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BRZE.OQ - Q3 2026 Braze Inc Earnings Call

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PRESENTATION

Operator

Welcome to the Braze's Fiscal third-quarter 2026 earnings conference call. My name is Leila, and I'll be your operator for today's call. (Operator Instructions)

I'll now turn the call over to Christopher Ferris, Vice President of Braze Investor Relations.

Christopher Ferris - Braze Inc - Vice President, Investor Relations

Thank you, operator. Good afternoon, and thank you for joining us today to review Braze's results for the fiscal third quarter 2026. I'm joined by our Co-Founder and Chief Executive Officer, Bill Magnuson; and our Chief Financial Officer, Isabelle Winkles. We announced our results in a press release issued after the market closed today. Please refer to the Investor Relations section of our website at investors.braze.com for more information and a supplemental presentation related to today's earnings announcement.

During this call, we will make statements related to our business that are forward-looking under federal securities laws and the Safe Harbor provisions of the Private Securities Litigation Reform Act of 1995. These statements include, but are not limited to, statements regarding our financial outlook for the fourth quarter and the fiscal year ended January 31, 2026. The anticipated benefits from and product advancements due to the combination of Braze and ongoing developments in BrazeAI technology, our expectations concerning new customer verticals, our anticipated customer behaviors, including vendor consolidation and replacement trends and their impact on Braze, our potential market opportunity and our ability to effectively execute on such opportunity, and our long-term financial targets and goals, including our expectations

regarding our profitability framework. These statements are subject to a variety of risks and uncertainties that could cause actual results to differ materially from our expectations and reflect our views only as of today. We assume no obligation to update any such forward-looking statements.

For a discussion of the material risks and uncertainties that could affect our actual results, please refer to the risks identified in today's press release and our SEC filings, both available on the Investor Relations section of our website.

I'd also like to remind you that today's call will include certain non-GAAP financial measures used by management to evaluate our ongoing operations and to aid investors in further understanding the company's fiscal third-quarter 2026 performance in addition to the impact these items have on the financial results. Please refer to the reconciliations of our non-GAAP financial measures to the most directly comparable financial measures calculated in accordance with US GAAP included in our earnings release under the Investor Relations section of our website. The non-GAAP financial measures should not be considered as a substitute for or superior to the measures of financial performance prepared in accordance with US GAAP.

And now, I'd like to turn the call over to Bill.

William Magnuson - Braze Inc - Executive Chairman of the Board, President, Chief Executive Officer

Thank you, Chris, and good afternoon, everyone. We're pleased to report strong third-quarter results, generating \$191 million of revenue, up 25.5% year over year and 6% from the prior quarter. We also continue to drive efficiency in our business, improving non-GAAP operating margins by over 400 basis points year over year and generating \$18 million of free cash flow. We have now delivered four straight quarters of non-GAAP operating income and six straight quarters of non-GAAP net income, demonstrating our commitment to driving higher profitability while thoughtfully reinvesting in our business with the goal to position Braze as the global standard for omnichannel customer engagement.

Our momentum was strong in the quarter as we again realized solid bookings across verticals and geographies. Pipeline generation was solid, indicating continued market demand while customers continue to adopt more channels and AI solutions, driving optimism as we look ahead to fiscal year 2027.

We achieved our strongest quarter of customer additions in three years, adding 106 sequentially and 317 year over year to 2,528, up 14%. Our large customer additions were also very strong, adding 21 \$500,000-plus ARR customers sequentially and 69 year over year to 303, up 29%. Recent new business wins and existing customer expansions include CJ Olive Young, Eventbrite, Goat, Grubhub - Seamless, LinkTree, Mindbody, nuts.com, Rafeeq, RSG Group GmbH, and Vivid Seats along with many others.

Competitive takeaways from the legacy marketing clouds continue to demonstrate the market's preference for Braze's AI-driven omnichannel customer engagement solution, leveraging first-party data and frontier AI to deliver on modern customer engagement use cases.

This quarter, brands across diverse industries and geographies migrated to Braze from legacy platforms, including a global appliance manufacturer, North American financial services firm, a Latin American retailer, a North American consumer insights platform, a sports league in APAC, a North American restaurant chain, and a luxury goods retailer in APAC. These wins validate Braze's ability to offer a unified real-time solution that supports ambitious AI-driven customer engagement strategies.

Our comprehensiveness and advanced yet intuitive capabilities are also on display when we compete against less sophisticated point solutions, including recent wins with a travel platform in EMEA, a property finance firm in North America, a resale marketplace in Latin America, and a financial services firm in APAC, among many others.

As we navigate this dynamic technical and competitive environment, Braze remains forward-looking, rapidly introducing new AI-driven capabilities alongside first-party data activation. By applying state-of-the-art reinforcement learning and generative AI across an ever-evolving array of messaging channels and product interfaces, we help our customers leverage their first-party data to deliver more relevant experiences for their consumers and grow their businesses.

This power of AI to build personalized cross-channel campaigns was on display during this year's Cyber Week, running from November 25 to December 1, as marketers increasingly leverage AI to accelerate campaign creation and improve overall performance.

Over the Cyber Week period, Braze delivered 102.5 billion messages with global sending throughput peaking at about 28.5 million messages per minute. During the four-day period running from Black Friday through Cyber Monday, Braze delivered nearly 60 billion messages with 100% uptime, demonstrating the strength, scale, and reliability of our platform.

Behind the impressive headline numbers is also a story of increasing sophistication as marketers continue to evolve away from single-channel campaigns toward more sophisticated programs, leveraging dynamic data to create and strengthen direct relationships with our customers across a variety of channels.

In addition, Braze witnessed the growing use of AI to power operational efficiency and personalization at scale as brands made extensive use of BrazeAI functionality to accelerate campaign creation, improve the resonance and relevance of messaging for their customers, and elevate their work during a critically busy period.

We are pleased to see customers using the full spectrum of BrazeAI capabilities, including by crafting dynamic campaign content using the Braze Liquid Assistant, accelerating content production using BrazeAI copy and image generation tools, ensuring strong clarity, impact and tone of messaging with BrazeAI content quality assurance and delivering smarter product personalization with AI item recommendations.

The increasing sophistication of our customer base and the rapid uptake of AI as a competitive lever affirm the strength of our AI road map and the Braze community.

Performance during Black Friday and Cyber Monday also reinforced the role of premium messaging channels as key drivers of conversion, retention and high-value engagement. During the Black Friday to Cyber Monday period, Braze orchestrated a 90% increase in SMS and WhatsApp message sends, a 55% increase in content cards impressions, and a 32% increase in email messages.

The impressive volumes during such a crucial marketing period highlights the growing desire of marketers to diversify their strategies and further personalize their connection with their customers. Because SMS and WhatsApp are sensitive inboxes, brand performance and reputation is directly tied to how effectively they can personalize these experiences.

