AvePoint, Inc.

Third Quarter 2026 Earnings Call

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CORPORATE PARTICIPANTS

James Arestia, *Vice President, Investor Relations*

Tianyi Jiang, *Chief Executive Officer and Co-Founder*

Jim Caci, *Chief Financial Officer*

CONFERENCE CALL PARTICIPANTS

Shrenik Kothari, *Baird*

Joseph Gallo, *Jefferies*

Adam Holets, *Bank of Montreal*

Todd Weller, *Stephens*

Benjamin Smith, *D.A. Davidson*

Jason Ader, *William Blair*

Kirk Materne, *Evercore ISI*

Erik Suppiger, *B. Riley Securities*

Derrick Wood, *TD Cowen*

Joe Vandrick, *Scotiabank*

Steven Brunner, *Northland Capital Markets*

PRESENTATION

Operator

Good day, and welcome to the AvePoint, Inc. Third Quarter 2026 Earnings Call.

All participants will be in listen-only mode. Should you need assistance, please signal a conference specialist by pressing star, then zero on your telephone keypad. After today's presentation, there will be an opportunity to ask questions. To ask a question, you may press star, then one on your telephone keypad. To withdraw your question, please press star, then two.

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

Thank you, Operator.

Good afternoon and welcome to AvePoint's third quarter 2026 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 in 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 included 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 third quarter 2026 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

Thank you, Jamie, and thank you to everyone joining us on the call today.

Q3 was another strong quarter for AvePoint, driven by $30 million of net new ARR that surpassed last quarter's record. Total ARR growth was 25% when adjusted for FX, the second straight quarter that this metric has accelerated. At the same time, our ongoing commitment to profitable growth enabled strong cash generation, giving us the flexibility to invest with conviction. This quarter, we did exactly that, focusing on our go-to-market motion for AgentPulse and our AI trust capabilities, because the opportunity in front of

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us is the largest in our Company's history. Simply put, AvePoint is the AI Trust Company. It's this market opportunity that I want to focus on today and why AvePoint is positioned to win it. Let's jump in.

Our customers are no longer asking whether to deploy AI agents. This is already taking place at every customer and prospect we meet. Instead, they face a growing trust gap, the distance between what their AI can reach, do and decide, and what anyone actually approved. They are asking whether they can trust these agents, a question confirmed by Gartner's findings that only 13% of organizations believe that they have the right agent governance framework in place today. It's not surprising that they are investing heavily to answer that question.

IDC found that enterprises are now allocating nearly 20% of their planned AI spending for governing and securing AI and agents. Our own state of AI research, which surveyed 750 enterprise leaders across industries and regions, also aligns with these findings. Nearly 9 in 10 organizations experienced at least one AI agent-related security breach in the past 12 months. As we tell enterprise leaders, your AI will find everything you forgot you had. Our promise to them is simple. We move them from unmanaged AI to measurable trust. These statements are resonating across the market, and it's clear that the demand is there for a complete agent management platform solution, a market that is ours to win.

Why do we believe this? There are three main reasons, and our Q3 wins show each of them in action. First, we are platform neutral by design and completely independent of what we govern. Enterprises today rely on multiple platforms and need one layer of proof that answers directly to them. Our AgentPulse solution provides centralized agent discovery, governance, and lifecycle control across Microsoft Copilot Studio, Google, Salesforce, Amazon, and now Anthropic’s Claude in one registry. While native tools govern their respective ecosystems, AvePoint governs all of them. This platform-neutral posture is winning us large enterprise customers.

One of Asia's largest e-commerce companies became a new AvePoint customer this quarter, choosing our Control Plus bundle to secure both Google Workspace and Microsoft 365 across approximately 40,000 users. They replaced their incumbent data security vendor because we could accurately discover sensitive personal information across both clouds, including native local language detection. The deal also shows that our Google momentum extends well into the large enterprise, and it reflects the broader strength we are seeing across Asia Pacific, where SaaS revenue growth accelerated to 28% in constant currency this quarter.

Second, trust starts at the data layer, which has been our focus since founding AvePoint 25 years ago. As we have said many times, an agent is only as trustworthy as the data it can reach. The first step to AI trust is making data AI ready by finding and fixing oversharing, labeling content, retiring stale or duplicate data, and curating grounding sources. We have spent 25 years managing our customers' most sensitive data, and agents are the next surface area for that same muscle.

One of the leading private research universities in the United States is a good example of the need for AI-ready data. Ahead of a broader rollout of Copilot and Gemini, they needed to find overshared and sensitive content across Microsoft 365 and Google Workspace, with a small IT team supporting 60,000 users across many decentralized departments. They chose AvePoint over a competing data security vendor for our unified governance across both clouds, along with our managed services to add capacity where their team was stretched.

