AvePoint

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Richard Poland: All right, I think we can get started here. I'm Richard Poland on the Wells Fargo Software team. I'm delighted to be joined by Jim Caci, the CFO of AvePoint, and Mario Carvajal, the Chief Strategy and Chief Marketing Officer. Thank you, guys, for joining. And I think a good place to start, just to level set the conversation is, tell me a little bit about the AvePoint story. You guys have come a long way since the early days, but would love you to just kind of take us through some of that evolution of the company.

Mario Carvajal: Yeah, sure. I'll start. Richard, thank you for having us. Thanks for listening in. Yeah, we started building our business at a time where infrastructure management was really important for organizations, the ability to recover when distributed apps would crash or not work, and so we concentrated mostly on the data set. We thought about, what's the best way to recover data for continuity of information? We focused on recovery time objectives and that started helping us really develop a platform strategy from the start.

You fast forward that storyline at a time where organizations started moving to cloud infrastructure, and we decided to take our data protection story to the cloud. This was around 2008. We then successfully built a cloud infrastructure platform that would allow us to help organizations really think about the challenges in managing data holistically. From the start, we've concentrated mostly on regulated industries. We were very fortunate that we had the opportunity to work with some of the most sophisticated organizations and also public sector agencies. And what this gave us was the ability to really focus on, how do you properly control and govern data through its entire lifecycle?

Today, we ship a pretty comprehensive platform that not only supports organizations across different cloud service providers, but also different data repositories. Our application today is not only helping you employ data protection, but do it in a modern way. And what we often focus on is implementing the right guardrails in place to help you understand if sensitive data is being overshared. Or if you have datasets that are redundant, obsolete, how do you ensure you remove risk from the organization?

And believe it or not, there are many organizations that are challenged by this. The complexity of the digital workplace environment has had exponential growth after the pandemic. Where many organizations are using different cloud service providers as well as SaaS applications, and you mix that in with legacy systems, and you have a pretty challenging task in front of you, so we do that. And of course in the last I would say 28, 36 months, all of this was amplified by the ability for organizations to consider what is

AI and how do we implement AI effectively.

I think our story and foundation and understanding data repositories, data structures, our ability to focus primarily on unstructured data, which is the kind of data that we generate every day, whether it's through videos or chats or transcriptions or emails, and interactions we have with our supply chain partners, our customers. That data, believe it or not, represents about 90% of what enterprises are generating every day. And so, when you're in a position where you can offer them an end-to-end data management story in an effective way, then I think you're very meaningful to organizations and that's one of the reasons why we've been very fortunate to have had the performance track record we've had.

Richard Poland: Awesome, that's a great overview. If we think about the AI story, this morning you guys launched AgentPulse Command Center. Can you tell us a little bit about that and just kind of how it fits into the broader AI vision with AvePoint?

Mario Carvajal: Yeah, so thank you for mentioning that. We are excited. Microsoft Ignite, which is Microsoft's big conference, is taking place now in San Francisco. And this morning, we put out our announcement of launching AgentPulse. It was really in response to a lot of demand we've had from enterprise organizations across regulated industries that have said to us over the last year and a half, we're ready to turn on whether it's a generative AI commercial off-the-shelf product or build our own agents, but we're concerned about oversharing data, the identity these agents are going to operate under, and the ability quite frankly, to roll back in case there are interfering actions taken by the agents.

On one side of the equation, you have the ability to automate and really have agents do a lot of the processing of information. But on the other side, the concern is, what if an agent goes rogue? And how do you actually protect the organization? AgentPulse is a product designed to first monitor agents that are either built on Microsoft stack or Google stack or any other platform control plane that's being built by the hyperscalers. Our intention is to be multi-cloud. The product allows you to do a quick analysis and tell you within the organization how many agents you've deployed, what they're actually doing, what identity they're using. And more specifically, what kind of data transfer is occurring across the agents.

This command center is meant to give you full control and visibility, and it helps you immediately start to remediate when issues are starting to come up. We have the ability to also interoperate with Microsoft's 365 agent, which they also announced this morning, and Gemini Enterprise is coming next. And the goal there is that those platforms will be the control plane. And what we will offer, AgentPulse, is again, properly named the command center for you to take action, for you to actually know how to remediate. And this is really important to regulators, security officers, folks that need to audit the environment.

