docusign

Q1 FY26 Investor Prepared Remarks

June 5, 2025

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

Disclosures

Safe Harbor

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

Forward-looking statements contained in this document include, but are not limited to, statements about: our expectations regarding global macro-economic conditions, including the effects of inflation, volatile interest rates or foreign exchange rates, and market volatility on the global economy; our inability to accurately estimate our market opportunity; our ability to compete effectively in an evolving and competitive market; the impact of any interruptions or delays in performance of our technical infrastructure, or data breaches, cyberattacks or other fraudulent or malicious activity attempting to exploit our technology systems, platform or brand name; our ability to effectively sustain and manage our growth and future expenses and maintain or increase profitability; our ability to attract new customers and retain and expand our existing customer base, including our ability to attract large organizations as users; our ability to scale and update our platform to respond to customers' needs and rapid technological change, including our ability to successfully incorporate generative artificial intelligence into our existing and future products and to successfully deploy them; our ability to successfully develop, launch and sell IAM solutions; our ability to expand use cases within existing customers and vertical solutions; our ability to expand our operations and increase adoption of our platform internationally; our ability to strengthen and foster our relationships with developers; our ability to retain our direct sales force, customer success team and strategic partnerships around the world; our ability to identify targets for and execute potential acquisitions and to successfully integrate and realize the anticipated benefits of such acquisitions; our ability to maintain, protect and enhance our brand; the sufficiency of our cash, cash equivalents and capital resources to satisfy our liquidity needs; limitations on us due to obligations we have under our credit facility; our ability to realize the anticipated benefits of our stock repurchase program; our failure or the failure of our software to comply with applicable industry standards, laws and regulations; our ability to maintain, protect and enhance our intellectual property; our ability to successfully defend litigation against us; our ability to maintain our corporate culture; our ability to offer high-quality customer support; our ability to hire, retain and motivate qualified personnel, including executive level management; our ability to successfully manage and integrate executive management transitions; uncertainties regarding the impact of general economic and market conditions, including as a result of geopolitical conflict or changes in trade policies and practices; and our ability to maintain proper and effective internal controls.

Additional risks and uncertainties that could affect our financial results are included in the sections titled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our annual report on Form 10-K for the fiscal year ended January 31, 2025, filed on March 18, 2025, our quarterly report on Form 10-Q for the quarter ended April 30, 2025, which we expect to file on June 6, 2025 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, acquisition-related expenses, 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 2025 and fiscal 2026, 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.

Allan Thygesen
CEO



Introduction

Q1 2026 was an important quarter in our long-term transformation. At our annual Momentum customer event, we announced an ambitious roadmap for Docusign Intelligent Agreement Management (IAM), the world's leading AI-driven agreement platform. We are delivering innovation to customers at the fastest pace in our history.

Q1 financial performance was strong. Revenue of $764M and 8% growth outpaced our expectations from additional IAM customers and self-serve digital revenue contribution. Profitability outperformed with operating margins improving by 1% versus last year to 29.5%. A strong 30% free cash flow margin drove continued share repurchases and supports our conviction to authorize an additional $1 billion in buybacks.

As we transform Docusign, we continue to make long-term decisions to drive accelerated growth. As discussed last quarter, in Q1 we made several foundational go-to-market changes to realize IAM's potential. Our full-year guidance anticipated that these changes would lead to lower early renewal billings in Fiscal 26 after Q1. Instead, the impact happened sooner than anticipated, resulting in lower Q1 early renewals. As a result, billings growth ended slightly below our guidance range at 4% year-over-year, an outcome of timing not demand. Blake will discuss these dynamics and our financials in his remarks.

We are proud of the progress made in Q1 across our three strategic pillars. Over 10,000 customers have purchased the Docusign IAM platform. We have strong product-market fit in small and mid-market customers and early promise with enterprise and self-serve organizations. And we continue to make progress evolving our go-to-market to drive efficient long-term growth.

Product Innovation

Starting with our innovation pillar, the IAM platform has become the fastest-growing offering in Docusign's history, less than a year after its launch. Customers using IAM have processed tens of millions of agreements and continue to increase their engagement, especially through AI-generated dashboards and search in Docusign Navigator, our intelligent agreement repository. In Q1, IAM usage increased significantly thanks to UX improvements that better integrate Navigator with the eSignature envelope management experience.

