

[Sharlene Seemungal]

Thank you for joining us today for GitLab's fourth quarter of fiscal year 2023 financial results presentation. GitLab's co-founder and CEO Sid Sijbrandij and GitLab's Chief Financial Officer, Brian Robins, will provide commentary on the quarter and fiscal year.

Please note we will be opening up the call for panelist questions. To ask a question please use the chat feature and post your question directly to "IR Questions" using the drop-down menu.

Before we begin, I'll cover the Safe Harbor statement:

During this conference call, we may make forward-looking statements within the meaning of the federal securities laws. These statements involve assumptions and are subject to known and unknown risks and uncertainties that could cause actual results to differ materially from those discussed or anticipated. For a complete discussion of risk associated with these forward-looking statements in our business, please refer to our earnings release distributed today in our SEC filings, including our most recent quarterly report on Form 10-Q and when filed, our most recent annual report on Form 10-K.

Our forward-looking statements are based upon information currently available to us. We caution you to not place undue reliance on forward-looking statements, and we undertake no duty or obligation to update or revise any forward-looking statement, or to report any future events, or circumstances or to reflect the occurrence of unanticipated events.

We may also discuss financial performance measures that differ from comparable measures contained in our financial statements prepared in accordance with U.S. GAAP. These non-GAAP measures are not intended to be a substitute for our GAAP results.

A reconciliation of these non-GAAP measures to the most comparable GAAP financial measures is included in our earnings press release which, along with these reconciliations and additional supplemental information, are available at ir.gitlab.com. A replay of today's call will also be posted on ir.gitlab.com.

I will now turn the call over to GitLab's co-founder and Chief Executive Officer, Sid Sijbrandij.

[Sid Sijbrandij]

Thank you for joining us today. In the fourth quarter of FY23 we continued to demonstrate our ability to grow while significantly improving margins.

- We generated revenue of \$122.9 million dollars during Q4 FY23. This represents year-over-year growth of 58%.
- Our fourth quarter results also continue to exhibit improving operating leverage in our business. Our non-GAAP operating margin improved.

There is no question that the past several months have represented a difficult time for many companies. Economic headwinds have resulted in budget reductions. Companies are forced to figure out how to do more with less. They must continue to deliver customer value, but they need to innovate with fewer resources than before.

Some of the watch points that we cited during our third quarter fiscal year earnings presentation became more pronounced during the fourth quarter. Being a growth company offering a mission critical platform, we saw these impacts later than other software companies. The watch points that played out in the fourth quarter were:

- Longer deal cycle times
- Higher contraction of seats
- Lower expansion than historical trends

Based on this we announced a 7% reduction in force on February 9th.

We see significant opportunities ahead. We're confident in the strong value proposition that GitLab provides to customers. And, we are still in the early phases of capturing this estimated \$40 billion dollar addressable market. A market that we've seen evolve from point solutions to a platform. From DIY DevOps to a DevSecOps platform. A market that *WE* created and *WE* now have the most comprehensive offering with proven ROI.

In this macro environment, it is critical for companies to show the immediate return on software investments. Forrester found that, as a result of implementing GitLab, a company generated a

total return on investment of 427% over three years. Even more critical, they realized a payback on the investment in less than 6 months. This payback enables companies to reinvest in future innovation.

Companies now need to simultaneously innovate and reduce costs. We believe this environment provides an ideal backdrop for GitLab to demonstrate significant value.

- They consolidate their many DevSecOps tools, which saves costs and leads to efficiency gains.
- They can reduce or eliminate the amount spent on tool chain integrations.
- Their engineers become more productive by reducing time to deploy applications.
- And, they can accelerate revenue by deploying their software faster.

Let me provide some customer stories in Q4 that demonstrate the value of GitLab's DevSecOps platform.

