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# DocuSign, Inc.

## Fourth Quarter and Full Fiscal Year 2024 Earnings Conference Call

## March 7, 2024

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**Tyler Radke,** *Citi*

**Jake Roberge,** *William Blair*

**Josh Baer,** *Morgan Stanley*

**Luv Sodha,** *Jefferies*

**Chris Fountain,** *RBC Capital Markets*

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## PRESENTATION

**Operator**

Good afternoon, ladies and gentlemen. Thank you for joining DocuSign's Fourth Quarter and Full Fiscal Year 2024 Earnings Conference Call.



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(Operator Instructions)

As a reminder, this call is being recorded and will be available for replay from the Investor Relations section of the website following the call.

(Operator Instructions)

I will now pass the call over to Roger Martin, Vice President of Finance. Please go ahead.

**Roger Martin**

Thank you, Operator.

Good afternoon, and welcome to DocuSign's Q4 and Fiscal Year 2024 Earnings Call.

I'm Roger Martin, DocuSign's Vice President of Finance. Joining me on today's call are DocuSign's CEO Allan Thygesen, and CFO Blake Grayson. The press release announcing our fourth quarter and fiscal year 2024 results was issued earlier today and is posted on our Investor Relations website.

Before we begin, let me remind everyone that some of our statements on today's call are forward-looking. We believe our assumptions and expectations related to these forward-looking statements are reasonable, but they are subject to known and unknown risks and uncertainties that may cause our actual results or performance to be materially different. In particular, our expectations regarding the pace of product innovation and factors affecting customer demand are based on our best estimates at this time and are therefore subject to change.

Please read and consider the risk factors in our filings with the SEC together with the content of this call. Any forward-looking statements are based on our assumptions and expectations to date and, except as required by law, we assume no obligation to update these statements in light of future events or new information.

During this call, we will present GAAP and non-GAAP financial measures. In addition, we provide non-GAAP weighted average share counts and information regarding free cash flow and billings. These non-GAAP measures are not intended to be considered in isolation from, a substitute for, or superior to our GAAP results. We encourage you to consider all measures when analyzing our performance. For information regarding our non-GAAP financial information, the most directly comparable GAAP measures and a quantitative reconciliation of these figures, please refer to today's earnings press release, which can be found on our website at investor.docusign.com.

I'd now like to turn the call over to Allan. Allan?

**Allan Thygesen**

Thanks Roger, and good afternoon, everyone.

DocuSign's fourth-quarter operating results reflect strong progress across the three pillars of our strategic vision: accelerating product innovation, improving the reach and effectiveness of our omnichannel go-to-market initiatives, and strengthening operating and financial efficiency.

Before discussing the pillars, I'll briefly highlight Q4's strong business results.



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Q4 revenue was $712 million, up 8% year-over-year, while full-year revenue was $2.8 billion, up 10% year-over-year. Both outperformed our expectations.

Our continued focus on efficiency, while still investing for long-term growth, drove significantly improved profitability. Q4 non-GAAP operating margin rose to 25%, up 1 point vs. last year, while full-year non-GAAP operating margin improved by more than 5 points to 26% from 21% in fiscal ’23. In addition, free cash flow more than doubled in fiscal ’24 to nearly $900 million.

Similar to Q3, we’re encouraged by momentum across the business. From solid retention and improving usage with existing customers to strong new customer growth, organizations large and small continue to invest in DocuSign’s value proposition.

Let’s turn to our strategic pillars, starting with continued improvement in our omni-channel go-to-market initiatives.

In Q4, we were encouraged by improving performance with customers managed by the direct salesforce. We substantially increased the amount of business from customers signing and renewing multi-year, multi-million-dollar contracts with DocuSign, including Fortune 500 global leaders in energy, industrials, consumer goods, insurance, and several federal and state government agencies. Our partner channel has been instrumental in driving large customer momentum. We continue to deepen relationships with strategic enterprise-focused organizations including SAP, Microsoft, and Deloitte. These organizations are helping to accelerate our customers’ digital transformation journeys. They also represent progress in building a vibrant partner ecosystem to extend DocuSign's reach into new markets and customer segments.

To that end, we recently launched global participation in Microsoft’s Azure marketplace. We can now co-sell our entire suite of products to Microsoft’s enterprise customers, who can draw on their existing Azure commitments to purchase DocuSign licenses. We’re encouraged to already have our first $1 million customer from that channel. These partners and many more help us accelerate our customers’ digital transformation journeys. We also continue to deliver more efficient customer growth even as we scale. In fiscal 24 we invested to improve digital and self-serve motions, leading to sustained new customer acquisition growth.

In Q4 we surpassed 1.5 million total customers across our digital and direct channels. Our breadth, scale, and customer affinity is unique in the broader SaaS landscape and speaks to the continued large opportunity in front of DocuSign.

Across our digital, direct, and partner channels, international continues to be a strong underlying growth driver. In Q4, international revenue grew more than twice as fast as total revenue, and now represents more than 27% of the business, up from 25% last year. The international opportunity remains substantial and is one of our key long-term growth drivers.