The demand for IAM highlights the mission-critical nature of agreement management for organizations. In a new Deloitte report, 77% of business leaders cite agreement management as a key driver of outperformance. Attendance at our Momentum conference in April grew by 70% over last year with notable increases in partner attendance and executive-level participation. The New York event kicked off a global series of six additional Momentums across EMEA, APAC, and Latin America.

At Momentum, we shared our robust IAM platform vision and introduced a deep lineup of new AI-powered capabilities across the Create, Commit, and Manage agreement lifecycle.

Within Create, Agreement Desk provides powerful workflow management for agreement reviews and approvals, streamlining tedious processes to accelerate deal cycles. AI-Assisted Review compares contract language to a customer's existing standard terms and identifies non-compliant or high-risk language, eliminating the need to review hundreds of contracts. Agreement Prep standardizes terms and templates, applying the right language to every agreement to reduce risk.

Within Commit, Workspaces transform how customers collaborate with contracting counterparties by centralizing all documents, communications, and tasks in a secure hub while protecting sensitive data. CLEAR Identity Verification will integrate CLEAR's biometric identity network with IAM, making ID verification as simple as snapping a selfie.

Within Manage, Custom Extractions for Docusign Navigator uses AI to automatically capture the data that matters most to customers, such as organization-specific agreement information or client-specific terms. Instead of spending hours or even days on manual review, customers get instant actionable insights. The Obligation Management Dashboard transforms a company's scattered commitments into intelligence by surfacing renewal dates, payment terms, and other obligations, helping maximize contract value and avoid penalties.

Product Innovation

These new features enable sales reps to close more business, procurement teams to stay on top of renewal dates and pricing changes, and HR teams to onboard new employees more efficiently. At Docusign, our own procurement and legal teams have reduced agreement search time by 90% by using IAM.

AI-Assisted Review, Workspaces, and Obligation Management are available today. Most other new capabilities will be available by August. Launch dates are published on our product roadmap.

We also introduced Docusign Iris, our AI engine purpose-built for agreement management that delivers leading LLM performance at a low cost per inference. Iris leverages Docusign's unique agreement domain expertise built from millions of workflows and two decades of contract intelligence.

Later in Fiscal 26, we will deliver the industry's first purpose-built AI contract agents designed to accelerate workflows, reduce risk, and achieve better outcomes across the entire agreement lifecycle. You can see a demo of our agents in our Momentum keynote.

Omnichannel Go-To-Market

Within our go-to-market pillar, we continue to drive transformation across three integrated routes now all selling IAM: direct, self-serve, and partner. In Q1, IAM sales once again exceeded our outlook, and we remain on track for IAM to account for a double-digit percentage of our subscription book of business exiting Q4. Q1 direct customer IAM deal volume exceeded Q4, and we saw another significant increase in the percentage of new customers choosing IAM. International IAM deals were up over 50% from last quarter, confirming the IAM value proposition resonates with customers worldwide. In Fiscal 26, we continue to generate large-scale success with small and mid-market customers while driving initial enterprise conversations and early wins.

ServiceTitan, the operating system that powers the trades, and a longtime Docusign customer, is deploying IAM across legal, HR, sales, and procurement, using Docusign Maestro to create time-saving automated workflows and Docusign Navigator to gain greater insight into its business. As part of our growing strategic go-to-market partnership with Microsoft, we're delivering this IAM solution via the Azure Marketplace.

IAM is also off to a strong start in self-serve. The launch of self-serve in April resulted in nearly 1,000 new IAM customers within just three weeks, all through organic adoption prior to the release of any marketing campaigns. In Q1, overall digital revenue continued to grow at more than double the rate of overall revenue. We also implemented self-serve account management tools for our direct sales-driven customers, which improves their experience and our go-to-market efficiency.

Omnichannel Go-To-Market

Efficiency gains from our rapidly improving self-service channel enabled us to make broader go-to-market changes in Q1, all with the intention of maximizing IAM's long-term potential. We migrated a meaningful cohort of customers to the self-serve-first digital experience, freeing up our sales team to concentrate on higher-value prospects with greater revenue potential. Sales force changes included rolling out new customer-size segments, territories, and performance-based compensation. We are using our investment dollars judiciously, and in Fiscal 26, we've invested in greater sales capacity without expanding our team.