Third, we cover the full agent lifecycle and keep the business resilient. We assure agents are discovered, owned, scoped, attested, renewed, and retired. Critically, we restore what an agent changed when something goes wrong. One of the largest natural gas infrastructure companies in the United States shows why that matters. A customer since 2023, they discovered roughly 3,000 agents had already been created across their environment, with no visibility into who owned them, what data they could reach, or how to manage their lifecycle. They quickly addressed these challenges by upgrading to our Control complete package in Q3, giving their security, compliance, and IT teams one place to govern agents in Microsoft 365 and Power Platform for approximately 7,000 users.

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As more organizations face rapid agent sprawl throughout their businesses, we have seen an acceleration in the adoption of AgentPulse. From Q2 to Q3, the number of AgentPulse customers grew by more than 50%, and the total number of agents that AgentPulse is managing more than doubled. During the same time, the percentage of our new ARR tied to Control bundles, each of which includes AgentPulse, grew approximately 65%. With many organizations just beginning to address this growing and evolving risk, we expect the healthy demand trends seen thus far to only continue.

We're also pleased to share that Gartner included AvePoint in its first ever magic quadrant for AI agent management platforms. A year ago, this category barely existed. Today, it is becoming central to how enterprises govern AI agents, and we're proud that AvePoint is part of it.

We also kept up the pace of innovation in Q3. We became the first to market with backup and recovery for Microsoft Copilot Studio agents. We also launched Kinetic Classification, which uses AI to classify data by sensitivity and retention, and keeps refining that classification over time, so the data agents rely on is labeled correctly. We expanded governance and protection across Salesforce, ServiceNow, AWS and Azure.

We also recently announced the AvePoint Trust Platform, extending our platform to the full AI estate, not only to the data and agents, but to the AI models and tools which enterprises are deploying faster than they can govern. The AvePoint Trust Platform is built around four disciplines, observe, protect, govern, and optimize, on a governance graph that joins global regulatory intelligence directly to each customer's business context.

The platform is built on the belief that AI is only trusted if you can prove it runs on governed data with least privileged access, and can be recovered when it fails. Combined with expanded support for Anthropic Claude, and MCP-connected agents, these enhancements reinforce AvePoint as the AI trust Company, and ongoing innovation will only deepen our competitive moat going forward.

These are clearly dynamic and fluid times, but the fundamental needs of our customers have not changed. They require integrated platform solutions for today's toughest data management challenges. As they accelerate their AI deployments, they need to see every agent, govern it across every platform, and recover when something goes wrong, so they can scale AI with confidence.

While the short-term winners are those making AI possible, we believe that the long-term AI winners will be those that ultimately make it trustworthy. With one control plane across the full AI estate, we are well positioned to lead this category as we continue on the path to our $1 billion ARR target by the end of 2029. Thank you again for joining us today.

I will now turn it over to Jim.

Jim Caci

Thanks, TJ, and good afternoon, everyone. Thanks for joining us today.

Throughout 2026, we have consistently demonstrated the strength and durability of AvePoint's financial model, delivering strong recurring revenue growth, expanding GAAP profitability, and meaningful cash generation, while continuing to invest in the opportunities ahead. Our third quarter results represent another step forward in that journey, reinforcing both the growing demand for our platform and our ability to execute consistently across the business.

As we look toward the end of the year and beyond, we remain confident in our ability to sustain attractive growth, generate strong cash flow, and drive long-term Shareholder value. Q3 had a number of highlights, including ARR growth of 25% after adjusting for FX, the second straight quarter that the growth of this key metric has accelerated. Record net new ARR of $30 million, representing year-over-year growth of 34%,

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the 14 straight quarter that this metric has been double digits. FX-adjusted gross retention rates reaching 90%, which to remind you, has been our target for several years. FX-adjusted net retention rates improving to 111%, the fourth straight quarter of GAAP operating margin expansion, as Q3 grew more than 130 basis points year-over-year and GAAP operating margins are now at 10% on a trailing 12-month basis. Finally, another strong cash flow quarter, as we generated more than $31 million of operating cash flow in Q3 and have generated more than $71 million year-to-date.

With that, let's dive a bit deeper into the quarter. Total revenues in Q3 were $131.1 million, representing 20% growth year-over-year on a constant currency basis and above the high end of our guidance. On a reported basis, total revenue growth was 19%. Q3 SaaS revenues were $105.5 million, representing 80% of total Q3 revenues and growing 26% year-over-year on both a reported and constant currency basis. Term license and support revenue was $8.9 million, continuing its expected decline and representing 7% of Q3 revenues, compared to 11% a year ago. Lastly, services revenues grew 21% year-over-year to $16.7 million and represented 13% of Q3 revenues, in line with a year ago.

