

klaviyo®

Q3 2026
Earnings Transcript

November 4, 2026

Brad Sills, VP of Investor Relations

Welcome, everybody. We appreciate you joining us.

Joining me today are Klaviyo co-founder and co-CEO Andrew Bialecki, co-CEO Chano Fernández, and CFO Erica Smith.

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

Our earnings press release, investor presentation, SEC filings, and a replay of today's call can be found on our IR website at investors.klaviyo.com.

As a reminder, our commentary today will include non-GAAP measures, including non-GAAP gross margin, non-GAAP operating income, non-GAAP operating expenses, free cash flow, adjusted free cash flow, and adjusted free cash flow margin. Reconciliations to the most directly comparable GAAP measures can be found in today's earnings press release or earnings release supplemental materials, which can be found on our investor relations website.

Additionally, some of our comments today contain forward-looking statements that are subject to risks, uncertainties and assumptions, which could change. Should any of these risks materialize or should our assumptions prove to be incorrect, actual company results could differ materially from those forward-looking statements. A description of these risk factors, uncertainties and assumptions, and other factors that could affect our financial results are included in our filings with the SEC. We do not undertake any responsibility to update these forward-looking statements, except as required by law.

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



Andrew Bialecki, Co-Founder and co-CEO

Thanks, Brad, and welcome, everyone.

Starting with the numbers, revenue was $387 million for the third quarter, up 25% year-on-year, and we've now crossed $1.5B in annualized run rate with growth in large enterprise deals, deeper multi-product adoption and growing use of our agents. Over 211,000 customers trust Klaviyo to power their growth, and we crossed a great milestone – in the last 12 months we've helped our customers generate over $100 billion in Klaviyo Attributed Value, up 25% from the same period last year.

On top of that growth, we've had a very productive few months building and shipping the products we think will drive the future, and I'd like to walk through their progress and adoption.

We believe autonomy will be as important, and maybe more, than our platform and infrastructure. Every business will have a marketing AI harness and models that they use as part of running and growing their business. At K:BOS in September we announced a dramatically improved version of Composer and in October we released it to all customers.

In the three weeks since the latest release, daily active accounts of Composer have more than doubled to more than 10,000 and overall usage has more than tripled to 18 million weekly credits. This is just the beginning.

Stepping back for a moment, our strategy with AI and Composer is to build the best agent and harness for automating, personalizing, and autonomously improving marketing experiences. The new version of Composer has a host of major improvements: it takes advantage of recent models in agentic and long horizon reasoning, its internal knowledge has expanded, and we've made it flexible to adapt to the workflow of our customers with connectors, skills and artifacts.

For years we've told our customers – if you can dream a customer experience, you can create it on Klaviyo. Now, they can ask Composer to build it – and it will be built end-to-end.

We believe having a leading marketing agent and intelligence will be a major value add and differentiator for our customers, and we want that intelligence to be available in as many places as possible. Yesterday we announced two new embedded partnerships: Klaviyo in Shopify and Klaviyo in Wix, both of which include Composer, and we're working on similar integrations with more platforms and agents. We're integrating Composer into our MCP so it's available on every AI platform. The Klaviyo mobile app, our first natively built app since 2015, will be Composer-first and focused on the agentic experience.

Wherever you want to use Klaviyo and Composer, we're making it available.



We view our headless strategy and agent strategy as not only complementary, but compounding. With headless, anyone and any agent can access Klaviyo programmatically via APIs, our CLIs, or through our MCP. With Composer, businesses can access the data, marketing, and customer experience infrastructure and functionality Klaviyo offers. This gives them maximum control and flexibility. We've seen rapid adoption of our MCP server, with over 70,000 accounts using our MCP server and usage doubling quarter over quarter.

The usage of our MCP server is higher than Composer today, but Composer usage is growing faster. And these aren't competing channels since we're making Composer available through our MCP connector. We think this will be another great way to get world class marketing intelligence in the hands of more businesses. You can use your favorite AI agent to help you work, and when you need an expert marketer, you can call out to Composer for that help.

On our internal marketing benchmarks, we find that Composer outperforms frontier models at common marketing tasks. This translates to better performing marketing and ultimately more growth for our customers and for us. This is the advantage of domain specific agents that are trained to excel at tasks that are less verifiable and require data specific to that domain.

Two nascent patterns we're very excited about that we believe will drive the next step function of Composer growth are proactivity and marketing graphs and loops. I'd like to spend a minute talking about each of these. Talking with our customers, whether it's Composer or other agents, many entrepreneurs and small businesses are still unsure about what agents are capable of, or aren't sure what tasks to ask them to do. To solve this, we're making Composer proactive, where it will automatically suggest marketing campaigns to run, or find issues and optimizations with their current program. For our largest customers, there's a lot of interest in making common marketing activities more automated and to have them improve over time. The same concepts in coding of creating graphs to model processes and loops that improve work and allow workflows to improve over time, we're using those with marketers.

And with the latest Composer release we are seeing positive signals. In the last three weeks, the number of scheduled tasks and custom skills have tripled and doubled, respectively. We think creating graphs that represent analytical and marketing workflows and loops that refine and improve those strategies over time will become common, and as Chano will talk about, we're working with our customers and partners to evangelize this.

Customers are going to go beyond one-off chats to setting up standing jobs. One example is a fast growing performance apparel brand. They are treating Composer like a member of their team, building custom skills to hold its brand voice and review campaigns before they send, and they're using Composer to put the work on a schedule: a daily revenue digest, a weekly flow audit, and a Friday review of next week's campaigns.

We are also seeing customers do more with Composer. Credits per active account are growing 60% since the latest release.



