

monday.com Ltd., Q2 2025 Earnings Call, Aug 11, 2025

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Corporate Participants

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Eliran Glazer monday.com Ltd. – Chief Financial Officer

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

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

Conference Call Participants

Aleksandr J. Zukin Wolfe Research, LLC – MD & Head of the Software Group

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

Brent Alan Bracelin Piper Sandler & Co., Research Division – MD & Senior Research Analyst

Brent John Thill Jefferies LLC, Research Division – MD & Tech Sector Equity Analyst

Connor William Murphy Capital One Securities, Inc., Research Division – Senior TMT Analyst

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Jackson Edmund Ader KeyBanc Capital Markets Inc., Research Division – MD of Software Equity Research & Equity Research Analyst

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

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Noah Ross Herman JPMorgan Chase & Co, Research Division – Research Analyst

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Thomas Blakey Cantor Fitzgerald & Co., Research Division – Research Analyst

Presentation

Operator

Good day. My name is Bella, and I'll be your conference operator today. At this time, I would like to welcome everyone to monday.com's Second Quarter Fiscal Year 2025 Earnings Conference Call.

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

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 second quarter fiscal year 2025. Joining me today are Roy Man and Eran Zinman, co-CEOs of monday.com; and Eliran Glazer, monday.com CFO.

We released our results for the second 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 & Events section of our IR website at ir.monday.com.

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

Additionally, non-GAAP financial measures will be discussed on the call. Reconciliations to the most directly comparable GAAP financial measures are available in the earnings release and the earnings presentation for today's call, which are posted on our Investor Relations website.

Now let me turn the call over to Roy.

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

Thank you, Byron, and thank you, everyone, for joining us today. We are pleased to report another outstanding quarter for monday.com. Underscored by robust revenue growth of 27%, this performance reflects surging demand for our platform and the powerful value we deliver to customers across industries.

Our relentless focus on efficiency is bearing fruit with Q2 non-GAAP operating margin of 15%, a testament to the strength of our business model and disciplined execution. We continue to make significant strides in our AI offering, expanding capabilities and accelerating innovation to empower teams and drive impactful results at scale. In Q2, customer adoption of our AI capabilities accelerated across the monday.com platform, with users performing 46 million AI-driven actions since launch, a strong indicator of increasing engagement and the growing value that our AI tools deliver.

This quarter, we introduced Monday Magic, Monday Vibe and Monday Sidekick, 3 AI-powered capabilities that mark a major step forward in our evolution from work management to work execution. These innovations enabled users to instantly generate workflows, build secure customer applications without code and receive proactive context-aware support, all within the monday.com platform. By embedding AI into the heart of our product, we're unlocking new levels of speed, flexibility and productivity for teams across every industry.

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

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

Thank you, Roy. The enterprise continues to be our fastest-growing segment and the investments we have made in offering for these customers are bearing fruit. In Q2 we achieved a record number of net new adds of customers paying over \$100,000 annually, further validating our traction with enterprise organizations. .

We are very excited to share that monday CRM has recently reached \$100 million in annual recurring revenue, marking a significant milestone in our product rapid growth. This achievement underscores the strong demand for a flexible, customizable CRM platform and the trust our customers place in monday.com to power of their business operation. Reaching this benchmark reflects our relentless focus on innovation, customer experience and extending the capabilities of our CRM to address evolving market needs. We are very excited to build on this momentum as we continue to scale and deliver exceptional value to our customers.

We recently announced the appointment of Harris Beber as monday.com new Chief Marketing Officer, based in our New York City office. Harris brings over 20 years of marketing leadership from leading global organizations, most recently overseeing global marketing for Google Workspace and previously serving as CMO at Waze and Vimeo where it was instrumental in driving significant growth and innovation. At monday.com, Harris will lead our global marketing organization and drive forward our evolving strategy, focused on creative, human-centered storytelling to support continued dynamic growth.

We are pleased to announce the appointment of Adi Dar as our first Chief Customer Officer. In this important role, Adi will be responsible for overseeing the end-to-end customer journey, including adoption, retention and long-term satisfaction. Adi will continue to serve as Chief Operating Officer until a successor is appointed.

Lastly, we're happy to invite all of you to our upcoming Investor Day on September 17. As part of this year Elevate New York Conference, Investor Day 2025 will be a key moment to showcase our progress and ambition. Whether you join us in person or virtually, you'll hear directly from our leadership team as we highlight our achievements and outline our long-term vision, strategy and product road map. We look forward to sharing deeper insights into our business and the opportunities ahead.

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

Eliran Glazer monday.com Ltd. – Chief Financial Officer

Thank you, Eran, and thank you to everyone for joining our call. Q2 marked another strong quarter with solid revenue growth and improving efficiency. Total revenue came in at \$299 million, up 27% from the year ago quarter. Our overall NDR was 111% in Q2. We now expect overall NDR to be stable at 111% throughout fiscal year 2025. As a reminder, our NDR is trailing 4-quarter weighted average calculation.

For the reminder of the financial metrics disclosed, unless otherwise noted, I will be referencing non-GAAP financial measures. We have provided a reconciliation of GAAP to non-GAAP financials in our earnings release.