We're excited about it. And it is something that we started working as soon as ChatGPT launched in 2022. We knew that we wanted to be one of the first in market to introduce the guardrails for agents. We began last year doing some stuff around Power Platform, which is Microsoft's power low-code platform, where they started shipping Copilot Studio, and that gave us the confidence that we were able to really ship a more robust capability. That's the result of the other work we've done with AgentPulse.

Richard Poland: That's great. I think another recent theme that's come up, especially on the most recent earnings call, is federal. And so, Jim, you kind of talked a little bit about how the intent around maintaining the ARR guide was to kind of create some flexibility around what

could happen in the federal space. We had the shutdown and now it seems like things are opening back up on the federal side. I guess just any context for kind of what you saw on the federal side, and now that the shutdown is opening back up, like how should we think about that?

Jim Caci: Yeah. Thanks for bringing it up. We spent some time on the earnings call talking about it, but right from the beginning of the year, we thought about the uncertainties that we really saw with the public sector in general and more specifically federal. And that really came from not only the activities of DOGE that I think got the headlines in terms of what was actually happening and maybe agencies that were specifically targeted for activities that were going to go in and carpet bomb the agency and then kind of rebuild it.

But also, just the uncertainty that that created amongst other agencies that weren't even targeted. There were a bunch of resignations. There were people that were fired in other agencies. Just lots of turnover. And that turnover for us just creates a punch of uncertainty. And then what we saw in general across the board in really all of our federal sector was just a lot of delays in terms of just getting things through the system, as you would expect.

And we heard this from some of our peers as well. We did have some impact directly from DOGE, but then there was just more impact really from the uncertainty. Definitely, our federal business from a growth rate was much lower in '25 than it was in '24. That was then reflected in our North America growth year over year of about 21% which was still very good, but was definitely negatively impacted by the federal space. That definitely had a negative drag in Q3.

Now, the good thing for us is that despite that, we actually had a very good quarter in terms of 26% overall growth, so that was healthy. And then now with the government being open, that's a good thing. And it was interesting, I was just having a conversation with somebody a couple of minutes ago, and it's interesting that the government though is not a speedboat. So even though the government is "open", it's not as if, oh, that means everything that was in backlog or everything that may have been paused is now immediately put through the system. It is a process and an engine that needs to go through.

We're sitting here in the middle of November, and I think we were pretty thoughtful of what we thought the outcomes could be in Q4 for the government shutdown. We didn't expect that it would last the whole quarter. But even with it opening up, there's still a process to actually happen. Deals that we are hopeful are going to get through, there's still no certainty because you have to get through not only the approval process, but then it has to get through procurement and actually has to get closed prior to the end of the year. And there's lots of deals that are in that stage.

We're hopeful. But obviously, I think it's still going to be -- you're going to see a lot of people talking about federal in Q4 as well, just because of that kind of backlog. But again, we felt like right from the beginning of the year, we factored in a lot of this. We feel good about the guidance we provided for the year, and we feel we're going to end the year strong. And that sets us up nicely for next year, which again, we're optimistic of a good start in '26 to our target of really 4 years out getting to $1 billion of ARR. We feel like we're 4 years away. When we first made that commitment, we were 5 years, so now we've got a year in the books at roughly 26% growth. We feel good about now continuing that trek to $1 billion.

Richard Poland: That's great. It's a great pivot point. I want to ask you about next year's guidance. But if

we think about that $1 billion target, it kind of implies sustaining that mid-20s growth rate through 2029. How do we think about like all the growth levers you have to pull there? Is there a way to kind of distill or break it up into chunks?

Jim Caci: You know, there is, and I'm glad you brought that up. Because somebody asked me this question. We made the commitment back in March of '25 where we said we're going to get to $1 billion. And I remember a couple of our analysts, one from Citi, one from Goldman, were essentially saying, like why would you make a commitment going out, at that point, 5 years? Like you're crazy. And one of the things we said back then is, it's interesting, our business is broken up into many different pieces. We were just talking about public sector. That's a component of our business. There's North America, which is a component of our business, today represents about 45% of our total business. There's our EMEA business, which represents about 30%, 35% of the business. And then there's APAC.

