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<<Joseph Gallo, Analyst, Jefferies>>

Awesome. Thanks everyone for joining. I'm Joe Gallo, cover cyber at Jefferies. Delighted to have AvePoint's CEO, TJ; as well as CFO, Jim Caci. Thanks guys for joining us today.

<<Tianyi Jiang (TJ), Chief Executive Officer>>

Thank you for having us.

<<Jim Caci, Chief Financial Officer>>

Thank you.

<<Joseph Gallo, Analyst, Jefferies>>

Maybe just for those less familiar in the room, to start the conversation, walk through the evolution of AvePoint from servicing Microsoft Exchange and SharePoint back up to the full three-product suite that you have today.

<<Tianyi Jiang (TJ), Chief Executive Officer>>

Yeah. It's quite an evolution, starting from on-prem Microsoft Exchange and SharePoint, which is Microsoft's enterprise content management platform, to cloud, at which point we then effectively expand the total addressable market to the entirety of Office, beyond just Exchange and SharePoint. Then we also – beyond just resiliency, which is backup recovery, archiving, we also do the governance control, because that's the core focus of our customer set at the time, which is regulated industry, banks, governments, et cetera. And then of course, this whole data continuous movement, data will never stop moving, so this data migration, data integration.

So fast-forward to today, we are the largest ecosystem player for Microsoft Office cloud, but, of course, the world is multi-cloud. So we're making very aggressive moves into Google, into Salesforce, and also going after IaaS and PaaS coverage in Azure, GCP, AWS. And really – how we are transforming is really because of our pedigree and background in data management, data curation, data governance, we are now effectively viewed by our customers and partners as a critical part of the AI infrastructure stack when it comes to trust, when it comes to governance, AI trust, AI governance, AI security. That's all-encompassing.

It's not just agentic monitoring, but it's also security, what does agents have access to. It's also recoverability from damages, whether before it's ransomware or bad actor, now it's agents that could wipe out your entire environments or making changes. And also getting to endpoints where you can have open cloud running on endpoints that's not necessarily in the cloud, be able

to discover and bring that under management. So it's actually a much broader portfolio of solutions, and the demand drives come from not only large enterprise, but also small to medium businesses, which are being managed actively by managed service providers, whether they're pure managed service providers or even managed security service providers.

So increasingly, we see this whole security angle around what we do, not just data security posture management, but also cloud security posture management and then endpoint management. So the surface area is getting much larger, so it's very exciting. And because we have the credibility of being global, being a trusted vendor in the large enterprise space, we're seeing demand to be – continue to be very strong.

<<Joseph Gallo, Analyst, Jefferies>>

Awesome. And you mentioned AI. So Mythos came out, I think it scared a lot of people. It drove a lot of customer concerns. AI adoption clearly has a governance angle. The control suite's 26% of ARR, but you noted last quarter that it was 40% of the pipeline. Is that all AI? Is that something different? Maybe just walk through the recent customer conversations and how AI is impacting the business.

<<Tianyi Jiang (TJ), Chief Executive Officer>>

So it's really – because the rush to do AI deployments and AI realization in enterprises large and small, the realization then is to have good AI, you must have a pristine and solid data foundation, whether it's curation of that quality of data, classification, tagging, but also siloing of that access so that you are not recommended things that you're not supposed to have access to. So we see last year as people using AI, this year as AI using AI, so agentic era. So the costs become a massive issue because we also monitor the cost of agents.

Before obviously, it's utilization of cloud workloads, now it's utilization of agents and who are the ones creating the agents, and what sensitive data that these agents are actively going after and touching and updating, and also what other agents that they talk to, what type of agent pipeline and what type of connectivity that they have. So this is now top of mind for every C level around AI security and AI risk. So that's bringing a lot of us into so much conversations and our AgentPulse solution allow them to be able to really first discover and bring them under management and have a handle, because what is happening right now in enterprise, large and small, is shadow AI is becoming a real issue.

<<Joseph Gallo, Analyst, Jefferies>>

I want to come back to AgentPulse in a second, but a lot of people always talk about, hey, you're 90-ish percent levered to Microsoft. Can AI actually accelerate the move to other infrastructures?

<<Tianyi Jiang (TJ), Chief Executive Officer>>

Absolutely. So the conversation now we have with large enterprise doesn't even involve Microsoft Copilot at all. It's all just about agentic deployments. It doesn't matter where the agents

are created from, whether it's from Microsoft or – Microsoft actually uses Copilot Studio and you could use now Claude, right, in Microsoft Cloud, but also Gemini, and Salesforce also have their own agent creation capabilities. So we are very agnostic on what platform that enterprises uses to create these agents. It's really a matter of actually discover and bring them under control. So the conversation, it's no longer just about my Microsoft estate. It's really about my AI exposure and my AI risk, so significantly tilting towards non-Office Cloud conversations. What – where Office Cloud still remain a important aspect of what we do is because Microsoft calls it Work IQ.

