DocuSign

Q1 Fiscal Year 2023 Financial Review

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Safe Harbor

This presentation 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. Forward-looking statements include all statements that are not historical facts and can be identified by terms 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 in this presentation include, among other things, statements under “Outlook” and any other statements about expected financial metrics, such as revenue, billings, non-GAAP gross margin, non-GAAP diluted weighted-average shares outstanding, and non-financial metrics, such as customer growth, as well as statements related to our expectations regarding the benefits of the DocuSign Agreement Cloud. They also include statements about our future operating results and financial position, our business strategy and plans, market growth and trends, and our objectives for future operations. These statements are subject to substantial risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements.

These risks and uncertainties include, among other things, risks related to our expectations regarding the continuing impact of the COVID-19 pandemic, including the easing of related regulations and measures as the pandemic and its related effects begin to abate or have abated, on our business, results of operations, financial condition, and future profitability and growth; our expectations regarding the impact of the evolving COVID-19 pandemic on the businesses of our customers, partners and suppliers, and the economy, as well as the macro- and micro-effects of the pandemic, including the pace of the digital transformation of business and differing levels of demand for our products as our customers’ priorities, resources, financial conditions and economic outlook change; global macro-economic conditions, including the effects of inflation, rising interest rates and market volatility on the global economy; our ability to estimate the size of our total addressable market, and the development of the market for our products, which is new and evolving; our ability to effectively sustain and manage our growth and future expenses, achieve and maintain future profitability, attract new customers and maintain and expand our existing customer base; our ability to scale and update our platform to respond to customers' needs and rapid technological change; the effects of increased competition in our market and our ability to compete effectively; 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 expand our direct sales force, customer success team and strategic partnerships around the world; the impact of any data breaches, cyberattacks or other malicious activity on our technology systems; our ability to identify targets for and execute potential acquisitions; our ability to successfully integrate the operations of businesses we may acquire, and to 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 or other indebtedness; 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 attract large organizations as users; our ability to maintain our corporate culture; our ability to offer high-quality customer support; our ability to hire, retain and motivate qualified personnel; our ability to estimate the size and potential growth of our target market; uncertainties regarding the impact of general economic and market conditions, including as a result of regional and global conflicts or related government sanctions; 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, 2022 filed on March 25, 2022, our quarterly report on Form 10-Q for the quarter ended April 30, 2022 filed on June 9, 2022 with the Securities and Exchange Commission (the “SEC”), and other filings that we make from time to time with the SEC. In addition, any forward-looking statements contained in this presentation are based on assumptions that we believe to be reasonable as of this date. Except as required by law, we assume no obligation to update these forward-looking statements, or to update the reasons if actual results differ materially from those anticipated in the forward-looking statements.

Non-GAAP Financial Measures and Other Key Metrics

To supplement our consolidated financial statements, which are prepared and presented in accordance with 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 and non-GAAP operating margin: 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, amortization of debt discount and issuance costs, fair value adjustments to strategic investments, 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 2023, we determined the projected non-GAAP tax rate to be 20% tax rate.

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.

Billings: We define billings as total revenues plus the change in our contract liabilities and refund liability less contract assets and unbilled accounts receivable in a given period. Billings reflects sales to new customers plus subscription renewals and additional sales to existing customers. Only amounts invoiced to a customer in a given period are included in billings. We believe billings is a key metric to measure our periodic performance. Given that most of our customers pay in annual installments one year in advance, but we typically recognize a majority of the related revenue ratably over time, we use billings to measure and monitor our ability to provide our business with the working capital generated by upfront payments from our customers.

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" in the Appendix.

How Customers Buy from Us
Prepaid Model

Product Functionality

Pricing by Functionality
Multiple levels of product functionality

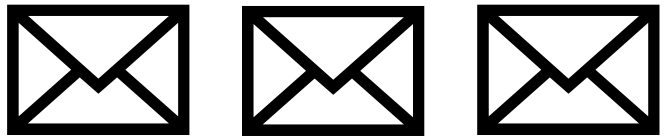
eSignature

- Single-user
- Multi-user
- Business Pro
- Enterprise Pro
- Platform

Capacity-Based Model

Volume Capacity
Pre-Set # of Envelopes Provisioned

Envelopes



Dollar Weighted Average Contract Length[1]

37%
>12 months

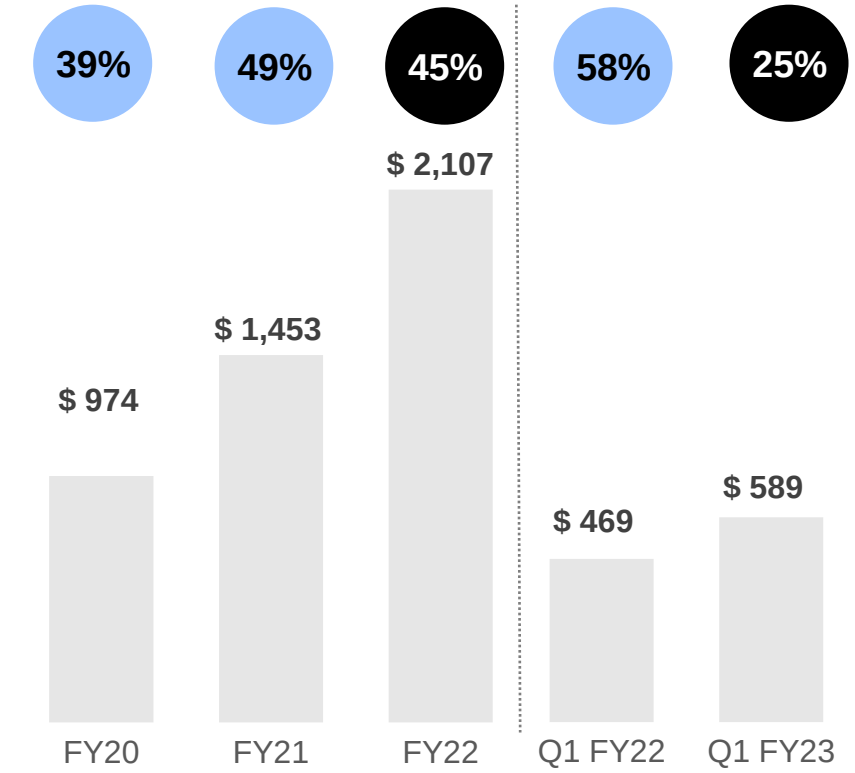


63%
≤12 months

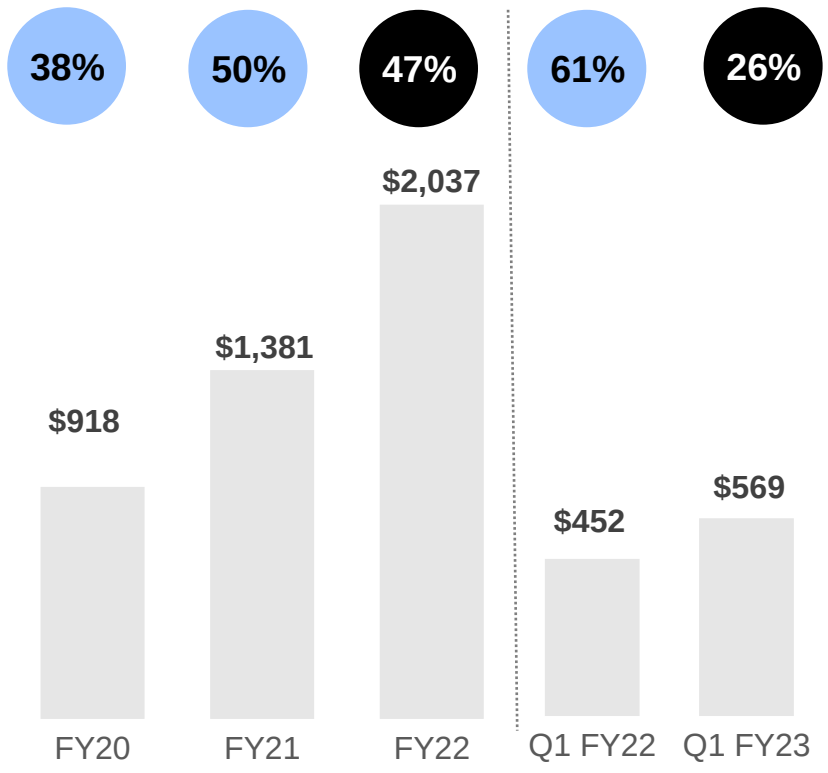
(1) Rolling 4-quarter average through fiscal quarter ended April 30, 2022.

