



Q1 2026
Earnings Transcript

May 5, 2026



Ryan Flaim, Director of Investor Relations

Welcome, everyone. We appreciate you joining us.

Joining me today are Klaviyo co-founder and co-CEO Andrew Bialecki; co-CEO Chano Fernández and CFO Amanda Whalen.

Andrew, Chano and Amanda will first share their views on the quarter, and then we'll open up the line for your questions.

Our commentary today will include non-GAAP measures. Reconciliations to the most directly comparable GAAP measures can be found in today's earnings press release or earnings release supplemental materials, which can be found on our investor relations website. Additionally, some of our comments today contain forward-looking statements that are subject to risks, uncertainties and assumptions, which could change. Should any of these risks materialize or should our assumptions prove to be incorrect, actual company results could differ materially from these forward-looking statements. A description of these risk factors, uncertainties and assumptions, and other factors that could affect our financial results are included in our filings with the SEC. We do not undertake any responsibility to update these forward-looking statements, except as required by law.

Andrew, that concludes my introduction. We're ready to begin.



Andrew Bialecki, Co-Founder and co-CEO



Thanks, everyone, and welcome.

We've entered the era of agents and infrastructure — at least so far as software is concerned — and our first quarter showed what that means for Klaviyo. Before I cover our results and highlight a few specific observations, I'd like to take a few minutes to remind everyone of the opportunity AI presents and how we're taking advantage of it.

Our strategy is centered on helping businesses grow by maximizing their most important asset — their relationships with their consumers. The businesses that win are the ones that deliver stunning, personalized experiences at scale. That's been the goal of everything we've built at Klaviyo for the last decade, and the reality is that creating those experiences — through deep personalization, engaging media, meeting customers where they want to be met — and optimizing those experiences automatically is still not easy.

Our work over the last decade has been building the infrastructure to make that possible — what we call the B2C CRM. As we've built it, we've felt a growing gap between what our infrastructure is capable of and how businesses are actually using it. This capability overhang means businesses are missing opportunities with their consumers and, in turn, leaving real dollars and greater success on the table.

AI agents are allowing us to close that gap — and revealing enormous latent demand for intelligence to design, deliver, and optimize consumer experiences. Our agents are going further, finding new opportunities for the businesses we serve and contributing back to product direction. They're already among our most advanced users of our data and experience infrastructure, pushing the limits of what's possible and giving feedback for what to build next.

We're entering a positive loop where agents use our infrastructure to build stunning consumer experiences, that generates data and feedback that improves the infrastructure, which in turn makes agents smarter and more capable — and the cycle repeats.

Together agents and the infrastructure we provide are the autonomous B2C CRM. We believe every consumer business will run on it and every consumer experience will be driven by it.

And our agents and infrastructure get better with increased data scale and usage. Our infrastructure sees almost four billion daily events and signals across eight billion consumer profiles. Ingesting, storing and indexing these signals in real-time gives every business running on Klaviyo a real-time data feed on how consumers and businesses are interacting with each other and, critically, gives businesses and the agents they run context on what will delight consumers.

The laws of consumer behavior shift in real-time. Our customers and the agents they deploy use our real-time view of consumers as context to deliver stunning, highly performant experiences, and agents make it even easier to infuse this context into experiences for the benefit of consumers and businesses alike.



Let's look at our first quarter results to show what this looks like in practice.

Revenue increased 28% year-over-year to \$358 million, with strong momentum across enterprise, international, and our B2C CRM platform. Non-GAAP Operating Margin increased to over 16%, the highest in our history.

More than 196,000 brands are on our platform. We closed the largest number of multi-million dollar ARR deals ever. And, our largest customers once again grew their revenue - known as GMV - roughly two times faster than the broader market.

Our investments in AI are not limited to the agents and infrastructure we build, but extend to how we operate and deliver Klaviyo. Annualized revenue per full-time employee in Q1 was over \$600K, up more than 25% year-over-year.

As an example, we're committing and shipping code at nearly double the rate per engineer from a year ago. As a result, we shipped more than 75 features in the first quarter including a private preview of our next generation marketing and analytics agent, Composer; increased intelligence and channel capabilities for Customer Agent; and deeper partnerships and product integrations with Google, Anthropic, Shopify and Canva.

I'd like to share a bit more on our agent products and how we're seeing customers use them starting with Composer.

Composer is our next generation agent for marketing and analysis, and is an entirely redesigned agent harness. It builds from the learnings of how customers are using our first generation Marketing Agent. Marketing Agent's functionality was more narrowly scoped to content marketing and campaign creation. Composer takes advantage of the advances in underlying LLM's abilities to reason and use tools.

Composer's scope is dramatically expanded – it can reason over your data, take actions across consumer experiences, and learn from those experiments. The private preview we introduced in March includes the ability to autonomously query and analyze consumer and marketing data, and create marketing campaigns and automations across all surfaces, with support for creating and optimizing Customer Agent coming soon.

On top of this, we've built Composer to be extensible, so our customers and partners can build sub-agents and system connectors it can use, and makes them available wherever users work, not just the Klaviyo interface.

Because this is such a significant step forward, we're being deliberate about quality — both in Composer's analysis and its creative decision making. The bar is high, and we're committed to meeting it.

Similar to how “vibe coding” represented a shift from engineers focusing on *how* software is created to *what* software to create, we've seen a similar trend with Composer where users are “vibe marketing” by focusing on what they want to achieve and create, letting Composer do the research and initial creation and then iterating with Composer on the insights and perfecting its outputs. The proof points are very exciting. Take one beauty brand in our preview. Composer audited their marketing, found automations that had been broken for years, fixed them live, and surfaced half a dozen other opportunities their team had never gotten to — across creative, discounting strategy, and personalization.



