

Q1 FY27 Investor Prepared Remarks

June 4, 2026

Allan Thygesen, CEO

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These prepared remarks should only be viewed together with this quarter's earnings webcast and press release. The webcast includes these prepared remarks and a question and answer session. To access the webcast of the executive comments and Q&A session, please visit the IR section of our website at investor.docuSign.com. A reconciliation of GAAP to non-GAAP financial measures is provided in the tables at the end of this document.

Disclosures

Safe Harbor

This document contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, that are based on our management's beliefs and assumptions and on information currently available to management, and which statements involve substantial risk and uncertainties. All statements contained in this document other than statements of historical fact, including statements regarding our future operating results and financial position, our business strategy and plans, market growth and trends, our objectives for future operations, and the impact of such assumptions on our financial condition and results of operations are forward-looking statements. Forward-looking statements in this document also include, among other things, statements on pages titled "Guidance" and "Modeling Considerations" and any other statements about expected financial metrics, such as revenue, annual recurring revenue, free cash flow, non-GAAP gross margin, non-GAAP operating margin, non-GAAP diluted weighted-average shares outstanding, and non-financial metrics, as well as statements related to our expectations regarding: the impact of foreign exchange rates; the timing and extent of customer renewals; the effectiveness of changes to our sales force and go-to-market strategy; the effects of seasonality; the timing and impact of our cloud migration transition; the benefits, the timing or rollout of future products and capabilities; the evolution, customer demand, and adoption of the DocuSign Intelligent Agreement Management ("IAM") platform; and our utilization of our stock repurchase program, including the expected timing, duration, volume and nature of share repurchase under such program. Forward-looking statements generally relate to future events or our future financial or operating performance. In some cases, you can identify forward-looking statements because they contain words such as "may," "will," "should," "expects," "plans," "anticipates," "could," "intends," "target," "projects," "contemplates," "believes," "estimates," "predicts," "potential," or "continue" or the negative of these words or other similar terms or expressions that concern our expectations, strategy, plans or intentions.

Forward-looking statements contained in this document include, but are not limited to, statements about: our expectations regarding global macro-economic conditions, including the effects of inflation, volatile interest rates or foreign exchange rates, and market volatility on the global economy; our inability to accurately estimate our market opportunity; our ability to compete effectively in an evolving and competitive market; the impact of any interruptions or delays in performance of our technical infrastructure, or data breaches, cyberattacks or other fraudulent or malicious activity attempting to exploit our technology systems, platform or brand name; our ability to effectively sustain and manage our growth and future expenses and maintain or increase profitability; our ability to attract new customers and retain and expand our existing customer base, including our ability to attract large organizations as users; our ability to scale and update our platform to respond to customers' needs and rapid technological change, including our ability to successfully incorporate artificial intelligence into our existing and future products and to successfully deploy them; our ability to successfully develop, launch, and sell IAM solutions;

our ability to expand use cases within existing customers and vertical solutions; our ability to expand our operations and increase adoption of our platform internationally; our ability to strengthen and foster our relationships with developers; our ability to retain our direct sales force, customer success team and strategic partnerships around the world; our ability to identify targets for and execute potential acquisitions and to successfully integrate and realize the anticipated benefits of such acquisitions; our ability to maintain, protect and enhance our brand; the sufficiency of our cash, cash equivalents and capital resources to satisfy our liquidity needs; limitations on us due to obligations we have under our credit facility; our ability to realize the anticipated benefits of our stock repurchase program; our failure or the failure of our software to comply with applicable industry standards, laws and regulations; our ability to maintain, protect and enhance our intellectual property; our ability to successfully defend litigation against us; our ability to maintain our corporate culture; our ability to offer high-quality customer support; our ability to hire, retain and motivate qualified personnel, including executive level management; our ability to successfully manage and integrate executive management transitions; uncertainties regarding the impact of general economic and market conditions, including as a result of geopolitical conflict or changes in trade policies and practices; and our ability to maintain proper and effective internal controls.