Revenue Growth at Scale

Total Revenue[1]

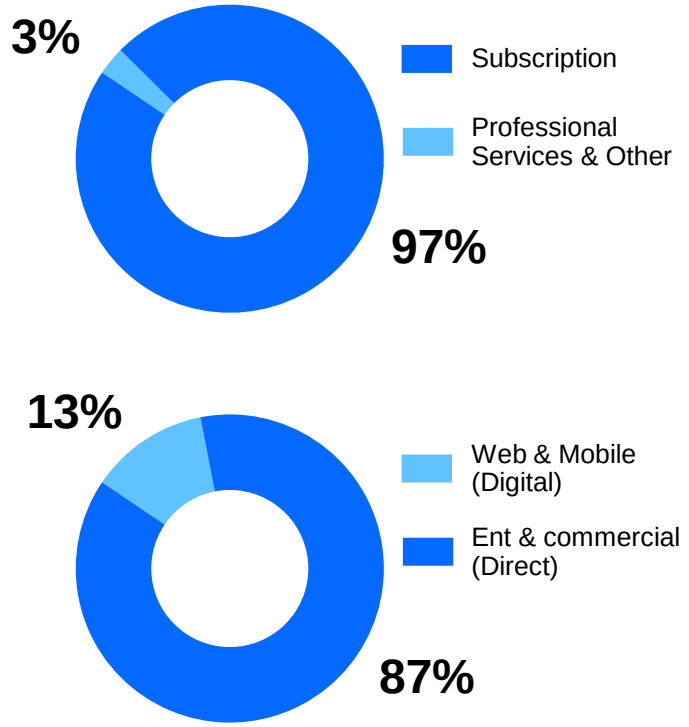


Subscription Revenue[1]



Y/Y Growth

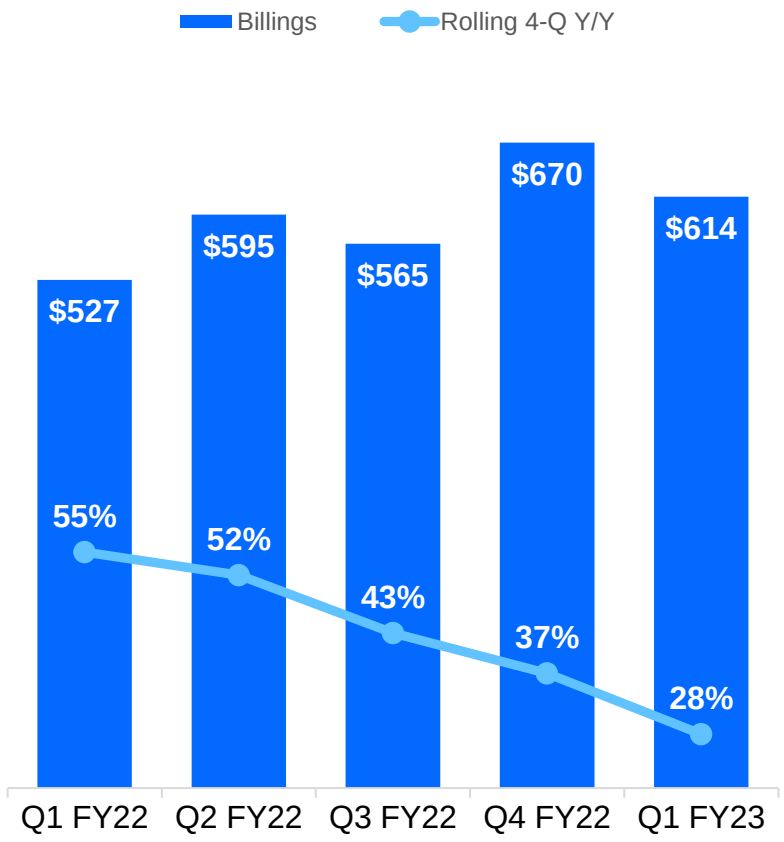
Revenue Contribution[2]



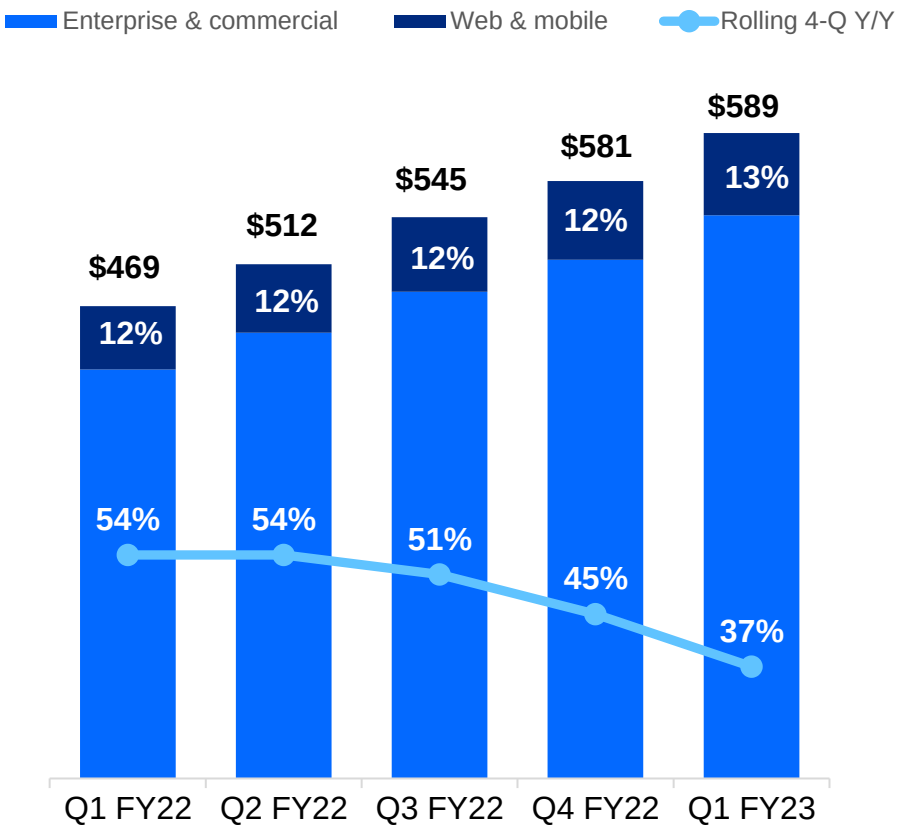
(1) Fiscal years ended January 31 and fiscal quarters ended April 30. $ in millions.
(2) Fiscal quarter ended April 30, 2022.