This includes brands like **Scheels, Vital Proteins, and Dermalogica**. For Dermalogica, skincare is personal, and at their scale that's easy to lose. Composer is now the team's final check before every send. When they launched a new winback flow, Composer spotted that nearly one in four recipients were getting an email from another flow that same week, and in minutes set up a filter to fence it off.

We're also seeing Composer help with conversion. Free accounts that use Composer are converting to paid plans at about 1.5 times the rate of those that don't.

Right now, adoption is our priority, so we are deliberately giving customers free credits to try Composer and build it into their workflows. And we are early. Of the customers who have tried it, most have yet to really dig in: daily active accounts using Composer in their workflow are about 5% of Klaviyo's daily active accounts, a single-digit share. That is the headroom, and it runs on two axes: more customers using Composer, and more use from each of them.

We have only just begun our growth plays, like making Composer more prominent in the product, more broadly engaging our champion network, and bringing it to the Klaviyo mobile app. That's how you win on adoption first, and why we're confident about what comes next.

Composer is only as good as the data behind it, and we continue to make improvements to the Klaviyo Data Platform. In September, we announced a SQL interface for our data platform. So a marketer or an agent can ask a question of their data in plain language and get back the answer and the query behind it. SQL opens up access to data inside of Klaviyo in a way we haven't offered before, deepening the analysis beyond what was practical. This means faster business decisions for our customers. It's also the foundation for Composer.

Customers are turning to Klaviyo as their data warehouse solution. With custom objects, customers can store whatever information they need in Klaviyo at scale and query it. That makes Klaviyo a true data warehouse for marketing, and we're seeing customers use it that way.

Take one customer. Their analytics team built models into their data warehouse, and with our data warehouse sync, these models flow straight into Klaviyo, where their marketing team uses them to segment and personalize without waiting on IT. The sync also runs the other way, sending Klaviyo profile, events, and segment data back to their other warehouse so analysts can run attribution and modeling in the tools they already use. There's no reverse ETL vendor or custom pipeline in between. Whether the data lives in Klaviyo or alongside it, the result is the same. Marketers and agents work from the full picture.

That data feeds into the unified profile, and personalization is what turns that context into growth. We've evolved marketing analytics into personalization, a single layer where specialized models decide who to reach, what to show them, and when and where to reach them in real time. Marketers set the guardrails and measure lift against a real holdout set, and customers are leaning in. In the third quarter, they sent more than 2 billion messages using our personalized send time model, up 25% from the previous quarter. Our data platform strategy is to offer

customers one platform to securely store what they want at scale, access it, and personalize it across any channel and any service.

More services include Customer Agent for support and services. Customer Agent works from the same unified profile as marketing, so every conversation starts with the full context and what we learn in service feeds back into marketing. We keep expanding what Customer Agent can do with more languages and more channels, including voice coming soon.

Customer Agent is now resolving conversations faster. We've now exchanged over 2 million messages, and in October we released a new single-agent architecture designed to deliver even better experiences. We're already seeing this innovation deliver great results. For one, customer resolution rates grew 25 points relative to the three weeks prior, and we're seeing strong traction with larger customers with adoption of Customer Agent by our $50K and plus ARR cohort up nearly 60% quarter-on-quarter.

Together, the data, the agents and personalization run as one system, and that is how the value compounds. We have a great business, and everything we built over the last 14 years is the foundation for what comes next. Every email, text, purchase, sign-up, service interaction, social capture and mobile push feeds into the Klaviyo Data Platform, making experiences more personal and giving agents more context. That data flywheel spins faster as agents use it.

With the core business growing across enterprise international and with products like text and personalization, we have a long runway of opportunity in the $160 billion B2C CRM market that we serve. Agents and headless expand that meaningfully. We're only 1% done and excited about what comes next.

Before turning the call over, I want to welcome our new CFO, Erica Smith, who joined in early September. Thrilled to have her here. And with that, over to you, Chano.



Chano Fernández, Co-CEO

Thanks, Andrew.

I am thrilled for what we are building here at Klaviyo, alongside our customers and 5,000 plus partners.

As a B2C CRM connecting data, agents, personalization, and channels, our role has never been more important. Customers want to treat every consumer as an individual, but they're navigating fragmented data and a new world of AI. The answer is one unified profile that acts in real time, and they're choosing Klaviyo as the platform to build on.

You could feel the excitement at K:BOS in September, where we had our largest turnout and welcomed more large enterprise brands and partners than ever. That momentum is showing up in the results. We are executing as we said we would do, winning in the enterprise, expanding across international markets, and closing more multi-product deals than ever.

I'd like to spend a few minutes on how these key initiatives are driving growth.

Starting with the enterprise, where large global brands are choosing Klaviyo to modernize and consolidate their tech stack as they prepare for the all-important Black Friday Cyber Monday. In Q3, we grew the number of large enterprise deals and crossed an important milestone, ending the quarter with 105 customers with $500K or more in ARR, up 57% year-over-year. Customers with $250K or more in ARR grew to 390, up 49%.

We had several notable enterprise expansions in the quarter, including **ButcherBox**, a direct-to-consumer meat brand. We also welcomed **Bagel Brands**, parent of Einstein Bros., Bruegger's, Noah's, and Manhattan Bagel, as a new customer. Until now, Bagel Brands could only reach loyalty members through their loyalty platform. With Klaviyo, they're unlocking the ability to reach every guest on a single platform that brings order data, marketing, and loyalty together. They chose Klaviyo for our native data warehouse integrations, built-in CDP, and ease of use as a marketer-run platform.