Additional risks and uncertainties that could affect our financial results are included in the sections titled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our annual report on Form 10-K for the fiscal year ended January 31, 2026, filed on March 18, 2026, our quarterly report on Form 10-Q for the quarter ended April 30, 2026, which we expect to file on June 5, 2026 with the Securities and Exchange Commission (the "SEC"), and other filings that we make from time to time with the SEC. The forward-looking statements made in this document relate only to events as of the date on which such statements are made. We undertake no obligation to update any forward-looking statements after the date of this document or to conform such statements to actual results or revised expectations, except as required by law.

Non-GAAP Financial Measures and Other Key Metrics

To supplement our consolidated financial statements, which are prepared and presented in accordance with U.S. GAAP, we use certain non-GAAP financial measures, as described below, to understand and evaluate our core operating performance. These non-GAAP financial measures, which may be different than similarly titled measures used by other companies, are presented to enhance investors' overall understanding of our financial performance and should not be considered a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP.

We believe that these non-GAAP financial measures provide useful information about our financial performance, enhance the overall understanding of our past performance and future prospects, and allow for greater transparency with respect to important metrics used by our management for financial and operational decision-making. We present these non-GAAP measures to assist investors in seeing our financial performance using a management view, and because we believe that these measures provide an additional tool for investors to use in comparing our core financial performance over multiple periods with other companies in our industry. However, these non-GAAP measures are not intended to be considered in isolation from, a substitute for, or superior to our GAAP results.

Non-GAAP gross profit, non-GAAP gross margin, non-GAAP operating expenses, non-GAAP income from operations, non-GAAP operating margin, non-GAAP net income and non-GAAP net income per share: We define these non-GAAP financial measures as the respective GAAP measures, excluding expenses related to stock-based compensation, employer payroll tax on employee stock transactions, amortization of acquisition-related intangibles, and, as applicable, other special items. The amount of employer payroll tax-related items on employee stock transactions is dependent on our stock price and other factors that are beyond our control and do not correlate to the operation of the business. When evaluating the performance of our business and making operating plans, we do not consider these items (for example, when considering the impact of equity award grants, we place a greater emphasis on overall stockholder dilution rather than the accounting charges associated with such grants). We believe it is useful to exclude these expenses in order to better understand the long-term performance of our core business and to facilitate comparison of our results to those of peer companies and over multiple periods. In addition to these exclusions, we subtract an assumed provision for income taxes to calculate non-GAAP net income. We utilize a fixed long-term projected tax rate in our computation of the non-GAAP income tax provision to provide better consistency across the reporting periods. For the three months ended April 30, 2026 and 2025, we have determined the projected non-GAAP tax rate to be 21% and 20%, respectively.

Free cash flow: We define free cash flow as net cash provided by operating activities less purchases of property and equipment. We believe free cash flow is an important liquidity measure of the cash that is available (if any), after purchases of property and equipment, for operational expenses, investment in our business and to make acquisitions. Free cash flow is useful to investors as a liquidity measure because it measures our ability to generate or use cash in excess of our capital investments in property and equipment. Once our business needs and obligations are met, cash can be used to maintain a strong balance sheet and invest in future growth.

Annual Recurring Revenue: We calculate Annual Recurring Revenue ("ARR") as the annualized value of active customer contracts as of the measurement date. This calculation assumes that any contract expiring within the next 12 months renews on its existing terms, and excludes non-recurring revenue streams recognized at a point in time. When evaluating ARR on a product basis for contracts spanning multiple product lines, we allocate the support contract value to each product offering based on its proportional share of the total contract value. To annualize contracts, we divide the total committed contract value by the number of months in the subscription term and multiply by twelve. For international contracts denominated in foreign currencies, ARR is translated into U.S. dollars using a fixed exchange rate set at the beginning of each fiscal year. We adjust previously reported ARR annually to reflect these exchange rate changes for comparative purposes. We believe ARR measures our business performance and serves as a leading indicator of future revenue growth. We report total ARR annually at the end of the fiscal year. Because quarterly net new ARR represents only a fraction of our overall book of business, it is subject to timing volatility and can be highly volatile on a year-over-year basis. Because the objective of ARR is to evaluate the long-term growth of our business, these quarterly timing fluctuations can detract from the insight and usefulness of ARR. ARR is an operating metric and should be viewed independently of revenue, deferred revenue, and remaining performance obligations; it does not represent revenue under U.S. GAAP on an annual basis.

