docusign

Q3 FY25 Investor Prepared Remarks

December 5, 2024

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.

Allan Thygesen
CEO



Introduction

In Q3, we delivered powerful new innovation for customers, highlighted by new capabilities for the Docusign Intelligent Agreement Management (IAM) platform. We also continued to drive improved performance and maintained greater efficiency in our core business.

Q3 revenue was $755 million, up 8% year-over-year. Fundamentals across the core business improved, continuing the recent trends. Dollar net retention increased to 100% in Q3, up from its low of 98% in Q4 FY24. Increases in customer usage and utilization combined with our ongoing focus on gross retention drove dollar net retention improvement. We also saw sustained momentum in new customer growth at 11% year-over-year to 1.6 million customers. In addition, we produced strong profitability with 29.6% non-GAAP operating margins, up from 26.8% in Q3 Fiscal 2024, evidence of our commitment to improving efficiency while making the needed investments to re-accelerate growth.

As we move forward, we've set our sights on delivering transformational value for our customers with the Docusign IAM platform. We recognize that it is early days in the multi-year IAM journey, but we believe we have taken strong initial steps on the path towards our aspiration to achieve sustainable long-term double-digit growth. Our Q3 results demonstrate continued progress across our three strategic pillars: accelerating product innovation, strengthening our omnichannel go-to-market capabilities, and increasing operating efficiency.

Product Innovation

Starting with innovation, we enhanced the IAM platform across three fronts: launching several new capabilities, expanding availability to more regions, and enabling department-level deployments for enterprise customers. These releases help customers of all sizes cut into the staggering $2 trillion in global economic value lost each year to inefficient agreement management.

Within just a few months of closing the Lexion acquisition, we've built Lexion's AI capabilities into the IAM platform, including the ability to surface insights from a more extensive array of agreement types in Docusign Navigator. Navigator is a core capability of the IAM platform, acting as a system of record where customers can import, store, manage, search, and use AI to analyze agreements from multiple sources. In Q3, we further enhanced Navigator by adding third-party document imports from partners, including Box, Dropbox, Google Drive, and Microsoft OneDrive and SharePoint. In addition, we launched an upgraded search experience that includes predictive typeahead functionality, more filters, and the ability to export results.

We also expanded the availability of IAM to more geographies. In early October, IAM with Docusign Maestro—our automated agreement workflow builder—shipped to all regions where Docusign operates, including North America, Latin America, EMEA, and most countries in APAC. Also, just this week, we released new AI features in Navigator across five major markets—Australia, Canada, France, Germany, and the UK. In these countries, we've created AI models that meet local regulatory and compliance requirements.

In November, we began making IAM available for department-level use cases for enterprise customers. This begins the multi-year journey toward delivering enterprise-wide IAM deployments, which will eventually include more sophisticated access controls and compliance management, more complex agreement workflows, and even greater breadth and depth of third-party integrations. This measured rollout allows us to fine-tune our product development and go-to-market execution based on customer feedback.

Part of our evolution into a platform company is supporting a dynamic community of developers, builders, and partners to create new solutions that extend the capabilities of our IAM platform. Just two weeks ago, at Docusign Discover, we showcased IAM integrations with Microsoft, SAP, and Workday and introduced a suite of developer tools, Docusign for Developers, that our partners will use to build apps powered by the IAM platform. Partners can share their apps in the Docusign App Center.

Product Innovation

With Docusign CLM, we continue to invest in innovation for customers with complex agreement management needs. In Q3, we incorporated Lexion's AI-assisted contract review and launched document markup in Microsoft Word documents into CLM, allowing customers to quickly review and edit contracts. We also released a powerful new Docusign Connector for SAP Ariba, which speeds up the source-to-pay agreement process for procurement and expands on our SAP partnership.

For the fifth consecutive year, Docusign CLM has been named a leader in Gartner's Magic Quadrant for CLM. Gartner says Docusign is "in a strong position for both influencing the market and securing a place for consideration on prospective customers' evaluation shortlists." CLM is a powerful application for customers with sophisticated workflows and remains a fast-growing part of our business.

In short, we have reignited Docusign's culture of innovation with a robust product roadmap, faster product releases, and a commitment to supporting a thriving developer ecosystem.