Cresol, which is a financial cooperative in Brazil, recently adopted the new WhatsApp integration. Adding WhatsApp signing to existing eSignature email usage has reduced delays, increased response times, and helped Cresol generate more revenue and broaden its reach. Much of Cresol’s credit business is with farmers and the agriculture industry with limited rural connectivity. The DocuSign WhatsApp integration allows Cresol to bridge that connectivity gap and accelerate its credit process from days to hours.

Let’s turn to product innovation. Across all aspects of go-to-market, product investment is driving customer adoption. The WhatsApp integration, as I just mentioned, led to significant envelope usage and recent customer wins in Latin America. Over 1,000 customers in the U.K. and Europe have used and now benefit from stronger Identity verification products like AI-enabled IDV Premier and our recently launched



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QES-compliant identity wallet. The recent free launch of our premium DocuSign Monitor created 1,500 new accounts just this quarter.

First Financial Bank, a financial services company headquartered in Indiana, is using ID Verification to increase the speed of consumer lending and home equity line of credit offerings. This improves security for bank staff, removes manual workflows for underwriters, and creates a stronger customer experience.

First Financial is expanding ID Verification to other use-cases like credit cards and online account openings.

Looking ahead, as we exited Q4 we have several hundred customers in beta in new platform services that will transform DocuSign into a more powerful solution. We'll have much more to share, and we're excited to have you join us virtually to hear about our evolving platform at this year's Momentum customer conference in New York on April 11.

Product momentum is clearly creating value for our customers. In Fiscal '24, that momentum was validated by third parties like IDC, who named us the eSignature industry leader versus 17 other vendors in its annual worldwide assessment. Also, Gartner named DocuSign as a Leader in its Magic Quadrant for contract lifecycle management for the fourth year running.

To that end, DocuSign CLM customers continue to be on the front line of embracing a broader agreement management use case. In Q4, DocuSign's CLM growth once again significantly outpaced overall revenue. This is a positive sign as we see CLM product demand as a precursor to the value we can create across all 1.5 million DocuSign customers.

Today, DocuSign CLM helps users automate and manage complex workflows, and we see the future as taking those capabilities to a broader set of users than CLM reaches today. We're seeing strong adoption of our CLM product among enterprise customers. Just this quarter, a luxury automaker used our CLM to create an elegant sales experience to match its brand value proposition; a multi-billion-dollar global manufacturer sped up its legal and supply chain operations with a company-wide implementation of DocuSign CLM, and a global energy company accelerated its sales process and streamlined procurement with CLM.

Our third strategic pillar is strengthening DocuSign's operating and financial efficiency. In February, we announced further cost management initiatives, including a reduction in force. This decision streamlined our business and focused investment on initiatives that provide the strongest foundation for long-term growth.

Blake will share more details on the financial impact and its impact on improving profitability.

In fiscal 2025, we will continue focusing on efficiency while investing to reinvigorate long-term growth.

In conclusion, fiscal '24 was critical to strengthening DocuSign's foundation. We've re-accelerated product innovation, invested in our leadership talent, and rightsized our organization. These are all critical steps to realize the multi-year journey to transform agreement management.

We're just getting started. The opportunity in front of DocuSign remains massive. Today's world runs on agreements, but agreement processes haven't changed in the last 100 years. Even with the evolution to digital documents, agreements and how we use their insights remain relics of antiquated, paper-based systems. Sign a document, store it as a flat file, preserved but disconnected from the systems that run your operations.



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Our sole focus is transforming those systems for our 1.5 million existing customers, to make agreements more valuable for enterprises and SMBs alike. As organizations transition to a digital world, customers turn to DocuSign as the world's most trusted agreement company. We are excited for fiscal '25 and the continued impact we will have on our customers.

Thank you to our incredible team for your passion and dedication to our vision and culture.

With that, let me turn it over to Blake.

**Blake Grayson**

Thanks, Allan, and good afternoon, everyone.

Throughout fiscal 2024, we continued to build a solid foundation on the three pillars of our strategic vision: accelerating product innovation, enhancing our omni-channel go-to-market initiatives, and strengthening our operating and financial efficiency. As a result, in Q4 we delivered strong operating and financial results. Q4's financial performance exceeded the high end of guidance across every metric, with material improvements in operating income, operating margin, and free cash flow.

Total revenue in Q4 increased 8% year-over-year to $712 million, and subscription revenue also grew 8% year-over-year to $696 million. Billings of $833 million grew 13% year-over-year, accelerating from 5% year-over-year in Q3. Q4 represented our highest year-over-year billings growth performance in over a year. With respect to billings, approximately half of the 8-point acceleration versus Q3 came from solid execution around renewals, especially with large customers. This includes spillovers from the prior quarter and better early renewal strength from contracts that would have otherwise been billed in fiscal year '25.