Additionally, these premium messaging channels are also often utilized for mid-funnel use cases where engagement, conversion, and monetization are materially higher. Overall, the increasing mix of channels being used by Braze customers signals that the field of customer engagement is moving up the value curve, supporting the deployment of more complex campaigns and the activation of additional channels and platforms.

This pattern is a driver of the vendor consolidation motion that we've highlighted in past earnings. It's a clear signal that Braze is becoming more deeply embedded into our customers' engagement infrastructure and it highlights the need for further productivity gains and relevance enhancement from BrazeAI.

Innovation is central to Braze's DNA and its product road map. Since we anticipated the massive opportunity presented by the widespread adoption of mobile technology more than a decade ago, we have relentlessly seized this opportunity by developing leading-edge technology to advance the craft of customer engagement.

Through AI, we believe using Braze should feel like collaborating with specialists who accelerate and elevate your work, delivering the guidance and output from brand strategists, copywriters, developers, and data analysts to help marketers win the competition for user attention, advocacy, and loyalty. Over time, we aim to help marketers ascend from the drudge work of babysitting campaigns and to instead operate as strategic conductors, building and delivering one-on-one personalized experiences that are impactful for their consumers and that build brand equity through resonance and reciprocal value creation.

At our Forge Customer Conference in late September, we articulated how rapidly these tools and techniques are evolving. Previously, we've used the listen, understand and act framework to describe the problem space of customer engagement and the flow of our stream processing architecture. Now, AI broadens the potential of each of these steps. Listen becomes context as it is enriched with the insights and the comprehensiveness of an AI-enhanced composable data platform.

Understand becomes intelligence as products gain the ability to both reason and act with enhanced autonomy. And action expands to interaction as AI systems increase their expressiveness and consumer behaviors evolve with a real-time feedback loop guiding subsequent interactions delivered as a continuous experience.

Let me take a moment to detail this conceptual evolution and explain how Braze is introducing tools to meet this moment. Modern AI is fed by context and enhanced by reasoning. Within Braze, that context is provided by the Braze data platform and enhanced by our native SDKs, partner integrations, robust APIs, reverse ETL capabilities, and the recently available Braze MCP server. The intelligence phase brings the design advantages of composability beyond just data, offering a full spectrum of composable intelligence, notably including the agent console, which enhances customer journeys, enriches data, and accelerates workflows.

Agent console allows marketers to create custom agents that can be configured within Braze and deployed in both Canvas, our no-code visual development environment, and Braze catalogs to process, enrich, and reason about brand data and customer behavior at scale and speed. We have dozens of customers using the agent console to take in unstructured data, including natural language from customer conversations and respond interactively to maximize the value that they deliver in the most important moments for their consumers.

We recently partnered with Aeroflow Health, a leading medical equipment and supplies company to optimize their SMS reordering process for breast pump supplies. After seeing the flurry of BrazeAI product announcements at Forge, they rapidly experimented with the BrazeAI Agent console and Canvas context steps to enable a sophisticated SMS conversation that understood natural language in real time and process orders automatically. The program is moving from testing to production after delivering a large conversion lift that could drive tens of thousands of projected additional annual orders.

As marketers continue to experiment and innovate with these new features, the Braze operator also announced at Forge, stands ready to speed their education and enhance their productivity. Operator streamlines existing work by accelerating campaign creation, analyzing reports and uncovering data insights, automating quality assurance tasks and getting quick answers from documentation and source code through our intelligent assistant. Hundreds of our customers are enabled on operator and experiencing early success.

And of course, we introduced the BrazeAI Decisioning Studio, developed from the OfferFit acquisition, which deploys AI decisioning agents to continuously experiment and personalize any aspect of customer engagement using insights and context from first-party data.

Recently, we partnered with a large US e-commerce brand to push their prior personalization strategy to new heights. Using BrazeAI Decisioning Studio with reinforcement learning agents that independently experiment and identify optimal actions, they deliver deeper one-on-one personalization at incredible scale, managing approximately 5.1 quintillion permutations to select the optimal action for millions of their customers. The results generated a rapid and meaningful uplift in customer engagement, including a 12% uplift in app downloads and a 15% increase in conversion to premium memberships when compared to their prior strategy.

The collaboration has driven such tremendous value in consumer insights that the customer is rethinking their entire life cycle marketing approach, transitioning the job of relevance optimization from manual A/B testing to AI-driven one-on-one decisioning, moving beyond merely deploying the best averages and instead relying on modern reinforcement learning to maximize resonance with every individual.

Finally, I'd like to highlight our first-of-its-kind SDK support for native apps and ChatGPT that we announced in mid-October. Building on our deep experience from growing up in the mobile app ecosystem, this integration for ChatGPT apps will allow marketers to ensure that sophisticated customer engagement strategies are enabled in their new ChatGPT apps from the earliest phases of development.

Brands will be able to continue the conversation with users of their ChatGPT native apps on other channels while also using Braze's in-product channels and personalization features to enhance their consumer-facing ChatGPT app interfaces.

What's even more remarkable is the speed with which the Braze engineering team was able to release this integration, launching a fully featured SDK just two weeks after the announcement of the ChatGPT app programs. This was enabled by our deep experience building SDKs for native app development and our proprietary architecture, which allows for rapid support of new platforms and channels as technology and consumer behaviors evolve in tandem.

Combined with our composable data and intelligence capabilities, we are seeing the best of Braze's foundations combined with the leading edge of AI.

I'll conclude by reiterating our commitment to driving long-term growth, efficiency and profitability in our business.

Thank you for your interest and support of Braze. And now, I'll turn the call over to Isabelle.

Isabelle Winkles - Braze Inc - Chief Financial Officer

Thank you, Bill, and thank you, everyone, for joining us today. As Bill stated, we reported a strong third quarter with revenue increasing 25.5% year over year to \$191 million, driven by a combination of existing customer contract expansions, renewals and new business. BrazeAI Decisioning Studio, formerly known as OfferFit, contributed \$4.8 million of revenue in the quarter. This implies an organic revenue growth rate of 22.3% year over year, which represents the second sequential quarter of organic revenue growth acceleration.

Subscription revenue remains the primary component of our total top line, contributing 95% of our third-quarter revenue, while the remaining 5% represents a combination of recurring professional services and onetime configuration and onboarding fees.

Total customer count increased 14% year over year to 2,528 customers as of October 31, 2025, up 317 from the same period last year and up 106 from the prior quarter. This sequential growth reflects the largest quarter-over-quarter increase in customer count since the third quarter of fiscal year 2023.