Second quarter gross margin was 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 \$59.2 million in Q2 or 20% of revenue, up from 16% in the year-ago quarter. Sales and marketing expense was \$139.2 million in Q2 or 47% of revenue, compared to 51% in the year-ago quarter.

Net income was \$58.3 million in Q2 2025, up from \$49.3 million in Q2 2024. Diluted net income per share was \$1.09 in Q2 based on 53.3 million fully diluted shares outstanding.

Total employee head count was 2,867, an increase of 172 employees since Q1. 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 \$1.59 billion in cash and cash equivalents, up from \$1.53 billion at the end of Q1. Adjusted free cash flow for Q2 was \$64.1 million and adjusted free cash flow margin was 21%. Adjusted free cash flow margin is defined as adjusted free cash flow as a percentage of revenue. We remain on the target to meet our Investor Day goal generating over \$1 billion in free cash flow from fiscal year '23 to fiscal year '26. 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 third quarter of fiscal year 2025, we expect our revenue to be in the range of \$311 million to \$313 million, representing growth of 24% to 25% year-over-year. We expect non-GAAP operating income of \$34 million to \$36 million and an operating margin of 11% to 12%.

For the full year 2025, we expect revenue to be in the range of \$1.224 billion to \$1.229 billion, representing growth of approximately 26% year-over-year. We expect full year non-GAAP operating income of \$154 million to \$158 million and an operating margin of approximately 13%. We expect full year adjusted free cash flow of \$320 million to \$326 million and adjusted free cash flow margin of 26% to 27%.

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

Questions and Answers

Operator

[Operator Instructions] Your first question comes from the line of Kash Rangan with Goldman Sachs.

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

Nice results. But I'm wondering that you're pivoting to the enterprise, NDR in the enterprise is picking up, the growth rate in the second half is good. but you didn't take it up, typically, there is a bit of a raise to the second half expectations as you finish up the first half. And the product customer adds for the new products also seem good. But it feels like there's – that you're waiting to hit an inflection point in the business where the new products and the pivot to the enterprise can stabilize the growth rate, maybe cause a bit of an inflection, but we're not quite there yet. I would love to get your thoughts.

And also simultaneous with that inflection that you're looking to achieve, presumably, you're adding on a couple of new executives as well. So help us walk through all the puts and takes of the executive adds and the inflections that you're looking to achieve in your business.

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

Yes. Kash, this is Eran. So first of all, like you mentioned, we really put – we brought in our go-to-market leadership point, Casey as our CRO and Harris now as the CMO, and also Adi, our Chief Customer Officer, and I think a lot of this will greatly contribute to increasing momentum with the upmarket part of the business, improving retention of customers and driving more expansion over long term.

And on the other hand, like you mentioned, we also have the engine of going multi-product. Just as a reminder, while work management is very mature for enterprise customers and kind of high end of mid-market, the newer products, the CRM, [dev and] service are currently more serving the SME segment. So on one hand, we feel the multiproduct strategy really help bundling and selling more products to kind of more of the lower-tier SMB market part of the business, while the changes we've done to go-to-market team and organization and a lot of other things is driving upmarket expansion so I think both things are contributing to continued expansion of our revenue and growth, although it's definitely 2 separate efforts that, over time, as we mature the product and sell to high-tier customers, will become one.

Operator

Your next question comes from the line of Alex Zukin with Wolfe Research.

Aleksandr J. Zukin Wolfe Research, LLC – MD & Head of the Software Group

I guess maybe can you talk about the demand environment, the spending environment? And specifically, did -- was there anything different with the linearity in the quarter, particularly with the large deals? And I have a quick follow-up.

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

Well, I can take the marketing or demand side. It's Roy. So we do see a lot of demand in different areas, like in CRM, that we can grow in. We shift things into mobile. But we do see some pressure from Google on the new side, though it's not something we didn't encounter before. So it's considerably small on that respect.

And within like the CRM, we do shift a lot of resources into other areas, okay, that we see a better place to grow. Like we have a big brand and we monitor all the performance stuff, so we see areas that we are more efficient in so we move resources there.

Eliran Glazer monday.com Ltd. – Chief Financial Officer

Yes. Alex, this is Eliran. Maybe just to add to what Roy said, to summarize. So demand in general remains very strong. Upmarket, we have record net adds for the \$100,000 customers. and we see a very good traction and momentum in the upmarket -- mid and upmarket customers. As Roy said, we are seeing some softness within the down market due to the changes in the Google algorithm. But this is temporary, we believe, and we are already taking actions proactively to address this, and we believe this is going to be recovered going into the second half of the year.

Overall, our enterprise momentum, the record large customer additions and continued expansion within our fastest-growing segments provide us with a lot of confidence, and we feel very comfortable with the second half of the year.

Aleksandr J. Zukin Wolfe Research, LLC – MD & Head of the Software Group

Perfect. And then maybe just in the context of improving enterprise traction, talk a little bit about billings. They were -- it seemed like they were down a little bit sequentially from a deceleration perspective, it decelerated a little bit. Maybe is that still the right way to think about a forward-looking metric? Is it possible that we'll get an

RPO comment at some point, if that's a better gauge of traction? And maybe just comment a little bit more on NRR, specifically how we should think about it progressing through the year.