We have these like diversity and what we refer to as balance across our business, whether it's geography, whether it's customer base from enterprise mid-market to SMB, whether it's industries. We don't really have any concentration in any one industry that we get necessarily overly hurt by. If we were 90% federal business, we would have been really hurt this past quarter. We don't have that kind of concentration. We have no one customer who represents more than 2% of our total ARR.

We have this great balance in diversity. And I do think that's one of the strengths of AvePoint over the past 20 years. And I think it'll be a strength over the next, for sure, over the next 4 years. When you think about, what are the drivers? I don't think it's any one driver. I think it's many drivers. If I look at our -- if you look at our customer segments, what's our fastest growing segment? It's the SMB. Which only is set 19% of our business today. But we think that's the fastest growing today driven really by the MSP community, which you guys know, those managed service providers, that segment of the industry has really exploded. A lot of PE money being poured into that. A lot of growth in that area. They're using our technology to really grow, so that's been a real catalyst. We would expect that to be an accelerant going forward.

When we look at geographies, our APAC is our fastest growing region, yet it's our smallest in terms of current capacity. Japan is accelerating. Very hard for American companies to penetrate Japan. We've been there now for over 10 years. We're now a local, which is a different status, and our growth rate there is well above our overall company growth rate, so we expect that to continue. And then places like Australia and South Korea and even Singapore, we've had significant growth in those areas as well.

When we look at those kind of -- as we slice the business into these different components, each of them have opportunities for growth and we're seeing acceleration. That kind of gives us the confidence and was really the catalyst for us talking back in March about, hey, we feel good about getting to this billion because when you look at all the different pieces, we see growth in those areas that we can accelerate and expand. And again, that gave us the confidence.

Richard Poland: That's great. And so I want to touch on, I guess, the SMB component, but it's part of a broader conversation. Mario, I think earlier you touched on how you started off in highly regulated industries with large enterprises. And so now you have SMB 19% of the business, so it's expanded. And as we think about that kind of I guess initial foundation, within largely in Microsoft environments at that time. And so when we think about the Microsoft opportunity, where are we? Like what inning are we in in terms of penetrating that Microsoft opportunity? And kind of what's unlocked some of the broadening beyond

kind of the highly regulated industries?

Mario Carvajal: There's several things at play here. One is, in the Microsoft ecosystem, you have all these partners that for many years were doing great with license, resell, etc. And there's a shift in that entire ecosystem moving to understand that managing IT is where the margin expansion is. We've seen a number of partners just transition and say, we need to build an MSP practice in our business, we need to take over IT operations, and we need to think about how do we create a service on a monthly recurrent basis that offers the end customer a full confidence that we can take over IT? As that shift occurred, it just so happened that we've been always working with partners, and we saw an opportunity to take our platform and create basically a version of the platform for the managed service provider that would be taking over the IT operations.

We did this in a number of ways. We have the architecture that allows you to partition the different tenets and gives you all the role-based access controls. The Elements addition of the Confidence Platform is that very product that gives an MSP the operational counsel to then say, I'm going to manage your entire applications from M365, to managing recoverability of your data to your end users, to your devices. And little by little, that product line for us has given us the opportunity to differentiate in that segment.

As Jim mentioned, the reason that's grown really nicely for us is because a lot of these partners say to us, wait a second, I could now sign up to get access to AvePoint's Elements, which is the addition of the platform for MSPs. And for every dollar I'm spending, I could make up to $5, $6 margin expansion. That's great. And it gives the MSP the opportunity to now start creating a services reoccurring revenue stream for them. That's working quite well for us.

And we believe that even technologies like the AgentPulse, which will also be shipped in the Elements addition version, are also going to be critical for these organizations.

And then the other thing that we saw in this space was a consolidation of IT spend around personnel. A lot of mid-size organizations realize, I'd rather outsource my IT services than start to hire our own sort of staff. And that I think also plays very nicely into this trend.

If you look at reports that are being published by Canalis, which is like your equivalent of a Gardner for a channel, their projection for the MSP sort of TAM is pretty incredible. We feel really good about that. We also know that the ability to automate and further extend that reach through this type of platform will give us an opportunity to play more strategically with the larger MSPs. And we also see a lot of LSPs, licensed resellers, that realize, wait, we also need to build a strong managed service practice.

I think that's why we holistically look at it as a lever for growth, and also, it's a more cost-effective way for us to go to market.

