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<<Matt Dezort, Analyst, Needham & Company>>

Welcome, everyone, to the 26th Needham Growth Conference. My name is Matt Dezort, and I work on the security and networking research team here. It is my pleasure to welcome AvePoint to the stage for a fireside chat today. I will run through some questions. But if you're watching live, please feel free to submit any questions you may have through the chat box on your screen or email them to me at mdezort@needhamco.com, and I'll be sure to work them into the conversation.

So with that, it is my pleasure to introduce AvePoint's Chief Executive Officer, TJ Jiang; and CFO, Jim Caci. Gentlemen, welcome.

<<Tianyi Jiang, Chief Executive Officer>>

Good morning, Matt. Thank you for having us.

<<Jim Caci, Chief Financial Officer>>

Thanks, Matt.

<<Matt Dezort, Analyst, Needham & Company>>

Thanks for being here. It's great to see you guys again. And I guess I just want to start off for those who may be less familiar with the story. AvePoint has this Confidence Platform. TJ, could you give us a brief introduction, maybe walk us through at a high level what problems AvePoint is most commonly solving for customers today?

<<Tianyi Jiang, Chief Executive Officer>>

Yes, thank you, Matt. Today we're the largest SaaS data management and governance provider in the Microsoft Cloud ecosystem. We have our most established solution, software-as-a-service solution, to help customers manage their data in cloud and even on-prem. So those problems that we really tackle with our Confidence Platform is a threefold.

Firstly, it's around data integration and migration to make sure that you have a handle on your data estate as you go to cloud as part of your digital transformation journey.

And second is once you are in cloud, from a business continuity perspective, we talk about resiliency, so essentially data backup service and also archiving. So, when you retrieve with higher data and that's what we do there and also compliance data privacy, especially for European customers that care about GDPR. Even on the backup side, we do ransomware detection, so we can – under the attack scenarios, we can actually restore your environment to a good known state, so you can continue your business or restore into on-prem or a different cloud.

And then lastly, we talk about control. So that means who has access to what, the governance. The correct access patterns and restrictions, so that when it comes to any assets, whether it's files or Teams' chats or Slack chats even, when those things should be accessible, who has access to them internally, externally, and when should they be turned off. And even if someone leaves the organization or joins the organization, how does those type of access pattern work, so that's the governance, what we call control. So that holistically is our Confidence Platform.

Underneath of it, we have what we call a Data Orchestration engine because we have been around for 22 years and we understand all of the legacy enterprise content management system out there, whether it's IBM Notes, OpenText, Informatica, Documentum, and, of course, all the new ones as well, right, Google Docs, Slack, Salesforce, AWS. So we do support multi-cloud data estate and data management strategy.

So that's who we are today. We're a global organization, 2,400 employees, we're in 18 countries and we have quite a global footprint. 45% of our revenue is in North America, and the other 55% evenly split between Western Europe and Asia. And Asia is really the Tier 1 market for B2B software, which is Japan, NZ, Singapore, South Korea. So we have a long history and we have a very scalable platform for our future growth.

<<Matt Dezort, Analyst, Needham & Company>>

Yes, long history, over 17,000 customers, really, really storied history. I guess considering you have this broad platform that touches multiple personas within an organization across the various pillars. When you're talking to customers, who is typically the initial buyer today? And how has that changed as you have been grown the platform?

<<Tianyi Jiang, Chief Executive Officer>>

That is a great question, Matt. Our initial traditional buyer has always been IT, so administrators, and then go up to CIO, CIO minus one, when it comes to going to cloud, right, digital transformation. And the buyer personas start to change as we go through these major disruptions. So firstly, we were the earliest vendor to jump onto Microsoft Cloud. We start doing SaaS in Microsoft back in 2010, 2011, when it's just called BPOS. So now, of course, with COVID, everybody jumps on the cloud in a hurry, and there, actually, our initial touch point could be Chief Risk Officers, because all of a sudden, everyone is in cloud, everyone is using Zoom and Teams and working from home, the governance become a huge concern.