Eliran Glazer monday.com Ltd. – Chief Financial Officer

Sure. So with regards to calculated billings, we said it in the past few times, this is an imperfect measure of our business. We look at ARR growth. This is something because of – I wouldn't want to take you through the accounting things, but we don't record the deferred revenue, only on a cash basis. And this is why we don't think it's the right measurement of the business.

With regards to NDR, as expected, we said there's also a prior quarter debt, the lapping of the 2024 price increase is going to impact on NDR. This is why the number came down from 112% to 111%. And we believe this is going to be stabilized through the end of the year.

And the flip side of it is we see a very strong momentum with gross retention that continues to improve and the adds of the customers in enterprise. Both the \$50,000 customers and \$100,000 customers, we believe, are going to contribute to the expansion of NDR in the beginning of next year.

Operator

Your next question comes from the line of Jackson Ader with KeyBanc Capital Markets.

Jackson Edmund Ader KeyBanc Capital Markets Inc., Research Division – MD of Software Equity Research & Equity Research Analyst

A couple on sales hiring and productivity. So first, is sales hiring, either in the enterprise or elsewhere, building in line behind or ahead of your expectations as you headed into the year?

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

Yes. Jackson, so this is Eran. So we ramped up pretty significantly in the first half of the year. Our main strategic areas were mostly sales and marketing, hiring across all fronts, people who specialize in the new products and also people that are kind of more focused on the enterprise part of the business. So it's pretty much in line with our plans, and we continue to hire more people in the second half of the year.

And again, we see great inventory within our own customer base for more extension. We see healthy top-of-funnel movement with new customers. So overall there's more room to grow within the sales team, and we'll continue to hire coming into H2 and the beginning of next year.

Eliran Glazer monday.com Ltd. – Chief Financial Officer

Jackson, maybe – this is, sorry, Eliran. Just to add to what Eran said. And we have Casey who joined us in prior quarter, at the end of prior quarter, and this is part of the CRO organization transition. So there is a high focus on continuing improving and enhancing the sales organization across the board throughout the end of this year and going into next year. .

Jackson Edmund Ader KeyBanc Capital Markets Inc., Research Division – MD of Software Equity Research & Equity Research Analyst

Okay. All right. Great. That makes sense. And actually, I'm going to pivot over to CRM accounts. The net new number was pretty far below what you guys have typically been doing on a quarterly basis. What should we be reading into that? Is this kind of a new normal and you're going to land higher valued customers? Or was this more of a blip?

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

Yes. Jack, this is Eran. So first of all, when I said that we were very proud of monday CRM to reach \$100 million in such a short amount of time, and it's a very significant milestone for us as a company, so we're very proud of that. I think some of it is seasonality. I mean traditionally, like we mentioned Q1 is stronger in terms of net accounts add and the Q2 is relatively lower compared to Q1. But yes, part of it is the pressure, Eliran and Roy mentioned in the low end of the market. And also, part of our strategy in CRM, and we kind of repeated that several times, is landing bigger customers and having higher ACV customers would drive a lot of focus on that front. And we continue to improve the product and landing larger and larger customers.

So I think that just the amount of customers is not the perfect indicator of our progress within the product. And maybe over time, we'll shift to a more telemetric that represents that.

Operator

Your next question comes from the line of Brent Bracelin with Piper Sandler.

Brent Alan Bracelin Piper Sandler & Co., Research Division – MD & Senior Research Analyst

I wanted to double-click into the CRM business, clearly saw all the results here in Q2. But you took that from, what, 0 to \$100 million ARR in 3 years. Maybe walk through, is this really resonating as a lower cost replacement product? Is it greenfield? How much of the business has been net new logos versus cross-sell? Any additional color on scaling that to \$100 million here in, it looks like, about 3, a little less than 3 years?

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

Cool. It's Roy. So I think our CRM is like amazingly good for customers because it offers complete flexibility where they don't have that option in other CRMs, like they can – you can really build whatever you want. So it's not just lower cost, it's the capabilities that come with it. And there is a huge demand for that in the market, something that is simple, that people really love to use and that you can actually build anything you want with it.

And together with that, like we started with like a more SMB-style audience. But as we add more capabilities like marketing and other stuff, it becomes a whole suite, and we move upmarket, like Eran mentioned.

Brent Alan Bracelin Piper Sandler & Co., Research Division – MD & Senior Research Analyst

Helpful color there. And just a quick follow-up. Vibe coding has really just taken off, lit and fire here. I know it looks like you guys are releasing your own kind of Vibe coding tool. Can you just talk about, just given the launch of GPT5 and now you're releasing video coding, what are some of the foundational models you're using? And how do you think about Vibe coding and being differentiated for monday with its own by vibe coding tools versus other vibe coding tools out there?

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

Roy again. So we're super excited about that. That's like an acceleration to our vision. We always wanted to have tools that give people the power to build whatever they want to control their own destiny. And with vibe coding, we can give them that. And it's really tremendous and we see the feedback we get now is amazing.

