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Fatima:

I jointly head up our software research team, and I'm delighted to share the stage with me the management team of AvePoint. To my left, both of you are to my left, CEO and founder TJ Jiang, and to his left, Jim Caci, CFO. Thank you so much for being here.

Tianyi Jiang:

Thank you for having us.

Jim Caci:

Thank you.

Fatima:

Excellent. Well, I want to set the stage and set the tone just at a 30,000-foot level just to get the audience level-set. What does AvePoint do, core value proposition and key milestones that you've hit in the last 12 to 18 months?

Jim Caci:

All right. Yeah, AvePoint will be in business for 20 plus years. Actually, this is our 25th anniversary, really focused around productivity workloads, specifically unstructured data, management, governance, protection. And we started in the Microsoft ecosystem in the enterprise content management space. We're the first to invest in Microsoft Cloud infrastructure, and today we're the largest in the Microsoft ecosystem when it comes to Office 365 data management, protection and governance. And from the productivity workloads, we also expand into adjacent areas. Obviously, Google Workspace is another one, and increasingly, on the compute side, IaaS and PaaS, so GCP, AWS, Azure. And what's happened in the last few years is that while we started in the regulated industry, we help companies have better data hygiene, data protection and governance, "who can access what, for how long, from where?" et cetera, to now essentially enabling AI, very high-quality, high confident AI trust deployment in the sense that AI is only as good as the data you feed it.

Enterprise AI is different than consumer version of AI. You need to have refinement training with your industry knowledge, with your specific business knowledge. And this is where proper data curation, data hygiene, and access control, and also when AI does damage, remediation, matter more than ever. So we happen to have the holistic SaaS platform that does all of that. And fast-forward to this year, it's a year of AI agents. Last year is token maxing, this year's AI agents, where now agents are effectively behaving like your employees, except at machine speed. So all of the problems that companies have in the past with unintentional access or data leakage of employees or even shadow IT of employees are now happening at machine speed with AI agents. So that's also driving a ton of demand for agent discovery, agent cost management, risk management, remediation, recovery. So that's what we have seen global growth in demand for.

Fatima:

So I think everyone would agree that AI has increased the importance of data governance, data security, and control. This is something that you've been working towards for two and a half decades, and so you're at the right place at the right time, took a little bit long-

Tianyi Jiang:

That's right.

Fatima:

... but right place, right time. Where do you see the most durable economic value accruing to you, as a company, as AI adoption continues to scale by way of more agentic systems, more AI workflows, more productivity benefits from average white collar workers using AI? How would that most tangibly impact your business, and where would it show up?

Tianyi Jiang:

So I think the durable growth factors, really, you're going to see more new product releases and new capabilities lean to this AI trust story. And AI trust is not just about having your house in order when it comes to data. It's also actually data sovereignty, data regulations, compliance, and at the macro level, country-level sovereignty concerns. So we see a lot more of that coming into play. So for example, even in Europe, many of our customers want their own infrastructure. While they could be using, obviously, American tech, whether it's Azure Stack or Google Stack, but they want to own the key to that infrastructure. So there, basically, for example, in Germany, they have a German sovereign Google instance for Google Cloud, and of course you have this for Azure as well. So we see more and more of those type of within-border type of instantiations.

And because we've been around for 22 plus decades, we have physical footprint in all those countries and our channel ecosystem and partner ecosystem, we're able to address those head on and be able to act very much like a local provider, and I think that is also part of that AI trust manifestation. So that's a durable demand. We think it took us a while, like he mentioned, to get to where we are. We put all the hard work to establish the global footprint, the presence in enterprise as well as SMB and be able to take advantage of this moment. We think the scalable growth and sustainable, profitable growth is a story we will continue to lean into.

Fatima:

Can you remind the audience how much you leverage hyperscalers to deliver your portfolio to customers and how much of these rising demands and expectations and requirements around digital sovereignty and data sovereignty are actually changing the delivery model for you in that you are actually also investing in physical data center footprints? And then, Jim, if you can opine on, does that structurally change how you think about CapEx as well?