Omnichannel Go-To-Market

Now let's turn to the second strategic pillar, our omnichannel go-to-market.

In Q3, we accelerated the rollout of Docusign IAM and gained traction with small and mid-sized customers in the United States, Canada, and Australia. Early sales momentum has outpaced our expectations. In Q3, we closed more than 10 times as many IAM deals as we did in Q2, with deal volume increasing every month in the quarter. 80% of our reps eligible to sell IAM in the initial launch markets have closed three or more deals, and nearly 60% have sold six or more.

Equally encouraging is the strong customer engagement with the IAM platform. Time to live is remarkably quick—slightly faster than eSignature. We also see customers increasing their usage of IAM applications, particularly Navigator, each month they are live on the platform. The speed and ease of adoption strengthen our ability to market IAM to hundreds of thousands of customers through our direct sales force. Our customers can seamlessly upgrade to IAM when they renew their contracts, and quickly begin to transform how they manage their agreements.

Omnichannel Go-To-Market

As an example of customer success, KPC Private Funds, which connects wealth management firms with alternative investment opportunities, has slashed its client onboarding time by 70% using Maestro, and anticipates reducing onboarding time by 90%. Royal Neighbors of America, a life insurance company, will use Maestro to accelerate new member application processing and customer service workflows across multiple parts of its business, replacing a manual code-based process with a flexible self-service workflow. Employee engagement platform Catchafire is using Docusign IAM for Sales and its Salesforce integration to streamline contract creation and create an agreement repository.

Another top priority has been evolving our self-serve capability. Self-serve investments led to a year-over-year acceleration in digital revenue growth in Q3 versus Q2. During the quarter, we improved our upsell capabilities making it easier for digital customers to upgrade their plans, leading to larger-than-anticipated revenue expansion. We also made additional add-on products available online, like multi-channel delivery, including SMS and WhatsApp as well as ID verification. We will continue to improve how customers discover, try, use, and buy our products digitally, enabling greater scale and efficiency across our business.

Also, as we begin to deploy IAM at the department level with enterprises, we'll build on the existing use case breadth already deployed by larger customers through our direct and partner channels. Cox Automotive, the parent company of Autotrader and Kelley Blue Book, is executing 55% more contracts per month by deploying Docusign CLM to streamline workflows, simplify negotiations, and automate reviews of standard contract clauses. CLM enables Cox to execute agreements 31% faster, radically accelerating its time to revenue. IKEA Portugal has reduced new employee onboarding time by managing employee-related contracts digitally instead of on paper. In addition to eSignature, IKEA Portugal has adopted both Docusign ID Verification for EU Qualified and its Identity Wallet, enabling them to easily and efficiently use the EU's most secure form of digital signature, the Qualified Electronic Signature. United Airlines has accelerated the onboarding process for new hires from weeks to days by using our integration with ServiceNow in its HR organization.

Closing

In closing, we're pleased with our strong execution as we rapidly innovate the IAM platform. I am excited about the significant opportunity to deliver value for our customers by transforming how the world manages agreements. And I'm proud of the way we're strategically investing in the future while maintaining the improvements we've made to overall profitability.

When I joined Docusign, we had a vision that our position as the world's leading and most trusted electronic signature company created a unique opportunity to help customers address the entire end-to-end agreement process. I want to thank the entire Docusign team for embracing this challenge and bringing so much energy, enthusiasm, and customer focus to this mission. Docusign is gaining momentum in our first steps in a multi-year transformation, and we're optimistic about the long-term future ahead.

Blake Grayson
CFO



Introduction

We delivered another strong quarter in Q3. Our business showed improvements as we executed against our three strategic pillars: accelerating product innovation, strengthening our omnichannel go-to-market capabilities, and increasing operating efficiency. In addition to demonstrating an improving core business, during our first full quarter since the late Q2 IAM platform launch, we saw encouraging signs of early traction with growing IAM deal volumes and customer engagement.

Business Stabilization

Q3 total revenue was $755 million and subscription revenue was $735 million, both up 8% year-over-year. Billings were $752 million, up 9% year-over-year. Early renewals drove approximately one-third of the billings outperformance, with the remainder coming from better retention performance, digital growth, and early IAM contributions. As a reminder, quarter-to-quarter billings can fluctuate due to the timing of deals.