Our largest customers are bought into our agentic roadmap, and it's helping us close new deals. This includes a Fortune 500 company who joined Klaviyo in Q3 for email, text, Customer Hub, and Advanced KDP, replacing their legacy marketing solution. They selected Klaviyo so they can run on a data platform spanning multiple channels, and they see Klaviyo as a critical part of their IT infrastructure, turning to us for insight on their marketing strategy. That's the kind of partnership we are seeing and expect with the largest global brands going forward.

Every quarter, we win more large customers, they become references for us, and that creates a flywheel effect. It's validated the enterprise readiness of our platform and is changing the enterprise conversation. And the industry sees it. Gartner recognized us in its Magic Quadrant for Multichannel Marketing Hubs, and IDC named us a Leader in its MarketScape for Worldwide Agentic Marketing.

This brings me to our second growth lever, multi-product adoption. In Q3, multi-product deals represented 43% of new ARR, up nearly eight points from a year ago. And, Personalization is

becoming increasingly important to customers, especially in the enterprise. In Q3, Personalization ARR grew over 100% year-on-year.

Malbon Golf, a longtime email customer, is a great example of the importance of consolidating personalization onto a single platform. This quarter they expanded with us, adding text messaging, Personalization, Customer Agent, and Customer Hub. With their email, SMS, RCS, and service now running on our B2C CRM platform, personalized experiences can run off a unified customer profile tailored to channel preference.

That brings me to our third growth lever, international. In Q3, we had notable strength in markets like Brazil, Germany, and Spain, and growing adoption of WhatsApp, an important channel for our international customers.

We closed our largest new-logo win in EMEA to date: a multi-product, multi-year agreement with **Frasers Group**, consolidating 13 of its brands, including Sports Direct, FRASERS, and Harvey Nichols, onto Klaviyo. Frasers chose us for the breadth of a single data platform across email, Advanced KDP, and K:Social, and for our agentic roadmap.

We're investing to capture the EMEA opportunity. Our new EU data center entered limited availability last month, with GA on track for 2027, letting European customers keep data in-region, a key requirement for many enterprise brands.

Across the globe, partnerships remain core to how we go to market, sell more across the portfolio, and grow faster. They're also how we extend our reach beyond retail. In Q3 we expanded that reach deeper into the hospitality vertical with a new OpenTable integration.

Turning to agents. Our agents and headless strategy are a key differentiator, especially in the enterprise.

In an agentic world, usage comes first, and our pricing is built for it. Composer's free tier and credits help marketers embed it in their daily work, and Customer Agent is priced on outcomes so our customers' success ties to ours. Headless expands optionality for Klaviyo and our customers. That is what wins deals.

Adoption of any new technology like agents takes time. As Andrew shared, we are making real progress. To accelerate the momentum, we are working closely with customers to map where agents can take on work. This is empowering customers to move even faster, and making Composer even smarter. As more customers use Composer, those learnings are embedded into the platform. That's exactly the flywheel effect that can help to bend the adoption curve to an inflection point.

Before I close, I want to echo Andrew and welcome Erica. I'm grateful for the partnership we've built already, and we're excited for her help driving growth as we scale.

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



Erica Smith, CFO

Thanks Chano and Andrew, and good afternoon. This is my first call as CFO of Klaviyo and before digging into the quarter, I'd like to share why I joined the company.

First, I have deep conviction in the size of the opportunity. Klaviyo is a growth company, with a long runway across multiple products, in the enterprise, internationally, and with our agents. Since joining, I've met with many customers and prospects. The consistent thread is that they are investing in more personalized, autonomous engagement, and that drives faster growth. Customers are choosing Klaviyo to unify their data and customer experiences onto a single platform.

Second, I've always believed – in an agentic world, data separates the winners from the rest. AI is only as powerful as the context behind it, and our data platform has underpinned our success since our founding. That is a defensible advantage, and one I'm confident in.

And finally, the mission and culture. Our focus on the mission and as being builders drives better outcomes for our customers, and that success fuels the passion and commitment that the team brings every single day.

Together, these position Klaviyo to deliver long-term growth and profitability.

Now, turning to Q3.

We again exceeded our guidance with Q3 revenue of $387.2 million, up 25% year-over-year, reflecting consistent execution of our strategy.

We continue to move up market, with momentum in the enterprise as Chano discussed. And we are selling across the platform. Customers using three or more products now represent 22% of ARR, up two points from last quarter. As a reminder, multiple-product customers have a 7 point better retention rate than single-product customers, making this an important indicator of the health of our business.

Internationally, growth remains strong. Revenue outside the Americas grew 32% year-over-year, and in EMEA, excluding the UK, revenue grew 40%.

Net revenue retention was 108% in the third quarter. Gross retention held steady, and text messaging expansion and cross sell activity supported our NRR. There was some offset from the overlapping of last year's profile enforcement, which will continue to weigh on the trailing twelve month NRR through Q1.

It's important to note there is a structural shift underway impacting NRR, as more customers are landing with multiple products from day one. As Chano shared, in Q3 multi-product deals represented a greater portion of our new ARR. So more value shows up in the initial deal rather than later expansion. As multi-product lands become the norm, NRR alone will increasingly understate the health of the business. We would encourage you to look at NRR alongside the

growth of our larger customer cohorts. Together, they better reflect how our customers are adopting our products.

Turning to the P&L.

In Q3, we delivered strong profitability, as we leaned into the infrastructure optimization and AI efficiencies across the organization. This supported revenue per full-time employee growth of 26% year-over-year, to $644 thousand in the third quarter.

Gross margin was 75%, a sequential increase from Q2, driven by rigorous management of our cloud infrastructure costs. Compared with last year, gross margin was down, reflecting the continued success of our text business as we increasingly become our customers' omnichannel platform of choice. Last quarter, we introduced new mobile pricing that lets us adjust prices at renewal, which will help offset carrier fee charges in the future.