For a reconciliation of these non-GAAP financial measures to the most directly comparable GAAP financial measure, please see "Reconciliation of GAAP to Non-GAAP Financial Measures" at the end of this document.



Allan Thygesen
CEO

Introduction

We began Fiscal 2027 with continued strong demand for DocuSign's AI-native Intelligent Agreement Management (IAM) platform. We have 40,000 companies invested in IAM, and they generated 12.6% of total company ARR. Our AI innovation is establishing IAM as the definitive agreement platform, and we are rapidly launching new capabilities that deliver increased value to customers and significantly widen our competitive advantage.

Q1'27 results demonstrated the business's durability. In Q1, revenue was \$830 million, up 9% year-over-year. This consistency drives our conviction in the ARR acceleration as part of our Fiscal '27 outlook. On the bottom line, operating margins were 32%, and a strong 35% free cash flow margin supported \$318 million in stock buybacks, the largest quarterly repurchase in our history.

At our Momentum customer event, we continued the consistent drumbeat of innovation with a lineup of new products and partnerships that make IAM the center of gravity for agreements across the enterprise.

[\(Momentum keynote video\)](#)

Our overarching goal with IAM is to provide customers with a unified platform for everyone who touches contracts across an organization, to unlock topline growth while eliminating friction and increasing efficiency on the bottom line.

In Fiscal 2027, we have two clear priorities:

1. Delivering powerful end-to-end agreement workflows for customers.
2. Expanding our AI data and orchestration advantage.

IAM: Powerful end-to-end agreement workflows for customers

We have reached an inflection point in agreement management. Customers now recognize how a unified AI agreement platform spanning the organization can solve problems that isolated, department-level point products cannot. IAM's end-to-end architecture eliminates the fragmented handoffs that create delays, introduce mistakes, and destroy value. A new [Deloitte study](#) quantifies this, finding that while AI point products yield a modest 3% increase in ROI, customers deploying an end-to-end AI platform like IAM realize a nearly 30% increase – or a 10x difference in value delivered.

IAM's value to customers is increasing in two ways: first, with new line-of-business applications tailored to the unique business processes of different functional teams; and second, with a growing number of integrations with key third-party apps. For example, we made IAM more useful for **in-house legal professionals** by introducing a [legal-specific contract assistant and agents](#). These agents autonomously triage, review, and progress documents to closing, drawing on knowledge of a company's past negotiations and internal policies. ([Video](#))

We also deepened our **partnership with Anthropic** by integrating IAM with Claude's new legal tools, so legal professionals can access IAM contracts and connect to IAM workflows from inside Claude. (See how IAM integrates with Claude in [this video](#).) And we [announced](#) similar integrations with legal tech specialists [Harvey](#), [Legora](#), and [CoCounsel Legal by Thomson Reuters](#).

In **Procurement**, we partnered with spend management leader [Coupa](#) so procurement teams can build cross-functional workflows from inside the Coupa app. Within human resources, our new [IAM for HR](#) product connects [Workday](#) and [Greenhouse](#) to the IAM platform. And, in partnership with Salesforce, we announced a deep [Slack integration](#), so users can generate, review, and synchronize agreements in IAM directly via Slackbot. Payments are also integrated into IAM through our partnership with [Stripe](#).

These enterprise-grade workflows and integrations help accelerate IAM adoption among large customers. **Experian**, a global data and technology company, partnered with Docusign to improve seller productivity and drive velocity in client contract cycle times. **HSBC**, one of the world's largest banking and financial services organizations, introduced IAM to digitize and simplify its credit lending process. To further support enterprise engagement, in Q1 we launched the **IAM Platform Plan**, a credit-based subscription pricing model that ties pricing to business outcomes.