That pattern is repeating across our enterprise users in the preview. Teams are using Composer to audit, surface opportunities, and implement — in a single session. One of the most recognized apparel brands in the US saw a 40% plus increase in top performing flow revenue following a single session. [HydroFlask](#) used Composer to find misconfigured targeting that had been preventing a campaign to send — and Composer fixed it with them live. A prominent personal finance company mapped and prioritized more than 1,000 flows across 13 business units in a single session, giving their team a clear picture of where to focus first.

This is why global brands are telling us that Composer solves *the* biggest pain point they have and is the best agentic marketing solution they've seen on the market in the past year.

And because Composer runs securely inside Klaviyo's data perimeter, it already addresses the data privacy concerns that typically slow enterprise AI adoption. For one enterprise fashion brand, it was the first marketing AI tool to clear their security team's review because Composer runs inside Klaviyo's trusted environment.

Composer is the future of how businesses will use Klaviyo to understand their consumers and create stunning experiences for them. We're very excited to open it up to more of our customers and partners in the coming weeks.

Turning to Customer Agent, and similar to Composer, we've taken advantage of the improvements in underlying LLM intelligence and tool use to allow businesses to create more tailored, highly performing agents their consumers can interact with. The experience and abilities of Customer Agent built on Klaviyo can now be entirely customized with our Custom Skills launch last week. Customer Agent now runs across text, WhatsApp, email, RCS, and web chat — and we're adding voice and multilingual support.

Adoption continues to grow month over month and the experiences Customer Agent delivers are showing real results.

Digitally native fashion brand [Naked Wardrobe](#) resolved 84% of conversations through Customer Agent and AI and saw a 28% increase in average order value — helping consumers own their style and buy on their time, including many instances of consumers shopping and chatting at 2 am when customer support would've otherwise been offline.

Finally, underneath our agents is our data infrastructure, capable of training, serving and optimizing personalization, machine learning and AI models. These models don't require direct tuning from users. They learn from usage, and they improve the platform automatically. What this unlocks is true 1:1 personalization — the right content for every consumer at every interaction, delivered across every channel and agent we operate. These models and the features that leverage them were used by nearly two-thirds of our customers in the first quarter. And usage is driving outcomes. As an example, customers using our Personalized Send Time models saw a 35% lift in click-through rates. More engaged consumers and higher revenue, driven by infrastructure that gets smarter the more it's used.

We believe this is the year marketing and analysis agents like Composer and always-on agents like Customer Agent become standard and ubiquitous. And we've built for that deliberately — meeting customers in the tools they already use. An open garden, not a walled one.



And to accelerate that we've deepened integrations and expanded partnerships across the AI ecosystem. In February, we deepened our integration with Google by launching RCS to all customers and we opened up beta access to Google Search and Ads products that connect discovery directly to Customer Agent experiences over RCS. A consumer can now see an ad, tap it, and immediately have an immersive conversation with a brand powered by Customer Agent. Google delivers the reach, Klaviyo stores the consumer relationship and delivers the personalized experience.

We've extended access to our infrastructure and agents via expanded MCP connectors and applications with Claude, ChatGPT and Canva. MCP usage of Klaviyo continues to expand rapidly, increasing more than 10% week over week in Q1. Top users of MCP are querying more consumer data and building more marketing campaigns than their peers — with 16% more platform usage relative to those that don't use MCP. Businesses are connecting more data to Klaviyo, centralizing it and taking advantage of the increased accessibility. Consumer event volume from the hundreds of apps in our marketplace is up 44% year-on-year.

As an example, [AS Beauty](#) — home to [Laura Geller](#) and other brands and one of our largest customers — runs a complete omnichannel program on Klaviyo including greatly expanding their text messaging program this quarter. Their team queries Klaviyo data in Claude to model campaign performance and make faster decisions. Their KAV, Klaviyo Attributed Value, is up 20% over the past two years. A senior leader there recently described Klaviyo as an “indispensable pillar” of their business — infrastructure that they and their brands rely upon.

None of this happens without our customers and partners pushing us and Klaviyo delivering. We are grateful for both.

I would like to finish by providing an update on our leadership team.

First, Q1 was Chano and I's first full quarter together as co-CEOs and it's been a terrific partnership where we have so much in common, including a relentless drive to deliver, and highly complementary skills.

Second, as we announced in a press release earlier today, after almost four years as our CFO, Amanda has made the personal decision to step down from her role at Klaviyo in the coming months to spend more time with her family, before pursuing the next phase of her career.

I want to take a moment to recognize what Amanda has meant to Klaviyo. She was instrumental in building the team that took us through IPO, and helped us scale into a multi-product, global, AI-native business.

Amanda will continue to lead our Finance organization through August 21st and will remain in an advisory capacity through November to support a smooth transition. We have initiated a search for our next CFO who will build on our strong financial foundation and momentum.

Beyond what she's helped us build, she's been a terrific strategic partner, and a trusted advisor to me and many others across Klaviyo. We wish her the absolute best. Amanda, on behalf of the entire Klaviyo team — thank you.

And with that, Chano.



Chano Fernández, Co-CEO

Thanks, Andrew. I want to echo your words on Amanda and the impact she has had across Klaviyo. We have confidence in the team and transition plan, and we're grateful Amanda will continue to provide leadership and support in the months ahead.

Turning to the quarter, the core business is strong, and the opportunity in front of us is large. Enterprise, international, and platform consolidation each have real momentum right now. AI accelerates all three. Let me walk you through what we're seeing and how we're executing.