The dollar net retention rate improved to 100% in Q3, up from 99% in Q2 and up 2 points from the historical low of 98% in Q4 Fiscal 2024. This represents substantial progress in our focus on stabilizing the core business, and I'm proud of our team's work to improve customer retention. We believe we have a large remaining opportunity to improve retention as we better align our product and go-to-market motions with customer needs. As we look into Q4, we expect dollar net retention to be flat to up slightly.

Business Stabilization

Continued year-over-year improvements in usage, utilization, and customer growth further supported positive business trends in Q3. Usage trends, once again, showed modest improvements. The volume of envelopes sent increased year-over-year for the fourth consecutive quarter. Also, consumption, a measure of utilization, continued to improve year-over-year, particularly in verticals like insurance, technology, and healthcare.

We continued to see consistent growth in new customer acquisition. In Q3, total customers grew 11% year-over-year to 1.6 million. This continued momentum in customer growth underscores the importance of investing in multiple routes to market across segments and geographies. Moreover, our customer base's unique breadth and scale create a solid foundation for future adoption of the IAM platform.

The number of large customers spending over $300k annually increased both year-over-year and quarter-over-quarter to 1,075 in Q3. In addition, investments in our self-service motion continue to deliver results, and in Q3, digital revenue growth accelerated from Q2. We continue to invest in PLG programs to improve self-service experiences, such as self-service plan upgrades, which helped drive results during the quarter.

International revenue represented 28% of total revenue and grew 14% year-over-year. Our global expansion strategy is an important component of our long-term vision, and we are optimistic about the continued growth opportunities in our international markets, especially as the IAM platform becomes available outside of North America.

IAM Progress

As Allan mentioned, we are seeing early signs that customers appreciate the value and opportunity that the IAM platform presents for their businesses. Many companies struggle to untap the full value of their extensive agreement inventory, and IAM provides the tools and intelligence to unlock the insights and opportunities in those agreements. IAM deal volume grew rapidly from Q2 into Q3 as our Go-To-Market teams have embraced the opportunity, with 80% of eligible reps closing at least 3 IAM deals in Q3. Beginning in November, we launched IAM in some international small and mid-sized customer segments, and are just beginning to embrace departmental opportunities in our enterprise segments as well. It will take time to continue ramping IAM throughout Fiscal Year 2026 and driving adoption in the years to come, but early signals have been promising, and we are just getting started.

Financial and Operating Efficiency

Turning to the financials, our focus on operating efficiency yielded strong results this quarter.

Non-GAAP gross margin for Q3 was 82.5%, slightly lower than the prior year's 83.0% due to the impacts of additional cloud migration costs. As previously mentioned, gross margins have been impacted this year due to the ongoing cloud infrastructure migration resulting in some additional expenses associated with this transition. We expect a slightly larger gross margin impact in Fiscal Year 2026 as we complete the bulk of that migration next year before easing in Fiscal Year 2027 and beyond.

Non-GAAP operating income for Q3 was $223 million, up 19% year-over-year, resulting in a 29.6% operating margin. Q3 operating margin was up nearly 300 basis points vs. last year and significantly improved over the 22.8% operating margin from two years ago. As mentioned during last quarter's earnings call, Q3 operating margins declined vs. Q2 Fiscal 2025 due to both the approximately 150 basis point margin benefit from one-time items highlighted last quarter, and slightly from our investments to support the IAM launch and rollout.

We are pleased with the overall improvement in profitability vs. last year, and will continue to balance overall efficiency while making critical investments in areas like R&D.

We ended Q3 with 6,705 employees vs. 6,945 last year, down approximately 3%, reflecting our disciplined approach to resource allocation. We continue to take a measured approach to hiring to support our strategic initiatives, including R&D, PLG, and the Lexion acquisition. While headcount has increased since Q1 Fiscal 2025, we are thoughtful about how and where we add talent.

Q3 was another strong quarter for cash flow. We delivered $211 million of free cash flow, a 28% margin. Our free cash flow yield improved from Q2, which was better than expected, driven by increased collections efficiency and higher in-quarter billings. For the full fiscal year, we expect that our free cash flow margin will approximately match our full-year non-GAAP operating margin.

