

Q2 2025 Earnings Call

Company Participants

- James Arestia, Vice President, Investor Relations
- James Caci, Chief Financial Officer
- Tianyi Jiang, Chief Executive Officer

Other Participants

- Chirag Ved, Analyst, Evercore ISI
- Cole Erskine, Analyst, TD Cowen
- Gabriela Borges, Analyst, Goldman Sachs
- Jason Ader, Analyst, William Blair
- Joseph Gallo, Analyst, Jefferies
- Nehal Chokshi, Analyst, Northland Capital Markets
- William Vandrick, Analyst, Scotiabank

Presentation

Operator

Good day. Welcome to the AvePoint, Inc. Second Quarter 2025 Earnings Conference Call. (Operator Instructions) Please note this event is being recorded.

I would now like to turn the conference over to Jamie Arestia, Vice President, Investor Relations. Please go ahead.

James Arestia {BIO 19836110 <GO>}

Thank you, Operator. Good afternoon. Welcome to AvePoint's second quarter 2025 earnings call. With me on the call this afternoon is Dr. TJ Jiang, Chief Executive Officer, and Jim Caci, Chief Financial Officer. After preliminary remarks, we will open the call for a question-and-answer session.

Please note that this call will include forward-looking statements that involve risks and uncertainties that could cause actual results to differ materially from management's current expectations. We encourage you to review the safe harbor statements contained in our press release for a more complete description. All material on the webcast is the sole property and copyright of AvePoint with all rights reserved.

Please note, this presentation describes certain non-GAAP measures including non-GAAP gross profit, non-GAAP gross margin, non-GAAP operating income and non-GAAP operating margin, which are not measures prepared in accordance with U.S. GAAP. The non-GAAP measures are presented in this presentation as we believe they provide investors with a means of understanding how management evaluates the company's operating performance. These non-GAAP measures should not be considered in isolation from, as substitutes for or superior to financial measures prepared in accordance with U.S. GAAP.

A reconciliation of these measures to the most directly comparable GAAP financial measures is available in our second quarter 2025 earnings press release as well as our updated investor presentation and financial tables, all of which are available on our Investor Relations website.

With that, let me turn the call over to TJ.

Tianyi Jiang {BIO 20151191 <GO>}

Thank you, Jamie. Thank you, to everyone joining us on the call today as we recap our outstanding second quarter results, highlighted by outperformance on the top and bottom line, as well as continued improvement on a number of key financial and operational metrics. Q2 also represents a major milestone for AvePoint, our first quarter to surpass \$100 million in revenues. The entire AvePoint team deserves credit for this achievement, which reflects the enormous market opportunity ahead of us and marks another step on our path to \$1 billion in ARR by 2029. This achievement is not just a financial milestone.

It's a reflection of the innovation that powers the AvePoint Confidence Platform as well as the trust of our customers and partners placing us. That's why I want to spend my time today discussing our ongoing innovation, which has only accelerated in recent years. Today these efforts have positioned us squarely at the intersection of data, security and AI and continue to drive the steady, consistent execution you have come to expect from AvePoint.

I'll also share some meaningful customer wins and expansions during the quarter and then turn the call over to Jim to recap our financial performance and updated outlook for the year. We know that innovation has always been essential to maintaining our competitive edge. But what's clear from every customer conversation today is that the data management challenges we're solving from AI governance and training data provenance to model explainability, responsible surveillance or simply the need to reduce costs are now front and center in enterprise strategy.

At the same time organizations are realizing that tackling data management, governance, compliance and security in isolation just doesn't cut it anymore. These functions need to work together. That's why we have built our platform around a unified framework, with three core pillars providing a comprehensive data protection strategy.

First, ensuring data is always available and recoverable after a cyberattack. Second, securing it across every environment; and finally, governing its use to meet regulatory and business requirements. Our connected approach enables true cyber resilience, and it's why more enterprises are turning to integrated platforms like AvePoint. Our strong results this quarter reflect that growing momentum. In Q2, we advanced our platform in meaningful ways to help customers and partners turn today's challenges into strategic advantages, positioning them to achieve operational excellence in an increasingly AI-driven multi-cloud world. These strategic advancements come to life through the innovations we have delivered across our platform.

Let me start with our product innovation. We introduced several new command centers within our Confidence Platform this quarter, each designed to help organizations optimize digital investments and strengthen resilience. In April, we announced the launch of our Risk Posture Command Center, a critical advancement within the AvePoint Confidence Platform and our most significant evolution yet in data protection, designed specifically to counter advanced cyber threats like ransomware. The Risk Posture Command Center provides organizations real-time visibility into their data security posture backed by actionable intelligence to reduce risk and remain compliant.

