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# Q3 Fiscal Year 2021 Financial Review

# Safe Harbor

This presentation contains forward-looking statements that are based on our management's beliefs and assumptions and on information currently available to management. Forward-looking statements include all statements that are not historical facts and can be identified by terms such as "may," "will," "should," "expects," "plans," "anticipates," "could," "intends," "target," "projects," "contemplates," "believes," "estimates," "predicts," "potential," or "continue" or the negative of these words or other similar terms or expressions that concern our expectations, strategy, plans or intentions. Forward-looking statements in this presentation include, among other things, statements under "FY2021 guidance" below; any other statements about expected financial metrics, such as revenue, billings, non-GAAP gross margin, non-GAAP diluted weighted-average shares outstanding; and non-financial metrics, such as customer growth, as well as statements related to our expectations regarding the benefits of the DocuSign Agreement Cloud and enhancements to it, additions to the Agreement Cloud suite of products, and the anticipated benefits of the acquisition and integration of Seal Software and Liveoak Technologies. They also include statements about our future operating results and financial position, our business strategy and plans, market growth and trends, and our objectives for future operations. These statements are subject to substantial risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements.

These risks include, among other things, risks related to the impact of the COVID-19 pandemic on our business, financial condition and results of operations as well as the businesses of our customers and partners and the economy as a whole; our ability to estimate the size of our total addressable market; our ability to effectively sustain and manage our growth and future expenses, achieve and maintain future profitability, attract new customers and maintain and expand our existing customer base; our ability to scale and update our platform to respond to customers' needs and rapid technological change; the effects of increased competition in our market and our ability to compete effectively; our ability to expand use cases within existing customers and vertical solutions; our ability to expand our operations and increase adoption of our platform internationally; our ability to strengthen and foster our relationship with developers; our ability to expand our direct sales force, customer success team and strategic partnerships around the world; our ability to identify targets for, execute on, integrate the operations of and realize the anticipated benefits of potential acquisitions; our ability to maintain, protect and enhance our brand; the sufficiency of our cash and cash equivalents to satisfy our liquidity needs; 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; 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, 2020 filed on March 27, 2020, our quarterly report on Form 10-Q for the quarter ended July 31, 2020 filed on September 4, 2020, and other filings that we make from time to time with the with the Securities and Exchange Commission (the "SEC"). In addition, any forward-looking statements contained in this presentation are based on assumptions that we believe to be reasonable as of this date. Except as required by law, we assume no obligation to update these forward-looking statements, or to update the reasons if actual results differ materially from those anticipated in the forward-looking statements.

# Non-GAAP Financial Measures and Other Key Metrics

To supplement our consolidated financial statements, which are prepared and presented in accordance with GAAP, we use certain non-GAAP financial measures, as described below, to understand and evaluate our core operating performance. These non-GAAP financial measures, which may be different than similarly-titled measures used by other companies, are presented to enhance investors' overall understanding of our financial performance and should not be considered a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP.

We believe that these non-GAAP financial measures provide useful information about our financial performance, enhance the overall understanding of our past performance and future prospects, and allow for greater transparency with respect to important metrics used by our management for financial and operational decision-making. We are presenting 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.

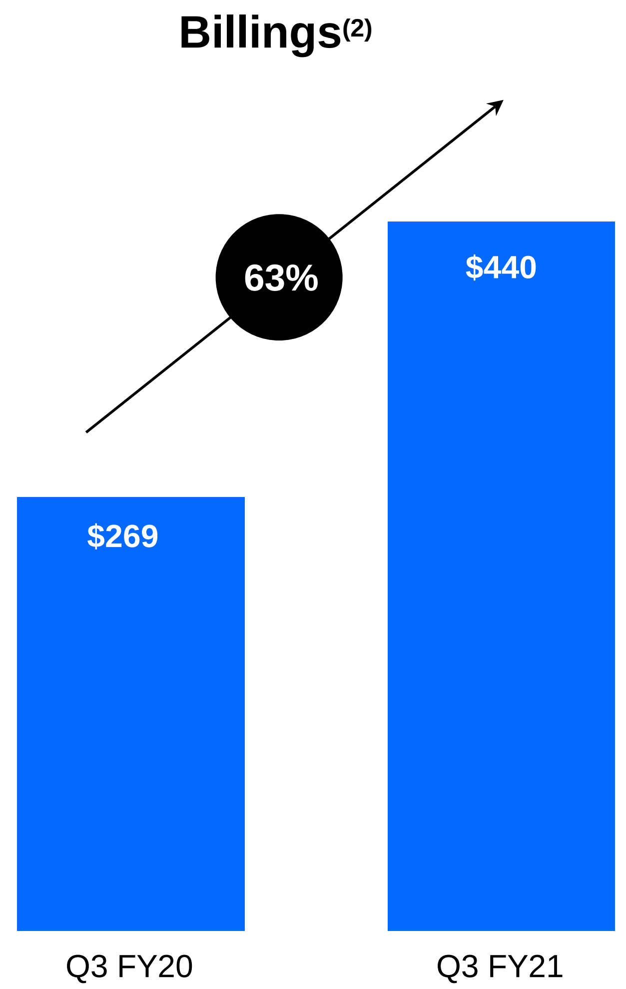
**Non-GAAP gross profit, non-GAAP gross margin, non-GAAP operating expenses, non-GAAP income (loss) from operations, non-GAAP operating margin, non-GAAP net income (loss) and non-GAAP net income (loss) per share**: We define these non-GAAP financial measures as the respective GAAP measures, excluding 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 from our convertible senior notes issued in September 2018, 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.