Our initial annual guidance expected a lower rate of early renewals in Fiscal 26 as reps increasingly focus on IAM expansion potential. We had anticipated the impact to take place after Q1, but the reduction in early renewals began sooner than forecasted. This resulted in lower-than-expected early renewal billings in Q1. We take responsibility for not fully anticipating the timing of this shift in our guidance.

Stepping back, we're confident these were the right long-term changes to build a more durable growth engine. We are pleased with how quickly teams adjusted, as evidenced by strong IAM sales throughout the quarter and fewer early renewals without expansion. We are also encouraged that the fundamentals in the overall core business continued to improve in Q1. Gross retention and dollar net retention improved year-over-year, while envelopes sent and customer contract utilization grew steadily.

Also in Q1, we relaunched our partner program to focus primarily on IAM and enable partners to build businesses with Docusign through specializations. At Momentum, we recognized outstanding partners that continue to grow with Docusign. CDW, a leading multi-brand provider of technology solutions, achieved impressive triple-digit growth with us last year. Through our alliances with Deloitte and SAP, we have expanded our global footprint and recently closed a major opportunity with a Fortune 500 company in the energy sector.

At Momentum, we also recognized customers delivering significant business impact on the Docusign platform. Subaru of America significantly enhanced its operational efficiency and achieved substantial cost savings by digitizing its manual, paper-based processes. Primerica reduced agreement processing time by 25% and contract turnaround from 15 days to one. KPMG cut its average signature process from five days to less than one, increased productivity by 30%, and improved customer satisfaction.

Closing

In closing, the road ahead is exciting. Docusign is building on its leadership position to reimagine how organizations manage agreements through IAM. We have strong conviction in our strategy and the long-term business decisions we're making to drive acceleration to double-digit growth. In April, Newsweek named Docusign the most trustworthy software company in America for the second year in a row. We believe that trust strengthens our ability to help our 1.7 million customers transform how they manage agreements. I want to thank the entire Docusign team for their dedication and commitment to creating value for our customers.

Now I'll turn it over to Blake to discuss our financial results.

Blake Grayson
CFO



Introduction

Our primary goal in Fiscal 2026 is to position Docusign to drive long-term growth acceleration while maintaining efficiency. In Q1, we made continued progress against this goal and delivered solid business results. Highlights included accelerated IAM deal volume, as well as continued year-over-year improvements in dollar net retention, customer usage and utilization, and increased efficiency and profitability. While we performed better than our expectations across almost all of our key guidance metrics, including revenue and profit margins, billings came in slightly below our guidance range, driven by the timing of early renewals.

Business Improvement

In Q1, total revenue was $764 million, and subscription revenue was $746 million, both up 8% year-over-year, including a 0.6% year-over-year F/X growth headwind. Revenue outperformed our expectations on both the strength of greater digital and IAM contributions, as well as from a few smaller non-recurring items. Billings grew 4% year-over-year to $740 million, with no F/X impact year-over-year.

Billings ended slightly below our guidance range due to lower-than-expected early renewals. Our billings results would have finished near the high end of our guidance range when excluding both the negative impact from early renewals and the positive billings impact relative to our forecast from F/X. Billings renewal timing was impacted by the go-to-market changes discussed last quarter, including rolling out new customer-size segments, territories, and performance-based compensation.

Early Renewal Dynamic

As Allan explained, these changes were foundational and focused on positioning Docusign to realize accelerated long-term growth. Specific to billings, as described last quarter, our original Fiscal 2026 annual billings guidance assumed a 1% year-over-year growth headwind from reduced early renewal volume. While we expected that impact to occur after Q1, the change in incentives led to a reduction in early renewals sooner than originally forecasted.

Our sales team is acting as the program was designed. The health of early renewals in Q1 improved materially from the prior year. For example, we reduced the mix of early renewals that were flat or included partial churn by approximately 30% vs. last year. Although the timing of early renewals has a negligible impact on revenue and does not reflect the long-term health of the business, we take responsibility for underestimating the potential timing and range of impact from the go-to-market changes. We will take a more conservative approach to forecasting the timing of early renewals for the remainder of Fiscal 2026 in light of the go-to-market changes.

