klaviyo

Q2 2026
Earnings Transcript

August 5, 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, Amanda Whalen.

Andrew, Chano and Amanda will first share their views on the quarter and then we'll open up the line for your questions. Our 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. Reconciliations to the most directly comparable GAAP measures can be found in today's earnings press release or earnings release supplemental materials, which can be found on our Investor Relations website. Additionally, some of our comments today contain forward-looking statements that are subject to risks, uncertainties and assumptions, which could change. Should any of these risks materialize or should our assumptions prove to be incorrect, actual company results could differ materially from these forward-looking statements. A description of these risk factors, uncertainties and assumptions and other factors that could affect our financial results are included in our filings with the SEC. We do not undertake any responsibility to update these forward-looking statements except as required by law.

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

Andrew Bialecki, Co-Founder and co-CEO

Thanks, Brad, and welcome everyone.

Let's start with the headlines. Klaviyo has scaled to nearly $1.5 billion in annualized revenue run rate, growing quarterly revenue 26% year-on-year. We signed our largest deal ever last quarter, an eight-figure multiproduct contract with one of the fastest growing brands in e-commerce. More than 205,000 brands now rely on Klaviyo.

We offer our customers an autonomous B2C CRM. We vertically integrated the data infrastructure, experience infrastructure and the AI agents to decide which experiences to deliver each consumer to drive better engagement, revenue and growth. Our customers are proving that the right infrastructure with all of your customer context and the right agents can deliver stunning consumer experiences that stand out and turn visitors into customers and keep them coming back.

We're continuing to bet on being the source of truth for a business's consumer context, and embedding that real time into agents and end consumer experiences. Using the scale and volume of our consumer data points, we have to tune and guide AI models and agents, and building all of this faster and with more tailored guidance to each of our customers for our internal use of LLMs and agents. Every business will have an agent that decides, delivers, and autonomously optimizes the experiences their customers have. That's the promise of an autonomous B2C CRM.

I'd like to take a few minutes to share some updates on both the infrastructure and agentic layers of our products. Our data infrastructure now stores more than 9 billion consumer profiles and ingests and indexes more than a quarter of a trillion data points every quarter. We know context is the key for high performing agents and experiences. We spent the past few months improving the scalability and burstability of Klaviyo's infrastructure to handle data and messaging workloads that require personalizing and powering up to 100 million marketing messages and experiences in less than 20 minutes. This helps our largest enterprise customers with massive audiences as well as AI agents to want to ask more questions and do greater personalization.

Having clean data and context is important too, and we've taken that a step further by using machine learning and AI to train models to predict consumer behavior. And this powers features like personalized send times, channel preference, audience optimization, and personalized product and content recommendations. Many of these features are included as part of our data and analytics products, which includes Marketing Analytics, and those products are collectively growing ARR more than 100% year-on-year. Our customers are finding there is real demonstrable ROI and growth from using AI to improve the marketing and experiences they deliver to consumers.

Our marketing platform and infrastructure continue to deliver. While our messaging volume continues to scale into the hundreds of billions of messages per quarter, our compliance and deliverability infrastructure are continuing to improve. Delivery and engagement rates improved year-on-year while unsubscribe, spam and bounce rates decreased. We're also seeing the flexibility and scalability of our marketing platform being leveraged by enterprises and advanced users, both human and AI. Multi-channel campaigns have increased nearly 50% quarter-over-quarter, and marketing flows have seen a 48% increase in the number of messages and decision point actions added to those automations.

Our B2C CRM platform sets the table for agents – ones our customers have built outside of Klaviyo and those we built for our customers. In June, we launched our Composer agent to all of our customers and the response has been very exciting. As a reminder, Composer is our purpose-built agent harness that's trained to excel at analyzing your customers and past marketing and taking those learnings to create and optimize marketing campaigns and automations. In the first month since launch, Composer already has over 95,000 users. And very encouragingly, nearly a quarter have turned into recurring weekly Composer users. We've given all of our customers 10,000 credits to experiment and use with Composer, and the feedback has been overwhelming.

We're shipping updates multiple times a day to improve Composer's performance, breadth and usability. As recently as last week, credit consumption grew 30% week over week. Usage is broad from entrepreneurs to enterprise, including 27% of our mid-market and enterprise customers being Composer users and exhibiting strong repeat usage.

To share two examples, a fashion brand used Composer to design and send two marketing campaigns about shoes that were back in stock. They used Composer to select the audiences and consumers those would go to, asked Composer to calculate the best time to send those campaigns, had Composer run in a loop to review, audit and optimize their campaigns, ran a test send, and then scheduled both campaigns, all from our agentic interface. Another enterprise US retailer used Composer to audit the performance and logic of marketing flows and made adjustments that increased performance by tens of thousands of dollars all in a matter of hours. This is real agent ROI.

I want to comment here on some of the reasons Composer is gaining traction. First, we built the ability to understand the structure of data, the ontology and semantics into Composer, to improve our agents' reasoning abilities. Second, Composer understands the style of the brand, what we call their "taste," because it has the direct context of marketing and business decisions they've made in the past. Third, Composer is available where and how users want to work. And fourth, it has access to aggregated knowledge we've curated about what makes marketing and consumer experiences convert. Focusing on these areas, we believe there's a long runway in front of us to improve agent performance and grow usage.

As an example, in just the past few weeks post launch, we improved the percentage of generated campaigns users ended up using as part of their marketing to 46%, up from 35% just a few weeks ago, as a result of improvements to taste, alignment and validation. We have a long list of these types of gains in front of us. Finally, Customer Agent, which gives every business an always-on agent for their customers, covering both support and sales conversations, has seen adoption grow 40% quarter-over-quarter and weekly resolution volumes grow nearly 80% since early June. Boston Proper launched their Customer Agent and within two weeks had generated 3x ROI in incremental revenue by being embedded on their website while also resolving autonomously more than half of their support tickets.