Deutsche Telekom is the largest telecommunications provider in Europe. DevOps methodologies have become a cornerstone of their efforts to streamline software development, reduce manual tasks, break down silos, and increase productivity. Since adopting GitLab, Deutsche Telekom has reduced the time to release software from 18 months down to approximately 75 days. That's a 7x faster cycle time. And, they've achieved this velocity while streamlining security practices and improving team collaboration. In Q4, they purchased over 1,000 additional Ultimate licenses.

GitLab is also helping **Mass Mutual's subsidiary, Haven Technologies**, a digital insurance leader. Using GitLab, they have cut costs, driven efficiency, and increased development velocity as they double down on Kubernetes. In Q4, the team reported a 400% increase in development cycles, from roughly 2 cycles per week to 2 per day. And, they have greatly increased the number of security pipelines run on each merge request, which helped to increase developer involvement in securing applications earlier in the development lifecycle. GitLab has also helped increase productivity by automating a number of processes, especially around branching.

Finally, we are excited to see the results that **Grammarly** has achieved with GitLab. Grammarly powers effective communication for over 50,000 teams and for over 30 million people daily.

Grammarly adopted GitLab in 2019 for source code management and continuous integration. Since then, they have steadily increased their GitLab adoption, with the number of users increasing more than four times. As adoption grew, so did Grammarly's interest in additional GitLab capabilities. Grammarly wanted to implement robust security scanning into the software development cycle, but managing numerous disparate tools became a challenge. Grammarly upgraded to GitLab Ultimate in 2021 so they could move from using GitLab for just SCM and CI to also use it for a number of advanced security capabilities, all in a single application. These include static and dynamic security scanners, secret detection, and container scans. Grammarly added more Ultimate licenses in Q4, and envisions everyone at the organization using GitLab.

All of these customers – Deutsche Telekom, Mass Mutual, and Grammarly – and thousands more are realizing the benefits of GitLab's core value proposition: '**Software, Faster!**'

Now, let's turn to our product priorities. Our pace of innovation is widening the competitive moat. We're confident that we have the right product priorities to capture even more share of this expanding market. Our platform is differentiated in a number of ways:

- We deliver the most comprehensive DevSecOps platform as a single application.
- We are open core, ensuring we are on the leading edge of innovation by building with our global community of customers and users. Over 3,000 new GitLab capabilities came from the wider community contributions in the last year alone.
- We have security natively integrated in our platform – it's built in, not bolted on.
- We are cloud agnostic. We are not incentivized to push customers to use any cloud provider, so our customers don't fear vendor lock-in.
- And, we offer flexibility of different deployment options, satisfying the needs of the most complicated compliance and security requirements across all sectors.

Our current product priorities are all about building on this differentiation and strengthening GitLab's position as the most comprehensive DevSecOps platform. They are:

- Number one, continue integrating advanced security and compliance. This strengthens our Ultimate offering and helps customers bring software supply chain security to the forefront of software development.

- Number two, deepen native integration of observability, analytics, and user feedback. This gives every stakeholder in the software development lifecycle the data and insight they need to unlock the value of their software investment.
- And third, expand to new use cases and audiences with Artificial Intelligence and Machine Learning.

Here is an update on what we've accomplished since our last call.

In Q4, we released **GitLab Remote Development**, eliminating the need to configure and maintain complex local environments. This newly released Web IDE enables everyone to contribute from any web browser, while reducing the need for context switching. GitLab Remote Development also creates a more secure user experience by enabling organizations to implement a zero-trust policy that prevents source code and sensitive data from being stored locally across numerous devices. In addition, organizations can adhere to compliance requirements by ensuring developers are working with approved environments, libraries, and dependencies.

Security and compliance continue to be core the reasons why enterprises choose GitLab over the competition, and in Q4 we continued our pace of innovation in this area.