Starting with enterprise. Net new customers in the \$50K-plus ARR cohort were notably higher than Q1 2025. We closed one of our largest deals ever — an expansion bringing a single customer's contract to over \$6 million ARR. The problem I hear consistently in enterprise is fragmentation: customer data, marketing execution, and service are spread across too many systems. Fragmentation costs revenue. What resonates is consolidation onto one data model, one execution layer, with AI that operates with full customer context across the entire lifecycle. That's what Klaviyo does.

The wins in Q1 reflect that.

[ALICE + OLIVIA](#) is migrating to Klaviyo to unify online behavior, purchase history, and in-store associate interactions in one system. [Weber Grills](#) replaced a legacy platform with Klaviyo globally across the US, APAC, and EMEA.

Expansion activity was also strong as customers standardized more of their workflows on our platform. Take [Patagonia](#), a long-time email customer that came to us with two things on their mind — improving the customer experience, and migrating off a fragmented text messaging setup creating redundant messaging across channels. We showed them a clear technical plan and a credible commercial case. But the reason they chose Klaviyo was anchored in where we're going together — RCS, omnichannel journeys that support both commerce and advocacy. Patagonia is not a brand that wants to send more messages. They want to send the right ones.

Finally, we were proud that this quarter, The Forrester Wave named Klaviyo a strong performer and recognized us with the highest customer satisfaction score among all vendors evaluated. We have enterprise credibility, validated by a name enterprises trust, alongside proof the pipeline is converting.

International revenue outside the Americas grew 39% year-over-year in Q1, and 5 of our top 10 largest new customers are from EMEA.

What we're seeing in EMEA isn't just growth — it's the same platform priorities driving our largest US enterprise deals: unification, real-time data, and AI across channels.



[AllSaints](#) is a great example. The flagship UK fashion retailer replaced legacy technology in a multi-year deal with both the Global Digital Director and Chief Technology and Transformation Officers as champions of the move. They chose Klaviyo for speed to execution, the ability to unlock WhatsApp as a new audience channel, and the future opportunity to consolidate email and other channels on a single platform. They shared that this move reflects their desire to move toward a more agile way of working that will significantly reduce the hours spent on day-to-day CRM activities.

We also welcomed [Hobbi](#) — a fast-growing Nordic yarn retailer selling across multiple international markets — winning a competitive deal that came down to speed, flexibility, and the strength of our native integrations with platforms like Shopify.

We continue to deepen the product capabilities our international customers want. Locale Aware Catalogues is a good example. Shopify merchants with country-specific catalogs can now run fully synchronized, multi-market data automatically across every region they operate in. For many global brands, that's a requirement. Now Klaviyo delivers it.

That same pattern — complex, multi-market operations consolidating onto Klaviyo — is showing up in categories well beyond our ecommerce roots.

[Legends Global](#) is a flagship win in ticketing and live events. They're bringing their global portfolio of more than 260 venues and attractions onto Klaviyo — integrating ticketing and venue systems, syncing data through our warehouse capabilities, and giving their US and UK teams a single platform to activate and execute across every market they operate in.

Our partner ecosystem is deepening that reach farther. In hospitality, the Thanx integration brings restaurant loyalty into a single workflow, and with our Integration Objects feature now GA, operators on CloudBeds, Guesty, and Mews can trigger a pre-stay reminder the moment a reservation is made.

We're building the Go-To-Market foundation to match the opportunity: consistency in how we sell, how we deploy, and how we support customers at scale.

The data is clear: when customers unify on Klaviyo across email, text, analytics, and service, outcomes compound - and our cross-sell motion is executing against that.

One thing worth calling out on text messaging, because it speaks directly to how we approach the market. Carrier fees have risen meaningfully across the industry over the past 12 months, and most platforms passed those costs through immediately. We chose to absorb them — a decision that reflects our commitment to customers first. This also gave us a real pricing advantage this quarter and we leaned into it. But our competitive position is more durable than price. Text on Klaviyo runs on the same unified profile as email, WhatsApp, and every other channel, and that's what drives long-term share gains. Going forward, we'll be thoughtful and intentional about any future cost pass-throughs while continuing to negotiate the most competitive text messaging rates.

In closing, Q1 showed a business with strong fundamentals, growing enterprise relevance, and international momentum that is structural. We're investing where the opportunity is biggest, improving the execution foundation to capture it, and staying focused on delivering outcomes for customers. The road ahead is significant — and we're ready for it.



With that, I'll turn it over to Amanda.



Amanda Whalen, CFO

Thanks, Chano and AB.

Q1 was proof not just of what Klaviyo can do, but of how our business model works when each part reinforces the others. The growth engines we've been building – multi-product adoption, enterprise momentum, and international expansion – reinforced each other this quarter. AI accelerated all of them, and the results showed up exactly where we expected to see them: in revenue, in margin, in customer retention,

and in the expanding value customers are generating from our platform.

Revenue grew 28% year-over-year to \$358 million, ahead of our expectations. We delivered our strongest non-GAAP operating margin and our first quarter of positive GAAP operating margin since going public. NRR was 110%, up 2 points year-over-year, meaning our customers aren't just staying, they're growing with us. Customers are also earning more from every message, with KAV, or the revenue that customers generate from Klaviyo, per message up approximately 8% year-over-year. That's how our model is designed to work and tangible evidence of how we are building more valuable customer relationships that help our customers, and in turn our business, grow.

Turning to our growth engines:

First, multi-product adoption grew as more brands sought out the strategic advantage of consolidating onto a single platform. Service remains on the steepest adoption curve in our company's history. And all of this matters for future growth because multi-product customers retain better and generate more value per profile over time.