The remaining half came from a strong close to Q4 in net new growth, which will support the business in future quarters. Similar to Q3 results, we are encouraged by continuing signs of stabilization in the business. First, customer usage continues to improve. Total envelopes sent increased moderately year-over-year. Similar to last quarter, we saw improving year-over-year usage trends in key verticals with technology, insurance, business services, financial services, and health care all growing faster than the total business baseline.

Also, consumption with direct customers, our contract utilization measure, increased slightly year-over-year. Second, customer retention is stable with positive large customer momentum. Gross retention was flat year-over-year in Q4 across the direct book of business. As expected, dollar net retention trended downward in Q4 to 98%, and we're encouraged that the pace of year-over-year decline slowed substantially in fiscal year '24 vs. fiscal year '23. We anticipate the moderating trend to continue in fiscal year '25, and we expect dollar net retention to be flat to down slightly in Q1'25.

While overall net new expansion continues to be impacted by software optimization and macro-related customer purchasing caution, we are encouraged by large customer spending behavior. The number of customers spending over $300,000 annually rose to 1,060 in Q4, increasing sequentially for the second quarter in a row. Also, Q4 bookings for customers with total contract value over $1 million increased by more than 50% year-over-year. Third, new customer acquisition volume remained strong in Q4, partly due to improvement in go-to-market initiatives. DocuSign ended the year with over 1.5 million customers, up 11% year-over-year and consistent with growth in Q3. Direct customers grew 15% year-over-year, also consistent with Q3, bringing total direct customers to 242,000.

International revenue, a key long-term growth driver, grew at more than double the overall revenue growth rate and is now 27% of total revenue. We believe the international growth opportunity remains



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large. Also, the scale and breadth of our customer base is unique across the software landscape and an asset we can leverage as we expand our product offerings in the future.

Turning to our financials, operating and financial efficiency initiatives drove strong performance in fiscal year ’24. Improved execution led to significant expansion in operating margin and a more than doubling of free cash flow vs. fiscal year ’23.

Non-GAAP gross margin for the fourth quarter was 82.5%, in line with the prior year. Fourth quarter non-GAAP subscription gross margin was 85%, also in line with the prior year. For the full year, non-GAAP gross margin was 83%, up slightly from last year. Q4 non-GAAP operating income was $178 million, up 15% year-over-year, with an operating margin of 25%, improving over 100 basis points year-over-year. We saw more significant improvement in fiscal year ’24 with a record non-GAAP operating income of $711 million, up 38% year-over-year, resulting in a 26% operating margin. This is a substantial increase of over 500 basis points vs 21% in fiscal year ’23. We will continue to focus on realizing opportunities to achieve greater efficiency as we invest to drive sustainable, long-term growth.

Free cash flow improvement was even stronger in Q4 and fiscal year ’24. In Q4, free cash flow was $249 million, and for the full year we generated $887 million in free cash flow, with both periods more than doubling year-over-year, resulting in a 32% free cash flow margin for fiscal year ’24. Greater operating efficiency led to a substantial working capital improvement that drove free cash flow yield above our operating profit margin. Going forward, we anticipate free cash flow margin to more closely approximate non-GAAP operating margin.

In fiscal year ’24 we used a portion of free cash flow to purchase DocuSign shares. We used $146 million towards repurchasing common stock. In addition, we used $144 million to pay taxes due on RSU settlements, reducing the dilutive impact of our equity programs. Non-GAAP diluted EPS for Q4 was $0.76, an $0.11 per share improvement from $0.65 cents last year. Non-GAAP diluted EPS for fiscal year ’24 was $2.98 per share, a $0.95 improvement from $2.03 cents per share last year.

Fiscal year ’24 also represented DocuSign’s first full year of producing positive GAAP net income. For the full year, GAAP diluted EPS was $0.36 vs. negative $0.49 in the prior year. Going forward, we expect continued improvements in GAAP net income and per share profitability as we work to manage the dilution and cost of our equity programs. We currently expect stock-based compensation to be approximately flat year-over-year in fiscal year ’25 and expect SBC as a percentage of revenue to decline year-over-year.

We ended Q4 with 6,840 employees, a 7% decrease year-over-year from 7,336 at the end of fiscal year ’23. This results from our ongoing focus on investing efficiently in the business and does not reflect the reduction in force announced on February 6 of this year. We will continue to optimize our hiring plans to align our sales organization with our digital and partner GTM motions, support long-term growth opportunities in R&D, and realize efficiencies of scale in G&A.

With regard to the balance sheet, during the quarter, we used approximately $690 million of cash to settle our remaining outstanding convertible debt. We currently have no debt on the balance sheet. At the end of fiscal year ‘24 we had approximately $1.2 billion in cash, cash equivalents, and investments. This strong financial foundation, including a business model that generates significant free cash flow, supports future investment and increases our ability to opportunistically return excess capital to shareholders.

With that let me turn to guidance.