Operating income came in at $56.9 million, a 15% operating margin, exceeding our guidance. This reflects expense discipline across the business including infrastructure optimization, AI driven efficiencies, and lower than anticipated expenses from the Agency acquisition which closed during the quarter.

Operating expenses were about 60% of revenue, compared to 62% in the same quarter last year. We saw leverage across go-to-market and G&A, which more than offset the investments we are making in R&D to deliver against our product roadmap to drive growth. This includes the Agency team, who have already made a meaningful impact on the latest release of Composer and Customer Agent. We are excited to have them on board at Klaviyo.

Turning to the balance sheet

We generated $24.8 million of free cash flow and ended the quarter with a total cash balance of $706 million. Excluding the $15 million used in the acquisition of Agency, adjusted free cash flow was $40 million, or a 10% adjusted free cash flow margin. Just as a reminder, free cash flow can vary quarter to quarter with the timing of payments and collections. We encourage investors to look at free cash flow over a 12-month period.

In October, we completed the $500 million buyback authorization announced in March. Our board has approved an additional $300 million authorization, which reflects the board and management's conviction in our strategy and in the intrinsic value of our shares at current levels. Our strong cash balance and consistent cash generation allows us to continue investing to drive growth through our go-to-market engine and our product roadmap.

Turning to our outlook.

For Q4, we expect revenue to be in the range of $421 to $425 million, representing growth of 21% at the midpoint. We expect Q4 operating income to be in the range of $66.5 to $69.5 million.

We are raising our full year 2026 revenue guidance by $9 million at the midpoint. We now project 2026 revenue between $1.537 billion and $1.541 billion, representing 25% year-over-year growth at the midpoint.

We are also raising our full year operating income guidance and are now expecting 2026 operating income between $233 to $236 million.

As a reminder, given that customers are increasingly turning to us to power their omnichannel strategies, we expect the fourth quarter to be a strong quarter for text messaging, creating more seasonality to our results, including a step down in gross margin in Q4.

In prior years, Klaviyo has provided an early look at the next year during the third quarter call. This year, we're taking a different approach. Q4 is the most important quarter in software, and sets the stage for the year ahead, and this is especially true for our business with Black Friday and Cyber Monday at the center. We've entered Q4 with strong momentum in the enterprise, growing usage of our agentic solutions, and more customers landing with multiple products. I believe it is important to give you our 2027 outlook with the benefit of our full Q4 behind us.

I've been energized by what I've seen since joining in September, and will provide more color on our expectations for 2027 on our year end call.

To close, Q3 reinforced what drew me to Klaviyo. Our strategic initiatives continue to generate growth, which is made possible by a platform that has placed customer relationships and data at its core. And it is the compounding benefit of the volume and scale of the data that flows through our platform that positions Klaviyo to be a leader in autonomous marketing with our agents.

With that, we will open the line for questions.

Question and Answer

Operator

Thank you. [Operator Instructions] We ask that you limit to one question. [Operator Instructions] Our first question comes from Raimo Lenschow with Barclays. Please unmute your line and ask your question.

Raimo Lenschow, Analyst, Barclays

Perfect. Hey. Thanks. Thank you and congrats. Great quarter. Two quick ones. I'll make them quick, so then I squeeze them two. AB, if you look at Composer and how people are using it and what are they doing it, what's the feedback on the ROI they're getting? They're like, because that's the one thing we see across the board that AI products are really nice. But then people, especially on the low end of the market, are nervous about the value they're getting for and nervous about token burn and how do you position it? And what do you see customers are doing there?

And then, Erica, for you on the NRR. I hear you that, it's understating because you're selling more initially, but you also mentioned the profile enforcement creates a headwind initially. Can you unpack which one is driving which data so that we get the right number for going forward? Thank you.

Andrew Bialecki, Co-Chief Executive Officer, Co-Founder, & Chairperson

Awesome. Thanks, Raimo. Yeah. We're really excited about the use cases we've seen so far. So on ROI, we look at Composer, first, just the marketing and customer experiences customers build through Klaviyo are incredible ROI. We share numbers about Klaviyo Attributed Value and we typically will see ROIs anywhere from 10x to 100x. The way I would think about Composer and the credit usage, the token burn, so to speak, it's just a way to, amplify or go find more results that have a similar ROI.

So just as an example, what are people using Composer to do? They're sending more marketing messages to their customers. They're able to better personalize those messages. They're using Composer to then go back and review and audit the different campaigns and automations they're building. One, sometimes for like compliance reasons, things that they just otherwise would be expensive. They'd have somebody need to go manually check, or for better peace of mind. But also then to go find opportunities where they can do them even better.

And so when we look at what's happening as a result, they're doing more messaging. It's better, it's self-improving. All that is amplifying that ROI they're already getting.

One thing we like to say is that with Composer, we think there's this big almost like agent overhang, Composer as an agent is so good at doing marketing and customer analysis. The problem isn't really ROI. It's more just helping more of our customers know what to prompt.

We talked a little bit about setting up recurring workflows, and I think that's the phase that we're entering. The technology is there. Our product is there. We're going to continue to improve it. But really, it's about driving large-scale adoption with both current customers and then also just other businesses that need to do marketing. So yeah, we're really, really excited about that. Then Erica?

Erica Smith, Chief Financial Officer

Yeah, absolutely. So I wanted to touch on your question about NRR. So I think absolutely profile enforcement continues to be an overhang and our expectations are that will roll into the first quarter of next year.