Our total number of large customers, which we define as those spending at least \$500,000 annually, grew 29% year over year to 303. And as of October 31, 2025, these customers contributed 63% to our total ARR compared to a 61% contribution as of the same quarter last year. Measured across all customers, dollar-based net retention was 108%, while dollar-based net retention for our large customers was 110%.

Expansion was again broadly distributed across industries and geographic regions. Revenue outside the US contributed 45% of our total revenue in the third quarter, in line with the second quarter of this year and the prior year quarter. In quarter, organic dollar-based net retention increased for the second straight quarter to over 107%, slightly above our in-quarter organic dollar-based net retention in Q2 of this year.

We continue to observe stabilization in this metric as we realize the benefits of our investments to moderate downsell activity.

In the third quarter, our total remaining performance obligation was \$891 million, up 24% year over year and up 3% sequentially. Current RPO was \$573 million, up 25% year over year and up 3% sequentially. The year-over-year increases were driven by contract renewals and upsells and the signing of new customer contracts. Overall, our dollar-weighted contract length remains at just over two years.

Non-GAAP gross profit in the quarter was \$132 million, representing a non-GAAP gross margin of 69.1% compared to a non-GAAP gross profit of \$107 million and non-GAAP gross margin of 70.5% in the third quarter of last year. The decrease in year-over-year gross margin was driven primarily by higher premium messaging volume and hosting costs, partially offset by improved efficiencies and personnel costs.

Non-GAAP sales and marketing expenses were \$77 million or 40% of revenue compared to \$65 million or 43% of revenue in the prior year quarter. The dollar increase reflects our year-over-year investments in headcount costs to support our ongoing growth and global expansion, while the improved efficiency reflects our disciplined approach to investment as we continue to scale and expand the business.

Non-GAAP R&D expense was \$28 million or 15% of revenue compared to \$22 million or 15% of revenue in the prior year quarter. The dollar increase was primarily driven by increased headcount costs to support the expansion of our existing offerings as well as to develop new products and features to drive growth. Our R&D expenditures reflect our intentional yet disciplined technology investment strategy and remain in line with our long-term non-GAAP R&D percent of revenue target of 13% to 15%.

Non-GAAP G&A expense was \$22 million or 12% of revenue compared to \$22 million or 15% of revenue in the prior year quarter. The improved efficiency reflects increasing scaling across public company expenses and the benefit of leveraging strategic locations for headcount expansion.

Non-GAAP operating income was \$5 million or 2.7% of revenue compared to a non-GAAP operating loss of \$2 million or negative 1.4% of revenue in the prior year quarter. Non-GAAP net income attributable to Braze shareholders in the quarter was \$7 million or \$0.06 per share compared to \$2 million or \$0.02 per share in the prior year quarter.

Now, turning to the balance sheet and cash flow statement. We ended the quarter with approximately \$387 million in cash, cash equivalents, restricted cash, and marketable securities. Cash provided by operations during the quarter was \$21 million compared to cash used in operations of \$11 million in the prior year quarter. Including the cash impact of capitalized costs, free cash flow in the quarter was \$18 million compared to a negative free cash flow of \$14 million in the prior year quarter. We expect our free cash flow to continue to fluctuate from quarter to quarter given the timing of customer and vendor payments.

Now, turning to guidance. For the fourth quarter of fiscal 2026, we expect revenue to be in the range of \$197.5 million to \$198.5 million, which represents a year-over-year growth rate of approximately 23% at the midpoint. While we are not providing specific gross margin guidance, as a reminder, we expect higher seasonal activity during Q4 will impact gross margins consistent with historical patterns.

Fourth-quarter non-GAAP operating income is expected to be in the range of \$12 million to \$13 million. At the midpoint, this implies a non-GAAP operating margin of approximately 6%.

Fourth-quarter non-GAAP net income is expected to be \$15 million to \$16 million and fourth-quarter non-GAAP net income per share in the range of \$0.13 to \$0.14 per share based on approximately 113 million weighted average diluted shares outstanding during the period.

For the full fiscal year 2026, we expect total revenue to be in the range of \$730.5 million to \$731.5 million, which represents a year-over-year growth rate of approximately 23% at the midpoint. Consistent with the commentary we provided on prior earnings calls, we expect BrazeAI Decisioning Studio to contribute approximately 2 percentage points to year-over-year revenue growth for the full fiscal year.

Fiscal year 2026 non-GAAP operating income is expected to be in the range of \$26 million to \$27 million. At the midpoint, this implies a non-GAAP operating margin of 3.5%, roughly a 350-basis-point improvement versus fiscal year 2025.

Non-GAAP net income for the same period is expected to be in the range of \$46 million to \$47 million, and net income per share is expected to be \$0.42 to \$0.43 per share based on a full-year weighted average diluted share count of approximately 110 million shares.

While we will provide more formal guidance for fiscal year 2027 in March of next year, we expect to return to the profitability framework outlined at our last Investor Day, targeting a non-GAAP operating income margin of 8% for fiscal year 2027. It's an exciting time at Braze as our AI-driven solutions fundamentally rewrite the rules of customer engagement. We remain committed to offering industry-leading customer engagement solutions and driving product innovation as we execute on our long-term financial goals.

And now we'll open the call for questions. Operator, please begin the Q&A.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Ryan MacWilliams, Wells Fargo.

Ryan MacWilliams - Wells Fargo Securities LLC - Equity Analyst

Hey. Thank you for the question. Bill, glad to hear about the Braze Healthcare customer who use Braze agent console to build an AI agent to chat with their customers. This almost customer service use case from Braze is interesting. But I would love to hear your view on what are some of the reasons Braze Canvas might be an easier starting point for organizations when building new AI use cases.

William Magnuson - Braze Inc - Executive Chairman of the Board, President, Chief Executive Officer

I think it's a great question and a great example to ask about because that use case was integrated directly into Canvas. And what I didn't share in the prepared remarks is actually that the first prototype version of it was made by that customer while they were at the gate waiting for their flight to leave from Forge.

The agility that you get out of being able to deploy an already like purpose-built agent framework into an engine like Canvas that allows you to leverage all of the interaction support that's already there, the massive amount of first-party data that's at your fingertips already in that environment.

I mentioned Canvas Context, which is a feature that we launched earlier this year in anticipation of continuing to have these units of intelligence get integrated into more parts of a canvas in order to provide the right logic or more enhanced personalization, things where conditional logic is able to become reasoning and therefore, able to respond to the unstructured data or all of the unpredictability of humans as they're interacting in these complex flows.

And this is a use case where I think a lot like we've spoken about in the past. This would have become a customer support interaction, but actually because the product is able to intuit what the customer wants through or interpret what the customer wants through the agent that has been configured to kind of understand that business problem and fed with the right context and first-party data, which, of course, we make extremely easy because of how the agent consoles plug into both the Braze catalogs and Braze Canvas, you're able to deploy these, deploy them and test them against business as usual.