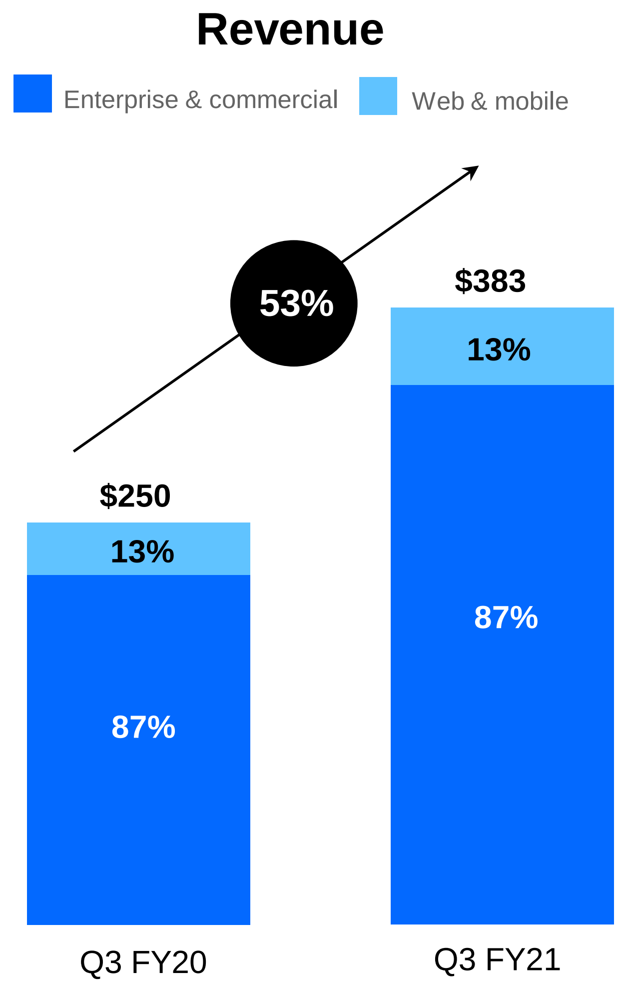
**Free cash flows**: We define free cash flow as net cash provided by (used in) operating activities less purchases of property and equipment. We believe free cash flow is an important liquidity measure of the cash (if any) that is available, after purchases of property and equipment, for operational expenses, investment in our business, and to make acquisitions. Free cash flow is useful to investors as a liquidity measure because it measures our ability to generate or use cash in excess of our capital investments in property and equipment. Once our business needs and obligations are met, cash can be used to maintain a strong balance sheet and invest in future growth.

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

For a reconciliation of these non-GAAP financial measures to the most directly comparable GAAP financial measure, please see the Appendix and the press release we filed today.