I think the one thing we wanted to point out when we were talking about customers landing with more products. Is that as you look ahead, we anticipate that that will be increasingly the case, that customers will continue to land with more and more of our product portfolio. And so that, as you look ahead, will be an area where we do think will also be another headwind.

But I think the really important thing to focus on is that our gross retention rates have been incredibly strong. Those have been consistent all the way along. The other thing is that we are seeing nice expansion across our product portfolio. When you think about text messaging and personalization.

The other piece of it is that when you think about things like agents, those will often be more consumption-based. So when you're thinking about NRR, that also further down the road just won't be the primary metric for you to evaluate whether or not customers are expanding. So I think what we really want to encourage you to do is look at not just NRR, but NRR, plus the growth of those other larger cohorts of customers.

Operator

Our next question comes from Ryan MacWilliams with Wells Fargo. Please unmute your audio and ask your question.

Ryan MacWilliams, Analyst, Wells Fargo

Hey, guys, thanks for taking the question. For Andrew, we'd love to hear about how you can make it easier for solving this, like diffusion of AI problem. Like you mentioned, the technology's there and like SMBs, I'm sure they want to try agents and do more with AI, but I'm sure they would just like to simplify what they're doing and make more money. So is it prompting the user itself to then click and take an action? Now that like the models are more capable, I guess, from a product perspective, what are the things that you think can enhance development or enhance adoption of AI within your platform? Thanks.

Andrew Bialecki, Co-Chief Executive Officer, Co-Founder, & Chairperson

Yeah. For sure. This is a major area of focus for us, and I think we've got a lot of threads that we think could bear a lot of fruit in the coming months. So let me give you a little bit of a summary about how we think about that. The first is just inside of Klaviyo. A lot of customers and a lot of marketers, we're just solving this problem of like what to prompt. So we've seen, I think a lot of folks, maybe ex-engineering, are solving this problem of, well, I don't know what the model is capable of or the agents capable of, what should I ask it? And in some cases, it's challenging Composer to do bigger tasks. I think we've had a lot of calls with our customers where they're blown away when they ask Composer to do some big analysis, or they generate an entire holiday plan and then implement it and it just gets to work and does it, on brand in a way that they say, wow, this is very close. There's only a couple of edits.

So for those growth plates, yeah, we're doing a lot around like showing prompts. And one of the things we've done as an example is depending on where you are inside of the Klaviyo application, we'll provide different prompts, different suggestions based on what you're looking at. We also are learning from our customers as they're prompting or asking for things so that we can come back and recall those kind of use cases. And obviously, we can pattern match across users. So if we see users that are similar, we can recommend other prompts that, a little bit like users, like you, marketers like you have been doing the following and we plan on publishing, some benchmarks and top prompts and use cases so that others can learn from that.

Beyond that, for our entrepreneurs and SMB customers, we're also working to embed Composer in a lot more surfaces. So I talked a little bit of that in our prepared remarks. We partnered up with, obviously, our good friends at Shopify and Wix, and we're doing more to embed Klaviyo inside of other products. And this includes not just those, functionality or infrastructure around analytics and marketing, but also Composer as well. And we have a lot more coming there where, we want to make marketing intelligence ubiquitous.

So actually it doesn't matter. You don't have to log into our Klaviyo app, our dot-com. We mentioned that we're now shipping mobile app that's agentic-first. But you can access Composer through our MCP connector. We just want to make it readily available so that even if you're using your own personal agent, when that personal agent says, hey, I need to do this marketing task. Who do I ask for advice that that marketing agent can even find Composer and introduce customers.

The last thing I'll say is for our larger customers, some of the larger enterprise customers, I think we're about to cross this chasm from marketers. When I talk to them, they're still in this era of they're used to prompting AI, asking a question, waiting for it to do work, come back prompt a little bit more. It's like where coding was maybe 18 or 24 months ago. I think we're about to enter the era where most of the entrepreneurs, small businesses, even enterprises I talked to, they want to know AI can take some bigger workloads for them. And so this is Chano and I spent a lot of time in the Klaviyo team getting close to our customers, helping them map out those marketing workflows and actually encode them into things like skills and tasks within Composer. And I think that's still very new, but I think that's the future.

You're not going to buy marketing software and you're going to sit, somebody's going to log in every day and point click their way around to say, build campaigns. In the future, you're going to log in and say, hey, these are the outcomes that I'm after. Here's my process, here's where I want to be involved. You're going to explain that to an agent or an AI, and it's going to encode that, and then it's going to go off and do that work. And it's going to have like a little bit of an inbox or it'll, call out to you, it'll chat with you when it has something that's ready for review.

So that's going to be the new pattern. We've already seen this happen in other domains. And we're excited because we've seen a lot of customers that are very leaned into this. And yet the adoption, we shared some of the stats we want to show adoption rate is still very nascent. And for us, we look at that it's just because a lot of people haven't-- they're not used to the patterns of how to use an agent. And that's something that we look at as our responsibility to help teach that, to marketers and entrepreneurs and businesses around the world.

Operator

Our next question comes from Rob Oliver with Baird. Please unmute your audio and ask your question.

Rob Oliver, Analyst, Baird

Great. Thank you guys very much for the question. I have a two-parter as well. AB, appreciate all the color on the headless strategy and the MCP server data and around Composer. In response to the last question, you talked a little bit about the large customer activity. And I just would love to hear how much of that workflow today is currently done from frontier models. I mean, you said domain-specific agents are going to be important. We believe that as well. The functionality seems like it's certainly much higher, particularly with your data. But how much of that is really changing that workflow today? And at the largest accounts, is that a part of the sale and what you guys are landing right now?

And then just be curious to hear on the new expansion-- on the new enterprise metrics that you gave out to get a sense of the breakdown either from Erica or Chano on what is new lands and what is cross-sell and how those are trending. Thank you.