Tianyi Jiang:

So the good news is that we never rely on hyperscalers for our go-to-market. What we offer, fundamentally, to our customers, one is to help them maximize their investment into hyperscalers. So in the context of Office 365, for example, Microsoft would like everyone to buy E7 license.

Fatima:

That's right.

Tianyi Jiang:

But E5 license has been out for quite some time. The total penetration is about 20%. We see the E7 will have a similar challenge. So this is where we come in, we say, "Hey, customer, whether you want to use Purview E5 or agentic 365 E7, you have other portion of your enterprise that's using E1 and E3, how do you actually maintain consistency across these things?" So this is where our software actually are very complimentary. When there's Purview tags, we'll use it. When there's Agent 365 capabilities, we'll use it. When there's not, we then provide that value.

That's one. And two is we actually help customer do this consistently across multi-cloud because, increasingly, customers no longer rely on one hyperscaler, and that's strategically important for them. So this is where we actually expand to multi-cloud coverage. So both of those things are against what hyperscaler would want themselves. Ideally, they will want you to use the most expensive licensing and only use their stack, which the world is not going to do. So thereby lies the opportunity for AvePoint always, to provide value for our customers and partners to ultimately maximize this confidence and trust for their tech deployments.

Jim Caci:

And then maybe just following on in terms of the fixed asset component, so we're truly a SaaS platform, and we're not creating data centers ourselves. And if you looked at our P&L, if you looked at our cash flow statement, you'd see there's no heavy investment being made in infrastructure in that point of view, and we don't see that happening in the future either. So we're not really dependent on creating data centers, nor do we have that cashflow burden of funding that.

Fatima:

TJ, you brought up Microsoft, so I wanted to tug at that string a little bit. There is a cooperation, coopetition-

Tianyi Jiang:

Coopetition, yeah.

Fatima:

... sometimes competitive dynamic there, so let's put the facts on the table. Can you help outline and maybe dispel some of the perceptions or misperceptions investors might have in your relationship with Microsoft? Because you just called out Purview, you talked about E5, E7-embedded capabilities, but yet you have been able to build a pretty fantastic business around wrapping yourselves around those environments.

Tianyi Jiang:

Right.

Fatima:

So why does AvePoint and your platform win against the native Microsoft and embedded capabilities, and what gives you the confidence that at some point Microsoft won't step on the accelerator and encroach very much more into your territory?

Tianyi Jiang:

Yeah, this has been a question for the last 25 years, right?

Fatima:

We're [inaudible 00:09:20] here.

Tianyi Jiang:

And we're still here. So ultimately, the biggest takeaway should be all hyperscalers or all major vendors, for them to be successful, they have an ecosystem. Even Apple and Google and Samsung, every one of them have ecosystem because as large as that company themselves, they cannot do everything for everyone, so therefore they rely on partners, whether it's for implementation, for delivery or to close the last mile problems or for verticals that they just don't have the bandwidth to invest into. So we are part of a trillion dollar ecosystem, that's Microsoft, that's Google, and we feel that we will continue to find ways to thrive, ultimately, again, going back to my prior point, to help the customer maximize their investment and be multi-cloud. That's by nature a bit an orthogonal to what the hyperscaler will want them to do. So that's one. And two is we have a very close relationship on the product side, so we're also a very large customer because our infrastructure sits in GCP, in Microsoft Azure.

For Google, we're already their global ISV partner. For Microsoft, same. We actually have a bigger economic relationship with them as a customer than the likes of Commvault and Rubrik who are bigger revenue size companies, just because we are natively cloud and we consume everything in cloud infrastructure. So from that perspective, we're a big customer. And secondly, we're a large go-to-market global partner. Every time Microsoft releases new product sets, whether it's Purview or E7 license, agentic 365, and even Backup Express, we are always the go-to-market launch partner because whenever a hyperscaler launch new capabilities, they want to bring forth a set of partners and customers who have proved out those capabilities, say, "Hey, look, we have partners here to support you. We have customers who've done it." So we are part of that release cycle. So we always have a look ahead to see what opportunities, what new economic opportunity that opens up for us while some of the economic opportunity may have closed.