Dollar Net Retention (DNR)

Apart from the timing impact on billings, we are encouraged that fundamentals continued to improve in Q1. The dollar net retention rate increased slightly to 101%, in line with Q4 and up from 99% in Q1 of 2025. We continue to expect dollar net retention to moderately improve throughout the year based on both gross retention improvement and IAM upsell impact.

IAM Adoption

IAM sales continued to show strong momentum, with both IAM deal volume and revenue slightly outpacing our expectations this quarter. IAM's share of total direct deal volume, including upsell deals and new customer deals, increased meaningfully quarter-over-quarter, showing strength vs. typical Q4 to Q1 business seasonality. This strength is underscored by passing 10,000 direct IAM customers in Q1, adding nearly 1,000 new IAM self-serve customers within weeks of launching that capability, and the strong early ramp in international sales. Through Q1, we are on track for IAM customers to contribute a low-double-digit percentage of the subscription book of business exiting Q4.

Key Business Metrics

The year-over-year growth in envelopes sent remains consistent with prior quarters and has continued through May. Customer consumption, a measure of contract utilization, increased in our direct business to the highest levels since early Fiscal 2022, driven predominantly by increases in North America. We observed year-over-year improvements in consumption rate in nearly every direct customer-size segment and major vertical for the first time in over two years.

Key Business Metrics

In Q1, total customers grew 10% year-over-year, surpassing 1.7 million. Continued strength in customer growth highlights the value of investing in diverse routes to market and geographies. Additionally, we believe that the breadth and scale of our customer base provide a strong foundation for the continued growth of the IAM platform. Large customers spending over $300k annually increased by 6% year-over-year to 1,123, down slightly vs. Q4 given normal seasonality. We're encouraged that a low single-digit percentage share of the $300k plus base has adopted and begun to roll out IAM in their organizations. This will be a multi-year journey that builds on both product and go-to-market evolution.

Digital revenue growth also continued its recent strength, benefiting from initiatives that make it easier for self-serve customers to manage and upgrade their accounts. Digital revenue grew at more than double the rate of the overall business in Q1, and we are cautiously optimistic that the launch of IAM should support future digital growth. International revenue in Q1 represented 28% of total revenue and grew 10% year-over-year, or approximately 13% after adjusting for F/X, which is similar to the prior quarter. Lower-than-expected expansion rates have impacted international growth, especially in EMEA. The IAM rollout, combined with new EMEA sales leadership, creates a stronger foundation for future growth potential. For example, international IAM deal volume in Q1 grew over 50% from Q4 when we launched in most of our larger international regions.

Financial and Operating Efficiency

Turning to the financials, our focus on operating efficiency initiatives drove strong results in Q1.

Non-GAAP gross margin for Q1 was 82.3%, up slightly from the prior year as higher revenue offset the impact of additional cloud migration costs, which were slightly lower than expected due to the timing of migration efforts. As previously discussed, we continue to expect additional expenses associated with our cloud migration to impact gross margins throughout Fiscal 2026 before easing in Fiscal 2027 and beyond. Non-GAAP operating margin for Q1 was 29.5%, a 100 basis point improvement vs. the prior year. The strength year-over-year was driven by higher revenue growth and prudent management of expense growth.

We ended Q1 with 6,852 employees. This was up just slightly from the prior quarter and 6% from the prior year due to investing in our team, particularly in R&D, including the acquisition of Lexion. Our hiring approach remains strategic and consistent, ensuring alignment with key initiatives while thoughtfully considering location based on cost and necessary skill sets. Our non-GAAP operating expense growth in Sales & Marketing and G&A areas were both lower than the total company, while R&D grew faster with continued investment.

In Q1, we generated $228 million of free cash flow, a 30% margin. We expect that annual free cash flow margin will approximate Non-GAAP operating margin for Fiscal 2026.

Our balance sheet remains strong with over $1.1 billion in cash, cash equivalents, and investments. We have no debt on the balance sheet. Subsequent to quarter-end, at the end of May we secured a new $750M credit revolver to replace our existing revolver agreement, creating additional capital capacity and flexibility.