Richard Poland: That's great. That's great. Another I guess element of the expansion of the platform, you guys talked a lot about multi-cloud. Started in the Microsoft environment, have now moved to Google, Salesforce, monday.com, there's a couple of others in there. What I guess -- how has that conversation evolved with customers? When you go into accounts now and you're saying, hey, we can actually do that in a lot more places now, how has that kind of evolved for you? And what stage are we at in terms of penetrating kind of the current installed base with that?

Mario Carvajal: Yeah, it's a great question. The logic here is that when you work with an organization and

they say to you, I have a number of service providers that I use for my application stack. Maybe I'm using monday.com, maybe I use DocuSign, I use M365 for example. Their challenge will be, if I don't have one central mechanism to apply a policy to how my data should be monitored and used, then it's a friction point for us.

We decided that we have the platform capability to build this sort of connectivity to different APIs. And years ago, we started with Salesforce. We brought to market a capability prior to Salesforce having the ability to recover data. And many customers were saying, well, can you guys do that also for G Drive? A lot of organizations, even if they were using Microsoft services, would still store data on G Drive. We moved into the Google space. We saw a bigger opportunity with Workspace. We realized that a lot of what we do for M365, we can just carry it over. It's the same recipe. So we launched that product line. And then we also realized that it's not just those hyperscaler systems. It's also organizations that have been very successful, like monday.com for example.

And the work for us is to go into an organization and say, use our system as a central pane of glass, single pane of glass, that allows you to apply one guardrail for how data is going to be shared. We can also help you identify where data could be redundant, obsolete. We can help you curate. We can help you kind of apply that new data management playbook at scale. And because we also can monitor for any kind of anomalies on data or corruption or ransomware attacks, we could also offer cybersecurity professionals the opportunity to remediate right from the platform.

We are going to continue to connect to different third-party providers, and that puts us in a place where we could also help organizations that are thinking more holistic about companies that they acquire or different areas of the business that may be using different applications be all part of one single strategy.

Richard Poland: That's great. And I guess the other side of the cross-sell coin is expanding kind of how many products they take from you guys. You guys have kind of I think it's like 3 core suites. And so when we think about the attach rates of those 3 core suites on your customers, are there certain ones that are earlier stages? Like walk us through kind of as the platform has built out more capabilities around data, just kind of how you're solving more problems for customers and how that journey goes.

Mario Carjaval: Yeah, so maybe I'll start and Jim, you could add. The suites is a -- think of as it's a packaging strategy that really is thematic. It's helping organizations realize, if I need to think about continuity of information, the resilience of my data set, what are the controls I need to have? That's the resilience suite.

On the control side, we're implementing all of the capabilities to cover from policy activation to remediation of entitlements and so on. And those 2 are meant to work side by side. They're really helping organizations that realize, well, I don't need to use 4 vendors. I could just have vendor consolidation with AvePoint. And for our sales teams, they give you a nice pathway to cross-sell and up-sell.

I think what we'll see over time is as we keep introducing more capabilities, these themes may expand. And for us, the transition to create a unified experience in the platform also is part of that strategy to keep cross-selling and expanding our current footprint. And for new organizations, it gives you an opportunity to start at any one place with us, and over time, build and add more capabilities.

We also have the modernization, which is the third area, which has been about first, anything that you want to do to move data inside the platform. There's a 30-plus

connector framework that's in that section of the platform. This allows me to move data in and out. It also allows organizations that oftentimes want to kill a subscription here and move data to the other side.

But we've also introduced a concept of delegated administration, which is really a shared accountability model that says business users can also to be empowered with tools so they know when they're sharing information, who they're sharing, without having to contact central IT. And so that's the idea of modernizing the experience. We'll probably also introduce more capability there. There could be an uptick in the modernization category for us. But in general, I think the idea for us to keep it simple, help organizations realize that they can achieve great value within any one of the suites, but also cross-pollinate from different suites.

Jim Caci: Yeah. I mean the only thing I would have just reemphasized, and Mario touched on it is, the beauty of the platform is there's really not just one tip of spear in terms of how we penetrate a customer. It might be depending on their needs and where they are. We have really products within each of those suites that could be the first product that a customer consumes. And then they may then need other products. It has actually demonstrated, and we see it every quarter, where it's across the board. People enter our kind of ecosystem or our sphere from various different points. That's been a real, I think, a strength in terms of it's not just one path to entry.