As the complexity of data and AI adoption accelerates, too many organizations are left juggling disconnected tools and dashboards. Research from Gartner finds that 86% of organizations struggle to balance data security with business objectives, and nearly half of IT leaders lack confidence in their organization's ability to manage security and access risks. Our Risk Posture Command Center addresses this challenge head on, empowering both business and IT leaders

with a single-intuitive interface to detect early threats, assess compliance and act swiftly on potential vulnerabilities. This is more than just a tool.

It's a strategic asset that bridges the gap between technology teams and the C-suite, turning data risks into business opportunity. That's why 85% of the CEOs now view cybersecurity as a critical growth driver according to Gartner's 2025 CEO Survey. While only 10% of organizations are fully prepared for AI augmented cyber threats, Accenture finds those that are prepared, experienced 69% fewer advanced attacks and a 15% boost in customer trust. Then in June, we announced the launch of two additional command centers. The Optimization and ROI Command Center gives CIOs real-time visibility into underused licenses, redundant data and cloud cost inefficiencies, in turn, providing a comprehensive view of hard-to-find cost-saving opportunities across their data estate, all through a single pane glass.

With the vast majority of companies intending to implement some form of cost savings relating to people, processes or technology, this command center will enable them to maximize efficiency while maintaining robust security standards. The other launch was the Resilience Command Center, which directly addresses the growing challenge of managing data protection across complex environments. The offering provides comprehensive monitoring and actionable insights for Microsoft 365 services including storage consumption, tracking, backup data oversight, visibility into the most critical data protection with Backup Express and cost optimization recommendations.

Taken together, these capabilities are vitally important in helping organizations protect against and recover from ransomware attacks, which are growing in frequency and severity. Importantly, this new offering serves as the foundation for our broader multi-cloud governance vision, with planned expansion to Google Workspace, Salesforce and other ecosystems. Building on these foundational capabilities, we also expanded our Agentic AI governance capabilities to secure AI agents like Microsoft 365 Copilot. These include prompt tracking, access controls and policy enforcement for AI-generated content. Importantly, these capabilities were shaped directly by customer needs, especially from organizations preparing for large-scale Copilot rollouts and looking to mitigate oversharing and compliance risks.

Taken together, these innovations help customers strengthen their multi-cloud resilience, prepare for the future of autonomous AI and uncover real cost savings. And by delivering deep visibility into both risk posture and return on investment, we are enabling customers to make faster, smarter decisions that align IT operations with strategic priorities. Just as we are empowering customers to move faster and smarter, we're also deepening support for our partners who play a critical role in scaling these innovations across the market. Central to these efforts have been the ongoing enhancements to our Elements Platform, specifically aimed at managed service providers.

Earlier this year, we launched the next-generation of AvePoint Elements, an AI-powered hub that helps MSPs deliver secure, scalable services across Microsoft 365, Google Workspace and Salesforce. It centralizes data protection, tenant management and compliance with automation and integrations that simplify operations and boost recurring revenue.

In June, we added new capabilities to help MSPs further improve margins and reduce client risk including marketplace integration for streamlined license management, behavioral analytics to flag risky users and tools to reclaim unused licenses and archive stale data. Together, these enhancements give MSPs more control, stronger security and greater efficiency at scale. What's particularly compelling is how a solution originally designed for MSPs is now also delivering significant value to enterprise customers. A big four professional services firm with 500,000

users face mounting risks from ungoverned Microsoft 365 tenants as they prepare to roll out Copilot.

Our ability to create and customize baselines from existing tenants allow them to centralize and simplify management of their security and compliance settings. This led to a major expansion in the quarter, enabling them to reduce data sprawl, delegate administration and ensure consistency across their multi-tenant environment. These innovations are more examples of how we enable our customers and partners to navigate complexity, giving them the clarity and confidence to move faster, safer and smarter.

Our integrated platform approach continues to resonate in the market as reflected in the strong customer momentum we saw in Q2 across both new customer acquisitions and expansions of existing relationships. A global airline with nearly 100,000 users became a new AvePoint customer in Q2, selecting our platform to unify life cycle management and oversharing controls across Microsoft 365, a foundational step as they prepare for AI adoption.

Similarly, a U.S. insurer with nearly 25,000 users joined as a new customer to implement structured provisioning, classification and policy enforcement, giving them the governance framework needed to confidently scale their Copilot deployment. We also welcome a global commodities trading firm with 11,500 users who selected AvePoint over 4Point Solutions for our ability to protect and secure multiple workloads. Similarly, a U.S.-based cancer research hospital with 9,500 users replaced several legacy tools with AvePoint to address ransomware protection, data governance and delegate administration. In both instances, the highly regulated nature of these industries demanded a platform solution that could address multiple strategic use cases.

