Q2 FY27 Investor Prepared Remarks

September 3, 2026

Allan Thygesen, CEO

Blake Grayson, CFO

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 press release 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 press release also include, among other things, statements under "Guidance" above 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 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 press release 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 July 31, 2026, which we expect to file on September 4, 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 press release 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 press release 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 fiscal 2026 and fiscal 2027, we have determined the projected non-GAAP tax rate to be 21%.

Free cash flow: We define free cash flow as net cash provided by operating activities less purchases of property and equipment. Free cash flow margin is calculated as free cash flow as a percentage of revenue. 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, including capitalized software development costs. 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

Q2 capped a strong first half of execution. We delivered further on our roadmap to accelerate innovation in our Intelligent Agreement Management, or IAM, platform. We unlocked even greater customer value within IAM, and further extended IAM's functionality into the tools where our customers work, while driving efficiency as we scale. Our platform strategy is working, as reflected in IAM now accounting for 15.1% of total ARR, up from 12.6% in Q1.

We generated strong financial results in the second quarter, with $876 million in revenue – up 9% year-over-year – 32% operating margin, and approximately $300 million in free cash flow that helped support over $300 million of share repurchases in Q2. As reflected in our increased ARR guidance for fiscal year 2027, we believe we are well positioned for continued execution in the second half of this year and beyond.

Building on the foundational strength of our market-leading eSignature offering, IAM is uniquely able to aggregate, analyze, and unlock the value of an organization's agreement data to improve business decisioning. Point solutions and stand-alone AI tools cannot address the breadth of this challenge, securely and at scale, the way Docusign IAM can. Customers have now ingested more than 300 million documents through IAM's Agreement Manager.

We unlocked even greater customer value within IAM

And we're scaling IAM efficiently. As we outlined in a new series of blog posts, IAM's AI-native architecture is processing workloads at significantly lower marginal costs than offerings that route to external LLMs. This is a key reason we were able to significantly increase cumulative documents ingested in IAM sequentially in Q2 while maintaining high gross margins over the same period.

Since our last call, we launched key products and integrations that strengthen IAM across every step of the agreement lifecycle, from new AI assistant and agentic capabilities, extending IAM into additional surfaces where customers work, and increasing the functional specialization of the platform. Taken together, they signal how IAM is delivering more customer value and shifting from managing agreements to acting on them across every function that touches a contract.

In August, we launched AI assistant and agentic capabilities that help organizations unlock greater value and accelerate workflow automation. IAM's new agentic features include:

- An AI assistant that powers contract analysis and redlining and triggers agentic workflows;
- Pre-built agents for common use cases, including document intake and vendor renewal;
- An Agent Studio where customers can build, govern, and deploy custom agents for specialized uses like executing business playbooks, compliance auditing, and evaluating vendor pricing; and
- The ability to embed agents directly into IAM's Workflow Builder for end-to-end agreement management.

This powerful agentic suite is adding value for business out of the gate. In user testing, the AI assistant cut the time it takes for customers to summarize, review, and finalize agreements, like NDAs, in half.

Docusign continues to make IAM available across an ecosystem of partners to meet customers where they work via the Docusign MCP server, the agreement layer for agentic enterprise.

In June, we announced the general availability of the Docusign app for the Slack Marketplace, providing agentic contract workflows directly in Slack, as well as an integration with Perplexity to help teams automate contracting workflows and facilitate collaboration across their business partners. In August, we also added Google Cloud's Gemini Enterprise for Legal. These are in addition to existing connectors with Anthropic, Gemini, OpenAI and Microsoft's Copilot. While still early, MCP adoption continues to ramp, with cumulative active accounts more than quadrupling during the quarter. Docusign as the agreement layer will be open to every agent at the end of this month when Docusign's MCP server goes GA.

