you a bit about [monday.com](http://monday.com). We've also posted a slide deck on our IR site that provides you with additional color on our business and a review of our Q2 financials.

When we first started [monday.com](http://monday.com), we started it with a mission: to give our customers the power to create their own work software. To do that, we revolutionized the way people use software, giving them the same low-code / no-code abilities once reserved for software creators and designers.

Today, more than 9 years later, our customers use [monday.com](http://monday.com) in ways we could have never imagined, across virtually limitless use cases and in organizations of all sizes.

With that mission, we are leading in a new category called Work OS.

### Eran Zinman

*Co- Founder & Co-Chief Executive Officer of [monday.com](http://monday.com)*

Thank you Roy.

Before we dive deeper into our platform, we'd like to highlight our market opportunity. Our Work OS is broadly applicable for any organization and team across a growing number of use cases. According to estimates from IDC, our total addressable market was \$56.1 billion in 2020 and will grow to \$87.6 billion in 2024. Further, we believe our Work OS platform is applicable across the 1.25 billion information workers that industry analysts estimate exist globally.

Now, let's dive deeper into our platform.

Our cloud-based platform is a no-code / low-code framework. It consists of modular building blocks that allow our customers to create their own software applications and work management tools. By using our platform, our customers can simplify and accelerate their digital transformation, create a unifying workspace across departments, and increase operational efficiency and productivity.

Our software is simple enough for anyone to use, yet powerful enough to drive core functionality within any organization. Our platform also integrates with other systems and applications, creating a new connective layer for organizations that links departments and bridges information silos.

We believe this makes our Work OS a core solution that customers can rely on to run their businesses.

Our customers are our partners. We are continuously molding our platform's future together.

We distinguish customers with more than 10 users from our broader customer base, and they are the core focus of our sales and marketing efforts. The revenue growth rate of our customers with more than 10 users has outpaced the rest of the business in each of our previous fiscal years, and our expectation is that such customers will continue to grow in the future.

Moreover, our ability to successfully move upmarket is demonstrated by the consistent growth in the number of our enterprise customers, which we define as customers with more than \$50,000 in ARR. We ended the quarter with 470 enterprise customers compared to 144 in the year ago quarter, an increase of 226%.

We employ an efficient go-to-market model, combining our extensive self-serve funnel, and a direct sales approach, which consists primarily of our sales team, our customer success and partners teams, as well as our apps marketplace.

I want to share some of our product solution go-to-market approach. Product Solutions are complete products, horizontal or vertical, built on top of the Work OS platform. This allows customers with different intents to find and adopt Monday.

Now, I'll turn this over to Roy to discuss our apps and apps marketplace.

## **Roy Mann**

*Co- Founder & Co-Chief Executive Officer of monday.com*

Thank you Eran

We took our “no limits” approach to new heights to allow any developer to build on top of monday with monday apps. We added even more freedom with our apps marketplace, where each customer can extend the platform on their own.

This no-limits approach leads to happy customers that not only love our product but also feel they are a part of our journey. As the number of our customers grew, we heard more and more stories of how we changed their businesses, and, for some, their lives. We began to feel an ever-growing sense of responsibility — a responsibility to be there for our customers with world-class support and an ever-improving platform that allows them to do anything their business demands or their imagination takes them towards.

This responsibility extends towards the communities we live in. We saw the amazing impact monday.com has on nonprofit organizations. From work we have done together, we see that many nonprofit organizations have a massive technological divide — a divide that prevents them from making the impact that they seek. Our “Equal Impact” initiative aims to close that digital divide with long-term, ambitious goals for making a lasting impact on nonprofit organizations. With our knowledge and resources in digital transformation, running business and scaling teams, we aim to be a partner for the world’s nonprofit organizations who want to make a positive change for all of us.

I want to give a quick shout-out to our employees. monday.com’s success happened only because of our amazing employees and the strong culture of transparency, ownership and trust we have built together. All of us at monday.com feel we share the same goal and walk the same path forward.

We believe that we are on the cusp of a massive change in work software. If the last 10 years were defined by the SaaS cloud, then the next 10 years will be focused on giving people the power to create software that fits their needs.