So for example, Citi, it's one of our largest banking customers, their first use case is actually governance. They did not deploy, turn on the advanced workloads of document sharing and co-authoring in Teams until they actually deployed our governance solution. And of course, now, today, where everybody's talking about Gen AI, there isn't a single conversation asked without talking about Gen AI, so every conversation talk about Microsoft Copilot readiness. So in order to turn on Copilot, you need to make sure that your data estate is good, it's trustworthy, it's clean, it's also managed. So that all of a sudden, you don't get suggestions to things that you're not supposed to have access to, or out-of-date knowledge that when you do a refinement model on top of the large language model, you get answers that's really

out-of-date, there is no real knowledge. So that becomes a huge topic of the day. And now, we're actually talking to business owners who want to turn on Gen AI capabilities for their cloud, so that they can innovate and move faster. So yes, the persona is evolving, so we're speaking to a wider range of personas now.

<<Matt Dezort, Analyst, Needham & Company>>

Yes, definitely want to double-click here shortly on Copilot and your special relationship with Microsoft there. Your success within the Microsoft ecosystem, it speaks for itself. It's really interesting. It's an interesting case study, and I want to double-click on that from a technology and sales perspective. But I guess technology-wise, to start with, how is the solution deployed and how does it work within the M365 ecosystem? Why isn't what you do a bigger area of focus for them, perhaps?

<<Tianyi Jiang, Chief Executive Officer>>

Yes, that's a great question. So we often say we compete within the multi-trillion-dollar Microsoft ecosystem. So Microsoft historically relied on a deep moat of partner solutions like ours as a huge competitive advantage, right, to maintain their stronghold in the enterprise. So Microsoft is really the hyperscaler, the horizontal provider, and they provide Office 365 as the modern workplace solution to 500 million users. So that's their game, right? So on top of that, you have vertical-specific regulations and certain demand use cases across different license types for customers – all those nuances are left to the ecosystem to complete. So Microsoft has a very rich history of doing that, right? So you look at other bigger hyperscalers, even Google, Salesforce equally, they have a very robust and vibrant ecosystem.

So we happen to be the largest in the Microsoft ecosystem when it comes to SaaS data management and governance. So how do we do that? We have our SaaS platform and multiple instances of it, because data sovereignty, government data centers, et cetera, around the world, most of our instances fit in Azure, which is Microsoft's compute cloud, and then we manage data across other assets. We do have instances of AWS because customers, some, especially government companies, do have different type of preferences for different hyperscaler vendors. So we are rather agnostic in that way.

So we're a software provider, it's a Software as a Service, and then our customers use our software to manage and govern their data in cloud.

Now what's really interesting in the recent years, we are able to then see a massive emergence of a new segment to us, which is SMB. So historically, we came from a heavy enterprise-regulated background, so we really deal with large customers and governments. This is the reason why we're engaging countries, right? Historically, those are white glove service, we need to be in person, have that trust with that history to be relevant. But now with SaaS, and because we actually have a reputation when it comes to cloud governance, security, cloud ops, dev ops, we start to see small business coming to us. We realize that just because you're small doesn't mean your data is worth less to you. And in that field, it's really MSPs, managed service providers, because small businesses don't have IT.

So they're coming to us and in a little over two years, our SMB segment went from zero part of our business to now 20% of our recurring of our business. And 85% of our business is fully recurring. So

that's a fantastic growth, and we continue to see that fantastic growth growing, because in the Microsoft ecosystem, small businesses are actually nearly 40% of their business.

So there is a new segmentation that's now available to us, even though we're very enterprise-focused, because we're SaaS, and because our investment also into channel to scale our sales and marketing organizations, we're now just as appealing to small businesses also.

<<Matt Dezort, Analyst, Needham & Company>>

Perfect. I guess sales and marketing wise, staying on the Microsoft relationship, what's the structure of the partnership there, and how has that changed or improved since you guys became a public company?

<<Tianyi Jiang, Chief Executive Officer>>

Yes, it's interesting. We're – we guess that we're the only Microsoft ecosystem player to have gone public in the last 10 years, if not 15. The Microsoft ecosystem is not an easy one. It takes time, because it's just like enterprise business, right, it takes time to build trust, to build credibility and sophistication. It's not something that you can just make it happen overnight.