For Q1 ’25 and fiscal year ’25, we expect total revenue of $704 million to $708 million in Q1, or a 7% year-over-year increase at the midpoint. For fiscal year ‘25, we expect revenue between $2.915 billion to



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$2.927 billion, or a 6% year-over-year increase at the midpoint. Of this, we expect subscription revenue of $686 million to $690 million in Q1, or an 8% year-over-year increase at the midpoint, and $2.843 billion to $2.855 billion for fiscal ’25, or a 6% year-over-year increase at the midpoint. For billings, we expect $685 million to $695 million in Q1 and $2.970 billion to $3.024 billion for fiscal ’25.

As continually shown in recent quarters and years, billings are heavily impacted by the timing of customer renewals, which can create meaningful variability from period to period. This impacts year-over-year comparisons and is further amplified by the scale of our book of business.

We expect non-GAAP gross margin to be 81% to 82% for both Q1 and fiscal ’25. We expect non-GAAP operating margin to reach 27% to 28% for Q1 and 26.5% to 28% for fiscal ’25. Our non-GAAP operating margin guidance includes the impact from the recently announced restructuring of approximately 400 employees, or around 6% of our employee base. While we intend to reinvest a small portion of the restructuring savings into the business, primarily in R&D, the vast majority of savings will drop to the bottom line as reflected in our expected operating margin expansion in fiscal year ’25.

We are committed to improving efficiency while still investing in the areas we believe will drive long-term growth. We expect non-GAAP fully diluted weighted average shares outstanding of 208 million to 213 million for both Q1 and fiscal ’25.

In closing, we are pleased to report another quarter of progress against our three strategic pillars: accelerating product innovation, enhancing our go-to-market initiatives, and strengthening our financial and operational efficiency. Q4 execution was particularly strong, as the team delivered accelerating billings growth, double-digit customer growth, with improving operating margins and record free cash flow generation.

While we still have work ahead to re-accelerate our top line growth, I’m proud of this team for its focus on execution as we continue to be the default, trusted partner for customers around agreement management. We have over 1.5 million customers ranging from the largest enterprises in the world to wide-scale adoption by the small- and medium-sized businesses that power the global economy. That scale gives us the opportunity to help customers accelerate their business growth, mitigate risk, and enable delightful customer experiences. I’m excited about the opportunity ahead of us and look forward to sharing our progress along the way.

That concludes our prepared remarks. With that, operator, let's open up the call for questions.

**Operator**

Thank you. We will now be conducting a question-and-answer session.

(Operator Instructions)

Thank you. Our first question comes from the line of Tyler Radke with Citi. Please proceed with your question.

**Tyler Radke**

Yes, thanks for taking the question. A couple for Blake, just to kick things off. Blake, I appreciate the comments on unpacking the Q4 billings outperformance. Obviously, the nine point beat versus the guide was pretty impressive. As I think about the moving pieces on that, could you just help frame the Q1 guide relative to the full year guide on billings? I think the full year would imply you need to grow a little bit faster than you're guiding to on billings in Q1. Curious if some of that's related to the pull forward?



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Secondly, how should we think about NRR trends? I think that dipped below 100% at 98%. As you just think about the drivers between expansions and new business for next year, just help us understand the trajectory of that and how that all fits into the guide. Thank you.

**Blake Grayson**

Sure. Thanks for the question. To address the question on billings, I think it's helpful to kind of cover it in totality. Starting with Q4 and then going into 2025, because the timing does play a big role as you think about the year-over-year comps. Just to recap, quickly, Q4, really pleased with the execution and the acceleration from Q3. Like you heard in the prepared remarks, half of that acceleration was from renewals timing, and that includes early renewals from fiscal year '25.

In Q4, our book of renewals had the highest contribution from early renewals for any quarter that we've seen all year long, and that's okay because that's great execution by the team. We're super happy about that. Then the other half was just from strong net new growth. We had a great close to Q4, and so that was a nice job again by the team there.

Now that timing component impacts fiscal '25. With respect to Q1, and this also applies to Q2, we've got two hard comps to address in this first half of this year. The first is, if you recall, we had really strong on-time renewals in the first half of 2024. That came about because we made some adjustments to our sales incentive plans to improve execution there, and we did a really good job with it, when you go back and look at our billings performance in the first half of last year or 2024. Then the other hard comp is that Q4 component that I just mentioned that leads to some less spillover into Q1. Those two hard comps apply, obviously, to the full year as well. You've got to kind of normalize for that a bit.

Just to give some direction too on it, as you think about that on a quarterly basis, and you mentioned this about how the full year is a little bit higher than the midpoint guide versus Q1, I expect to see Q2 to decel a bit from Q1, but then reaccelerate into the second half of the year. Again, we got those hard comps that we're dealing with in the first half of this year and then you see that reacceleration. Then you just use that fiscal '25 guide with regards to the magnitude of the quarters.

Overall, I'm really pleased with the fiscal '25 billings guide. It's almost exactly $3 billion at the midpoint. But the timing of these renewals makes the year-over-year comps pretty noisy, and so one way that you might think about how to think about or try to normalize it is like on a two-year stack view, to normalize for some of those period-over-period components, to kind of normalize for those effects, but I hope that helps just kind of how you think about billings for Q4, and then relative to the full year.