Our balance sheet remains strong, closing the quarter with $1.1 billion in cash, cash equivalents, and investments. We have no debt on the balance sheet. This financial stability, combined with consistent free cash flow generation, enables us to invest in the business while also returning capital to shareholders opportunistically.

Financial and Operating Efficiency

In Q3, we repurchased $173 million of stock through share buybacks, effectively redeploying the bulk of our quarterly free cash flow generation back to shareholders. We have $770 million remaining under our current repurchase authorization, and we expect to continue to opportunistically repurchase shares as part of our capital allocation strategy. During the quarter, we also used $51 million in cash to pay taxes due on RSU settlements, reducing the dilutive impact of our equity programs.

Regarding the cost of our equity programs, our Q3 stock compensation expense as a percentage of revenue dropped approximately 250 basis points from the prior year. We expect to continue to reduce our stock compensation expense as a percentage of revenue in Fiscal Year 2026, partly as we shift some roles to predominantly cash compensation vs. equity.

Non-GAAP diluted EPS for Q3 was $0.90, an $0.11 per share improvement from $0.79 last year. GAAP diluted EPS was $0.30 vs. $0.19 last year.

Guidance

With that, let me turn to guidance.

For the fourth quarter and fiscal year 2025 we expect total revenue of $758 million to $762 million in Q4 or a 7% year-over-year increase at the midpoint, and $2.959 billion to $2.963 billion for Fiscal 2025 or a 7% year-over-year increase at the midpoint.

Of this, we expect subscription revenue of $741 million to $745 million in Q4 or a 7% year-over-year increase at the midpoint, and $2.885 billion to $2.889 billion for Fiscal 2025 or a 7% year-over-year increase at the midpoint.

For billings, we expect $870 million to $880 million in Q4 or a 5% growth rate year-over-year at the midpoint and $3.056 billion to $3.066 billion for Fiscal 2025 or growth of 5% year-over-year at the midpoint. As a reminder, we had a strong Q4 of Fiscal 2024 with 13% year-over-year billings growth partially driven by early renewal strength that creates a hard year-over-year comparison.

We expect non-GAAP gross margin to be 81.0% to 82.0% for Q4 and 81.9% to 82.1% for Fiscal 2025.

Guidance

We expect non-GAAP operating margin to reach 27.5% to 28.5% for Q4 and 29.5% to 29.7% for Fiscal 2025.

We expect non-GAAP fully diluted weighted average shares outstanding of 209 million to 214 million for Q4 and 210 million to 212 million for Fiscal 2025.

Closing

In closing, in Q3, we made continued progress toward strengthening the IAM platform vision and improving the performance of our core business. We also maintained our focus on operating efficiency and produced strong non-GAAP operating profit and free cash flow.

Looking forward from this foundation, we remain energized by our strategic roadmap as we continue to roll out additional capabilities to the IAM platform, scale more effectively across customer segments and geographies, and deepen relationships with our customers and partners. We remain in the early stages of bringing our vision to life, and we believe that consistent execution will drive innovation for our customers, empower our employees, and deliver long-term value to our shareholders.

Appendix

Safe Harbor

This document contains "forward-looking" statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, that are based on our management's beliefs and assumptions and on information currently available to management, and which statements involve substantial risk and uncertainties. All statements contained in this document other than statements of historical fact, including statements regarding our future operating results and financial position, our business strategy and plans, market growth and trends, objectives for future operations, and the impact of such assumptions on our financial condition and results of operations are forward-looking statements. Forward-looking statements in this document also include, among other things, statements under "Guidance" above and any other statements about expected financial metrics, such as revenue, billings, 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 benefits, rollout and customer demand of the Docusign IAM platform. Forward-looking statements generally relate to future events or our future financial or operating performance. In some cases, you can identify forward-looking statements because they contain words such as "may," "will," "should," "expects," "plans," "anticipates," "could," "intends," "target," "projects," "contemplates," "believes," "estimates," "predicts," "potential," or "continue" or the negative of these words or other similar terms or expressions that concern our expectations, strategy, plans or intentions.