So we have a fantastic relationship with Microsoft in multiple fronts. This is why we're actually named by Microsoft as a top 24 global product partner, out of 250,000 product partners. So we have a relationship at the senior development level, where we have what we call MVPs. These are Microsoft community, Most Valuable Professionals that are voted by the community that represent our company voice, that sits in partner advisory councils and boards, so that we can know what's coming down the pipeline, development side for Microsoft, at least six months minimum, if not nine months ahead of time. Prior to cloud, it was actually three years ahead of time. So obviously, that cycle of cadence is much faster.

We also have a fantastic cadence with sales and partner organization. We also are a big Microsoft customer, because we consume a ton of Azure, one of their top global consumption customers. And also, as a partner, because we consume so much Azure, Microsoft has this co-sale program, where when we actually sell our Backup as Service, Migration as a Service, document management service solution, because we're consuming a lot of Azure, the Microsoft account rep on that account will get 10% of our TCV as a recognition towards their cloud consumption quota in return. So that's a co-sale program. So we're actually top five globally in that regard, which is an unbelievable feat, because the other four are people like Documentum and Adobe, much, much bigger companies.

And lastly, of course, on the executive side, so the President of Modern Workplace and Cloud Business Solutions, Jeff Teper, has been a board member at AvePoint, because we're very close in the ECM side. With starting SharePoint, he is known as Godfather of SharePoint. So we have a long and rich history of collaboration, and this is a multifaceted relationship with Microsoft.

<<Matt Dezort, Analyst, Needham & Company>>

Appreciate all the details there, T.J. That's really interesting. I guess to stay on sales and marketing, I hear you guys are in Europe for the Sales Kickoff event. I guess, what's the message for 2024 for your

sales organization, especially as you start to lean more into channel providers and MSSPs, like you talked about earlier?

<<Tianyi Jiang, Chief Executive Officer>>

Our European business is almost all channel, it's nearly 100% channel. It's also the characteristics of the ecosystem that works here. So, what that means is there's much – there is a lot of sales efficiency here. And we are in four major hubs, but we're in multiple countries, mostly in Europe. So yes, so there is a lot of excitement and bullishness in the business units here, as we help customers drive the cloud further adoption myself folks are.

Prior years, we talked about digital transformation as going to cloud. Now it's about, hey, how do we leverage latest technology innovation, such as GenAI, to do more? So, every conversation is now around that topic.

So what that does for us, Matt, is that information management, trustworthiness of your data and your data hygiene is no longer a nice-to-have for regulated customers, it's now a must-have for any customer that wants to roll out intelligent services on top of their daily estate.

So to just give you an example, right, ChatGPT out of the gate is a very intelligent product, but they come across as just a summer intern, right. So it can answer questions about general topics, but when it comes to your business, your vertical, your specific value add as an enterprise, it doesn't know any better. So it needs domain knowledge.

So then every business, what they do is they use their own decade's worth of company proprietary data to then do refinement on top of the LLM, so then you can deploy this type of technology to help internally or externally enable, for example, customer support, customer success, marketing, to speak more intelligently about your product sets, your industry domain, and your partner and customer relationships. So that takes training. But in order to do that, the data that you use between the large language models must be good data, not out-of-date data, be it recent data, not trivial data, not redundant data, and so that whatever you provide will be good.

And also, very importantly, who has access to what? So a lot of folks that are now deploying these solutions, that's better with the content within the enterprise. But when you do that, if you're not careful in locking down different assets, you will be able to find things that you're not supposed to see, right? A marketing person should not see a financial statement of the company or the HR files on that person.

So these are actually real problems that enterprise tackles day in and day out with our help.

<<Matt Dezort, Analyst, Needham & Company>>

Yes, you touched on it a little bit already. GenAI has obviously taken the world by storm over the past year, year and a half now. How is that a driver for AvePoint as Copilot starts to get deployed beyond the trial phases for some enterprises? And I guess, how are you positioned to benefit from that adoption?

