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BRZE.OQ - Q4 2026 Braze Inc Earnings Call

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PRESENTATION

Operator

Welcome to the Braze fiscal fourth 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 of Investor Relations

Thank you operator. Good afternoon, and thank you for joining us today to review Braze's results for the fiscal fourth 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 first quarter and the fiscal year ended January 31, 2027, the anticipated benefits from and product advancements due to the combination of Braze and ongoing developments in Braze AI 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,

the execution and anticipated benefits of our share repurchase program 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 expectations and reflect our views only as of today. We assume no obligation to update any such forward-looking statements.

For a discussion of 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 fourth 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 provided should not be considered as a substitute for or superior to the financial measures of financial performance prepared in accordance with US GAAP. And now I'd like to turn the call over to Bill.

Bill Magnuson - Braze Inc - Chairman, Chief Executive Officer, President, and Cofounder

Thank you, Chris, and good afternoon, everyone. Today, we reported outstanding fourth quarter results further validate our product leadership, go-to-market approach and financial strategy. In Q4, we generated \$205 million of revenue, up 28% year-over-year and 8% from the prior quarter.

Organic revenue growth accelerated year-over-year for the third straight quarter where we continue to drive operating efficiency in our business. Trailing 12 month dollar-based net retention showed strength as well, reflecting positively during the quarter to reach 109%.

Two milestones underscore this momentum in our business. During the quarter, we surpassed \$1 billion in remaining performance obligations as customers increasingly commit to Braze for their long-term customer engagement needs.

And early in fiscal 2027, we passed \$800 million in annual recurring revenue, demonstrating continued strong demand for the high ROI delivered by our platform. We are incredibly proud of these achievements, and I thank our team across the world for their tireless efforts over the past year.

For the full fiscal year 2026, we delivered 24% year-over-year revenue growth and \$28 million of non-GAAP operating income with operating margins expanding nearly 400 basis points over the prior year.

This performance demonstrates our ability to deliver on our profitability framework even while accelerating our investments in Braze AI and completing the successful transformation of last summer's acquisition of OfferFit into the rapidly growing Braze Decisioning Studio.

We also realized \$42 million of non-GAAP net income in 26, up from \$18 million last year and generated \$58 million of free cash flow, providing us with the financial flexibility to invest thoughtfully in shaping the future of customer engagement.

Our financial strength has also enabled Braze to initiate its first share repurchase program, a milestone that reflects our high conviction in our long-term growth opportunity. Isabelle will provide more details on this program later in the call.

Our business momentum accelerated in the fourth quarter as brands look to transform their businesses with AI and further leverage their ongoing investments in first-party data and direct-to-consumer relationships.

Q4 bookings rose over 50% year-over-year as we established a new high watermark for average sales price and saw a particular strength in the enterprise. Net customer additions increased by 81 sequentially, up 14% year-over-year, well, \$500,000-plus customers increased by 30 sequentially, up 35% year-over-year.

Additionally, \$1 million plus customers was 28% year-over-year, up from 18% year-over-year growth in Q4 of last year. Large deal velocity was also impressive as we signed 29 deals in excess of \$500,000 this quarter, including \$7 million plus deals and an expansion that increased our eight figure customer count to four.

Notable new business wins and existing customer expansions include Dis-Chem, Goodnotes, ID.me, King, Life360, Mytheresa, PowerUs, realestate.co.nz, Shell Mobility & Convenience, and ThriftBooks, along with many others.

While new logo wins were strong, upsells also showed strength as existing customers expanded across channels, adopted new Braze AI capabilities and deepened their integrations with the Braze data platform.

This expansion of our land and expand strategy to include growth in data integrations and AI workloads is a testament to both Braze's composable design and our position as mission-critical infrastructure for our diverse and demanding global customer base.

Competitive takeaways from the legacy Marketing Clouds in the fourth quarter continue to validate the market's preference for Braze's AI-driven omnichannel approach to deliver on modern customer engagement use cases at scale.

This quarter, brands across diverse industries and geographies migrated from legacy platforms to Braze, including a global heritage footwear brand, a global genealogy company, a leading American cybersecurity company, an American department store chain, an American Financial Solutions company, a European travel insurance provider, a European national lottery a luxury hotel group based in APAC and a large Latin American bank.

Looking ahead, we are well positioned to capitalize on the momentum we've been building over the past several quarters. Our go-to-market motion under the leadership of Chief Revenue Officer, Ed McDonnell, who joined in like Q2 is operating at a high level, delivering a meaningful improvement in sales productivity.

Pipeline generation was also strong in the fourth quarter, indicating robust market demand for our AI-driven solutions, particularly in the enterprise. The field of customer engagement is moving faster now than it has in years, and Braze continues to be perfectly positioned to turn AI disruption into opportunity.

By driving platform innovation in tandem with the evolving craft of customer engagement, Braze has been actively redefining the front door to marketing technology for most of the last decade.

This innovative leadership continues to drive share gain in enterprise, and it's why both our customer community and broader partner ecosystem continue to compound with ambition and optimism.

Our competitive position rests on four foundational strengths that position us to capitalize on AI-driven disruption. First, the Braze platform and customer engagement stack serve as critical infrastructure for our customers, delivering secure and reliable performance at massive scale.

Unlike applications that manage workflows and tasks that are ultimately executed by humans, Braze has always been a platform wielded by small teams of builders to directly execute massive complex workloads.

During calendar year 2025 alone, we powered 4.5 trillion messages and canvas actions, processed over 25 trillion data points, executed 3.1 trillion AI decisioning inferences and made 8.7 trillion updates to our user profile system of record.

This execution capability provides brands with confidence to deploy business-critical programs for entire global audiences, confidence that no point solution can match. Second, our vertically integrated data and decisioning architecture allows for capabilities that no one else can replicate.

The Braze data platform needs real-time context into control planes like Canvas and Decisioning Studio, which then serve as a substrate for agentic AI execution.

This tight integration between data infrastructure and AI decisioning combined with the most comprehensive set of marketing, conversational and product channels on the market delivers differentiated outcomes rooted in real customer data, not just generic LLM outputs.

Third, our composable AI architecture is compounding the value of our deep infrastructure and comprehensive platform. At our Forge customer conference in September, we announced the upcoming betas for both Braze AI operator and the agent console to be available in Q1 and Q2, respectively.