So that's always been, for a quarter of a century, the dynamic at play. I do not see any of that changing as these large hyperscaler continue to maintain their ecosystem to compete with each other. So ultimately, Microsoft's biggest competition was Google, probably now it's Anthropic going forward, so they need to have their ecosystem to flush out and complete the offering for their customers, and that's where we always have a part to play.

Fatima:

And, Jim, just in terms of financial exposure to the Microsoft ecosystem, so we've established that it's maybe a misperception that there is more competitive encroachment and relationship acrimony that is a complete misperception, and it's very clear with the way TJ addressed that question. But I think one of the dynamics from a quantitative perspective that I think would be compelling is how much of the business today is generally exposed to the Microsoft ecosystem, right? There's a lot of products where data is sprawling for the average organization, an IaaS, PaaS, or in Teams or Office 365. I don't want to ask you the leading question, but I know there has been a very specific mandate to diversify a way into the explosion of other data stores. So can you give us a milestone marker as to how that's trended financially and any metrics you can share on the diversification away from Microsoft?

Jim Caci:

Yeah, it's a great question. So you're right, if you go back in history, 100% of our business was tied to, let's call it M365. So we have started to diversify away from that. And again, it's not like we're trying to leave M365, it's just there's massive opportunity everywhere, including M365. But obviously, as TJ mentioned, Google is a great opportunity for us. So now that business, I'll call it the Google, Salesforce, IaaS and PaaS, which encompasses a variety of companies as well, so that area represents now a little less than 10% of the business. And so we have said all along that by the time we get to 2029 and hit our billion dollar target of ARR, that we would expect that business to be greater than 10%, could be approaching as high as 20%. Now, we don't need that part of the business to be growing dramatically to hit our billion dollar target, but we do think there's an opportunity there, really just satisfying our customer demand for our ability to get to those numbers.

So right now that's the trajectory we're on. We do believe it'll be in that 10 to 20% range and, frankly, could be even greater because the demand is there. It's just a matter of, ultimately, how we ultimately get to that billion dollars, but it'll be somewhere in that range.

Tianyi Jiang:

And I'll just add that our multi-cloud strategy is not just chasing after the next cloud. It's really staying very close to our customers to see what multi-cloud instantiation they have and then go cover that, so effectively enlarge our footprint in the existing accounts and also as a new way to acquire new accounts through our channel. So because the market is so disrupted today, as technology vendor, the only way to stay ahead of it is stay very close to our customer so we can forecast what's going to happen next year, next couple years, et cetera. So that's how we do it. And one anecdotal evidence I'll give you is, Microsoft, we do provide value in the sense that we also help them light up workloads.

So we don't just only do it the other way, help customers save money and not by selling licenses. For example, at Citi, before you deployed Copilot for Teams, your IT team actually deployed our governance solution for Teams to make sure the office graph permission structure is done properly so when you do deploy Copilot, it doesn't recommend things that you should not have access to in the first place. So thereby we actually light up advanced workloads for Microsoft account, Teams. So that's where they see the net mutual benefits we have to bring to table. And lastly, I would say there's also this thing called MAAC, consumption commits. So large accounts will sign deals, whether with Microsoft or Google, on a dollar value that they will consume of cloud over an X number of years to have a certain amount of certainty around cost, cloud consumption cost.

There, because we are a marketplace partner, the consumption of our license will actually go towards customer's MACC retirement as well. So increasingly the symbiotic relationship is even tighter because hyperscaler rely on their channel ecosystem to help them consume more and more of the compute.

Fatima:

And MACC being just a universal terms and condition structure where you can retire the-

Tianyi Jiang:

Yes.

Fatima:

Understood. So that's more of a go-to-market advantage.

Tianyi Jiang:

That's right.

Fatima:

Okay.

Tianyi Jiang:

Yes.