Andrew Bialecki, Co-Chief Executive Officer, Co-Founder, & Chairperson

Excellent. Okay. So happy to take the first part. Yeah. So for larger customers adopting, encoding their work into AI, I'll tell you, like one thing I've observed is it's for a lot of marketing teams, even in larger enterprise, it's still a very new concept. And it's not that folks really want to do it, but this idea of is it working off the right dataset? Is that dataset kind of governed? Can I trust it? Can I trust this agent that it understands the underlying infrastructure? How to build a campaign, how to build a segment, how to interpret marketing results. A lot of that, the trust factor is still being built up.

So when we've worked with customers, we've told them, look,'. ultimately we have our MCP. So you can access all of our infrastructure as well as Composer through our MCP. So we're actually a little bit agnostic if you want to use, Claude, ChatGPT or, some other agent harness, you can. And we think of Composer as kind of this like super smart marketer that obviously knows all your data, but has also been trained. So it just knows all of, what's going on with marketing and consumer behavior generally. That's like the data set that we mentioned that's, harder to get, but we have a good lens on that.

So we're finding actually from a lot of our large customers, some want to, build all their workflows through, some of the, frontier agents, but a lot of them because they like this kind of human, in the loop. And I want to edit this and I want to be able to visualize and see the campaigns and the automations I'm building as I go. We're finding a lot of them are very comfortable and maybe more comfortable working inside of Klaviyo or inside of our services.

And then that's one of the reasons why inside of Composer, we basically-- all the same functionality that you get with a general-purpose agent, we built all that same functionality in. So when you think about things like connectors, tools, skill, even things like we just released a week or two ago, the concept of artifacts. So you can have live dashboards in applications inside of Klaviyo that are powered by an agent that built that and then it can auto-refresh. So we want to basically give people a lot of choice. That's our goal is flexibility and choice.

But I do ultimately think that like for the workflows, whether those getting encoded inside of Composer or outside of Composer, in another agent, there's going to be some marketing work where you really want a very smart marketer, very good marketing intelligence. And that's the feedback we've gotten from customers so far is they trust us. They trust Composer to be an expert at marketing. And we talked a little bit about ROI because the return on investment is so

good. And we're not just talking about process automation, we're talking about driving a business. We're talking about customer experiences. Our customers and brands, they have a very high bar for correctness. And then they obviously want incremental growth.

So we think with Composer, we can deliver most importantly better results. We actually also think we can probably deliver it more cheaply, more efficiently when it comes to like token usage and things like that. Just because, we know our own systems, we know best practices in marketing how to do those analyses. But when I talk to customers, the thing that matters the most to them is they want the incremental growth. They know there's a lot of opportunities with their customers that they're not getting to, that they can't see, they can't find they don't have the time to act on. And we look at it as our responsibility to help them discover those so they can delight their customers and then grow faster.

Chano Fernández, Director & Co-Chief Executive Officer

Rob, when it comes to the new metrics that we disclosed in the enterprise and the balance between new business and customer base, well, let me first say that we always share with you that the enterprise is going to be journey. We're pretty happy with the progress that the team is making and pretty proud of how quick it's going. Definitely, it shows some of these metrics, like 57% [revenue] growth in customers over $500K ARR and 49% year-on-year growth in customers over $250K ARR. I would say today is a little bit more balanced towards customer base, clearly. But obviously, we have some great activity in the net-new logos, like customers like Frasers that I mentioned today, our largest customer today in EMEA is a new logo.

And going forward, what you're going to be seeing us is now that we have the product readiness, we were overcoming the impression like, are we ready for this enterprise with a lot of customer references that are happy customers of Klaviyo being large enterprise customers, the partners and also the analysts like Gartner and IDC recognizing us, you're going to see us investing much more into net-new logos, going forward because we believe that, there is a great opportunity in this enterprise market for us, and it's going to be a great acceleration for the company.

Operator

Our next question comes from Tyler Radke with Citi. Please unmute your audio and ask your question.

Tyler Radke, Analyst, Citi

Yeah. Thank you very much for taking the question and great to be working with you, Erica. I know you're not providing 2027 guidance today, but one of the questions we're getting a lot from investors is just understanding the growth path. And when growth can ultimately stabilize after the step-down implied in Q4. So just as you think about the variables across the business, whether it's AI monetization, international expansion, new logos, upmarket, how do you think about the most important drivers of seeing that revenue growth stabilization as you go into next year?

Erica Smith, Chief Financial Officer

Yeah, so it's a really great question, Tyler. I think we were very excited to be able to provide guidance for 25% growth for the full year and pass through more than the beat when you're

thinking about 2026 as the level set. And then I do think we want to make sure that we get through this quarter to see how the initiatives that we're driving forward from an investment perspective deliver, because we have a lot of confidence in our ability to execute. And so as you're moving into next year and you think about the prioritization and where we think we see a healthy area for us to continue to accelerate, we certainly think the investments that we're making in what Chano just talked about, the new logo opportunity is an area where we do expect to see results.

We also think in the enterprise. We're very encouraged by what we're seeing around Composer, what AB talked about. I think when you think about that monetization, we want to make sure we're watching those trends as we move in March through that quarter, but we are very excited about that as a growth opportunity as well into next year. So I think that would be the stack rank in terms of what we see today and what we're executing on absolutely in the fourth quarter and then as we roll into the first part of the 2027.

Operator

Our next question comes from Adam Wood with Morgan Stanley. Please unmute your line and ask your question.