Last month, we beat those delivery time lines by months and launch both operator and agent console into general availability, leveraging the flexibility of composable data and the power of composable intelligence, these products have been able to quickly spread their wings and capability because they wheel the differentiated power, performance and scale that Braze has delivered to the market for years.

The excitement from customers partners around both launches has been palpable. Agent Console is seeing rapid uptake across a wide array of use cases and BrazeAI Operator is accelerating and evolving workloads for thousands of Braze dashboard users every week automating campaign, canvas and agent creation, deepening quality assurance checks and uncovering data insights through simple conversational prompts.

Operator is first trained with Braze's documentation, use case libraries and source code and then enhanced by a comprehensive knowledge of each customer's data models, brand strategy and integration details, enabling each Braze user's operator to answer difficult questions and execute complex tasks as it navigates the dashboard in front of their eyes.

Operator also integrates with Snowflake's Cortex Code to drive analytics insights that feed back into campaign strategies, and its skills continue to advance rapidly, including the recently trained capability to build directly inside the Agent Console.

Will eager beta testers of the agent console repeatedly asked us for more templates, we leaped over their request for faster horses and instead delivered a powerful prompting agent capability that turns simple inspiration into sophisticated agents, each specifically configured according to a customer's Braze integration and existing marketing programs.

These agents are already being deployed to enhance customer journeys in Canvas and to drive data enrichment workloads in the Braze data platform's catalog feature.

And all this works in tandem with Braze AI Decisioning Studio, which harnesses modern reinforcement learning to achieve maximum performance in the most important parts of the user journey.

Just as we delivered the most comprehensive solution for cross-channel marketing in the age of deterministic automation, we're building Braze AI to combine the flexibility of a composable architecture with the power of Frontier AI across multiple fields of research to deliver a comprehensive solution for AI-driven customer engagement.

Fourth, we believe Braze occupies a unique position in the software landscape as a rare hybrid of a revenue-driving engine and mission-critical operational capability.

Whether it's the urgency of responding to an evolving emergency the pressure of publishing a message that will be read by hundreds of millions of people or the criticality of executing deeply optimized marketing programs that drive a business most important quarterly results.

Brands trust Braze with their most important workloads because we provide the agility, observability and reliability that business-critical infrastructure demands.

In an environment where companies must maximize every dollar of uplift this proven ability to deliver measurable ROI at scale makes Braze in a central and highly optimized component of the modern enterprise stack, not a discretionary tool.

As we look ahead, Braze will continue to invest with focus to remain at the frontier of consumer and technological change, turning disruption into opportunity as our customers transform their jobs, their businesses and the experiences that they deliver to consumers.

We are rapidly advancing our platform, enhancing our global customer community to scale agentic use cases across marketing programs, customer conversations, product experiences and data workloads, enabling brands to turn context into connection and achieve in the AI era, what they have been striving for all along, stronger business performance built on durable customer relationships.

I'll wrap my remarks by emphasizing what a great position we are in as we enter our next phase of growth in fiscal 2027 and beyond. Thank you for your interest and support. 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. We reported an outstanding fourth quarter with revenue increasing 28% year-over-year to \$205.2 million, driven by a combination of existing customer contract expansions, renewals and new business.

Braze AI Decisioning Studio, formerly known as OfferFit, contributed \$5.7 million of revenue in the quarter. This implies an organic revenue growth rate of 24.3% year-over-year.

We're excited to see continued strength from our core business as organic revenue growth accelerated for the third sequential quarter, and we realized robust bookings and strong demand signal for Decisioning Studio and our other AI products.

As Bill mentioned, in February, Agent Console transition to general availability, and we're pleased to report immediate and persistent consumption of our flexible credits in its first month of release.

In Q4, our total customer count increased 14% year-over-year to 2,609 customers as of January 31, up 313 from the same period last year and up 81 from the prior quarter. Our total number of large customers, which we define as those spending at least \$500,000 annually, grew 35% year-over-year to 333.

And as of January 31 contributed 64% to our total ARR. This compares to a 62% contribution as of the same quarter last year. As a reminder, a customer is counted when their service date is effective, not when a contract is signed.

As such, some new logos won in the fourth quarter will appear in our customer count in the first quarter of fiscal 2027. Measured across all customers, dollar-based net retention was 109%, up from 108% in the third quarter of this year.

Dollar-based net retention for our large customers was 110%, in line with the third quarter of this year. Expansion was again broadly distributed across industries and geographic regions. Revenue outside the US contributed 45% to our total revenue in the fourth quarter, consistent with the prior quarter of this year and the prior year quarter.

In the fourth quarter, our total remaining performance obligation was just over \$1 billion, up 30% year-over-year and up 16% sequentially. Current RPO was \$642 million, up 27% year-over-year and up 12% sequentially.

The strong year-over-year growth in RPO and CRPO was driven by four factors, strong Q4 bookings, healthy Q4 renewals, a large quarter for available renewal dollars and a small increase in overall duration of contracts.

Non-GAAP gross profit in the quarter was \$138 million, representing a non-GAAP gross margin of 67.2%. This compares to a non-GAAP gross profit of \$112 million and non-GAAP gross margin of 69.9% in the fourth quarter of last year.

The decrease in year-over-year margin percentage was driven primarily by higher premium messaging volumes and hosting costs, partially offset by improved efficiencies in personnel costs.

Non-GAAP sales and marketing expenses were \$70 million or 34% of revenue compared to \$60 million or 37% of revenue in the prior year quarter.

While the dollar increase reflects our year-over-year investment in head count cost to support our ongoing growth and global expansion, the improved efficiency reflects our disciplined approach to investment as we continue to scale and expand our go-to-market organization.

Non-GAAP R&D expense was \$29 million or 14% of revenue compared to \$23 million or 14% of revenue in the prior year quarter. The dollar increase was primarily driven by increased head count costs towards 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 are in line with our long-term non-GAAP R&D plan of revenue targets of 13% to 15%. Non-GAAP G&A expense was \$25 million or 12% of revenue compared to \$21 million or 13% of revenue in the prior year quarter.

The improved efficiency reflects increasing scale across public company expenses and the benefit of leveraging strategic locations for headcount expansion.

Non-GAAP operating income was \$15 million or 7% of revenue compared to a non-GAAP operating income of \$8 million or 5% of revenue in the prior year quarter.

Non-GAAP net income attributable to Braze shareholders in the quarter was \$11 million or \$0.10 per share compared to \$12 million or \$0.12 per share in the prior year quarter.