And I think we are in a very unique point like monday, because we've historically built everything in our platform that is very open. The platform is open. It's built out of building blocks. It's all modular. And that gives us a huge head start into building enterprise-grade applications that really work seamlessly. And that is also connected to the rest of your workflow. So essentially, if you need like an addition to monday, you can build your own building block or complete new app totally. But it's completely integrated. So it's connected with our integrations and automations, and everything works together. So we're super excited about this one.

Operator

Your next question comes from the line of Arjun Bhatia with William Blair.

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

Can I go back just for a second on the Google changes? I'm curious how you go about kind of remediating the impact from the AI search on customer acquisition cost. I understand, I think for work management, maybe not as big of a deal given you're getting up market traction and it's more sales-led. But I imagine it impacts service and CRM and dev a little bit more. And then Eliran, how long -- like how do you contemplate that into the guidance for the rest of the year in terms of how long that might take to remedy?

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

It's Roy. I can start, and then Eran can complete. So it's not something we didn't see before. It's now -- it's not a huge impact that we see on performance marketing, and we have a lot of room to grow in other areas and we can optimize for that. We're also doing a lot of AI in AI and what's been searched by people in AI and that they find us there. But generally, it's not such a big impact right now and we can mitigate it in many different ways.

Eliran Glazer monday.com Ltd. – Chief Financial Officer

Arjun, this is Eliran. So just as a reminder, when we look at guidance, it's grounded on the analysis of the latest market trends and the internal performance indicator that we are seeing at the time of the guidance. As Roy said, we believe this is something that is temporary, and we're already taking actions to reallocate resources to places that we see greater return.

So in terms of the impact for the year, already baked into the guidance. And we want to make sure that we deliver the most accurate and transparent outlook possible. And this is something that we took into account.

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

Okay. Understood. And then maybe this one is probably for you, Roy. But some of the AI capabilities that you rolled out, you talked about vibe coding just now, but they sound very exciting. I think you mentioned in your prepared remarks and the shareholder letter that you're transitioning from a system of work to a system of action. And I'm curious what that means in terms of how customers are using monday, how they're implementing it, the value that they [indiscernible] how does that change with all these AI capabilities that you've now incorporated into the platform?

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

Yes. That's like another exciting thing. So we released like 3 different products. One is like vibe coding, monday Vibe, and then Magic, which is building whole solutions on monday, and Sidekick, which I think you're referring to, which is doing the work for you. So essentially, we have all the context. We know everything people are trying to achieve because it's in monday, their project, their context, their history. And so we are able to create with a single click an AI that helps you accomplish the actual work, and not just help you manage work better. And that's our vision. And as AI progresses, we will progress with it and we'll be able to perform more and more actual work for our customers.

So for example, instead of like you figuring out which venue you want to create an event, we find the venue for you and create like a comparison. So that's work we can do for other people. And there are like and hundreds of those examples that customers were testing it out, and it's really cool.

Operator

Your next question comes from the line of John Baer with Morgan Stanley.

Joshua Phillip Baer Morgan Stanley, Research Division – Equity Analyst

It's Josh. You're putting up some really strong growth numbers. I think at a high level, this year could be thought of as an investment year with 30% head count growth, and that's slightly ahead of top line growth, a bit of margin compression. And the result, obviously, a ton of product innovation, the go-to-market motion that's maturing and able to penetrate upmarket. So I'm just wondering, as we look ahead beyond this year, can we see the yield on these investments in the form of higher, more durable growth or more operating leverage, just looking ahead? Any thoughts on how you'd characterize the future, if this is more of an investment year?

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

Yes, Josh. This is Eran. I can start. I mean definitely coming into 2025, we had a very concrete plan. On one hand, we had some catching up to do in terms of hiring for the sales organization because we saw so much potential within our existing customer base and a lot of demand. And we're doing that. It will continue to grow into 26 but in lower percentages, I would say, for the sales organization.

And then for the R&D part, we definitely saw a big opportunity in investing into R&D. And coming into this year, we put a lot of effort into building new AI capabilities into the platform and just working on each one of the products. So it was an era of investment. But we're already starting to see fruits of all that investment in how people leverage AI, how people use the products, going upmarket, definitely see the fruits of that.

I think '26 is going to be very different in terms of head count growth. We're going to be more efficient compared to '25. But we're going to see a lot of the investment and the results of what we've done in '25 going into '26.

Operator

Your next question comes from the line of Mark Murphy with JPMorgan.

Noah Ross Herman JPMorgan Chase & Co, Research Division – Research Analyst

This is Noah on for Mark Murphy. Can you maybe just touch a little bit on some of the adoption you're seeing in terms of managed services as you're moving upmarket into these enterprise accounts? What are some of the most typical managed services that are being adopted by customers? And I just have a quick follow-up.

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

This is Eran. Can you just repeat – you're asking about addition to the monday service product? Or were you referring to something else?

Noah Ross Herman JPMorgan Chase & Co, Research Division – Research Analyst

Some of the add-on services...