<<Tianyi Jiang, Chief Executive Officer>>

Yeah, I think Copilot GenAI is very different this time than just another pipeline, right? Unlike blockchain and crypto of the days past, now every C-level and every boardroom is talking about how to leverage GenAI to make business efficient. So, I like the analogy that recently I attended a meeting where I met with CEO of NVIDIA. So, Jensen was talking about every business, we had have two factories, one factory for their existing business to continue that and another factory is automation, to infuse automation into their existing products and services to make it smarter and to make the business smarter. So that's the wave.

So every business leader is thinking about that, how to stay relevant, how to innovate so you're not left behind. So there's experimentation, there's POCs, nearly every customer accounts we talk to. I think we're still in POC mode. So, we talk about Copilot, minimum deployment 300 seats, moments of organizations. So there is a lot of that trial and error happening. So Microsoft internally has thousand different Copilot projects. They released 92 of them, right, that are publicly available. So that's just happening in the crisis.

So, I think this is a year of experimentation. But what this does for us, as I mentioned earlier, is elevate now the need for data management, data trustworthiness, and data hygiene. So the right AI strategy must be sitting on a solid data state. And this is what we've been doing for the last 20 years. So this is actually a very nice essential tailwind for our continued growth.

<<Matt Dezort, Analyst, Needham & Company>>

That's awesome. You've had a few huge product announcements and enhancements over the past few months in Opus, which I think is your AI classification engine, the Data Backup Express, and I think most recently the GenAI version of Confide, the Confide platform. Could you talk about each of those innovations and what they do? How they advance the platform?

<<Tianyi Jiang, Chief Executive Officer>>

Yeah, these are great question, Matt. So Opus is our iteration with AI infused record management product. So, we actually combine our data archiving, which actually talks about data optimization, storage optimization, and also in the regulated industry, talk about actual data lifecycle management in a regulated fashion. So for example, IRS is one of our largest customers in that regard, where they deploy internal revenue service in America. They deploy our capabilities to do record management on all their data estate in the cloud.

So that's very important to infuse that automation to automatically classify and tag. We have Australian government customers testing this that improved their productivity by 20x. So it's actually intelligently do these type of archiving and classification so that they can manage the records in a regulated way. So that's the Opus product line. Now the Backup Express is, again, it's going to showcase our partnership with Microsoft even in Confide. So, we actually use Microsoft Syntex. We use the latest Microsoft native offerings around a very, very high speed capability to backup and restore on a platform level to offer different options for our customers to lower their costs, at the same time offer performance.

But now Backup Express sits on top of that Microsoft capability, but that only covers your Microsoft cloud data estate. It doesn't cover anything outside and or moving data outside. So there's different needs. It fulfills a singular niche need that we support. So it just goes to show the market that anytime Microsoft roll out new features, we will be the first party SaaS product that come out as the partners that leverage those new features to optimize our offering. So, we've been doing this for 20 plus years, right, Matt, as a Microsoft product partner in the ecosystem. We always look for ways to say, hey, we can leverage the latest services and capabilities from Microsoft to offer more services and capabilities when it makes it efficient, better, when it makes us to have the ability to address more functional areas, address more enterprise problems, even better.

So the way to think about Microsoft as hyperscaler is that as they offer more and more solutions is like a balloon, right? The surface area increases exponentially. So there's a lot more opportunities that arise for ecosystem players like us to then build additional products and offerings and services to help sell the market. Thanks.

<<Matt Dezort, Analyst, Needham & Company>>

That's great. You talked a little bit about AWS. I'm curious if you could double click a little more on what you're doing with some of the other cloud providers, including AWS, GCP, if anything. And then secondly, I guess I'm interested in your thoughts on their recent announcement removing all egress fees over at GCP.

<<Tianyi Jiang, Chief Executive Officer>>

Yeah. That's right. The second one is very interesting, right? Egress charges has been the bane of our existence in the cloud world. Most investors probably don't know the nuances of that. So most of the time hyperscalers allow you to import as much data as you want, but the moment you start taking data out, they charge you arm and a leg. So it's kind of like a type of specialized hotel, you can only check-in, you cannot check-out. That's been of existence. So, I think it's really welcome to have a hyperscaler to offer that capability. So that shows their confidence to say, hey, you can come to our cloud, you can leave however you wish. It should be the same.

