

Q4 FY25 Investor Prepared Remarks

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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

Fiscal 2025 was a transformative year for Docusign, led by the introduction of Intelligent Agreement Management (IAM). Our vision is that Docusign IAM establishes a new system of record that transforms how organizations create, commit to, and manage their agreements in a full-suite, AI-powered, end-to-end platform. During the year, we also improved the performance of our business, building a strong foundation to add greater customer value and drive future growth.

Q4 revenue was \$776 million, up 9% year-over-year, and Fiscal 2025 revenue was \$3 billion, up 8% year-over-year. IAM momentum was strong, and fundamentals across the core business continued to improve, with dollar net retention increasing to 101% in Q4. In addition, we produced strong profitability with 29% non-GAAP operating margins in Q4 and 30% for Fiscal 2025, significant increases from Fiscal 2024, reflecting continued progress in our commitment to improving efficiency while prioritizing investment to re-accelerate growth.

As we look to Fiscal 2026, we're focused on increasing the value we deliver to Docusign customers as the world's leading agreement platform. We will continue to execute across our three strategic pillars: accelerating product innovation through an ambitious AI-led product roadmap, evolving our three routes to market, and leveraging operating efficiency gains to invest in future growth. Let's dive deeper into why the future is bright – turning first to innovation.

**Product
Innovation**

Last spring we introduced IAM at our Momentum event, then rolled the platform out to our sales-led small and mid-market customer segment in the United States, Canada, and Australia. At the end of the year, we launched department-level deployments to enterprise customers while also opening up IAM availability globally. The initial launch delivered [Docusign Navigator](#), our intelligent agreement repository; [Docusign Maestro](#), our automated workflow builder; and the [Docusign App Center](#), where ISV partners deliver third-party apps to customers. We followed that launch by releasing Docusign for Developers to support our developer ecosystem. And through the acquisition of Lexion we integrated additional powerful Agreement AI capabilities.

Today, IAM customers are using Agreement AI to streamline document review and editing, extract critical insights, verify parties, and build workflows integrated with third-party applications. Some IAM customers have reduced their contracting cycles by up to 75%. You can see our full list of recent product releases in our earnings release.

We hope you can join us at our April [Momentum customer conference](#) and Partner Day in New York where we'll share our ambitious Fiscal 2026 product roadmap, featuring Agreement AI, innovative new workflows, an expanded ecosystem, and powerful new capabilities for enterprise customers, all with the goal of becoming the agreement system of record.

**Omnichannel
Go-To-Market**

Within our omnichannel go-to-market pillar, I want to first highlight IAM's strong momentum. In Q4, just the second quarter post-launch to our small and mid-market customers, IAM represented a high single-digit percentage of in-quarter deal volume for the direct channel, and over 20% of direct new customer deals. Customer demand continues to exceed our expectations, indicating strong product-market fit in this segment. In fact, IAM has quickly become the fastest-growing new product in DocuSign's history.

Our sellers are sharing the IAM vision with all customers and approaching the renewal process as a natural opportunity for customers to start their IAM journey. [Metro Credit Union](#) is using Maestro to optimize member account maintenance workflows, reducing the time required to process automated payment forms from 5 minutes to just a few seconds, saving nearly 50 hours of work each month. Metro Credit Union is an enterprise IAM deployment driven by our ecosystem partner [Sandbox Banking](#), an nCino company and trusted fintech integration provider in our App Center. The HR team at [Duncan Family Farms](#), a multi-region agricultural company, is building Maestro workflows integrated with our WhatsApp capabilities to onboard multi-national workers and easily set up low-friction direct deposit. Work that previously took days now gets done in minutes.

Customer engagement also continues to increase. The typical IAM customer now has approximately four thousand contracts uploaded into Navigator. This highlights the scale of the challenge companies face with agreements, and demonstrates the value IAM creates by transforming this complexity into actionable insights. User adoption of IAM also continues to rise. Monthly cohort data shows consistent growth in usage, particularly for Navigator, as customers deepen their engagement with the platform.

Beyond IAM, we continue to drive improvement across the core business. In Q4, our dollar net retention rate (DNR) once again improved, rising to 101%, an increase of more than 2% points from Q4 of Fiscal 2024 and the highest level in six quarters. Dollar net retention continues to benefit from improved gross retention and solid customer usage trends. We also saw sustained momentum in new customer growth at 10% year-over-year to nearly 1.7 million customers.