On the expansion front, a global CPG leader with 130,000 users deepened their relationship with AvePoint by adopting archiving and governance solutions to reduce SharePoint Online storage costs and improve data hygiene. Another big four professional service firm with 400,000 users also expanded their investment, leveraging our platform to prepare for a Copilot rollout by identifying overshare content and enforcing preventive controls. These examples underscore the growing demand for unified intelligent data management.

They reflect broader trends we're seeing across the enterprise, the convergence of security and governance concerns, accelerating AI adoption, increasing regulatory pressures and the need to reduce costs. These all play to AvePoint's strength. And as organizations look to consolidate vendors, we're well positioned to meet that need. We're confident in our strategy and excited about the opportunities ahead as we continue to lead in this dynamic environment. Thank you, again for joining us today.

I'll now turn it over to Jim.

James Caci {BIO 22415888 <GO>}

Thanks, TJ. And good afternoon, everyone. Thanks for joining us today as we review our strong second quarter results, which once again are a testament to the team's broad-based execution as we efficiently deliver on the growing demand for our platform. We are proud to deliver another quarter, reflecting our unwavering commitment to profitable growth, but we also have stressed our focus on investing for the future and capturing the long-term opportunity we see. Among many highlights this quarter, these mantras are reflected in our accelerated ARR growth, substantial operating margin expansion and continued improvements on key operational metrics, which demonstrate strong engagement with both new and existing customers. These achievements are delivering shareholder value now while also positioning us for success in many years to come.

So let's turn to the quarter. Total revenues for Q2 were \$102 million, up 31% year-over-year and above the high end of our guidance. On a constant currency basis, total revenues grew 27% year-over-year. SaaS delivered an exceptional quarter with Q2 revenue of \$77.3 million, representing sequential growth of 12% and year-over-year growth of 44%. On a constant currency basis, Q2 SaaS revenues grew 40% year-over-year. Lastly, SaaS comprised 76% of total Q2 revenues, our highest ever quarterly mix. This compares to 69% a year ago. Looking at our other revenue lines. Term license and support declined 19% year-over-year in Q2 as we expected. And looking at our combined SaaS and term license revenues or what we consider our subscription revenues, these grew 33% year-over-year in Q2, which was the fifth straight quarter this metric has accelerated.

Maintenance revenues decreased year-over-year to \$1.3 million or 1% of total revenues. And lastly, services revenue were \$14.5 million or 14% of Q2 revenues. As a result, 86% of our total Q2 revenues were recurring.

Our balanced performance on a regional basis was another highlight for this quarter. In North America, SaaS revenues grew 38% year-over-year and represented 82% of total North America revenues, which in turn grew 25% year-over-year. In EMEA, SaaS revenues grew 50% year-over-year and represented 91% of total EMEA revenues, which in turn grew 38% year-over-year. In APAC, SaaS revenues grew 48% year-over-year and represented 52% of total APAC revenues, which in turn grew 32% year-over-year.

On a constant currency basis, EMEA SaaS revenues increased 42%, while total revenues increased 31%. And for APAC, SaaS revenues increased 43% on a constant currency basis, while total revenues increased 27%. The same strength of our diversification is evident when looking at the performance of our regional ARR. In Q2, North America ARR grew 21%, EMEA ARR grew 29% and APAC ARR grew 36%. Once again, each region was a strong contributor to our total ARR, where we ended the second quarter at \$367.6 million. This represents year-over-year growth of 27%, both on a reported basis and after adjusting for FX. As a result, net new ARR in Q2 was \$22.1 million, the highest dollar amount we have ever added and representing growth of 42% year-over-year.

Additionally, we ended the second quarter with 721 customers with ARR of over \$100,000, an increase of 21% from the prior year. We also continue to see even higher growth rates from our larger cohorts, given our ongoing success landing new enterprise customers while expanding existing ones. Lastly, we are pleased that ARR from our mid-market segment reached the \$100 million mark this quarter.

As of the end of Q2, 56% of our total ARR came through the channel compared to 52% a year ago. And for Q2 specifically, 62% of our incremental ARR came through the channel compared to 61% in Q2 of 2024. The improvement reflects our strategic priority of driving more business through the channel, where we expect to realize greater market reach while maintaining efficiencies on our sales and marketing spend, in turn, supporting our ongoing focus on profitable growth.