Non-GAAP net income was negatively impacted by a \$5 million purchase accounting adjustment related to the deferred tax liability from OfferFit, the enforcement learning engine company acquired in June of last year.

Excluding this onetime adjustment, non-GAAP net income and earnings per share were \$16 million and \$0.15, respectively. Now turning to the balance sheet and cash flow statement. We ended the quarter with approximately \$416 million in cash, cash equivalents, restricted cash and marketable securities.

Cash provided by operations during the quarter was \$19 million compared to cash provided by operations of \$17 million in the prior year quarter. Including the cash impact of capitalized loss, free cash flow in the quarter was \$14 million compared to \$15 million in the prior year quarter.

And as we have noted in the past, we expect our free cash flow to continue to fluctuate from quarter-to-quarter given the timing of customer and underpayments. Before turning to guidance, I'd like to take a moment to highlight the Board's \$100 million share repurchase authorization.

This authorization reflects our confidence in our fundamentals, outlook and disciplined approach to capital allocation. We believe this share repurchase represents an efficient and meaningful way to drive shareholder value.

As we noted in our earnings release today, the repurchase program includes a \$50 million accelerated share repurchase transaction with respect to our stock, which we plan to enter into before the end of the first quarter.

In addition, our guidance for share count and EPS includes only the estimated impact of the \$50 million ASR. For the first quarter of fiscal 2027, we expect revenue to be in the range of \$204.5 million to \$205.5 million, which represents a year-over-year growth rate of approximately 26% at the midpoint.

As a reminder, our first quarter contains three fewer days compared to the other three quarters of the year, which each contained 92 days. First quarter non-GAAP operating income is expected to be in the range of \$10 million to \$11 million.

At the midpoint, this implies a non-GAAP operating margin of approximately 5%. First quarter non-GAAP net income is expected to be \$11 million to \$12 million and first quarter on GAAP net income per share in the range of \$0.10 to \$0.11 based on approximately 112 million weighted average diluted shares outstanding during the period.

For the full fiscal year 2027, we expect total revenue to be in the range of \$884 million to \$889 million, which represents a year-over-year growth rate of approximately 20% at the mid-teens. Fiscal year 2027 non-GAAP operating income is expected to be in the range of \$69 million to \$73 million.

At the midpoint, this implies a non-GAAP operating margin of 8%, a more than 400 basis point improvement since fiscal year 2026.

Non-GAAP net income for the same period is expected to be in the range of \$69 million to \$73 million and net income per share is expected to be \$0.61 to \$0.65 per share based on a full year weighted average diluted share count of approximately 113 million shares.

It's an exciting time at Braze. We remain committed to delivering industry-leading customer engagement solutions powered by AI as we continue executing against our long-term financial targets.

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Ryan MacWilliams with Wells Fargo.

Ryan MacWilliams - Wells Fargo Securities LLC - Equity Analyst

For Bill, great to see three straight quarters of organic revenue reacceleration in the business. I know last year has benefited from some go-to-market changes along with moving past COVID era customer renewals.

But how do you feel about the underlying growth trajectory of Braze from here? Like has it improved more sustainably? And I know it's early, but how do you envision AI layering in to support growth trends?

Bill Magnuson - Braze Inc - Chairman, Chief Executive Officer, President, and Cofounder

Yes, absolutely. Thanks, Ryan. And it's been a great back half of the year heading into Q4. I think that the biggest difference in Q4 was also the differentiation of our AI road map, especially coming out of our Forge conference in September. It's clear that customers can see where we're going.

They can see how our long-standing advantages are being made more accessible and more capable with further investments in Braze AI. That helped with both win rates and deal velocity in Q4 as a lot of the competitor FUD just didn't hold water against both our offering and our pace of new product delivery.

We're also seeing stronger momentum with the partner ecosystem, including across both the global agency groups and the more focused regional players that are growing super-fast through tight partnership with us. And our global sales leaders are moving with high velocity.

And so I think that when we look at it all coming together, you've got a robust product road map. It's moving at pace. There's really exciting AI inhibition that's not only capability, but it's also making our existing capability more accessible and more leverageable by our customer base.

And we're out in front with that R&D advantage also being combined with a pricing model that's always been consumption-based with a global go-to-market organization that operates in all the world's major markets and a global customer community that has always been the world's most ambitious and creative marketer, who have been on the leading edge of rapidly building with Braze from the beginning.

And so I think that this is just a great moment for all of our existing scale, performance and innovation advantages to come together and we're excited for this year.

Ryan MacWilliams - Wells Fargo Securities LLC - Equity Analyst

Really appreciate the color there. And then Isabelle, it seems like the initial full year revenue guide is slightly stronger than past years. We'll have to hear if any change in the guidance philosophy here? And what are some of the key points that help you build up to the full year guide?

Isabelle Winkles - Braze Inc - Chief Financial Officer

Yes. Thanks for the question. So first of all, no change in the guidance philosophy. Really excited about the momentum that we saw in the business coming into Q4, coming out of Q4, in particular. As Bill mentioned, across a number of different dimensions, we're seeing more two year contracts.

We're seeing larger deal in quarter contract sizes. Upsells continue to be really strong. There's real excitement around our AI capabilities, as Bill mentioned, ongoing strength in the enterprise, ongoing strength in the Americas, which has been something we've been working on.

And so there's just a lot of momentum across a number of different dimensions. I think as we mentioned, bringing Ed on in the middle of last year, he has been furthering our efforts across a number of different things that we've already put into motion, and it's been really great to see some of that success across verticalization.

So really excited for that, and you're seeing that in our guide, and we're really comfortable with how we've guided for the year.

Operator

Scott Berg with Needham.

Scott Berg - *Needham & Company LLC - Analyst*

Really nice quarter, and my apologies, I'm in an airport in case there was too much background noise. My first question I wanted to ask was of the channel check, or customer conversation, I guess, that we had during the quarter, we got to speak with one of your largest customers, and they noted to us that they had an internal project that spent 18 months and over \$10 million in costs to try to actually replace higher Braze deployment at this well-known brand.

But they feel the projects because they're only able to achieve about 1/3 of your functionality even after an 18 month time frame. I guess, Bill, as you think about a customer in the situation that might want to try to put code their own platform with one in GenAI LLM models.

What's most difficult to replace at the end of the day that makes a customer's approach this probably, it's not feasible?