To your dollar net retention question, we did trend down as we expected, in line with our expectations into Q4. There's still a tough macro environment out there for us where companies are scrutinizing investments, and it just leads to smaller expansion opportunities. Now, that said, however, I am quite encouraged by the pace of decline in fiscal '24. It slowed substantially versus fiscal '23, and we're now expecting that the pace of decline is going to slow even further into fiscal '25.

You heard in the prepared remarks, we're actually forecasting for Q1 dollar net retention rate to be flat to down slightly from Q4. Part of that is related to the fact that we're coming out of these COVID comps from prior quarters. You've heard me talk about how the share of our book of business that was written during kind of the pandemic period is really de minimis now, and so I think that's also one of the things where you can see this flattening out.



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Again, there's a number of encouraging signs for us around renewal rates and consumption, and then we've got, hopefully, these new product launches releasing into general availability later in the year. Over the long-term, we're excited about our ability to impact that.

**Operator**

Our next question comes from the line of Jake Roberge with William Blair. Please proceed with your question.

**Jake Roberge**

Hi, thanks for taking the question and congrats on the great results.

Blake, just a follow-up on that NRR remark. Can you help us understand how much of the downtick in that metric was driven by those remaining COVID-era contracts that you just called out in your last answer.

Allan, it looks like you actually reaccelerated new customer adds this quarter. Do you feel like the 40,000 quarterly adds is the right way to think about the business moving forward? Or could that actually continue to ramp as the macro normalizes, and some of those new product-led growth initiatives take hold?

**Blake Grayson**

I'll just take a stab at the DNR follow-up and then Allan, you can take the other one. We're not breaking out the level of detail and granularity in the DNR from COVID. I think it's just an obvious output where we have some pretty strong expansion in those prior quarters. But that said, we are seeing signs of stabilization in the business. I would say it's definitely not all related to COVID. I don't want to have anybody walk away with that kind of thought process or perspective. But I think it's one of these things that we are seeing stabilizing signs on our business, and we think we have means and mechanisms that we're going to continue to pursue, where we can work to flatten out that curve, and then hopefully improve it over time.

Allan, do you want to do accounts?

**Allan Thygesen**

On the second question related to customer acquisition, yes, I don't know that we track and measure ourselves that directly on that. But I would just say we have a healthy customer acquisition funnel. There is still white space, particularly internationally, in acquiring new customers, and we're benefiting from that and I think getting our fair share. Although of course, we always like even more, but I'm not prepared to make any forward-looking statements about the exact number of acquisitions we'll have on a quarterly basis.

**Operator**

Our next question comes from the line of Josh Baer with Morgan Stanley. Please proceed with your question.

**Josh Baer**

Great. Thanks for the question. I want to shift over to margins and profitability. Allan, a question for you. If you could just talk a little bit about the change in investment philosophy from the top. Blake, just



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wondering—the comments around commitment to improving efficiency, does that translate to continued margin expansion even after FY ’25 as we think about 2026 and beyond?

**Allan Thygesen**

Yes. First on our overall investment and expense philosophy. Look, we want to balance solid operational execution and efficiency today with being able to invest for the medium- to long-term growth that we think we have in front of us, and so we're balancing that all the time. As we looked at taking the action that Blake referred to at the beginning of February, we felt we had a little more room to get just a little leaner and be ready and still not impair our ability to grow as we launch new products and so on. That's the balance that we're taking.

We will keep looking for opportunities, and it's obviously not all about headcount. We have gotten tremendous efficiency out of the organization on many fronts. That's what produced the strong results that you saw in Q4, and really throughout the year, and the operating cash flow improvements. We'll keep looking for those opportunities. But we feel we are rightsized for our plan right now, and if we start seeing further investment opportunities then we will invest, but we do that on a cautious and informed basis.

**Blake Grayson**

Just a follow-up on your question on margins in the future. I just want to point out that I'm really proud of this team for the efficiencies that we've gained this year. I mean, specifically, in fiscal '23, our sales to marketing expense was 40% of our revenue. In this year, fiscal '24, it improved to 34%. I expect next year to be in the low 30s. That's not an easy process to go through, but it's important and I'm really proud of the focus of the team to address those gains.

I think for us in the future, and the future what I'm talking about is let's talk about long term here now without a timeline on it. We have opportunities to be able to drive further operating leverage with scaling growth. Can we grow our revenue faster than we do our expense base? That's partly what we're building here. One of the things we're focusing pretty hard on as a team is—you hear about PLG motions and self-service motions and things like that, and I think over the long-term, those opportunities do provide us the opportunity to get even better margins into the future, but no specific timeline or anything around that.

**Allan Thygesen**

Yes, that's great. Maybe just as a reminder to the point that Blake just made about our sales marketing efficiency. The reduction force that we had last February was 95% focused in the sales marketing area. This time around, it was a little bit more balanced, but still over weighted in sales and marketing, reflecting that we felt we had efficiency opportunities throughout the Company, and we wanted to make sure we capture those. I think at this point, to the extent we make in incremental investments, it will probably be in R&D first. But obviously, as we launch new products, and if that we start seeing some leverage there, then we'll not hesitate to invest there as well. Just want to see that first.