Second, enterprise momentum continued in Q1, with our \$50K-plus ARR customers growing 38% year-over-year to 4,175 customers. This is reflective of a broader structural shift as leading brands modernize and consolidate their tech stacks. These are complex, multi-channel relationships choosing Klaviyo as their long-term platform because we unify data, intelligence, and action in one place.

Third, International was again a highlight, with revenue outside of the Americas up 39% year over year. Notably, revenue for EMEA outside of the UK was up 51%, marking the sixth consecutive quarter of growth above 50% in that region.

Let's now turn to AI. Across each of our growth engines, AI is increasing both velocity and yield, helping customers do more, faster, and with better results. Automated flows generate 10x more revenue per message than campaigns. And, that acceleration is important because it flows directly into our model: as customers generate more value, we grow as well.

Agents also represent a net new revenue opportunity. Customer Agent is already contributing and we expect that to grow as we expand channels and capabilities. Composer is early, but the value signals so far are strong. Higher intelligence drives higher value, and higher value drives revenue.

Turning to the P&L.



Non-GAAP operating income was \$59 million in Q1, representing a 16% Non-GAAP operating margin. That's nearly 500 basis points of expansion year-over-year, and our strongest margin since going public. GAAP profitability was driven by improved non-GAAP operating margin as well as a 2 percentage point reduction in stock-based compensation year-over-year.

Non-GAAP gross margin was 76%. This reflects our continued success with text messaging cross-sell, offset in part by infrastructure efficiencies.

Non-GAAP operating expenses were 59% of revenue, down 560 basis points year-on-year. Sales and Marketing in particular saw meaningful leverage. This reflects two things: first operational efficiencies enabled by AI that we're building into the business, and second the absence of the B2C CRM marketing investment we made in Q1 last year.

Free cash flow was \$19 million, a 5% margin. This reflects normal seasonality and the timing of annual bonus payments, consistent with what we saw in Q1 last year. Our trailing twelve month free cash flow margin was 16%, spotlighting the strong cash generation potential of the business. In March, our Board authorized a \$500 million share repurchase program. This authorization reflects our Board's and management's confidence in the durability of our strategy, the scale of the opportunity ahead, and our conviction that Klaviyo reflects an attractive long-term investment. As a component of that program, we immediately entered into a \$100 million accelerated share repurchase, which was completed in April. We continue to execute on the remaining authorization.

Our model is efficient enough that we can invest aggressively in growing the platform, in AI and agents, in International, in enterprise...and simultaneously return capital to shareholders.

Turning to guidance. We're confident in the trajectory and setup for the remainder of the year.

We outperformed Q1 expectations by approximately \$10 million. Based on that performance and the broad momentum we're seeing, we are raising our full year 2026 revenue guidance by \$13 million at the midpoint. This reflects our conviction in what's ahead. We now project revenue between \$1.514 billion and \$1.522 billion, representing 23% year-on-year growth.

We are also raising our full year 2026 non-GAAP operating income guidance to a range of \$222 to \$228 million, a non-GAAP operating margin of approximately 14.5% to 15%. The model continues to support reinvestment in growth while delivering expanded profitability.

This guidance assumes that we continue to absorb the majority of carrier fee increases. As Chano described, thus far we've made a strategic decision to absorb these fees, rather than passing them directly to customers. Over the course of the year, we'll continue to be intentional in our approach, striking a balance that's strong and smart for both our business and our customers.

For Q2, we expect revenue of \$359 to \$363 million, representing growth of approximately 23% to 24%, and non-GAAP operating income of \$47.5 to \$50.5 million, or a non-GAAP operating margin of 13% to 14%.

As you are building your models for the balance of the year, I would like to call out a few items. With regards to revenue, we expect our sequential step up in revenue from Q3 to Q4 to be similar to last year.



We also expect higher operating margins in our fourth quarter this year compared to Q2 and Q3, driven by timing of investments as well as compounding effects of AI efficiencies.

As we said last quarter, with scale we have improved our forecasting visibility which means we are guiding with greater precision. Our guidance philosophy remains consistent: our goal is to share the best visibility we have, and numbers that we're confident in delivering. Our guidance reflects both that increased precision and our confidence in the business.

Before we open the line to questions, I want to say a few words about the transition that we announced today.

Klaviyo has never been stronger than where we are today. There is significant opportunity ahead for us, strong momentum across the business, and a clear path to continue growing rapidly while expanding profitability. We also have an exceptional team in place, and I've always believed the right moment to take the next step is when the work is in great hands.

AB and Chano, thank you for your partnership. Importantly, I'm not going anywhere just yet – I will remain CFO through August, before transitioning into an advisory role through November. It has been a privilege to be part of Klaviyo, and I'll be cheering this team on every step of the way.

In closing, here's what we hope you will take away from Q1.

We beat and raised. We expanded operating margin to the strongest level since our IPO. We returned \$100 million to shareholders while continuing to invest in the platform.

The businesses we serve grew, and their engagement with Klaviyo is deepening. This is exactly what our model is built to do, and AI is making all of it faster.

We are confident in our trajectory. The platform is getting stronger, and the results are following.

And, with that, we will open the line for questions.



Question and Answer

Operator

Our first question is from Samad Samana from Jefferies.

Samad Saleem Samana

Jefferies LLC, Research Division

So I'm going to pack a 2-parter into this. So first, maybe on the product side, just as I think about Composer adoption, what are you seeing in customers that typically lead in new product adoption? And maybe how do you expect that product to accelerate the AI adoption flywheel? And just in case you mute me, Amanda, great to work with you, and I continue to look forward to working with you until the transition. But I just wanted to touch on that comment about guiding with more precision. And just does that mean that the 2Q guide should be closer to the pin? We had a slightly smaller beat in 1Q. Was that already a philosophy that started when guided for 1Q? Just help us, maybe get a better context in that statement as well.