Continued Billings and Revenue Growth[1]

Billings[2]



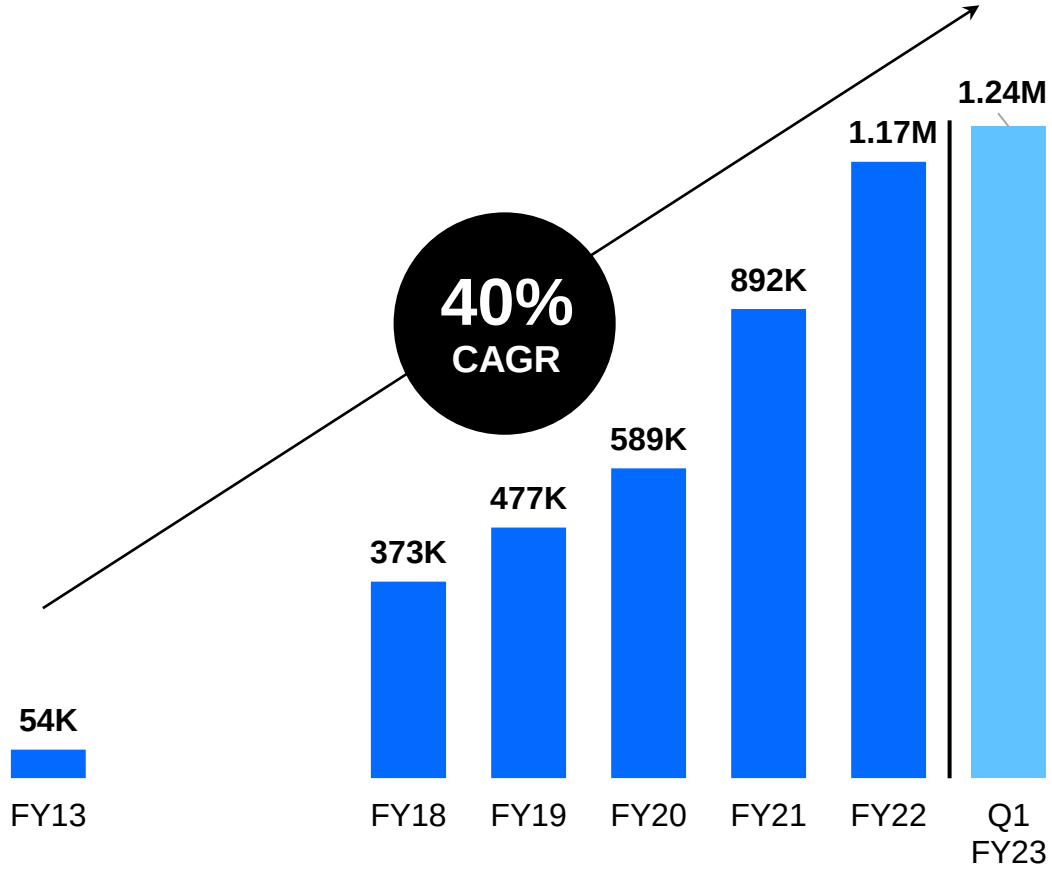
Revenue



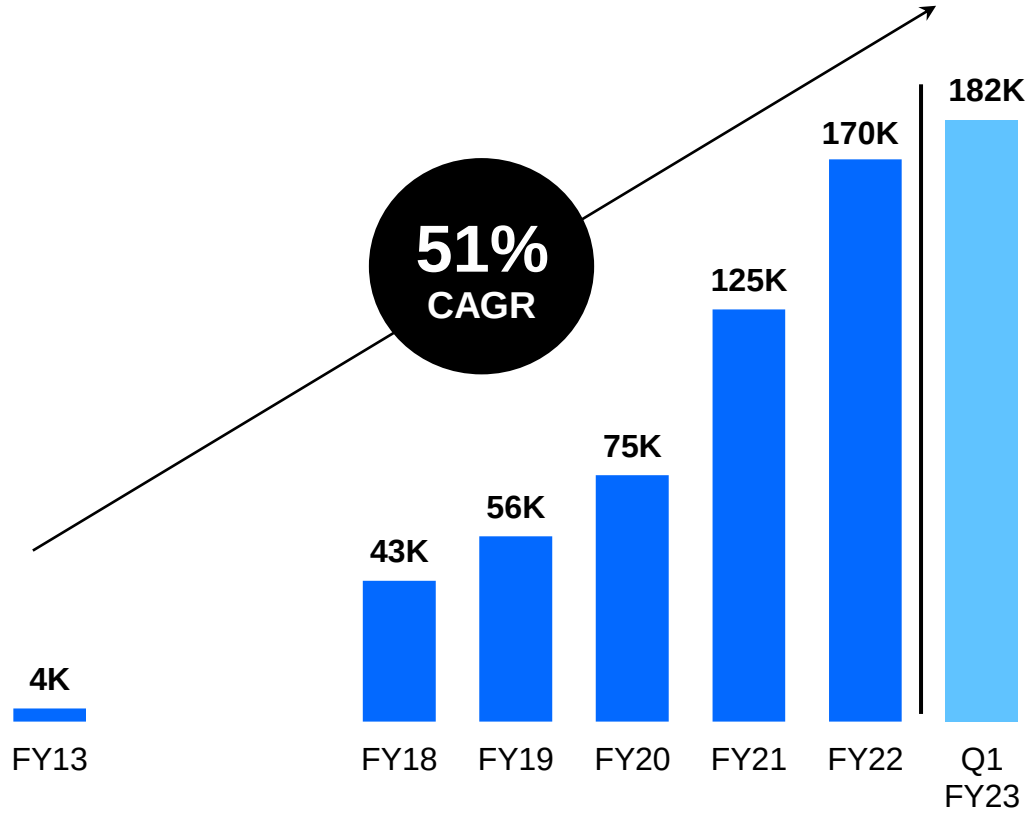
(1) For the fiscal quarter ended April 30, 2022, and the four fiscal quarters prior. $ in millions.
(2) Billings = total revenues plus the change in contract liabilities and refund liability less contract assets and unbilled accounts receivable in a given period. Please see Appendix for non-GAAP reconciliation.

Large and Growing Customer Base[1]

Total Customers



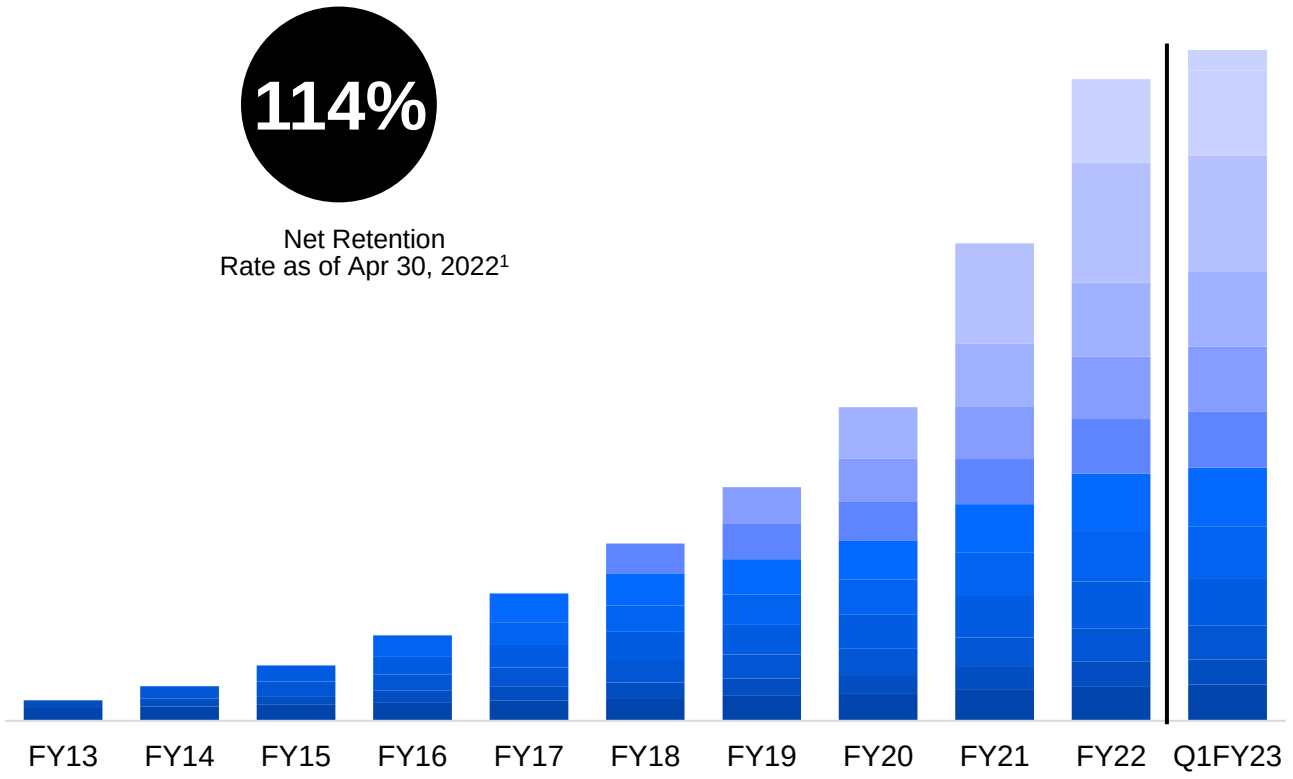
Enterprise & Commercial Customers[2]