At this year's Momentum, we [recognized customers](#) who are setting the benchmark for what can be achieved on the IAM platform. [Crete United](#), a national network of mechanical, electrical, plumbing, and building automation specialists, reduced contract negotiation times by 80% and improved deal execution speed by 90% by deploying [AI-Assisted Review](#). [Milky Moo](#), a milkshake franchiser with more than 800 stores in Brazil, uses our AI to track renewals, saving more than 1,000 hours of manual work last year.



“Docusign IAM has helped us to simplify and connect the applications in our quote-to-cash ecosystem. This will improve our seller productivity and drive velocity in our client contract cycle times.”

Jim Flick
Managing Director, Global Operations, Experian

AI Data & Orchestration Advantage

Docusign's significant advantage in agreement AI enables IAM to deliver superior performance. Our [AI engine, Iris](#), harnesses frontier LLM intelligence and combines those capabilities with Docusign's orchestration, deep domain expertise, and unmatched body of agreement data. Hundreds of millions of consented, private agreements have been ingested into IAM, with millions more flowing in every week. We continue to believe we can achieve up to a 15% point improvement in precision and recall compared to our models trained on public contract data, while operating at incredible cost efficiency. We've optimized AI processing costs by more than 50x compared to running direct prompts on LLMs.

Our other advantages include enterprise-grade security, an expansive ecosystem of over 1,100 third-party integrations, and long-established global distribution relationships. Our deep understanding of customer workflows and context creates a significant advantage as we integrate agents that can autonomously perform tasks for customers – safely, at their direction, under their control, with Docusign providing compliance guardrails.

At Momentum we [introduced](#) agentic offerings that advance IAM's transformation into a system of action:

1. [Pre-built agents in Iris](#) review agreements, suggest edits, and automatically request the right approvals in minutes.
2. **Custom agents in Docusign Agent Studio** enable customers to build their own agents tailored to unique business needs ([Docusign Iris agent video](#)).
3. [Third-party agents through our MCP server](#), connect IAM to Anthropic Claude, Gemini, and OpenAI ChatGPT, so teams can create, query, and manage IAM agreements within the chat apps they already use.

IAM also connects with additional agentic platforms like GitHub Copilot, Microsoft Copilot Studio, and Salesforce Agentforce. In addition, at Momentum we expanded our **Federated Trust Model**, which lets customers choose from 76 identity providers. And we introduced [AI-Assisted Web Forms](#), a no-code solution that instantly transforms static PDFs into guided, mobile-friendly digital experiences.

Within our internal operations, we continue to apply AI to gain efficiencies and boost productivity in both engineering and customer-facing teams. Approximately 75% of all new code shipped is AI-assisted, up from 60% just last quarter.



"We have introduced Docusign Intelligent Agreement Management to digitize and simplify HSBC's Credit Lending process, significantly improving customer experience across our markets."

David Rice
Chief AI Officer, HSBC

In closing, the IAM platform's value and opportunity spring directly from our AI innovation, and we continue to build new features at the fastest pace in Docusign's history. That innovation, coupled with our enormous user base and our enduring position as one of the world's most trusted software companies, positions Docusign to become an essential foundation for the AI-driven enterprise.

We're proud that people are taking notice. In Q1, Fast Company included Docusign in its list of [Most Innovative Companies for 2026](#). Also, we were honored as a top-tier employer in the [Where You Work Matters](#) list. And for the third consecutive year, [Newsweek named Docusign](#) one of the most trusted software and telecom companies in America.

I also want to welcome our new [Chief Product Officer, Graham Sheldon](#). Graham joins us after working most recently as Chief Product Officer at UiPath, the industry's first enterprise-grade agentic automation platform. Before that, Graham spent more than 20 years at Microsoft, where he took Microsoft Teams from inception to 300 million users as Corporate Vice President of Product. We're excited for his leadership as we realize our vision for agreement management, and I also want to thank outgoing Chief Product Officer, Dmitri Krakovsky, for his contribution to building IAM's foundation.