We continue to use our demonstrated strong free cash flow generation to return capital to shareholders. In Q1, we repurchased $183 million of stock through share buybacks, bringing our cumulative buyback over the past 12 months to over $700 million. With the additional $1 billion buyback authorization announced today, we now have up to $1.4 billion in repurchase authorization available for deployment, and we expect to continue opportunistically repurchasing shares as part of our capital allocation strategy.

Financial and Operating Efficiency

Regarding the cost of our equity programs, our stock compensation expense as a percentage of revenue was 19.1% in Q1, down approximately 100 basis points from the prior year and approximately 40 basis points after excluding the impact of restructuring in Q1 Fiscal 2025. On a two-year basis, stock compensation expense as a percentage of revenue was down approximately 200 basis points from 21.1% in Q1 Fiscal 2024 excluding the impact of restructuring, reflecting continued focus on using equity compensation efficiently and managing dilution.

Non-GAAP diluted EPS for Q1 was $0.90, a $0.08 per share improvement from $0.82 last year. GAAP diluted EPS for Q1 was $0.34 vs. $0.16 last year.

Diluted weighted shares outstanding for Q1 was 212.8 million, in-line with our expectations. Basic shares outstanding for Q1 decreased by 2.6 million year-over-year to 203.3 million total shares, reflecting the anti-dilutive impact of our buyback program.

Guidance

We expect total revenue between $777 million and $781 million in Q2, or a 6% year-over-year increase at the midpoint, and between $3.151 billion and $3.163 billion for Fiscal 2026, also a 6% year-over-year increase at the midpoint.

We expect subscription revenue of $760 million to $764 million in Q2, or a 6% year-over-year increase at the midpoint and $3.083 billion to $3.095 billion for Fiscal 2026, or a 6.5% year-over-year increase at the midpoint.

We expect billings between $757 million to $767 million in Q2, or a 5% year-over-year growth rate at the midpoint, and between $3.285 billion to $3.339 billion for Fiscal 2026, or a 6.5% year-over-year growth rate at the midpoint.

Our updated topline guidance reflects the following dynamics present in our business and the external environment:

- For full-year revenue, the annual guidance midpoint is increasing by $22 million, reflecting the combination of Q1 strength and an anticipated neutral rather than a negative year-over-year F/X impact, partially offset by some headwind from additional bookings prudence for the economic environment.
- For full-year billings:
    - The annual guidance midpoint is declining by $15 million, which includes additional early renewal considerations and some conservatism in our bookings outlook, partially offset by the positive impact from favorable year-over-year F/X rates. While we did not see any material macro impact on our Q1 results, we are taking a cautious approach for the remainder of Fiscal 2026 given the uncertain economic environment.
    - For early renewals, we are including a more conservative forecast to account for a wider range of potential timing and magnitude impacts. This change has nearly zero impact on our revenue forecast as it is based on the timing of renewal contracts and is not related to customer demand. As shown in recent quarters and years, billings are highly sensitive to customer renewal timing, which can result in meaningful variability from period to period.

As we evaluate our updated Fiscal 2026 billings guidance, we remain encouraged that we continue to forecast a year-over-year billings acceleration in Fiscal 2026 after adjusting for the timing of early renewals and F/X. We also expect year-over-year billings growth to increase in the second half of Fiscal 2026 vs. the first half as IAM deal volume continues to ramp.

Guidance

For profitability, we expect non-GAAP gross margin between 80.5% to 81.5% for Q2, and between 80.7% and 81.7% for Fiscal 2026.

We expect non-GAAP operating margin between 26.5% to 27.5% for Q2 and 27.8% to 28.8% for Fiscal 2026, unchanged for the full year.

We included the following two considerations in our Non-GAAP profitability guidance:

- For gross margins:
  - For the full year, we continue to expect approximately 1 percentage point of headwind due to the ongoing cloud data center migration efforts. That headwind was lower in Q1 due to a slight shift in migration timing out to the remainder of Fiscal 2026. As previously discussed, we anticipate a larger gross margin impact from migration in Fiscal 2026, followed by a gradual easing in Fiscal 2027 and beyond.
- For operating margins:
  - For the full year, we continue to expect an approximate 1.5 percentage point operating margin headwind due to the impact of cloud migration, the shift of some roles to cash compensation from equity, and the comp against one-time professional fees from Q2 2025.
  - Q2 is our hardest comparison quarter this year. The majority of the difference between Q2 2026 and Q2 2025 operating margins can be attributed to the one-time benefits from professional fees, including the insurance reimbursement and litigation reserve release described in the Q2 2025 results, the ongoing cloud migration impact, and the equity to cash compensation changes.