We believe that we are best positioned to be the leaders in this change.

We have built the company to take such an opportunity head on while keeping our culture, our values and the love we still have towards creating beautiful, powerful digital products.

Today we are thrilled to introduce a completely new capability to the monday.com Work OS platform: monday workdocs. Workdocs represent the next step in our Work OS platform.

Documents provide a great canvas for people to start their work in. We see this as a massive opportunity to expand how monday is adopted so our customers can create no-code low-code work software.

With monday workdocs, our customers now have the ability to manage their work, ideas, and data in a completely unstructured way. Our work docs include two powerful technologies embedded within them: our “real-time engine” and “document connectivity.”

We believe document based collaboration is crucial for many work processes, that’s why we’ve built our “real time engine” from scratch. It’s a completely new technology that allows for hundreds of people to work together on the same document. It’s a strong foundation that will allow us to take document collaboration to uncharted territories.

Another critical part of our workdocs is that they are connected to other applications. We see this as part of the connectivity layer that the Work OS provides. We allowed any monday object, such as widgets, charts and views to be embedded into documents. This means that our workdocs have live objects that update in real time whenever their source of data changes. So, monday work docs are never stale because they are “connected documents”. This makes work docs another no-code way for our customers to build work applications on top of monday.com Work OS.

Traditional documents were never designed to be used in the way many teams use them today. Teams use documents to start work processes and collaborate together, but the documents themselves were never created to support this. We see an opportunity to turn these beginning documents into real work tools that people can use to work together, better.

Workdocs represent the next step in our journey to give our customers the ability to create their own software, no matter how they begin or continue their work.

Until now, boards were the sole entry point onto the platform. Workdocs are an additional, unstructured, more flexible way to onboard and deepen adoption in companies.

Workdocs are now live and working on monday’s Work OS and are available on all our plans.

## **Eran Zinman**

*Co- Founder & Co-Chief Executive Officer of monday.com*

Thank you Roy.

In Q2 we officially launched a “free tier” of monday.com Work OS. This is geared to small teams and limited to two users. We believe that this is an excellent way to drive awareness and broader adoption among a new set of audiences. We’re encouraged by the early response to the free offering and see this as a way to seed monday usage and ultimately drive conversion to enterprise customers.

We had a great quarter in terms of customer wins and expansions. These were broad-based across industry verticals, with major companies including Headspace, Mintel, Adyen and Wellington Altus.

Let’s talk about Headspace as an example. Headspace is a very well-known mindfulness and meditation subscription app dedicated to improving the health and happiness of the world. Headspace has begun to use monday.com Work OS to increase collaboration and efficiency for all of their marketing and creative processes across the globe. In order to win, subscription-based app companies like Headspace must operate in real-time, adjusting to changes in each of their markets every day, which is why they chose our platform. This win is another example of how monday can help high-growth global companies and we’re very happy to be a part of their growth and success.

During Q2 we continued to expand our partnership ecosystem. To that end we kicked off new strategic alliances with Global Systems Integrators across key industries such as manufacturing and real estate including Hitachi Solutions and NTT-Data.

We accelerated our growth and expansion into the Latin America market with new channel partners, customer deals, increasing our ARR in this region. As part of our expansion into new markets, we also added Polish as an additional language available on our platform - increasing our total number of languages to 14.

One of the things that we are most excited about is that we are truly developing a monday.com ecosystem of third parties, interfaces, partners and developers that collectively drive usage and multiple monetization opportunities. You will be hearing much more from us on this front in the coming quarters and years.

As I hope has come through in our presentation and our comments today, monday.com is a highly differentiated company with a strong and unique point of view about the future of work and collaboration. We are capturing a massive market opportunity that is expected to reach over \$85 billion in the next few years. monday.com can help drive results for almost every business, of every size, around the world.

We're very excited to speak with the analysts covering the company and the investors who are joining us on our journey today.

I'll turn it over to Eliran to cover our financials and guidance.