Bill Magnuson - *Braze Inc - Chairman, Chief Executive Officer, President, and Cofounder*

Yes. I touched on this in the prepared remarks, but I think that the meat of this answer lies in the combined requirement of one, a tightly integrated, high-performance infrastructure that encapsulates both the context and the intelligence layers.

And two, the comprehensiveness required to handle both the vastness of the modern enterprise data landscape on the ingestion side and then the complexity of customer journeys on output or the interaction side.

Within Braze, the Braze data platform is the dedicated context layer and Canvas provides the control plane. They work together to engineer the context of the Agent Console and other Braze AI capabilities harness to drive higher performing personalization and orchestration decisions.

For B2C audiences, which, of course, is where we primarily work, this had to happen at massive scale and performance needs to be able to drive real-time interaction across an ever-growing set of channels and direct-to-consumer product interfaces.

Over 1/3 of Braze customers use us for fiber more channels, more than half of them use us for four or more and amongst our 500 Ks customers, more than 90% use our SDK, over 80% use currents to export the data that Braze generates and already 50% are now using cloud data ingestion, which is our reverse ETL product that connects directly to cloud data warehouses like Snowflake, Databricks and Google BigQuery.

You overlay that with privacy, security and regulatory concerns that are related to first-party data and communication consent, then you add the operational demands that I also mentioned in the prepared remarks of things like demanding marketing schedules, the urgency of capitalizing on cultural moments or managing through emergencies.

And then finally, to consider how much investment is already going into building these direct-to-consumer audiences and first-party data sets in the first place. The combined customer acquisition costs and the product investments for major consumer brands like consider the amount that, that represents.

That's the investment that's already made. And then customer engagement is a multiplier on that investment. And that means that even small basis points matter when it comes to performance.

In finance, you all understand the importance of having an edge in data, especially when it's driving decisions on large positions. I think sophisticated customer engagement is that same edge on a brand's customer acquisition investment.

And we see time and again that settling for good enough just to save a little bit of money on the software line item is really throwing away enterprise value optimization.

And so, I know that's multi-faceted, but I think that what you see in that anecdote that you shared is that there's a lot of kind of combination of the need for vertical integration, for reliability, for performance and for comprehensiveness.

And then you need to interface that with privacy, security, regulatory complexity and the need for this to be operated in real time, and doing so with an external environment and complicated businesses and complicated consumer journeys, and all that complexity needs to be managed.

And that requires, I think, a professional focus on building the tooling and the platforms that address this problem.

Scott Berg - *Needham & Company LLC - Analyst*

Excellent answer well understood. And then I guess from a follow-up perspective, I've been at the Shoptalk conference yesterday and today, and you all have a big presence here, obviously.

But there's a significant amount of brand momentum with its new universal commerce protocol, a couple of different areas I know you all had released your SDK for ChatGPT last fall and take advantage of some of the apps they were betting in their platform.

But as your customers use more of this UCP that capture transactions on these new channels and platforms, how do you all benefit? How do you capture some of that first-party data kind of within that workflow process?

Bill Magnuson - *Braze Inc - Chairman, Chief Executive Officer, President, and Cofounder*

Yes. So I think two things. One is that Braze will always be invested in every new consumer interface that helps us understand the customer and the customer journey better, any source of first-party data.

And we will also invest in areas where we can communicate with customers and where we can help drive better personalization for the product experiences that are delivered to them.

And no matter what happens with consumer devices or app stores, the most valuable customers to a brand are going to continue to be those that they have a direct relationship with Braze's bread and butter and focus has always been about helping expand and strengthen those audiences that can access through direct-to-consumer interfaces or other messaging channels that have low marginal costs that are dictated based off of user consent and the right to communicate with them instead of needing to kind of pay to acquire the right to put a message in front of their eyes over and over again, which, of course, is a great way to acquire customers.

But can't be how you run a business over the long term and also managing the first-party data that contextualizes them and then orchestrating the product and messaging interactions that enrich those relationships over time.

And so I think we, we're always on top of new innovations and developments in new direct-to-consumer interfaces of all kinds. We're always interested in how they can help us learn about customers better, communicate with them in new ways.

And of course, the more complex that, that landscape gets, the stronger the answer that I provided to your first question is because it means that there's even more complexity for where the data comes from, there's even more complexity for where the interactions are.

And as I mentioned in response to Ryan, I think that when we look at agentic workflows, they're also characterized by moving even faster. And that's a place where our focus on performance that we've always historically had is going to be even more important competitively.

Operator

Raimo Lenschow with Barclays.

Raimo Lenschow - *Barclays Services Corp - Analyst*

Can you hear me okay?

Isabelle Winkles - *Braze Inc - Chief Financial Officer*

Yes, we can hear you great.

Raimo Lenschow - *Barclays Services Corp - Analyst*

Okay, perfect. Can I start DBNR like got better 209? You talked about it in the last few quarters that it's a lagging indicator that kind of takes some time to improve, but it's really nice to see the improvement. Now can you talk a little bit about the journey we should expect from here?

Like, that's my first question. Second question is, with Ed their joining in Q2, normally, the big changes to go-to-market happen more at the beginning of the new year. Is there anything we should be aware of as we go into this year in terms of changes that we should expect here?

Isabelle Winkles - *Braze Inc - Chief Financial Officer*

Yes. So on the DBNR, one thing that I've been providing is at least a directional view on the in-quarter organic number. And so over the last couple of quarters, we talked about it, being a little bit below 107 and then a little bit above 107 and then continuing to kind of trend up from there.

What I can say here is that the in-quarter organic is above where we're recording, where we're reporting. So I think the direction of travel here, we're very comfortable with sort of what we're seeing. We're really excited about the momentum in the business that is driving this.

And so it is a lagging indicator, but I think we are comfortable that some of the troubling that we have experienced over the last couple of quarters, we've talked about being through the belly of the beast and we are, in fact, through the belly of the beast.

So hopefully, that's some helpful color though we don't specifically guide on the metric. And then with regards to Ed, look, I think in my last of answers to questions here, I was indicating that Ed has been driving forward a number of initiatives that we had already put into motion.

And so not a lot of sort of massive changes. He is trying to be more effective and efficient about bringing on the new head count and being rapid in the right areas, being disciplined about where that is being deployed, building out internal capabilities to help our sales team be more enabled and move more quickly.

And he, I think we said in the beginning, he's not only has he seen the movie, but he's seen the remake and we're definitely seeing the impacts of that, and leveraging his relationships across the potential hires and prospects here. So nothing material that we need to kind of call out, and he's just moving things forward in a way that we feel really happy about.

