

✓ **Event Details**

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Company: Gitlab, Inc.
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✓ **Company Participants**

Kelsey Turcotte - GitLab, Inc., Vice President-Investor Relations
Sytse Sid Sijbrandij - Gitlab, Inc., Co-founder and Executive Chair
Bill Staples - Gitlab, Inc., Chief Executive Officer & Director
Brian G. Robins - Gitlab, Inc., Chief Financial Officer

✓ **Other Participants**

Koji Ikeda - Analyst
Sanjit K. Singh - Analyst
Matthew Hedberg - Analyst
Rob D. Owens - Analyst
Joel P. Fishbein, Jr. - Analyst
Kash Rangan - Analyst
Shrenik Kothari - Analyst
Ryan MacWilliams - Analyst
Michael Turrin - Analyst
Gray Powell - Analyst
Pinjalim Bora - Analyst
Nick Altmann - Analyst

MANAGEMENT DISCUSSION SECTION

Operator

00:00:24 Good day, everyone, and welcome to today's GitLab Third Quarter Fiscal Year 2025 Conference Call. At this time, all participants are in view and listen-only mode. Later, you will have the opportunity to ask questions during the question-and-answer session. Please note this call is being recorded. I will be standing by should you need any assistance.

00:00:44 And it is now my pleasure to turn the conference over to Kelsey Turcotte.

Kelsey Turcotte

00:00:53 Good afternoon. We appreciate you joining us for GitLab's third quarter fiscal year 2025 financial results conference call. With me are Sid Sijbrandij, our Co-Founder and Executive Chair of the Board; Brian Robins, our CFO; and Bill Staples, our newly appointed CEO. During this afternoon's call, we will introduce Bill, provide commentary on our third quarter results and guidance for the fourth quarter and fiscal year 2025.

00:01:17 Before we begin, I'll cover the Safe Harbor statement. I would like to direct you to the cautionary statement regarding forward-looking statements on Page 2 of our presentation and in our earnings release issued earlier today, both of which are available under the Investor Relations

section of our website. The presentation and earnings release include a discussion of certain risks, uncertainties, assumptions and other factors that could cause our results to differ from those expressed in any forward-looking statements within the meaning of the Private Securities Litigation Reform Act. As is customary, the content of today's calls and presentation will be governed by this language.

00:01:54 In addition, during today's call, we will be discussing certain non-GAAP financial measures. These non-GAAP financial measures exclude certain unusual or non-recurring items that management believes impact the comparability of the periods referenced. Please refer to our earnings release and presentation materials for additional information regarding these non-GAAP financial measures and the reconciliations to the most directly comparable GAAP measure.

00:02:18 I'll now turn the call over to Sid Sijbrandij. Sid?

Sytse Sid Sijbrandij

00:02:22 Thank you for joining us today. And before I get to the numbers, I couldn't be more excited to welcome Bill Staples to the team. This afternoon, we announced Bill will succeed me as CEO of GitLab. He will also take a seat on the GitLab board and I'll continue on as Executive Chair of the GitLab board. As I have gotten to know Bill, his passion for software and commitment to innovation makes me confident he is the right person to lead the company going forward. Over his career, Bill has an impressive track record of building a scaling enterprise software organizations. He most recently served as CEO of New Relic and held senior leadership roles at Adobe and Microsoft. I couldn't be more excited to welcome Bill to the team. Congratulations.

00:03:10 Bill, over to you.

Bill Staples

00:03:12 Thank you, Sid, and good afternoon, everyone. I'm humbled to have been asked by Sid and the board to take on the role of GitLab CEO. I spent nearly three decades building developer platforms and tools, and I know our customer and category very well. I'm convinced that we have a significant opportunity ahead of us.

00:03:33 We've all seen how software has changed all aspects of our lives and transformed every business into a software-driven business. However, I believe we're still in the early stages of the software transformation, which I expect AI to further accelerate. In my view, there's never been a better time to serve developers, and GitLab offers the best and most comprehensive platform to do that. We sit at the heart of the software development lifecycle, improving the development experience for everyone involved, and enabling customers to create better quality software faster for enterprises. I look forward to rolling up my sleeves, spending time with customers, partners and you, as well as GitLab team members.

00:04:23 Sid, I'm honored to take the helm of the company that you worked so hard to build. Thank you for entrusting me with your vision. Now, I'll turn the call back to you.

Sytse Sid Sijbrandij

00:04:35 Thanks, Bill. I really look forward to working with you.