Turning to our revenue performance on a regional basis. In North America, total revenues grew 20% year-over-year, driven by SaaS revenue growth of 24%. In EMEA, total revenue growth was 21% year-over-year, driven by SaaS revenue growth of 26%. In APAC, total revenues grew 18% year-over-year, driven by SaaS revenue growth of 27%. On a constant currency basis, EMEA SaaS revenue growth accelerated to 28%, while total revenue growth was 22% year-over-year. For APAC, SaaS revenue growth accelerated to 28%, while total revenue growth accelerated to 18%.

Switching to ARR, which we believe is the most important metric for Investors, we saw strong performance from all three regions in Q3, as North America ARR growth accelerated to 23%, EMEA ARR growth was 27%, and APAC ARR growth accelerated to 27% on an FX-adjusted basis. Taken together, we ended Q3 with total ARR of $495.1 million. This represents 27% year-over-year growth and 25% after adjusting for FX, which was an acceleration from Q2. As a result, Q3 net new ARR was a record $30 million, representing growth of 34% year-over-year.

I'd also like to point out that our North America business reached $200 million in ARR in Q3 and congratulate the team on another strong quarter of execution. On a reported basis, North America ARR growth was 23%, EMEA ARR growth was 32%, and APAC ARR growth was 27%. The broad-based demand we see also applies across our customer segments, each of which grew roughly in line with our total ARR growth, and I would call out a few additional highlights.

First, the year-over-year growth in the number of both our enterprise and mid-market customers was the highest we have ever achieved. Second, we ended the third quarter with 976 customers with ARR of over $100,000. This represents 28% growth year-over-year, which is both an acceleration from Q2 and the highest growth for this metric in four years. The 65 net additions to this cohort were also the highest we have ever delivered. Lastly, our larger customer cohorts of greater than $250,000, greater than $500,000, and greater than $1 million of ARR each grew comfortably above 30%. Taken together, these results continue to show the durable and accelerating enterprise demand for our ability to solve their most critical data management challenges.

Similar to last quarter, the strong demand from our enterprise segment was matched by our smaller customers, as the year-over-year growth in the number of our SMB end customers was the highest in eight quarters. Our continued success here is attributable to the rapid growth of our MSP practice, where ARR grew 40% year-over-year in Q3, and to our strategy of driving more business through channel partners. This led to 72% of our Q3 incremental ARR coming through the channel. As a result, 60% of our total ARR today comes through the channel, compared to 56% a year ago. As we continue catering to companies of all sizes, our channel investments will remain a top priority in supporting our commitment to profitable growth.

Turning now to our customer retention rates, which are adjusted for FX. As I mentioned, our Q3 gross retention rate was 90%, and our Q3 net retention rate was 111%, both of which were an improvement from

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Q2. To remind you, 90% plus has been our GRR target for several years, and with our actions demonstrating ongoing progression over this time, we are pleased to achieve the goal this quarter. These actions include investments in our customer success teams, especially in North America, where our improved efficiency and greater utilization of telemetry and analytics has driven a meaningful improvement in the retention rates of the accounts where we leverage a pooled customer success strategy.

Lastly, we are pleased to achieve this goal while still facing the two-point headwind from our migration products, given their naturally lower retention rates. On a reported basis, Q3 GRR was 90%, and Q3 NRR was 112%, both of which were improvements over Q2.

Turning back to the income statement, Q3 gross profit was $95.4 million, representing a gross margin of 72.8%. This compares to 75.1% a year ago, and while the year-over-year decline is again the result of lower services gross margins, the 83% gross margins on our software products is in line with both the prior quarter and prior year. Q3 operating expenses totaled $73.4 million, or 56% of revenues. This compares to 53% of revenues a year ago, reflecting our increased investments across the business in 2026.

As a result, Q3 non-GAAP operating income was $22 million, which represents an operating margin of 16.8%, and at the high end of guidance. Importantly, we continue to focus on GAAP profitability through our ongoing management of stock-based compensation, which was 8% of Q3 revenues, compared to 10% a year ago. As a result, Q3 GAAP operating margins were 8.7%, and expanded more than 130 basis points year-over-year, and are 10% on a trailing 12-month basis. For the Rule of 40, which is the sum of revenue growth and free cash flow margin, we finished Q3 at the Rule of 44 on a trailing 12-month basis.

Turning to the balance sheet and cash flow statement, we ended the quarter with $418.3 million in cash, cash equivalents, and short-term investments. For the first nine months of the year, operating cash flow was $71.6 million, or a 19% margin, while free cash flow was $67.7 million, or an 18% margin. This compares to operating cash flow of $55.6 million and free cash flow of $52.6 million in the same period a year ago, representing year-over-year growth of 29% for both metrics.