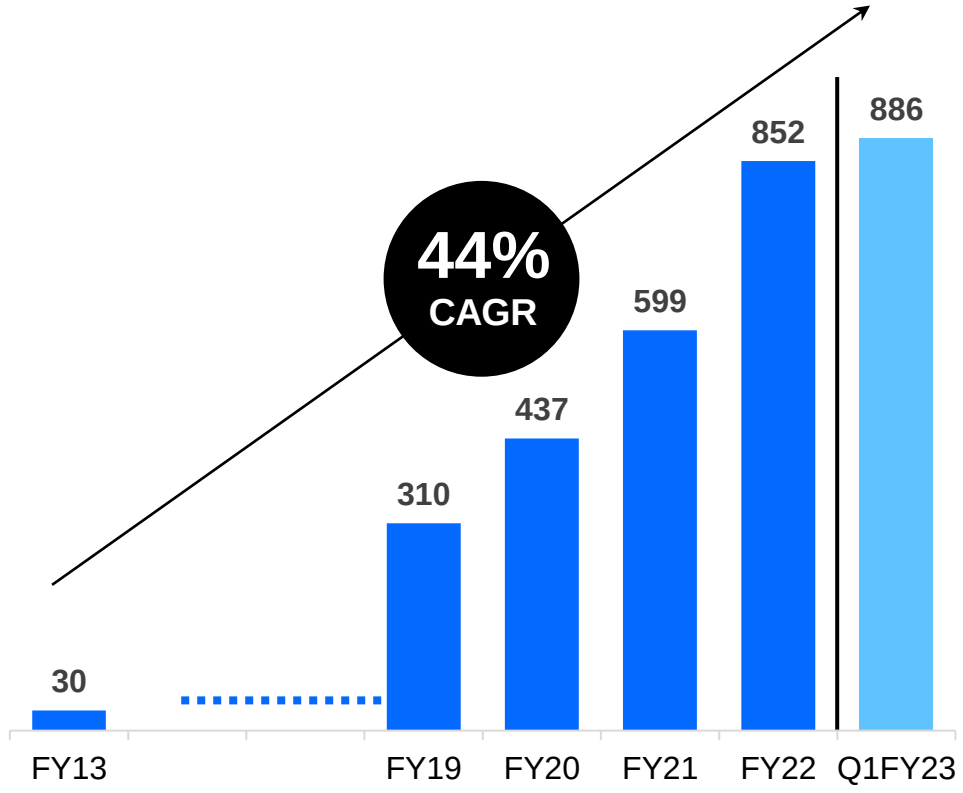
(1) For the fiscal years ended January 31
(2) Comprised of customers who were not acquired through our self-service channel.

Cohort and Large Customer Expansion

Cohort analysis

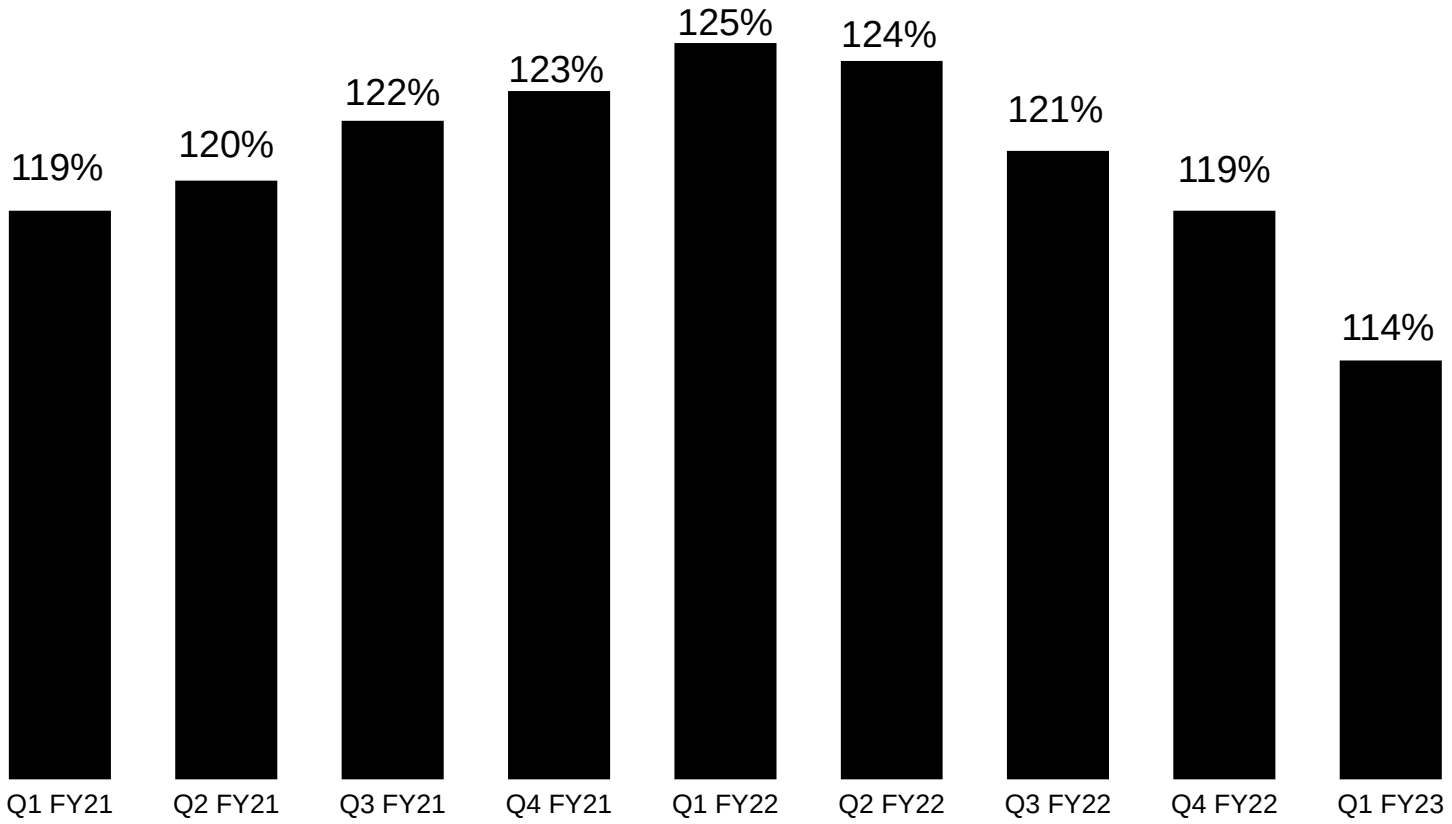


Customers with >$300K in ACV [2]



(1) Compares the ACV for subscription contracts from a set of enterprise and commercial customers at two period end dates. To calculate our dollar-based net retention rate at the end of a base year (e.g., January 31, 2022), we first identify the set of customers that were customers at the end of the prior year (e.g., January 31, 2021) and then divide the ACV attributed to that set of customers at the end of the base year by the ACV attributed to that same set at the end of the prior year. The quotient obtained from this calculation is the dollar-based net retention rate.
(2) Average Contract Value.