This was a great example where they already had a solution up and running. They incorporate new intelligence into an alternative solution. You run that in a head-to-head.

Canvas, of course, already has that -- the automation for the experimentation as well as all the built-in reporting to track those conversions to be able to know exactly what uplift you're getting. And then that, of course, drives the conviction to be able to promote these firm experiments into production. And it's great to see all of that already happening on a rapid timeline since the launch of agent console at Forge.

Ryan MacWilliams - Wells Fargo Securities LLC - Equity Analyst

Appreciate the color. And then for Isabelle, it seems like a number of your key metrics improved in the quarter, and your 4Q guide seems stronger than historical. I love if you could break down some of the components of the drivers of these improving trends. Thanks.

Isabelle Winkles - Braze Inc - Chief Financial Officer

Yeah. So a lot of these things have been in progress for some time as we think about ongoing productivity enhancements that have occurred within the sales organization, and we've been seeing that over the last several quarters.

And then the efforts that we've had to mitigate downsell and dollar churn. And that's been really exciting to see that come to fruition. And these things have combined together to enable us to retain more dollars and then go out and continue to sell more effectively and efficiently.

So we're really excited about the momentum that we're seeing in the business, and that's playing into our ability to overachieve the numbers that we have guided for, for Q3 and then provide the guide that we did for Q4.

Ryan MacWilliams - Wells Fargo Securities LLC - Equity Analyst

Appreciate the color. Thanks, guys.

Operator

Raimo Lenschow, Barclays.

Raimo Lenschow - Barclays Services Corp - Analyst

Thank you. Bill, you talked earlier about the growing momentum, especially on the legacy side. Is there anything in the market specifically that you would attribute that to? So is it like AI adoption and you need a more modern platform, is it kind of the getting end of life like from a technical perspective and hence, more stuff is happening, or what's driving that momentum there?

William Magnuson - Braze Inc - Executive Chairman of the Board, President, Chief Executive Officer

Yeah. I would say, as we look forward, one of the things that you latched on to is that I do think this is a moment in history in our category where in the start-up landscape, we're seeing consolidation and capitulation happening with more subscale or point solution or regional players. The enterprise competitive set is distracted and stagnating in many ways. And I think we see that, the broader ecosystem sees it.

And that means that just the awareness of Braze, the differentiation, the desire and optimism around investing in a Braze practice, investing in Braze's technology, I think increasingly stands alone amongst that competitive landscape because we combine both the scale of being a public company operating at the level of R&D investment that we are, along with the agility that we're demonstrating through being on the leading edge of new AI innovation and our recently launched ChatGPT native app SDK is another great testament to that, which not only was the first SDK out of the gate on that just two weeks after they announced it. But here we are many weeks later, and it's still the only one.

And so I think when you broadly look across the customer engagement landscape, Braze continues to stand out for our committed investment, our leadership in the space. We've spoken about a lot of the things in the demand environment that have caused that enterprise replacement cycle to be slow over the last couple of years. Basically, that switching costs are still costs, and it's been hard for a lot of brands to kind of extend their planning horizon out while they've been focused so much on profitability over growth and a lot of the other things that a lot of people are seeing in the broader demand environment.

But we're really optimistic about where we're at from a competitive positioning standpoint. I think our customers are seeing that as well. More and more of the conversations that we have that are driving that enterprise replacement cycle are a question of when, they're no longer if.

And it's still a big transition for enterprise brands to make, but it's one that I think we're very prepared to continue to invest to accelerate that share gain, and we're excited about what that means for our long-term positioning in the market.

Raimo Lenschow - *Barclays Services Corp - Analyst*

Okay. Perfect. Thank you. And then one for Isabelle the NRR, like we know it's lagging, so it came in the same level as we saw in Q2. Can you kind of speak to kind of -- like how do you think about -- and actually, I remember last quarter, you talked about like intra-quarter was getting better. Whatever the puts and takes there this quarter? Thanks.

Isabelle Winkles - *Braze Inc - Chief Financial Officer*

Yeah, absolutely. So in my prepared remarks, I actually continued with the same disclosure that we provided last quarter. And so we are providing the in-quarter organic dollar-based net retention and indicated that, that continues to go up. So we talked about in Q1, it was a little bit below 107%. Q2 was a little bit above 107%. And it continues on that trajectory, still in the 107% range, but a little bit above the Q2 number. So we're really excited to see the stabilization in that metric over the last three quarters.

Operator

Gabriela Borges, Goldman Sachs.

Gabriela Borges - *Goldman Sachs Group Inc - Analyst*

Hey, good afternoon. For Bill and Isabelle. So you gave us the two points of contribution from the decisioning Studio. I'd like to get your thoughts broadly on how you think AI can impact the growth algorithm of your business.

Isabelle Winkles - *Braze Inc - Chief Financial Officer*

So when we think about the monetization of AI, and we've talked about this a little bit over the last couple of quarters as AI has just been introduced more generally from a monetization standpoint, we think about it in two buckets.

So leaving aside Decisioning Studio, which obviously we are directly monetizing on a use case basis today. And then there's sort of two other flavors of AI that live in the tool.

One is AI that is generally helping our users, our customers with the overall workflow and things that you invoke kind of once and then allow for kind of a broad-scale deployment of a particular canvas or campaign or content that doesn't really weigh on our own cost structure in the same way as things that invoke AI sort of on a repeated basis that are on a one at a time in real time, always on function.

And so the things that are just kind of invoked occasionally for kind of large-scale deployment sort of occasionally that we would sort of include in the platform and largely not charge for those on an invitation basis.

The things that are kind of operating one at a time in real time, we anticipate putting those into the credit framework and charging customers as they invoke the LLM usage, which, therefore, is going to have some impact on our cost structure over time. And so that's how we plan to incorporate that. We are not there yet. And so that is potential upside as we include that in the credits portfolio.

Gabriela Borges - *Goldman Sachs Group Inc - Analyst*

That makes sense. The follow-up is for Bill. So with respect to competition, I'm curious if you see your customers building bespoke agentic tech stacks. I'm not talking about wide coding, but something more sophisticated that sits next to or adjacent to Braze such that you think, well, really that functionality should be built in Braze over time. I'm curious, a, if you're seeing that as a dynamic in your customer base? And b, if you are, what can you do to move some of those projects on to Braze and a packaged software kind of discussion as opposed to having customers build it themselves?

William Magnuson - *Braze Inc - Executive Chairman of the Board, President, Chief Executive Officer*

Yeah. So high level, the composability in the design of Braze has led our customers to build and develop systems that enrich either data inputs to Braze, provide maybe more bespoke orchestration signals, do deeper content personalization, et cetera, and building those alongside and then integrating them with Braze.