**Omnichannel
Go-To-Market**

International and digital growth both continue to outpace the overall business and represent significant opportunities in the long term. Digital self-service revenue growth accelerated for the second straight quarter, a reflection of the improvement in our self-service capability. The partner channel's contribution to the business continued to increase in Q4 and Fiscal 2025, leveraging gains we've made with technology partners like Microsoft, SAP, and Salesforce, as well as growing interest from independent software vendors and global systems integrators.

We continue to generate growth opportunities in our core business. [Avis Budget Group](#), a leading global car rental company, is using Docusign to accelerate agreement generation, enhance collaboration, improve productivity, and more effectively manage its supply chain.

Our [Gartner-recognized](#) Docusign CLM product remains a market leader and top choice for customers with sophisticated enterprise workflows. [Cognizant Technology Solutions](#), one of the world's leading professional services companies for creating digital solutions, is deploying CLM across its organization to streamline agreement processes, improve efficiency, mitigate risks, and create AI-driven workflows.

In our direct sales channel, we have strong IAM momentum with small and medium-sized customers. This segment represents a large opportunity for growth and customer impact in Fiscal 2026, and it's where we expect the majority of near-term sales and adoption. This year, our direct sales team will have greater ability to sell IAM across more SKUs and solutions while also focusing on more consultative solution selling, resulting in greater upsell opportunities.

In parallel, we will continue to evolve both product and GTM for enterprise customers. In Fiscal 2026, we will continue to focus on departmental level use case adoption within enterprises. Also, a strong partner channel will continue to support and contribute to growth with enterprise customers. We are excited by the several early IAM enterprise customer wins after the initial Q4 launch.

We will also continue to invest in our self-service channel to make it easier for customers of any size to discover, buy, and manage our products digitally. In April, our larger direct customers will be able to add more capacity and renew their contracts via self-serve. Soon after, we will unlock the ability for new and existing digital customers to buy IAM Standard and Professional plans directly from Docusign.com in the United States, Canada, France, Germany, the UK, and Australia. Driving greater efficiency and effectiveness across our sales and marketing efforts remains a large focus this year.

**Operating
Efficiency**

In Fiscal 2025, we made substantial improvements in our operating efficiency pillar. Our full-year operating margin increased by 4% points and by nearly 10% points over the past two years. We have also become significantly more cash flow generative over the past two years, producing over \$900 million in free cash flow and deploying nearly 75% of it back to shareholders in share repurchases.

In Fiscal 2026, our priority is to retain the profitability gains we've made during the past two years while making the necessary investments to accelerate growth. Beyond Fiscal 2026, as growth increases, we believe we will create further profitability and margin gains, while driving towards our most important long-term financial goal of reaccelerating to sustainable double-digit topline growth. Blake will provide more detail about our Fiscal 2026 outlook in his remarks.

Closing

In closing, DocuSign made incredible progress in Fiscal 2025, and we're encouraged by customer enthusiasm about the IAM platform. With IAM, we're building an AI-powered, end-to-end system of record that operates at scale and enables organizations of all sizes to manage their agreements and create value from their agreement data. I want to thank the entire team for their commitment and hard work in increasing the pace and scale of innovation at DocuSign. The past year marked a turning point for DocuSign, and we're well-positioned to pursue the significant opportunity that lies ahead.

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

Blake Grayson
CFO



Introduction

In Fiscal 2025, we focused on stabilizing and improving our core business while building a foundation for future growth through our three strategic pillars: accelerating product innovation, strengthening our omnichannel go-to-market capabilities, and increasing our operating efficiency. Q4 results delivered substantial progress towards these initiatives. The core business once again improved with both a rising dollar net retention rate and continued growth in customer usage, while IAM maintained strong early performance in both product delivery and customer adoption. We also continued to drive significant gains in profitability from an efficiency focus across the company.

Business Stabilization

Q4 total revenue was \$776 million, and subscription revenue was \$758 million, both up 9% year-over-year, slightly higher than our full-year Fiscal 2025 growth rates of 8%. Q4 billings were \$923 million, up 11% year-over-year, and full-year Fiscal 2025 billings were up 7% year-over-year.

Outperformance in Q4 billings relative to our forecast was driven primarily by three factors. First, approximately half of the beat was driven by higher early renewals, including those influenced by increasing consumption trends where customers add extra capacity before their existing contract expires. That dynamic also drove some of the Q4 revenue outperformance vs. our forecast. The remaining half of the billings beat were driven by the other two factors: higher IAM billings as well as more deals shifting to annual billing terms. While we invoice the vast majority of contracts upfront and annually, we saw the rate increase slightly in Q4, which impacts current quarter billings. As it relates to early renewals, we are making a concerted effort in Fiscal 2026 to focus our GTM cycles more deeply on those with expansion opportunities and drive higher on-time renewals for those without expansion.