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

Okay. Yes, got it. So we have a bunch of add-ons that we offer to our customers in addition to the licenses that we provide to them. Some of them are about kind of more robust security or managed services and other parts of the business. Definitely, as we go upmarket, our customers want a little bit more [indiscernible] and customization to how they use monday. So we offer that as part of our enterprise package.

And yes, we see some growth over there definitely as we go upmarket, it becomes more common for customers to attach one of these add-ons to their license. So we see healthy growth, but it's pretty much in line with the growth we've seen in the enterprise segment.

Noah Ross Herman JPMorgan Chase & Co, Research Division – Research Analyst

Great. And then just a quick follow-up. On the fiscal year 2025 guidance, is there any change to the pricing contribution and just also FX impact?

Eliran Glazer monday.com Ltd. – Chief Financial Officer

Mark, it's Eliran. There isn't any change to what we have seen in -- what we have said in the past. With regards to FX, it's going to be not material. We estimate the full year impact to be below 50 basis points. And with regards to pricing, this is in accordance with what we have said in the prior year that, over the 3 years between '24 to '26, is going to be altogether \$80 million, with \$40 million impact this year. .

Operator

Your next question comes from the line of Steve Enders with Citi.

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

I guess just to start, I want to ask on, I guess, go-to-market changes, and with Casey in there now for a quarter and Adi being promoted to the Chief Commercial role, I guess what is – what changes with the go-to-market? And I guess is there anything to read into the change from the CLO to the CCO here?

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

Yes, Steven, so this is Eran. So yes, first of all, we're very happy for Casey to join. It's already driving significant impact to the sales organization. And going back to what earlier I referred to at the beginning of the call, so we had some weakness on the low touch part of the business, but actually the enterprise part of the business, the touch part of the business performed really well, and we had a record add of enterprise customers – customers over \$100,000. So I think we're very happy so far with the transition, and there's a lot of impact, positive impact, to the sales organization.

As we mature as a company, we accumulate more and more enterprise customers that use monday for a very strategic part of their own business. And part of it is why we established now the Chief Customer organization to support those accounts to improve retention, improve their expansion ability and just provide a better service, putting the customer in the center. And I think this is part of us maturing as a company, going more upmarket. And we expect this to drive higher NDR of over time and also improve – continue to improve the growth retention of the company. So very positive about all the recent changes we made to the go-to-market leadership and already we're seeing great results.

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

Okay. That's great to hear. And then I want to follow up on, I guess, some of the Google commentary from earlier and the impact of search. But it seems like you already have put some of those plans into place. I guess, what has been maybe the efficacy of those changes so far? I guess what kind of gives you confidence that the changes you've made will kind of play out as expected and, I guess, the confidence you're going to have in the second half guide from the Google impact?

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

It's Roy. So like one thing to remember is that we have around 250,000 customers and a lot of the growth we see come from expanding them, okay, in multiproduct and giving them service. The new part is obviously smaller but very important for the long term. And like I said before, it's not such a significant impact until now, not nothing we didn't see before.

So it's just a matter of budget allocation and scaling on areas that we improve on. So we do that always, okay? Like we improve some areas of the product and then shift to another – some other areas in media, like YouTube and other areas. So it's not just like that we have a lot of things to do. And we see the impact quickly. So it's something we can improve and iterate quickly. So yes, it's not that big.

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

Yes. Maybe Steven, just to add to what Roy said. Look, over the last 4 or 5 years, we've seen many, many things change in the market, anywhere from prices spiking up by 30% at some point 3 years ago, to prices going down.

I think what gave us a lot of confidence throughout all the years we've been doing performance marketing is, one, we don't only do just ad words. So we have a lot of other channels as well. And also, we monitor every campaign, every click, every expense, so we're not flying blind everywhere, which was unoptimized, we optimize. So we know we can optimize, we know we have full visibility into how we spend that budget. And we're doing the right tweaks to kind of remain efficient and just distribute the funds in a very organized way.

Operator

Your next question comes from the line of Brent Hill with Jefferies.

Brent John Thill Jefferies LLC, Research Division – MD & Tech Sector Equity Analyst

I think there are a lot of questions just as it relates to the Google change and what percent that impacted your business if you think about just X, Y, Z percent covered in this category from Google, what would that have been in the quarter?

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

So given there are so many questions on that, maybe we can double-click a little bit more into it. Like the better, high-quality customers still click on Google and ads. If you're looking for solution such as a CRM or project management, you're going to reach us, okay? So the drop that we see is just on volume because they are experimenting with AI on top. And it's not that significant for the higher quality of customers. So it's more volume than quality. And we can get that from many other areas. So again, like I don't – I think we can mitigate that relatively quickly.

Brent John Thill Jefferies LLC, Research Division – MD & Tech Sector Equity Analyst

Okay. Yes, I think this is just going back to the magnitude of [indiscernible] I'm trying to figure out was enterprise SMB, it sounds like there was some weakness in SMB. You're blaming on Google. I'm just trying to put the pieces together what the impact is to the forward guide because it's a lot lower than you've usually put up in terms of the magnitude. So I think everyone is just trying to reconcile that. So that's all the color we're going to get on that.