Forward-looking statements contained in this document include, but are not limited to, statements about: our expectations regarding global macro-economic conditions, including the effects of inflation, volatile interest rates, and market volatility on the global economy; our ability to estimate the size and growth of our total addressable market; our ability to compete effectively in an evolving and competitive market; the impact of any data breaches, cyberattacks or other malicious activity on our technology systems; our ability to effectively sustain and manage our growth and future expenses and maintain or increase future profitability; our ability to attract new customers and maintain and expand our existing customer base; our ability to effectively implement and execute our restructuring plans; our ability to scale and update our platform to respond to customers' needs and rapid technological change, including our ability to successfully incorporate generative artificial intelligence into our existing and future products; our ability to successfully execute our technical developments, go-to-market and sales strategy for our IAM platform; 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 or other indebtedness; 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 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, 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 regional and global conflicts; 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, 2024 filed on March 21, 2024, our quarterly report on Form 10-Q for the quarter ended October 31, 2024, which we expect to file on December 6, 2024 with the Securities and Exchange Commission (the "SEC"), and other filings that we make from time to time with the SEC. The forward-looking statements made in this document relate only to events as of the date on which such statements are made. We undertake no obligation to update any forward-looking statements after the date of this document or to conform such statements to actual results or revised expectations, except as required by law.

Non-GAAP financial measures and other key metrics

To supplement our consolidated financial statements, which are prepared and presented in accordance with 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, amortization of debt discount and issuance costs, fair value adjustments to strategic investments, acquisition-related expenses, lease-related impairment and lease-related charges, restructuring and other related charges, as these costs are not reflective of ongoing operations 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 2024 and fiscal 2025, we have determined the projected non-GAAP tax rate to be 20%.

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 can be used to measure our periodic performance, when taking into consideration the timing aspects of customer renewals, which represents a large component of our business. 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" at the end of this document.

GAAP to Non-GAAP gross profit reconciliation

Gross Profit (in $ thousands)	Three Months Ended October 31, 2024	Three Months Ended October 31, 2023	Nine Months Ended October 31, 2024	Nine Months Ended October 31, 2023
GAAP gross profit	598,283	557,776	1,739,039	1,624,782
Add: Stock-based compensation	19,627	21,048	59,101	59,502
Add: Amortization of acquisition-related intangibles	3,566	2,070	8,703	6,787
Add: Employer payroll tax on employee stock transactions	894	537	2,733	1,925
Add: Lease-related impairment and lease-related charges	—	—	—	721
Non-GAAP gross profit	622,370	581,431	1,809,576	1,693,717
GAAP gross margin	79.3%	79.6%	79.0%	79.3%
Non-GAAP gross margin	82.5%	83.0%	82.2%	82.6%

Subscription Gross Profit (in $ thousands)	Three Months Ended October 31, 2024	Three Months Ended October 31, 2023	Nine Months Ended October 31, 2024	Nine Months Ended October 31, 2023
GAAP subscription revenue	734,693	682,352	2,143,542	1,991,026
Less: GAAP subscription cost of revenue	134,587	114,227	393,561	339,354
GAAP subscription gross profit	600,106	568,125	1,749,981	1,651,672
Add: Stock-based compensation	14,862	13,705	44,636	38,143
Add: Amortization of acquisition-related intangibles	3,566	2,070	8,703	6,787
Add: Employer payroll tax on employee stock transactions	574	301	1,961	1,232
Add: Lease-related impairment and lease-related charges	—	—	—	505
Non-GAAP subscription gross profit	619,108	584,201	1,805,281	1,698,339
GAAP subscription gross margin	81.7%	83.3%	81.6%	83.0%
Non-GAAP subscription gross margin	84.3%	85.6%	84.2%	85.3%

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

Operating Income (Loss) (in $ thousands)	Three Months Ended October 31, 2024	Three Months Ended October 31, 2023	Nine Months Ended October 31, 2024	Nine Months Ended October 31, 2023
GAAP income from operations	59,030	19,738	139,459	21,699
Add: Stock-based compensation	153,228	159,410	455,552	450,835
Add: Amortization of acquisition-related intangibles	6,920	4,699	17,799	14,675
Add: Employer payroll tax on employee stock transactions	4,274	2,852	15,450	11,082
Add: Acquisition-related expenses	(376)	—	4,340	—
Add: Restructuring and other related charges	—	710	29,721	30,293
Add: Lease-related impairment and lease-related charges	—	—	—	4,460
Non-GAAP income from operations	223,076	187,409	662,321	533,044
GAAP operating margin	7.8%	2.8%	6.3%	1.1%
Non-GAAP operating margin	29.6%	26.8%	30.1%	26.0%