- 00:04:38 Turning back to the business, I want to talk about a few things. First, our really strong Q3. Second, our competitive advantage in AI and where we are going. And finally, the tremendous momentum we are seeing with GitLab Ultimate.
- 00:04:55 We executed well and, once again, we exceeded both revenue and profitability guidance. Third quarter revenue increased 31% year-over-year to \$196 million. And consistent with our commitment to responsible growth, our non-GAAP operating margin reached 13.2%. This is an increase of over 1,000 basis points year-over-year.
- 00:05:21 From cybersecurity threats to compliance mandates, CTOs, CIOs and CISOs are facing increasingly complex challenges. Despite all of this, organizations need to accelerate the pace of software development to remain competitive and respond to ever increasing customer expectations. This is why our DevSecOps platform resonates so well.
- 00:05:45 On the AI front, we continue to build momentum with GitLab Duo Pro and Enterprise. Customers are realizing tangible value with it. One recently told us that 40% of their developers are saving more than 2 hours per week with Duo and another customer is seeing productivity improvements of up to 50%. In their first purchase with GitLab, Emirates, the world's largest international airline, chose Ultimate and Duo Pro after comparing different AI-powered developer tools. It was our platform's build-in security and compliance capabilities and our AI code assistance that made us the choice.
- 00:06:29 Another new customer, OCS Blue, a leading global provider of construction video camera services, chose Ultimate and Duo Enterprise in a competitive assessment against GitHub. This is because of our ability to improve the developer experience across the entire software development lifecycle, including productivity improvements and security. The combination of Ultimate and Duo Enterprise is a powerful one.
- 00:06:57 While there are many AI solutions that can generate code, we go beyond that. We integrate AI throughout the software development lifecycle, and we serve all stakeholders involved in shipping great software, including product managers, security engineers and operations teams. To take advantage of our end-to-end AI capabilities beyond the code creation, F5 moved from Duo Pro to Duo Enterprise in Q3.
- 00:07:27 An international insurance and financial services company expanded their ultimate deployment and purchased Duo Enterprise. By the end of 2024, they will have replaced 4-point products, saving over \$2 million. They plan to consolidate more tools over the next three years, securing their entire software supply chain with a single DevSecOps platform and with Duo Enterprise, they estimate that their engineering teams will spend up to 45% less time on mundane tasks like writing code, allowing them to spend time on more strategic, valuable work.
- 00:08:07 LATAM Airlines, the largest airline in Latin America and a new GitLab customer, selected Ultimate and Duo Enterprise in a competitive evaluation between us and several security AI and CI/CD point solutions. Now, LATAM can consolidate their software toolchain, reduce costs and improve productivity and they can leverage our extensive security scanner coverage and AI throughout the software development lifecycle. Looking ahead, we intend to be the vendor customers choose to partner with for a comprehensive approach to AI. There are three reasons we believe we are uniquely positioned to do this.
- 00:08:48 First is our end-to-end DevSecOps platform. To be effective, AI models need context and our platforms' unified data store allows us to give the AI more and more relevant context. Second, customers value security when it comes to AI. I'm excited to share that GitLab Duo Enterprise

customers can now deploy self-hosted models. This is a significant differentiator for us. With self-hosted models, customers can implement AI capabilities without their private data leaving the organization. This lowers the risk of security breaches and enables adherence to data protection loss.