Additionally, we're bringing contract lifecycle management into the AI Age with the general availability of IAM Agreement Manager's integration into Docusign CLM. All CLM customers can now leverage a single, AI-driven repository for eSign and CLM to unify fragmented data, expand access to agreements and its associated data, and reduce manual processes and implementation costs. Further, this integration connects CLM's robust workflow capabilities with IAM's next generation functionality, including AI-powered search and extractions, MCP connectivity to external AI platforms, and IAM's new agentic suite. It's one more step toward expanding IAM further into our existing enterprise base, and customer reception has been highly encouraging.

salesforce

"Docusign IAM will help our sellers bring more agreement insights into their flow of work. Saving time, moving faster and more informed."

Andy White
SVP, Business Technology, Salesforce

Our platform strategy is working

In Q2, we made AI-Assisted Web Forms generally available, enabling users to transform static documents into interactive, shareable forms. The ability to unlock hundreds of millions of legacy documents and their associated data is a game-changer, especially for document-intensive industries like financial services, government, and healthcare.

Our strategy is resonating with customers and prospects across both direct and digital channels. Our direct sales teams executed well in the quarter, with IAM exhibiting strength across all of our geographic regions and customer segments. Here are a few examples of customer wins in Q2:

- **Salesforce** is deploying IAM as a trusted system of record for agreements, turning key agreement data into actionable signals that guide decisions.
- **Oppenheimer** is using IAM to streamline onboarding, build AI-powered workflows, and empower advisors to provide a world-class customer experience to the firm's wealth management clients.
- **SailPoint**, a leader in adaptive identity security, is deploying IAM across its organization to accelerate sales contract processing and gain greater visibility into the business.
- **Upstart**, an AI lending company, is automating customer and borrower workflows to reduce onboarding timelines from months to weeks, and accelerate time to revenue.
- **Optimizely**, a leading digital experience platform that helps companies build, manage, and test their websites, is adopting Docusign IAM to streamline sales agreements and accelerate quote-to-revenue. IAM's Agreement Desk provides a shared collaborative workspace where teams can review, redline, and approve contracts faster.
- **HydroCorp**, a leading provider of water safety compliance services, has adopted IAM for Sales, integrated with Salesforce, to eliminate manual handoffs and accelerate sales processes. The time required to prepare a new contract has decreased from two to three hours to 20 minutes.

These examples demonstrate how Docusign is reaching across industries and customer sizes to deliver value and transform businesses across the global economy. We're excited about the potential we have in front of us.

In closing, we are executing on our strategy. We are accelerating our pace of innovation with efficiency, and delivering customer value within our platform and through our integration partners, while delivering strong financial results. I'm proud of the Docusign team's commitment to our mission. By increasing our fiscal 2027 ARR guidance and IAM's contribution to it, we enter the second half of the year on the front foot, and we are confident in our ability to execute further on our strategy.

Blake Grayson
CFO

Introduction

As Allan shared, our Q2 performance reflects continued solid execution across our core priorities. The foundation of that momentum is our deliberate focus on driving product and feature differentiation for our customers via the IAM platform, unlocking productivity and value for their businesses. We are delivering product innovation at a rapid pace, and we're seeing that translate into accelerating IAM adoption, which now accounts for 15.1% of our annual recurring revenue. We have also maintained strong operational discipline - expanding operating margins year-over-year and generating nearly $300 million in free cash flow this quarter while opportunistically redeploying that capital back to shareholders, all while continuing to invest thoughtfully in our core growth engines.

Financial Results

Q2 revenue was $876 million, up 9% year-over-year on an as-reported basis that included a 1.3% benefit from foreign exchange rates, with international representing 31% of total revenue. After adjusting for the FX tailwind and last year's strength in digital add-ons, year-over-year revenue growth accelerated by nearly 1 percentage point.

Our Q2 growth drivers aligned closely with the trends we've seen over the past several quarters. IAM adoption again slightly exceeded our expectations, continuing its trajectory as an increasingly meaningful part of our business. And that strength was well balanced, with solid IAM gains across all regions, including our commercial and enterprise segments. Gross retention remained healthy during the quarter and continued to show steady progress, as well.

Dollar Net Retention - or "DNR" - from our Direct customers was 103% on a rounded basis, up modestly from last quarter and the prior year. For Fiscal 2027, we continue to expect a modest improvement in DNR on a year-over-year basis. Looking ahead, we see an opportunity to further build on this momentum as we deliver greater customer value, particularly by deepening IAM adoption.