# Strong growth in billings and revenue(1)

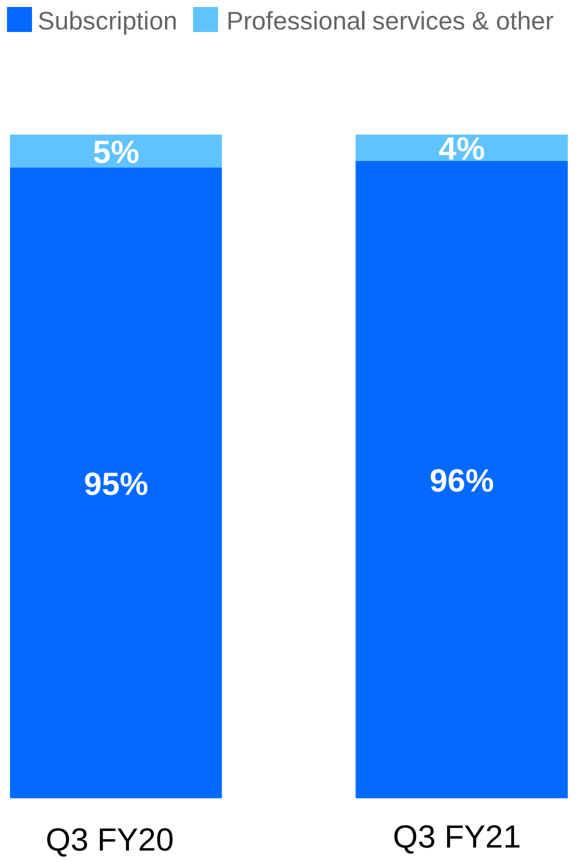


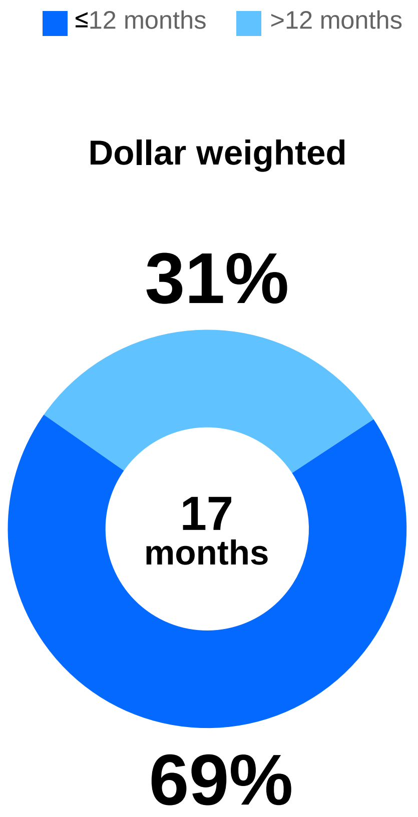

(1) For the quarters ended October 31, 2019 and 2020. $ in millions. Percentages are a % of revenue.
(2) Total revenues plus the change in contract liabilities and refund liabilities less the change in contract assets and unbilled accounts receivable in a given period. Please see Appendix for non-GAAP reconciliation.

# Strong revenue visibility

## Revenue contribution(1)

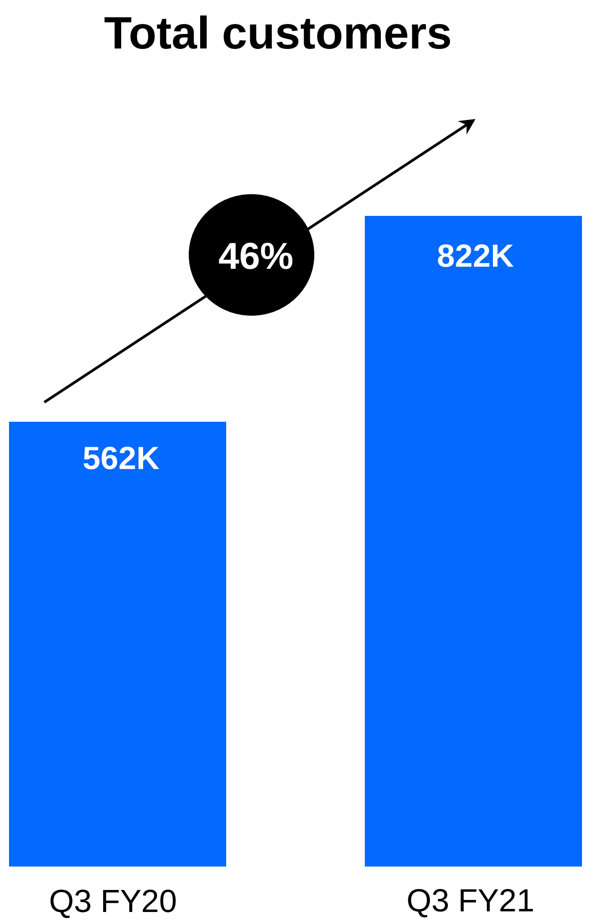


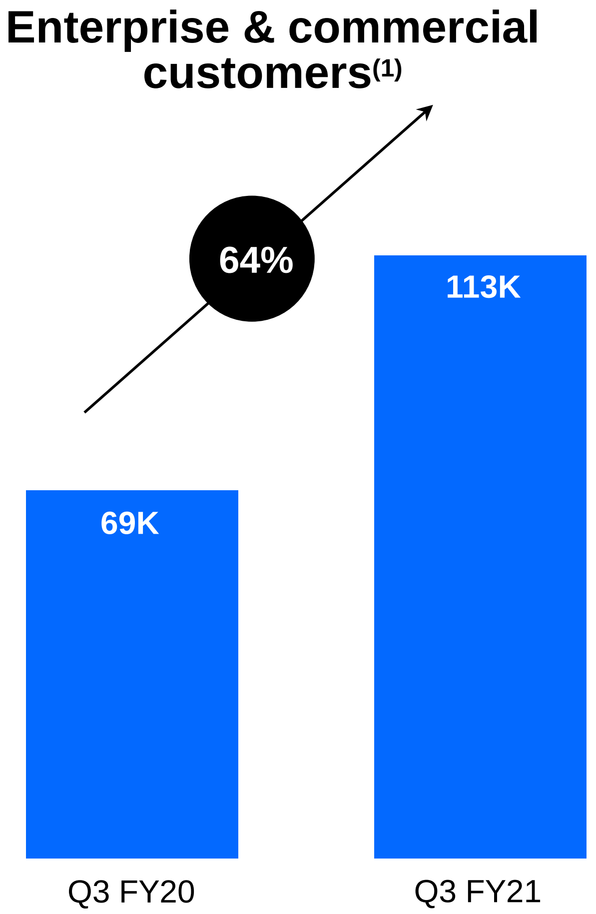

## Average contract length(2)




(1) For the quarters ended October 31, 2019 and 2020.
(2) Rolling 4-quarter average Q3 FY20 through Q3 FY21.