- We launched new capabilities allowing security officers to enforce policy control, compliance frameworks, and license policies for multiple development projects more easily at the group level rather than having to go project-by-project.
- We introduced browser-based Dynamic Application Security Testing – or DAST – to authenticate, crawl, and scan web applications for vulnerabilities. The browser-based DAST significantly reduces testing time and has the advantage of more seamlessly fitting into the software development workflow. And, we improved the accuracy of our DAST API Analyzer, reducing false positives by an estimated 78%, making it easier for customers to hone in on true security threats. We see DAST as a competitive advantage for us in the DevSecOps Platform space and I'm glad to see us continue to innovate with these types of security scanners.

These are just a few of the innovations we made in Q4 to make it easier to enforce security policies across the entire organization and enable companies to secure their software supply

chain. We believe that these key additions to our Security offering help our customers build secure software faster and more efficiently than with any other solution on the market.

To bring analytics and feedback into our DevSecOps platform, last quarter, we shipped the GitLab Value Streams Dashboard. I'm really excited about this new capability. We have seen how it delivers tremendous value to our customers. This is only possible with a comprehensive DevSecOps platform built as a single application with a unified data store.

Value Streams Dashboard allows all stakeholders – from executives to individual contributors – to have visibility into the process and value delivery metrics associated with the software development lifecycle. Now companies can see where their roadblocks are and take steps to ship software faster. Our first iteration enables teams to continuously improve workflows by benchmarking key DevSecOps metrics. They can track and compare these metrics over time, helping teams identify and fix engineering inefficiencies and bottlenecks.

One customer from a large financial services company was so excited about this new capability. He was able to use Value Streams Dashboard to identify his best Java programmers and have them work on mission-critical projects. Another customer told me that this capability became a morale booster for all his engineers. They could now finally all rally around the same metrics to show what they were capable of doing.

I believe Value Streams Dashboard is a game changer for our customers. No other platform can give this level of visibility across every step of the software development lifecycle without needing to buy or maintain a third party tool.

AI clearly represents a major technological wave. I fundamentally believe that AI will revolutionize DevSecOps platforms.

However, AI isn't a department. It's not a stand-alone capability. It weaves through every function, every department, and every persona involved in developing, securing, and operating software.

We are pursuing AI as a **fundamental and integrated** part of the DevSecOps platform.

First, we use AI to make GitLab's DevSecOps platform automate mundane tasks and reduce the cognitive load for our customers. We are creating AI-assisted capabilities for everyone in the software delivery workflow. These improve productivity and efficiency. Let me provide some examples:

- Suggested Reviewers, which we launched last September, automatically suggests the best available reviewer for a code change. This capability removes the guesswork by ensuring the right reviewer – with the right contextual knowledge – is reviewing code changes so that customers can deploy software more efficiently. Our customers have told us that they absolutely love this new feature because it minimizes delays and leads to better reviews. They now have more confidence in the code they deploy. Already they have leveraged Suggested Reviewers tens of thousands of times to more efficiently and securely review code on our platform.
- GitLab Code Suggestions, which we launched this past February, increases developer speed and productivity by providing code suggestions in their integrated development environment.

We plan to add new AI capabilities throughout the DevSecOps lifecycle. For example, we are developing an Intelligent Code Security solution to reduce the risk due to insecure coding practices. We anticipate that Intelligent Code Security will automatically detect and remediate code quality and security vulnerabilities.

Second, we make it easier for customers to incorporate AI into their applications faster. We are working on integrating this ModelOps solution into the GitLab DevSecOps Platform to empower customers to build and integrate data science workloads and extend DevSecOps workflows to AI and machine learning workloads.

In summary, AI is going to dramatically change the way teams work, and the way organizations develop, secure, and operate software. We believe we will be on the leading edge of it, applying the same value of iteration that has led to the creation of the most comprehensive DevSecOps platform.

We have updated our pricing to reflect the significant enhancements we've delivered over the past several years.