We specifically designed all of our API layers to be able to have flexibility with respect to different layers of abstraction, different separation responsibilities designs, which are great for engineering teams that are trying to maintain control or where they have ownership or responsibility for certain signals that are important in the flow of timing or orchestration or personalization or what have you, but still want to give marketers the experimentation and agility that only the Braze platform can really provide through the dashboard. And by bringing those things together, we actually see that some of our most sophisticated customers deploy side by side.

Now, the other thing that's happened alongside that is obviously that the Braze platform continues to build more powerful and generalized solutions to a lot of these problems. And I think item recommendations is a great example of this, where if you go back to Braze six, seven years ago, we had robust integrations with either personalization platforms like AWS personalized or we would do direct calls to web services that our customers would set up in order to provide recommendations.

As the state-of-the-art in recommendation systems kept getting better and better, we were able to provide an offering that was both generally powerful so that we could sell it across our diverse customer base, but also would consistently win head-to-heads with the bespoke in-house systems that were built by those engineering teams and of course, have the added benefit of not needing to manage those systems and keep those services up and be able to have them withstand the incredible load that happens when you really run a high-speed Braze campaign.

And then, of course, over time, and we've spoken about this on earnings calls in the past as well, we were able to upgrade the underlying technology under those item recommendations. Today, there's different flavors of item and recommendations available in Braze. Some of them use transformer architectures as well. Transformers, of course being the T in GPT, which is a new approach to being able to provide generalized recommendations that, again, compare very favorably, almost always beating head-to-head bespoke systems.

And when we look at decisioning and when we look at the integration of agentic decision-making, we see a similar dynamic playing out. We already have examples in the customer base where customers that were working on various forms of decisioning systems, and they are now deploying Decision Studio Pro in place of that because the total cost of ownership and the flexibility and the power of Decisioning Studio Pro is a purpose-built system with customizability and the deployed engineering model is able to provide and kind of beat those in-house offerings head-to-head, both for performance and for total cost of ownership.

And then, of course, there's a lot of interplay with the use of agents and being able to integrate them into different parts of either the data enrichment and data insight generation flow as well as within Canvas. And of course, the way that we are designing the agent console, it allows you to bring your own underlying LLM into the equation.

And going back to Isabelle's commentary about gross margin profiles and the way that we price those, we, of course, view that as a very positive setup because it allows for Braze to be able to charge for the high-margin, higher sophistication orchestration side. And then customers are able to govern and manage the cost of their LLM invocations within their own infrastructure.

And so we've done a lot over the years and especially in the intelligence space, which is an area where you tend to see bespoke development in kind of racing out in front as engineering teams jump on to new technologies and they take advantage of -- or they try to build for the bespoke nature of their problem.

And then, of course, as we continue to build more generalized, powerful, flexible solutions for our customers and deploy those in other use cases, we see transitions of those workloads to be inside of Braze. And I think that when you look out across a customer base as diverse as Braze is today, we have examples of basically all over that spectrum today.

Gabriela Borges - *Goldman Sachs Group Inc - Analyst*

Thank you for the detail.

Operator

Derrick Wood, TD Cowen.

Derrick Wood - *Cowen and Company LLC - Analyst*

Great, thanks. I guess, first question for Bill. Could you drill a bit more on this new integration with ChatGPT and kind of pushing the first-party data into more personalization within ChatGPT apps? I guess, how much customer interest is there and driving more engagement there versus traditional channels? And what does this mean for your monetization and value delivery positioning?

William Magnuson - *Braze Inc - Executive Chairman of the Board, President, Chief Executive Officer*

Yeah. So I'll actually start with the end of that question because the implications and what it means does depend a lot on how these app ecosystems evolve from here, and we really are just in the earliest days of it.

And so when you look at the in-chat native app or agentic experiences and how they'll continue to push forward, I think the future role that Braze plays and also the strategies that brands will deploy depends a lot on how closed or open these platforms end up being.

With respect to things like identity, authentication, payment, or allowing differentiated native UI/UX, you're even already seeing some of the implications of these decisions in who's investing in these early experiences where within the ChatGPT ecosystem, as an example, Amazon has largely opted out.

Walmart has opted in, but Walmart is also -- they're focused on use cases outside of basic staples because they're looking at that as a discovery channel, which is allowing for them to get net new customers, which, of course, is an awesome strategic lever for them when they look at the ChatGPT user base and the different use cases that are being deployed there.

But the -- when you look at the evolution of that over time, the important questions are basically going to be like, how much of a fortress is the walled garden that the likes of ChatGPT or Gemini or others are going to make? And how are they going to monetize? And like how are they basically going to take the user attention that they have within that walled garden and turn that into revenue for their business.

Now, if they stay open, which is more similar to the web and which the early signs on ChatGPT native apps are pointing to, then the in-chat app experience will become an extension of the first-party ecosystem, which is what you were just alluding to.

So much like mobile apps have over the last decade, that means that those native app experiences can become a rich source of data on customer interest and intent. They can become another surface to deliver messaging or customized product experiences to consumers.

And you're already seeing that in the way that the ChatGPT native apps are being built, where if you invoke the Canva app, as an example, you're able to log into your account and they're able to render custom interfaces and get access to information about the session.

If you compare that to, say, how a brand interacts with someone on Instagram, that is a much tighter closed walled garden and you get almost no data around those interactions can barely even link to a brand's website. And Meta has gone down the path of making sure that they can extract as much advertising revenue out of that interaction as they can. And so that's an example where an ecosystem would stay more closed or more extractive, either through ads, payment processing, or referral fees.

And in that, you have this classic aggregator dynamic, and it drastically increases the importance of establishing first-party relationships with new customers. And that, of course, drives investment in product marketing, customer engagement strategies.

And when you look across that, and I talked about this in the past, but I think when we analyze how these are going to go, when we look at that path where things end up more closed, you can look at the fact that, for instance, a loyal Delta flyer is worth a lot less to them if every flight search begins with an aggregator. The same is true for a Taco Bell fan who starts every meal in a delivery app or every retail purchase that begins with the click on a Google search ad.

And of course, that same dynamic will apply to a consumer who only engages with your brand through an agent. And in all of those cases, the right answer for brands that want to have a sustainable path to durable business growth is ramping up investment in first-party data, enhancing, and evolving their direct-to-consumer products and deploying sophisticated customer engagement to make sure that they make the most out of that.

And so we're still in the early days of this. I think we've seen some promising early signs of ChatGPT embarking on an open ecosystem, which I think is great news for brands that want to build into those experiences. We'll continue to see the evolution of agentic commerce. We'll continue to see the evolution of similar app store ecosystems in Gemini and potentially in other AI chatbots as they rise.