I think that's really good for the industry. I think that customers don't like to be looked at. They like the flexibility, they like the optionality. And honestly, for enterprise customers, business continuity is important. So they have to be multi-cloud. They have to be able to choose and failover even at a minimum to different things. So by definition, the world is multi-cloud. In fact, the world is hybrid. There's still a ton of on-prem deployment out there that may never go away, especially think of from a government perspective. So that's the GCP perspective.

The other question that you asked, just remind me again.

<<Matt Dezort, Analyst, Needham & Company>>

On just AWS and some of the momentum you talked about with expanding with that.

<<Tianyi Jiang, Chief Executive Officer>>

Thank you. Thank you. So, we are multi-cloud. Today, we support back up in Azure. So, we don't just offer services for MCC5. We do backup service for Azure, for Salesforce, for Google, as well as for AWS. We actually have a quite significant and appropriate AWS, even just from a storage perspective. As I mentioned, we offer quite sophisticated options for enterprise. So whether it's bring your own storage, bring your authentication, bring your own key, bring your own storage, so however flavor you want, so you have full control. We don't actually see any of your data.

So a lot of the customers choose to say, hey, for my Salesforce assets, for my Google assets, I want to back up into AWS, or even for my MCC5 assets, or even back up on-prem. So because of that, we actually have quite a significant footprint in AWS, even just from a pure storage perspective. And now here we're in investment doing sales kickoff is this morning, we actually met with many of our very large customers, including WPP.

So some of the customers here, they're saying that, hey, actually for financial services industry, they – because of all these regulations, they need to have our SaaS instance run in AWS, which we can support easily. Because we are already containerized as Kubernetes in the backend, we can run actually effectively any cloud. So the need to instantiate not only use AWS as storage location, but instantiate our SaaS platform, including compute, including all the rules and logics, we have to run AWS. We already have such instances in government data center, for example, in Singapore, much of that infrastructure is already in AWS. So we're already run that dedicated instance there as well. So yeah, so support for multi-cloud instantiation, it's a key aspect of our scaling and growth as a public company.

<<Matt Dezort, Analyst, Needham & Company>>

Appreciate the details there. Maybe I'll shift gears now a little bit to SaaS. So SaaS revenues accelerated, I think 40% growth in the last quarter. It's your fastest growing revenue stream, but you also still have a good amount of term license revenue which is slowing. So how should we think about which components of the portfolio are SaaS-ified or SaaS-enabled, which aren't and what modules are producing surprising growth from your perspective now that they've been SaaS-ified?

<<Tianyi Jiang, Chief Executive Officer>>

Jim, maybe you take the first part. I'll take it by second.

<<Jim Caci, Chief Financial Officer>>

Yeah. I mean, when we think about SaaS-ified, it's – maybe it's not the right way to think about which products aren't SaaS-ified, effectively all we have – all our products are SaaS. It's just a matter of are you utilizing that technology for your on-prem or hybrid environments where we can actually manage your data across, whether it's on-prem or actually in the cloud. So I would think of it as not different technology, but essentially that all the products are available and can manage both your environments, whether it's on-prem or in the cloud. So maybe that's the first part of the question. In terms of, as we think about, the growth of term license, I think TJ alluded to it before, I think hybrid is here to stay for quite a while, right?

We do have a significant part of our customer base is public sector or government work. And so that customer base is going to be at least in some way, shape or form, a hybrid customer for a long period of time. So although we're seeing the trend right now is more and more people moving to the cloud and even a 100% of their environments in the cloud, I think they are still going to be hybrid for some period of time. And so we're seeing term license even this year decline as a percentage of our total, but I wouldn't expect it to be going away anytime soon. But I am expecting that our SaaS percentage of revenue continues to accelerate and grow and more and more customers are effectively becoming a 100% cloud. But again, I don't think it disappears. And I think we'll be talking about term license and hybrid, hopefully over the next 10 years when we're having this conversation again. So all of our software are sold as subscription. I think the only difference is whether there are some on-prem deployments versus pure SaaS deployment. That's the only difference between term and SaaS revenue recognition.