Operator

Thank you for that question. [Operator Instructions]

Your next question comes from the line of Raimo Lenschow with Barclays.

Raimo Lenschow Barclays Bank PLC, Research Division – MD & Analyst

Perfect. Two quick questions for me. One is on services. That's, from our checks, that sounds like it's a really nice emerging opportunity. Can you talk a little bit about how services compared to the CRM rollout? Like obviously, you've got the \$100 million ARR for CRM, but like services almost looks more interesting. Can you speak to that?

And then maybe just a very quick mask question following Brent. So you beat the quarter in Q2 by \$ 6 million, but you only raised the full year by \$3 million. And so I guess we're all wondering a little bit like, is that kind of buffer on the Google search side? Is that the new CRO? Where is that buffer coming from?

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

Yes. So this is Eran. So maybe I'll start with the second part of the question. So yes, definitely the new CRO, as I've mentioned, the enterprise part of the business is performing well according to our expectations, summarized in the first half of the year. We saw some weakness in the lower side of the business. Part of it is because of the Google changes, part of it is maybe some other trends that it's going to hard to I understand kind of where exactly they're coming from, but we see a little bit of weakness regardless of the Google search.

And look, we try to be as transparent as possible about the impacts we see from the search engine. It's just not that material right now. But it's a start of a trend, so we're starting to be -- we want to be a little bit more conservative about, I don't exactly -- I don't control -- we don't control exactly Google will play this out, how the world is going to be. So we're trying to understand what are the implications.

Currently, in terms of -- I don't -- we don't have the exact percentages, but very, very low, almost insignificant. But it has some effect in our ability to acquire some part of the lower end of our customer base. So that's the best visibility we can give right now.

Eliran Glazer monday.com Ltd. – Chief Financial Officer

Yes. This is Eliran. Maybe to add to what Eran said. So our full year guidance already reflects the strong execution that we have seen year-to-date, and it's including Q2 performance. We remain super confident in our ability to deliver against our fiscal year '25 outlook. And we continue to cut for areas of uncertainty, as we already mentioned in the call that could influence some of the numbers for the end of the year, but they're already back into the guidance. And our approach is always to provide guidance we believe is both achievable and prudent. And we want to make sure that we maintain focus on the longer-term growth and profitability as well.

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

Yes. And just to add answering the first one of service. We are super excited about service. We see it as a huge opportunity. It is scaling really fast, absolutely. And what's also exciting is that it's not the same go-to-market. It's not Google, if you like. It's from existing customers and we have a different go-to-market that succeeds really well with service. So we're like super excited about that one.

Operator

Your next question comes from the line of Matt Bullock with Bank of America.

Matthew John Bullock BofA Securities, Research Division – Research Analyst

I wanted to ask about AI actions. Obviously, the cumulative number is growing nicely, but it looked like the in-quarter AI Actions sequential growth did slow. Maybe just help us think about how the AI actions trended relative to your internal expectations. And then help us think about the potential monetization story in 2026. And I have one follow-up.

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

Yes. Sure. This is Eran. So we're actually very happy with the adoption of the AI action. It grew by almost \$20 million this quarter. And just as a reminder, we started to introduce payment at the beginning of the year. So obviously, it had some effect on adoption. But apart from that, we see more and more accounts kind of suppress the 500 AI monthly credit limit, and we're starting to see kind of more revenue accumulated from the AI action. So we're very happy with the progress and the adoption of the AI actions.

And also, we have some new generation AI features, like Roy mentioned, Magic, Vibe and Psychic, which also contribute to the AI usage. So overall we're very happy with the adoption within the platform.

Matthew John Bullock BofA Securities, Research Division – Research Analyst

Fantastic. And then one follow-up quickly. I hate to harp on the SEO question, but we're getting a lot of inbounds on. Is there anything you can provide in terms of data points around conversion rates, maybe traffic, performance marketing costs? And then help us understand, why call this out now? How did the influence of Google SEO disruption change this quarter versus 1Q, for example?

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

Yes. So look, I think like we said, we optimize in real-time. We just budget on a daily basis. Right now the effects are very minor in terms of acquiring new accounts, definitely for the kind of mid-market enterprise segment. We see a little bit of impact on the SMB part, but still very insignificant. And we optimize this on a day-to-day basis.

So we've done some optimization last month. We continue to do optimization this month. But overall, nothing very significant that impacts our ability to acquire new customers.

Operator

Your next question comes from the line of DJ Hynes with Canaccord.

David E. Hynes Canaccord Genuity Corp., Research Division – Analyst

Eliran, just one for you. So Josh asked earlier about this being an investment year. Do you see that 30% head count growth as a surge? Or is that kind of more steady state hiring pace given the growth of the business?

And then looking forward, I know we're not guiding to next year, but just -- if you think about budgeting, do you expect a moderation in the pace of hiring? Like what's the kind of go-forward view of where we are?