# Large and growing customer base



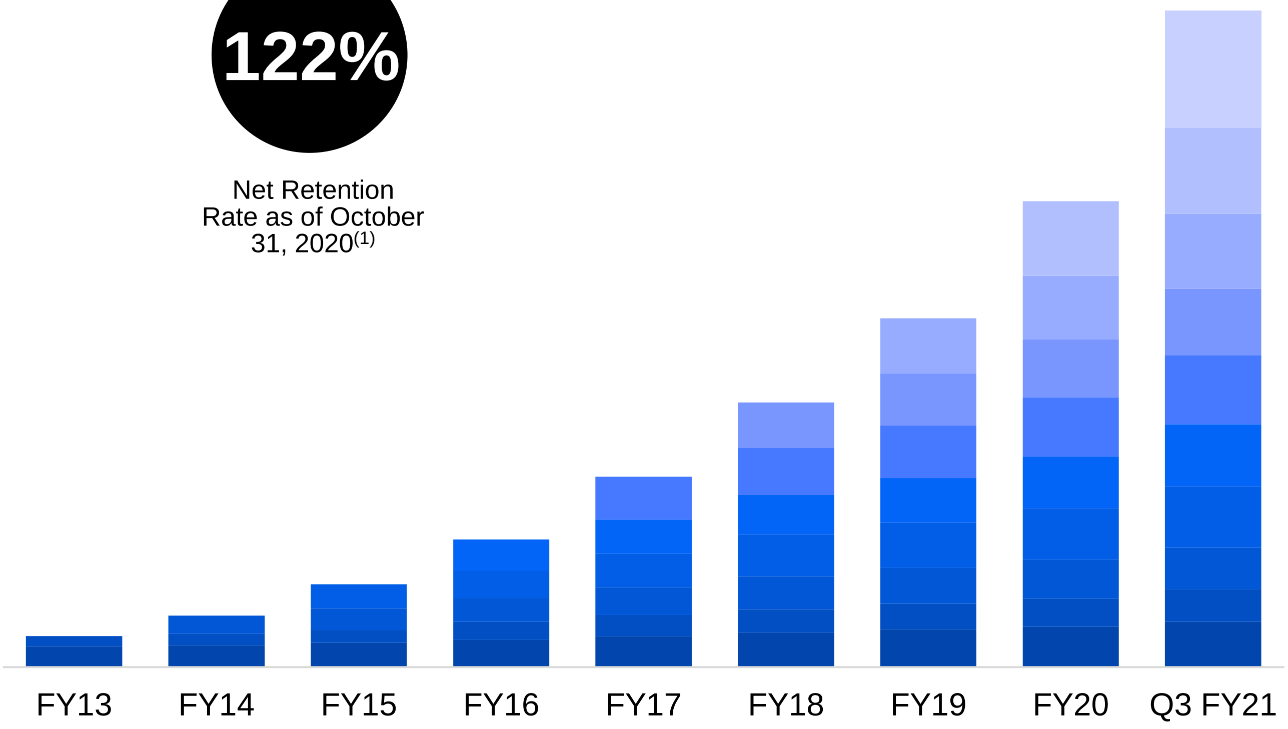

(1) Comprised of customers who were not acquired through our self-service channel. We define enterprise customers as companies generally included in the Global 2000. We generally define commercial customers as both mid-market companies, which includes companies outside the Global 2000 that have greater than 250 employees, and SMBs, which are companies with between 10 and 249 employees, in each case excluding any enterprise customers.