Lastly, I want to thank the entire Docusign team for their relentless commitment to helping our customers unlock the true power of their agreements in this era of rapid change.

Demo Videos

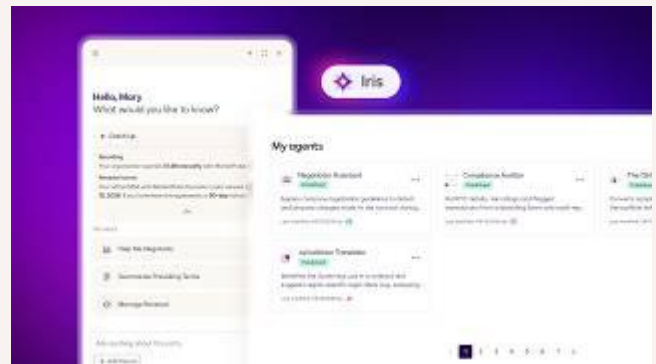


Docusign Momentum26 Keynote

Unveiling a new era of Agreement AI

Docusign Iris for Legal Teams

Iris as an AI contract assistant enabling agentic contract workflows for legal teams



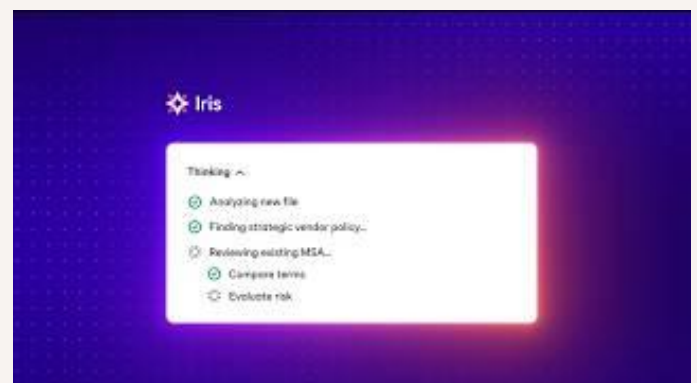
Claude Cowork Demo

MCP Integration with Claude Cowork



Docusign Iris Agents

Pre-built & custom agents with Iris





Blake Grayson
CFO

Introduction

Our primary focus this year continues to be on transforming our business with IAM, strengthening our position as the world's default agreement management platform, and ultimately accelerating our revenue growth. DocuSign continues to build on its position of trust and AI innovation through our recent product announcements, all focused on becoming the definitive end-to-end agreement platform for customers.

In Q1, we continued to make progress against these priorities while demonstrating the durability of our business. Growth remains resilient as we evolve into an AI-first platform through IAM. We also continued to drive efficiency, as we produced strong profitability and free cash flow, and deployed the largest quarterly capital allocation to stock buybacks in our history.

Financial Results

Q1 revenue was \$830 million, up 9% year-over-year. As expected, we had an approximately 1.6% point benefit from foreign exchange rates. The international revenue mix is now 31% of revenue. We remain excited about the opportunity to accelerate our total annual recurring revenue (or “ARR”) growth in Fiscal 2027 as we become an even more valuable partner to our customers.

IAM slightly outperformed our expectations during Q1 and continues to represent a growing share of our overall business. Although it is still early days for us as we introduce IAM to our enterprise customers, in Q1 IAM bookings grew faster year-over-year for North America enterprise than in any other segment. In Q1, IAM represented 12.6% of total ARR, up from 10.8% last quarter. We remain on track for IAM to represent approximately 18% of total ARR at fiscal year-end.

Underlying business fundamentals showed consistent and healthy performance in Q1. Dollar net retention (or “DNR”) with our direct customers was over 102%, a greater-than-1% point improvement vs. Q1 of Fiscal 2026. We continue to make steady progress in improving retention rates across customer segments and believe there is remaining opportunity to improve as we optimize the customer experience and drive IAM adoption into the installed base. Stability and improvement in DNR, which has been sequentially up over the last 7 quarters, underpins the trajectory of our business.