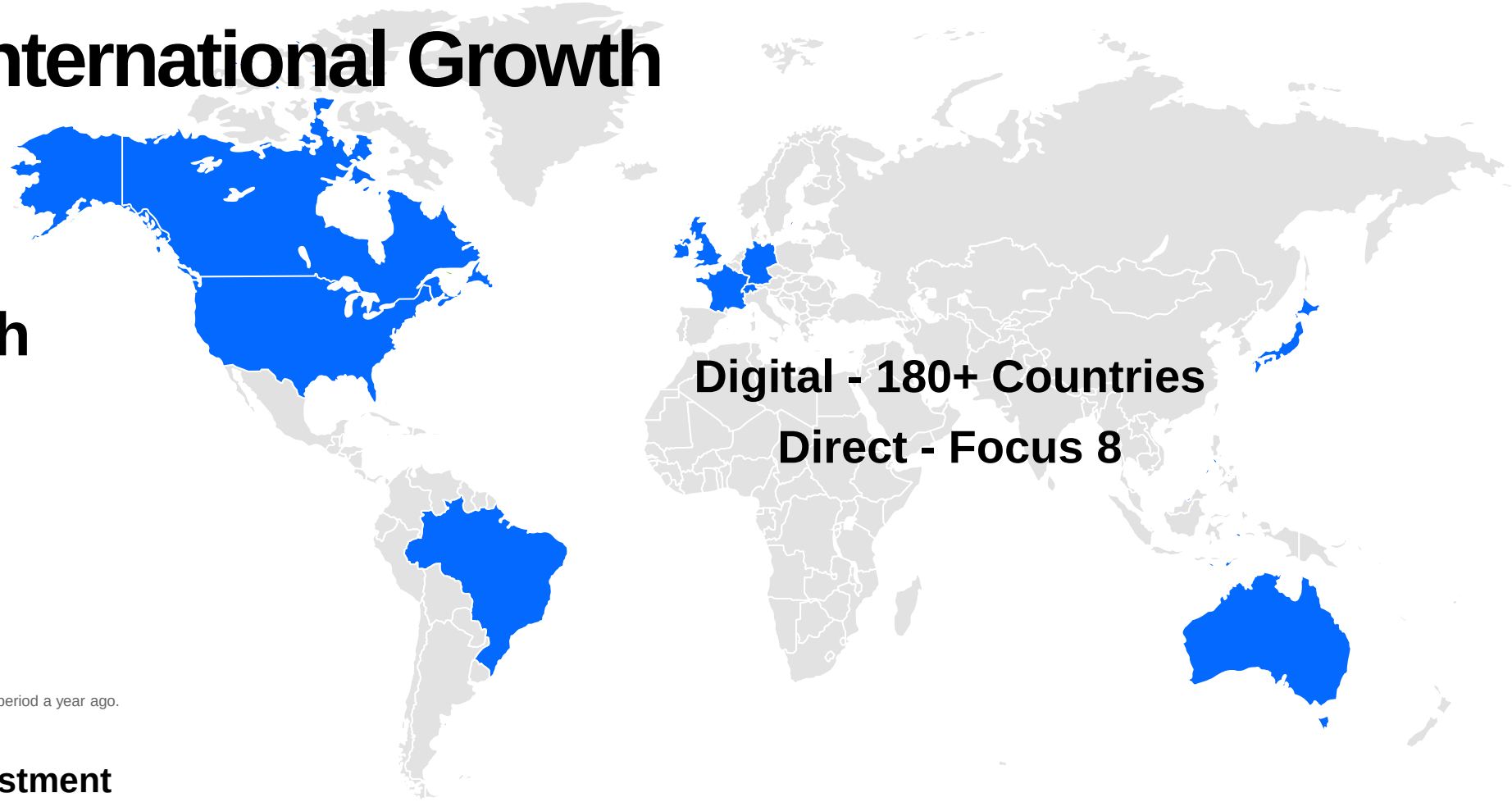
Customer Demand Continues to Drive Growth at Scale



114% Net Dollar Retention[1]

(1) Compares the ACV for subscription contracts from a set of enterprise and commercial customers at two period end dates. To calculate our dollar-based net retention rate at the end of a base year (e.g., January 31, 2022), we first identify the set of customers that were customers at the end of the prior year (e.g., January 31, 2021) and then divide the ACV attributed to that set of customers at the end of the base year by the ACV attributed to that same set at the end of the prior year. The quotient obtained from this calculation is the dollar-based net retention rate.

Investing in International Growth



43% y/y Int'l Revenue Growth
(Q1 FY23)[1]

25% of Total Revenue
(Q1 FY23)[1]

(1) For the fiscal quarter ended April 30, 2022 compared to same period a year ago.

Market Prioritization & Investment

Tier 1: Market Leader
- Primary market focus for Direct GTM investment
- Fully localized digital experience
- Targeted investment in Resell partners

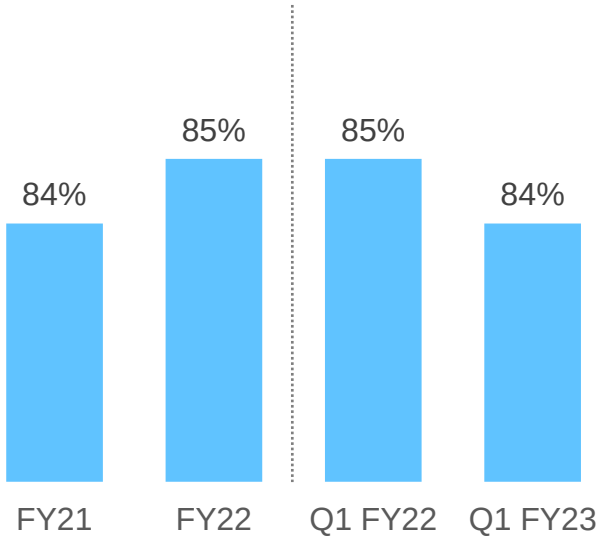
Tier 2: Seed and Grow
- High potential investment countries
- Seed with targeted direct investments, localized sales & support through partner and digital

Tier 3: Digital & Emerging
- Digital First strategy
- Indirect selling via key resellers

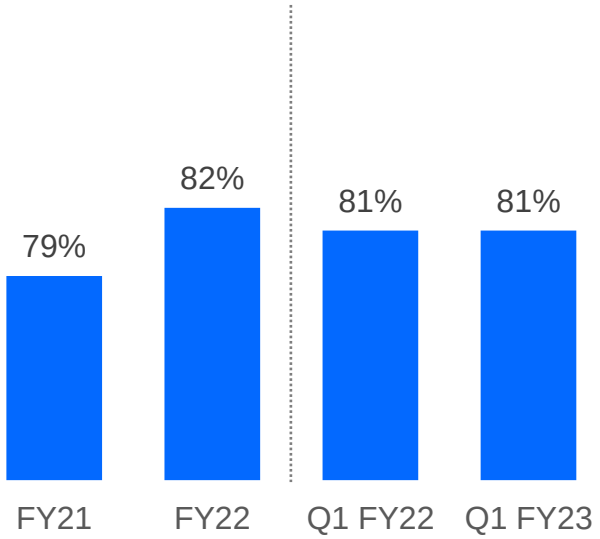
Maintaining Leverage While Investing In Growth

Non-GAAP gross margin[1]