Turning now to share repurchases, an important pillar of our capital allocation philosophy. In Q3, we spent approximately $31 million to repurchase 2.3 million shares. Combined with our first-half actions, we have spent approximately $142 million to repurchase 12.6 million shares this year. Compared to the first nine months of last year, we have repurchased more than seven times as many shares at approximately 70% of the cost per share. These repurchases have more than offset the dilution from our employee equity programs, reducing shares outstanding by a net 5 million year-to-date. We have approximately $89 million left in our share repurchase program, and we will continue to be opportunistic in evaluating additional buybacks.

Before I turn to guidance, I'd like to provide two additional financial updates. The first is that we recently entered into an agreement with JPMorgan for a new $100 million revolving credit facility, replacing our existing $30 million credit facility at what we believe are very favorable terms. While we have not needed to leverage these facilities to fund our business, this new upsized facility alongside our strong cash position gives us the confidence to continue executing on the three key pillars of our capital allocation strategy, investing in the business, strategic M&A, and returning capital to Shareholders through share repurchases.

Second, we were pleased to be added to the S&P Small Cap 600 Index earlier this week, which is another important step in our evolution as a Public Company and reflects the continued financial maturity of our business. This is especially true given the Index's requirements tied to gap profitability, where we have emphasized for many quarters as a differentiator between AvePoint and many other software companies of all sizes.

Turning now to our guidance, where we are again raising our expectations for full-year ARR by $1 million at the midpoint. Additionally, our updated full-year outlook for revenue and non-GAAP operating income includes the full Q3 outperformance relative to guidance, and our outlook for all metrics includes the current expected impact from the fluctuation in foreign exchange rates.

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As a result, for the fourth quarter, we expect total revenues of $138.4 million to $140.4 million, or growth of 22% at the midpoint, both on a reported and constant currency basis. We expect non-GAAP operating income of $24.7 million to $25.7 million, representing an operating margin of approximately 18% at the midpoint, a step up from Q3, but below the prior year as we continue to invest behind our AI trust capabilities. For the full year, we now expect total ARR of $524.8 million to $528.8 million, reflecting the $1 million raise at the midpoint I just mentioned, which is growth of 26%, both on a reported and FX-adjusted basis.

We now expect total revenues of $511.3 million to $513.3 million, or growth of 22% at the midpoint. This includes the Q3 beat of $1.9 million. On a constant currency basis, we continue to expect revenue growth of 21% at the midpoint, although this reflects a modest acceleration from our prior guidance. Lastly, we now expect full-year non-GAAP operating income of $87.5 million to $88.5 million. We have again included a slide in our Investor presentation that provides a walk from our prior full-year guidance in August to today's updated outlook.

In summary, Q3 showed accelerating demand with FX-adjusted ARR growth accelerating for the second consecutive quarter, record net new ARR, and additions to our $100,000 customer cohort, and the achievement of our 90% gross retention target. Importantly, we delivered these while continuing to invest with discipline and return capital to Shareholders. As we look to close out a strong year, we remain focused on profitable growth and on our path to $1 billion of ARR by 2029.

Thanks for joining us today. With that, we would be happy to take your questions.

Tianyi Jiang

Operator?

Operator

Thank you. We will now begin the question-and-answer session. To ask a question, you may press star, then one on your telephone keypad. If you're using a speakerphone, please pick up your handset before pressing the keys. If at any time your question has been addressed and you would like to withdraw your question, please press star, then two. At this time, we will pause momentarily to assemble our roster.

The first question comes from Joseph Gallo with Jefferies. Please go ahead. Mr. Gallo, your line is open. Please go ahead with your question.

Okay, we'll move to the next question. The next questioner is Shrenik Kothari with Baird. Please go ahead.

Shrenik Kothari

Hey, thanks for taking my question. You have been highlighting improving U.S. public sector traction following a difficult period last year with the second half expected to benefit more. It was interesting to hear the wins around multi-cloud, data governance, AI readiness, all of that. It sounds really encouraging. Just wanted to understand how much of the recovery and the strength you saw reflects some of these sort of procurements finally converting versus more broadening of demand for the resilience and the AI governance. As you look into 27, how should we think about the public sector returning to their historical growth contribution and the larger opportunity emerging from these new use cases? I have a quick follow-up.

Jim Caci

Sure. Thanks, Shrenik. I think you're right. We talked about it last quarter, and I would describe it similarly, that we talked about our public sector in recovery mode this year. I think we saw that for the first two

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quarters, and we saw it again here in the third quarter, where we saw really good performance, particularly compared to last year. But I would say there's still room to grow. I don't think we're back to 100%. I think that's both encouraging because we had really nice contribution in Q3, but I think that gives us hope and really optimism for really improved performance in 2027. I would still have called this year recovery, but I think we're going to see expansion in 2027. We're looking forward to even more contribution in '27.