Total customer growth remained healthy at 9% year-over-year as we approach nearly 1.9 million total customers. Envelopes sent continued to show steady year-over-year growth, while consumption, our contract utilization measure, rose to multi-year highs in Q1 across the majority of customer segments and verticals we track.

We also saw the number of customers spending over \$300k in ACV grow to 1,258, accelerating to 12% year-over-year growth, the first time in three years that we have seen double-digit growth in this metric. Encouragingly, we are starting to see early positive IAM adoption trends within the \$300k-plus ACV customer cohort, as we continue to share the benefits of IAM with our larger customers.

THRIVE - MARKET -

"DocuSign streamlined our legal operation. Contracts close faster, teams track renewals without chasing them down, and everyone finds what they need in one place."

Wade Johnson

Associate General Counsel, Thrive Market

Financial Results

Turning to profitability, in Fiscal 2027 we remain focused on balancing disciplined expense management while investing in IAM and AI innovation to accelerate growth.

In Q1, non-GAAP gross margin ended ahead of our expectations at 81.5%, down year-over-year, as expected, compared to Q1 of Fiscal 2026. As a reminder, we expect full-year gross margins to decline slightly year-over-year in Fiscal 2027 as we continue and ultimately complete the bulk of our cloud migration investment. We are on track with these plans and have completed the majority of our on-prem to cloud datacenter site migrations.

Non-GAAP operating income was \$266 million, up 18% year-over-year. Operating margin was 32.0%, a 2.5 percentage point improvement from 29.5% in Q1 Fiscal 2026 and 2.75 percentage points higher than the guidance mid point for the quarter. The outperformance vs our forecast was driven by four different components, each with generally similar impacts. Those included higher revenue that flowed through to operating profit, higher capitalized wages - as a larger share of our R&D spend shifted to innovation and development projects that are capitalized, an insurance legal reimbursement related to legal fees incurred in prior periods, and continued operational expense discipline during the quarter, including our rate of hiring.

We ended Q1 with 6,991 employees, down sequentially from Q4. We continue to make trade-offs across our team structure to invest in our growth initiatives. While we continue to hire across all of our global offices, the vast majority of our net new headcount growth has come from, and will likely continue to be, in lower-cost locations. In Q1, free cash flow of \$289 million yielded a 35% margin, up from 30% last year and one of the highest free cash flow yields outside of Q4 that we have seen. Strength in Q1 compared to the prior year was driven primarily by improved expense results and collections efficiency. As a reminder, free cash flow results can vary quarter-to-quarter based on the timing of payments and cash collections.

Our balance sheet remains strong. We ended the quarter with approximately \$1 billion of cash, cash equivalents, and investments. We have no debt on the balance sheet.

In Q1, we again increased our buyback activity, repurchasing \$318 million in shares. This was our highest quarterly buyback on record, as we took advantage of our lower stock price during the quarter. As of the end of Q1, we had \$2.4 billion remaining authorization for future share repurchases. Our focus continues to be on improving free cash flow generation and redeploying excess capital opportunistically to shareholders. In Q1, the buyback program continued to help reduce our share count. Diluted weighted average shares outstanding for Q1 were 196.5 million, an 8% year-over-year decrease from 212.8 million in the prior year.

Also, stock compensation expense declined slightly on an absolute basis year-over-year to 17% of revenue in Q1, down from 19% last year. We have made progress reducing the impact of stock compensation, and we continue to focus on improving our efficiency here. The reduction in stock compensation and diluted shares contributed to growth in EPS. Non-GAAP diluted EPS for Q1 was \$1.09 vs. \$0.90 last year, a 21% year-over-year improvement. GAAP diluted EPS in Q1 was \$0.40, an 18% year-over-year per share improvement from \$0.34 last year.



"With DocuSign, our teams have gained greater visibility into financial risk and contractual obligations, enabling a more disciplined approach to redline reviews and better informed decision making. This delivers meaningful value not only for our organization, but also for our customers."