Total customer growth remained strong in Q2, accelerating to nearly 10% year-over-year to over 1.9 million customers. Accelerating customer growth was driven in particular by our digital channel while customer engagement across the platform also showed solid momentum, driven by steady year-over-year growth in both envelopes sent and contract utilization - our key measure of customer consumption.

We also saw the number of customers spending over $300,000 in ACV grow 14% year-over-year to nearly 1,300, the second quarter in a row of double-digit growth. We remain encouraged by the early adoption of IAM among our larger customers as we continue to demonstrate its strategic value to enterprise companies.

SailPoint

"IAM enables us to apply the power of AI to our agreement management processes, backed by a partner we know and trust."

Matt Mills
Chief Revenue Officer, SailPoint

Upstart

"Docusign IAM enables us to eliminate manual bottlenecks, so we move radically faster and deliver a vastly improved experience to our partners."

Hunter Spinks
Senior Group Product Manager, Upstart

Financial Results

Turning to profitability, we continue to balance disciplined expense management with targeted investments in product innovation - specifically across the IAM platform - to deliver incremental value to our customers and ultimately, accelerate growth.

In Q2, non-GAAP gross margins were 81.7%, down slightly compared to the prior year, as expected, due to our ongoing cloud migration investment. We continue to expect Fiscal 2027 gross margins to decline slightly year-over-year due to this migration, which remains on track to be largely complete by the end of this fiscal year. I'm proud of the Docusign team for helping deliver consistently strong gross margins even as more customers adopt our AI-driven features in the IAM platform. As Allan mentioned, a lot of work goes on behind the scenes to provide not just a great customer experience, but to do so with fiscal discipline.

Non-GAAP operating income was $277 million in Q2, up 16% year-over-year. Operating margin was 31.6%, up 180 basis points compared to the prior year and outperformed our guidance mid-point by 160 basis points. Approximately half of the outperformance relative to our guidance was driven by stronger revenue that naturally flowed through to operating profit. The remaining half was driven generally equally between continued operating cost discipline, including managing our hiring ramp, and higher capitalized software costs related to more engineering capacity directed toward capitalizable development projects. These capitalized costs are reported in our capital expenditures and do not have an incremental impact on free cash flow.

Non-GAAP diluted EPS in Q2 was $1.16, a 26% year-over-year improvement, and GAAP diluted EPS was $0.40, a 33% year-over-year improvement. The strong year-over-year growth was driven by a combination of improving operating results, including lower stock-based compensation, as well a declining share count driven partially by our stock buyback activity.

We ended Q2 with 7,137 employees, up 3% year-over-year. While we are hiring across all of our global offices, all of our year-over-year headcount growth in Q2 was from lower-cost locations, and we generally expect that trend to continue.

In Q2, free cash flow was $296 million and up over 35% from the prior year, representing a 34% margin. Strength in Q2 compared to the prior year was driven primarily by improving operating leverage in the business along with continued gains in working capital management. As a reminder, free cash flow can vary quarter-to-quarter due to the timing of payments and collections. Over the trailing 12 month period, Docusign has generated $1.2 billion in free cash flow, which is up nearly three times from the amount we generated in the full year of fiscal 2023. Over the past 3.5 years, Docusign has been singularly focused on building new sources of long term value creation for our customers, particularly via IAM, while being ever mindful of generating durable and profitable growth.

Our balance sheet remains strong, ending the quarter with just under $1 billion of cash, cash equivalents, and investments. We have no debt on the balance sheet.

In Q2, we repurchased $307 million in stock, which helped reduce our total diluted shares outstanding by 8% year-over-year to 193 million. Our core focus remains on generating strong free cash flow while funding strategic growth initiatives, and returning excess capital opportunistically to shareholders. We ended the quarter with $2.1 billion remaining under authorization for future share repurchases.

Stock based compensation expense declined to 17% of revenue in Q2, an improvement of 3 points year-over-year as we continue to focus on improving our efficiency in this area.