Operator

Parker Lane with Stifel.

J. Parker Lane - *Stifel Nicolaus & Company Inc - Equity Analyst*

Isabelle, maybe one for you on gross margins. If you look at premium messaging channel growth, if you look at some of these new products you have and your comments about the immediate consumption of credit you see from Agent Console.

What's the impact to the predictability of gross margins that you're seeing in this business? And what's the right way to think about not only the near-term picture but sort of the mid-range picture of gross margin as well?

Isabelle Winkles - *Braze Inc - Chief Financial Officer*

Yes. So look, we've talked about the evolution of the premium messaging and how that mixes in. And just keep in mind that really over the last couple of years, the only new channels that we have introduced are in fact, these premium messaging channels.

So now we are introducing certainly with the advent of agent console and some of the other here, things that mix in with a slightly better margin. That said, it's starting off of a small base, and so it's going to take some time for all of that to kind of work itself in.

And certainly, the premium messaging is still in demand by our customers. And so I don't think there's so much of an issue necessarily with predictability because we continue to look at that on a fairly detailed basis.

But certainly, we've got eyes on the direction of travel. And really, I think what's important is the 8% operating income margin that we feel really comfortable with for the year, and we're going to continue to manage that.

J. Parker Lane - *Stifel Nicolaus & Company Inc - Equity Analyst*

Got it. And Bill, one for you. You talked earlier about AI not just helping in the form of new products, but making your existing capabilities more approachable and accessible. Was wondering if you could provide a concrete example or two of what you're seeing there?

And where do you expect that to translate into business results? Is that better win rates, better utilization, less churn, all of the above?

Bill Magnuson - *Braze Inc - Chairman, Chief Executive Officer, President, and Cofounder*

Yes. So I think that when you look at the history of Braze, we more often are held back by making sure that our customer base can really flex into the full power and sophistication that Braze has to offer.

And one of the things that is most exciting to me about the Brze AI potential right now is that we are both making Braze smarter and more powerful, and we're making it easier and faster to use.

And so as we redefine that new front door to marketing technology, again, the door is both easier to open. And when you get to the other side, there's a lot more excitement on value generation there.

And we're already seeing this in the Agent Console. I mentioned an example in the prepared remarks, where we had a lot of customers who were working on building new agents within the beta test and were asking for more templates, more ideas, et cetera.

And we actually went through, we had already been working on prompt to campaign, prompt to e-mail generation, prompt to Canvas where people can actually (inaudible) code their canvases directly from the Braze operator.

And not only is it providing you advice, it's literally grab control, the dashboard and you watch it happen in front of your eyes. And so you're both learning, you're both like having the operator act for you, but you're also learning how to use it at the same time as you watch it.

And that allows for that allows our marketers to then immediately go in and check things to tweak them to refine them, et cetera.

I think as a platform that's used for publishing at massive scale or where there's a professional skill set of high consequence when you're running marketing programs that you're relying on to hit your quarterly numbers or that need to go out to 100 million people around the globe in response to a critical emergency or to take full advantage of an evolving cultural moment or what have you.

These are all places where you need to combine both rapid usability with high confidence and being able to see the operator building more confidence for people speeding up their own workflows providing that and providing that inspiration with our existing feature set is incredible.

Then when we go over to the agent console, where people are, they're getting to prompting, but there's still a lot to do there and building a good agent does have a specialized skill set around it.

There's still some work that you need to do around the outputs from EGEN and helping make sure that there's consistency and that you're getting the right context in the context window, and we've built incredible capability and Agent Console to manage that even more exciting is that operator is helping write and inspire those agents for people.

And so it's just drugging faster adoption. It's driving higher levels of curiosity for people to be able to use new features that they maybe hadn't looked at before and helping really build stronger confidence for them to use a system like Braze that is really, it's always been a small number of builders and a small number of marketers welding at a massive scale and that has a stress and a pressure and a consequentialism to it that having that operator assistant there with you really helps increase confidence, and we think is going to drive a lot more usage.

Operator

Brett Huff with Stephens.

Brett Huff - Stephens - Analyst

Congrats on seeing in the financial stuff that I know you all have been working on kind of in the background for a long time. So nice to see that. Two questions. One big picture, I think this is for you, Bill.

As you're hearing, your conversations with folks you're selling to on AI, our checks tell us that data heterogeneity, lack of AI talent governance issues are all roadblocks.

At the same time, companies seem to want quick hit ROI things that are happening in order to justify continued spend. How are you, how are those conversations going in Braze?

I think your point about more features easier to get to. But is there some anecdotes there that give us a little bit of meat on the bone on that we might be able to sort of get our head around?

Bill Magnuson - Braze Inc - Chairman, Chief Executive Officer, President, and Cofounder

Well, I think first of all, every software investment decision being made right now, you have to have confidence that the company that you are spending the time to integrate with to enable your teams on and to build with and commit to has their arms around taking advantage of AI innovation.

And so I think that's table stakes for everyone, even if you, as a team, don't like have confidence that you're going to be able to use it all on day zero, or maybe the incremental budget to drive new use cases isn't there yet, et cetera.

There's just simply no one that is making a switch and a software vendor right now without having the confidence that it's the right vendor for them to be on as they move into this future that's being transformed by AI.

And that's why I think if you go back to my answer to Ryan's first question, and talking about the strength in Q4, so much of that just came out of the confidence in the road map and the confidence in the beta test, we were able to show live demos of operator and agent console.

Now obviously, they're out there in general availability, so it's even more palpable for everyone. And I think that A lot of the things that you just said are true. There's a lot of sources of anxiety around there. A lot of this is still dynamic.

It's changing really fast. But at the end of the day, we already see Agent Console driving stronger performance in ongoing campaigns. These aren't like brand-new experimental use cases.

This is, there's the same customer journeys are actually just being executed on with higher performance, it's driving real revenue, real performance uplift. It's doing so in an environment that's easy to test and experiment and scale it.

I mentioned Canvas as an important control plane. I think when you look at the difficulty of deploying AI in a lot of enterprises, a lot of it has to do with contact engineering. It has to do with observability and governance and that control plane.

And when you look at Braze, the Braze data platform is providing that context engineering Canvas is providing that control plane. We have Decisioning Studio as another angle of being able to bring in agent decision-making over deep data science when that reinforcement learning approach is the right unique to apply, depending on where you are in the customer journey.