Adam Wood, Analyst, Morgan Stanley

Hi. Thanks very much for taking the question. Congrats on the quarter and also just stepping in for Elizabeth on the call. So I wanted to ask, you've talked a lot about the very strong adoption of particularly Composer, but also the Customer Agent. When you think about that strength and look forward, how should we think about continuing to use them as better retention and expansion tools in the core business versus the AI becoming a much more meaningful standalone source of incremental ARR for you? Could you talk a little bit about the indicators or metrics that you're watching to assess about how quickly and aggressively you go after that monetization opportunity, please? Thank you.

Andrew Bialecki, Co-Chief Executive Officer, Co-Founder, & Chairperson

Yeah, absolutely. So, we quote a couple of stats that are not direct monetization. And I'll start with Composer here. So first is, we're finding that amongst our new customers when folks are signing up. I think we talked about this in the last call as well. We're finding a better conversion rate from sign up to folks becoming a paid user, 50%-- 1.5x, 50% better when folks are using Composer. And we expect that to persist.

One of our big initiatives internally is we've redone what, onboarding or first-time experience with Klaviyo is to make it much more agentic and through Composer. You can imagine things where, now when you sign up, rather than you having to know what to do or pick from say, a default set of templates, every part of the Klaviyo experience can be tailored to you. What marketing campaigns and strategies you should have. Obviously, we can look up some things like, for instance, from your website or mobile app, various brand assets. We can tailor things to you directly. And we're finding what's happening is that's driving a much higher activation rate. That's the term we use for how long does it take and what percentage of users actually get to like real material, repeat usage of Klaviyo in terms of sending messages or running queries or importing data. So we do think that will be a nice halo effect. And when Composer in our core marketing infrastructure, core products, those two things will go together.



And then obviously, on the retention side, it's probably no surprise, but we find a lot of customers. One of the things, especially smaller customers, one thing that curtails usage is either, A, they don't know how to do something. They run out of time, and so they just fail to activate even though they may be paying customers or two is they're using Klaviyo, but they have this perception that they could be doing more and Composer solves for both of those. So, the initiative I mentioned around proactivity, I think is going to help amplify both of those.

And as we're seeing, this data come in. Actually, we're thinking about Composer more as even potentially a landing point for our customers. We actually have a fair number of customers who are on a free Klaviyo plan where maybe they only have a couple hundred subscribers or customers to their business, but they're buying Composer immediately because they like the idea of having that expert marketer, at their side that they can reach out to, to help them grow. So we see that as that could even be in the future. The first products that our customers are buying and then overall monetization, around Composer, we try to share some stats around like usage of credits and then overall adoption.

So you can start to think about what the overall opportunity size is. The only thing, obviously for us, the two main levers are how many users, how many businesses, accounts are using Composer. And then the same will be true for Customer Agent. And then what is that usage look like? We mentioned the ROI is clear.

The one thing I would call out though, is I go back to this comment I made of, I feel like we're 18 to 24 months time-shifted from where coding agents and engineering is. So a lot of the usage of Composer today, even still today, is this kind of prompt, wait for something to finish, prompt again.

And if you see what really drove a lot of adoption and a lot of the value around like coding agents was when they became more autonomous. People got used to this concept of, I'm going to run, this agent on a recurring basis. It will wake up every day or it'll run in a loop. I start to build in more of my workflows. And that's something we've launched that. We're starting to see. We talked about the growth of some of those key capabilities, but I think we're very early there.

So I think obviously, there's a large number of businesses that could be using Composer and Customer Agent, but also the usage rate, per capita we think is only going to grow from here. So we have a lot of work to do.

And the last thing I'll say on Customer Agent is, Chano and I, we spent a lot of time, we're seeing good adoption. We mentioned the number of like 60%, quarter-on-quarter growth of our larger customers, the $50K ARR and above. We're seeing good adoption of Customer Agent across the board, both among SMBs and even some of our very largest customers. We have a number of our, top 10 customers that are actively, piloting and using Customer Agent with their business. That's another spot where we've done some really great engineering and we're seeing some like great, great results.

One of the things we found with Customer Agent, though, is that there is a little bit more of understanding, the business and getting hands on so while, for a lot of our users, they're very used to marketing. They get the idea of using Composer to automate that. In some cases, we're spending time getting to know the, support side of the business and the organization, especially for larger businesses, and then map out some of their internal policies. So I expect we'll see growth from Composer more quickly than we will from Customer Agent, but we're excited about the growth trajectories of both products.

Operator

Our next question comes from Terry Tillman with Truist Securities. Please go ahead with your question.

Terry Tillman, Analyst, Truist Securities

Yeah. Can you all hear me okay?

Operator

Yes. We can hear you.

Andrew Bialecki, Co-Chief Executive Officer, Co-Founder, & Chairperson

Yeah, we got you.

Terry Tillman, Analyst, Truist Securities

Great. And welcome to these earnings calls, Erica. Yeah. So I have one question. It might actually be two parts. Sorry about that. But on Composer, is there something in the 4Q during holiday? Sometimes we hear about new technologies. People want to be careful how much they try that out during these all-important days or weeks during the holiday season? Is that something we should consider in 4Q around usage and just active user dynamics with Composer.

And then Erica, what we've seen this year, just looking at the guide, you've been beating the numbers. They've been a little bit smaller beat, so you're closer to the pin. Is there any philosophical change with 4Q in terms of like degree of potential outcomes in the guidance? Thank you.

Andrew Bialecki, Co-Chief Executive Officer, Co-Founder, & Chairperson

Awesome. So on the seasonality of Composer, I actually don't think we'll see too much of anything. I think it'll mirror our overall business. I've talked to a number of customers that have used Composer heavily to build out holiday plans, holiday strategies, and then also to gut check their holiday plans. I'll give you an example.