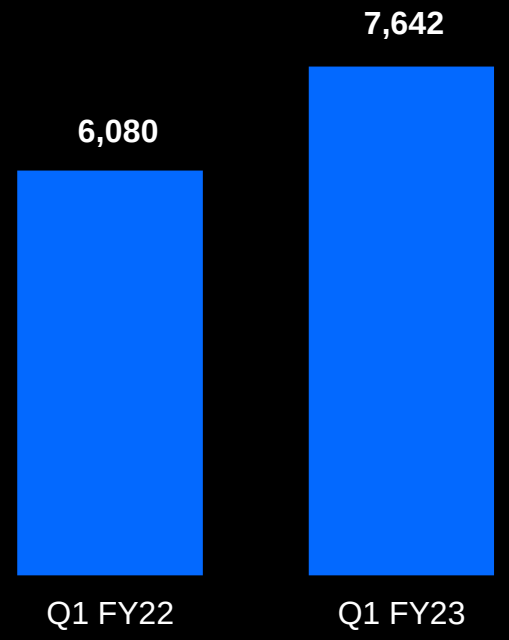
Subscription Gross Margin



Total Gross Margin

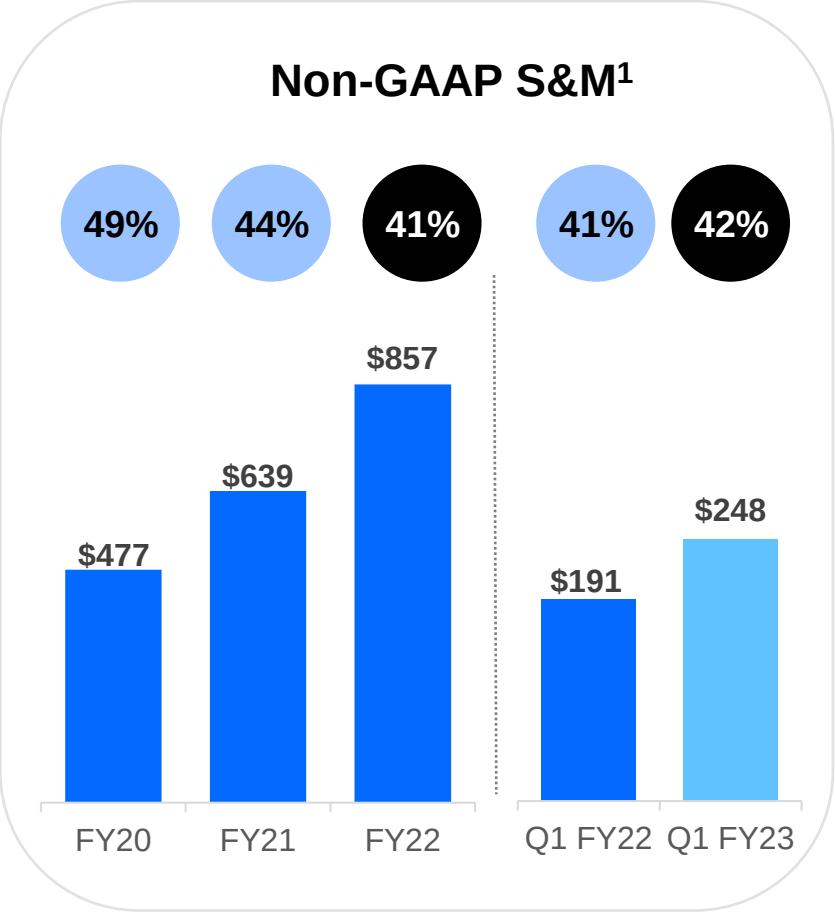


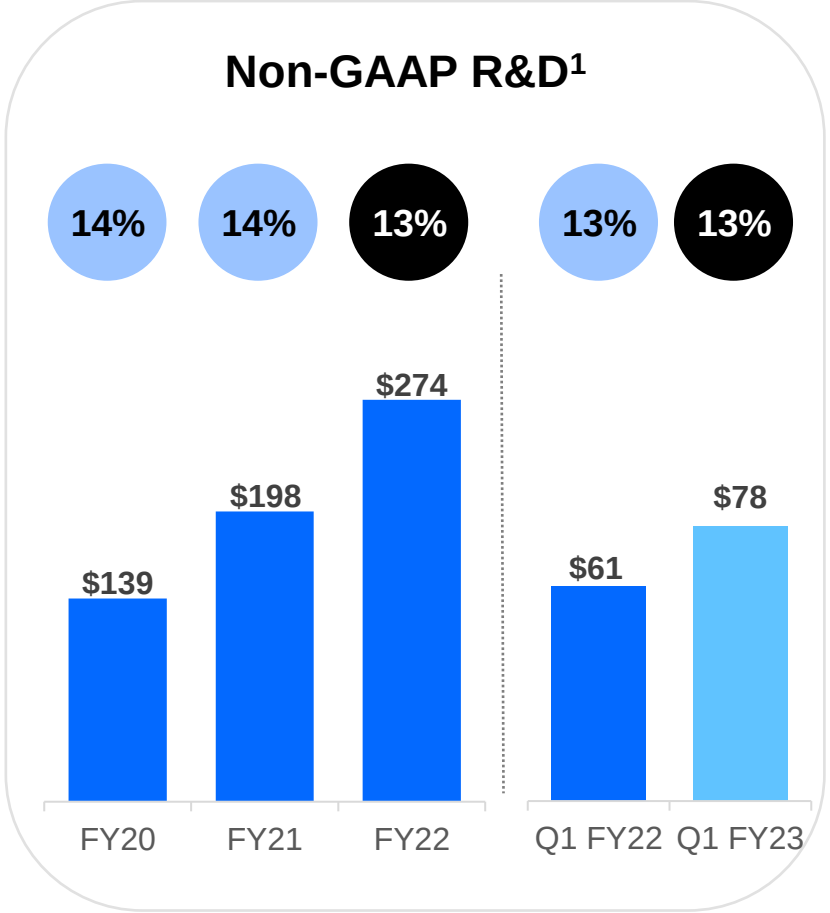
Headcount[2]

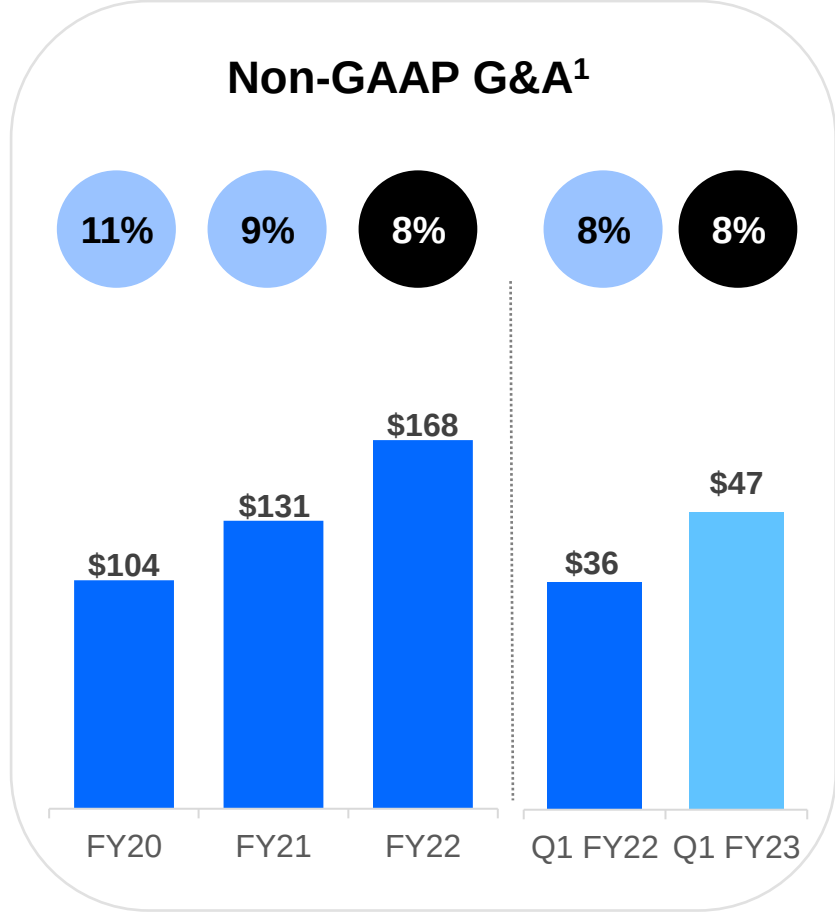


(1) For the fiscal years ended January 31, 2021 and 2022 and the fiscal quarters ended April 30, 2021 and 2022. Margins are as % of revenue. Please see Appendix for GAAP to non-GAAP reconciliation.
(2) As of April 30, 2021 and 2022.