Earlier this year, we built out an AI agent, which we've embedded into Composer, to help brands automate the setup and ongoing optimization of their Customer Agent. We believe customer agents are going to be ubiquitous, but many businesses aren't versed in how to configure or improve an agent, and how to measure its performance and quality. For businesses of all sizes, from entrepreneurs and SMBs to enterprises, we're leading in building agents to train the agents that understand your business and can automatically configure, experiment and optimize agents you deploy to customers that not only handle support cases, but also delight customers and drive revenue and growth.

All of this has resulted in our customers generating nearly $50 billion in attributed revenue or Klaviyo attributed value, KAV, in the first six months of the year. And we've done this while building agents for ourselves, allowing us to increase ARR per Klaviyo by 28% year-over-year. We're finding ways to increase our capacity, and with that, our ambition is increasing as well. The opportunity to give every business an agent to help them grow their business and delight customers is clear. And as we announced earlier today, I'm excited to build on our results so far with the acquisition of the Agency team.

I've known the founder of Agency, Elias Torres, for over a decade and he's been on the forefront of AI agents for customer experiences, and is a technologist and a builder I deeply respect. He'll be joining Klaviyo as our Chief Product Officer, and together, we'll build on the momentum of Composer, Customer Agent, and the entire B2C CRM.

Before I hand it over to Chano, I'm excited to welcome Erica Smith as our next CFO. I'd also like to say a big thank you to Amanda for her leadership over the last four plus years, growing and scaling Klaviyo, championing our customers and furthering our mission of empowering businesses and creators to own their destiny.

With that, over to you Chano.

Chano Fernández, Co-CEO

Thanks, Andrew. I'm about two quarters into this role and the go-to-market changes we've made are showing up in the numbers. We strengthened sales leadership and brought up more rigor to our process. And in Q2, we saw gains in sales-efficiency, both in the Americas and globally. B2C CRM is $160 billion plus market opportunity, and we're capturing more of it every quarter. Moving up market, expanding internationally, cross-selling and pushing beyond retail represent a great long-term growth opportunity for us. Agents opening up an entirely new layer on top of that.

Let me walk through where growth is coming from and what's next. Enterprise momentum is where these changes are showing up first. Many of the enterprise conversations we're having start with the same problem, a business looking to replace a legacy system because it can no longer keep up. In Q2, our larger customers, those with $50,000 plus ARR, grew 36% year-over-year to 4,477. This group now represents approximately 40% of total ARR. Our $1 million plus ARR customers continue to outpace growth of the overall customer base.

This quarter, we were thrilled to welcome Warner Music Group, one of our most significant new contracts to-date. They have over 1,400 artists and millions of fans, and every artist needs to reach their audience in their own voice. Our platform makes that possible by consolidating everything a business knows about its customers in one place, so that every relevant team can act on it real time. Their head of e-commerce and merchandising recently shared that Klaviyo's tools are second to none and will be integral to supercharge the e-commerce business they are building. We also won Claire's, replacing two legacy vendors in a competitive bid across e-mail, text and analytics. That's our enterprise motion working as designed. We're building champions inside the brand, educating executives on the value of consolidation and clearing procurement and CIO approval.

We are also selling deeper into the existing customer base with a strong expansion led by text messaging. We're also winning down market as can be seen with the strong net adds, which were up 29% year-on-year. And we're seeing more multiyear commitments and more products being sold across our base as our 205,000 plus customers increasingly use Klaviyo as the full, complete platform.

Which brings me to our second growth lever, multi-product adoption. In Q2, nearly 20% of ARR came from customers using three or more products. This is important because our multi-product customers retain more than 6 points better on gross retention than single product customers.

Our largest ever omnichannel deal closed this quarter, an eight figure two-year agreement with one of the fastest growing brands in e-commerce and a top seller on TikTok Shop. They're running their entire program on Klaviyo, e-mail, text, and Marketing Analytics because of the value of unifying on one data-powered platform. We're also extending Klaviyo's relevance beyond traditional e-commerce. This quarter brought our first NFL franchise, the San Francisco 49ers, plus hospitality names like SweatHouz. Every business that wants a direct, personalized relationship with its customers is a business we can serve, and that keeps widening the market in front of us.

That brings me to our third growth lever, international. Revenue outside the Americas was up 35% year-on-year. With the go-to-market and product investments we made to internationalize Klaviyo, the runway ahead remains significant. EMEA revenue outside the UK was up 41% year-on-year, and we move into Q3 with our strongest large deal pipeline in EMEA yet. K:LDN drew more than a thousand attendees, and our Paris and Berlin events were at capacity. We're backing that momentum with a new France office and an EU data center coming in the second half of the year.

In EMEA, The Body Shop expanded from the UK into e-mail, WhatsApp and Marketing Analytics across Germany, Switzerland, Belgium, Austria and the Netherlands. And in APAC, we closed one of our largest new logo deals ever in the region with Country Road Group. I was in the region and met with their team, so I heard firsthand what choosing Klaviyo meant for them. It was a competitive, multi-stage RFP win that consolidated five brands' fragmented stack onto one platform sourced through our first global AWS Marketplace deal. The focus is to get the same big deal motion and country-by-country expansion moving at the pace EMEA is moving at today.

In the Americas, we're focusing resources where we see the biggest opportunities. Enterprise, a stronger cross-sell motion and new verticals. We're also investing in product specialist roles so our teams can go deeper with customers as they adopt more with the platform.