Andrew Bialecki

Co-Founder, Co-CEO & Chairperson

Awesome. Thanks for the question. I'll give the Composer one, and I'll pass it over to Amanda for guidance. So yes, we launched this private preview in March, and we're very excited about the results we've seen so far. And again, for context, our Composer agent really combines a combination of a bunch of subagents that do various tasks.

But you can think about the 2 big groupings as, one, it will actually do marketing creation, so we can create marketing campaigns, automations, templates, and creative content. And then 2 is it will do the analysis. It will actually look at your customers, who they are, help you do cohorting, understand behaviors, as well as look back over previous marketing campaign performance to help you figure out what to do next.

So what's great is, yes, we've introduced kind of a range of customers. Some are more power users. Some of them are more entrepreneurs who are just starting out, so we can get a feel for their usage patterns. And I'll tell you, kind of universally, the feedback has been very, very positive. We talked about our next-generation agents building off the success of our marketing agent last fall. And what we've done, and we talked about in past quarters, we've dramatically expanded its scope.

So you can think of this as really like kind of, I don't know, version 2 or N+1 of our agent. And the thing that I'll call out is we're getting very, very good at building marketing, creative, and content that is on brand. This is both a function of what we've seen from the LLMs and some of the underlying technology improving, as well as just like technology that we've built at Klaviyo to harness those agents and keep them in the direction that brands want them, right?

So actually, we're at an unfair advantage, frankly, because we can teach our agent to pattern match off of past campaigns. So it's a little bit -- that actually makes it better at maintaining a kind of brand in the field that you want. And then on the analytics side, I mean, we've seen just some like incredible results. I think we have customers that are now running these kinds of daily or weekly reviews of the marketing they're doing or how their customers are behaving. And so



far, we've only given them the ability to kind of run that ad hoc. So they have to log in and execute those kinds of queries.

In the near future, it's not very hard to see that like customers are just going to schedule these to run on demand to alert them of issues, and then couple that with the creation or the creative part of our agents, they'll be able to automatically take action. And in some cases, we expect our agent will just actually automatically decide to run new campaigns or make modifications to do -- for optimizations.

And so we're very excited about that. I think the path is also to hey, the value is very clear because obviously, as we run incremental marketing campaigns where we make improvements, we can measure those results. Customers see it, they feel it, they're seeing the value. And I think the path to then, like, hey, the pricing and packaging and monetization is also very clear. And that's something else that we're using this private preview to really work through. So, never been more excited about the intelligence and really the agent capabilities that we're able to build on top of the infrastructure that is Klaviyo's marketing and data platform. And then I'll turn it over to you for guidance.

Amanda Whalen
Chief Financial Officer

Thanks, Samad, and I'm going to look forward to staying in touch with you as well. On the question of guidance, we are closer to the pin this quarter by design. As we committed to you last quarter on the call, we spoke about guiding with greater precision and greater accuracy that comes with the benefits of that greater precision and greater accuracy that we see from scale. And so the tighter beat reflects that improved ability to forecast the business.

If you take a step back and look at Q1, it was incredibly strong. We saw a 28% revenue growth. We saw our highest operating margin since the time of the IPO. We had our first quarter of GAAP profitability as well. And we saw real strength in some of the core metrics of the business, like an NRR of 110 and greater than 50,000 customers, up 38%. So overall, an incredibly strong Q1 that gives us confidence looking forward and gave us confidence to raise that outlook for the rest of the year by \$13 million, which is even greater than the beat that we had for Q1.

So what you see in the guidance for the rest of the year reflects both of those. It reflects both our increased precision and it reflects the confidence in the momentum that we've got in the business.

Operator

Our next question is from DJ Hynes from Canaccord Genuity.

David E. Hynes
Canaccord Genuity Corp., Research Division

AB, I'd love to hear how your agency partners are embracing the innovation that Klaviyo is delivering, right? I mean on the one hand, you're giving them incredible powerful tools to do their jobs better. On the other hand, if the autonomous vision takes shape, you're kind of putting them out of work. So how do you balance that dynamic? And what are you hearing from those folks?

Andrew Bialecki



Co-Founder, Co-CEO & Chairperson

Yes. I mentioned in our opening remarks, this kind of this capability overhang of like basically what you can do with Klaviyo and the infrastructure that we've built is actually, there's a lot more there that our customers and businesses are not taking advantage of. And I think our agencies have always helped close that gap.

I think now with our agents, and I'll touch on both Composer, which is sort of for optimizing how you understand your customers and marketing and then customer agent, which is more consumer-facing, agencies are accelerating the adoption of both. So you talked about Composer, I think it makes it easier to take advantage of everything you can do with Klaviyo with all the data and marketing and messaging primitives that we're giving you. And agencies are actually able to take on more clients as a result because they're able to get more leverage as a result of Composer.

So I've had many conversations where folks have said that they're actually changing their ratios of the kinds of products they can take on because of, I mean, Klaviyo is a product and it's just ease of use, but especially now because of like some of the agentic capabilities that we're offering. And then what's been great is I've talked to dozens of agencies where they're really establishing new practices around our customer agent. So just as a reminder, our customer agent is a whole new surface. We think about this as this is the digital representative for your business. It can do not just customer support, but can also help with sales conversations, marketing conversations. It can run the game.

And because it's connected back to our data platform, it has a real-time view of who that end consumer is, that profile, it can do -- it can do much better than more generic AI agents at like actually matching up to what a consumer is trying to -- looking for. And you'll see that show up in some of the stats that we talked about around like product recommendations.