Shrenik Kothari

Great. Very helpful, Jim. Then TJ, there's definitely clear substantial interest in agent governance and AgentPulse numbers that you disclose growing 50% sequentially and agents under management doubling or more than doubling. I wanted to understand just the distinction between customers trying to discover these unmanaged agents as illustrated by your example around the energy customer versus those deploying them at scale into business-critical workflows. Where are we right now? What are you seeing in respect to that transition happening most rapidly? Is spending being unlocked or starting to get unlocked by this kind of more broadening of access, or it's still compliance, runway costs? Just wanted to understand what are the trends here.

Tianyi Jiang

Yes, thanks for that. We see a lot more agents running within enterprise. Again, it could just be smaller workloads. It doesn't necessarily being the critical workflows that you're referring to. We think that companies actually doing the critical workflows with agents are still top 1%, if you will. Majority of the organizations are still very much leveraging AI to do basic tasks. Of course, we are there to help them discover and uncover agents and making sure that we can control the risks, lay down the guardrails. At the same time, we also do this cost analysis for enterprise customers as well.

Operator

Thank you. The next question comes from Joe Gallo with Jefferies. Please go ahead.

Joseph Gallo

Hey, guys, thanks for the question. I'm sorry about earlier, my call dropped. TJ, you talked a lot on the call about you being a neutral bodyguard, and that's what's needed in agentic security. I know the pitch versus the mega platforms, but when you consider pure play cyber vendors or other cyber resilience vendors, they have a similar pitch in terms of being that neutral bodyguard. Can you just go through a little bit more what the differentiation is there? Is it the depth on Microsoft? Or what are the one or two selling points you have against the more pure play cyber vendors in terms of agentic security?

Tianyi Jiang

Yes, that's a great question. If you look at the Gartner Magic Quadrant around agentic management platform, we are one of the only 13 vendors listed there given our rich history around specific unstructured data analysis and also our governance graph that actually tracks various signals and looking at how actually these agents, what system they're touching, what data they're touching. Our grounding is very different than the traditional cyber players.

The cyber players are very focused around periphery, very focused on identity management. We are very much focused on data because we come from data content management space. Data access and also what do these agents do in terms of modifications, changes, and if those causes damages, when we do the remediation. Recovery as well as, of course, cost monitoring. We think that our approach is very different. It's not a peripheral or aggressive external facing cyber posture, but more internal collaboration, productivity type of governance. It's a different perspective. It is a very big space.

Joseph Gallo

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That's really helpful. Thank you for that. Maybe just as a follow-up, Jim, you talked about capital allocation. You've obviously leaned into share buybacks in the past year, but when you think through investing in your internal business, where's the higher ROI? Is it building out the go-to-market and pushing the pedal to the metal on that side, or is it building out the product portfolio with M&A? Is there anything that you need on the agentic side that we should kind of expect you kind of build out? Thank you.

Tianyi Jiang

Thanks, Joe. I think the beauty of where we sit today is we do have the flexibility to do more than one of the things you mentioned. With our strong balance sheet in terms of our cash position, in terms of our free cash flow generation that we're creating every quarter, we do have a lot of flexibility that we can actually execute on all three of our capital allocation strategies.

The first, as you mentioned, investing in the business, I think we've demonstrated that. We talked about it last quarter, about some of the investments we're making in our sales and marketing efforts and the go-to-market strategies that we're employing. I think we want to invest there, and we're doing that. In addition to that, we still have enough capital, obviously, to look at M&A opportunities to provide incremental benefits to the platform that we have and where we can shore it up and where we can add incremental value to it. We're doing that as well.

Then third, we're obviously, as you mentioned, significantly repurchasing our shares and being very opportunistic when we do that. We've really done all three, and I'm happy that we're in a position, the business is executing really well, that we can do that not only today but tomorrow.

Joseph Gallo

Thank you very much.

Operator

Thank you. The next question comes from Adam Holets with Bank of Montreal. Please go ahead.

Adam Holets

Hi, thank you for taking the question, and congrats on the good results. I want to ask a question similar to Shrenik on AgentPulse, but I believe the last quarter you mentioned you guys offered two different flavors of it, one for visibility and one for more actionable items. I'm curious, which one is resonating more with customers? Then secondly, for that more advanced offering, how far down do they go to the path of execution? Thank you.

Tianyi Jiang

Great question. What we actually, AgentPulse allow you, customers to discover agents and then bring under management and when there's outages to remediation. Also importantly, we also support this concept of democratization of agent management, so keeping the human in the loop to bring about good governance posture changes in the enterprise. I think what you're referring to specifically is that previously we had included AgentPulse as part of the Control bundle, and in July we actually made AgentPulse a singular SKU that customer can just deploy that as the first solution at that point.