- 00:09:33 Recently, a large US government agency chose to add 2,000 GitLab Duo Enterprise users to their existing Ultimate licenses to provide their developers with an AI experience in an offline environment. They chose GitLab Duo because they could use their own self-hosted large language models with their existing GitLab instance.
- 00:09:57 Finally, customers need to trust the AI they are using. This concern is raised at all levels of our customer's organization, including the board of directors. We partner with LLM vendors who do not use our customer's proprietary code to train their models. And we have adopted a transparency and privacy first approach to safeguard customers' data and IP.
- 00:10:21 Earlier this week, we announced a bundle offering for GitLab Duo with Amazon Q, allowing developers to create and deploy high-quality secure code faster on AWS. The joint offering integrates AI capabilities from GitLab Duo and Amazon Q into a single interface for AWS customers using GitLab Ultimate. GenAI innovations started with AI-powered code creation, which we offer in GitLab Duo Pro. With the introduction of the Duo Enterprise, we expanded AI to everyone in the software development lifecycle.
- 00:10:57 We anticipate the next evolution in AI will be agentic where AI will be autonomous and proactive rather than prompt based and reactive. Agentic AI is the foundation of GitLab Duo workflow, an autonomous agent for end-to-end software development that we shared a preview of, earlier this year. This is where we see the industry going and we intend to be the leader.
- 00:11:20 Now, I'll move on to the success we're seeing with Ultimate. There are multiple drivers creating demand for Ultimate and interest from partners like AWS. These include integrated security and compliance, GitLab Dedicated and as I discussed, Duo Enterprise. Ultimate has now reached 48% of our total ARR. During the quarter, Indeed, the number one job site in the world moved from GitLab Premium to Ultimate. Prior to the upgrade, Indeed migrated thousands of projects from a legacy competitor to GitLab, increasing daily pipelines by 79% and cutting hardware costs by up to 20%. In Q3, they chose Ultimate to consolidate multiple tools into one platform for source code management, CI/CD and security.
- 00:12:10 Ultimate creates a paradigm shift in how customers can embed security in the earliest stages of software development. We also seamlessly integrate security checks and guardrails as the code is being written. Our recent Forrester study found that Ultimate customers can decrease their incident response times from one month to one hour. USAA is one of our longest standing customers. With Ultimate, they have been able to boost the productivity and efficiency of their developers by setting and enforcing security and compliance scans and shifting security left.
- 00:12:48 In addition, a large global supermarket chain with 12,000 stores in 18 countries upgraded to Ultimate to take advantage of our platform's full suite of security and compliance features. With Ultimate, they've told us they expect to save 90 minutes per developer per day on manual security tasks and reduce costs by \$10 million to \$15 million per year.
- 00:13:16 Ultimate is also attracting new customers like Prometheus Group, a provider of enterprise asset management software for plans and facilities. They chose GitLab to increase security and compliance with their single all-in-one platform, while also consolidating their toolchain and

increasing visibility across projects. In fact, nine of our top ten largest new first order customers in Q3 all purchased Ultimate.

00:13:45 In the third quarter, GitLab Advanced SAST became generally available for all our Ultimate customers. Advanced SAST is powered by technology we acquired with the acquisition of Oxeye. It uses a proprietary detection engine to identify exploitable vulnerabilities in first-party code. This delivers more accurate results, so developers and security teams don't have to sort through the noise of false positive results. And unlike other standalone security scanners, Advanced SAST is natively built into the GitLab DevSecOps platform. This provides a developer experience free from the overhead that comes with integrating multiple point solutions.

00:14:29 GitLab Dedicated, which continues to exceed our expectations, is also driving demand for Ultimate to leverage Dedicated customers must be on Ultimate. Because Dedicated is fully managed by GitLab, customers can achieve quicker time to value compared to hosting the platform themselves while maintaining high security and compliance standards. Enterprise work management platform, Smartsheet, purchased Dedicated through a hyperscaler partner to remove the need for maintenance, reduce infrastructure costs and give teams time back for innovation, all while ensuring they have a highly reliable software development process.

00:15:09 Blackstone, the world's largest alternative asset manager, purchased Dedicated for toolchain consolidation, compliance and visibility. Dedicated also contributed to a record quarter in our public sector business. And we are building momentum with our in-process designation for FedRAMP Moderate. The US General Services Administration, our agency sponsor for FedRAMP, selected GitLab Dedicated for Government. Dedicated will reduce their burden of building new tools and will establish a factory floor with an end-to-end FISMA-compliant DevSecOps platform. GitLab is a great choice for highly regulated industries and I am pleased with our performance in this market.

00:15:55 I want to finish by saying thank you, first, to our team members for living our values and mission; to our customers for placing their trust in us; and our partners for their support; and finally, to the wider GitLab community.

00:16:09 And with that, I'll turn it over to Brian.

Brian G. Robins

00:16:12 Thank you, Sid, and welcome, Bill. I'm really pleased with our Q3 FY 2025 results, which exceeded our expectations. We built off the momentum we saw in Q2 and continued to deliver against our commitment to profitable growth. Q3 revenue reached \$196 million, an increase of 31% from Q3 of the prior year, and we delivered a record non-GAAP operating margin.

00:16:35 We now have 9,519 customers with ARR of at least \$5,000, which contributed over 95% of total ARR in Q3. In particular, we monitor performance of our larger customer cohort of \$100,000-plus in ARR, which increased 31% this quarter and reached 1,144. As a scale, this cohort continues to make significant investments in Ultimate, including our top seven deals in the quarter. We're also seeing new customers land with GitLab Duo. In Q3, this included five six-figure, first order deals that included Duo.