Turning now to our customer retention rates. Adjusted for the impact of FX, our trailing 12-month gross retention rate for the second quarter was 89%, a 2percentage point improvement from a year ago. Additionally, I want to remind you that our migration products, which, by their nature, have lower renewal rates are included in the calculation of GRR. This quarter, migration again served as a 2-point headwind to GRR.

So excluding it, GRR would have been 91%. The other important point on GRR has to do with the average duration of our subscription contracts, a metric which has been flat to modestly down

over the past two years, but improved this quarter. While this doesn't affect our GRR today a higher average duration ensures that fewer contracts are up for renewal each quarter, thus counting as 100% renewed and supporting further GRR improvements a year from now.

At the same time our FX-adjusted net retention rate for the second quarter was 112%. This is a 2-point improvement from a year ago and the highest NRR we have ever delivered, driven by the team's ongoing success in selling more of the platform to our existing base of customers. To remind you, our updated long-term targets for GRR and NRR are 90% plus and 115%, respectively, and we are pleased to show steady progress on these critical customer metrics.

On a reported basis, Q2 GRR was 88% and Q2 NRR was 112%. For GRR, this represents a 2-point improvement versus the prior year. And for NRR, this represents a 3-point improvement versus the prior year. Turning back to the income statement. Gross profit for Q2 was \$76.3 million, representing a gross margin of 74.8% compared to 76.2% in Q2 of 2024. The year-over-year decline in our gross margin is primarily the result of a higher mix of low-margin services revenue this year.

Moving down the income statement. Operating expenses for Q2 totaled \$57.6 million or 56% of revenues compared to \$50.6 million or 65% of revenues a year ago. As a result, Q2 operating income was \$18.8 million or an operating margin of 18.4% and above the high end of our guidance. This compares to non-GAAP operating income of \$8.7 million in the prior year or an operating margin of 11.2%. This represents year-over-year margin expansion of more than 700 basis points as we continue to drive leverage and pursue efficiencies across the business.

This is especially true for our sales and marketing expense, which represented 32% of total revenues in the second quarter compared to 36% of revenues a year ago. Driven by ongoing improvements in sales efficiency and an increased contribution from the channel, Q2 marks another quarter of progress toward our longer-term target of 30% of revenues. Turning to the balance sheet and cash flow statement. We ended the second quarter with \$430.1 million in cash, cash equivalents and short-term investments including \$70.4 million of proceeds from warrant exercises in the second quarter. Lastly, we are pleased that the balance of the remaining warrants were exercised in July for additional cash proceeds of \$8.7 million and that we have no remaining warrants outstanding.

For the first six months of the year, cash generated from operations was \$20.8 million, while free cash flow was \$18.3 million. This compares to cash generated from operations of \$23.9 million and free cash flow of \$23 million in the first six months of 2024. And lastly, we repurchased 414,000 shares in the second quarter for approximately \$7 million. Year-to-date, we have repurchased approximately 1.2 million shares for approximately \$19 million and have just over \$130 million remaining in our authorized share repurchase program.

I would now like to turn to our financial outlook and provide some color into our updated full year expectations. First, our updated full year guidance for revenue and non-GAAP operating income includes the respective second quarter outperformance relative to guidance. Second, we are raising our expectations for all guided metrics, total ARR, total revenue and non-GAAP operating income, which reflect the momentum that we are seeing in the business. Lastly, while our expectations reflect this momentum and the healthy demand signals we are seeing, we also believe it is prudent to properly account for potential uncertainty in the second half of the year, particularly with regard to the public sector in the third quarter. As a result, for the third quarter, we expect total revenues of \$104.6 million to \$106.6 million or growth of 18% to 20%.

On a constant currency basis, we expect revenue growth of 16% to 18%. We expect non-GAAP operating income of \$18 million to \$19 million. And for the full year, we now expect total ARR of \$412.8 million to \$418.8 million or growth of 26% to 28%. This includes a \$3 million raise in our guidance, partially offset by a \$2 million FX headwind. So on an FX-adjusted basis, we expect total ARR growth of 24% to 26% for the full year. We now expect total revenues of \$406.6 million to \$410.6 million or growth of 23% to 24%. This includes the \$5.8 million revenue beat from the second quarter as well as a \$2 million increase from our prior guidance.

On a constant currency basis, we now expect revenue growth of 21% to 22% compared to 18% to 19% growth we guided to last quarter. And lastly, we now expect full year non-GAAP operating income of \$68.3 million to \$70.8 million or an operating margin of 16.8% to 17.2%. This represents year-over-year margin expansion of approximately 260 basis points and includes the \$5.3 million operating income beat from the second quarter as well as a \$1.5 million increase from our prior guidance.