I was working with one retailer where they said, hey, can I use Composer to go audit, go review, the strategy, the campaign cadence that we had in 2024 and 2025, give us feedback on what we did well, what we did not do well. And then, hey, this year we plan to start marketing a couple of days earlier, can you take that into account and then draft out what you think the right plan is and then go build those campaigns for us? And that's the kind of activity that we're seeing a lot more marketers do.

So I don't think it'll be quite as seasonal as some of the spending patterns we see, but we definitely see a lot of people leaning on Composer. And certainly I think there's a lot of trust that folks have with our agent. So even in these most sensitive times, they're using it to like review information, understand it, and then make these real-time decisions.

Erica Smith, Chief Financial Officer

Yeah. And then Terry, coming back to your question on guidance and guidance philosophy. So I started about two months ago, and I think my point of view was that the company had set their guidance philosophy at the beginning of the year and maintaining that guidance philosophy as we walked into the fourth quarter felt like the right approach. So no change in the guidance philosophy around being closest to the pin. And that's the way we approach this guidance model for the fourth quarter as well.

Operator

Our next question comes from Samad Samana with Jefferies. Please unmute your line and ask your question.

Samad Samana, Analyst, Jefferies

Hi. Good evening and thanks for taking my questions. I guess I have two. First, I know you gave 4Q guidance, but can you give us any sense of what you've seen so far? I know it's only one month into the quarter, but in terms of like normal seasonal trends, are you on that normal trajectory that you would see in a fourth quarter?

And then, Erica, I know that this wasn't instituted by you, but, the new SMS pricing model that accounts for A2P, I think was supposed to start in 3Q but not really have a big impact. I'm curious if it's had any impact so far. And any early trends you're seeing on renewal for the customers that are on the new pricing model, or should we just wait for that as being more of a 2027 impact? Thank you both for taking my questions.

Erica Smith, Chief Financial Officer

So I can start on some of the seasonal trends that we're seeing in the business. Take the pricing that we talked about. And then, Chano, if you want to add on to the seasonal trends, that would be perfect. I think so far, we've seen a typical seasonal quarter when you're thinking about the month of October, but we're only one month in, and the big time is when you come into the back half of this quarter as well.

So I think when you're thinking about the pricing though, yes, we absolutely did roll out the pricing. There hasn't been a major impact other than the fact that we are seeing customers when they come up for renewal. We are getting some of that benefit back. But I think we talked a lot about in that new pricing on SMS, that there are a lot of puts and takes. So when you take it holistically, we didn't see a major benefit on the gross margin coming from SMS this quarter because of those pricing changes.

And when we look ahead, I think given the increase in the mix, you will still continue to see that gross margin come into the areas that we've been talking about previously. So you shouldn't see some major improvement on the gross margin. I do think, though, that we're very happy to see those pricing upon renewal roll into our P&L as well.

Chano Fernández, Director & Co-Chief Executive Officer

Nothing to call out in terms of any different seasonal trend at the beginning of the quarter. We finished September very strong and we are expecting that to continue during Q4.

Operator

Our final question comes from Derrick Wood with TD Cowen. Please unmute your line and ask your question.

Derrick Wood, Analyst, TD Cowen

Great. Congrats and thanks for taking my question. I guess this is for Chano. And it's really around the low-touch go-to-market. I mean, there's been more questions around effectiveness of paid search and SEO, or organic traffic as a source of top-of-funnel generation. I know you guys have a pretty diversified route to market, but can you talk about how exposed you are to those channels, how you're navigating through those potential headwinds and what gives you confidence in sustaining durability in the low-touch business as you continue to build out the high-touch enterprise motion.

Chano Fernández, Director & Co-Chief Executive Officer

Yeah, that's a great question, Derrick. Thank you for asking. We definitely continue to invest heavily in our email and SMB and entrepreneur segments and making those stronger. I think we do have a very mixed, diversified model that we're driving there beyond paid and AEO, and certainly not trusting just on those to drive our business. So clearly, you see us doing more partnerships embedded with, we just mentioned today, Shopify and Klaviyo. Stay tuned there. More to come.

We're definitely trying different types of promos. We're definitely, even with some of the MCPs and some of the top-of-funnel diversifying beyond our retail and getting there earlier into getting from other segments. Though we are doing the upscale and moving towards the enterprise, we are certainly not losing the eye of the ball in terms of strengthening the core of our business. And it's something that we review very heavily, activations, free to paid. A lot of customers that are getting to us as well more potentially on free plans that again, we are expecting to see the value even opening new doors through Composer like on the new mobile app, and that they will have some of those to convert and convert faster.

So clearly, it's a very diversified strategy there. Thing is acting with a lot of speed as well in trying a lot of new things and measuring very early and see what works and what doesn't work. We're certainly expanding with more partners, more trials, more channels, with different promos in terms of what's working. Yeah, we're exciting and we keep a significant focus on capturing and accelerating new logos going forward.

Operator

That is all the time we have for questions. I will now hand the call back over to Andrew Bialecki for closing remarks.

Andrew Bialecki, Co-Chief Executive Officer, Co-Founder, & Chairperson

Fantastic. Thanks. I want to thank everybody for joining our call today. I'll leave you with two thoughts. The first is the era of marketing intelligence. This domain-specific intelligence is here, and we are excited to bring that to hundreds of thousands of customers today and many, many more to come.

And the second is, as we talked about, we have a lot of confidence in all of the levers of our business growing enterprise internationally, the entire Klaviyo product set. We think we have a



lot of room for growth going forward. I want to thank all of our customers and partners around the world, and also all the Klaviyos who put in a lot of hard work the last three months, and we will see everybody next quarter. Thanks.

Operator

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