Free Cash Flow (in $ thousands)	Three Months Ended October 31, 2024	Three Months Ended October 31, 2023	Nine Months Ended October 31, 2024	Nine Months Ended October 31, 2023
Net cash provided by operating activities	234,326	264,177	709,360	708,828
Less: Purchases of property and equipment	(23,613)	(23,841)	(68,646)	(70,277)
Non-GAAP free cash flow	210,713	240,336	640,714	638,551
Free Cash Flow Margin	28%	34%	29%	31%
Net cash provided by (used in) investing activities	(43,698)	34,285	(280,585)	(22,626)
Net cash used in financing activities	(198,335)	(120,754)	(607,277)	(211,005)

GAAP to Non-GAAP operating expenses reconciliation

	Three Months Ended October 31,		Nine Months Ended October 31,	
Sales & Marketing (in $ thousands)	2024	2023	2024	2023
GAAP sales and marketing	290,597	292,473	859,705	867,916
Less: Stock-based compensation	(49,347)	(53,715)	(154,396)	(150,604)
Less: Amortization of acquisition-related intangibles	(3,354)	(2,629)	(9,096)	(7,888)
Less: Employer payroll tax on employee stock transactions	(1,618)	(875)	(5,351)	(3,945)
Less: Lease-related impairment and lease-related charges	—	—	—	(2,171)
Non-GAAP sales and marketing	236,278	235,254	690,862	703,308
GAAP sales and marketing as a percentage of revenue	38.4%	41.8%	39.1%	42.3%
Non-GAAP sales and marketing as a percentage of revenue	31.3%	33.6%	31.4%	34.3%
Research & Development (in $ thousands)	2024	2023	2024	2023
GAAP research and development	151,101	136,640	432,992	387,964
Less: Stock-based compensation	(53,184)	(48,310)	(150,816)	(129,458)
Less: Employer payroll tax on employee stock transactions	(1,273)	(876)	(5,592)	(3,671)
Less: Lease-related impairment and lease-related charges	—	—	—	(873)
Non-GAAP research and development	96,644	87,454	276,584	253,962
GAAP research and development as a percentage of revenue	20.0%	19.5%	19.7%	18.9%
Non-GAAP research and development as a percentage of revenue	12.8%	12.4%	12.6%	12.4%
General & Administrative (in $ thousands)	2024	2023	2024	2023
GAAP general and administrative	97,555	108,215	277,162	316,910
Less: Stock-based compensation	(31,070)	(36,337)	(91,239)	(111,271)
Less: Employer payroll tax on employee stock transactions	(489)	(564)	(1,774)	(1,541)
Less: Acquisition-related expenses	376	—	(4,340)	—
Less: Lease-related impairment and lease-related charges	—	—	—	(695)
Non-GAAP general and administrative	66,372	71,314	179,809	203,403
GAAP general and administrative as a percentage of revenue	12.9%	15.4%	12.6%	15.4%
Non-GAAP general and administrative as a percentage of revenue	8.8%	10.2%	8.1%	9.9%

Computation of billings

	Three Months Ended October 31,		Nine Months Ended October 31,	
Computation of Billings (in $ thousands)	2024	2023	2024	2023
Revenue	754,820	700,421	2,200,487	2,049,496
Add: Contract liabilities and refund liability, end of period	1,332,828	1,228,174	1,332,828	1,228,174
Less: Contract liabilities and refund liability, beginning of period	(1,334,461)	(1,233,894)	(1,343,792)	(1,191,269)
Add: Contract assets and unbilled accounts receivable, beginning of period	17,461	22,358	20,189	16,615
Less: Contract assets and unbilled accounts receivable, end of period	(18,341)	(25,253)	(18,341)	(25,253)
Add: Contract assets and unbilled accounts receivable by acquisitions	—	—	53	—
Less: Contract liabilities and refund liability contributed by acquisitions	—	—	(5,071)	—
Non-GAAP billings	752,307	691,806	2,186,353	2,077,763