00:17:15 On the expansion front, we ended the quarter with a Dollar-Based Net Retention Rate, or DBNRR, of 124%. Q3 DBNRR was driven by a combination of seat expansion at approximately 50%, increased customer yield at approximately 40%, and tier upgrades at approximately 10%. Total

RPO grew 48% year-over-year to \$811.8 million, while cRPO grew 39% year-over-year to \$515.2 million. We encourage investors to look at these metrics over a multi-quarter period.

- 00:17:50 Non-GAAP gross margin was 91% for the quarter. The team continues to do a very good job of driving operating efficiencies to maintain our best-in-class gross margin. SaaS now represents 29% of total revenue and grew 44% year-over-year. The considerable traction we are getting with GitLab Dedicated is helping drive this momentum.
- 00:18:12 Once again, we saw a significant increase in operating leverage. Q3 non-GAAP operating income was \$25.9 million compared to \$4.7 million in Q3 of last year. Similar to Q2, we've dropped our revenue outperformance to the bottom line, which in combination with the team's focus on execution, translated to a record non-GAAP operating margin of 13.2% compared to 3.1% in Q3 of last year. This is an increase of more than 1,000 basis points year-over-year. As we scale, our land-and-expand model becomes increasingly efficient, which allows us to both invest in future growth while also driving operational efficiencies.
- 00:18:54 Q3 FY 2025 adjusted free cash flow was \$9.7 million compared to negative \$6.7 million in the prior year period. Cash from operating activities was negative \$177 million in the third quarter, compared to negative \$6 million in the prior year period. Cash flow from operations reflects the conclusion of the bilateral advance pricing agreement, or APA with the IRS and the Netherlands' Dutch Tax Authority.
- 00:19:25 In addition to the third quarter payment of \$188 million to the Dutch Tax Authority, which resulted from the APA negotiations, we have reserved an additional \$10 million to be paid to the IRS. Although we have petition for an abatement of this amount, we expect it to be finalized in Q4.
- 00:19:47 Now turning to guidance. For the fourth quarter of FY 2025, we expect total revenue of \$205 million to \$206 million, representing a growth rate of 25% to 26% year-over-year. We expect non-GAAP operating income of \$28 million to \$29 million, and we expect a non-GAAP net income per share of \$0.22 to \$0.23, assuming a 170 million weighted average diluted shares outstanding.
- 00:20:18 For the full-year FY 2025, we expect total revenue of \$753 million to \$754 million, representing a growth rate of approximately 30% year-over-year. We expect a non-GAAP operating income of \$69 million to \$70 million, and we expect a non-GAAP net income per share of \$0.63 to \$0.64, assuming a 168 million weighted average diluted shares outstanding.
- 00:20:42 Separately, I would like to provide an update on JiHu, our China joint venture. In Q3 FY 2025, non-GAAP expenses related to JiHu were \$3.5 million compared to \$4.3 million in Q3 of last year. Our goal remains to deconsolidate JiHu. However, we cannot predict the likelihood or timing of when this may potentially occur. Thus, for FY 2025 modeling purposes, we forecast approximately \$14 million of expenses related to JiHu, compared with \$18 million last year.
- 00:21:10 In summary, Q3 was another strong quarter driven by demand for our leading AI-powered DevSecOps platform. To help our customers build better software, GitLab brings together developers, security experts and operations teams on a single platform to collaborate, improve quality, and prioritize security.
- 00:21:30 In a time when there is intense demand for software, this allows customers to both drive innovation and reduce cycle times. This is a large market that is ripe for consolidation, and I'm confident in our ability to build long-term shareholder value. The team is focused on a strong close to the year and we look forward to seeing many of you over the coming weeks.

00:22:05 Thank you all for joining today. With that, I'll turn it over to Kelsey, who will moderate the Q&A.

QUESTION AND ANSWER SECTION

00:22:11 **Answer – Kelsey Turcotte:** Thanks, Brian. We'll take our first question from Koji Ikeda of Bank of America. Koji, go ahead.

Analyst:Koji Ikeda

00:22:17 **Question – Koji Ikeda:** Yeah. Hey, guys, thanks so much for taking the questions. I wanted to ask a question. Actually, before that Sid, real high level here. Thank you for everything you've done for the DevSecOps industry as CEO of GitLab, we wish you very much the best on your journeys from here. And Bill, great to meet you and hi, Brian.