Operating Leverage

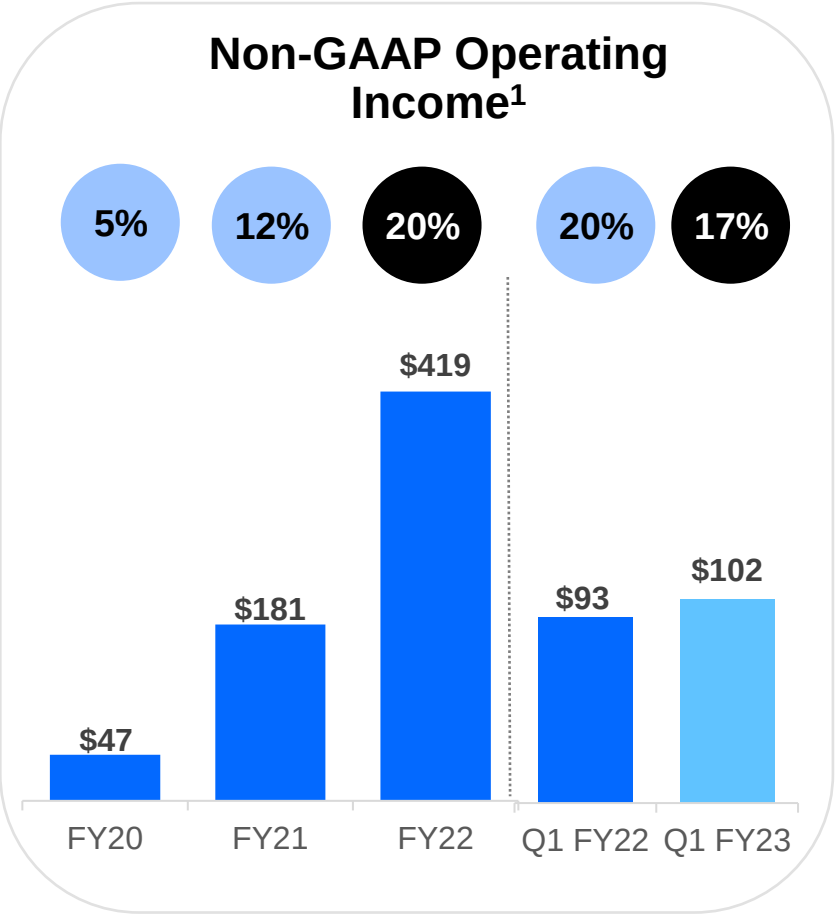


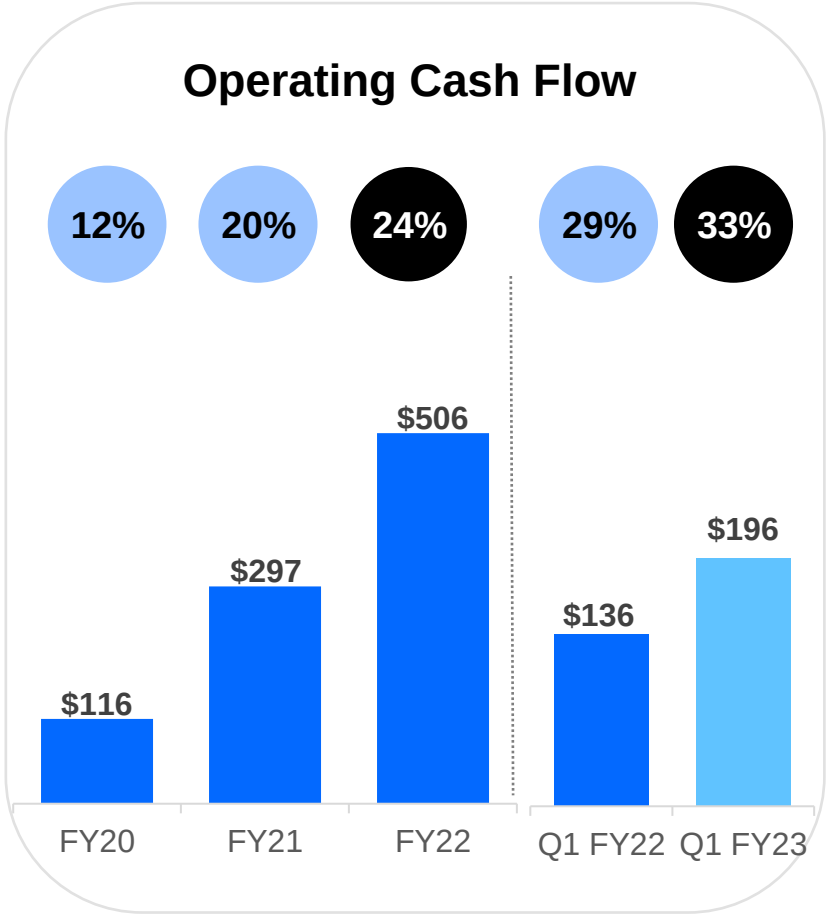


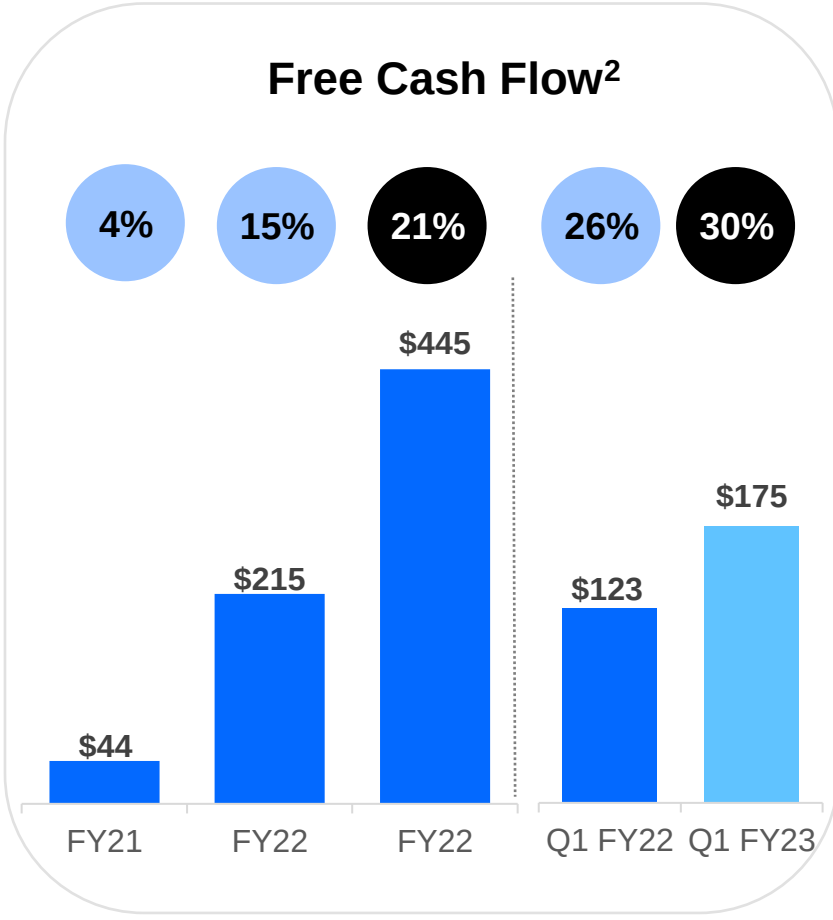


(1) For the fiscal years ended January 31, 2020, 2021, and 2022 and the fiscal quarters ended April 30, 2021, and 2022. $ in millions. Margins are as % of revenue. Please see Appendix slides for non-GAAP reconciliation.

Operating Leverage and Cash Flow







(1) For the fiscal years ended January 31, 2020, 2021, and 2022 and the fiscal quarters ended April 30, 2021, and 2022. $ in millions. Margins are as % of revenue.
(2) FCF calculated as Operating Cash Flow – CapEx. Please see Appendix for calculation.
Please see Appendix slides for non-GAAP reconciliation.