Before I close, echoing Andrew's note, Amanda, thank you for everything you've built here. We're grateful you'll stay on in an advisory role through November, and we're thrilled to welcome Erica Smith as our next CFO on September 1st. She brings deep software experience at the scale we're heading into, and the handoff is going to be seamless.

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

Amanda Whalen, CFO

Thanks, Chano and AB. The growth we're building for the long term is broad based as we expand across enterprise, international and multiproduct, and make advancements with our agentic solutions.

Q2 was a strong quarter with revenue of $370.6 million, up 26% year-over-year and ahead of our guidance, driven by notable strength in text messaging, WhatsApp and growth in Marketing Analytics. It was a strong quarter for new business, driven by sizable enterprise deals and cross-sell momentum across the base. This is proof that customers of all sizes are increasingly valuing Klaviyo as their B2C CRM platform.

As Chano mentioned, in the enterprise, we're winning new customers from larger legacy vendors. The pipeline in this segment is growing. And we have the team and the platform to serve this market at scale. The value that customers realize from our platform continues to expand. Our attributed revenue or KAV per message continues to grow, driven by increasing personalization, powered by automation. Our customers continue to shift their messaging volumes towards automated flows, which generate 10 times more revenue per message compared to static campaigns. Because our usage-based model is directly aligned with customer success, as customers realize more value, they grow and expand, and we grow alongside them.

Net revenue retention was 109% in Q2, reflecting strengthening gross retention, increasing text messaging expansion and our strongest quarter of cross-sell since our IPO. These were offset by the lapping of last year's profile enforcement, which will continue to impact NRR through Q1. It's important to remember that NRR is a trailing 12-month metric and the leading indicators of our business are strong. Customers are staying with us, expanding with us, and buying more products from us.

Turning to the P&L. Non-GAAP gross margin was 73.4%, down 3 points year-over-year, driven by strong growth in text messaging, along with higher carrier fees, which we chose to fully absorb in prior quarters. In Q3, we updated our mobile pricing to pass the higher carrier fees on to customers going forward, along with other changes to reduce friction in our mobile pricing mechanics. The new pricing will start to flow through gradually as we cycle through renewals. Due to timing and various puts and takes, this will be neutral to 2026 revenue and gross margin, but an overall positive impact for our customers and for the business.

While growth in the text business impacts gross margin, it's an important channel for Klaviyo. Text has strong unit economics, driven by its lower cost of acquisition and higher rates of expansion. It also positions us as our customer's omnichannel platform of choice, driving higher retention and enabling a long runway to cross-sell other products with higher margins over time.

Non-GAAP operating expenses were approximately 60% of revenue, down roughly 3 points year-on-year. Relative to last year, we saw leverage in sales and marketing and G&A, while R&D as a percentage of revenue increased slightly from investments we're making behind product innovation to drive our next phase of growth. The results of these investments can be seen in our increased pace of product launches in the quarter, including the important advances with Composer and Customer Agent. Non-GAAP operating income was $50.9 million in Q2, representing a 13.7% non-GAAP operating margin. We continue to drive efficient growth at scale with another quarter of operating at the Rule of 40.

Turning to the balance sheet, we generated $83 million of cash and ended the quarter with a total cash balance of $833 million. We used approximately $240 million in cash to repurchase shares during the quarter, leaving us with $160 million in capacity under the $500 million buyback authorization we announced in March. We've remained active in the market and expect to continue repurchasing our stock under this program as we believe our current valuation represents an attractive opportunity. Our strong cash position provides us with the flexibility to also continue investing in growth and pursuing M&A that accelerates our roadmap, as Andrew noted earlier, with our acquisition of Agency.

Turning to our outlook. Based on the Q2 outperformance and the broad momentum we're seeing, we are raising our full year 2026 revenue guidance by $12 million at the midpoint, higher than our beat this quarter. We now project 2026 revenue between $1.526 billion and $1.534 billion, representing 24% year-over-year growth. We are revising our full year 2026 non-GAAP operating income guidance down to a range of $212 million to $218 million, with non-GAAP operating margin of approximately 14%. This amounts to a $10 million reduction from the midpoint of our prior outlook and includes $10 million to $12 million in costs associated with our Agency acquisition, as well as continued investment behind product innovation.

For Q3, we expect revenue in the range of $377 million to $381 million, representing growth of approximately 21.5% to 22.5%. We expect non-GAAP operating income of $40 million to $43 million, or a non-GAAP operating margin of 10.5% to 11%. We expect non-GAAP gross margin to be down slightly in Q3 versus Q2, followed by a greater than normal seasonal step down in Q4 as we continue to see text growth outpace total company.

To close, this was a strong quarter as customers increasingly lean into Klaviyo as a platform solution. Our business model is built for the long term, with compounding growth across enterprise, international and multiproduct adoption. With agents, we're at the very start of our next S-curve. The B2C CRM market is large and the opportunity ahead for Klaviyo is significant.

On a personal note, this is my last earnings call as CFO of Klaviyo. I still remember my first whiteboarding session with Andrew. I left that conversation convinced of the power of the model, the size of the opportunity and the strength of the team. Everything since has reinforced it. It's been a privilege to build this business alongside you, Andrew and Chano, and this entire team.

I'm grateful to all of you on the line as well. I leave with confidence in the business and confidence knowing it is in strong hands with Erica as she steps in.

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

Question and Answer

Operator

Our first question comes from Elizabeth Porter from Morgan Stanley.