**Business
Stabilization**

The dollar net retention rate improved to 101% in Q4, up from 100% in Q3 and from the historical low of 98% in Q4 Fiscal 2024. Improvements in gross retention continued to be the primary driver of overall DNR improvement. Over the past 18 months, we have put a growing focus on improving our engagement with customers through better business operations, sales compensation design, and an improved solution selling motion. We are proud of the progress we have made this year in DNR, and we recognize that we have remaining opportunities for improvement.

Also, dollar net retention benefited from consistent year-over-year growth in both envelopes sent and consumption. Customer consumption, a measure of contract utilization, increased year-over-year in Q4 in nearly every industry vertical and customer segment. We expect dollar net retention to be flat in Q1 2026, and then moderately improve throughout the year based on both incremental improvements in gross retention as well as the growing contribution from IAM upsell opportunities.

In Q4, total customers grew 10% year-over-year, approaching 1.7 million. Our continued momentum in customer growth highlights the value of investing in diverse routes to market and geographies. Additionally, we continue to believe that the breadth and scale of our customer base provide a strong foundation for the continued growth of the IAM platform. The number of large customers spending over \$300k annually increased both year-over-year and quarter-over-quarter to 1,131 in Q4. This was our strongest quarter for large customer growth in two years.

In addition, investments in our self-service motion continued to deliver strong results. In Q4, digital revenue growth accelerated for the second consecutive quarter on the back of initiatives to make it easier for customers to self-serve account upgrades and grow their business with DocuSign. In FY26, self-service and PLG programs will remain an investment focus area to reduce friction and improve the customer experience across all customer sizes and segments, including those that historically were sales-led. As we continue to make gains in self-service motions, it provides us with an opportunity in Fiscal 2026 to re-invest in higher-value sales motions and IAM platform development. Progress in self-service allows us to continue evolving our GTM motion, create additional sales capacity, and provide increased future operating leverage.

IAM Progress As Allan mentioned, we are seeing encouraging signs of strong initial customer demand for the IAM platform. In Q4, a high single-digit percentage of direct customer deal volume included IAM, representing a low single-digit percentage share of our total subscription recurring revenue book of business. We expect this IAM contribution to grow this fiscal year and anticipate it representing a low double-digit percentage share of our total subscription recurring revenue book of business by Q4 Fiscal 2026.

International International revenue in Q4 represented 28% of total revenue and grew 12% year-over-year. With improved stability and the launch of IAM in North America, we are seeing a changing dynamic across geographies. The domestic US business has started to reaccelerate while the international business, which is still growing faster on a relative basis, encountered growth headwinds in Fiscal 2025. The Q4 launch of IAM outside of North America, where we will re-focus our attention on upsell opportunities within our install base, combined with a stronger partner channel, creates a significant long-term international growth opportunity that we remain excited about in Fiscal 2026 and beyond. Although it is still early for IAM internationally, Q4 IAM deal volume in Europe and Latin America combined were up 6 times from Q3.

Financial and Operating Efficiency Turning to the financials, our focus on operating efficiency initiatives drove strong results this quarter and in Fiscal 2025.

Non-GAAP gross margin for Q4 was 82.3%, down approximately 20 basis points from the prior year as benefits of higher revenue during the quarter mostly offset the impact of additional cloud migration costs. For Fiscal 2025, non-GAAP gross margin was 82.2%, also down slightly on a year-over-year basis. As discussed last quarter, gross margins have been impacted due to the ongoing cloud infrastructure migration, resulting in additional expenses associated with this transition. We expect a larger gross margin impact in Fiscal 2026 as we complete the bulk of that migration in Fiscal 2026 before easing in Fiscal 2027 and beyond.

Non-GAAP operating income for Q4 was \$224 million, up 25% year-over-year, resulting in a 28.8% operating margin. Q4 operating margin was up 3.8% points vs. last year and significantly improved over the 23.6% operating margin from two years ago. Non-GAAP operating income for Fiscal 2025 was \$886 million, also up 25% year-over-year, resulting in a 29.8% operating margin vs. 25.8% in Fiscal 2024 and 20.5% in Fiscal 2023. We have made significant improvements in profitability over the last two years and will continue to prioritize efficiency while making critical investments in areas like R&D.