On a Rule of 40 basis, which for AvePoint is the sum of ARR growth and non-GAAP operating margin, the midpoint of today's full year guidance reflects a 44% compared to the 43% we guided to last quarter, with the improvement coming from both the top and bottom lines. Similar to last quarter, our current investor presentation includes slides, which detail our actual Q2 performance relative to guidance, as well as the walk from our prior full year guidance in May to our current full year guidance for all metrics. In summary, Q2 was another outstanding quarter of execution by the team, and we are pleased to deliver another strong set of results for shareholders. Thanks for joining us today.

With that, we would be happy to take your questions. Operator?

Questions And Answers

Operator

(Operator Instructions) Our first question comes from Joseph Gallo of Jefferies.

Q - Joseph Gallo {[BIO 18958030](#) <GO>}

Jim, I appreciate your prudence commentary embedded into guidance. Can you just talk about macro, both for commercial and the government vertical? What are you seeing today? Then are you embedding that it gets worse? Maybe just unpack a little bit about how you see federal shaping up next quarter.

A - James Caci {[BIO 22415888](#) <GO>}

Yes. Thanks for the question, Joe. If you think back to how we thought about guidance really at the beginning of the year, we knew at that point that there was a ton of uncertainty with the new administration coming in, the discussions around DOGE, clearly, the focus on reducing spend and really going into that. So we were really conscious of building that into our guidance really from the beginning of the year. So we focused on that, at least from the federal point of view. So we haven't really seen any change to that in terms of our guidance. We're still kind of really considering the same kind of aspects that we thought about a number of months ago. We haven't seen that get worse. And again we feel really good about that piece.

On the commercial side, as you saw from our last quarter, we're seeing really nice progress and nice growth and nice demand really across the board, both geographically. We see nice growth in North America, EMEA and APAC. Then also, we're seeing really strong and healthy growth across

all three customer segments. So from that point of view, we really haven't seen any change on the federal side. It's obviously one of the reasons that we're actually increasing guidance is seeing that healthy demand continuing, obviously not only in Q2, but we're seeing that for the rest of the year as well.

Q - Joseph Gallo {[BIO 18958030](#) <GO>}

No. That's great to hear and helpful. As a follow-up, can you just talk through your go-to-market investments, both on the channel side and direct? You raised operating margin guidance, which is great. So I'm just curious how we should think about sales capacity and headcount going forward?

A - James Caci {[BIO 22415888](#) <GO>}

Yes, great question. Again we spend a lot of time thinking about capacity, efficiency. We've seen a couple of things over the past -- really past two years, and I've talked about it a few other times, too, that we've seen really the efficiency of our sales teams improve and we measure that in a few different ways. Obviously you can see it in the bottom line in the P&L, where we're reducing our sales and marketing spend as a percentage of revenue, obviously heading toward our target of 30%, getting down to 32% this year. That's, I would say at the macro level, at the highest level. But underneath that, what we see is performance-based improvements, things like time-to-first sale in terms of ramping quota for new reps.

Then in terms of execution and delivery against quota for our experienced reps, all three of those categories are making significant improvements and we're really pleased with the progress that we've seen there, particularly over the past couple of years and that's really continued. Then when we think about capacity, what we try and do is really look out as far as possible in terms of where we need our salespeople today to be delivering not only next quarter, not only next six months, but really thinking a year to two years ahead, do we have the capacity to deliver what we believe are the numbers we need to be achieving? So we've really got a global effort around that and really focused on ensuring that we have not only the right products, but also the right quality and quantity of resources to deliver against those targets.

Operator

Our next question comes from Joe Vandrick of Scotiabank.

Q - William Vandrick

TJ, I wanted to ask what's the biggest theme driving customer conversations as of today? Is it AI readiness in general? Is it Microsoft Copilot governance or backup or maybe cyber resilience? I know you touched on all of those on the call. So -- or maybe is it something else? Would love to hear your thoughts there.

A - Tianyi Jiang {[BIO 20151191](#) <GO>}

Yes. Thanks for the question. Yes, every company continues to focus on security threats as well as AI deployment capabilities. So that is consistent with prior quarters. We're also seeing that AI is starting to roll out more widely as we had discussed. So this applied to companies literally every region, vertical and size. This is where AvePoint help them curate and secure their data. So governance of data estate is still central to an enterprise's strategy, and that really plays to our strength and it's being embraced by organizations everywhere. So we're now seeing the flywheel of our scale growth on a global level, but the highlighted questions are still -- concerns from companies are still the same. It's security and AI.

Q - William Vandrick

Okay. That makes sense. One for Jim. I think this is the second quarter in a row where you've left the constant currency ARR guide unchanged, but you've increased the constant currency revenue guide. So just curious what's driving the discrepancy? There may be outperformance from services revenue or ASC 606 driving that, if you could touch on that.