That's going very well, and we think that from a material perspective, it will go into next year. That's where we will see the good growth impact. But overall, I think from a functionality perspective, it is our overall governance and management posture around AI.

Adam Holets

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Thank you.

Operator

Thank you. The next question comes from Todd Weller with Stephens. Please go ahead.

Todd Weller

Thanks for taking the question. TJ, on the resilience side of the business, can you give us an update on kind of the trends you're seeing there, growth trajectory drivers, and then how much is being driven there from new customer acquisition versus expansion, whether that would be seats or upselling suites?

Tianyi Jiang

Yes, on the resiliency side, it's continued to be a very strong grower for us, along with Control and modernization. It's really, we don't see massive seat expansion. When we license, we do license based on the entirety of the enterprise employee count. When we do see expansion from existing customers, it's really more features and SKUs that we upsell. It's not so much from the seat expansion itself. But then new customers, it's 50-50. We not only grow from our existing customers from upsell and cross-sell of new products, but we also have new customers from new logos that contribute to our new ARR growth.

Todd Weller

Are you seeing any AI tailwinds on the resilience side of the house at this point?

Tianyi Jiang

Absolutely. We think that part of the reason that resilience continues to be a very important aspect of our platform, it is that AI tailwind from potential risks and damages that processes operating at machine speed will do. Fundamentally, our history has been in the governance and management and protection of collaboration across human actors. Of course, now it's a step up into agentic AI era where these things are operating machine speed. Same guardrail, same framework. It just elevate up into the AI trust layer that we talk about, the AI trust platform.

Todd Weller

Thank you.

Operator

Thank you. The next question comes from Rudy Kessinger with D.A. Davidson. Please go ahead.

Benjamin Smith

Hey, this is Ben Smith on for Rudy. Thanks for taking the question. Nice to see GRR hit the 90% target there. Where can we go from here? Is it possible that we see further improvement into the low 90%s over the next year or so? Then I had a follow-up as well.

Tianyi Jiang

I'm pointing that out again so we can reiterate. Yes, I agree. We're really pleased with the attainment of that 90%. It's been our long-term target now for a couple years to get the 90% plus. Really pleased with the team's execution and being able to deliver that 90%. I don't think it's the end. I do think there's still room to go, room for improvement. Some of the things that we've been executing on the last couple years, I still

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think there's a lot more we can be doing. We do think there's improvement. We've invested a lot in technologies, as you know.

We've talked about over the past couple years. We're going to continue to invest. You may have seen a recent press release that we put out where we added for the first time a Chief Customer Officer, again, demonstrating our commitment to ensuring that our customers are receiving the absolute best from us and ensuring they get the full value of our platform and making sure they can take advantage of all we have to offer and solving as many of their challenges as possible. We're going to continue to invest in this area. I agree. I think we could definitely see a couple percentage point improvement here over the next couple years.

Benjamin Smith

Great. Yes, it's nice to hear. Then I know we'll probably get an update at year end, but is there any color that you can share on how the different suites did in Q3 and year-to-date so far?

Jim Caci

Yes, we're seeing really good growth really across all the suites. I mean, TJ just alluded to it. You would think, obviously, that governance alone would be the headline, but I think the AI agentic world now is really focusing people's attention on not only what the agents are doing, but their ability to recover and the resilience that is needed. The conversation may start out talking about how are we governing agents, but it quickly goes into other aspects of what the customers actually need, which is really a holistic solution. That's been working really well. We're seeing growth really across all three suites in the platform.

Operator

Thank you. The next question comes from Jason Ader with William Blair. Please go ahead.

Jason Ader

Yes, good afternoon. Thanks. TJ, your growth has been incredibly consistent. I'm talking about ARR kind of in that mid-20%s range. What would it take for you guys to really accelerate that to, let's say, closer to the high 20%s or even 30%? Is it a specific SKU? Is it better cross-sell execution or something else that could get you there?

Tianyi Jiang

Thank you, Jason. Clearly we're also increasing some investments, as we started talking about last quarter as well that the reason for that is we do see the market opportunity. We're leaning into that. The launch of AI Trust Platform is another indication of how we're elevating our overall broader offering to lean to the market opportunity. You will hear more from us in the coming weeks and months as we refine that through Ignite and into next year. We also have Investor Day coming up in March. But, yes, effectively we are aiming to do exactly what you're referring to, to accelerate the growth here because the market opportunity is massive.

Jason Ader

Okay. Just to be clear, so you're saying that it'll likely be new AI products. Is that the right way to think about it?

Tianyi Jiang

The bigger TAM is the AI Trust opportunity. That's layered on top of our data and infrastructure trust and governance. That's for sure.