Andy Swanson

Chief Revenue Officer, Crete United

Guidance

For ARR, we continue to expect accelerating growth in Fiscal 2027 compared to the prior year as our efforts to transform DocuSign deliver meaningful results. We continue to expect that our year-over-year growth rate range will be 8.25% to 8.75%, or an 8.5% year-over-year increase to over \$3.5 billion at the midpoint at the end of Q4 of Fiscal 2027.

We expect growth to be driven by gross new bookings, primarily from both new and expanding IAM customers, as well as by gross retention improvements vs Fiscal 2026.

Related to this, we expect another year of modest improvement in DNR.

We continue to expect IAM to represent approximately 18% of our total ARR at the end of Q4 of Fiscal 2027, driving IAM to over \$600 million in ARR by the end of this year.

For revenue, we expect \$865 million to \$869 million in Q2 or an 8% year-over-year increase at the midpoint, and \$3.490 billion to \$3.502 billion for Fiscal 2027 or a 9%

year-over-year increase at the midpoint. After adjusting for FX impacts and the moderate headwind comparison from digital add-ons in Fiscal 2026, revenue growth remains in line with the prior year. With regard to Q2 specifically, you'll recall that last year our Q2 revenue growth was the highest quarterly growth we delivered in all of Fiscal 2026, creating a harder comparison for that quarter, driven mostly by higher digital usage.

For profitability, we expect non-GAAP gross margin to be between 81.5% to 81.7% for Q2, and continue to expect a range between 81.5% to 82.0% for Fiscal 2027.

We expect non-GAAP operating margin to reach 29.7% to 30.2% for Q2 and 30.5% to 31.0% for Fiscal 2027, an increase of 0.5% at the midpoint vs. prior guidance. Our Fiscal 2027 operating margin guidance reflects a greater level of margin expansion than we saw in Fiscal 2026.

We expect non-GAAP fully diluted weighted average shares outstanding of 191 million to 196 million for Q2 and 190 million to 195 million for Fiscal 2027, a meaningful reduction from the prior year, as we expect that our buyback activity will be an important driver to more than offsetting dilution.

For detailed commentary on top and bottom line factors to guidance, please see the "Modeling Considerations" appendix in our prepared remarks.



The adoption of DocuSign IAM has strengthened legal security for Milky Moo and our entire franchise network, while streamlining the closing of new business deals. This transformation has already generated projected savings of approximately \$14,000 in 2025 within our legal department alone."

Silvia Mundim

Legal Director, Milky Moo

In closing, we are off to a strong start in Fiscal 2027 with Q1 demonstrating consistent improvement in our business, with durable operating results on the top and bottom line, and significant new innovation released in our IAM platform. We remain focused on driving accelerated ARR growth in Fiscal 2027 while improving efficiency gains and free cash flow. We remain focused on transforming DocuSign to realize long-term success for our customers, shareholders, and employees.

Appendix

Modeling Considerations

Please note the following modeling considerations for Q2 and Fiscal 2027, and refer to the guidance section in the CFO Prepared Remarks for added context on topline and profitability guidance.

Topline:

- **IAM:** We continue to expect that IAM will represent approximately 18% of total ARR exiting Q4 of Fiscal 2027, up from 10.8% of total ARR exiting Q4 of Fiscal 2026.
- **Digital Add-On Impact:** For revenue, we expect a headwind of approximately 1.8% point and 1.1% point year-over-year headwind for Q2 and for Fiscal 2027, due to lapping the year-over-year contribution of greater digital add-on revenue in Fiscal 2026. As you recall, this was a benefit to our digital growth beginning in late Fiscal 2025 as part of improving our PLG experience for customers.
- **Foreign Exchange Rates (F/X) Growth Impact:** For revenue in Q2 and full-year Fiscal 2027, we expect approximately 1.4% point and 1.3% point year-over-year tailwinds, respectively, from the impact of foreign exchange rates, as of the January 31st fiscal-year end. As a reminder, and as detailed in our filings, ARR is calculated using fixed exchange rates set at the start of the fiscal year.