A - James Caci {[BIO 22415888](#) <GO>}

Yes. I think number one, if you'll be able to see in some of the investor materials that we are actually raising our guidance around ARR. So you'll actually see that from an operational performance. There is a little bit of headwind there on the FX. So you'll see an improvement there when you look at the detail. And I think it's what you see in the 24% to 26% is really more of a rounding issue. We're actually improving and raising the guidance. But from a rounding point of view, it stays the same percentages.

So that's part of it. Then you're right, we did have -- part of the beat in Q2 was from services, but we're seeing really strong performance in SaaS. And again, we're really pleased with the performance in Q2 and really excited about the expectations we're setting for the second half of the year.

Operator

Our next question comes from Kirk Materne of Evercore ISI.

Q - Chirag Ved {[BIO 24295220](#) <GO>}

This is Chirag on for Kirk. So TJ, you talked about your multi-cloud governance strategy with companies such as Salesforce and Google. Can you touch on how early you all are in this opportunity and what needs to happen on your end and perhaps from a channel end to move the needle in terms of revenue and just overall influence here?

A - Tianyi Jiang {[BIO 20151191](#) <GO>}

Thank you. Great question. So we have already been supporting Backup-as-a-Service for the Google Workspace ecosystem as well as Salesforce ecosystem. We also mentioned that outside of the Microsoft Cloud, ecosystem, our coverage is about less than 10% of our revenue today. So we already have meaningful revenue there. Specifically, you asked about the governance capabilities that we're rolling out that we announced most recent quarter. We're very excited about that, be able to roll that out to work with our partners around the world to go to market and really take advantage of our great reputation and capabilities in the Microsoft Cloud world when it comes to data curation, data governance and apply that to a multi-cloud setup.

So those are still in early stages, but it is worth, again reiterating, we have already done very meaningful revenue in the multi-cloud space with Backup-as-a-Service, Migration-as-a-Service. Now we're layering in with Governance-as-a-Service also.

Q - Chirag Ved {[BIO 24295220](#) <GO>}

All right. And maybe one more. Just looking out into the second half of the year, where do you see the largest opportunities for AvePoint to capitalize on as every company is looking to implement AI in their tech stacks?

A - Tianyi Jiang {[BIO 20151191](#) <GO>}

Yes. You see -- we have already talked a lot about Agentic AI governance. That's the very hot topic. We have already done this in prior with the Power Platform governance, low-code and no-code application governance. And now we're working very closely with some of our largest global customers around Agentic governance. So this is actually a fantastic growth area. We're very excited about the results we're seeing in the field. So we think that this is something that's going to be a theme carrying forward in the next few quarters.

Operator

Our next question comes from Jason Ader of William Blair.

Q - Jason Ader {[BIO 1878505](#) <GO>}

Just wanted to ask a couple of things. First, just on the MSP business, the Elements business. I think you've said historically, that was around 15% of ARR. Any update there would be helpful. Any comments on the growth of that particular chunk of the business?

A - Tianyi Jiang {[BIO 20151191](#) <GO>}

Yes, Jason, great question. So we comment on the SMB segment. It's about 19% of our total recurring. MSP is part of that. It's not the whole subset of SMB, but MSP is a major portion of that and they become our intermediary to unlock the SMB market. That continues to grow very robustly. It's actually our fastest-growing vertical. We have made a number of major product expansions into the MSP offering, collectively is known as the Elements Platform. And also in the prepared remarks, you will hear that -- you heard that we actually apply some of the MSP use cases now to our enterprise customers when it comes to configuration, multi-tenant baseline management.

So there are actually really interesting new use cases that we developed and deployed for our MSP partners are now finding great ROI and use in the enterprise segment as well. So yes, we're very excited about the MSP vertical. It continued to be our fastest growing.

Q - Jason Ader {[BIO 1878505](#) <GO>}

And the \$100 million in ARR, is that the entire SMB? Or is that --

A - Tianyi Jiang {[BIO 20151191](#) <GO>}

That's the mid-market.

Q - Jason Ader {[BIO 1878505](#) <GO>}

That wasn't clear.

A - Tianyi Jiang {[BIO 20151191](#) <GO>}

Yes. We -- so that's -- enterprise for us is 5,000 employee and above. Mid-market is 500 to 5,000 and SMB is \$500 and below. So we stated before that enterprise is about 53% of our total ARR. SMB is 19%, and remainder is mid-market. And mid-market have exceeded \$100 million ARR.