And we have this full spectrum of the right solution and the right approach for the complex problem space of customer engagement, and we can help guide customers to that.

And the vast majority of it is relying on the combination of a reliable, high-performance, stable and secure infrastructure that Braze has always maintained as a competitive advantage in our space. And now we're multiplying the value of that with our investments in Braze AI.

Brett Huff - *Stephens - Analyst*

That's super helpful. And Isabelle, we're hearing more and more about verticalization and we also had an update on the gross margin sort of maybe we're going to get some tailwinds on that given the new AI products.

Can you talk a little bit about sort of long term, any change in long-term sort of puts and takes on the gross margin pressures? And then should we think about any step change for verticalization spending? Or is that just a matter of course?

Isabelle Winkles - *Braze Inc - Chief Financial Officer*

Yes. So I think on verticalization, I would just consider that kind of a matter of ordinary course. We're just going to continue to kind of expand slowly, but methodically, just deepening our focus on some of the verticals.

We've already started this over the last couple of years, and I would just kind of continue, just expect that to kind of continue to expand. And then from a gross margin perspective, yes, look, I mean, we've been talking about the impact of some of the premium messaging.

And then I did indicate that in my response to one of the last questions that the, some of these new products and agent console does mix in with better than company average margin, but it's obviously starting off from low dollars, and so it will take a bit of time for that to kind of mix in more meaningfully.

And so what we're really focused on is the operating income margin down to the bottom line, and we feel really good about that 8%.

Operator

Arjun Bhatia with William Blair.

Arjun Bhatia - *William Blair Capital Partners - Analyst*

Perfect. Bill, maybe can we touch on things like Agent Console is obviously getting a lot of traction. And I'm just curious if you can kind of put that into perspective of when that might help monetization, which types of customers.

Do you think we'll adopt that first. And then in the broader scheme of things, we're hearing a lot about, obviously, third-party agent proliferation.

So I'm curious how that mix is in with Agent Console. And if you have any views on what access third-party agents would have to Braze or not have to Braze and the data that you use store for your customers?

Bill Magnuson - *Braze Inc - Chairman, Chief Executive Officer, President, and Cofounder*

Yes. So I'll just hit those topics one by one. So regarding Agent Console and pacing of adoption and revenue, as I shared in the prepared remarks, both Agent Console and the operator both went into general availability, months ahead of schedule.

And we're already seeing great uptake on both. After just a few weeks, more than 2/3 of our customers are now actively using operator.

and we're watching Agent Console adoption grow week-over-week. But I think we're going to have a lot more to share about both of those that are at City by City London, which is our second largest event of the year, just one month from now on April 23 at Olympia, London.

And we're also lining up the entire company and our partnership ecosystem to help push adoption. Agent Console is already showing material results for its beta testers and early adopters, and we're excited for it to spread rapidly across the customer base.

But also remind you and everyone else quickly that Agent Console consumes flexible credits. So it's build, it is consumption-based pricing, but the revenue is recognized the same way that it is for messaging volumes, which is to say that it's ratably over the length of the contract.

So we expect usage of agent console to be supportive of early renewals and upsells. But keep in mind that the consumption of credits does not lead to immediate revenue recognition in our contracting model.

We do have the benefit that we've been shifting to the flexible credit model over the last few years. And the customers who have adopted the new credits plan, which has been, as a reminder, has basically been the default for all renewals and new business over the course of the last couple of years.

So it's already the majority of our customer base. that they already have credits that are ready to be used for Agent Console. We do have a portion of our customer base that's still on older pricing that we are working hard to move into this new world so that they can also rapidly adopt Agent Console, and that's something that we'll be focused on throughout the year.

With respect to looking at other tools, I think Braz has always been built for composability and built for change. The combination of our composable architecture, our high-performance infrared and our flexible APIs aren't just a strong foundation that we used to build our own innovation.

I think they're also really well suited for market overflows that are both transforming and inflecting through the use of other AI tools. We've always been architected to be composable, to be ecosystem neutral and to integrate with other best-of-breed tools across the modern marketing stack.

And that's both for plugging in to enhance things like orchestration and predictive analytics decision-making as well as personalization. It's also for evolving new channels, new use cases, new AI capabilities, et cetera.

A few other things. I think we're also seeing that performance in the context layer is more important than ever with agentic consumers.

Agents move fast and they're tireless and we think that, that's a perfect match for the performance and reliability advantage that Braze has always maintained over competing in homegrown products.

And as I mentioned earlier, we've always been a platform where leading-edge marketers with the builder mindset can deploy and optimize sophisticated strategies. And so I think what we're doing with operator and Agent Console is simultaneously putting more power in their hands and making it easier to use.

There is also a big advantage to a tool like operator being inside the Braze dashboard information environment, having access to our internal use case libraries, the skills that we've built, the customers dashboard information architecture so that it can adapt recommendations and run the dashboard for them with knowledge of their specific Braze integration.

We actually had a really great anecdote on Braze operator that was shared by a customer recently that they were working through a difficult challenge with liquid that they had spent over an hour on using one of the leading edge or using one of the big chat AI products, and operators solve the problem for them in a minute because operator had full knowledge of the way that Braze uses liquid, where it was in the dashboard and the information architecture.

And so I think being able to adapt both the context and the semantic layer and be able to train the operator with the skills and the knowledge of the architecture is going to provide differentiation, but we've always been composable, built for change and extensible.

And so we're also already seeing a lot of customers that are using the Braze MCP server and using our powerful and flexible APIs in order to innovate their own workflows outside of the ecosystem and we embrace both of those through our composability.

Operator

Taylor McGinnis with UBS.

Taylor McGinnis - UBS AG - Analyst

Bill, so I think there's a view out there that customer engagement and marketing software is more workflow heavy and lacking data modes that could make it more vulnerable to AI disruption. You talked a lot about the context layer and what Braze is doing there.

But could you just maybe unpack that for us? Like what proprietary data modes does Braze have? And does that give you an edge in creating some of the AI solutions you talked about like Decisioning Studio and Agent Console?

Bill Magnuson - Braze Inc - Chairman, Chief Executive Officer, President, and Cofounder

Yes. So let me answer that on two dimensions. First, talking about context engineering with respect to Agent Console. And then second, talking about the broad, when I talk about us having a full spectrum of AI technologies and how we can compose them together to drive more innovation in the future.