Elizabeth Porter
Morgan Stanley

Great. Thank you so much for the question. And Amanda, I just want to say it's been great to work with you and wishing you the best of luck on the next chapter. My first question, I wanted to dig in a bit on Composer. It was really great to hear about some of the adoption metrics, and historically, we think about the number of campaigns a brand could run really being constrained by just that available marketing head count and production capacity. So as Composer removed some of that bottleneck, what have you seen from the early adopters in terms of that campaign creation velocity and how that's translating into potentially higher customer contract volumes and incremental platform usage? Thanks.

Andrew Bialecki
Co-Founder, Co-CEO & Chairperson

Yeah. Thanks, Elizabeth. So we were obviously a month out from launch and the results have been really great. So, let me frame it up for folks. The way we think about Composer is it helps us really like, let's say, three different things. One is doing the research that sort of comes before actually building a marketing campaign or automation, generating that campaign or marketing flow. And then the third is actually helping like verify, make sure that it's right, that it's optimized and ongoing optimization. So we've actually spent a lot of time on those first two categories of helping customers do the research, figure out which customers might be interested in which products or services, where there are opportunities, and also with the actual creative generation.

And we've been very excited to see the number of campaigns we're building. We talked about some examples. I mean, it's become pretty common for these weekly active users. People coming in, building either prompts with Composer to try to figure out what they want to do or bringing prompts they've integrated from other places, maybe from another document or other chat that they've had and then generating that. And what's great is oftentimes those briefs, they've got an idea of what they want to do. But they may say things like, well, I'm not actually sure what the right time to send this is, or who exactly is the right audience. And what's great is they can use all of the information they have stored in Klaviyo, all that historical data to basically allow Composer to kick that off.

And how that flows through into incremental usage? One thing we've definitely seen is that customers are rate limited by the ideas they have and then how fast they can execute. So we are seeing folks that use Composer are using more of Klaviyo. Now because our core pricing axis is the profile, we're finding that's driving more engagement per profile and therefore more Klaviyo attributed value, more attributed revenue. And that's why we're watching that, that's why we're seeing a lot of folks use Composer. We think some of that will flow through and help — for instance we see some folks sending more text messages because Composer is creating those campaigns. But we actually think a lot of the value is going to come from that increased attributed revenue. Ultimately, people are going to spend on Composer credits to help them do that ideation and generation knowing that it's going to drive that incremental revenue sales.

Operator
Our next question comes from Arjun Bhatia from William Blair & Co.

Arjun Bhatia
William Blair & Co.

All right. Thank you very much. I'm curious, maybe two-parter just on SMS. It seems like that's seeing a lot of solid traction. I'm curious if there's been an inflection there or it's just maybe a factor of Klaviyo moving further up market and seeing enterprise success. And then the follow up for Amanda, I'm curious on the gross margin front, what the pass through of the carrier fees, how much of that is weighing on gross margin this quarter? If there's any way we can quantify that, just help us with our models, that would be super helpful. Thank you very much.

Andrew Bialecki
Co-Founder, Co-CEO & Chairperson

Thanks for the question. So I'll take the first part on text. And, yeah, that's the right read. We've definitely seen really great growth from text and now also WhatsApp as a channel. And we've seen those messaging channels grow. And basically what customers are telling us is, hey, we want to put all these messaging channels in one platform. We know Klaviyo has that centralized profile. I can use all the same personalization. I can use it across channels. So I'll share the stat that we're actually seeing a pretty dramatic increase, 50% quarter-on-quarter of people building multi-channel campaigns. So this idea from maybe a couple of years ago, that like you run each channel independently, we're seeing a lot of our customers say that that doesn't work for them. And that's part of our vision around what is the B2C consumer CRM.

And then, yes, we are definitely seeing a lot of larger enterprises also choose to consolidate. They might start with Klaviyo for e-mail, but now they're switching over to text messaging and WhatsApp, and then using our Marketing Analytics products for personalization and then obviously using like Composer to stitch all of that together. That's a very common pattern we're seeing.

Amanda Whalen
Chief Financial Officer

Yeah. And to your question on gross margin, Arjun, the way that I would think about that is that there were three primary drivers that were happening during the quarter. Those were carrier fee impact, investments we are making in infrastructure and the increasing presence of text in our business. On carrier fees, as we mentioned, we made a change in Q3 and we are now pricing our mobile business to pass through the carrier fee increases that we have seen to our customers. As you look out over the balance of the year, we would expect that to be neutral, both to gross margin and to revenue just due to the timing of how it flows through renewals as contracts come up for renewal.

On infrastructure, we're making investments to drive product innovation and to drive growth. And I think the track record that you have seen from us over time is that we make these investments from time to time, and then we've got a strong track record of having them deliver leverage as we continue to grow, and the team is very focused on that going forward.

And then the last is text and the increasing portion of text that's making up of our business. As Andrew just said, we're seeing tremendous success there and that is a strategic choice that we're making. Text for us is a really strong business because it's got good standalone unit economics and it plays an important strategic role in the broader portfolio. So on a standalone basis, it comes with a lower CAC because it's primarily cross-sold and it comes with higher expansion because as customers get accustomed to using it, they continue to grow their expansion and grow their usage at a pretty rapid pace.

And then strategically, having a multiproduct customer really positions us as those customers' broader B2C CRM platform, their omnichannel platform and partner of choice, that drives stronger retention, as Chano mentioned, over 6 points higher for customers who are multiproduct and it drives the runway and the potential for us to cross-sell more higher margin products in there over time. So bottom line is that gross margin was driven by this combination of different strategic choices. Carrier fees are now being passed through. And the strategic choices that we're making with the growth in text drives positive benefits for the business over the long term.

Operator

Our next question is from Tyler Radke from Citi.