<<Matt Dezort, Analyst, Needham & Company>>

Got it. Great. I guess, moving on to the competitive environment, maybe your unique platform proposition, touching data security, governance, cloud migration, backup, like you guys have just talked about, almost no one out there is doing the whole gamut, but how has your competition changed over the years, particularly as SaaS is taking you to new markets that you weren't in before SMB and other markets that you've penetrated with that product?

<<Tianyi Jiang, Chief Executive Officer>>

Yeah. That's a great question, Matt. So we are increasingly seeing new point competitors as we get into new markets. We don't have a singular competitor just because our unique history and the way we have evolved in the Microsoft ecosystem. Because our background in enterprise content management, we have to worry about the entire lifecycle of business data, whether it's emails, chats, or files. So because of that, for example, just the migration and data analytics integration, we would run into on-prem world with somebody like a Quest. And then in the backup space, we would run into enterprise player, for example, like Veritas or Commvault. But then as we extend into SMB 20% of our recurring is now SMB, we see a different set of players like Veeam. And then of course when you talk about archiving and compliance, it's another set of different players altogether.

And when we talk about controlling governance, in the on-prem world, we could see Varonis, but in the cloud world it's the smaller players because Varonis is just getting into SaaS and cloud. So I think just different flavors and continue to – as we continue to expand our surface areas and a platform. For example, we acquired really unique asset called tyGraph, which measures hybrid work and employee engagements. We're starting to get into HR type of employee engagement software and product space.

So yeah, we will continue to run into new point competitors. But our value has always been just like you said, Matt, that platform play. Once we win the trust of enterprise customers and we then expand. And because in today's macro environment, every customer is looking for vendor consolidation and also get maximized ROI on existing investments that favors us. Now in the SMB segment, our advantage is that we're literally taking enterprise grade software, cloud software, and then make them available for SMB. So that's our advantage because our capabilities are far exceeding the simplistic use cases, and that's how we can beat out the SMB segment players.

<<Matt Dezort, Analyst, Needham & Company>>

Got it. I guess, what about pricing? How do we think about your platform pricing versus these point product competitors? Is there any pricing pressure across the various pillars that you can speak to over the past few years as you've moved down market? Or are you able to package your pricing in such an advantageous way that you're winning the consolidated offering?

<<Tianyi Jiang, Chief Executive Officer>>

Yeah. So our advantage is the platform play, and that's also how we leverage and operate and making sure that we consistently achieve profitable growth. So because we have multiple products that runs and be able to do the upsell and cross-sell, we have much wider latitude when it comes to price efficiency. And customers see that. So that allow us to compete very successfully.

Interestingly, maybe a little counterintuitive, the unit pricing economics is actually better in the SMB segment versus enterprise. You just think about when you negotiate like one of our big customers, Nestlé, right? 300,000 seats. When you negotiate a contract, 300,000 seats at a time, subscription contract versus buying licenses for 10 employee companies, the negotiation is very different. Right. So the SMB, there's all digital marketplace.

Listing integration there's zero discussion actually around pricing. It's just you pay for the list and you go. So in that effect, the economics actually works out better. In the SMB segment, of course, enterprise segment, there's economy of scale, there's also high stickiness and resiliency. So that's the benefit of that. So, we'll continue to build our strength in the enterprise segment and then offer that capability to SMB and grow across the segments.

<<Matt Dezort, Analyst, Needham & Company>>

I do have a question that came in from the audience that I want to work in here. So the question is, who are your main customers and what are you doing for growth? A little ambiguous, but I know you talked about government being a big customer. Tech also sounds like a pretty big customer. You started an enterprise, I guess, what's the customer base look like for AvePoint?

<<Tianyi Jiang, Chief Executive Officer>>

So we actually, at our Investor Day in March, we disclosed industry mix and segmentation mix. So for those that really want to look at it, you can find it on our website. It's actually quite detailed, but at a high level. A third of our revenue is government. So that's U.S. government, Japanese government, Singapore government, Australia government. So quite sophisticated users, including State Department and IRS, White House. And these are all public case studies, Ministry of Defense, for example, in Japan.