So first, on the context engineering point, I think contact engineering, of course, we know requires comprehensive rapid access to data.

I think that underscores the criticality of the Braze data platform, and we were very happy to share some of the scale numbers on the Braze data platform recently over 25 trillion data points processed last year and widespread adoption of the multitude of integration options that we have.

And I think that, that is the beginning of the story because contact engineering requires not just access to huge amounts of data quickly but also deliberate design and not just because of the cost and performance considerations of large context windows, but also because the deliberate management of the attention of agents, which is a relatively new concept.

We generally tend to think about access to data as just a kind of storage cost and latency and throughput.

This idea of attention is really important as well because you can actually, you can have context windows shots and unless you can keep the agents focused, you start to see outcomes go down and the quality go down, and it sounds great to be able to dump a 200-page EDF brand book and every historical campaign result and every raw data point that you've ever seen about a user into a large context window and hope for the best, but that's not only slow and expensive.

It also leads to lower quality outcomes and higher volatility that creates both brand risk and lower performance. And so by taking the environment that we built in Braze AI with the Braze data platform with Canvas and Agent Console, designed to solve that problem for customers.

It lets them and their bras operator, rapidly build, test and scale new agentic ideas that they have with tremendous promise to improve consumer experience, enhance their own bottom lines and do so in a way where the context is being managed and governed in a way that is privacy and regulatory compliant and it's being engineered in a way that it's managing the attention of the agents and it's doing so in a way that keeps performance, quality and consistency top of mind.

And so I think that whole problem space has a lot of additional complexity in it. We're working really hard to solve that for customers, and that's what's going to be able to drive both defensibility and rapid adoption.

And then going from there over to decisioning, you've heard me speak about the full spectrum of AI technologies that braces investing in I think that a age of both our R&D scale and the composable high-performance infrastructure that we're built on top of, when we look at decisioning, there's another haradigm-rising that relies on agentic intelligence, overseeing deep data science that relies on reinforcement learning.

And for those that maybe haven't looked at decisioning Studio, closely in the past. This approach is similar to what personalizes your Instagram feed and injects ads into it. And it's the best way to enable the decisioning system to rapidly learn from past interactions across the rest of your customer base.

You can just take like, hey, here's the last 10 million push notifications that I sent and how everyone responded to them and everything about them and jam it all into a context window and expect an LM to be able to keep its attention in the right place and make sense of that.

But by using decisioning and reinforcement learning around that, you're actually able to find those hidden points of resonance between the content and the engagement strategy and the individual customers be able to do that interaction.

And that's also a field that's rapidly advancing. We've talked about how today it's best deployed to optimize the most valuable transition points in the customer journey.

When a free trial streaming subscriber is upgrading premium or when an on-demand or a banking customer adopts a new service or an add-on product. That makes them more valuable and secure at the same time.

So you want to bring that kind of heavy weight data science approach into those problems exactly because they're your most valuable and they're where you want to have the best performance uplift.

But over time, we plan to continue to use decisioning science combined with agentic reasoning to increase the applicability of both approaches across more and more of the small moments in a customer journey as well so that customers can continue to harness these different approaches to AI and combine them together to get the best outcomes for a eternal for their businesses.

And so when we look broadly across the space, I think there's so much opportunity for additional value to be created out of depth. And if you go back to our, the question from earlier about why it's hard to build Braze and why?

Where that incremental value comes from and think about the leverage that you get out of the investments that are made in building first-party audiences, combining together these optimizations and being able to compound them over time and to be deliberate about it, is exactly how you drive additional bottom lines, how you drive higher loyalty in your customer relationships and how you get competitive edge in these ruthless consumer markets.

And so we just believe that the brands that win in these markets are going to be the ones that are arming themselves with the most sophisticated tooling and the strongest contact engineering, not just trying to throw a whole bunch of data and do a context window with a frontier model and hoping for the best.

Operator

Brian Peterson with Raymond James.

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

So the really bookings this quarter, I'm curious, has that changed your thoughts on sales hiring as you enter fiscal year '27. And Isabelle, maybe you could unpack some of the individual margin drivers by OpEx line and gross margin as we think about ramping to that 8% number for fiscal year '27?

Isabelle Winkles - Braze Inc - Chief Financial Officer

Yes. So just in terms of hiring, and we talked about this as we were kind of closing out getting into the end of the year last year.

As we've seen rep productivity continue to improve through last year, we already put into our plan that we were going to hire incremental sales capacity. So that is underway and has been underway and continues to work productively. So definitely excited about that.

And then as we think about kind of the pathway here to the 8%, look, I mean, the place where it's going to come out of, mostly is in fact in sales and marketing. We continue to expect to get efficiencies of scale there.

And then G&A, as we continue to lean on some of these strategic locations, that's going to be helpful as well. R&D, we've said is already kind of just operating where we expected to. So we're really excited about the continued scale that we're going to get, continue to get out of the sales and marketing place.

Operator

DJ Hynes with Canaccord.

David Hynes - *Canaccord Genuity Corp - Analyst*

Congrats on the nice quarter and the strong guide for fiscal '27. Isabelle, I'm going to pull on that booking threat as well. When you talk about a 50% year-over-year increase in bookings, obviously, the timing of renewal cohorts can impact that math.

I normally wouldn't ask a bookings question, but since you shared the metric, I'll press a little bit. Any way to help us think about net new ACV growth?

Like is that growing faster than run rate revenue growth? I'm just trying to get a handle on the magnitude of the strength you saw in the quarter.

Isabelle Winkles - *Braze Inc - Chief Financial Officer*

Yes. I mean, look, I think both from like renewal cohorts that then kind of added to, through upsells as well as kind of the net new business. I think both were really strong. So I think the overall, the momentum in the business in Q4 definitely have accelerated within the quarter.

The renewals that we saw were very, very strong. And as we continue to kind of work on the downsell pressure that we had been seeing in years past, so I think it's a combination of kind of all of those things mixing together.

And obviously, that strength in Q4 was certainly a part of the storyline going into this year and what helped us with the guide and our confidence in the outlook.

Operator

Nick Altman with BTIG.

Nicholas Altmann - *BTIG LLC - Equity Analyst*

Isabelle, can you just talk about what drove the strength in professional services revenue this quarter? Just how much of the outperformance from, this is a new studio is in subscription revenue versus professional services?