**Financial
and
Operating
Efficiency**

We ended Q4 with 6,838 employees vs. 6,840 at the end of Fiscal 2024, essentially flat year-over-year including our acquisition of Lexion. We remain deliberate in our hiring approach to align with key initiatives, and are mindful of hiring locations based on cost and skills required.

In Q4, we delivered \$280 million of free cash flow, a 36% margin. Our free cash flow margin improved by approximately 1% point from the prior year, driven by increased collections efficiency and higher in-quarter billings. For Fiscal 2025, we delivered \$920 million of free cash flow, a 31% margin and more than double the annual free cash flow we generated two years ago. Our free cash flow margin for the year trended slightly higher versus non-GAAP operating margins, a trend we expect to continue for Fiscal 2026, driven mostly by the strength in our forecasted billings growth.

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 opportunistically returning capital to shareholders.

In Q4, we repurchased \$162 million of stock through share buybacks. For Fiscal 2025, we repurchased a total of \$684 million of stock using approximately 75% of our annual free cash flow generation. This rate is closer to 100% for the year, when including the cash utilized to cover taxes on RSU vesting. We have \$608 million remaining under our current repurchase authorization, and we expect to continue to opportunistically repurchase shares as part of our capital allocation strategy.

Regarding the cost of our equity programs, our Q4 stock compensation expense as a percentage of revenue was 19.3%, down over 3% points from the prior year.

Non-GAAP diluted EPS for Q4 was \$0.86, a \$0.10 per share improvement from \$0.76 last year. GAAP diluted EPS for Q4 was \$0.39 vs. \$0.13 last year. For Fiscal 2025, non-GAAP diluted EPS was \$3.55, vs. \$2.98 in Fiscal 2024, and GAAP diluted EPS was \$5.08 vs. \$0.36 last year. As a reminder, GAAP earnings in Fiscal 2025 were positively impacted by the tax valuation allowance release that occurred in Q2 2025 and is explained in more detail in our filings.

Diluted weighted shares outstanding for Q4 was 214.5 million, slightly higher than expected, primarily due to the impact of a higher share price on unvested awards, which are accounted for under the treasury stock method. Basic shares outstanding for Q4 decreased by 2.2 million year-over-year to 203.3 million total shares, reflecting the anti-dilutive impact of our buyback program.

Guidance

With that, let me turn to guidance.

For Q1 2026, we expect total revenue between \$745 million and \$749 million in Q1 or a 5% year-over-year increase at the midpoint, and we expect full-year Fiscal 2026 revenue between \$3.129 billion and \$3.141 billion, also a 5% year-over-year increase at the midpoint. The guided growth rates include an approximate 0.7% point of headwind to both Q1 and full-year Fiscal 2026 revenue from the impact of forecasted foreign currency rates across our international business.

We expect subscription revenue of \$729 million to \$733 million in Q1 or a 6% year-over-year increase at the midpoint and \$3.062 billion to \$3.074 billion for Fiscal 2026 or a 6% year-over-year increase at the midpoint.

For billings, we expect \$741 million to \$751 million in Q1 or a 5% year-over-year growth rate at the midpoint, and we expect full-year Fiscal 2026 billings between \$3.300 billion to \$3.354 billion or a 7% year-over-year growth rate at the midpoint. The guided growth rates include an approximate 1% point of headwind to both Q1 and full-year Fiscal 2026 billings from the impact of forecasted foreign currency rates across our international business.

Our Fiscal 2026 guidance represents the first year we anticipate accelerated annual billings growth since Fiscal 2021 as we build off demonstrated momentum in IAM and continued improvements in retention. As shown in recent quarters and years, billings are impacted by the timing of customer renewals, which can create meaningful variability from period to period.

We included the following three considerations in our topline guidance:

- First, in Q1, we expect an approximate 1% point headwind year-over-year to revenue from the leap year impact.
- Second, as mentioned above, the impact of foreign currency rates will have an approximate 0.7% point headwind for revenue in Q1 and the full-year Fiscal 2026. For billings, we expect an approximate 1% point headwind in Q1 and the full-year Fiscal 2026.
- Third, for the full-year Fiscal 2026, we expect a billings-specific headwind of approximately 1% point to account for reduced early renewal volume as a result of GTM design changes to reflect a growing focus on IAM upsell, including the introduction of an IAM transition SKU that can help offer IAM features to customers through upsells without the need to renew existing contracts.