# Cohort and large customer expansion

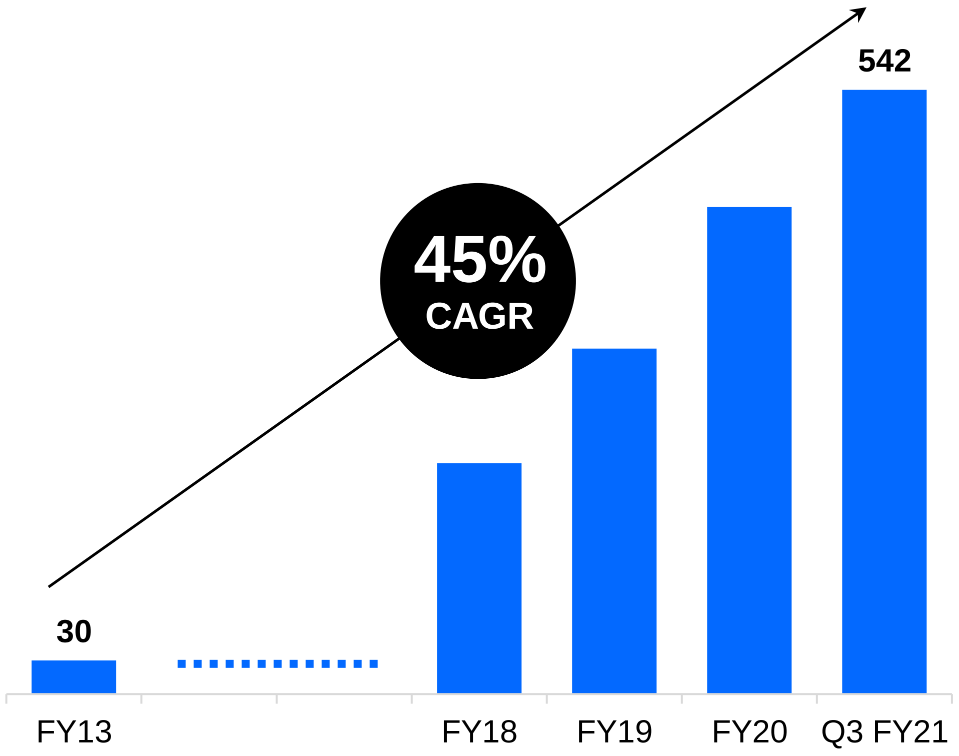
## Cohort analysis

**122%**

Net Retention Rate as of October 31, 2020[1]



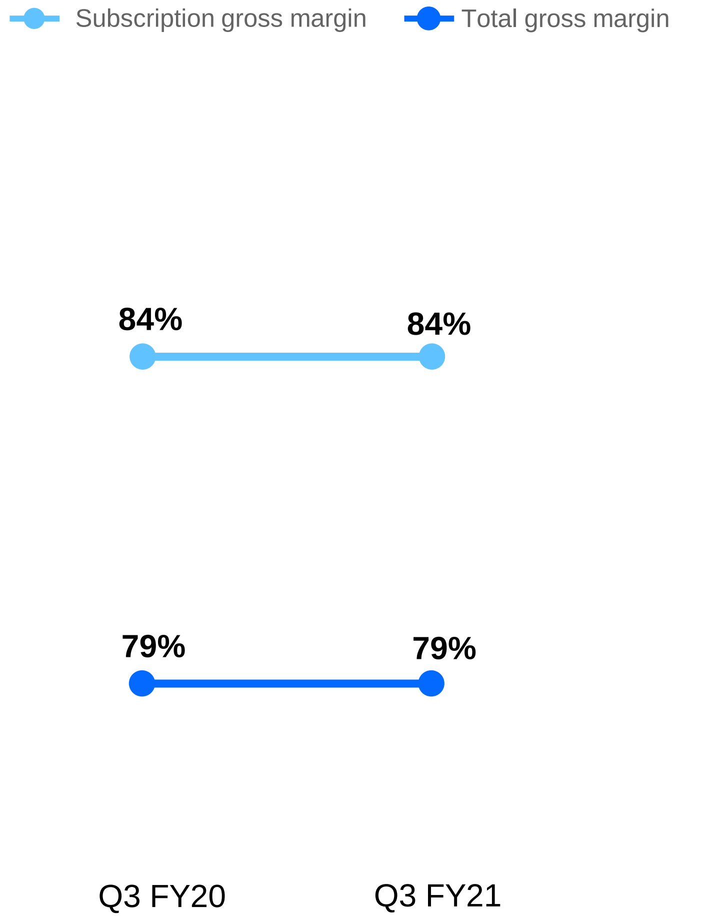

## Customers with >$300K in ACV[2]



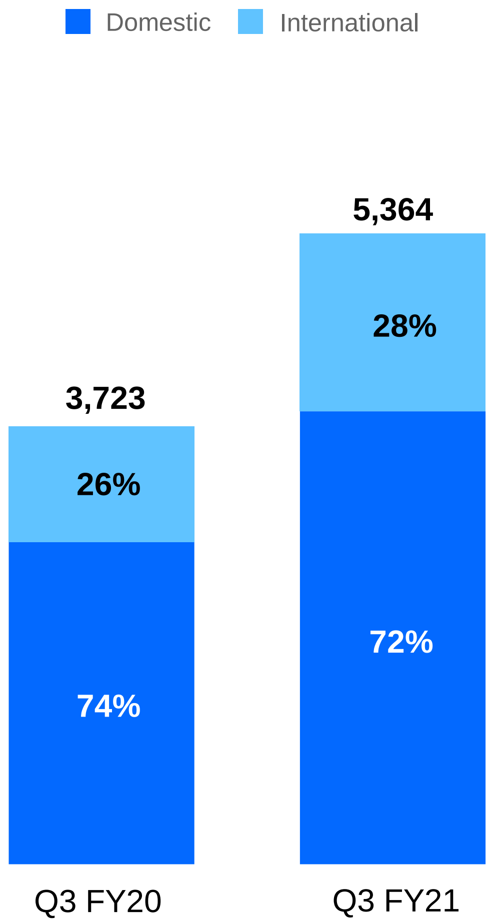

(1) Compares the ACV for subscription contracts from a set of enterprise and commercial customers at two period end dates. To calculate our dollar-based net retention rate at the end of a base year (e.g., January 31, 2017), we first identify the set of customers that were customers at the end of the prior year (e.g., January 31, 2016) and then divide the ACV attributed to that set of customers at the end of the base year by the ACV attributed to that same set at the end of the prior year. The quotient obtained from this calculation is the dollar-based net retention rate.
(2) Average Contract Value.