And I think that just like some brands never made it through the transition to mobile and Braze is going to rely heavily on our experience that we have growing up in the mobile app store ecosystem to be able to move fast and be able to guide our customers through this transition. I think it's also true that some brands are not going to survive AI disruption as they just become commodities downstream from a faceless agent's desires. But the companies that thrive through this disruption are going to do it exactly because they maintain a strong connection to their customers, and that's exactly what Braze has built to help them do.

And so I think we're well prepared where if this goes down the open path, that's awesome. It's a new app store. We're already ready to go, and those are great new channels to be able to get more first-party data and communicate with those customers. If it goes down a closed path, it is yet more reason for brands to invest in building first-party connections with their customers, and Braze will be here to help them do that as well.

Derrick Wood - *Cowen and Company LLC - Analyst*

Awesome. Very helpful perspective. Maybe one Isabelle for you. Just the inflection in new customer generation very impressive that followed a strong Q2. Can you just drill into what's helping drive that velocity of new deals? Is it OfferFit given in the decisioning product given you new front doors into different accounts, or are there other factors in play? Anything to highlight here?

Isabelle Winkles - *Braze Inc - Chief Financial Officer*

Yeah. No, not specifically related to OfferFit. Remember, the cycles there are going to be a little longer. But generally around kind of Braze core, the legacy replacement cycle continues to be in our favor. Our competitive position continues to be strong.

The regional investments that we have made and the efforts around verticalization continue to deliver results. So that's all really, really great to see. And then I've talked about the mitigation strategies that we've put in place to avoid both downsell and customer churn. And so when you mitigate levels of customer churn, you retain more customers, and you're seeing that in -- as well in the net new customer add number. So we're really excited about the overall momentum in the business.

Operator

(Operator Instructions) Taylor McGinnis, UBS.

Taylor, *9 will allow you to unmute your phone.

We'll return to Taylor. We'll move to our next. We'll take a question from -- Taylor, I see you've unmuted. Please go ahead.

Taylor McGinnis - UBS AG - Analyst

Okay, can you hear me now?

Operator

We can. Go ahead.

Taylor McGinnis - UBS AG - Analyst

Okay. Perfect. Bill, the 4Q was so much better. So just trying to understand in terms of what's driving that. So is that just a function of some of the past headwinds starting to ease or 3Q being stronger at the end?

Or are you actually seeing a further improvement of demand trends into the first half of 4Q? And then just curious any reads for you have on 2026 as you've been talking to your customers about their spending plans?

Isabelle Winkles - Braze Inc - Chief Financial Officer

Taylor, I'll take that. So on the revenue guide, we do continue to approach this with a risk-adjusted position. And so what you're seeing is some of what I talked about in the last question that was asked where we're seeing continued strength across the legacy replacement cycle and then just strengthen our overall competitive position.

And just some of the investments that we've been making in retention, which obviously is immediately beneficial to revenue as well as efforts around our regional focus and footprint and efforts around verticalization, all of this is kind of driving the net benefits in the business. And you're seeing it in strength in metrics such as RPO and CRPO.

And so there's kind of strength across the metrics here. You're seeing stabilization in the dollar-based net retention. You're seeing strength in the customer -- net customer adds. And all of that kind of feeds together to enable us to not only overachieve what we had guided for in Q3, but also to raise the expectations here for Q4.

Operator

Arjun Bhatia, William Blair.

Arjun Bhatia - *William Blair Capital Partners - Analyst*

Thank you. One question on AI Decision Studio. Bill, I'm just curious just in the kind of early reception that you've had from customers, how are they finding the product? What are the kind of use cases you're seeing early traction on? And I assume as we go into fiscal '27, this is going to become a bigger and bigger part of the story. What does the pipeline look like now that you've had some time to integrate it and get it in the hands of customers? And just how should we think about growth here and what it can unlock next year?

William Magnuson - *Braze Inc - Executive Chairman of the Board, President, Chief Executive Officer*

Yeah. So first of all, the integration, both on the R&D and the organizational side continues at pace. And a huge thank you to all the incoming OfferFit employees who have already made Braze their new professional home over the last few months. We're seeing tremendous impact from the teams coming together. And the integration process, we're looking forward to formally being on the other side of that into a combined business as usual next year.

Commercially, pipeline generation has remained strong, and we've seen a growing number of exciting customer wins, including the case study that I mentioned in my prepared remarks. And we're seeing those wins across verticals and in geos around the world, which has been fantastic to see. The cross-sell thesis, I think, is continuing to bear fruit as even Braze's most sophisticated customers are searching for ways to achieve incremental performance. And I think decisioning has then also rapidly become a critical part of the overall BrazeAI road map which, of course, is in every single customer conversation. And so while the full deployment of Decisioning Studio Pro is -- it's definitely more of an enterprise deal cycle, and it's a new category that requires customer education.

And so it's not being included into every deal conversation to deeply qualify and explore the deployment of Decisioning Studio use cases. But even for those customers that are only evaluating it, it's really fantastic for them to see that there is a progression that they'll be able to move through as they adopt the greatest of the existing Braze Customer Engagement platform and then know that they can circle back around to those most important points in the customer journey to get maximum performance out of it.

And then, of course, for the Braze customers who are already on the leading edge of adoption, they've got cross-channel strategies. They've been doing sophisticated experiment testing for years. They're already using our more advanced AI capabilities, and they want more -- the answer for that is, of course, deploying Decisioning Studio right now and targeting it at their most important use cases.

And I think that, that example that I provided in the prepared remarks, is one where they pointed that at an important part of the -- two important parts of the customer journey, ones where they had done rigorous testing before, where they had a strong business as usual, they knew just how important it was to their business, and we pointed the advanced reinforcement learning of the Decisioning Studio at it and achieved uplift that wasn't even believed by their CEO, the first time it was put in front of them. And that's an incredible thing to see, and it obviously really helps with deal velocity and helps us build those internal proof points as well.

And so I think we're really optimistic about it. It's still an enterprise deal cycle. And so it takes time for pipeline to mature. And we need to make sure that we're doing the right levels of education out there. It's a new category. And so I think it's also important from a go-to-market efficiency standpoint that we do a good job of qualifying deals so that we're not doing baseline education everywhere in the market.

To some extent, we'll have to follow a similar pattern as we have with customer engagement over our lifetime where the more sophisticated approach to customer engagement as compared to more traditional marketing automation is something where skill sets permeated companies and built into a customer community momentum over time. I think we'll see something similar with decisioning education and knowledge.

But of course, we now have a lot more scale. We're going to be able to do it a lot faster than we did when we built the Braze customer engagement platform through our first 14 years. And we're really excited to be bringing this very advanced approach that allows us to deliver differentiated performance to customers to market rapidly.