Optimizely

"Docusign IAM enables us to move faster by eliminating manual handoffs and giving us total visibility into our customer contracts."

Peter Yeung
CIO and Head of GTM Operations, Optimizely

Guidance

For the third quarter:

- As-reported revenue is expected to be in the range of $886 to $890 million, an increase of 9% year-over-year at the midpoint on an as-reported basis, including a 1 percentage point tailwind from FX.
- Non-GAAP gross margin is expected to be in the range of 81.5% to 81.9%.
- Non-GAAP operating margin is expected to be in the range of 31.3% to 31.7%.
- Non-GAAP fully diluted weighted average shares outstanding is expected to be between 191 million and 196 million.

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And for fiscal year 2027, we now expect:

- As-reported revenue in the range of $3.499 to $3.507 billion, an increase of 9% year-over-year at the midpoint on an as-reported basis, including an approximately 1 percentage point tailwind from FX. Our update to full year revenue guidance includes passing through the entire outperformance we delivered in Q2, plus additional outperformance assumed in the second half of the year, partially offset by incremental foreign currency headwinds of approximately $4 million.
- Non-GAAP gross margin between 81.5% and 82.0%.
- Non-GAAP operating margin between 31.0% to 31.5%.
- Non-GAAP fully diluted weighted average shares outstanding between 190 million and 195 million, a meaningful reduction from the prior year, as we continue to expect that our buyback activity will be an important driver to more than offsetting dilution.

Turning to ARR, we continue to expect an acceleration in full year ARR growth compared to the prior year. More specifically:

- We now expect Fiscal 2027 ARR growth to be in the range of 8.5% to 9.0% year-over-year. This compares to 8.0% ARR growth in Fiscal 2026.
- We now expect that IAM ARR will represent between 18% and 19% of total ARR exiting Q4 of Fiscal 2027.

For detailed commentary on top and bottom line factors to guidance, please see the *"Modeling Considerations"* appendix section below and the investor deck presentations on our investor relations website.

HYDROCORP

"Docusign lets us keep everything in one place. Our team can generate agreements, manage reviews, and track progress without leaving Salesforce. That visibility and efficiency have completely changed how we scale the business."

David Taub
Senior Director of Revenue Operations, HydroCorp

In closing, our Q2 performance builds on a strong start to Fiscal 2027, balancing operational efficiency with ongoing IAM platform expansion. We remain encouraged by growing IAM adoption as we drive more value and efficiency for our customers. These results support our actions to raise our full year guidance for ARR, IAM's share of total ARR, total revenue excluding the impact of foreign currency, and operating margin. Entering the second half, our focus remains clear: improve the features and experience for our customers across the platform that can help us accelerate ARR growth, drive continued operating leverage, and deliver long-term value for shareholders.

Appendix

Modeling Considerations

Please note the following modeling considerations for Q3 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 expect that IAM will represent approximately 18% to 19% of total ARR exiting Q4 of Fiscal 2027, up from 10.8% of total ARR exiting Q4 of Fiscal 2026.
- **Digital Add-On Impact:** As a reminder, we experienced a tailwind from new digital add-on revenue in Fiscal 2026 and a headwind in Fiscal 2027 as we began transitioning those customers to subscription plans.
    - In Q2 we experienced a year-over-year revenue headwind of 1.6%, composed of a 1.0% point tailwind in Q2 of Fiscal 2026 and a 0.6% point headwind in Q2 of Fiscal 2027.
    - In Q3 and Fiscal 2027, we expect a headwind of approximately 0.7% and 1.0% year-over-year, respectively. The Q3 expected headwind is composed of a 0.2% tailwind in Q3 of Fiscal 2026, and a 0.5% headwind in Q3 of Fiscal 2027, while the Fiscal 2027 headwind is composed of a 0.5% tailwind in Fiscal 2026 and a 0.5% headwind in Fiscal 2027.
    - We anticipate the year-over-year comparisons from digital add-on revenue will be immaterial in Q4 of Fiscal 2027.
- **Foreign Exchange Rates (F/X) Growth Impact:** For revenue in Q3 and full-year Fiscal 2027, we expect a tailwind of approximately 1.0% point and 1.2% point year-over-year, 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 approximately 1.2% points 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 Q3 and 190 million to 195 million for Fiscal 2027.