Tyler Radke
Citi

Hi there. Sorry for the delay. Had to find the mute button. Amanda, again echoing the pleasure in working with you. Can you just dive in a little bit more on the op margin side of the equation and understand there's some dynamics with mix in SMS. But strategically, how are you thinking about the right framework for investing in growth and anything we should read into that in terms of margin expansion beyond 2026?

Amanda Whalen
Chief Financial Officer

Yeah. Thanks so much, Tyler, and thank you so much for the kind words. It's been wonderful working with you as well. On operating margin, the way to think about operating margin this year is that we are making some very deliberate choices to make investments behind our acquisition of Agency, so driving strategic growth and importantly behind product innovation and building the capabilities that are really going to drive growth over the long term. In the back half of the year, what you see is that investment in product innovation, it shows up in this infrastructure investment that we just made, showing up in our R&D and it is driving great results.

We're really pleased with the pace of innovation, the way that it's picking up, the results that Andrew talked about on the call with customer agent adoption up 40% quarter-on-quarter. Over a quarter of our mid-market and enterprise customers using Composer and the great traction that we're seeing in enterprise with some of the big strong lands like Warner Music Group and Claire's and the 49ers, all of which are enabled by the investments that we've made in our scale and burstability just as Andrew referred to earlier. And so those investments are really showing strong early results and helping us drive this potential growth over the long term.

Now, Agency did impact, as we mentioned on the call, about $10 million to $12 million of P&L impact this year. That's included in the outlook that we shared. As you think about leverage over the long term, I would focus on the fact that if you exclude that from our numbers this year, we're still driving over a percentage point of leverage year-on-year. So this is a business that can continue to grow strong, make these investments in innovation and drive leverage over time.

Operator
Our next question is from Samad Samana from Jefferies.

Samad Samana
Jefferies

Hi. Good evening and thanks for taking my question. Maybe let's dig into the Agency acquisition, especially given that Elias will be the Chief Product Officer going forward as well, especially as I think about that in the context of AB with the Co-CEO model focusing more on the product side. So maybe help us understand what Agency brings more specifically and the decision to add a chief product officer with AB's focus as well, just because we think that obviously there's a lot going on with AI. So it's great to bolster the bench, but help us think about what the division of labor will look like. Thank you so much.

Andrew Bialecki
Co-Founder, Co-CEO & Chairperson

Yeah, that's great. Yeah, I mean, that was kind of a headline for us when I talked with Elias about this. It really is that like, hey, how do we attack on or build on more dimensions at once?

So first, I mean, Elias I've known for over 10 years. We've built and scaled companies together. So he is somebody I know well. We work really well together. And what was interesting was we got to talking about what we believe about the future about agents. And we both are strong believers that every business is going to have an agent, an agent that can both help them grow and run their business, make great decisions, and also an agent that can personalize and deliver experiences to every single one of those customers. We think this is just going to be ubiquitous, as I said, in opening. The question is just how do we get there faster? So that was the entire intent.

And then, when it comes to dividing things up, we work really well together. We're both engineers. We both love working with customers. I mean, one of the things that Chano and I talk a lot about is as we continue to do more in enterprise, I'm spending a lot of time with customers helping figure out what we need to build for them, make sure that we can serve very high scale. But when it comes to agents, I think both across Composer and Customer Agent, we have a lot of surface area, a lot of ambition, and this is going to help us just go faster.

Operator
Our next question is from Raimo Lenschow from Barclays.

Raimo Lenschow
Barclays

Thanks. Can you hear me now? If you think about the — in a way, the setup is much broader with Customer Agent, Composer agents because it's just more full set CRM, how does it help you and your conversation on the enterprise? You mentioned some legacy replacements as well. Just talk a little bit about how that broader vision from Klaviyo is just helping you engaging with the larger customers. Thank you. And all the best for Amanda.

Chano Fernández
Co-CEO & Director

Thank you, Raimo, for your question. Well, the trend that we're seeing in enterprise is a consolidation. That is one area. The second area is an innovation play. And that comes all together with a better together story. So the enterprise companies are looking for someone that brings kind of the innovative play on one single platform. They understand much more the value of the one single data in terms of the context and what that provides for the outcomes that the agents will provide. So we bring in that value all together is definitely a significant plus in terms of the conversations happening in terms of how many platforms we can replace. If you take someone like Claire's, we replace two legacy platforms. If you take someone like Warner Music, it was even more. So clearly what they want to see is we do have a vision as well in terms of how AI is going to be basically helping them to drive much more Klaviyo attributed value and much more revenue. So Composer and Customer Agent are definitely two very strategic components, right?

I mean, in most of the cases it is rip and replace on the enterprise, and they are looking for someone that can bring the strategic vision and can bring basically the full power of the better together story because it provides a much better TCO, with great outcomes in terms of value. So it's of tremendous help and it's a very key reason why we win jointly with the architecture and the infrastructure, and certainly some of the improvements that we've done and the investments that we're doing, the stack around 100 million messages in less than 20 minutes is quite a staggering and quite significant for many of our enterprise customers in terms of the reliability and basically the volume at which we can operate. And as they grow, that gives them as well peace of mind that we can support them on the journey going forward.

Andrew Bialecki
Co-Founder, Co-CEO & Chairperson

Yeah, let me give you just one example of what we're seeing. Actually, Composer adoption we've seen is actually faster with our larger customers in enterprise. And the reason for that is not only are they using it to create net new marketing campaigns and content because they just have a large volume. But also we found that for larger enterprises, they have such complexity in terms of the automations they want to run, the number of campaigns they use, they have more data, so they're doing more personalization. So they're using our Marketing Analytic AI models to better personalize content.