On March 2nd, we announced we have increased the list price of GitLab Premium from \$19 to \$29 per user per month with transition pricing for existing customers. This is our first price increase in more than five years and it reflects the evolution of GitLab from source control and CI to the most comprehensive DevSecOps platform. Since February 2018, GitLab Premium added over 400 new features, leading to improved cycle times, developer experience, and collaboration for our customers.

We've also rolled out a significant step to accelerate our product-led growth motion. This month, we will begin applying user limits to the GitLab SaaS Free tier. With this change, organizations on our Free Tier will be limited to 5 users. This gives them the opportunity to experience the value of a comprehensive DevSecOps platform while also driving them to more quickly convert to a paid tier if they use it with a larger team. We believe this change will drive even greater adoption of our paid tiers.

In summary, I'm confident in the opportunity ahead for GitLab:

- We have the right product for the right market at the right time.
- We have the most comprehensive DevSecOps Platform.
- And now, more than ever, companies will need to innovate faster and cut costs at the same time.

On a personal note, I'd like to thank the GitLab E-group and the Board for their support as I am currently going through some health challenges. I recently had surgery for a spinal lesion and, after much consultation with medical experts in the field, I decided to undergo radiation and chemotherapy starting last month for Osteosarcoma. I have completed radiation and currently have 13 weeks left of chemotherapy. My scope and responsibilities as GitLab's CEO and Chair remain unchanged and I am looking forward to making a full recovery. And I'm committed as ever to GitLab's success.

I will now turn it over to Brian Robins, GitLab's Chief Financial Officer . . .

[Brian Robins]

Thank you Sid, and thank you again for everyone joining us today. I would like to spend a moment discussing what we are seeing in the macro environment and will review the key characteristics of our business model. Then, I will quickly recap our fourth quarter financial results and key operating metrics, and conclude with our guidance.

On our last earnings call, I cited some watchpoints that we encountered towards the end of the quarter. We started seeing greater deal scrutiny on some deals, lower expansion rates than historical trends, and a slight uptick in contraction. These factors became more pronounced during 4QFY2023.

We believe the uncertain macroeconomic environment affected us in two ways. First, we saw that some of our customers experienced changes in their businesses which led to either hiring slowdowns or a reduction in workforces. This impacted expansions, primarily in our Premium tier. It also led to an uptick in customer contractions and churns.

Second, we encountered greater deal scrutiny at the end of the calendar year, as companies reevaluated their overall spending plans heading into the new year. We also saw more people involved in approval processes, which led to longer sales cycles.

Moving forward, our fundamental proposition to our customers hasn't changed. In a world in which software defines the speed of innovation, GitLab enables companies to build and deploy software better, faster, cheaper, and in a more secure manner. We are the most comprehensive DevSecOps Platform.

Key aspects of our business model that enable our performance include:

- the predictability of a subscription, rather than a consumption model;
- a platform sale rather than a point solution;
- a diversified base of customers across industry verticals, customer sizes, and geographic regions;
- And, a short implementation cycle with an established and well-documented ROI.

Now, turning to the numbers. Revenue of \$122.9 million this quarter represents an increase of 58% organically from the prior fiscal year. We ended 4Q with over 7,000 customers with ARR of

at least \$5,000, compared to over 6,400 customers in the third quarter of FY2023, and over 4,500 customers in the prior fiscal year. This represents a year-over-year growth rate of approximately 52%. Currently, customers with >\$5,000 in ARR represent approximately 95% of our total ARR.

We also measure the performance and growth of our larger customers, who we define as those spending more than \$100,000 in ARR with us. At the end of the fourth quarter of FY2023, we had 697 customers with ARR of at least \$100,000, compared to 638 customers in 3Q FY2023, and 492 customers in the fourth quarter of FY2022. This represents a year-over-year growth rate of approximately 42%. Also, as an annual disclosure, at the end of FY2023, we had 63 customers with ARR of at least \$1 million, compared to 39 at the end of the prior year, which represents a year-over-year growth rate of 62%.