And that's their competitive moat, because the majority of enterprise unstructured data reside in Office cloud. That's your emails, in your OneDrives, in your SharePoints, in your chats. And that – all the open Microsoft Graph, so all the metadata associated with that, all the signaling associated with those access, are stored there. And that's where it drives the context for AI to then make recommendations or grind on, right? So that's where – because we also curate, and manage and download a lot of the metadata from that perspective, that's something that we can help customers actually have a better deployment experience. Same problem exists in Google as well.

<<Joseph Gallo, Analyst, Jefferies>>

And you kind of touched on it in your importance in the Microsoft ecosystem, but I'm just curious, you hear a lot about Purview. Any changes in the competitive landscape there or how customers are perceiving your value add?

<<Tianyi Jiang (TJ), Chief Executive Officer>>

So we have always been living with a market maker since the inception of AvePoint. We view Microsoft, Google, they're market makers. And we are a very important part of that ecosystem that help ultimately our customer to drive maximum ROI and value out of these hyperscaler tech stacks. So this is where increasingly, because now we talk about AI being more expensive, Microsoft Cwork, right, which is Claude equivalent, now going to consumption model in addition to subscription model, GitHub also. We actually did internal calculation, for example, with our GitHub usage, all of a sudden in the consumption-based model, it will go up 5x. So every company is facing this situation now. So no longer – this is token economics, not all token are created equal. So this actually, we see it as a massive opportunity.

So whether it's – for Purview, we have always been complementary. So if you have Purview, we will use Purview tags and classification to drive our end user delegated administration framework in our platforms. And if you don't have Purview, then we can use, of course, machine learning to go tag it for you. So it's that mixed license type, it's that multi-cloud posture that we drive value.

And ultimately, this is where customers' interest and the hyperscalers' interest kind of diverge, because hyperscalers today are very much like utility companies, right? They're the power, they're the water, they're the gas providers. Whether you're home or not, they are more than happy for you to continue to consume. Whereas customers are much more savvy. They want to

make sure that they get their maximum return out of their investment across whichever tech stack that they deploy. And this is where there's always value for a vendor like AvePoint to come in and provide that.

<<Joseph Gallo, Analyst, Jefferies>>

Maybe going back to AgentPulse. If you look at cloud security, it took a long time to get going. Good things take time. When you think of AgentPulse, when do you think we see that benefit, TJ? And maybe Jim, how are we thinking about the monetization or the upsell to other bundles and how that lays out this year?

<<Tianyi Jiang (TJ), Chief Executive Officer>>

You want to go first?

<<Jim Caci, Chief Financial Officer>>

Yeah, maybe I'll take the first part. So the way we – by the way, we just introduced AgentPulse in Q1, so it was about midway through Q1. So when we think about what we saw so far is we've seen the way we're selling it is actually to bundle it with some of our other control suite products. So we've created these bundles. And what we've seen is an uplift in the uptake of those bundles in our pipeline.

So that's been a real positive impact, and it's really been driven by that availability of AgentPulse, because it's only available in the upper-level packages. So we've seen now really good growth in that pipeline, really taking place in Q1 and now in Q2, we've seen that continue.

In terms of when does that convert, we really think about the life cycle of an opportunity in terms of that pipeline. And so we would see that normally anywhere from three, six, nine months in terms of conversion rates. So the way we think about it, Joe, in terms of modeling and all those types of things, it's probably more of a Q3, Q4 impact than necessarily Q2. We'll see some impact in Q2, but a lot of that pipeline hits probably in Q3 and Q4.

One of the things that we are interested in doing is that we ultimately probably roll out a direct SKU for AgentPulse, but today it's only bundled. And I think once we introduce that direct SKU or single SKU, then I think, that opens up another opportunity to accelerate growth where we'd have people that could individually just buy that SKU as opposed to a package.

<<Tianyi Jiang (TJ), Chief Executive Officer>>

Yeah. I think, when we talk about the pipeline, some people kind of get confused. Just total pipeline, 40% of our total pipeline today is all control, which is higher than before. Because right now, from an ARR perspective, it contribute about 26%. Out of all control, over 50% now include AgentPulse. So that also tells you the speed of which we are introducing this brand-new solution into the sales conversation. So that's very encouraging to see.

<<Joseph Gallo, Analyst, Jefferies>>

That's awesome to hear. It's probably a fifth of overall pipeline then, so if I can do math correctly. Maybe going to the core business, the resilience suite. What are the core drivers there? How sustainable is growth on that side? Obviously, I don't even think we've gotten to the data growth explosion from AI, but just maybe walk us through how we should think about the core growth over the next year or two.