00:22:36 Okay. So first question. Brian, this is a numbers game here and you just beat the midpoint of your guidance by 4.6%. And so, what stood out from this quarter that was maybe above the less conservative guidance posture that you had from earlier this year?

00:22:55 **Answer – Brian G. Robins:** Thanks, Koji. Appreciate the question. You know, this quarter was a strong quarter across the board. We executed well across all fronts. A couple of things I like to point out is in the prepared remarks, Sid said this was the best quarter in POPSEQ that we've had in the company history. Ultimate continues to perform really well. 48% of total ARR now is greater than 50% of bookings. Net dollar retention was strong at 124%, remains best-in-class, cRPO at 39%.

00:23:27 And so, last thing I mentioned is turning contraction as a percent of available to renew. It was the best quarter we had in the last 12 quarters. And so every aspect of the business performed really well, really driven by the strength, the Enterprise. So really happy how we ended the quarter.

00:23:44 **Question – Koji Ikeda:** Got it. Thanks, Brian. And for a follow-up here, fourth quarter guide, revenue guidance looks about 25.5% at the midpoint. So as we're thinking about the next 12 months, anything other than the law of larger numbers, is there anything we should be thinking about that would cause that exit growth rate to meaningfully slow from there?

00:24:06 **Answer – Brian G. Robins:** From a from a guidance perspective, we'll give you next year's guidance on the next call. We have a number of different growth vectors that we've talked about, the Duo Enterprise skew, Dedicated, Agile planning. It's just important to note that these things take time to ramp, roughly \$800 million in revenue growing 30%. It takes a while for them to make a meaningful impact.

00:24:29 **Question – Koji Ikeda:** Thank you.

00:24:31 **Answer – Kelsey Turcotte:** Thank you, Koji. Next question goes to Sanjit Singh of Morgan Stanley. Sanjit, go ahead.

Analyst:Sanjit K. Singh

00:24:39

Question – Sanjit K. Singh: Hi. Thank you for taking the questions and congrats, Bill. And congratulations Sid on an outstanding career. Looking forward to what you do next. I guess I wanted to talk a little bit about the category and Sid, you mentioned the move to workflows and the agentic architecture as sort of the next phase of AI in this category. And I wanted to see, like, how you anticipate that playing out. Is that sort of going to be in conjunction, in parallel with copilots to sort of subsume code assistance and copilots? And what do you think is going to be GitLab sort of strategic advantage when it comes to agents in the agentic architectures?

00:25:26 **Answer – Sytse Sid Sijbrandij:** Yeah. Thanks for that question. Both are going to exist in parallel, so you'll have GitLab Duo Pro assisting people with coding. GitLab Duo Enterprise helping people with everything else that they need to do their job from planning to securing and everything else. On the other hand, you'll have the AI taking more initiative, being proactive, that's the agentic AI, the Duo workflow. And we have an advantage there because we have an end-to-end solution. Our application does everything from planning all the way to deploying.

00:26:02 And what's really important with AI is not so much the models anymore. The state-of-the-art models are all really, really good. Two things are important in agentic AI, you give them the right context. For example, it's good that they not only know about the code base but also what your plans are with the application. So it's great to have planning in GitLab as well, so we can give that context. It's also important that the agents can take action. So what's great about GitLab, deployments are already part of GitLab. It's already existing functionality, so that agentic AI can hook into that to trigger the action. So that's our strategic advantage. It's again the end-to-end platform. It not only makes things easier for humans, faster cycle by 10X, it makes things easier for the AI agents as well.

00:26:52 **Question – Sanjit K. Singh:** And as a follow-up, I'm here in AWS re:Invent. I'm sure a number of us are. You made a pretty big announcement with AWS and their Q offering. I guess the question there is it sounds like it's limited to self-hosted at least out of the gate. Does that integration ultimately show up in a SaaS offering with GitHub Cloud. And from commercially do you think that can be a driver for the business as well?

00:27:21 **Answer – Sytse Sid Sijbrandij:** Yeah, we're super, super excited about this partnership with AWS. We were mentioned as a partner in the main keynote from Matt Garman. It was very, very exciting. And it's not just us at GitLab that are excited, our joint customers are excited. We got more than 1,000 visits to our booth the day of the announcement. So incredible response. We want to make things better for our joint customers.

00:27:49 And right now, that's in close beta. And it's accessible to beta participants who are GitLab Ultimate self-managed customers. But you might remember our GitLab Dedicated offering that is launched on AWS. It's AWS is where a lot of our customers are and we can't wait to bring it to the joint offering to GitLab Dedicated, but we don't have a timeline for that yet.