The very common pattern for Composer we've seen as folks will use that and run it on some cadence, weekly or every couple of weeks, to understand, first of all, what do they have built. Actually I've talked to some customers where somebody is new to the business, they just got hired and they use Composer to actually explore how that brand is doing marketing and ramp up. And then they can make changes with more confidence from Composer because it not only creates it also validates the work. So we've seen a lot of these kinds of review and audit use cases. So it's early, it's only been about a month. I feel like two things we're seeing with Composer is in the enterprise there's already a lot of usage and adoption because it takes away a lot of the complexity and allows them to do more. And also we're also seeing a lot of new customers who are brand new using Composer to just get started.

Chano Fernández
Co-CEO & Director

Maybe, Raimo, to give you one concrete example, with Country Road that I mentioned in the script and I asked the CIO why do we win, right? And we were competing with the typical suspects in terms of large markets, right? And his answer was, like, you won. We decided for you because of your AI vision and openness, your interoperability, especially as well with players like Anthropic's and OpenAI's and the connections that you bring because of the robustness of your infrastructure. Those were the reasons why you guys won.

Operator
Our next question is from Matt VanVliet from Cantor.

Matt David VanVliet
Cantor

Hey, good afternoon. Thanks for taking the question. Just when you look at the rate of adoption you're seeing on agent — on the various agents and Composer that you have now, how should we think about the monetization of that over the next year or two? How much uplift are you getting at existing customers as they use the platform more? And any customers you've had land with those products, how is the average ARR for those customers trending versus similar cohorts without agents fully deployed?

Andrew Bialecki
Co-Founder, Co-CEO & Chairperson

Yeah, sure. So let me first speak a little bit to the monetization and then I can explain where that's built in. So for Composer, we think of it as it's intelligence to help you run and grow your business. So it's a credit-based model. And actually when we released Composer, we gave everybody about 10,000 credits to use over 90 days to start to experiment. And we think that's a very good model. Klaviyo's always been focused on how do we help our customers, our businesses grow faster. We measure that through Klaviyo's attributed value, attributed revenue. And one of the things we're able to do is show folks that like, hey, if you use more of our Composer intelligence and models, literally you'll get better results either because we're helping them generate net new marketing or customer experiences that they didn't have time to create, they couldn't think of, or we're helping make their existing marketing better. So there's real ROI.

So we've already seen a number of customers start to pay for Composer, even though we're still in this kind of 90-day trial period. And I expect we'll see that grow over time. And our ultimate goal is we want to be the intelligence that our customers rely on and then obviously highly coupled and integrated into our marketing and data infrastructure. But it's what they use to understand who their customers are, decide what marketing, what experiences to deliver, and then constantly optimize those. And we think that's a very, very large market. When I talk to our customers, they constantly feel like they don't have enough time to understand and execute various analyses or build new marketing, and they had AI to help them do this. And it's revenue accretive. That's something that they want to use.

Then for Customer Agent, the pricing model is a little different. That is outcome based and resolution based. So for our Customer Agent, our customers pay every time our AI resolves the conversation on its own. If it proxies back to another contact center or helpdesk software, our customers don't pay for that. And what's driving growth there is really two things. The first is, as Chano mentioned, we're doing a lot more pipeline with enterprise, and that's both for marketing, but as well for service and for Customer Agent. And what's really cool is we're starting to see a lot of use cases for Customer Agent where people want to use them together. They're using Customer Agent to collect information that they leverage in marketing and vice versa.

So those tend to — one thing we really believe in is just how do we automate and make it a great customer experience. So we've done a lot of work to build out not only an agent builder to make it easier to build agents, a lot of folks don't have experience with that. But even we've invested the last couple months in an agent that will train other agents. And we think this is the future of how customer agents are going to be built and deployed. Not only the first time that you configure them and set them up, but also how you ongoing optimize them or teach them new things. And what that's led to is a big increase in what we measure resolution rates. So we've seen since we deployed that we had one customer, a large enterprise business, went from a 52% resolution rate to a 79% resolution rate in 7 days. And that didn't require extra engineering effort. It's because of our agent that's helping them understand where the gaps are, allowing them to input, share the information, connect the tools and datasets they need, and get smarter and faster. So as we drive up that resolution rate, that drives up more volume. It also means that it's easy for us to run these kinds of proof of concepts and pilots with enterprise customers.

And the last thing I'd say is that we're also aiming for we want everybody to have a Customer Agent. We know even smaller businesses, they still get a lot of customer questions they don't have the time and the bandwidth to answer, and they need a Customer Agent to represent them. And so with that, because we have now this agent that can help you build an agent, even if you're not really technical on agent tech and nomenclature, we're seeing a lot more customers deploy agents as a result when they start to use our agent trainer. So it's still growing. Composer is only 30 days out. But I think we're all very excited about the progress we've seen even in the last couple of weeks for both of those products. And we do think there will be large revenue drivers over time.

Chano Fernández
Co-CEO & Director

Let me add a little bit of color, for example, on Customer Agent, and what we're doing with some of our enterprise customers. And as I mentioned, there were significant improvements that were brought on Customer Agent, making it certainly a much more robust and viable product for our enterprise customers. And we engaged with our top 40 enterprise customers to start with in terms of let us prove you that we have a great agent that can provide much better results than the ones that you're using today. So we engage in conversations with them. We then follow up with a proof of concept and we're now in the high-single digits on some of those kinds of conversations on that journey, and that certainly will keep increasing during the course of the next few weeks. They are testing it. We're helping them to fine tune during a month or so and then once they see the outcome, we — expectation is that some of those customers will start converting. Of course, I don't want to make here any forecast, but clearly some of those customers are very large in the numbers of millions of conversations on a yearly basis. And certainly we believe that solution is ready and we can drive that value.