## **Eliran Glazer**

*Chief Financial Officer of monday.com*

Thank you, Roy, and Eran and thank you to everyone for joining our call today. We are very excited about the opportunities we see for the company to continue to grow and evolve.

I will go through our second quarter results, then discuss in more detail the business, and close with guidance.

We were pleased with the results for the quarter, which demonstrated continued high growth at scale. Revenue in the second quarter came in at \$70.6 million, up 94% year over year, led by large expansions within our existing customer base.

Our net dollar retention rate for customers with more than 10 users was over 125%, and our net dollar retention rate for all customers was over 111%. As a reminder, our net dollar retention rate is a trailing four quarter weighted average calculation.

Also, our focus on moving upmarket is working. We ended the quarter with 470 enterprise customers up 226% from 144 in the year ago quarter.

On the hiring front - during the last 2 quarters we added more than 170 employees to monday.com, particularly focusing on R&D and sales & marketing. These new hires account for more than 70% of the new talent added during this period. We ended Q2 with more than 850 employees globally, and we plan to continue investing aggressively in adding new talent, with a focus on R&D and our enterprise sales force.

Next, I'll provide more detail on the second quarter financial results.

Before turning to expense items and profitability, I would like to point out that unless otherwise noted, all metrics are non-GAAP. We have provided a reconciliation of GAAP to non-GAAP financials in our earnings release.

Gross margins came in at 89.7%, up from 88.3% in the year-ago quarter. Research and development expense was \$11.2 million or 16% compared to 20% in the year ago quarter. We continue to invest significantly in R&D, including high growth in our engineering headcount, but the pace of our revenue growth has outpaced the investment growth.

Sales and marketing expense was \$55.5 million or 79% of revenue compared to 101% in the year-ago quarter. The improvement was driven primarily by lower marketing investments as we are becoming more efficient, allocating our marketing spend to focus on customers with 10+ users and enterprise customers. We continued to make substantial investments in our sales organization and have significantly expanded our sales team over the last year. Similar to R&D, the pace of our revenue growth has outpaced the investment growth.

G&A expense was \$6.5 million or 9% of revenue, compared to 8% in the year ago quarter reflecting increased costs of being a public company. Operating loss was \$9.9 million, and operating loss margin came in at 14%. Net loss was \$11.3 million and loss per share was negative \$0.26.

Moving on to the balance sheet and cash flow. We ended the quarter with approximately \$878 million in cash, cash equivalents, short-term deposits and restricted cash. Net cash used in operating activities was \$0.4 million in the quarter.

Adjusted free cash flow was negative \$1.5 million, and was driven by strong collections stemming from our strong billings in Q4 and Q1. Adjusted free cash flow is defined as net cash from operating activities, less cash used for property and equipment and capitalized software costs, excluding non-recurring items such as costs related to the build out of our corporate headquarter office in Tel-Aviv.

Now turning to our outlook for the third quarter and the full year 2021. We believe we can deliver high growth for the foreseeable future as we are addressing a large and growing market, and we believe we are well positioned to be one of the long-term winners in the space. There are more than 1 billion global knowledge workers today that could potentially use Monday. We are introducing Q3 and full year guidance as follows: For the third quarter of fiscal year 2021 we expect our revenue to be in the range of \$74 million to \$75 million representing growth of 74% to 76% year-over-year. We expect non-GAAP operating loss of \$26 million to \$25 million.

For the full year 2021, revenues are expected to be in the range of \$280 million to \$282 million representing growth of 74% to 75% year-over-year.

We expect full year non-GAAP operating loss of \$93 million to \$91 million and negative operating margin of between 33% and 32%, compared to operating loss of \$86.2 million in 2020, and negative operating margin of 53%.

We believe we can deliver high growth for the foreseeable future as we are addressing a large and growing market that is still very early in its maturity. As a result, we will continue to prioritize investments in the business over near-term profitability, and will continue to make progress against our growth phase target margins.

I'll also note that we intend to be active with regard to investor relations and will be conducting a number of non-deal roadshows and starting to present at investor conferences in September.

With that, I'll turn it over to the operator for questions. Operator?

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