Reconciliation of GAAP to Non-GAAP Financial Measures

	Three Months Ended July 31,		Six Months Ended July 31,	
Gross Profit (in $ thousands)	2026	2025	2026	2025
GAAP gross profit	697,874	635,173	1,356,839	1,241,558
Add: Stock-based compensation	15,241	18,592	30,550	35,496
Add: Employer payroll tax on employee stock transactions	904	1,575	2,030	3,448
Add: Amortization of acquisition-related intangibles	1,495	1,562	2,990	5,127
Non-GAAP gross profit	715,514	656,902	1,392,409	1,285,629
GAAP gross margin	79.7%	79.3%	79.5%	79.4%
Non-GAAP gross margin	81.7%	82.0%	81.6%	82.2%

	Three Months Ended July 31,		Six Months Ended July 31,	
Operating Income (in $ thousands)	2026	2025	2026	2025
GAAP income from operations	117,621	65,227	228,930	125,482
Add: Stock-based compensation	148,604	160,538	289,981	306,134
Add: Employer payroll tax on employee stock transactions	5,816	8,048	14,001	20,307
Add: Amortization of acquisition-related intangibles	4,735	4,916	9,470	11,835
Non-GAAP income from operations	276,776	238,729	542,382	463,758
GAAP operating margin	13.4%	8.1%	13.4%	8.0%
Non-GAAP operating margin	31.6%	29.8%	31.8%	29.6%

	Three Months Ended July 31,		Six Months Ended July 31,	
Free Cash Flow (in $ thousands)	2026	2025	2026	2025
Net cash provided by operating activities	334,546	246,073	656,234	497,512
Less: Purchases of property and equipment	(38,789)	(28,425)	(71,042)	(52,049)
Free cash flow	295,757	217,648	585,192	445,463
Free cash flow margin	34%	27%	34%	28%

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.

Reconciliation of GAAP to Non-GAAP Financial Measures (cont.)

	Three Months Ended July 31,		Six Months Ended July 31,	
Sales & Marketing (in $ thousands)	2026	2025	2026	2025
GAAP sales and marketing	313,958	305,450	610,133	601,863
Less: Stock-based compensation	(46,828)	(49,081)	(89,854)	(95,166)
Less: Employer payroll tax on employee stock transactions	(2,227)	(2,962)	(4,697)	(6,902)
Less: Amortization of acquisition-related intangibles	(3,240)	(3,354)	(6,480)	(6,708)
Non-GAAP sales and marketing	261,663	250,053	509,102	493,087
GAAP sales and marketing as a percentage of revenue	35.9%	38.2%	35.7%	38.5%
Non-GAAP sales and marketing as a percentage of revenue	29.9%	31.2%	29.8%	31.6%
Research & Development (in $ thousands)	2026	2025	2026	2025
GAAP research and development	163,582	169,630	323,168	329,077
Less: Stock-based compensation	(55,502)	(61,865)	(109,978)	(116,296)
Less: Employer payroll tax on employee stock transactions	(2,131)	(2,600)	(5,818)	(7,681)
Non-GAAP research and development	105,949	105,165	207,372	205,100
GAAP research and development as a percentage of revenue	18.7%	21.2%	18.9%	21.1%
Non-GAAP research and development as a percentage of revenue	12.1%	13.1%	12.2%	13.1%
General & Administrative (in $ thousands)	2026	2025	2026	2025
GAAP general and administrative	102,713	94,866	194,608	185,136
Less: Stock-based compensation	(31,033)	(31,000)	(59,599)	(59,176)
Less: Employer payroll tax on employee stock transactions	(554)	(911)	(1,456)	(2,276)
Non-GAAP general and administrative	71,126	62,955	133,553	123,684
GAAP general and administrative as a percentage of revenue	11.7%	11.8%	11.5%	11.8%
Non-GAAP general and administrative as a percentage of revenue	8.1%	7.9%	7.8%	7.9%

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.