Amanda Whalen
Chief Financial Officer

And then to your question on uplift, it's meaningful. It's a meaningful uplift to their total average ARR for customers. And as normal for products like this, there's a wide variety depending on the adoption because it's outcome based and it depends on how frequently customers are using it and how much they're relying on it. But we are definitely seeing a meaningful contribution there in terms of the customers who have adopted it.

Operator
Our next question is from Terry Tillman from Truist.

Terry Tillman
Truist Securities

Hey. Can you hear me okay? That's exciting. Glad it worked this time. So hi, AB, Chano and Ryan, and welcome aboard Brad and Erica, and Amanda, good luck with whatever you do next. It's been great working with you. My question is going to be on the enterprise business. I'd like to double click on that. It's good to hear about an eight figure — I think it was a two-year deal. I think last quarter you had like a mid-seven-figure transaction. So those are sizable. I think, Chano, you said that you've got some newer sales leadership there. What about actually the sales capacity? Do you have all the right people on the field or are you still building out that sales team? And also, I think last year in Boston when you had the customer conference, I think you had a division of Accenture that was actually going to start partnering with you all, like maybe agencies are helping you. And just lastly, on the enterprise side, is there anything missing product market fit or do you feel like you have everything at this point? Thank you.

Chano Fernández
Co-CEO & Director

Great questions, Terry. Thank you so much. So first, let me start with sales leadership. As you know, we brought in a new CRO, a new head of Americas, and these guys have worked with me before and they really know enterprise business quite well. They'll be helping out with attracting and bringing in great talent on board as well in terms of sales leaders across the board. As you rightly say, yes, we — last quarter, we had a really very large deal. This quarter, we have our first ever eight-figure deal that is a two-year deal. We also have our largest transaction ever in EMEA and our largest pipeline ever year-to-date as well that we are seeing, especially in our international business. So those are all good early indicators.

Let me remind you that, as I always say, this enterprise business is going to be a journey, right? We're moving a sales, basically go-to-market motion from being very transactional to being much more sales consultative. We're moving from a single stakeholder to a multi-stakeholder relationship. We're moving from less senior people to much more senior people that they need to engage with, much more business case driving. And that takes time, right? So all the early signals and all the progress that we're making, and when I look at the number of deals that we have over $500,000 or $1 million, again, which is outpacing our regular business in terms of growth. It's all looking great even in terms of the pipeline. It's a journey, right?

So in terms of the sales capacity, we do have the sales capacity we need. I am not someone that likes to add feet on the street without productivity. So I can also tell you that we remain flat, but definitely our productivity per head is much higher than it was a year ago. And that is how I like it to be. Because what I want the sales teams to do is make sure that they do qualified deals properly. And a good outcome is we win three out of four deals that we participate in, because these cycles are expensive, right? So we're going through that process where we're training, we are educating, we are learning, but we do have the right leadership in place. We do have the right sales capacity in place. Certainly, we're a growth company, Terry. So as we see more territories and more opportunities for expansion, and that will come, we will have to invest and we will invest in order to gain and win those opportunities.

But overall, we do have the pieces in place, right? We're also working with new agency partners. I mean, you heard our partnership, it doesn't matter with Accenture, but there are also some key agencies in the marketing business that are working with much larger customers that we didn't have a relationship with. So we're also expanding, obviously, our ecosystem. At the same time, we're doing our investments in infrastructure, right? Those are some of the volume investments that we talked about before. That is our EU data center in EMEA and much better guardrails in terms of security, safety, compliance, especially in terms of some of the requests that come more from some of the largest companies. So it is a journey as well there, and it will take a bit of time. Early signals and early data and early facts are good and are solid, but you think about it, this opportunity is massive for us and we're just in the early innings. So I can only be excited for the long-term opportunity that this provides to Klaviyo, and I like how the team is performing, but I expect that we will get much better over time, as we really engage in many more sales cycles and understand better how we win.

Operator
Our next question is from DJ Hynes from Canaccord Genuity.

David Hynes
Canaccord Genuity

Hey, thank you, guys. Amanda, I wanted to ask about net revenue retention. Look, I realize it's early for Composer or Customer Agent to contribute, but everything else I'm hearing, right, improving gross retention, SMS strength, multiproduct customers, would make me think that NRR could start to gradually inflect up. So I guess the questions are like, A, how much is profile enforcement overhanging on that metric? B, does the intra-quarter picture tell us something different than the trailing 12-month metric? And C, I know it's not a metric you guide to, but is it right to think that net revenue retention should go up from here?

Amanda Whalen
Chief Financial Officer

Yeah. Thanks, DJ. And it's a great question. On NRR, we're seeing strength and we're seeing strong performance and improvement in the metrics that for us are the ones that matter for the long-term health of the business. That's improving gross retention, strength in text expansion and customers' usage of text and cross-sell, which has been particularly strong and increasing over time. This quarter, those benefits were offset by the lapping of profile enforcement. And as you think about NRR going forward, I would think about that impact of profile enforcement gradually winding out of the trailing 12-month metric through Q1 of next year. But as we think about the business going forward and back to how do we think about long-term outlook here, what we feel very positive on is the fact that customers are staying with us, they are expanding their business with us, and they are buying more products from us. And I think those are the ones that are really going to drive NRR over the longer term.

Operator
Our next question is from Derrick Wood from TD Cowen.

Derrick Wood
TD Cowen

Great. Thanks. I guess this is for AB. I mean, international continues to be a really bright spot. And over the last couple of years, we've heard from you about your journey with expanding languages and local support and sales teams in various countries. Can you just talk about what the next phases are on the international front, just as we're thinking about both the product and the go-to-market sides to sustain this momentum?