Richard Poland: You don't have a favorite child?

Jim Caci: Exactly, no favorite children.

Richard Poland: I guess when we think about the context of all these different paths to cross-sell into, I'm curious. You mentioned the modernization. What you said there was interesting, is that maybe you could see uptake there. And I think right now everyone's trying to get their data estates in order. It's a whole topic of conversation right now. And so, is that something that you're seeing? Are more people coming to the platform through that lane than maybe historically? Or just tell me what's going on in that modernization piece.

Jim Caci: Yeah, it's a great point. What we have seen last 2 quarters is we have seen a pickup in our migration ARR. It's still modernization in general. We see faster growth in terms of the suites themselves in control and resilience. They're growing faster.

But what we have seen in the past couple quarters is an uptick in what is the growth rate for modernization. Still slower than the other 2, but an uptick, and that's really driven from the catalyst of what you're talking about. Now, it's not necessarily new customers coming through that door, but even existing customers now re-engaging and using some of our whether it's migration products to actually do what you're talking about, some of that data consolidation. We are seeing more and more of that.

Because it's funny you say that, too, because years ago, people said, oh, well, once people are in the cloud, there'll be no need to migrate. And it's like, well, that's not exactly true. We've seen it now for the past years that there's always migrations happening. Whether it's on-prem to the cloud, cloud to cloud, tenant to tenant, acquisitions. Again, even what we're talking about now, just consolidating. Like I may have multiple data lakes out there that I'm trying to consolidate to make it much more efficient. I'm going to need to migrate some of that data from one place to another.

We have seen an acceleration there, not dramatic, but uptick of -- it was almost on the decline I'd say 2 years ago, and now it's "re-accelerating", albeit small, but there is an

acceleration there.

Mario Carvajal:
Yeah, and these storylines are really connected. And to Jim's point, you might see a company that says, I need to sunset a system and I want to move the data over. That triggers an opportunity for us to help them there. But immediately after, we might be talking to you about how do you maintain resilience on that data set? What kind of policies do you want on? Over time, I think the goal for us is to rebalance everything. We want the platform really to be a place for you to build out from as a client and also as a partner.

I guess over time the narratives will shape, but the idea is we don't -- today you can have organizations, I mean, we have many organizations that will say, we want to do a project with you all and we want to think about what's the best guardrails to put in place to govern this agent technology I'm using. And you have others that are still moving from a legacy system and their concern is, I don't want to lose any of my metadata value, any historical context on my data, so help me carry that over so I can be ready for my next project.

Richard Poland:
Great. And another theme I guess I want to address is there's this whole idea of consolidation going on in the market. And we've seen a ton of acquisitions in the space. There's Rubrik/Laminar, there's Cohesity and Veritas. Like I guess where do you guys stand on the idea of consolidation in terms of what's called the data landscape? And can you help investors kind of parse through all these different categories within the data space? Where you guys sit, where you might see some others?

Jim Caci:
We're looking at -- it's a great question and there is a convergence occurring. If you just research the different subcategories that have been born from either new startups coming in, what you are seeing now is a shift because the cyber threat landscape has increased. And ultimately, whether you're doing identity management or you're thinking about data security posture management, it's really all about a data protection story and narrative.

Even Gartner is making some shifts to consolidate those subcategories. I think for investors, they probably will see a number of companies that were categorized in these subcategories either be acquired or they themselves try to add more capability to cross over into another category. We are watching this space very closely. As we've said all along, we have a sort of a strategy where we think about organically how can we grow, but also inorganically, where are the right opportunities for us to put in tuck-in acquisitions or bolt-on? And that's why we study the subcategories very closely.

But I would say that players that started perhaps in identity governance or identity management are going to have to think about, what should we do for data sets? And maybe we should govern data as well. And then those that started in pure cybersecurity, where we're trying to protect the endpoints, how do we start thinking about the core applications and systems that are being used? And how do we support and provide capabilities there?

I think that the acquisition that you said of Laminar by Rubrik is really to think about, if we're going to offer security posture management, we need to think about security. And that security was something that I think that company was starting to do. Yeah, it's a space that's converging. I think it speaks to one fact for investors, which is that the TAM is quite massive. And we also are excited about that.