Arjun Bhatia - *William Blair Capital Partners - Analyst*

Very helpful. Thank you, and congrats on the momentum here.

Operator

Brian Peterson, Raymond James.

Brian Peterson - *Raymond James Holdings (Canada) Inc - Equity Analyst*

Yeah. Thanks, guys, and congrats on the strong quarter. So Bill, you had mentioned some verticals that you had some strong wins with. I'm curious, as you think about the pipeline of opportunities, has that changed at all relative to your current mix? And are there any end markets maybe where you're particularly excited about as we're heading into calendar year '26? Thank you.

William Magnuson - *Braze Inc - Executive Chairman of the Board, President, Chief Executive Officer*

Yeah. I think with a broad brush, I don't think we've seen any sort of large rotations in terms of the vertical split of opportunities. But there is an important dynamic that happens as we penetrate deeper into certain verticals, especially those that are more capital-intensive or highly regulated, which, of course, are industry properties that are correlated with a little bit more risk aversion or slower decision-making.

And in those, we often work with first the disruptors and then we work with those under threat of disruption. And it takes those proof points with the early start-ups like, for instance, with health tech or fintech before you can move more meaningfully into the traditional hospital systems and traditional health insurers are moving into the larger banks and insurance companies and credit unions and such around the world.

And so I think when you look at some of those categories that we've been investing in, where we've got a great track record with the start-ups, and we're now parlaying that into more -- a deeper penetration into the more traditional enterprise in those spaces. That's probably where I would identify the biggest vertical-by-vertical shift, but that's not necessarily an exogenous property of those verticals themselves, but really more about Braze's journey to penetrate them over time.

Operator

Scott Berg, Needham.

Scott Berg - *Needham & Company LLC - Analyst*

Great quarter. So many of them I just got to select one. Let's talk about your 500,000-plus customers. It's the second quarter in a row where your quarterly additions have really kind of jumped off the page, especially from a historical level. Are you seeing, I don't know, a change in how you're landing with some of these customers?

Is this maybe driven more by better kind of expansion activity with them? Maybe help paint some color in terms of what's going on with those larger customers.

Isabelle Winkles - Braze Inc - Chief Financial Officer

Yes. So nothing changing in sort of certainly the incentive structure for the business. So definitely just our sales team incentivized to kind of land and then we'll go and expand from there. And so we are excited to see that there's a continued strong momentum in the upsell from those who were previously at under \$500,000 to those upselling to being north of \$500 and that's obviously healthily outpacing those that are either downselling or turning. So it's just great to see that momentum. There's obviously more for us to be selling. The decisioning Studio is now in the mix.

With customers who are buying maybe a little bit closer to the pin to start with on their original entitlements, there's more opportunity for them to kind of expand over time as cross-channel becomes more and more important. I think you heard Bill's prepared remarks with regards to what we were seeing certainly around Black Friday and Cyber Monday, just the volume of messages that are sent across the diverse set of channel continues to increase. And so that is going to result in upsells from our customer base. And so we are really excited to see kind of that momentum across the whole customer base, but then also obviously focused across the 500-plus sellers of buyers. So it's great to see that.

Operator

Brett Huff, Stephens.

Brett Huff - Stephens, Inc - Analyst

I want to drill in a little bit on the momentum that we've seen in the past couple of quarters, both in the metrics and kind of the tone. Bill, I can't remember it was a few quarters ago that you mentioned that folks in sort of the more progressive marketing organizations were a little bit tapping the brakes. They were a little bit more hesitant to buy more aggressively to think about growth and maybe a little bit of retrenchment. I'm wondering, I know it's a little bit of an anecdotal question, but do you get the sense that, that's changed? And I guess maybe to put a finer point on it, have we started selling to folks that are willing to sort of buy side-by-side with the legacy platforms in anticipation of switching? I don't know if that's the right sort of flag to look at.

William Magnuson - Braze Inc - Executive Chairman of the Board, President, Chief Executive Officer

Yes. I think that the dynamic of switching costs being cost and there not being excess budget to really finance that is still there. As we've talked about in the past, a lot of that is about just making sure that we're doing a great job of qualifying and timing opportunities. And a lot of times, that's also consultative. A lot of these customers who last switched their platform 6, 7 years ago when they first deployed the legacy Marketing Cloud, it might have even taken them like 2 years.

And so in their own head, when they first start the conversation, they might also be under the impression that those switching costs are a lot higher than they need to be with the careful plan. And so there's a lot of ways that we address that. But I think that the dynamic is still at play. One thing I would point to, though, is -- and you saw this in the Black Friday, Cyber Monday stats that the growth of SMS and WhatsApp year-over-year was over 90%. And what you see there is a willingness to invest in premium channels.

Those are usually mid-funnel use cases, places where people are -- where they've already had some amount of engagement, they're working to get to the conversion point. And you don't see spending on those higher marginal cost channels unless those are working and people are investing for the ROI being able to drive higher conversion rates in those. And so I think that's a good sign. We're also seeing the -- we're seeing the resumption of these credits upsells that we've hypothesized in the past, where a lot of the buying was very close to the pin for customers where they would project what they were going to use over the next 12 months and sometimes they weren't even buying that. They were just buying enough to get to the next calendar year or they were buying very tightly with those capacity projections.

And what we're starting to see now is customers running out of those credits early and making upsells and increasing the run rate of their consumption to match like what they're actually doing. And so I think that's a more normal buying pattern, and we're seeing a resumption of that, which is a good sign. And so I think we're seeing a few things here and there of what I would call more normalization. And we're going to continue to build for the opportunity as it's ahead of us.

Operator

Matthew VanVliet, Cantor Fitzgerald.

Matthew Vanvliet - *Cantor Fitzgerald LP - Analyst*

I guess looking at the AI decisioning studio, Bill, you mentioned that it's still sort of an enterprise sale, and we saw that from the OfferFit sort of average deal size. But as you look at the product road map ahead, are you thinking of using some of the other products you've built kind of in that area to move into the mid-market and sort of lower enterprise? Or will there be strategy for the decisioning engine to have kind of a lighter weight, lower cost version to attack that market over the next several quarters.

William Magnuson - *Braze Inc - Executive Chairman of the Board, President, Chief Executive Officer*

Yes. So I'd take a step back and look at the broader problem space as AI-driven relevance optimization. And so decisioning is a specific part of that. It's a data science, machine learning-driven approach. But there's also people that are already using, for instance, the agent console to be able to take in small amounts of the first-party data that's flowing through the canvas with the user and be able to do personalization with it.