<<Tianyi Jiang (TJ), Chief Executive Officer>>

Yeah, I think we actually have a lot of internal conversation as we continue to evolve our story into this infrastructure and security story. Increasingly, we do not view resiliency as its own thing. Right? So that's why a lot of investors come and say, hey, how do you guys compare to Veeam? How do you guys compare to Commvault? I think we – our focus is very different. Having said that, resiliency has had a very strong growth last quarter because of what's happening in Middle East when Amazon regional data center got taken out. A lot of customers realize hyperscaler alone cannot be relied on to provide DR, disaster recovery and redundancy. So we have seen very strong uptick for demand.

But what we feel the ultimate power of our kind of secret – our superpower and secret sauce is that our platform play because resiliency is part of the equation of overall data management, data security, because when you have data loss or outage, you need to be able to recover from that, right? And of course, increasingly, the data that we have doing snapshots, because every day we actually touch about 1,000 petabytes of data, and that forms a very good data store for us to actually act on that for a lot of different use cases.

When it comes to granular kind of taxonomy management, governance, and understanding of this massive blob of unstructured data, what that represents for our customers. Increasingly, what we're getting demand from our customers, we want to know what's out there that's not impacting our production environment performance, right? So we take snapshot and they can work on that, basically that copy.

But ultimately, to be able to gain intelligence out of that using natural language. So we're moving away from just using a UI/UX directly interfacing with tech type of experiencing to access our product and services to now an agentic experience, allowing business users to directly accessing our product and services. And we think that's very, very exciting. So that allow us to expand the type of persona we can serve within the enterprise. So I think that's another new opportunity that's allowed us to surface.

<<Joseph Gallo, Analyst, Jefferies>>

That's great to hear. You guys have very large government exposure, which I think speaks to just the scalability and importance of your offering. But it also is probably a little bit of a headwind last year with U.S. Fed, I'd imagine. I'm just curious what the latest and greatest is on Fed and government spending.

<<Jim Caci, Chief Financial Officer>>

Yeah. You're right, Joe. I mean, last year was a little tough year. Now, fortunately, our public sector practice is global, so we have a strong presence in Japan, Singapore, throughout Europe. So it's not just U.S., but you're absolutely right, particularly in the federal space, last year was a tough year. We didn't really see any growth from that part of the business, so definitely a headwind last year. Now, what we're seeing this year is we're seeing some really nice pipeline growth, good performance in Q1, kind of where we expected it to be. Obviously, for the federal business in the U.S., Q3 is a big quarter, Q3 and Q4 in particular.

And so, everything is lining up right now in terms of what we see in the pipeline, what we see in terms of forecasting, that we should have a nice strong recovery in public sector particularly in federal space in Q3 and Q4. So we feel good about it and it's one of the reasons we feel good about the pipeline and really our forecast in general, which has us really accelerating growth in Q3 and Q4. And part of that acceleration is coming from the federal space.

<<Joseph Gallo, Analyst, Jefferies>>

Maybe just go a little bit through that more, maybe both of you, but just, you gave tremendously strong guidance, 26% constant currency ARR growth and implies a bit of an acceleration on constant currency net new dollars. So federal is obviously one point of that. It sounds like AgentPulse is pipeline driving, but it's early. What are the – what's the visibility that you have into guidance and what are the biggest drivers going forward?

<<Jim Caci, Chief Financial Officer>>

Well, I think visibility is something we've been working on for the past really five years in terms of our forecasting methodology. Our CRM systems that we utilize to try and track. A lot of it is statistics, right? We all, we're in this business, all of us are kind of working through statistics. And so for us, it's a lot of what do we see in the pipeline? How are things progressing through the pipeline? How disciplined are we in terms of managing that pipeline? And I think that discipline has really improved over the past several years. It's one of the reasons I think that we feel really good about where we've been in terms of providing guidance, meeting expectations, delivering against what we committed to deliver.

So we feel good about the performance over the past really four years almost since being a public company. And I think it's that discipline and consistency. We spend a lot of time on forecast reviews. We spend a lot of time reviewing what we think we're going to do. And that not only happens throughout the whole quarter, we look at that for the full year. We're actually looking multi-years out in terms of where do we have quota capacity, where do we not have quota capacity, where do we think we need to be from a product point of view.

All of that stuff factors into the methodology in terms of us being able to, number one, internally figure out where we're going to be, but then also provide guidance externally. So I think it's a pretty systematic approach that has worked really well. We feel very comfortable with that methodology. And again, that kind of gives us the confidence to when we put numbers out there,

it's based on a lot of information that we've been reviewing and historical performance against that information.