**Operator**

Our next question comes from the line of Brent Thill with Jefferies. Please proceed with your question.

**Luv Sodha**

Thank you, Blake and Allan for taking my questions. This is Luv Sodha on for Brent Thill. I wanted to maybe ask first to Allan, if you could just tease out how much—it sounds like most of the improvement



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this quarter was because of better execution versus more macro normalizing. Could you just tease that out and which verticals sort of drove the improvement that you saw.

Blake, it sounds like free cash flow was really strong this quarter. I guess just talk a little bit more about how you're planning to use that free cash flow specifically for share repurchases.

**Allan Thygesen**

Yes. I'll go first. We really did see strength across the board. Our cost segments, Blake highlighted that we had progress both on the enterprise side and the SMB side. From a geography perspective, yes, we grew faster internationally, but we did grow everywhere.

On the industry side, we did see a broad-based strength there as well, some recovery in (inaudible) mortgages, but we sell to customers in all industries. I highlighted, during the full, new significant deals in manufacturing, in energy, and health, and so on. There's hardly an industry that doesn't rely on agreements, and therefore, doesn't represent an opportunity for us. There really isn't much there. At an overall macro sentiment, I would say, marginally improved from my standpoint. We're not projecting anything more than that looking ahead. As always, we base our plan on current macro conditions, but I think there was a little bit of help across the breadth of our business. But we're almost an index just given the breadth of verticals, segments, and countries that we have.

**Blake Grayson**

To follow up on the second question about free cash flow and how we utilize it. We're in a great spot. We ended the quarter or the year with cash and investments of $1.2 billion. No debt now on the balance sheet. Also, obviously, we have a foundational business now that generates considerable amount of free cash flow. We deployed some of that this year for, like you talked about, stock buybacks, but we also used it to retire debt. There's obviously M&A opportunities for us, and we're likely more active than you think we are about looking around what opportunities are available for us. We can invest in the business or you have options for dividends, things like that, down the road.

I would say that with that kind of stabilizing result and the operating efficiency improvements we weighed, we feel we can increase our ability to opportunistically return capital to shareholders while still investing in the business. We're committed to increasing the rate with which we return excess capital opportunistically to shareholders, and we'll see how that develops out over the year.

**Operator**

Our next question comes from the line of Rishi Jaluria with RBC Capital Markets. Please proceed with your question.

**Chris Fountain**

Hi. This is Chris Fountain on for Rishi Jaluria. Thanks for taking my question. I wanted to first ask about the large customer cohort strength that you saw in the quarter. Is that better volume and consumption trends or is CLM capabilities kind of starting to push some customers over that $300,000 ACV cohort? Also, I was wondering if you could just dig in a little bit more to the R&D investment priorities you mentioned for the coming year. Thanks.

**Blake Grayson**

I'll take the…



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**Allan Thygesen**

You take the first one and I'll take the R&D.

**Blake Grayson**

Yes, I would say definitely saw improvement in enterprise customers again, the $300,000 accounts growing sequentially quarter-over-quarter. I'll say that from a renewal rate perspective, enterprise still has room to improve, but I will say that our renewal rates improved sequentially in Q3 to Q4 in the enterprise space, more than any other kind of large customer segment that we had. But still room to improve there, admittedly, and so we're excited about the opportunities, mostly in R&D, that give us those opportunities to provide additional solutions and products to customers. I'll let Allan…

**Allan Thygesen**

Yes, on the R&D investment front, I'd say we've long felt there was an opportunity to reimagine the agreement journey for companies large and small, and we've add solutions at various stages of that journey in the past, obviously, most exemplified by our signature products. In about a month, we will release a broader suite of solutions there, and there's been a significant investment in that effort during the course of the last fiscal year. That will continue because we feel we have a multiyear road map of value creation ahead of us there. That is the biggest investment area. In addition to that, one other area that's getting a meaningful amount of investment is we are moving our platforms to the public cloud, Microsoft Azure, that's underway, and that's a significant effort as well from an infrastructure perspective. Those are the two things I'd highlight.

**Operator**

Our next question comes from the line of Brad Sills with Bank of America. Please proceed with your question.

**Adam Bergere**

Hi, this is Adam Bergere on for Brad. I guess I'd like to start—what are some of the initiatives you are making in terms of the product-led growth or self-serve motions? What changes have you made so far there, and what changes do you still want to make?

**Allan Thygesen**

Yes. Let me take that one. I think during the course of the fiscal year that we just finished here, a lot of our effort was on making the process of buying DocuSign directly from DocuSign, on our website and in our products much more seamless. We made substantial improvements there, so much better flows to allow you to easily upgrade solutions to focus better use of a variety of payment solutions, etc.