# Achieving increased leverage

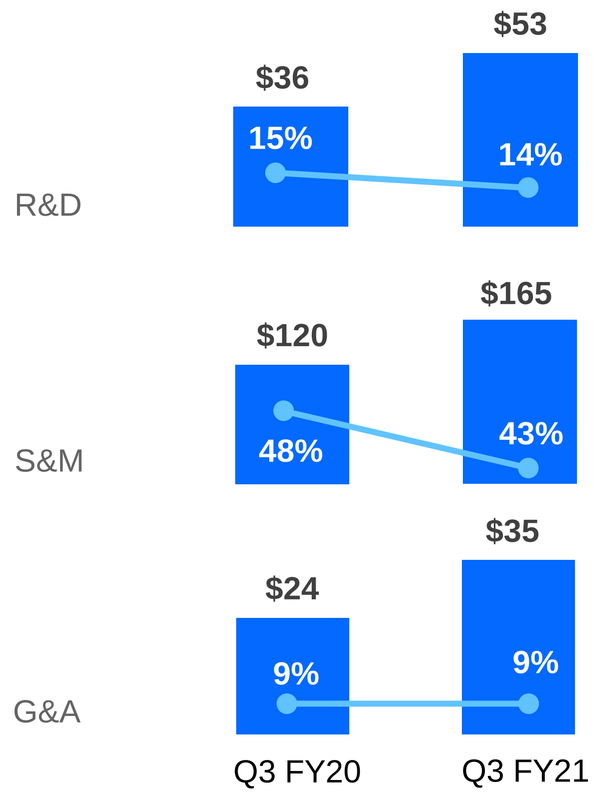
## Non-GAAP gross margin(1)