00:28:16 **Question – Sanjit K. Singh:** Understood. Congrats.

00:28:18 **Answer – Kelsey Turcotte:** Thanks, Sanjit. Next question goes to Matt Hedberg of RBC. Matt, go ahead.

Analyst:Matthew Hedberg

00:28:29 **Question – Matthew Hedberg:** Thanks, guys. Can you hear me?

00:28:31 **Answer – Kelsey Turcotte:** Yeah, we can now.

00:28:32 **Question – Matthew Hedberg:** Okay. Great. Thanks, Kelsey. Sid, first of all, congrats on everything you've done for GitLab. It's just been a real pleasure to work with you and Bill. Congrats on the role. We look forward to working with you in greater detail here. So there's a lot of good details that you presented with us to dig in. I guess, could I start with just a macro buying question? It certainly seems like you guys are doing exceptionally here. A lot of good upsell, a lot of good first order business. Do you get a sense that demand trends are improving maybe since 90 days ago?

00:29:05 **Answer – Brian G. Robins:** Hey, Matt, this is Brian. Let me start on that. And so, let me start off high level and talk about sort of the macro and then I'll talk a little bit specifics around GitLab. And so on the macro, we're seeing what other companies are seeing and so no changes there. People are buying GitLab for the value that we deliver. And so the payback period is pretty quick. So I would say that we're resilient there.

00:29:33 From a specific to a GitLab perspective is mentioned it was a really good quarter all across the board. And so I think that the platform and the value and the payback, people are wanting to consolidate to a platform with a system of record and that's what we're seeing and driving the growth.

00:29:52 **Question – Matthew Hedberg:** Got it. Thanks. Thanks, Brian. And then, maybe one, I don't think it came up too much in the script but we continue to hear a lot of good things about your Enterprise Agile Planning module. I'm curious, could you talk a little bit about that? Where you're seeing success? Are you seeing some JIRA replacements more these days? Just sort of curious on an update there. Thanks.

00:30:10 **Answer – Sytse Sid Sijbrandij:** Yeah. Thank you so much. And thanks for your kind words. So the Enterprise Agile Planning, it's a really important part of GitLab Ultimate. We're still in the early stages of this market opportunity, and we will further enhance this functionality. But planning is an essential part of the DevSecOps lifecycle, and doing that for the largest customers is amazing. And for example, a North American professional sports league will leverage GitLab's Enterprise Agile Planning offering as part of a broader effort to streamline its technology stack. And this will allow them to reduce reliance on Atlassian products like JIRA and Bamboo, and they're going to enhance their efficiency across their development and operations teams.

00:30:59 **Answer – Kelsey Turcotte:** Great. Thanks. Rob from Piper Sandler. Your question is next.

Analyst:Rob D. Owens

00:31:06 **Question – Rob D. Owens:** Great. Thank you for taking my question and Sid, best wishes to you and your family. Given some of the productivity gains that you guys talked about from Duo and obviously some exciting metrics, how are conversations with customers just around developer seats and thought process moving forward? And then I guess more tangibly, just what is the pricing yield that you're seeing as you're adding Duo to these seats? Are you getting full price, near full price? Would love to just get a sense. Thanks.

00:31:39 **Answer – Brian G. Robins:** Yeah. Thanks, Rob. Appreciate the question. This is Brian. In Duo, very – like I said, very happy with where we landed for the quarter. We're seeing a lot of deals. And for the top five deals that we had, first order deals, they all had Duo attached to it. And Duo itself when it's attached to a deal, if you look at the net ARR, Duo makes up over 25% of the total net ARR in year

one. And so a number of people are deploying Duo and seeing the productivity gains up to 50%. And so the feedback we've been getting from the customers has been extremely positive.

00:32:22 **Question – Rob D. Owens:** Great. Thank you. And I guess, any comment on the seat side of things, just in terms of how customers are thinking about seats, given the productivity gains you guys articulated earlier?

00:32:35 **Answer – Sytse Sid Sijbrandij:** Yeah, I think when you look at seats, the way that – obviously, we have a long tail of customers. And so this is sort of talking broadly for our customer base and what we're seeing on some of the implementation. And so when they're buying, when they come to GitLab at buying Duo, they're buying it for most of their users, but they're doing more of a rolled-out approach on implementing. And so, say a customer will buy 100 to 150 seats, they'll roll out a subset of that over time to different groups within the organization.