I'd say this year that will expand beyond the core e-signature products to some of the newer products that we'll be launching and to supporting other channels. Most notably our direct sales channel, we want to offer those customers the ability to self-serve to the greatest extent possible and there will be significant capabilities added there throughout the year, and also for our partners where we have, I think, opportunities for meaningful improvement and how easy it is to do business with us. That's another area we're investing in.



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This is across every pillar of our go-to-market, and our effort has already borne fruit, as you've seen in our digital sales growth, and it will really impact across the business, I think, this year. So, very excited about that.

**Operator**

Our next question comes from the line of Patrick Walravens with Citizens JMP. Please proceed with your question.

**Austin Cole**

Hi. Thanks for taking my question. This is Austin Cole on for Pat. Last quarter, it seemed like you mentioned that there was an uptick in interest in CLM, and now you're seeing strong adoption of CLM among enterprise customers. Is there kind of an incremental improvement in tone there? Or can you just talk broadly about the CLM opportunity and how you guys are situated? Thank you.

**Allan Thygesen**

Yes, so I do think the CLM market overall is improving, and I do think we're executing better in the CLM market. I think CLM overall—I see more and more companies are realizing that managing your agreements better and getting more value out of them is a very strategic opportunity. It's definitely rising in the priority list. So, CLM, ours and others, is an increasingly strategic and interesting solution. We're seeing more RFPs and so on.

In terms of our competitive position, I think we're in a very strong position, as illustrated in the Gartner survey and other measures of our position in the market—we have the largest number of accounts and are very well rated by customers for our experience. We think there's more opportunity there to, should we say, popularize CLM to a broader audience, both within companies who are going to adopt it, as well as to smaller companies where the weight of the current solutions might not be appropriate. It's a very positive and strategic opportunity for us. Yes, I would summarize that to say, on both fronts, some improvement.

**Blake Grayson**

Yes, and just a follow-up or maybe to add on to what Allan said. You heard in our prepared remarks, CLM grew faster than the total business and it also accelerated on a year-over-year basis from Q3 to Q4. Obviously, it's still a smaller share of our business, but still encouraged by that acceleration for that product.

**Operator**

Our next question comes from the line of Scott Berg with Needham. Please proceed with your question.

**Rob Morelli**

This is Rob Morelli on for Scott. Thanks for taking my question. (Inaudible) margin here with non-GAAP operating margins expanding 500 basis points. However, G&A was actually up as a percentage of revenue. Two questions here: first, why were we not able to drive leverage throughout the year; and then second, how do we think about spend into 2025 in this (inaudible)? Thanks.

**Blake Grayson**



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Sure. Let me take a stab at that. Yes, G&A expense, non-GAAP G&A was up 14% year-on-year. There's two unique items that are contributing to that. One is we used to—immaterial dollar amount, so when you look at a relatively small kind of (inaudible) split-out bucket. It has a bit of an effect. A couple of million dollars we used to allocate out in the prior year. We're not doing that now, but it's an immaterial kind of dollar amount overall. Then also a little bit higher litigation cost for us this year versus last year. If you exclude those two, what I'll call unique items, G&A would have grown in the low single-digits year-over-year.

What I would say is from the efforts we've taken over the past few months, and recently, not only do I expect that sales and marketing expense declined year-on-year as a percentage of revenue, but I also expect to see some efficiencies and improvements in G&A as well. I think we're focused across this business to drive efficiencies where needed, and I expect to see that next year.

**Operator**

The next question comes from the line of George Iwanyc with Oppenheimer. Please proceed with your question.

**George Iwanyc**

Thank you for taking my question. Allan, maybe you could dig in a little bit deeper on the international strength you're seeing. How much of that is being partner-led? What are you seeing from your digital initiatives there? Maybe give us some color on the regional breakdown.

**Allan Thygesen**

Yes. Our international growth is led more by our direct channel today. I think we have very substantial opportunity on the digital front and on the partner side, which is relatively immature right now, and we think there's a lot of headroom. So, lots of growth opportunity there, but most of the growth today is coming from our direct sales efforts, principally in the larger focused countries, so the top 10 markets outside the U.S. that you would expect. As you know, we've been investing in Japan and Germany. But today, U.K., Australia, Canada, France are a little larger than both of those. All of those markets are priorities.

**Operator**

Our next question comes from the line of Rob Owens with Piper Sandler. Please proceed with your question.

**Rob Owens**

Hi. Thanks for taking my question. Just a quick one around your LLM training. I know there was some stuff in the media just regarding privacy. Curious, from your perspective, what are internal policies, and how are you training those LLMs? Thanks.

**Allan Thygesen**

Yes, I'll take that one. Yes, I want to be very clear, we do not use any customer data for training any of our AI models without specific contractual consent from customers. End of story. We have a high trust position with customers. They trust us with their most sensitive documents, and we don't want to do anything to violate that trust. There are probably some companies who—people who are willing to move aggressively here, but I think we're moving responsibly and cautiously on that. With all that said, we are



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very excited about what AI can bring, and our customers are asking us for how can we extract more value from us using more modern AI technology, and so you'll hear a lot more about that momentum. But to the point about—the trust is the starting position.