## Headcount(2)



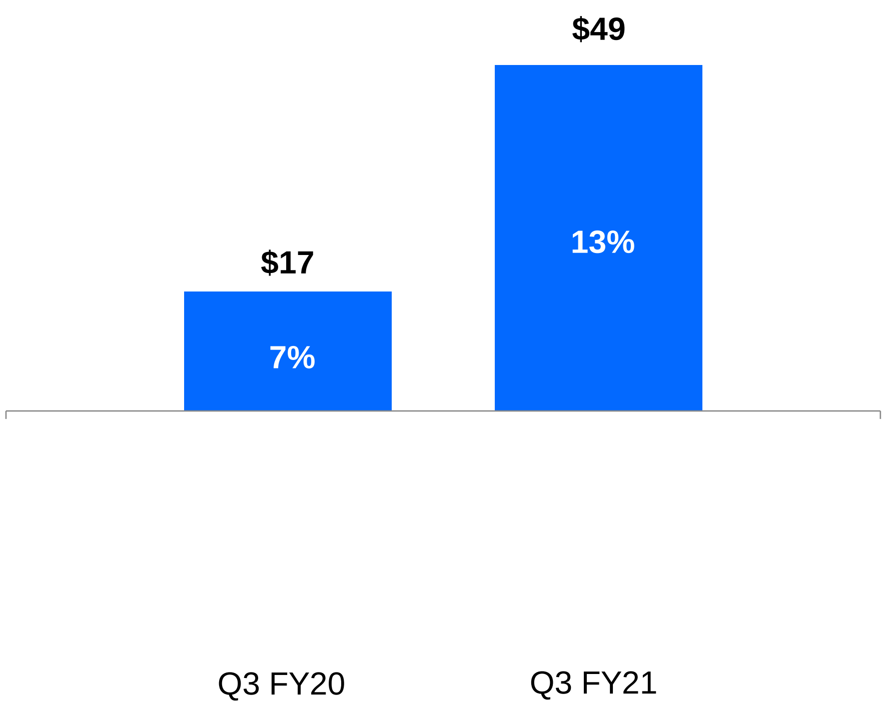

## Non-GAAP opex(1)



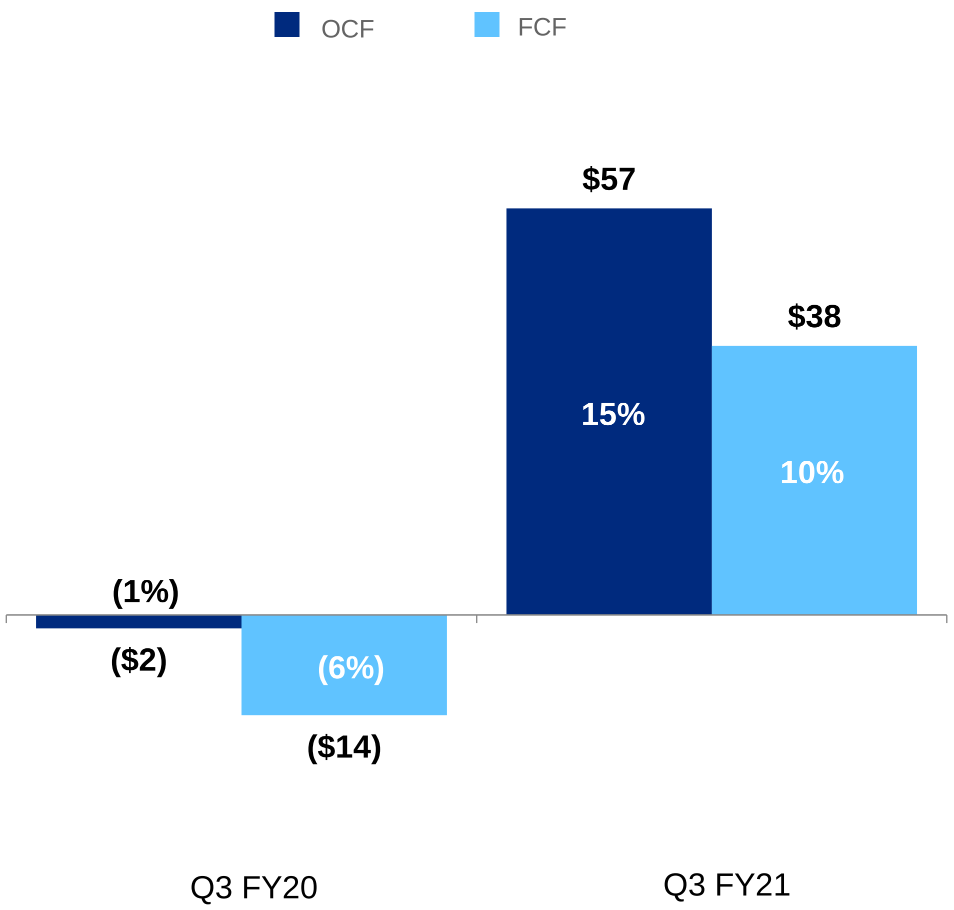

(1) Please see Appendix for GAAP to non-GAAP reconciliation. $ in millions. Percentages are a % of revenue.
(2) As of October 31, 2020 and 2021.

# Improving profitability and cash flow(1)

## Non-GAAP operating income (2)




## Cash flow




(1) For the quarters ended October 31, 2019 and 2020. $ in millions. Percentages are a % of revenue.
(2) Please see Appendix for GAAP to non-GAAP reconciliation.

# Q4 FY2021 guidance

| | Q4 Fiscal 2021 | | |
|---|---|---|---|
| Total revenue | $404M | - | $408M |
| Subscription revenue | $384M | - | $388M |
| Billings | $512M | - | $522M |
| Non-GAAP Gross margin | 78% | - | 80% |
| Non-GAAP Sales and marketing | 42% | - | 44% |
| Non-GAAP Research and development | 14% | - | 16% |
| Non-GAAP General and administrative | 9% | - | 11% |
| Non-GAAP Interest and other income (expense) | ($1M) | - | $1M |
| Provision for income taxes | $2M | - | $3M |
| Non-GAAP diluted weighted-average shares o/s | 205M | - | 210M |

# FY2021 guidance

| | Fiscal 2021 | | |
|---|---|---|---|
| Total revenue | $1,426M | - | $1,430M |
| Subscription revenue | $1,355M | - | $1,359M |
| Billings | $1,700M | - | $1,710M |
| Non-GAAP Gross margin | 78% | - | 80% |
| Non-GAAP Sales and marketing | 44% | - | 46% |
| Non-GAAP Research and development | 13% | - | 15% |
| Non-GAAP General and administrative | 9% | - | 11% |
| Non-GAAP Interest and other income | $3M | - | $5M |
| Provision for income taxes | $7M | - | $8M |
| Non-GAAP diluted weighted-average shares o/s | 200M | - | 205M |

# Appendix

# GAAP to non-GAAP gross profit reconciliation

| **Gross Profit** (in $K) | **Quarter Ended October 31,** | |
|---|---|---|
| | **2020** | **2019** |
| GAAP Gross Profit | 285,092 | 187,538 |
| Add: Stock-based Compensation in Cost of Revenue | 11,782 | 7,150 |
| Add: Amortization of Acquisition-related Intangibles in Cost of Revenue | 3,376 | 1,348 |
| Add: Employer Payroll Tax on Employee Stock Transactions in Cost of Revenue | 1,676 | 715 |
| › Non-GAAP Gross Profit | 301,926 | 196,751 |
| GAAP Gross Margin | 74% | 75% |
| Non-GAAP Gross Margin | 79% | 79% |

| **Subscription Gross Profit** (in $K) | **Quarter Ended October 31,** | |
|---|---|---|
| | **2020** | **2019** |
| GAAP Subscription Revenue | 366,617 | 238,072 |
| Less: GAAP Subscription Cost of Revenue | 69,905 | 43,178 |
| › GAAP Subscription Gross Profit | 296,712 | 194,894 |
| Add: Stock-based Compensation in Subscription Cost of Revenue | 5,777 | 3,534 |
| Add: Amortization of Acquisition-related Intangibles in Subscription Cost of Revenue | 3,376 | 1,348 |
| Add: Employer Payroll Tax on Employee Stock Transactions in Subscription Cost of Revenue | 722 | 337 |
| › Non-GAAP Subscription Gross Profit | 306,587 | 200,113 |
| GAAP Subscription Gross Margin | 81% | 82% |
| Non-GAAP Subscription Gross Margin | 84% | 84% |