Andrew Bialecki
Co-Founder, Co-CEO & Chairperson

Yeah, absolutely. That's one big area where we see there is a lot of market share out there. And our share is relatively small. So international continues to grow really nicely, about 35% year-on-year. A couple of things — on the product side and then a little bit of what we're doing on the go-to-market side. On the product side, we've been very invested. One of the things we find with a lot of international businesses is not only are we helping them to transact in different currencies and markets. So we've done a lot of work to help businesses that are working across multiple markets, multiple regions, manage things like their product catalogs across those regions, oftentimes they have different rules or different strategies and sometimes even different teams that manage those different businesses.

So, for instance, we recently launched Klaviyo organizations, we went further in allowing folks to understand whether you're multi-brand or multi-market, understand all of your customers, you can leverage that data across regions to understand how different regions are performing. Some of the things we've done around scale, we're expanding our footprint of our data centers where we house data and run our software, expanding that into Europe.

Chano mentioned some of the great marketing and we've always loved putting on user conferences both for our existing customers and partners and users, but also for folks that are thinking about Klaviyo. We expanded that this year to cover all of Europe. We've added some sales headcount, some Klaviyos that are now in France and Germany. And I'd say internationally, our main focus right now is probably more in Europe than it is in Asia, although we see opportunities all over the world.

And maybe the last thing I'll mention that has kind of been another bright spot is, when we launched WhatsApp, we knew that that was going to have a lot of pull in Europe, but we found that it even opened up some new markets. I was just talking with the team last week and we closed a major deal that has a big WhatsApp component down in Brazil. That opened up more of the Americas to us as well. So I think there's a lot of room to go there. And obviously, when Chano and I joined up, one of the things we both believe in is we believe we should be able to get Klaviyo to a point where the majority of our revenue comes ex-North America, and I think we're very much on that track.

Chano Fernández
Co-CEO & Director

Yeah, I would add that again the opportunity in international is very exciting. I think it's very early innings as well. There are some large markets like Germany, even Spain and Italy where we're doing well. But when you look at the market share, because we didn't have any teams on the ground in some places like Germany, we do have now, the opportunity is significantly larger. When you go in APAC, definitely Australia is a great market for us. Outside of Australia, we're making some leadership changes that I think will pay down the road in terms of producing much more growth in places like Southeast Asia and Singapore and potentially other places like Japan that I have been recently visiting. So that's very exciting. So while it's great to see the growth that international is producing, when I think about long term, the opportunity that international represents is definitely much larger than what we're seeing today.

Operator
Our final question is from Brett Huff from Stephens, Inc.

Brett Huff
Stephens, Inc.

Good evening, AB and Chano. And welcome, Erica, and good luck, Amanda. Thanks for taking my question here. And I'm asking another AI question from a little bit different angle as the market, as you all know, continues to litigate the potential for disruption, especially within the SMB and maybe just medium-sized customers. The stats you gave on Composer adoption being really good in enterprise was interesting. But we still get a lot of questions just more philosophically on, are we seeing any compelling data points, anecdotal or more systematic, about how your smaller customers are choosing AI from you versus another vendor? So any update on that.

Andrew Bialecki
Co-Founder, Co-CEO & Chairperson

Yeah, absolutely. So I'll give you a stat or some data on that. Look, we've been watching in the last month customers, new sign-ups, right? Folks that are trying out Klaviyo for the first time and a lot of those are smaller businesses, right? Entrepreneurs that are just getting started. And probably not surprisingly, those that are using Composer are the ones that end up being more successful with Klaviyo, literally in the first few weeks, and end up converting to paid customers. So it's still — this is still early. And we're weaving Composer into more of the UI of Klaviyo. But intuitively, we think this makes a lot of sense.

What we found when I talked to some of these entrepreneur, SMB customers, a lot of them, they're not even sure what they need to do for marketing or they need to set up Customer Agent for customer support, but they're not sure what to do or where to start. And we talked about some of the benefits that Composer has over a general purpose model, the fact that we organize the businesses' data, so we understand the products or services they sell, we understand who their customers are. We have all of this data about past orders, transactions, customer preferences, and our model has organized that. The fact that we have an understanding of what that business likes from past marketing they've done, and obviously, if somebody's brand new, we also can help them define what their brand looks like.

And then finally, only recently in the last two weeks, we've upgraded the system behind the scenes that provides the Klaviyo proprietary knowledge about what works in marketing. And we're finding a lot of customers, they are querying into that to understand from Composer things like what's the best time to send, who should I send to, all these things that maybe are questions they didn't know to ask or they don't know the answers to. And we just have a better dataset. So we're actually — I think one of the things we're quite bullish on is that for SMBs and these smaller businesses, they're actually going to look for more domain or task specific AI. Obviously, we want to offer that with Composer, embedding it in Klaviyo is great because it means that they get a software interface that kind of feels both agentic, but also has that kind of point and click element if they want to drag and drop and design. But we've also opened up Composer where it integrates into other agents and other systems that they use.

And we think it's just now we're going to drive Composer usage just because you can think of our agent as the expert at understanding your customers and the expert at marketing. And so it doesn't really matter where you want to work, you're still going to be able to get value out of Composer. So I think I'm also very excited about what we're seeing from our entrepreneurs and SMBs. I think for them a lot of it is just educating them on even what's possible with AI. But I think we have an advantage there because a lot of them are actually used to using our interface and we've kind of merged the two, our agents and our more traditional interface, together.

Operator
That was our final question. I'll now hand back to management for closing remarks.

Andrew Bialecki
All right. Thanks, everybody, for joining us today. Amanda, thank you for helping us continue to grow Klaviyo. And as we like to say, we're 1% done. Look forward to seeing everybody next quarter.

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