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Jason Ader

Got you. Okay. Then one quick follow-up on the Microsoft relationship. I'm not sure if you guys said this on the call. I might have missed it. I think you've said that the $1 billion ARR target in 2029, that does not require significant expansion into non-Microsoft workloads. Is that correct?

Tianyi Jiang

Yes, we always say that for our trajectory, our growth trajectory, we could do it both organically as well as even just focus on our current concentration. We'll be able to do that. Of course, we have more multi-cloud opportunities and now of course, AI opportunities to lean into. There's no shortage of growth opportunities here.

Jason Ader

You still stand by the 30% of ARR long-term coming from non-Microsoft workloads?

Tianyi Jiang

Up to, yes. We still stand by that, yes.

Jason Ader

Okay. Thank you.

Jim Caci

Yes, and I think as you were saying, Jason, that it could be up to 30%, but it's not a requirement for us to get to a $1 billion, as TJ was alluding to, multiple vectors to get there. Again, we just have multiple paths to do that.

Operator

Thank you. The next question comes from Kirk Materne with Evercore ISI. Please go ahead.

Kirk Materne

Yes, hi. TJ, I was curious, to the earlier question on sort of competition with the cyber guys or the traditional cyber guys. I mean, you guys have always come at things from a data perspective. But as people start to link data with security going forward, is that allowing you to tap into more traditional maybe IT security budgets? Do you see the conversations you have expanding perhaps more outside just the core IT folks into cyber? I was just kind of curious if the broader trends in terms of as agents come in and the importance of data is getting you into a little bit more of a cyber conversation than you've had previously.

Tianyi Jiang

Absolutely. That's actually a very intentional evolution. We historically talked to IT, like you mentioned, but more and more we talk to security, talk to CISOs and information security officers, because this is evolving surface area. What we do, obviously, is data centric, but now extending to AI trust. That very much has to do with security concerns. Of course, there are a lot of areas that we can expand into, including identity management. It's a very exciting area. We're very pleased to see so far, one, the Gartner recognition, but also the industry uptake by both our customers and partners.

Kirk Materne

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Great. Then just as a follow up, you guys had some really nice momentum in your sort of bigger customers and some of the cohorts of customers above $100,000. Do you feel like you're taking share there? Meaning, is the growth coming from just the activity level in the market, meaning, or do you feel like you're actually getting more people to kind of consolidate on your platform? It's not just sort of a market dynamic. You're taking share as well. Thanks.

Tianyi Jiang

There is definitely a consolidation dynamic here. Increasingly, we see customers prefer platform vendors. Also, the trust of rigor when it comes to enterprise security in cloud. That's paramount. Even in the last quarter alone, we've seen some vendors went through some challenges there. There's platform. There's security credentials and credibility and track record. Also now with AI really being mainstream, especially in form of agents, there's been a balancing of budgets, buckets that we can go after as well.

Kirk Materne

Great. Thanks, guys.

Operator

Thank you. The next question comes from Erik Suppiger with B. Riley. Please go ahead.

Erik Suppiger

Yes, thanks for taking the question. It looks like you're still standing by your target for '29 for operating margins of 27.5%. Can you talk about the trajectory for getting there? I think 2026 has been a year of investment. How are you thinking about 2027 in terms of how you are spending relative to '26?

Tianyi Jiang

Yes, thanks, Erik, for the question. Obviously it's a little early to be providing guidance for '27. But I appreciate the question in terms of directionally. You're right. '26 was definitely an investment year. We've definitely stepped back in terms of the operating income. Clearly we're still delivering very nice operating income, but below where we were last year. That was intentional, an investment year. I do expect us still to be on the trajectory to get to those levels that we have projected for 2029.

We've always said it wouldn't necessarily be a linear trajectory. I don't think I'm prepared yet to say exactly what '27 will be. But we do still feel committed to get to those levels by 2029.

Erik Suppiger

Then real quick, just following up on Jason's question, can we still assume that Microsoft is still 90%-plus of where you're generating your ARR today?

Jim Caci

Currently, yes. That ecosystem is where we generate most revenue today.

Erik Suppiger

Thank you.

Operator

Thank you. The next question comes from Derrick Wood with TD Cowen. Please go ahead.

Derrick Wood

Great. Thanks. Congrats from me. Great to hear the acceleration and AgentPulse. A couple of questions, I guess. I mean, is most of this coming from the Microsoft ecosystem or are you starting to see more activity in Google? Just like any specific verticals that are proven to be early adopters? Lastly, I mean, as you position more as an agent management platform, are you running into any different types of competitors?