One other point I'd make is, assuming you give us consent, we then anonymize and aggregate that data so that there is no opportunity for anyone to extract any confidential issues or data out of the agreements.

**Operator**

Our next question comes from the line of Mark Murphy with J.P. Morgan. Please proceed with your question.

**Mark Murphy**

Thank you very much and congrats on a nice finish to the year. Thinking back to last quarter, you had mentioned the introduction of some new enterprise licensing structures, and there was some comparison, I believe, to ELAs. Wondering if you can shed a bit more light on any changes made there, and when they were implemented? Blake, did it have any effect on Q4 financial results? For instance, would it change any of the ratios between bookings and billings and recognized revenues? Or any type of impact to think about from those changes going forward?

**Allan Thygesen**

Yes, so we have done a few deals like that, and I think it will continue to grow with some of our very largest clients. As we offer a broader set of products, obviously, an enterprise license also becomes more interesting as you can mix and match across products, but it still remains a very small part of the business. Even some of our very largest customers, some of the contract renewals remain on an envelope basis.

**Blake Grayson**

Yes, and just to add on top of that, while we're super excited about the opportunity in very specific cases to consider those, it's not a huge number for us today. It grows. It's continuing to grow. Again, I think, and to directly answer your question, no material impact on our results for Q4. But it's also one of these things, I think, in this business, we have a very, very broad and diverse customer base, so we don't have single customers that, I would say, vastly impact us like there might be at other companies, which I think is a strength for us. But anyways, just to directly answer your question, no material impact to Q4.

**Allan Thygesen**

Yes, I would make one other point. ELA has a very specific connotation of sort of unlimited consumption and being able to combine products across. We have leaned in significantly harder to make sure that we are competitive in large enterprise deals, and we did some very large and very nice renewals with some large customers. I think in part, as a result of that, improved motion. So, we have senior people on it, we have our large deal desk, we have all the things that you would expect to make sure that we are as competitive as possible.

**Operator**

Our next question comes from the line of Michael Turrin with Wells Fargo Securities. Please proceed with your question.



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**Michael Berg**

Hi. Thanks for taking my question. This is Michael Berg on for Michael Turrin. I just wanted to touch on free cash flow. You had a very strong free cash flow generating quarter end year. Maybe you could just shed some light on what drove that? Was it some of the renewal timing you discussed in terms of billings in the quarter? And how can we think about the relationship between operating margin and free cash flow moving forward? Thanks.

**Blake Grayson**

Sure. Yes, we did have a very strong quarter end year. As it regards to free cash flow, we had a 32% free cash flow yield for fiscal '24. The reason why it's materially higher than our operating margin is frankly, just a working capital tailwind that we had, and it's really driven by two components. One is if you recall about a year ago, we had an ERP implementation that caused a delay in our ability to do some collections. Earlier this year, we've got a tailwind from that. But on top of that, we've also improved our collections process, I would say, extremely well, reduced ageing. So, I would say, just really brought some operational efficiency to our working capital that showed that improvement.

Now, going forward, as you all know, being able to repeat working capital improvements on top of each other year-over-year, while we're going to strive to be able to continue to improve and gain efficiencies, it's not something you usually can just get pretty easily. That's why in the prepared remarks, you'll find that I would expect longer term to assume a free cash flow yield more closer to that operating margin.

**Operator**

Our final question comes from the line of Alex Zukin with Wolfe Research. Please proceed with your question.

**Arsenije**

Hi. This is Arsenije on for Alex Zukin. Congrats on results. With the international strength you have seen this year, I think it has contributed close to 45% of total revenue growth in fiscal '24. Do you expect this to be an even greater contribution to growth in fiscal '25? Does this mix stay the same? Or as you roll through the drag from the pandemic cohorts early in fiscal '25, do you think that there is strong renewal expansion domestically if macro stays the same, that leads to more U.S. contribution to top line growth in fiscal '25? Thank you.

**Blake Grayson**

Yes. Thanks for the question. Well, first off, again, really happy with how our international growth has progressed through the year, growing much faster than the overall business. All of our major regions grew to the double-digits in Q4.

To the question about whether we think it accelerates more or less, I'm not going to provide any guidance out to that. But what I will say is, just to reiterate, the international opportunity for us, I think, is quite sizable. Only 27% of our revenue in Q4 came from our international business. If you think of GDP or something as a proxy, it should be much higher than that. I'm really excited for that longer-term opportunity, but not in any place to say, oh, I think it will accelerate faster or slower than any other market.

**Allan Thygesen**



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Yes. Okay. With that, thank you all for joining and for your support as we continue to build a solid foundation for DocuSign. We are proud of the strong results in Q4 and of the progress that we're making to reinvigorate innovation and add value for our customers, our employees, and shareholders. We look forward to what will be a very exciting fiscal 2025. Thank you. We'll see you next quarter.

**Operator**

This concludes today's teleconference. You may disconnect your lines at this time. Thank you for your participation.



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