Our overall approach to profitability in Fiscal 2026 reflects our intent to prioritize IAM investments to drive long-term growth while maintaining similar levels of full-year operating margins realized in Fiscal 2025, excluding the unique gross margin and operating expense headwinds noted above. We remain encouraged about our longer-term opportunity to improve operating leverage by combining our approach to efficiency with an improved and accelerating outlook for billings growth exiting Fiscal 2026.

We continue to expect non-GAAP fully diluted weighted average shares outstanding of 210 million to 215 million for both Q2 and Fiscal 2026.

Closing

In closing, in Q1, we continued Docusign's transformation by delivering significantly increased innovation to customers, driving business momentum through IAM adoption and digital maturity, and positioning our go-to-market team for greater long-term contribution. We also maintained our efficiency focus through improved profitability and strengthened our commitment to generate significant cash flow and return capital opportunistically through buybacks.

We have strong conviction in our strategy and ability to execute, and we will continue to focus on increasing the value we deliver to customers, employees, and shareholders. Thank you for your support.

Appendix

Modeling Considerations

Please refer to the guidance section in the CFO Prepared Remarks for context on topline and profitability guidance for Fiscal 2026 and Q2 2026. In addition, please note the following modeling considerations.

Topline:

- **Foreign Exchange (F/X) Rates Growth Impact:** For both Q2 and Fiscal 2026, we expect a positive billings impact of approximately 0.7% year-over-year, and for revenue an approximately neutral year-over-year impact. This compares to the prior expected negative headwinds of approximately 1% year-over-year for billings and approximately 0.7% year-over-year for revenue in our prior Fiscal 2026 guidance issued in March of 2025.
- **Seasonality:**
  - For billings, we expect 2nd-half year-over-year growth to accelerate compared to 1st-half year-over-year growth, with Q4 growth expected to be stronger than Q3. This is due to the continued expected ramp in IAM deal volume and improvement in gross retention.
  - For revenue, we expect Q2 to represent slightly higher year-over-year growth versus 2nd half of Fiscal 2026, with recent digital and IAM strength being offset by a more conservative outlook given the economic environment.
- **Dollar Net Retention Rate (DNR):** We continue to expect DNR to moderately improve throughout the year based on both gross retention improvement and IAM upsell impact.
- **IAM:** We continue to expect that IAM will represent a low double-digit percentage of the subscription book of business exiting Q4 of Fiscal 2026.

Profitability:

- **Non-GAAP Gross Margin:** We continue to expect an approximate 1% point headwind due to the ongoing cloud migration for the full year Fiscal 2026. In Q1, gross margin was higher than forecasted due to higher revenue and a lower headwind due to slight shifts in the timing of migration efforts. For Q2, Q3, and Q4, we anticipate the headwind will be higher than the 1% indicated by full-year guidance. We continue to expect this migration impact to gradually ease in Fiscal 2027 and beyond.
- **Non-GAAP Operating Margin:**
  - Fiscal 2026 operating margin guidance is unchanged. We anticipate a 1.5% point headwind due to the 1% point cloud migration impact and 0.5% point annualized impact from Q2-specific comparison items explained in the prepared remarks. Additionally, we are not passing through the increase in revenue guidance to operating margin due to our updated foreign exchange rate forecast, which increases expenses for the remainder of Fiscal 2026.
  - Q2 2026 guidance anticipates a year-over-year difference of approximately 5.2% points compared to Q2 2025 results. The majority of the difference between Q2 2026 and Q2 2025 can be attributed to the Q2-specific comparison items. The remainder of the increase is due to the timing of hiring, associated compensation changes, and depreciation expense from capitalized wages.
- **Free Cash Flow (FCF) Margin:** We expect similar free cash flow seasonality in Fiscal 2026 compared to Fiscal 2025, with FCF margins lower in Q2 and Q3 before rebounding in Q4.