As many of you know, we do not believe calculated billings to be a good indicator of our business, given that prior period comparisons can be impacted by a number of factors, most notably our history of large prepaid multi-year deals. This quarter total RPO grew 39% year over year to \$436 million, and cRPO grew 51% to \$308 million for the same time frame.

We ended our fourth quarter with a Dollar-Based Net Retention Rate of 133%. For added context regarding expansion activity during the fiscal year, the metric exceeded 145% in each of the first three quarters of FY2023. Next quarter we will revert back to reporting this as a threshold metric using 130% or the actual number if below 130%.

The Ultimate tier continues to be our fastest growing tier, representing 40% of ARR for the fourth quarter of FY2023, compared with 37% of ARR in the fourth quarter of FY2022. Additionally, our Ultimate tier performed well in the quarter with approximately half of our bookings coming from Ultimate purchases given our strength in security and compliance.

Non-GAAP gross margins were 90% for the quarter, which is slightly improved from both the immediately preceding quarter and the fourth quarter of FY2022. As we move forward, we are estimating a moderate reduction in this metric due to the rapid year-over-year growth rate of our SaaS offering.

We saw improved operating leverage this quarter, largely driven by realizing greater efficiencies as we continue to scale the business. Non-GAAP operating loss was \$13.8 million, or (11%) of revenue, compared to a loss of \$27.4 million, or (35%) of revenue in Q4 of last fiscal year. Q4 FY23 includes \$5.9 million of expenses related to our JV and majority owned subsidiary.

Operating cash use was \$11.7 million in the fourth quarter of FY2023, compared to \$1.1 million use in the same quarter of last fiscal year.

Now let's turn to guidance. First there has been no change to our overall guidance philosophy. In light of the challenging macroeconomic headwinds, we have reassessed our near-term revenue growth outlook, assuming trends we saw in 4Q continue. Additionally, in response to our near-term revenue outlook we have made adjustments to our expenses. We believe these actions will lead to an accelerated path to profitability.

For first quarter of FY2024:

- We expect total revenue of \$117.0 million to \$118.0 million, representing a growth rate of 34% to 35% year-over-year.
- We expect a non-GAAP operating loss of \$27.0 million to \$26.0 million.
- And, we expect non-GAAP net loss per share of \$0.15 to \$0.14 assuming 151 million weighted average shares outstanding.

For the full year FY2024:

- We expect total revenue of \$529 million to \$533 million, representing a growth rate of approximately 25% year-over-year.
- We expect a non-GAAP operating loss of \$64.0 million to \$59.0 million.
- And, we expect non-GAAP net loss per share of \$0.29 to \$0.24 assuming 153 million weighted average shares outstanding.

On a percentage basis, our new annual FY2024 guidance implies non-GAAP operating improvement of approximately 900 basis points year-over-year at the midpoint of our guidance. Over the longer term, we believe that a continued, targeted focus on growth initiatives and scaling the business will yield further improvements in unit economics.

Separately, I would like to provide an update on JiHu, our China joint venture. Our goal remains to deconsolidate JiHu. However, we cannot predict the likelihood or timing of when this may potentially occur. Thus, for modeling purposes for FY2024, we forecast approximately \$33 million of expenses related to JiHu, compared with \$19.0 million in FY2023. These JiHu expenses represent approximately (6%) of our total implied (12%) non-GAAP operating loss for FY2024.

As Sid and I have said over the last several quarters, our number one priority is growth but we will do that responsibly. There has been no philosophical change in how we run the business to maximize shareholder value over the long term. We continue to be focused on growth while driving improvements in the unit economics of our business.

The overall fundamentals of our business have not changed. We believe we remain extremely well-positioned to capture an outsized portion of an estimated \$40 billion market opportunity.

With that, we will now move to Q&A. To ask a question please use the chat feature and post your question directly to "IR Questions." We are ready for the first question.