And then of course follow that, the next big vertical for us, if you will, is financial services. So the Goldman Sachs of the world, American Express, Bank of America, Citibank, just to name a few. And then after that you have manufacturing pharmaceuticals, manufacturing the Volkswagen Group, BMW, Toyota, big auto manufacturers, and of course, pharma, so the Merck, Johnson & Johnson of the work.

So all the things that I mentioned, all the verticals are regulated industries. So that's where we really cut our teeth and made our mark as a company that's highly resilient.

Now, of course, because of SaaS and because all the things that we talk about, digital transformation, GenAI, we're now very, very appealing to horizontal – that's outside of these industries and that's growing very rapidly for us as well.

<<Matt Dezort, Analyst, Needham & Company>>

Perfect, I guess to the second part of the question, what are you doing for growth? I guess another way to ask, as you lean more into channel, and SaaS and scale out the platform, what are some of the nuanced things you're doing to continue to grow the business?

<<Tianyi Jiang, Chief Executive Officer>>

Yeah. So Matt, you actually touched on it, right? You rattled off three new products that we released recently from Opus to Backup Express, to Confide. Confide is actually started off as a data room product, but now it's actually an external collaboration product that enable enterprises to essentially get the type of secure, modern workplace collaboration without paying \$30 per month per box. Right. Leveraging the existing investment and to survive.

So all those things are ways for us to continue to upsell and cross-sell into existing enterprise accounts. So, we want to expand the number of products and number of bundles that our customer have, increase the ARPU and further extend our lifetime value with those customers. On the SMB side, it's about acceleration, it's about very, very quick, simple and deployable solutions that MSPs can use to scale their management to help small businesses to really effectively, efficiently manage their daily state in cloud. So those are typically backup as service, migration as service, essentially entitlement as a service.

So license management and operation management of MCC5. So those are more simpler use cases, but very, very tailored towards the MSP's needs to scale them as a service provider to handle hundreds if not thousands of small businesses behind the scenes. So, yeah that's how we are growing across these different segments.

Even today, even though it's SMB, we have few MSPs already doing well over a million a year for us in ARR, just because the number of seats, the number of small business they handle behind the scenes. So they come across almost as an enterprise customer. But the segment, the addressable segment is actually SMB. It's actually a very interesting and high growth opportunity for us.

<<Matt Dezort, Analyst, Needham & Company>>

Great. I guess with a few minutes left here, maybe to double click on the MSP opportunity that you just mentioned. TJ, you've talked a lot about the MSPs being a high priority within channel. So, what sort of growth are you seeing within the MSP segment? How big of a piece is that within the channel? And how should we think about know AvePoint's success within the new channel program?

<<Tianyi Jiang, Chief Executive Officer>>

Yeah, those are very great. And specific questions. And we will disclose more data in the coming earnings as well, quarterly earnings, but MSP, we're very excited about this segment. It's a greenfield for us. And it's also emergent vertical. So the bigger players like Datto Kaseya, N-able and those folks, but their focuses are somewhat different than ours. So, we see that it is our highest growth segment. We went from zero part of our business to 20% are recurring in essentially less than three years. And that's continued to grow. And I also kind of signal to the market that that segment, even SMB itself, it's 40% of Microsoft's business. Right. So, I think there's a lot of room to go. So we're pretty excited about it.

We now internally think of it as a vertical. Just like public sector is its own vertical. It's its own use case where we really need to deserve our attention and refinement to treat it like a vertical. So these type of vertical focus will also further drive our M&A strategy and focus as we continue to look at both organic and inorganic dispatch.

<<Matt Dezort, Analyst, Needham & Company>>

Perfect. Well with that, I think we are out of time. Gentlemen, Jim, TJ, Jamie, thanks for joining so much. It's a pleasure. And to all who dialed in, please enjoy the rest of the Needham Growth Conference. Thank you.

<<Tianyi Jiang, Chief Executive Officer>>

Thank you, Matt.