<<Joseph Gallo, Analyst, Jefferies>>

You've classified 2026 as kind of a year of investment. Where are those investments going?

<<Jim Caci, Chief Financial Officer>>

Great question. And this came up in a bunch of our one-on-ones today so far. If you look at maybe just a little context, if you go back to when we went public, we probably spent, or we were spending that year, about 44%, 45% of our revenue was spent on sales and marketing. About low 20% was spent on G&A.

We have long-term targets of getting those percentages down to 30%, sales and marketing as a percentage of revenue, and G&A being about 10%. R&D is consistently around 12%, and we don't expect that to change. We want to continue to invest in R&D. But when we think about investments, I think us as a company today, the way that we're geographically dispersed, we often say this, we've done the hard things first.

We built an organization that really could support a \$1 billion plus in terms of the infrastructure. We're in not only North America, we're in all countries throughout Europe and EMEA, APAC. So when you think about a company that's almost \$450 million of ARR today, the profile of our company mirrors something that's probably much larger, maybe a \$1 billion plus, in terms of our structure. So I feel like we've done the investments on the overhead side to support a much larger business.

On this year, when we talk about the investments we're making, we're really speaking about sales and marketing. I don't think we need to make those tremendous investments in the overhead of the business because we've really got the infrastructure. But it's really about marketing. It's about setting ourselves up to take advantage of the demand that we see and the opportunity that we see in front of us. And that's really, for the most part, the biggest investment is in our marketing spend.

We often talk about, you've probably heard us say this, Joe, or people have said it to you, like you guys are the best company we've never heard of. You guys are executing, you're delivering, I've never heard of you. And part of that is we're still relatively small at \$450 million in ARR, but it's also that brand awareness. That's where we're going to invest some more dollars, continue to expand in our channel strategy, where we can reach more opportunities than we're reaching today. And I think that's the investment we're really talking.

You're going to see it more in the sales and marketing dollars than you will see it in, say, G&A or even R&D. R&D, we're making big investments, but I think consistent around that 12% is what we're going to see.

<<Joseph Gallo, Analyst, Jefferies>>

And I'm pretty sure I know this answer, but the investments you need in sales and marketing, that's not needed to hit your ARR forecast this year?

<<Jim Caci, Chief Financial Officer>>

That's right. If you think about the investments we're making this year, based on our really lead times in terms of closing deals, most of those investments are going to impact 2027 and beyond. So when we think about even if it's internal resources in terms of people, ramp-up times, all that stuff, they're going to contribute in 2027. When we think about brand awareness or marketing campaigns, again, most of those are going to be contributing either the latter part of 2026, but more than likely 2027 and beyond.

<<Joseph Gallo, Analyst, Jefferies>>

And maybe just to follow up on the investments, which I think very logical given your growth profile and the opportunity. But TJ, how are you utilizing AI internally, both to drive top line and synergies on the costs?

<<Tianyi Jiang (TJ), Chief Executive Officer>>

So obviously we're the frontier firm, right? So we're a top Microsoft partner. You will see that we'll be the first launch partner for their M-Security framework as well. So we have to eat our own dog food. So our dev teams are using GitHub Copilot. We're getting ready for this consumption cost increase that's coming. So obviously we have to start to really manage that cost very carefully.

But also, obviously marketing from content, legal from contract management, and finance as well. So our goal right now is to Jim's point, as we continue to grow, get to that \$1 billion ARR as fast as we can, we'll continue to maintain that profitability and even widen that margin. So we're not adding additional costs to do the proportional increase. So that's key, and then, of course, channel investment.

So our sales and marketing now as a cost of revenue, latest quarter is like 31% versus 44% a few years ago. And you will see that we'll continue to drive that towards higher efficiency. So I think overall, AI adoption, we're decently pleased with that. There are still pockets of resistance because we are still a very global company, and from a sizing perspective, we're sizable from the employee count.

But I think from overall, even just velocity of product, you will see the velocity of productization. It's much, much higher. And this is actually consistent with what I have been saying, even from the beginning when everyone said, hey, with AI, everybody will be cutting developers, will be cutting employees. We're not doing that, and we don't see many doing that in our sizing, right?

So yes, the Big Tech are doing it, but that's more revert back to mean. Even I talk to senior leaders at Microsoft, they have 220,000 employees. They're not cutting developers. Developers are more productive, so that means they can do more stuff. They can go develop more product to go grow the top line, and that's exactly what we're doing as well. We think the software space is going to get so much bigger thanks to the AI acceleration. But the efficiency comes is that we're not going to add more cost to drive a higher top-line growth.

<<Joseph Gallo, Analyst, Jefferies>>

That's all the time we have today, but guys, greatly appreciate it. Thank you.

<<Jim Caci, Chief Financial Officer>>

Thanks, Joe.