Q - Jason Ader {[BIO 1878505](#) <GO>}

Okay. I got you. All right. Then one last one for you, TJ. Just -- you talked about on the NRR momentum, how the team is doing a better job of selling more of the portfolio to existing

customers, can you talk about a couple of the hits there, the products that the team is doing a particularly good job of cross-selling?

A - Tianyi Jiang {[BIO 20151191](#) <GO>}

Yes. It's really the control suite. It is the fastest growing -- continue to be, although resilience is also growing north of 20%. So it's really -- we think about this as a platform play. Gartner calls it Data Security Posture Management. So it is governance, it is security, it is data protection, ransomware detection and recovery. We consider that a platform play that where we do the really good land and expand and leverage the power of the platform. But now increasingly, conversation, especially in the enterprise segment is led by governance, as I mentioned earlier, especially focused on Agentic governance.

Operator

Our next question comes from Nehal Chokshi of Northland Capital Markets.

Q - Nehal Chokshi {[BIO 16526682](#) <GO>}

Congratulations on another set of great results. A couple of questions. First one is that your dollar-based net revenue retention rate increased to 112% from 111% a quarter ago. I don't believe that it is gross revenue retention rate driven because that was flat Q-on-Q. So can you give us some color as far as what is driving that improved DBNR?

A - James Caci {[BIO 22415888](#) <GO>}

Sure. I mean I can add a few things and then maybe TJ can add too. So appreciate you pointing that out, Nehal. But yes, TJ covered a couple in the prepared remarks, and we talked about some of the customers really expanding with us. We did have a number of large deals in the quarter, continuing to expand with our existing customer base. We also had really good NRR growth across all three of our customer segments. Again good cross-selling for us, we would really say that cross-sell motion of customers adopting and utilizing additional products within the platform.

So again it's been across the board. North America was very strong. EMEA is strong as well and APAC. So we had some really nice wins and again across industry segments as well. So again we had really good performance across all those aspects of the business. And NRR was just another one of those in terms of this cross-sell motion to existing customers.

Q - Nehal Chokshi {[BIO 16526682](#) <GO>}

Okay. Great. So it sounds like it's broad-based that's driving that basically, no single driver?

A - Tianyi Jiang {[BIO 20151191](#) <GO>}

That's right.

Q - Nehal Chokshi {[BIO 16526682](#) <GO>}

Okay. Then based on recent M&A activity, it seems like identity and access management is at the precipice of inflection driven by Agentic AI. Is there a corollary with respect to data access management space that AvePoint is still well known for?

A - Tianyi Jiang {[BIO 20151191](#) <GO>}

Yes. That's a great question. Well first of all, we're very excited to see our area of focus have a lot of activity and vendors looking to expand offerings to make it more of a platform play. Yes. We're no different. We've been -- we have done six acquisitions to date, and we'll remain acquisitive and have a strong balance sheet, as you can see, and we're growing profitably. So we'll remain -- continue on the lookout for partners and customers to offer additional capabilities on our platform, ideally organically integrate onto our platform to offer additional functionality. So yes, excited to see the activity in our space. This overall umbrella of data protection, posture management is a key growth area for us.

Q - Nehal Chokshi {[BIO 16526682 <GO>](#)}

I guess what I'm trying to point out is that policy creation and enforcement works across identity and data. Therefore, if identity is at an inflection point, does that mean also data access management must be at an inflection point?

A - Tianyi Jiang {[BIO 20151191 <GO>](#)}

Yes. I think you also called this out in your report, the delegated administration model that we have that's very unique that allow the end users to take on the accountability and responsibility to actually help the CISO teams, the security teams as well as IT teams to actually achieve a better quality data state faster. So you're absolutely right. So the data governance and control is very, very critical now especially with AI refinement and AI deployments.

Operator

Our next question comes from Gabriela Borges of Goldman Sachs.

Q - Gabriela Borges {[BIO 16951057 <GO>](#)}

TJ, I always appreciate your comments about AI adoption given the unique points of visibility that you have. What I want to ask you is about the durability of growth in the control suite. Do you think we're going through a period of time where new customer lands, customer cross-sell on control is particularly elevated because 2025 is the year where enterprises are waking up and really pushing to get their different data strategy sorted out before AI adoption such that we have a slowdown over the next 3 years? Or do you see enough in the installed base that this kind of momentum can be durable for several years and maybe several quarters as well?

A - Tianyi Jiang {[BIO 20151191 <GO>](#)}

Thank you, Gabriela. Great question. We actually think we're still in the early innings. While Microsoft have announced Copilot deployment, have a step-up function, is still in the low double digits. There's -- also previous quarter, we highlighted that it's not correct to just associate companies' AI adoption with their Copilot deployment because there's -- Microsoft's overall AI moniker is Copilot. There's Office Copilot. There's GitHub Copilot. Then, of course there's general cognitive services that's basically the front end to back-end commercially available large language models.