And if you follow our story and our lineage, we have the enterprise-grade capabilities. We have that experience curve to also build a scalable infrastructure, cloud-based

infrastructure of apps. We've done so. I think what you also see is a difference that companies like AvePoint are truly built on modern cloud infrastructure, where other companies are just still making that transition to be cloud-native.

Richard Poland: Great, great. And I guess, we talked a little bit earlier about the AI stuff. And so I think when we think about kind of how you mentioned the evolution towards cloud, as we now evolve towards AI, what are some of the things that are different about being able to manage data and secure data in an AI-first world? Like what are some of the things that you guys have to just think about in terms of the platform? Are there certain things you guys have to change about the platform? Or how do we think about that whole element of things?

Mario Carvajal: I mean, it's a good question. One thing that changes is, there are more low-code and no-code type platforms that really are empowering professionals that may not have development background to be part of the design of a workflow. We started realizing, well, we need to offer the capabilities to govern the release cycle of these applications into production environments. That's work that we started doing with Power Platform, simply because Power Platform was heavily used. I mean, we have organizations that will have like 50,000 apps that are in the environment, and they're not going through a traditional software development life cycle release. That's one side of the equation.

The other side is, when you blend that in with the desire to build an agent and the power of what an agent can do, is you can wire up an agent and say, talk to this large language model, talk to this data, private data repository, and then here's a workflow and take some action. And so if you create that agent, then tracking what the agent is doing over time or when there's issues is going to be a challenge. And so the question for us, back to what you're asking is, how do we put the right monitoring capability in the hands of the folks that are going to have to either roll back when an agent goes rogue or inadvertently makes the wrong change or interacts inappropriately? And what effect can that have on the business or the outcomes of the business?

It is changing the way we think about the user experience, the kind of product we build and ship. And I think ultimately, we're seeing a change in the persona. You don't need to have system integrators now monitoring your application. We're seeing more and more sort of business analysts that are -- they understand the business implications and what they want the system to do. They might not necessarily know all the wirings, so what's the right application for me to use that can guide me through that process?

Richard Poland: Great. And now, Jim, we've talked about all these growth drivers. How do you kind of think about the balance of growth and profitability and the margin side? We've spent a lot of time on the growth piece, but I'm curious, just kind of how do you think about balancing those things and putting money in the right places? And I'd love to step through that.

Jim Caci: Yeah, I mean, it's a great question because it is ultimately the toughest decisions. How much are you trying to fuel growth versus profitability? And so we've taken an approach over the past couple of years of this profitable growth strategy where if you look back to when we went public and even back in '22, we were effectively breakeven. Growing nicely, but breakeven. And so, we committed that we wanted to demonstrate a pathway to profitability. And demonstrate that, hey, we are going to be a profitable company. We're going to be a Rule of 40 company. And so we are now a Rule of 40 company, growing at that 26%, and this year we'll be effectively 18%, 19% operating margin. Really solid performance.

But you're right. The question is, do you continue to generate profitability at those levels and even higher, which our long-term targets are to get to like 27%. How quickly do you do that? And can you pause the profitability to accelerate growth even faster? Like what investments can you be making?

We are constantly balancing those 2 and trying to achieve kind of a balance of we want to be growing at this 25% compounded growth rate, making sure we're making the investments that we need to for today, tomorrow, and for the longer term. But also, balance that with, hey, we have a responsibility to be, we believe, to be profitable and demonstrate that. We constantly are balancing the 2 as we go through the budgeting cycles. We've shifted more toward even like a quarterly, really, cycle of managing these expectations and analyzing that growth and that constant balance between growth and profitability.

We feel good with where we're at in terms of the investments we're making. We believe we're making the commitments both to R&D, making the commitments to sales and marketing to support the organization growing not only for this quarter, but really for the longer term. Which let's just use 29% as that target, that will help us achieve those goals. Again, we feel like we're in a good spot where we're balancing both and making the right investments.

Richard Poland: Wonderful. I think that's probably a good place to wrap it up. Jim, Mario, thank you for your time today and appreciate it.

Mario Carvajal: Thank you.

Jim Caci: Thank you, Richard.

Richard Poland: Thanks, all, appreciate it. Thank you.