Now the reality is, as we talk about driving adoption to that, like it's still what's growing very fast, service is our fastest-growing product line. The reality is that setting up agents is something that just not a lot of customers have expertise around. So we're both building products around that, where actually we've built a whole number of agents that will train up agents. But the reality is like when we go talk to businesses, they'll say, okay, well, there's some nuance to maybe like how I want to solve some of these, or how I want these experiences to work or how I operate my business.

Those agencies are helping us bridge the gap and drive adoption. And so we're actually very excited. We've done a bunch of work to help them set up their own practices so that they can set up customer agents for our customers and help drive adoption. So I think our agency network is in great shape, and I think they're excited to help usher in both of our agents to our almost 200,000 customers.

Chano Fernández
Co-CEO & Director

Hey DJ, Chano is speaking. I hope you are well. Just to give you an example, I talked to one of our agency partners that is building a custom order editing scale, connectivity and API that is handling the full post-purchase experience with a human agent, without a human basically in the



loop. So that's all created significant automation allowing increased productivity for them. So we're all very excited.

Operator

Our next question is from Rob Oliver from Baird.

Robert Cooney Oliver

Robert W. Baird & Co. Incorporated, Research Division

Can you hear me okay? First of all, Amanda, I wish you all the best, and it's been a pleasure working with you. My question is for Chano. Chano, just I guess, coming into this year, a lot of excitement around the enterprise opportunity moving upmarket, legacy replacements. You guys called out, I think, some really -- at least one really large win in the quarter. I would love to hear some color from you on what you're seeing within that installed base? How are sales cycles? How is the legacy replacement opportunity relative to kind of where it was when we all gathered last fall in Boston? And then any update on partner contribution would also be helpful.

Chano Fernández

Co-CEO & Director

Thank you so much, Rob, for your question. I mean, first, maybe the data, right? I mean we called, we doubled the number of customers over \$1 million ARR basically last year, also end of Q1. Clearly, Amanda commented on the number of customers over \$50,000, obviously, that's becoming now 38% year-on-year. And we talk to them on an expansion of customers doing with us more than \$6 million ARR. And we talk with other customers, examples like Patagonia, that's been a long-term e-mail customer from us now adding text just because they see that fragmentation that have been falling and they see the value of that unified platform in terms of bringing customer experiences together. So I think that all presents a really terrific opportunity for us.

I would say that we even with this growth rates beginning of the year is very exciting because, of course, as we're playing more into the enterprise, you know, Rob, that this will be playing more towards largest quarters, especially end of the year and Q4 being much bigger and much larger. And of course, where I think the team is doing a very good job is to put the focus and the discipline, right? The focus is around what we're doing on product and the investments that we're doing on go-to-market and in terms of bringing the results. I think the discipline is about clearly how we are building the pipeline and how we're doing, especially qualification on deals getting much more meaningful in terms of the enterprise cadences, right?

So if you would say, how do you feel about the opportunity this is we will talk back in the autumn, I would say I feel even much more excited than I was in the autumn because I can see that tangible. Of course, I will tell you, yes, we are on the early innings of that opportunity, and we have a lot of work to do ahead of us, but the opportunity is just massive. -- right? So this can be by itself a really significant reacceleration engine for Klaviyo, and that's how I see it. It's not going to pan out in one quarter. I don't think it's going to pan out in 2 quarters, but we will see kind of these growth levels, I would say if I would be on your shoes kind of from a modeling perspective that will have significant impact down the road, and that is not too far away, right? And clearly, if we are creating those customer cases and experiences, again, that brings much more confidence that we're a player.



In terms of the partners, as you know, we announced Accenture, and we are working with them pretty closely, of course, with other partners as well, but on a clear target list with clear activities and clear progress. So I'm expecting that we will see some of those wins coming during the course of the next few months. Clearly, on some of the wins that have already announced, there has been support from some of these partners, either because they influence the deal or they source the deal either/or is good for us. So very excited about the enterprise being a game changer for this company. Of course, we want to keep the healthy business of our core bread and butter in terms of the entrepreneur and SMB and lower business. That is doing very well if you look kind of the increase in net new logos overall and the dynamics that we have in that segment.

Operator

Our next question is from Raimo Lenschow from Barclays.

Raimo Lenschow

Barclays Bank PLC, Research Division

All the best from me as well, Amanda. The question I have, like I had a few people asking me about the fee that you mentioned. I think some of your competitors have kind of altered that. Can you talk a little bit about the impact it would have on potential revenue, but also profitability?

Amanda Whalen

Chief Financial Officer

Sure. Thanks so much, Raimo. So what these are carrier fees. And when you are in the text messaging business, there are carrier fees that come to you from the big telco carriers that get charged that generally for many of our competitors are a pass-through. Now our primary operating principle is we are trying to operate with our customers with consistency and transparency and trust. And we're helping to make their business more predictable. And so thus far, we have taken the strategic choice not to pass through those carrier fees.

Now some of them, they vary by carrier. So it's been building over the course of, I'd say, the last year or so with some of these announcements coming even as recently as last week. But we wanted to, again, have that predictability for our customers. Now it certainly helps in price. And Chano is leaning in, as he said, and the team on how we show our customers that value. But as we've said before, the reason that we win is not only because of price, it's primarily because of the value that we create for customers and the benefits that come to them from consolidation.

Now as these grow, we're going to keep making thoughtful choices there over time. So I won't say that we'll continue to pass them on forever, but we're going to be really strong and choiceful and intentional about how and when and in what manner we do that. And that intention is built into the outlook for the back half of the year, both the increasing penetration of the text messaging business as well as this choice that we're making on carrier fees.