So we see up to 80% of companies are deploying some sort of AI, and that is what get us into and involve into the conversations. And as the Office Copilots continue to increase in penetration, we see more areas for our coverage. So I think we're still in the early innings. I don't see this slowing down anytime soon.

Q - Gabriela Borges {[BIO 16951057 <GO>](#)}

Excellent. Jim, the follow-up is for you. Could you just remind us what drove the services outperformance in the quarter and outsized growth relative to trend line?

A - James Caci {[BIO 22415888](#) <GO>}

Yes. So really, we have a global services business. We do some projects, more almost SI work in some parts of the world. We had a bunch of those projects conclude in the quarter that gave us some outsized performance in terms of revenue. So that contributed a little bit to the performance beat. We did expect those. We had planned for those. But again, it was nice to see them finally conclude and close out in Q2.

Operator

Our next question comes from Derrick Wood of TD Cowen.

Q - Cole Erskine {[BIO 23488340](#) <GO>}

This is Cole on for Derrick. TJ, I think this is kind of a follow-up to a question that was asked earlier. But can you just talk about how customer spend levels change as they move from getting ready to roll out production use cases for Copilot or even agents? Then once they're into production, like how their level of spend changes with AvePoint?

A - Tianyi Jiang {[BIO 20151191](#) <GO>}

Yes. We have seen spend level increasing with the focus around governance and also Agentic governance. I think last year is a year of experimentation. This year is a year of rollout. So experimentation typically come from just a separate bucket, but the rollout formally formalizes a spend for all AI-related work streams. So we think that's a positive from our perspective. This is also why we continue to see our governance suite to be the fastest-growing of our offerings.

Q - Cole Erskine {[BIO 23488340](#) <GO>}

Super helpful. Then, Jim, just one for you. You noted some longer-term contracts. Anything in particular driving that?

A - James Caci {[BIO 22415888](#) <GO>}

Not any one thing. We've seen, again across the board, our average contract length increasing, which was nice to see. I think I've probably shared on a number of calls that over the past 2 years, as people were really tightening their belts and looking at their budgets, it's been a battle in terms of getting people to sign longer-term contracts.

We put some effort around that, some structure and some discipline. I think it still makes sense for companies to committing longer term, particularly with some of the solutions we have. They shouldn't be solutions that are easily replaced or changed. So it makes sense to be signing. We saw a nice uptick this year, but it literally was across the board, not just one or two customers, but we saw a nice uptick. And again we want to continue to see improvements there and hope to see that going forward.

Operator

This concludes our question-and-answer session. I would like to turn the conference back over to the company for any closing remarks.

A - Tianyi Jiang {BIO 20151191 <GO>}

Thank you. Before we close, I want to take a moment to reflect on what this quarter truly represents. Surpassing \$100 million in quarterly revenue is a defining milestone for AvePoint and a clear signal our strategy is working. It's a testament to the strength of our platform, the trust of our customers and partners and the consistent execution of our global teams.

Over the past several weeks, I've sat down with our regional leaders during quarterly business overviews around the world. What's clear is that our teams are energized, aligned and laser-focused on the opportunity ahead. We're not just reacting to market shifts. We're anticipating them and building the solutions our customers and partners need to thrive in an AI-driven multi-cloud world.

We remain confident in our ability to scale this momentum. Our path to \$1 billion in ARR by 2029 is grounded in the progress we're making every quarter, and we'll continue to pursue that goal with the same discipline that's driven our profitable growth to date while accelerating innovation that sets us apart.

Thank you again for joining us today and we look forward to speaking with you more this quarter.

Operator

This concludes today's conference call. You may disconnect your lines. Thank you for participating. And have a pleasant day.

This transcript may not be 100 percent accurate and may contain misspellings and other inaccuracies. This transcript is provided "as is", without express or implied warranties of any kind. Bloomberg retains all rights to this transcript and provides it solely for your personal, non-commercial use. Bloomberg, its suppliers and third-party agents shall have no liability for errors in this transcript or for lost profits, losses, or direct, indirect, incidental, consequential, special or punitive damages in connection with the furnishing, performance or use of such transcript. Neither the information nor any opinion expressed in this transcript constitutes a solicitation of the purchase or sale of securities or commodities. Any opinion expressed in the transcript does not necessarily reflect the views of Bloomberg LP. © COPYRIGHT 2025, BLOOMBERG LP. All rights reserved. Any reproduction, redistribution or retransmission is expressly prohibited.