Q2 FY2023 Guidance

	Q2 Fiscal 2023		
Total revenue	$600M	-	$604M
Subscription revenue	$583M	-	$587M
Billings	$599M	-	$609M
Non-GAAP gross margin	79%	-	81%
Non-GAAP operating margin	16%	-	18%
Non-GAAP diluted weighted-average shares o/s	205M	-	210M

FY2023 Guidance

	Fiscal 2023		
Total revenue	$2,470M	-	$2,482M
Subscription revenue	$2,394M	-	$2,406M
Billings	$2,521M	-	$2,541M
Non-GAAP gross margin	79%	-	81%
Non-GAAP operating margin	16%	-	18%
Provision for income taxes	$7M	-	$11M
Non-GAAP diluted weighted-average shares o/s	205M	-	210M

Appendix

GAAP to Non-GAAP Gross Profit Reconciliation

Gross Profit (in $K)	Quarter Ended April 30,		Year Ended January 31,	
	2022	2021	2022	2021
GAAP Gross Profit	456,276	363,836	1,640,762	1,088,989
Add: Stock-based Compensation in Cost of Revenue	15,695	11,553	58,499	42,658
Add: Amortization of Acquisition-related Intangibles in Cost of Revenue	2,403	3,171	11,670	11,052
Add: Employer Payroll Tax on Employee Stock Transactions in Cost of Revenue	791	2,774	7,524	5,904
› Non-GAAP Gross Profit	475,165	381,334	1,718,455	1,148,603
GAAP Gross Margin	78%	78%	78%	75%
Non-GAAP Gross Margin	81%	81%	82%	79%

Subscription Gross Profit (in $K)	Quarter Ended April 30,		Year Ended January 31,	
	2022	2021	2022	2021
GAAP Subscription Revenue	569,251	451,935	2,037,272	1,381,397
Less: GAAP Subscription Cost of Revenue	105,159	78,071	343,661	259,992
› GAAP Subscription Gross Profit	464,092	373,864	1,693,611	1,121,405
Add: Stock-based Compensation in Subscription Cost of Revenue	10,613	6,018	31,152	20,793
Add: Amortization of Acquisition-related Intangibles in Subscription Cost of Revenue	2,403	3,171	11,670	11,052
Add: Employer Payroll Tax on Employee Stock Transactions in Subscription Cost of Revenue	508	1,442	3,703	2,862
› Non-GAAP Subscription Gross Profit	477,616	384,495	1,740,136	1,156,112
GAAP Subscription Gross Margin	82%	83%	83%	81%
Non-GAAP Subscription Gross Margin	84%	85%	85%	84%

GAAP to Non-GAAP Operating Gain / (loss) and Free Cash Flow Reconciliation

Adjusted Operating Gain / (Loss) (in $K)	Quarter Ended April 30,		Year Ended January 31,	
	2022	2021	2022	2021
GAAP Operating Loss	(19,226)	(10,737)	(61,884)	(173,855)
Add: Stock-based Compensation in Cost of Revenue	15,695	11,553	58,499	42,658
Add: Amortization of Intangibles in Cost of Revenue	2,403	3,171	11,670	11,052
Add: Employer Payroll Tax on Employee Stock Transactions in Cost of Revenue	791	2,774	7,524	5,904
Add: Stock-based Compensation in Operating Expenses	95,028	69,583	350,043	244,219
Add: Amortization of Intangibles in Operating Expenses	3,205	3,358	13,100	14,566
Add: Employer Payroll Tax on Employee Stock Transactions in Operating Expenses	4,308	13,509	34,668	28,138
Add: Acquisition-related Operating Expenses	-	-	387	7,962
Add: Impairment of Lease-related Assets	-	-	5,099	-
› Non-GAAP Operating Income	102,204	93,211	419,106	180,644
Operating Margin (GAAP)	(3%)	(2%)	(3%)	(12%)
Operating Margin (Non-GAAP)	17%	20%	20%	12%

Free Cash Flow (in $K)	Quarter Ended April 30,		Year Ended January 31,	
	2022	2021	2022	2021
Net Cash Provided by Operating Activities	196,286	135,597	506,467	296,954
Less: Purchases of Property, Plant, and Equipment	(21,709)	(12,596)	(61,396)	(82,395)
› Non-GAAP Free Cash Flow	174,577	123,001	445,071	214,559
Free Cash Flow Margin	30%	26%	21%	15%
Net Cash Provided by (Used in) Investing Activities	(62,514)	(70,506)	(162,909)	81,229
Net Cash Provided by (Used in) Financing Activities	1,350	(112,954)	(394,621)	(58,976)

GAAP to Non-GAAP Operating Expenses Reconciliation

Sales & Marketing (in $K)	Quarter Ended April 30,		Year Ended January 31,	
	2022	2021	2022	2021
GAAP Sales & Marketing	300,697	239,119	1,076,527	798,625
Less: Stock-based Compensation in Sales & Marketing	(47,431)	(38,135)	(186,759)	(131,041)
Less: Amortization of Acquisition-related Intangibles in Sales & Marketing	(3,205)	(3,358)	(13,100)	(14,566)
Less: Acquisition-related Expenses in Sales & Marketing	-	-	-	(186)
Less: Employer Payroll Tax on Employee Stock Transactions in Sales & Marketing	(2,290)	(6,778)	(19,628)	(14,190)
› Non-GAAP Sales & Marketing	247,771	190,848	857,040	638,642
Sales & Marketing as % of Revenue (GAAP)	51%	51%	51%	55%
Sales & Marketing as % of Revenue (Non-GAAP)	42%	41%	41%	44%

Research & Development (in $K)	Quarter Ended April 30,		Year Ended January 31,	
	2022	2021	2022	2021
GAAP Research & Development	112,227	85,416	393,362	271,522
Less: Stock-based Compensation in Research & Development	(32,205)	(20,462)	(108,523)	(65,890)
Less: Employer Payroll Tax on Employee Stock Transactions in Research & Development	(1,553)	(4,176)	(10,341)	(7,329)
› Non-GAAP Research & Development	78,489	60,778	274,498	198,303
Research & Development as % of Revenue (GAAP)	19%	18%	19%	19%
Research & Development as % of Revenue (Non-GAAP)	13%	13%	13%	14%

General & Administrative (in $K)	Quarter Ended April 30,		Year Ended January 31,	
	2022	2021	2022	2021
GAAP General & Administrative	62,578	50,038	232,757	192,697
Less: Stock-based Compensation in General & Administrative	(15,392)	(10,986)	(54,761)	(47,288)
Less: Acquisition-related Expenses in General & Administrative	-	-	(387)	(7,776)
Less: Employer Payroll Tax on Employee Stock Transactions in General & Administrative	(485)	(2,555)	(4,699)	(6,619)
Less: Impairment of Lease-related Assets	-	-	(5,099)	-
› Non-GAAP General & Administrative	46,701	36,497	167,811	131,014
General & Administrative as % of Revenue (GAAP)	11%	11%	11%	13%
General & Administrative as % of Revenue (Non-GAAP)	8%	8%	8%	9%

Computation of Billings

Computation of Billings (in $K)	Quarter Ended April 30,		Year Ended January 31	
	2022	**2021**	**2022**	**2021**
Revenue	588,692	469,078	2,107,213	1,453,047
Add: Contract Liabilities and Refund Liability, End of Period	1,074,460	857,969	1,049,106	800,940
Less: Contract Liabilities and Refund Liability, Beginning of Period	(1,049,106)	(800,940)	(800,940)	(522,201)
Add: Contract Assets and Unbilled Accounts Receivable, Beginning of Period	18,273	21,021	21,021	15,082
Less: Contract Assets and Unbilled Accounts Receivable, End of Period	(18,756)	(19,737)	(18,273)	(21,021)
Add: Contract Assets and Unbilled Accounts Receivable by Acquisitions	-	-	-	6,589
Less: Contract Liabilities and Refund Liability Contributed by Acquisitions	-	-	-	(9,344)
Billings	613,563	527,391	2,358,127	1,723,092