# GAAP to non-GAAP operating gain / (loss) and free cash flow reconciliation

| **Adjusted Operating Gain / (Loss)** (in $K) | **Quarter Ended October 31,** | |
|---|---|---|
| | **2020** | **2019** |
| GAAP Operating Loss | (48,470) | (43,997) |
| Add: Stock-based Compensation in Cost of Revenue | 11,782 | 7,150 |
| Add: Amortization of Intangibles in Cost of Revenue | 3,376 | 1,348 |
| Add: Employer Payroll Tax on Employee Stock Transactions in Cost of Revenue | 1,676 | 715 |
| Add: Stock-based Compensation in Operating Expenses | 69,138 | 45,586 |
| Add: Amortization of Intangibles in Operating Expenses | 3,981 | 2,957 |
| Add: Employer Payroll Tax on Employee Stock Transactions in Operating Expenses | 7,283 | 3,129 |
| Add: Acquisition-related Operating Expenses | 336 | - |
| › Non-GAAP Operating Income | 49,102 | 16,888 |
| Operating Margin (GAAP) | (13%) | (18%) |
| Operating Margin (non-GAAP) | 13% | 7% |

| **Free Cash Flow** (in $K) | **Quarter Ended October 31,** | |
|---|---|---|
| | **2020** | **2019** |
| Net Cash Provided by Operating Activities | 57,443 | (1,869) |
| Less: Purchases of Property, Plant, and Equipment | (19,393) | (12,280) |
| › Free Cash Flow | 38,050 | (14,149) |
| Free Cash Flow Margin | 10% | (6%) |
| Net Cash Provided by (Used in) Investing Activities | 9,691 | (19,067) |
| Net Cash Provided by Financing Activities | (95,203) | (6,186) |

# GAAP to non-GAAP operating expenses reconciliation

| **Sales & Marketing** (in $K) | Quarter Ended October 31, | |
|---|---|---|
| | **2020** | **2019** |
| GAAP Sales & Marketing | 209,944 | 149,231 |
| Less: Stock-based Compensation in Sales & Marketing | (36,881) | (24,649) |
| Less: Amortization of Acquisition-related Intangibles in Sales & Marketing | (3,981) | (2,957) |
| Less: Acquisition-related Expenses in Sales & Marketing | - | - |
| Less: Employer Payroll Tax on Employee Stock Transactions in Sales & Marketing | (4,125) | (1,682) |
| › Non-GAAP Sales & Marketing | 164,957 | 119,943 |
| Sales & Marketing as % of Revenue (GAAP) | 55% | 60% |
| Sales & Marketing as % of Revenue (non-GAAP) | 43% | 48% |

| **Research & Development** (in $K) | Quarter Ended October 31, | |
|---|---|---|
| | **2020** | **2019** |
| GAAP Research & Development | 73,362 | 48,758 |
| Less: Stock-based Compensation in Research & Development | (18,896) | (11,679) |
| Less: Employer Payroll Tax on Employee Stock Transactions in Research & Development | (1,752) | (712) |
| › Non-GAAP Research & Development | 52,714 | 36,367 |
| Research & Development as % of Revenue (GAAP) | 19% | 20% |
| Research & Development as % of Revenue (non-GAAP) | 14% | 15% |

| **General & Administrative** (in $K) | Quarter Ended October 31, | |
|---|---|---|
| | **2020** | **2019** |
| GAAP General & Administrative | 50,256 | 33,546 |
| Less: Stock-based Compensation in General & Administrative | (13,361) | (9,258) |
| Less: Acquisition-related Expenses in General & Administrative | (336) | - |
| Less: Employer Payroll Tax on Employee Stock Transactions in General & Administrative | (1,406) | (735) |
| › Non-GAAP General & Administrative | 35,153 | 23,553 |
| General & Administrative as % of Revenue (GAAP) | 13% | 13% |
| General & Administrative as % of Revenue (non-GAAP) | 9% | 9% |

# Computation of billings

**Computation of Billings** (in $K)

| | Quarter Ended October 31, | |
|---|---|---|
| | 2020 | 2019 |
| Revenue | 382,923 | 249,502 |
| Add: Contract Liabilities and Refund Liability, End of Period | 702,691 | 435,898 |
| Less: Contract Liabilities and Refund Liability, Beginning of Period | (638,790) | (412,953) |
| Add: Contract Assets and Unbilled Accounts Receivable, Beginning of Period | 20,395 | 17,757 |
| Less: Contract Assets and Unbilled Accounts Receivable, End of Period | (26,808) | (20,805) |
| Add: Contract Assets and Unbilled Accounts Receivable by Acquisitions | - | - |
| Less: Contract Liabilities and Refund Liability Contributed by Acquisitions | - | - |
| Billings | 440,411 | 269,399 |