00:33:11 **Question – Rob D. Owens:** All right. Thanks.

00:33:11 **Answer – Kelsey Turcotte:** Great. Thank you. Next question goes to Joel Fishbein at Truist.

Analyst: Joel P. Fishbein, Jr.

00:33:17 **Question – Joel P. Fishbein:** Thanks for taking the question. Sid, wishing you the best as well. And Bill congrats on the new role. Sid, I'm going to ask something, it was sort of on top of what Sanjit asked earlier, which was two things are happening. One is that people, the skeptics out there say that the market's saturated. Obviously, your acceleration of revenue growth says that that's not true, number one. Number two is as part of that, how much – what inning do you think that we're in, in terms of this vendor consolidation and these disparate tools? And how much room do we have to go from that standpoint? Thank you.

00:33:54 **Answer – Sytse Sid Sijbrandij:** Yeah, thanks for that, Joel. We believe it's still early. We think that the vast, vast majority of enterprises, they are on DIY DevOps today. They have so-called best-in-class solutions, but they have all kinds of point solutions. And the really hard part is integrating that. And you can – you know our revenue. You can make an estimate about GitHub's revenue. And then you look at the market, it's a \$40 billion market. And whatever your estimate is for GitHub, that means that we're in a very early inning here. I would say we're in the first inning. So, that's why we're so excited about this market.

00:34:37 And we see every time that we can make those replacements, the more point solutions they replace, the better the result. And every month, GitLab becomes better and we're able to replace more of those point solutions. We're better able to take out more of them when we have an implementation.

00:34:59 **Question – Joel P. Fishbein:** That's great. Thanks. And Brian, just a real quick follow-up. Great outperformance on the margin side of the business. I know you've always historically said prioritizing growth over profitability, but love to know how we're thinking about margins going forward?

00:35:17 **Answer – Brian G. Robins:** Yeah. Thanks, Joel. We're super happy with the increased operating leverage we can continue to get in the model. We look at doing that across the entire Enterprise. When we went public, we talked about there may be some pressure on our non-GAAP gross margins due to the increase in SaaS. SaaS has grown 44% year-over-year and is now 29% of our total revenue. And we've still been able to maintain best-in-class non-GAAP gross margins at 91%.

00:35:45 So, I'm happy with how we've done there. Sales and marketing E/R is the best it's been in company history this quarter and so we continue to work on margin. Our number one thing is to grow, but we'll do that responsibly. And so, we continue to invest in growth, the new SKUs, AI and so forth, but we're doing that responsibly. And so that's what you saw this quarter, from 3Q 2025 to 3Q 2024, we had over 1,000 basis points improvement.

00:36:14 **Question – Joel P. Fishbein:** Great. Thank you so much.

00:36:17 **Answer – Sytse Sid Sijbrandij:** Thanks, Joel.

00:36:18 **Answer – Kelsey Turcotte:** Next question goes to Kash Rangan at Goldman Sachs. Kash, go ahead.

Analyst:Kash Rangan

00:36:23 **Question – Kash Rangan:** Hi. Thank you very much. Sid, all the very best. And Bill, congratulations. Hello, Brian. So, Bill, wondering if you could share your insights into – granted that you're going to be getting to know the business in more and more detail as you really immerse yourself in the role. But what do you see – what did you see at GitLab and what do you see as the playbook that you can bring to the company, given your experience at other formidable tech companies before? And how would you go about it in your own unique imprint to realize the full potential of GitLab while you have somebody who is fantastic, like Sid, still onboard? Thank you so much.

00:37:06 **Answer – Bill Staples:** Thank you, Kash. I really am thrilled to be here. I mean, if you just listen to this narrative and look at the numbers, who wouldn't want to be a part of GitLab? I've spent nearly my entire career building software for developers, and I have a ton of respect for what Sid and the GitLab team has done and the fit really is perfect.

00:37:28 For our customers, GitLab is a strategic partnership because we set the heart of their software development process and we directly help them increase the quality, the speed and the security of their software and that drives direct improvements to their business. I also believe there's just an enormous opportunity ahead of us.

00:37:51 Sid, just described it as the first inning. As I look at recent technology trends, including all the rapid advancements in AI, I believe the ability for software to transform our world is enormous, and GitLab can play a central role in unlocking that transformation. I really couldn't be more excited to lead the company, and my immediate priority is to spend time with our customers, our partners, GitLab team members around the world, and all of you to learn how I can better serve as CEO. So, thanks for the question.

00:38:31 **Question – Kash Rangan:** You bet.