Guidance

We expect non-GAAP gross margin to be 80.5% to 81.5% for both Q1 and Fiscal 2026.

We expect non-GAAP operating margin to reach 27.0% to 28.0% for Q1 and 27.8% to 28.8% for Fiscal 2026.

We included the following two considerations in our profitability guidance:

- For Q1 and the full-year Fiscal 2026, we expect an approximate 1% pt gross margin headwind due to the ongoing cloud data center migration efforts. As discussed previously, we expect a larger gross margin impact in Fiscal 2026 before easing in Fiscal 2027 and beyond.
- Also, for the full-year Fiscal 2026, we expect an approximate 1.5% point operating margin headwind due to both the 1% pt gross margin impact from cloud migration as discussed above, as well as the hard comp against the previously discussed Q2 2025 one-time release of a litigation reserve and the Fiscal 2026 shift of some roles to cash compensation vs. equity.

This overall approach to profitability reflects our intent to maintain similar levels of operating margins realized in Fiscal 2025, excluding the unique gross margin and operating expense headwinds noted above. This also allows us to prioritize IAM investments to drive longer-term growth. When we combine these with forecasted accelerating billings growth in Fiscal 2026, we're excited about our longer-term opportunity to improve operating leverage.

We expect non-GAAP fully diluted weighted average shares outstanding of 210 million to 215 million for both Q1 and Fiscal 2026.

Closing

In closing, in Q4, we made continued progress toward strengthening the IAM platform vision and improving the performance of our core business with solid revenue and billings growth. We also maintained our focus on operating efficiency and produced strong non-GAAP operating profit and free cash flow.

Stepping back, Fiscal 2025 was a transformative year for DocuSign. We've built a strong foundation created by nearly 1.7 million customer relationships, improving business fundamentals, and accelerated product innovation. We are excited to continue developing the IAM platform to create greater value for our customers across verticals, geographies, and company sizes. We remain in the early stages of bringing our agreement management vision to life, and through consistent execution, we believe we can transform DocuSign for customers, employees, and 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 on pages titled “Guidance” in this document 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 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 Intelligent Agreement Management (“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 policy; 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, quarterly report on Form 10-Q for the quarter ended October 31, 2024, filed 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, acquisition-related expenses, fair value adjustments to strategic investments, 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 each of the years ended January 31, 2025 and 2024, 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**

	Three Months Ended January 31,		Year Ended January 31,	
Gross Profit (in \$ thousands)	2025	2024	2025	2024
GAAP gross profit	616,041	564,479	2,355,080	2,189,261
Add: Stock-based compensation	17,886	20,494	76,987	79,996
Add: Amortization of acquisition-related intangibles	3,564	2,070	12,267	8,857
Add: Employer payroll tax on employee stock transactions	1,176	337	3,909	2,262
Add: Lease-related impairment and lease-related charges	—	—	—	721
Non-GAAP gross profit	638,667	587,380	2,448,243	2,281,097
GAAP gross margin	79.4%	79.2%	79.1%	79.3%
Non-GAAP gross margin	82.3%	82.5%	82.2%	82.6%

	Three Months Ended January 31,		Year Ended January 31,	
Subscription Gross Profit (in \$ thousands)	2025	2024	2025	2024
GAAP subscription revenue	757,767	695,682	2,901,309	2,686,708
Less: GAAP subscription cost of revenue	138,884	120,551	532,445	459,905
GAAP subscription gross profit	618,883	575,131	2,368,864	2,226,803
Add: Stock-based compensation	13,712	13,517	58,348	51,660
Add: Amortization of acquisition-related intangibles	3,564	2,070	12,267	8,857
Add: Employer payroll tax on employee stock transactions	921	232	2,882	1,464
Add: Lease-related impairment and lease-related charges	—	—	—	505
Non-GAAP subscription gross profit	637,080	590,950	2,442,361	2,289,289
GAAP subscription gross margin	81.7%	82.7%	81.6%	82.9%
Non-GAAP subscription gross margin	84.1%	84.9%	84.2%	85.2%