Fatima:

Just taking a step back, so for 25 years you've been building a portfolio and solving the pain points around data security, data control, data governance, and, increasingly, resilience, right? We saw one of the largest U.S. life science tools and diagnostics companies brought down to its knees because of a cyber attack, and presumably now they're not going to hit their quarterly guidance. So it's not if a breach happens, when it happens, so you're going to have to assume it happens, how do you get back up on your feet, right?

Tianyi Jiang:

Yeah.

Fatima:

So on that spectrum of data security control, governance and resilience, you've taken a lot of pains to, in some ways, re-architect the portfolio, but more creating package simplification, go-to-market simplifications around building more bundled approaches to solving these customer pain points. So I'm hoping you can walk us through the specific changes you made in bucketizing certain parts of the portfolio, what that customer journey looks like from going from the good to better to best to the Cadillac version of the bundles and how that's showing up in the financials. Maybe, Jim, I can target this one to you.

Jim Caci:

Yeah, it's a great point. And we started to employ this bundle strategy a little over a year ago. Prior to that, we were selling essentially one-off products. Now, you could buy them in groups, but there was no strategy around it. So I think that's been a real catalyst, and specifically we called out this past quarter that roughly about half of our Control Suite pipeline-

Fatima:

Remind us the tiering of and the branding of it.

Jim Caci:

Well, it's very much like you just said, there is a good, better, best. And the idea is to allow people to, wherever they may be in that journey in terms of... We don't want to force people to do one thing, but we do have a history of this is what we see, our best customers' approach to adopting the technology, and that's that good, better, best. And so what we saw in Q2 was that roughly half of our control suite pipeline coming from this bundled strategy, which again, a year into it, is very good. There's an uplift, obviously, in our selling motion in terms of the pricing we're charging our customers, but maybe more importantly, I think it gives a customer a pathway to understand what they should be consuming and why, and creating these bundles makes it easier for them to consume and see the benefits that much faster.

So it's actually, I think, made the selling cycle for our teams easier, but also made the buying experience for our customers easier and more deliberate. And so that seems to be working really well, and we're doing more and more of that bundling, not only within a particular suite, but cross suite. More and more, we're seeing, almost like the issues you just raised, people recognize that it's not just about governing the data and somehow that'll solve all my problems, "I'm going to have an incident, so I need to be able to have my data backed up. I need to be able to recover that data." So the combination of not only the resilience and the governance, it's no longer a one or the other, it's definitely a better-together strategy. So that seems to be resonating really well as well.

Tianyi Jiang:

So what that did is that lifts the overall value as well. So Control Suite is about 26% are recurring. Now, thanks to this bundling strategy, it's now 40% of the pipeline. So that uplift in dollar value for the control capabilities is, in large part, due to also the simplification of licensing.

Fatima:

And it seems like the incidence of cross suite upsell is still in its early days. What are some of the emerging dynamics there as it relates to, hey, if a customer has a Control Suite bundle and they have opted and, well, they've seen and looked into the governance suite, they like what they see, what does that typical attach rate look like, and what's the financial upsell value to that cross suite touch?

Jim Caci:

It's a great question, and this is partly our thesis. You've hit right on it, that we have a platform play that many of our competitors do not have. There are a lot of competitors out there that have point solutions. We believe we truly have a platform strategy which has multiple, as we've combined them into these suites, but we have resilience, we have control, and then we have modernization. So as we think about those three suites, we still think there's tremendous opportunity because very few customers have all three and only about half actually have multiple from both suites or two suites. So to us, that is a tremendous opportunity within our existing customer base. Today, our NRR stands around that 110, 111. We do think we can get that to 115, and I think you've touched on it, specifically that this is really the strategy of how we get there.

We believe we've got solutions across these platforms, or our platform, in these multiple suites that really allow our customers to take advantage of the solutions we have to solve their problems. And again, we think we're still early because there's so many of our customers that have not taken advantage of that yet. So again, massive opportunity for us to drive that NRR even higher. So that's something we're really embracing.