Eliran Glazer monday.com Ltd. – Chief Financial Officer

DJ, Eliran. Sure. So we already said that we expect head count growth to be this year in fiscal year '25 around 30%. And it's actually going to start -- the growth in head count is going to start to decelerate in H2, going into next year, I think we said it last year and we said at the beginning of this year, we have huge opportunities, the market is great. We have multiproducts. We want to make sure that we capture the opportunity. Therefore, we invested in product, in R&D and in sales and marketing. We believe by the end of the year, we will have the right resources going into the next few years. So we expect it to be more moderate and capture the opportunity -- the huge opportunity that we have in front of us going into '26 and beyond.

Operator

Your next question comes from the line of Connor Murphy.

your next question comes from the line of Tom Blakey with Cantor.

Thomas Blakey Cantor Fitzgerald & Co., Research Division – Research Analyst

Great. I have a couple. One on CRM ARR, great update there. I think there's been a couple of questions. Wondering about the contribution to growth there related to seat growth and pricing. If you could maybe make a comment on that. And specifically, it seemed like there was like an increase from 4Q '23 disclosure in terms of, obviously, average deal size moving upmarket. But I wanted to just kind of see the interplay there in terms of seat growth and pricing and discounting, and specifically on the slope of that. Was there anything that changed maybe in 2025 specifically with regard to pricing?

And then the second question was just could you maybe double-click on why stock-based comp jumped in the quarter.

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

Yes. This is Eran. So just in reference to what we're seeing in CRM products. So definitely, we see the ACV growing in CRM. Actually we see it over 20% year-over-year increase in Q2 in terms of the ACV of our customers in CRM. Mostly it's seat expansion, larger lands of customers. So definitely, it shows that the investment that we put into the products, making them more -- going more upmarket, adding features and functionality pays off. So like we said, accounts count is not the only indicator. We see accounts utilizing monday CRM in a broader way. So definitely very encouraging to see that and exactly in line with our strategy.

Eliran Glazer monday.com Ltd. – Chief Financial Officer

This is Eliran. I will refer to the question why there is an increase in the share-based compensation. So it's largely seasonality related to broad-based equity refresh for existing employees, which of course every year, in Q2, this is the compensation cycle of the company, and new grants tied to strategic hiring and retention of employees with the addition of a few members to the executive team and to the mid-executive team of the company.

And we view this as necessary as part of the playbook of monday in terms of retention to employees, refresh equity to some of the employees going into the next few years.

Operator

Your next question comes from the line of Connor Murphy with Capital One Securities.

Connor William Murphy Capital One Securities, Inc., Research Division – Senior TMT Analyst

So I just want to go back to the SEO question. Just I mean I understand the component where it's impacting net adds. But are you guys seeing more churn downmarket as well? Because I'm just – I mean, I'm looking at the NDR down 1%, upmarket is flat. So I wanted to get a little more color on the downmarket customer base? And then I have one follow-up.

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

Connor, this is Eran. So we actually see the opposite. Our gross retention is at all-time high. And it's not just on the enterprise part of the business but across the whole customer base. So we don't see any change in terms of churn or their ability to expand. Like I said, it looks very good. And like we said before, it impacts a little bit customer adds in the beginning of the funnel. But overall, it doesn't change the churn profile. .

Connor William Murphy Capital One Securities, Inc., Research Division – Senior TMT Analyst

Understood. And then just you guys are sitting on \$1.6 billion in cash and you're generating over \$300 million this year despite heavy investment. Can you just go back and talk a little bit about your strategic priorities, whether M&A or potential buybacks just given where the stock is?

Eliran Glazer monday.com Ltd. – Chief Financial Officer

This is Eliran. So going forward, priority #1 remains on organic growth and we would like to continue the investment in product and sales. investing in the platform, in mondayDB in AI. We are also considering inorganic growth. Obviously, we now have multiple products that each one of them can have – has his own road map, and we would consider M&A to further enhance and accelerate those road maps.

On the longer term, we might think about other return on investment methodologies or – but for now, this is the main focus, is organic growth as well as consider attacking M&A potentially.

Operator

Your next question comes from the line of Derrick Wood with TD Cowen.

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

Given the enterprise strength, how much focus do you have on going after larger multi-thousand seat opportunities, especially in light of the mondayDB upgrades? Just wondering if you could have some of these bigger, larger deals in the pipeline, especially as we get into the stronger enterprise seasonal spending in the back part of the year?

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

Yes. This is Eran. So look, we're definitely also focused on landing larger enterprises. We have the end of the year momentum. Also we have our annual conference for our customers coming up in September, our Elevate Conference. So also a lot of opportunity coming out of that traditionally.

But at the same time, we also remain focused and committed to our mid-market and SMB segment. I think one of the big unlocks of the multiproduct strategy is we have more opportunity to sell bundles to our customers, doing more cross-sell, selling more complete solution, and give them the full monday experience. So I would say we're focused on both. I think we have opportunity as a company on both, and we'll continue to invest this year and next year.

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

Great. And just as a quick follow-up, the – I mean, interesting to hear that you're already getting AI consumption-related revenue, it sounds like people burning through, their allotted credits coming back to purchase some. I mean should we be thinking that this kind of sets the stage to see bigger AI monetization next year on the heels of driving adoption this year?

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

It's Roy. Yes. So exactly that, like I think we're driving more usage with value. Pricing it allows us to get the feedback and optimize the product to give enough value that customers will continue to buy more. And like Eran mentioned, we're adding new products of AI that build more solutions and workflows to consume those credits. And we see that we are expecting to increase it over time.