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

	Three Months Ended January 31,		Year Ended January 31,	
Operating Income (in \$ thousands)	2025	2024	2025	2024
GAAP income from operations	60,469	9,935	199,928	31,634
Add: Stock-based compensation	149,947	161,000	605,499	611,835
Add: Amortization of acquisition-related intangibles	6,918	4,701	24,717	19,375
Add: Employer payroll tax on employee stock transactions	6,343	2,600	21,793	13,682
Add: Acquisition-related expenses	—	—	4,340	—
Add: Restructuring and other related charges	—	88	29,721	30,381
Add: Lease-related impairment and lease-related charges	—	—	—	4,460
Non-GAAP income from operations	223,677	178,324	885,998	711,367
GAAP operating margin	7.8%	1.4%	6.7%	1.1%
Non-GAAP operating margin	28.8%	25.0%	29.8%	25.8%

	Three Months Ended January 31,		Year Ended January 31,	
Free Cash Flow (in \$ thousands)	2025	2024	2025	2024
Net cash provided by operating activities	307,912	270,698	1,017,272	979,526
Less: Purchases of property and equipment	(28,342)	(22,114)	(96,988)	(92,391)
Non-GAAP free cash flow	279,570	248,584	920,284	887,135
Free Cash Flow Margin	36%	35%	31%	32%
Net cash provided by (used in) investing activities	(32,291)	67,238	(312,876)	44,612
Net cash used in financing activities	(231,514)	(735,034)	(838,791)	(946,039)

GAAP to Non-GAAP operating expenses reconciliation

	Three Months Ended January 31,		Year Ended January 31,	
Sales & Marketing (in \$ thousands)	2025	2024	2025	2024
GAAP sales and marketing	301,288	300,221	1,160,993	1,168,137
Less: Stock-based compensation	(48,213)	(53,251)	(202,609)	(203,855)
Less: Amortization of acquisition-related intangibles	(3,354)	(2,631)	(12,450)	(10,518)
Less: Employer payroll tax on employee stock transactions	(2,242)	(1,104)	(7,593)	(5,049)
Less: Lease-related impairment and lease-related charges	—	—	—	(2,171)
Non-GAAP sales and marketing	247,479	243,235	938,341	946,544
GAAP sales and marketing as a percentage of revenue	38.8%	42.1%	39.0%	42.3%
Non-GAAP sales and marketing as a percentage of revenue	31.9%	34.2%	31.5%	34.3%
Research & Development (in \$ thousands)	2025	2024	2025	2024
GAAP research and development	155,463	151,524	588,455	539,488
Less: Stock-based compensation	(53,422)	(54,753)	(204,238)	(184,211)
Less: Employer payroll tax on employee stock transactions	(1,421)	(605)	(7,013)	(4,276)
Less: Lease-related impairment and lease-related charges	—	—	—	(873)
Non-GAAP research and development	100,620	96,166	377,204	350,128
GAAP research and development as a percentage of revenue	20.0%	21.3%	19.8%	19.5%
Non-GAAP research and development as a percentage of revenue	13.0%	13.5%	12.7%	12.7%
General & Administrative (in \$ thousands)	2025	2024	2025	2024
GAAP general and administrative	98,821	102,711	375,983	419,621
Less: Stock-based compensation	(30,426)	(32,502)	(121,665)	(143,773)
Less: Employer payroll tax on employee stock transactions	(1,504)	(554)	(3,278)	(2,095)
Less: Acquisition-related expenses	—	—	(4,340)	—
Less: Lease-related impairment and lease-related charges	—	—	—	(695)
Non-GAAP general and administrative	66,891	69,655	246,700	273,058
GAAP general and administrative as a percentage of revenue	12.8%	14.5%	12.4%	15.2%
Non-GAAP general and administrative as a percentage of revenue	8.6%	9.8%	8.2%	9.8%

Computation of billings

	Three Months Ended January 31,		Year Ended January 31,	
Computation of Billings (in \$ thousands)	2025	2024	2025	2024
Revenue	776,252	712,386	2,976,739	2,761,882
Add: Contract liabilities and refund liability, end of period	1,479,266	1,343,792	1,479,266	1,343,792
Less: Contract liabilities and refund liability, beginning of period	(1,332,828)	(1,228,174)	(1,343,792)	(1,191,269)
Add: Contract assets and unbilled accounts receivable, beginning of period	18,341	25,253	20,189	16,615
Less: Contract assets and unbilled accounts receivable, end of period	(17,825)	(20,189)	(17,825)	(20,189)
Add: Contract assets and unbilled accounts receivable by acquisitions	—	—	53	—
Less: Contract liabilities and refund liability contributed by acquisitions	—	—	(5,071)	—
Non-GAAP billings	923,206	833,068	3,109,559	2,910,831