Fatima:

So you've got the goods, but clearly there are some blockers on the other side where customers are not receiving it at the velocity that you would like. So can you help flesh out what the bottleneck of that cross suite incidence would be? Is it budget? Is it implementation complexity? Is it personnel? Is it the whole notion of, hey, IT budgets are actually getting crowded out and irrespective of you targeting, actually, the most important areas of those budgets, the fact of the matter is token pricing and token consumption is still sucking up a lot of the oxygen out of the IT budgetary room? And so what would you say are the principle bottlenecks for you to realize a higher rate of cross suite attach?

Tianyi Jiang:

That's a great question. I think, overall, we have a ton of capabilities in the platform. I think, historically the bottleneck has been our ability to have the platform identify, proactively, the synergies among different functional areas. And for example, we ingest petabytes of data on a daily basis, the ability, in an intelligent way, to actually highlight different aspect of the platform to do the upsell, that historically has been a human that does that, whether it's customer success or pre-sales or technical account manager. Increasingly, we're leveraging AI to do that, and we think that's actually going to be a game changer. So we have this, it's called AVA, AvePoint Virtual Assistant, that sits right on the customer interface that help proactively suggest now of, hey, there's the risk here, there's remediation needs here, and there's overage in license costs and storage costs here that you can go and do savings.

And increasingly, we're also making this a agentic experience, so we also now have business users because we also trap a lot of the use cases and sentiments and activity logs of Office 365, for example, Office, Graph. So now business users can query, head of HR can query from productivity perspective directly, without going through our UI, using agents, this agent experience using natural language. That also opened the door to more roles that we can address. So increasingly, the way to remove this friction is to remove the human element of it and leveraging much more intelligent context and data specific recommendations to target the uplift.

Fatima:

TJ, you brought up Agentic AI Governance earlier in our conversation, and I think a lot of people don't know that you have a PhD exactly in the nuts and bolts and the guts of this. So as you think about establishing AvePoint as a governance and [foreign language 00:25:26] for agents, how does the technology need to be changed or re-architected for a fundamentally different computing problem that may look and feel similar to a human user that requires governance or a traditional app that requires governance? But what are some of the technical nuances that you can shed light on? And ultimately, how large do you feel this opportunity can be for you, just this AI agentic governance opportunity?

Tianyi Jiang:

Well, thank you, Fatima, for highlighting my humble roots. So I always say, as any part of research project when it comes to data mining, machine learning, 70 plus percent of the effort is actually around data, data orchestration, data massaging to make sure that it's clean before you feed it to the AI. So we already do that today. I think the acceleration, the opportunity is the problem we address, you said it, actually, very on point, it looks similar, it's just that this digital worker are now repeating the similar mistakes, but more powerfully because they can see things much faster, patterns much faster than human employees, and this digital workforce is actually operating at machine speed. So the ability to then scale up to that is the biggest opportunity/challenge for all vendors. So this happening in security space, this is happening in the data governance space, in the data security posture management space.

In fact, today, 60% of all data enterprise producers are generated by AI, so the volume is going up in a very significant way. So we also see that the amount of data we manage and the amount of data we back up is stored, optimized and governed, today. So that consumption is going up as well. It's not like a token consumption, but it is a sizing consumption that's happening. So to be able to track all this in real time is something that we're actively working on to do. But the good news is that all this stuff is grounded on the same principles, to have highly curated tag and properly managed data state that has a attestation cycle that has accountability and allow business users to add context because IT and security teams would never know what applications, what data sets are meant for by the business.

And also, your business users are vibe coding things, and then they think that can then scale to enterprise-wide from a security perspective, resiliency perspective. That's the biggest fallacy, I think, in the last six months have proven to be the case. You can't just vibe code something and expect it to be production grade. And that gap is something that we also continue to help with. So the opportunity in front of us is actually very, very large. I think, for a long time, the space that we address, just like my background for a long time is a sleepy town, only hard data nerds and regulated industry people care about it, but now, you know what? Everybody has to care about it to have a safe and secure AI deployment.