Operator

Our next question is from Terrell Tillman from Truist Securities....

Amanda Whalen



Chief Financial Officer

Terry if you want to hop back in the queue we can move on to the next question, we will pull you up again if you are able to login.

Operator

Our next question is from Nicholas Altmann from BTIG.

Nicholas William Altmann
BTIG, LLC, Research Division

AB, one of the value propositions of Composer is just around the velocity of campaigns. And so how should we think about the monetization of Composer from a stand-alone SKU perspective versus Composer allowing customers to accelerate their e-mail and messaging volumes? And then the follow-up question to that is, does that sort of play into your decision to not pass through the SMS carrier fees?

Andrew Bialecki
Co-Founder, Co-CEO & Chairperson

So when we think about Composer, I mean, we're ultimately, selling or we're providing is intelligence. And obviously, that's the form factor of like tokens. So what we're finding is that customers -- to go back to some of the examples that we've had is customers are, for instance, using us to review who their customers are, the state of their marketing and then using that to figure out like what to do next. And we're finding that those like sessions, right, those kinds of reviews they're doing are incredibly valuable. I mean they're generating thousands -- hundreds of thousands of dollars in incremental revenue and sales. And so the pricing that people get is it's actually pretty similar to if you were to hire somebody or how you value your own time.

And we're just able to do that. We're able to provide that intelligence like through tokens and obviously, it's just much more efficient. And we can go much deeper because our agents have access to some internal benchmarks and like kind of best practices that aren't publicly available. So what that's doing is that intelligence, we look at it is an entirely new revenue stream. We think about the activities that people are doing in and around Klaviyo, like so obviously, we're storing information, people log in Klaviyo to understand who their customers are, different cohorts, behavioral trends. They're using it to actually create marketing. They're using it to then review that marketing. So we think that's just an entirely new revenue stream.

In terms of, like the impact that's having on just overall platform usage, like actual usage of our infrastructure, yes, we're seeing that drive incremental use. One stat for us is as we've opened up the underlying infrastructure of Klaviyo to third-party agents or LLM clients like ChatGPT and Claude and Gemini, we're finding the folks that have integrated MCP and our best users. I mean, they're doing 16% more marketing, more campaigns, more automations, querying into their data more frequently. So, we think this is actually like this is kind of like the easy version of that trend because it still requires people to use those tools and prompt on their own.

What we think is going to happen with our agent is you're going to be able to set it either in like sort of synchronous mode where you're chatting with it or having a conversation with it, it's on Klaviyo or other platforms. But you can also just set it on sort of this like, hey, run every day,



right, asynchronous or recurring mode. And we think that will drive even more usage. So I go back to this, like there's just a lot of latent opportunity out there to do better marketing, deliver better customer experiences. And Composer is literally the conduit by which we're going to do that. And I think people see this as like, okay, that's very valuable and they're willing to pay for it.

And I do think it will have this halo effect of really in 2 dimensions. One is, I think it will increase messaging volume because messaging will be just better, right? The creative, the content, the personalization will be better. And then 2 is Klaviyo is always indexed on the number of consumer relationships a business has. And one of the things that we look at is, well, how do you help a business grow more of those relationships and make sure they're higher quality. And obviously, like if a marketer or a business owner or somebody that owns the customer experience is strapped for time, like we see this.

There are cohorts of consumers that they're just not able to deliver the right experience to because they just run out of capacity, right, their own like human time to work on that. Agents don't have that problem. I mean they can tirelessly work for that to optimize for every single one of those consumers. So we actually think that the number of consumer relationships business has are also going to grow as a result. You'll get less churn. So you think about like in the worst case, it's like, say, unwanted, right, marketing messaging or just marketing messaging that doesn't resonate, people unsubscribe. We actually think that will go down because the quality will go up. So those are some of the halo effects that we think we'll see beyond just directly monetizing Composer.

Amanda Whalen
Chief Financial Officer

And I would think of, to the second half of your question, carrier fees is very distinct from this. As we just talked about before, carrier fees are about this choice and the balance that we're making between the 2 priorities of customer predictability and trust and maintaining our overall margins. And if you look at our gross margins for Q1, you can see that compared to last year, we absorbed the carrier fees. We saw significant growth in our text messaging business, and we were able to hold our gross margins relatively steady, which I think shows our ability to deliver on both of those priorities at once.

As we think about the priorities for the back half of the year, it's about growing our gross profit dollars and continuing to grow that revenue and gross profit dollars while expanding our operating margin, and that is exactly what we're doing. As we committed to you at the beginning of the year, we're committed to increasing our operating margins by at least one point this year. And should we not only raised our operating income dollars, but also our operating margin in our guidance this year on the reflection of that strength that we're seeing in the business.

Chano Fernández
Co-CEO & Director

And I wouldn't take that not passing through the carrier fees is basically, as we say, it's an intentional decision on being customer first, but I wouldn't take it like if and when we decide to do that and, and what will be intentional and what is the right moment that we're basically winning because we are not doing that because clearly, we are winning because of the value of our offering and they comply -- the full unified basically data platform that we offer. And certainly, we are going to be value-based pricing down the road. It's not the aim of this team to be



competing on pricing. I thought that decision was important, particularly now to provide some stability on pricing to our customers and, potentially reflects as well the highest customer satisfaction that we've been highlighted as a strong performer of the Forrester Wave. And I think we all know that happy customers basically renew and buy more from you.

Operator

Our next question is from Siti Panigrahi from Mizuho.