Tianyi Jiang

Yes. Great question. It's definitely not only the Microsoft space when it comes to AgentPulse. We in the prepared remarks, actually cite an example in the Google space as well as Anthropic. We cover that. In terms of competitive landscape, this is a very fast moving and growing area. There are different vendors going at it from a different angles, as I've mentioned earlier. Some come from an identity management perspective. Some come from external aggressive attack defense perspective where we are looking at effectively internal governance and collaboration guardrails where our governance graph essentially have allowed privacy and cyber teams to actually adhere to EU, AIX, NIST, ISO and other different good governance controls around AI.

They really run the spectrum from industry. We have grocery chains. We have analyst firms; we have Pharma as well as FinServ. Also, what's really interesting is that we see the sales from a population perspective. They proportionally also come from enterprise as well as medium to small businesses. Also, North America, EMEA and Asia. We actually see demands from all the segments and all the geo we operate on. That's very encouraging to see.

Derrick Wood

Great. Jim, follow up for you. We're hearing, I think, the number of agents managed by existing AgentPulse customers doubling. I think that's the second straight quarter where that's been doubling. I just wanted to ask how that translates into revenue. I mean, does revenue scale with agents managed? Are there bands that customers are in and ultimately burst out of or are there not really any volume limits right now?

Tianyi Jiang

Right now, we actually license them just like how we license the rest of our subscription software by a number of employees and companies. Because we see that at these initial stages, it's important to not have any friction and also give customers that predictability of subscription costs. From a budgeting perspective, we see a lot of our CFO approvers, much rather the subscription type of modeling versus consumption. We are doing right now still seat based licensing.

Derrick Wood

Thank you.

Operator

Thank you. The next question comes from Joe Vandrick with Scotiabank. Please go ahead.

Joe Vandrick

TJ, you talked about the AgentPulse opportunity, some big platform wins, talked about winning in larger enterprises. I think you started to answer this question just a minute ago. But I guess is AgentPulse helping you get a foot in the door with enterprise customers that maybe historically have been a little bit harder for AvePoint to reach? Any commentary there would be helpful.

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Tianyi Jiang

Yes. I mean, this is actually the exact reason why we made it a unique SKU by itself, because we do see the demand there and opportunity to become a new tip of spear for us to get into new accounts.

Joe Vandrick

Okay. That's helpful. Then one for Jim. Last year we saw a really nice jump in 4Q '25 net new ARR. If seasonality holds, it would seem like there's possibly some upside in 4Q. But any thoughts about what's baked into the 4Q guide would be great to hear.

Jim Caci

Yes. Obviously when we exited Q2 and we provided guidance for the second half of the year, we were committing at that point to $60 million of incremental ARR. We just delivered $30 million. At the time I had said that, you know, it seemed like it was going to be roughly 50-50 between Q3 and Q4. We delivered $30 million. We're raising our guidance by a $1 million for Q4. We feel good about that in terms of it's an acceleration, which reflects the momentum we're seeing. But, again, we feel good about that number. It would be really good growth for Q4 as well. As you pointed out, Q4 was really strong last year. Q3 was a little stronger this year than last year because of the public sector. But we feel good about the number we just put out for Q4. We're excited about closing the year strong and delivering another set of really good results.

Joe Vandrick

Very clear. Thank you.

Operator

Thank you. Our last question comes from Stephen Brunner with Northland Capital Markets. Please go ahead.

Steven Brunner

TJ, you mentioned that AgentPulse customers grew more than 50% Q-over-Q. Would I be wrong to assume that that is AgentPulse customers with Control bundles attached, given that AgentPulse wasn't split out since July?

Tianyi Jiang

That is correct. The majority of the pickup is the bundle. The unique SKUs only started in July, yes.

Steven Brunner

Is there any possible indication you can give us on how well the standalone has done in the three, four months since it's been split out?

Tianyi Jiang

Yes, from a pipeline perspective, it's very good. As I mentioned earlier in the Q&A, the actual net closing and revenue impact, we expect more to be next year. You will hear a lot more on us as part of our AI platform launch to expand those capabilities in the coming months and quarters.

Operator

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Thank you. This concludes our question-and-answer session. I would like to turn the conference back over to TJ Jiang, CEO, for any closing remarks.

Tianyi Jiang

Thank you for joining us today.

I'll close where I started. Q3 was another strong quarter. Record net new AR, FX-adjusted AR growth accelerating once again. Our 90% growth retention target achieved, all while we continue to invest with conviction. But what excites me most is what's in front of us. Our customers are no longer asking whether to deploy AI agents. They're asking whether they can trust them.

With strengthening demand for AgentPulse and the AvePoint Trust platform, extending governance across the full AI estate, we're moving our customers from unmanaged AI to measurable trust. This is the largest opportunity in our Company's history. We're investing to capture it. AvePoint is the AI trust Company. Our conviction in the path to our $1 billion AR target has never been stronger.

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

Operator

The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.

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