Operator

Your next question comes from the line of Scott Berg with Needham.

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

First one, probably for Eran and Roy. With the release of Magic, Vibe and Sidekick, can those be kind of, I guess, new lead AI type functionality or modules? Or do you – what you see with AI actions, are they still kind of the lead AI functionality for the platform?

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

So look, there are – it's a good point, there are 2 sides, okay? One, within the platform after you've built the solution or you're working with the platform. And that's mostly Sidekick which does the work for you. And when you want to build a new solution or solve something us, then you'll lose either Magic or Vibe.

And Magic essentially is like you ask it anything you want. You can go now and check it out. It's a MondayMagic.ai. You type whatever you want. And it's amazing to see what customers ask it. They really put in their business problems in there and expects you to solve it for them. And it does. It gives them like a really great solution to how they need to operate. It's even great to see how the AI thinks about it. It's a great way to get a reflection on your business and how you need to think about it.

And then it gives you the full solution, even creates a movie that explains the solution. And that's the new way for us to give people the power to build the tools they need. And it incorporates also Blocks and Sidekick in there, so it's like it's a compound value.

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

Got it. Very helpful. And then Eliran, in your guidance, probably another question on the performance marketing, Google here. It looks like – yes, I know. It looks like you're – flow through your profitability from Q2 for the back half of the year. But is your strategy and approach in the back half similar to the second quarter in terms of prioritizing more profitability over growth from those lower customers? Or should we maybe view that guidance differently?

Eliran Glazer monday.com Ltd. – Chief Financial Officer

No, we apply the same philosophy on guidance as we did in Q1. Just as a reminder, overall NDR, we believe is going to be stable at 111%. We do think that customer growth is going to be in the mid-single digits. This is something that might have changed. And we also took into account a small amount of monday service revenue with some potentially small FX tailwinds, very minimal.

And as we go back to head count, we said that it's going to be decelerated in terms of the percentage of what we have done in H1. But if there are going to be opportunities for us with everything that we spoke of, you said no performance marketing, and we will see some recovery, definitely we'd make the investment if we deemed this is the appropriate one.

Operator

Your next question comes from the line of Rob Oliver with Baird.

Robert Cooney Oliver Robert W. Baird & Co. Incorporated, Research Division – Senior Research Analyst

I had a question on the partner network, so I wanted to ask about that. When you guys look into your partner network, how important of a role is that playing in the move-up market, \$50,000, \$100,000? And then anything relative to current pipeline of demand, if you're seeing particular verticals or geographies which are outperforming or you see as opportunities as you look into the back half of the year and into '26?

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

Yes. So we don't see any particular segments that are overperforming or underperforming. And like we said, we're going to continue and do performance marketing in H2 across all products, and we'll continue to invest in all of them. We don't see one particular segment, whether it's SMB or enterprise or any specific business sector, that's overperforming or underperforming coming into H2.

Operator

Your next and last question comes from the line of Taylor McGinnis with UBS.

Taylor Anne McGinnis UBS Investment Bank, Research Division – Equity Research Analyst for Software

On the revenue guide for the second half, it implies growth stabilizing in the mid-20s. When we compare this to the initial base case framework of high 20s, low 30s growth, can you just talk about which assumptions have changed relative to your initial expectations?

And then as we look into next year, I know you're going to be lapping some of the bigger price increases, so is mid-20s still a good starting point? Or maybe you could just walk us through the puts and takes given the product road map and hiring ramps?

Eliran Glazer monday.com Ltd. – Chief Financial Officer

This is Eliran. So with regard to next year, we are now working on the budget. So obviously, once we have -- we will finish the year, we'll provide you guidance with regards to that.

With regards to this fiscal year, we're operating in accordance with the playbook that we have set at the beginning of the year, taking into account all of the things that we mentioned earlier, the fact that NDR is going to 111%, some uncertainty with -- I think we already said about the Google searches, we want to make sure that we deal with as we're already proactively addressing it. And the assumptions with regard to head count, hiring, as well as the new products contribution to the revenue. These are all the things that we took into account as part of the guidance based on what we know today. And we want to make sure this is responsible and prudent.

Taylor Anne McGinnis UBS Investment Bank, Research Division – Equity Research Analyst for Software

Awesome. And then just lastly for me. Could you maybe give a little bit more color on what in-period NRR looked like? So was it around the 111% trailing 12-month metric? And as like a second part to that, it looks like where there was maybe some NRR pressure was amongst the smallest customers. So when you talk about stability going forward in NRR, does that apply across all of the customer segments?

Eliran Glazer monday.com Ltd. – Chief Financial Officer

Yes, it's pretty much broad-based. We do see strength in the midmarket and upmarket enterprise accounts. As we said, the reason why we see the deceleration from 112% to 111% is mostly the lapping of 2024 price increase. Other than that, we didn't see anything that impact NDR.

Operator

That concludes our Q&A and today's call. Ladies and gentlemen, thank you all for joining. You may now disconnect. Everyone, have a great day.