Sitikantha Panigrahi

Mizuho Securities USA LLC, Research Division

Amanda, it's a pleasure working with you. I wish you good luck. And then I want to dig into the NRR. That's 110%, up 2 points year-over-year, but flat sequentially. In prior calls, you talked about key drivers like core e-mail, SMS and then cross-sell and profile enforcement. And as the profile enforcement benefit already laps, so what keeps NRR at this or above this level? Is there -- what are the next driver you think that will push NRR higher in the back half of this year?

Amanda Whalen

Chief Financial Officer

Thank you, Siti. It's a great question. And the largest driver of NRR is customer behavior and the way that customers are leaning into Klaviyo to automate more, to send more to use increasingly our flows, which generate 10x more revenue per message compared to a static campaign. And as customers see that value, they're leaning in and they're using Klaviyo. So if you break down NRR into its pieces and take a step back, the first and largest driver is expansion of customers' usage of our existing products. And that's where when they see that strong ROI and that strong return, they increase their usage and that, in fact, is contributing positively to NRR.

The second driver is cross-sell, and we have increasing and strong momentum in our cross-sell as well. Customers see and understand the value of consolidating onto a single platform and the way it drives not only simplification from a business standpoint, but importantly, makes for a better customer journey and drives better relationships. And then there is a little bit in NRR on lapping of the price -- the profile enforcement from last year. And so as you think about it over the course of this year, you'll see some impact from that lapping of profile enforcement, but then you'll also see contribution coming in a positive sense from the improvements that we're seeing in expansion and in cross-sell.

Operator

Our next question is from Callie Valenti from Goldman Sachs.

Carolyn Valenti

Goldman Sachs Group, Inc., Research Division

I understand that the lighter beat was by design, but I think the sequential growth in the first quarter was still a bit lighter versus prior first quarter. So I wanted to ask, just given Klaviyo has outsized exposure to retail and e-commerce, is this potentially a result of the business becoming more seasonal over time as it scales? Or is there a better way to think about that?



Amanda Whalen
Chief Financial Officer

I think, Callie, it's maybe a little bit actually inverse, we're seeing because we have gone to profile enforcement, we still do see seasonality because Q4 is our customers' biggest time of the year, and we are there for them, and they are counting on us to drive their revenue. But with profile enforcement, we see a little bit less seasonality there than we have in the past. It's primarily coming from our text messaging business and then some expansion there in e-mail. I will say that in Q1, what we saw was just strength across many different parts of the business. We saw strength in our international business, where it's growing 39% year-on-year. We're seeing increasing momentum in our enterprise business. And those enterprise businesses, again, tend to be steadier multiyear contracts.

A great example of a multiyear contract that was a big win for us this quarter, for instance, is -- All Saints, who signed a 3-year contract. And those are going to tend to be less variable across the year. So it's all of these different areas of strength that we're seeing in the business that contribute to a great Q1 and then also a strong outlook for the year.

Operator

Our final question is from Scott Berg from Needham & Company.

Scott Randolph Berg
Needham & Company, LLC, Research Division

Nice quarter here. I want to ask just a question about the state of marketing budgets overall and from what you're seeing with customers through an interesting lens since you sell to lots of different sized customers. Your results talk about a marketing space that seems to be on fire right now, at least from a demand perspective, especially relative to the rest of our enterprise software companies that are growing, we'll call it, 40% or 50% slower than what Klaviyo is growing right now. I guess the question is why? I guess what's in the environment that's actually driving the spend? Or what are you seeing that has customers standing up, raising their hands saying, I've got to do this now, and I've got to do it in a pretty big way.

Andrew Bialecki
Co-Founder, Co-CEO & Chairperson

I'm happy to take that, and Chano will add some color on to the specific customer examples. But I'll give you 3 trends I think we're seeing. So the first is because unlike most software enterprise software, we're focused on revenue generation. I mean there's sort of an insatiable appetite for if you can help grow top line, grow profits, people want to spend more. And we see that constantly. The second I'll say is just around consolidation, and that's both within marketing, but then across also marketing, our data and analytics products are now our service products, Customer Hub on the website. We're finding that people want to merge those budgets together. And it's not actually for like -- I mean, there's probably some total cost of ownership arguments there, but it's not to reduce costs. It's because they're finding that when you combine the data that we have with those marketing channels, you can get better performance. And that's making a big difference.



So I think those are the trends that I think we would think are very evergreen, very durable. And they're definitely -- I mean, they're big contributors to our growth. And then obviously, we're going to overlay on top of that then I think there's a lot of demand -- I mean just speaking from what we're seeing from Composer, there's a lot of demand for then intelligence applied to this combined B2C CRM infrastructure that we offer because people get that there's a lot of ideas that they can't see or projects they can't execute on and they then want to use that as a way to efficiently execute those and then obviously drive greater profitability and increase revenues.

Chano Fernández
Co-CEO & Director

Yes. I would only add that personalization as well and the basically breadth of understanding that we provide out of those customer profiles and communicating with them at the right time through the right channel with the right message is really powerful in our platform, and they're leveraging that, and they're seeing the results through Klaviyo attributed revenue. Again, we more than doubled than the rest of the market in terms of our customer revenues through GMV. And then I would say the other trend is this productivity increase that we are providing in terms of the opportunity to do much more with less, a bit less head count driven, but clearly, the opportunity to create those campaigns on targets and at the same time, have those customer agents that can communicate and put a great face to their business with their customers is terrific capabilities that they're leveraging on. So I think it's the increased revenue impact on ROI that they're seeing plus this technology shift that we are seeing and where Klaviyo is certainly at the center of and that is what is driving it.

Operator

Thank you. This concludes today's call. Thank you for joining us. You may now disconnect.