Fatima:

Jim, I want to fold you into this conversation and maybe give you the backdrop of you had your analyst day in March of 2025, you set out some important financial targets, a billion by 2029. Walk us through how you feel you are approaching those targets, the upside cases, mostly upside cases, and then just around Agentic AI Governance, that wasn't necessarily part of the messaging, so does that help you essentially put your foot on the accelerator, and where would that momentum in contribution show up? Is it your Control Suite pipeline is going to expand because functionally it can address a lot of the Agentic AI Governance issues? But yeah, just to revisit and do a pulse check on the medium term targets.

Jim Caci:

Yeah, great point. You're right. Back in March of '25, we committed to a billion target.

Fatima:

It was simpler times.

Jim Caci:

Simpler times. I think you called me crazy, at the time, for making a claim out in '29, that we would get to a billion, but so how are we doing? So here we are a year plus later, and we needed to achieve a 25% CAGR to get to a billion dollars by the end of '29, and so far we're ahead of pace. So we have this little tracker that we keep track, almost like marching toward the building. And so we're ahead of pace, so we feel good about that. So what's working? I do think that you're right, AgentPulse wasn't a thing when we made that commitment. I do think that's helping accelerate Control Suite in terms of the activity, the pipeline we're seeing coming from that. So that's a positive. I think, across the globe, we've seen really good growth in all three of our regions.

Now, we anticipated that, but again, we're continuing to execute on that. North America, Europe and APAC, those are our three major regions seeing really good growth. Even in some of the smaller segments of those markets, major markets, we're starting to see some nice growth in what we would call the Middle East part of Europe. And again, even with all the conflict that's happening, we're seeing really nice growth there. We're seeing really nice growth in APAC. And again, we continue to see really strong growth in North America. So those segments perform really well. And then even across our customer segments, we looked at that back in '25 and said, "Hey, what's going to happen to these customer segments?" We predominantly were enterprise over 50%, 53% plus mid-market, and then

SMB was in that 20% range. So we said, "Okay, what does that look like?" We feel like the SMB market has an opportunity to improve. It's our fastest growing segment. It continues to be the fastest growing segment, really accelerating by our MSP channel focus. So that's been a really key driver.

So I'd say, as we think about "how are we doing against those targets?" I think right now we're better than on track to where we expected to be. I think AgentPulse/AI Governance is a contributor to that. We think that only continues to accelerate, so we feel good about the overall opportunity, pipeline looks really healthy, and all of this has been in the midst of the U.S. public sector really not being a strong contributor as it has been over the past 25 years.

It didn't have a strong 2026, sorry, '25, and even '26, what we're calling, is a return to... We're on the healing path, we're not quite back to normalcy. So that, to us, feels like another catalyst for growth moving forward. So again, we feel good about the progress and are excited to see what the rest of '26 brings, but also '27 as well. We feel good about the progress.

Fatima:

TJ, I wanted to ask you my last question to end our session. AvePoint is your 25-year-old baby. It's your firstborn, right? You've been working really hard at educating investors and the broader community about the pain points in data security. If I gave you a magic wand, what's one thing you could wish that most investors just catapulted to and you could just take those misperceptions or misunderstandings away?

Tianyi Jiang:

I think we are focused on execution. We are focusing on what Jim talked about, consistent growth. It's not a TAM. TAM is massive. We can definitely go after that. I think most investors worry about, oh, maybe this is a small size company, can they continue repeat this profitable growth at scale? We absolutely can because the TAM is massive and will continue to evolve. And as I mentioned in the earlier statement, the amount of new use cases now, thanks to the emergence of Agentic, it's actually even much more than before. And this is how we have executed 14 straight quarters of outperformance and we'll continue to do that to win the hearts and minds of investors.

Fatima:

Fantastic.

Tianyi Jiang:

Thank you.

Fatima:

Thank you so much. Appreciated your time.

Jim Caci:

Thank you.

Tianyi Jiang:

Thank you.