Isabelle Winkles - *Braze Inc - Chief Financial Officer*

Yes. I mean they make it a little bit more with a little bit more professional services, but the reality is the proportion of professional services rate large across the company. The mix shift isn't changing dramatically. And so we really sell professional services in order to sell more software.

And as the bookings strength continues to be strong, there's some element to implementation and onboarding that's mixing into that. Obviously, we're also trying to bring in more partners to bring that in.

So I wouldn't read too much into kind of the distribution between the two, the reality is, and then we've got things like TAM and sells or other professional services that are actually contractual over the full term of customers contract life that continues to be strong. So it's a mix of different things, but the reality is we truly sell professional services in order to sell more software.

Operator

Matthew VanVliet with Cantor Fitzgerald.

Matthew Vanvliet - Cantor Fitzgerald LP - Analyst

Great. Maybe touching on the question about build it yourself earlier from a different angle, are you guys using some of these AI coding tools internally to keep your advantage from a technical perspective and just evolve just as quickly as anybody else can how is that, I guess, impacting the rapid adoption of some of this functionality? And if anything, how does it impact your cost structure?

Bill Magnuson - Braze Inc - Chairman, Chief Executive Officer, President, and Cofounder

Yes. So I think that when we look at Braze's R&D overall, that my major takeaway is just how excited I am that we've got in place a cadre of long tenured leaders that have a ton of experience navigating through disruption, we were born in the disruption of smartphones.

We've been in probably the most competitive, or like one of the most competitive software categories, our whole existence.

We've got a team that knows how to navigate disruption and knows how to win together, including both of our technical co-founders still here, both of the offer fit co-founders still here and a bunch of long-tenured R&D leaders that are driving ahead innovation pace and urgency combined with experience of navigating disruption and really understanding our deep global customer community.

So with respect to the adoption of agenda coding, you see it in the results, like we released the operator and the agent console months ahead of schedule. That was due to a combination of a strong beta test, but also because the velocity increases that we're seeing.

Braze Engineering is also at all-time highs in please engineer per week and lines of code per week. But just like AI slop isn't producing value for differentiated investment analysis, the volume of code, I think, isn't the whole story there.

The craft of building and scaling a valuable software application for professional workflows and enterprise workloads that are also transforming themselves is going to remain incredibly valuable.

It's one that we're really excited to apply to customer engagement at scale. And I think that we're right in the throes of this. We're having fun with it. We're moving it pace.

And we're really excited about what this means for our entire software category to go through another reinvention, a team that was born exactly because of the opportunity that came out of the disruption of mobile gets to see our product space transform again, find new opportunity.

But we get to do it this time with a global customer community, with a global go-to-market organization and with a lot more experience, but we're moving faster than ever. So it's just really exciting all around.

Operator

Brian Schwartz with Oppenheimer.

Brian Schwartz - *Oppenheimer & Co Inc - Equity Analyst*

Congrats on a strong finish to the year Bill, I wanted to ask you a question again on the moat with AI. Maybe I would ask you the question in the form of the origin of the data models.

So if you think about the outputs that are coming in your AI products and the decision in Gen, is it possible to think about what percentage of those of the AI output is coming from signals that's being trained on data specific and proprietary to base versus those third-party foundation models in the market?

Bill Magnuson - *Braze Inc - Chairman, Chief Executive Officer, President, and Cofounder*

Yes. So when you look at, for instance, everything going on in decisioning studio, those are reinforcement learning models that are proprietary to Braze. They're trained with customers data.

The data is being fed through the Braze data platform. When you look at Agent Console, that is a combination of the context engineering that's being done by Braze that I spoke about earlier.

But of course, it's lying on the foundational models to be able to provide the broad-based reasoning and personalization capability, that's a big part of the distinction that I made earlier as well because there's no one size fits all and while there's a lot of work that the foundational models can do and a lot of great opportunity for them to be able to do things like do personalization once you already have a recusal algorithm has narrowed down the choices and you want to write an e-mail that's maybe comparing to the top choices to someone so that they can compare and contrast and you can drive up the conversion window.

But we've also found that being able to combine reinforcement learning with the intelligence it's in the foundational models, is actually the best approach to not only get the highest performance but to be able to prove it over time.

I'm sure you've seen in your own experimentation with LLMs that being able to understand like that in their performance and improve it over time as more of an art than a science, the explainability and observability within them and the attribution of what data really drives better outcomes for them is still very hard on solve problem within decisioning and within the reimbursement learning engine, we're able to actually see what data is moving the needle and what be thrown out, what can be optimized and then go and search for more signals that are along the lines of the one that are really driving better uplift, et cetera.

So I think that's why we think that the right approach here is multifaceted. It's multifaceted both from a data source perspective which is why you see the investment and the scale and the composability in the design of the Braze data platform.

And then also one where you need to be using multiple approaches to assemble, context and utilize your own bespoke training alongside, of course, the formidable intelligence that exists in the frontier models.

Operator

Siti Panigrahi with Mizuho.

Siti Panigrahi - *Mizuho Securities USA LLC - Analyst*

Can you hear me? All right.

Isabelle Winkles - Braze Inc - Chief Financial Officer

Yes.

Siti Panigrahi - Mizuho Securities USA LLC - Analyst

It's good to see some of this AI momentum. I was specifically OfferFit. It's been a year almost since acquisition. What kind of discussion you're having with your installed base? What kind of traction are you seeing cross-selling to the installed base?

And then specifically on the margin side, I know there are some kind of plan there to improve it. What kind of progress you are making on an improving margin for OfferFit?

Isabelle Winkles - Braze Inc - Chief Financial Officer

Yes. So I think just on the installed base, that is, that's the primary area where the sales and the upsells are happening is, in fact, within our installed base. There's a lot of momentum. The pipeline is strong. There's a lot of interest.

And then on the margin front, yes, look, there's a growth element here where as we bring on the necessary staff to enable the implementations and onboardings for customers buying it. Yes, there's, we have to handle that expense and that does mix into margins as well.

But we're very focused on that, and we've been working, continuing to work on the product, and we're also working on expanding product tiers to include products that are a little bit more self-service.

And that will also, those will also mix in with higher margins as well. So a number of things in flight to continue to work on that, but we're just excited overall for the momentum with our existing customers is shaping up.

Operator

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

Bill Magnuson - Braze Inc - Chairman, Chief Executive Officer, President, and Cofounder

I want to thank everybody. Thank you everybody for joining us today. As I mentioned, we're excited for City by City London about a month, and then we will see you after Q1.

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