Profitability:

- **Non-GAAP Gross Margin:**
 - **Cloud Migration Impact:** Fiscal 2026 represented the peak of our migration expenses, we expect the growth of these costs to decelerate in Fiscal 2027 and beyond. As a result, we anticipate gross margins to remain approximately flat on a year-over-year basis for Fiscal 2027.
- **Non-GAAP Operating Margin:**
 - **Fiscal 2027:** We expect operating margins to improve by 0.7% on a full-year basis, as sales and marketing efficiency gains help operating expenses grow more slowly than revenue.
- **Free Cash Flow :**
 - **Fiscal 2027:** We continue to expect the relationship between full-year free cash flow margin and Non-GAAP operating margin to be similar to that in Fiscal 2026.
- **Non-GAAP Fully Diluted Weighted Average S/O:** We expect non-GAAP fully diluted weighted average shares outstanding of 191 million to 196 million for Q2 and 190 million to 195 million for Fiscal 2027.

Reconciliation of GAAP to Non-GAAP Financial Measures

GAAP to Non-GAAP gross profit reconciliation

	Three Months Ended April 30,	
Gross Profit (\$ in thousands)	2026	2025
GAAP gross profit	658,965	606,385
Add: Stock-based compensation	15,309	16,904
Add: Employer payroll tax on employee stock transactions	1,126	1,873
Add: Amortization of acquisition-related intangibles	1,495	3,565
Non-GAAP gross profit	676,895	628,727
GAAP gross margin	79.4%	79.4%
Non-GAAP gross margin	81.5%	82.3%

GAAP to Non-GAAP operating income and free cash flow reconciliation

	Three Months Ended April 30,	
Operating Income (\$ in thousands)	2026	2025
GAAP income from operations	111,309	60,255
Add: Stock-based compensation	141,377	145,596
Add: Employer payroll tax on employee stock transactions	8,185	12,259
Add: Amortization of acquisition-related intangibles	4,735	6,919
Non-GAAP income from operations	265,606	225,029
GAAP operating margin	13.4%	7.9%
Non-GAAP operating margin	32.0%	29.5%

	Three Months Ended April 30,	
Free Cash Flow (\$ in thousands)	2026	2025
Net cash provided by operating activities	321,688	251,439
Less: Purchases of property and equipment	(32,253)	(23,624)
Non-GAAP free cash flow	289,435	227,815
Free cash flow margin	35%	30%
Net cash used in investing activities	(39,247)	(24,925)
Net cash used in financing activities	(334,414)	(223,515)

For additional information about our non-GAAP financial measures, including free cash flow, and ARR, please refer to "Non-GAAP Financial Measures and Other Key Metrics" on page 3 of this document.

**GAAP to
Non-GAAP
operating
expenses
reconciliation**

Three Months Ended April 30,

Sales & Marketing (\$ In thousands)	2026	2025
GAAP sales and marketing	296,175	296,413
Less: Stock-based compensation	(43,026)	(46,085)
Less: Employer payroll tax on employee stock transactions	(2,470)	(3,940)
Less: Amortization of acquisition-related intangibles	(3,240)	(3,354)
Non-GAAP sales and marketing	247,439	243,034
GAAP sales and marketing as a percentage of revenue	35.7%	38.8%
Non-GAAP sales and marketing as a percentage of revenue	29.8%	31.8%
Research & Development (\$ In thousands)	2026	2025
GAAP research and development	159,586	159,447
Less: Stock-based compensation	(54,476)	(54,431)
Less: Employer payroll tax on employee stock transactions	(3,687)	(5,081)
Non-GAAP research and development	101,423	99,935
GAAP research and development as a percentage of revenue	19.2%	20.9%
Non-GAAP research and development as a percentage of revenue	12.2%	13.1%
General & Administrative (\$ In thousands)	2026	2025
GAAP general and administrative	91,895	90,270
Less: Stock-based compensation	(28,566)	(28,176)
Less: Employer payroll tax on employee stock transactions	(902)	(1,365)
Non-GAAP general and administrative	62,427	60,729
GAAP general and administrative as a percentage of revenue	11.1%	11.8%
Non-GAAP general and administrative as a percentage of revenue	7.5%	7.9%