Reconciliation of GAAP to Non-GAAP Financial Measures

GAAP to Non-GAAP gross profit reconciliation

	Three Months Ended April 30,	
Gross Profit ($ in thousands)	2025	2024
GAAP gross profit	606,385	560,194
Add: Stock-based compensation	16,904	18,883
Add: Amortization of acquisition-related intangibles	3,565	2,070
Add: Employer payroll tax on employee stock transactions	1,873	1,023
Non-GAAP gross profit	628,727	582,170
GAAP gross margin	79.4%	78.9%
Non-GAAP gross margin	82.3%	82.0%

	Three Months Ended April 30,	
Subscription Gross Profit ($ in thousands)	2025	2024
GAAP subscription revenue	746,202	691,483
Less: GAAP subscription cost of revenue	137,343	126,602
GAAP subscription gross profit	608,859	564,881
Add: Stock-based compensation	12,996	14,181
Add: Amortization of acquisition-related intangibles	3,565	2,070
Add: Employer payroll tax on employee stock transactions	1,445	792
Non-GAAP subscription gross profit	626,865	581,924
GAAP subscription gross margin	81.6%	81.7%
Non-GAAP subscription gross margin	84.0%	84.2%

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

	Three Months Ended April 30,	
Operating Income ($ in thousands)	2025	2024
GAAP income from operations	60,255	22,628
Add: Stock-based compensation	145,596	137,876
Add: Amortization of acquisition-related intangibles	6,919	4,699
Add: Employer payroll tax on employee stock transactions	12,259	6,404
Add: Acquisition-related expenses	—	1,358
Add: Restructuring and other related charges	—	29,124
Non-GAAP income from operations	225,029	202,089
GAAP operating margin	7.9%	3.2%
Non-GAAP operating margin	29.5%	28.5%

	Three Months Ended April 30,	
Free Cash Flow ($ in thousands)	2025	2024
Net cash provided by operating activities	251,439	254,826
Less: Purchases of property and equipment	(23,624)	(22,753)
Non-GAAP free cash flow	227,815	232,073
Free cash flow margin	30%	33%
Net cash used in investing activities	(24,925)	(60,777)
Net cash used in financing activities	(223,515)	(169,874)

GAAP to Non-GAAP operating expenses reconciliation

	Three Months Ended April 30,	
Sales & Marketing ($ in thousands)	2025	2024
GAAP sales and marketing	296,413	281,644
Less: Stock-based compensation	(46,085)	(46,271)
Less: Amortization of acquisition-related intangibles	(3,354)	(2,629)
Less: Employer payroll tax on employee stock transactions	(3,940)	(2,138)
Non-GAAP sales and marketing	243,034	230,606
GAAP sales and marketing as a percentage of revenue	38.8%	39.7%
Non-GAAP sales and marketing as a percentage of revenue	31.8%	32.5%
Research & Development ($ in thousands)	2025	2024
GAAP research and development	159,447	134,320
Less: Stock-based compensation	(54,431)	(44,202)
Less: Employer payroll tax on employee stock transactions	(5,081)	(2,565)
Non-GAAP research and development	99,935	87,553
GAAP research and development as a percentage of revenue	20.9%	18.9%
Non-GAAP research and development as a percentage of revenue	13.1%	12.3%
General & Administrative ($ in thousands)	2025	2024
GAAP general and administrative	90,270	92,478
Less: Stock-based compensation	(28,176)	(28,520)
Less: Employer payroll tax on employee stock transactions	(1,365)	(678)
Less: Acquisition-related expenses	—	(1,358)
Non-GAAP general and administrative	60,729	61,922
GAAP general and administrative as a percentage of revenue	11.8%	13.0%
Non-GAAP general and administrative as a percentage of revenue	7.9%	8.7%

Computation of billings

	Three Months Ended April 30,	
Computation of Billings ($ in thousands)	2025	2024
Revenue	763,654	709,640
Add: Contract liabilities and refund liability, end of period	1,450,718	1,340,680
Less: Contract liabilities and refund liability, beginning of period	(1,479,266)	(1,343,792)
Add: Contract assets and unbilled accounts receivable, beginning of period	17,825	20,189
Less: Contract assets and unbilled accounts receivable, end of period	(13,319)	(17,179)
Non-GAAP billings	739,612	709,538