And I was wondering if there would be an opportunity on this earnings call to share with everyone that we registered vibedecisioning.com last month. And if you visit that, it will forward you directly to the Braze Agent console website because we do absolutely think that there's going to be a lot of different starting points for people as they start to deploy AI into what previously were more deterministic or static workflows. A big part of Braze's past was getting people to move from fashion blast to more deterministic personalization. And now the next generation of that is going to be moving from deterministic personalization into one-on-one decisioning and into more agentic approaches that are doing individualized personalization. And we were just chatting earlier this week about how the modern equivalent of high first name is actually going to be able to be using the agent console.

Because if you go back to that example from the question that we started with about using the agent console in an experiment where the marketer actually built the original agent while waiting at the gate for their flight, that's a great example of rapid deployment, early experimentation. It achieved some amount of uplift and that inspires the next generation of building on top of that. And so it's not just about being able to deploy quickly, but also making sure that there's an on-ramp into these more advanced techniques over time. And I think that there's a lot of great uplift to be had for marketers all across the spectrum. Just like 10 years ago, there was a lot of great uplift to be had merely from doing [high first name].

Operator

Tyler Radke, Citi.

Tyler Radke - *Citi Infrastructure Investments LLC - Analyst*

Sort of big picture question. Just given the strength you're seeing in the results and acceleration and growth here, do you feel like you are starting to get exposure or access to some of the more dedicated AI budgets as opposed to just being beholden to the Martech budgets,

which have continued to be under pressure and how are you thinking about getting further exposure to that as you think about your go-to-market strategy going forward?

William Magnuson - Braze Inc - Executive Chairman of the Board, President, Chief Executive Officer

Yes. I think the key thing with decisioning is not necessarily accessing AI budgets, but the fact that we're selling performance. We are able to show demonstrable uplift with rigorous reporting against it in some of the most important use cases that people have in their customer journeys where they understand the value of those transition points, and we're able to show that head-to-head or in the example that I provided with the agent console example that I referenced in the prepared remarks, those were 2 important parts in the customer journey where there had already been rigorous testing and the decisioning approach still for the deployment of the agents brought additional uplift into those flows, and that generates real money for those customers. And so I think better than accessing experimental AI budgets, we are selling performance. And I think that, that is a really great place to be because by bringing together the composable data and composable intelligence with Braze's comprehensive cross-channel support that really no one else can match, we've got a -- and we can, by the way, do that at any scale.

We can do it in a secure way with a strong total cost of ownership story and be able to deploy with the category leaders across every major vertical in the world's top brands all around the world. And so combining together that track record with the leading-edge innovation and then being able to sell demonstrable performance is the right path to unlocking incremental budgets.

Operator

Yun Kim, Loop Capital.

Yun Kim - Loop Capital Markets LLC - Managing Director

Okay. Great. A lot of news about Agentic Commerce and obviously, we already had a few questions on it. But what is your thought on expanding your product portfolio beyond first-party data-driven products that you have today, maybe perhaps addressing some of the customer acquisition aspects of marketing and advertising that may leverage some third-party data. Where I'm getting at is that the way that Agentic Commerce is set up is such that it's more or less bypassing the customer sign up because the personalization data is actually residing with the chatbot vendors.

So just wondering how you're thinking about the personalization data may shift from the retailers to the actual chatbot vendors, how you're thinking about your product portfolio in terms of just sticking with the first-party data? Or are you open to kind of expanding beyond that?

William Magnuson - Braze Inc - Executive Chairman of the Board, President, Chief Executive Officer

Yes. So first of all, Braze already does have an important role that we play where -- with respect to acquisition and with the special case of acquisition, which are like reactivation of known customers that have just drifted away from the brand. And those are places where people already use Canvas to help coordinate their acquisition strategies. They're also using the automation that we have through Braze data platform and through Canvas in order to drive first-party data into various acquisition use cases. And we've got -- we have important identity resolution partnerships out in the data space as well as with service providers that bring together these third-party data sets along with identity resolution capability and combine that with the composability of the Braze data platform to drive these strategies forward.

And so you already have customers that are deploying these types of strategies within Braze. I think in the example that you provided where the agent disintermediates the brand entirely and you just kind of -- you ask it to go transact on your behalf and decision make on your behalf. I've spoken about that at Forge before and at customer conferences. And I think that there's a class of purchasing where we really

do think about these things as utilities or commodities in our lives. And we are going to want to not only outsource that to the agent to kind of do those transactions in the first place, but then also not want to have any ongoing relationship with the brand, right?

But for the things that we actually care about and are attached to where we build customer loyalty and we really drive repeat value for those brands over time, I think that even if the initial purchases or even if subsequent purchases are done by agents that there's still a really important goal that the brands need to work toward of building a strong direct relationship with all of those customers and so like the example you provided is conceptually very similar to some of the ones I walked through earlier, like the person who loves your airline, but they always buy the tickets on an online travel agent or they love your food, but they always order it through a delivery app. Those are examples where that customer is worth so much more to you if you can change their buyer behaviors and their buyer patterns. In fact, so much that you as a business might reorganize your business and develop brand-new products, whether those are loyalty programs or enhanced capabilities in your bespoke ecosystem or just other incentives that you create for consumers to build those connections with you. And so I think it's an all of the above, right? We will certainly continue to build into the third-party ecosystem as it becomes more relevant.

We will take advantage of the integration points that are enabled by those ecosystems depending on how open they are developed. And in all of these worlds, the most valuable customer is always going to be the one that chooses to invest time in building a connection with you as a brand. And so we will work with the world's top brands to be able to cement those connections with their customers and build sustainable, durable businesses.

Operator

Patrick Walravens, Citizens.

Patrick Walravens - *Citizens JMP Securities LLC - Analyst*

Let me add my congratulations. So Bill, it seems like OfferFit is probably going to work out quite well. How are you feeling about additional M&A? Like when might you be ready? And what might you be interested in looking at?

William Magnuson - *Braze Inc - Executive Chairman of the Board, President, Chief Executive Officer*

I think we're happy with how the integration is going, as I mentioned earlier. And we have, of course, an active corp dev and product strategy function here, which looks at both organic and inorganic expansion opportunities. I'm not going to speculate on specific strategy around it other than to reiterate what we said in the past, which is that we're very selective in terms of opportunities that we look at. We want to make sure that they drive forward a leading product road map and a leading product vision in our space. We think we still have incredible TAM to continue to access and a lot of great adjacencies.

And so we will continue to look at opportunities, but I'm not going to speculate on any specifics beyond that.

Operator

There are no more questions at this time. I'd now like to turn the call over to Bill for closing remarks.

William Magnuson - *Braze Inc - Executive Chairman of the Board, President, Chief Executive Officer*

Thank you, everyone, for joining us today. We're very excited about the momentum in the business. Thankful for all of your support, and we will chat next quarter.

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