00:38:35 **Answer – Kelsey Turcotte:** Great. Next question goes to Shrenik Kothari at Baird.

Analyst:Shrenik Kothari

00:38:44 **Question – Shrenik Kothari:** Great. Thanks for taking my question. Again, wishing you, Sid, a swift recovery and healthy future. And welcome, Bill. It's great to interact with you back in the day at the FutureStacks and good to hear you outline your vision for GitLab. Of course, we'll look forward to hearing more from you. And, of course, you mentioned excitement about AI and also heard from Sid about agentic AI and Duo Workflow, all that sounds super exciting.

00:39:11 Just on the GitLab Ultimate, that's kind of hit a big milestone. 48% of total ARR reflects strong customer adoption. Of course, you talked about GitLab Duo Enterprise. It's driving significant upsell. Just on a high level, just curious, Sid, what are you guys seeing in terms of like any inflection for features like integrated security compliance, which of course we have heard before. So I just had a kind of a slower adoption curve overall across DevSecOps and mostly tied to organizational challenges. Just could you help us provide some color on anything which is evolving, changing and primary factors, which is now driving this acceleration? Thank you.

00:39:58 **Answer – Sytse Sid Sijbrandij:** Thanks for that. Yeah, GitLab Ultimate is doing really well and over time, it's features are becoming better. And I think one remarkable thing was the Advanced SAST launch. We acquired Oxeye and we were able to really quickly turn that into a much better product offering and that product offering that Advanced SAST is going to make things better for humans. Like the humans will have fewer false positives, they can focus on what matters and don't have to do work that doesn't matter. But it also helps to inform the AI to give the AI better context about what's happening.

00:40:38 So, kind of, the one acquisition is helping both humans and AI and that's making security better, will make the compliance better over time, and it's such an advantage to have it integrated into the whole workflow. We see that customers are able to be more secure on more projects, more of the time if it's totally integrated and that's a big reason for customers to buy Ultimate.

00:41:13 **Answer – Kelsey Turcotte:** Great. Thanks. We're going to go to one question now just for efficiency. Next up is Ryan MacWilliams from Barclays.

Analyst:Ryan MacWilliams

00:41:25 **Question – Ryan MacWilliams:** Hey, thanks for taking the question. First, Sid, any differences in adoption between Duo Pro and Duo Enterprise adoption at this point? And then where are your customers stand overall in terms of their developer tool AI rollout? Like have they done tests use cases today and now ready to go from like initial ROI to broader throughout the organization? Or do you think that's more of a 2025 story as they just familiarize themselves with your AI tools?

00:41:57 **Answer – Sytse Sid Sijbrandij:** Yeah. So what we're seeing is that if a customer is on GitLab Ultimate and they're really bought into using GitLab end-to-end that Duo Enterprise is the better candidate. So that's been amazing to see. I think if you talk about Duo Workflow, we're very, very early. It's in the hands of a few customers, but we're looking forward to a beta this winter. But we're early. Don't expect a lot this year, this fiscal year. This is the future, we're working on it and it will come and we're doing our best to make sure it's great and that it's secure.

Question – Ryan MacWilliams: Thanks.

00:42:45 **Answer – Kelsey Turcotte:** Thank you. Moving on to Michael Turrin at Wells Fargo. Michael.

Analyst:Michael Turrin

00:43:01 **Question – Michael Turrin:** Hello.

00:43:02 **Answer – Kelsey Turcotte:** Okay.

00:43:02 **Question – Michael Turrin:** Yeah, there we go. I was waiting for the notification. Sorry. I wanted to ask Sid that for the mere question what Kash asked earlier. Certainly, wishing you the best Sid, but I think it'd be useful just to hear more on your thoughts on Bill. What made him the right fit? Anything you saw from the experience perspective and really just thinking about the stage that GitLab is at in terms of maturity, all the new product, innovation, and efforts, you're rolling out. Just kind of – would just love to hear your thoughts on the overall transition there. Thanks.

00:43:36 **Answer – Sytse Sid Sijbrandij:** Thanks, Michael. Yeah, I couldn't be more excited than with Bill as a successor. I think he's a perfect fit for GitLab. I've talked to a lot of CEOs and I haven't found anyone with that is such a kind of good fit with us. Bill has amazing leadership qualities. He's learned from the best leaders. He's a great leader himself, but he also really cares about the software process. He's been a software developer himself. He has been in this market. He knows what the market is like, what our users are like, what our buyers are like. Of course, he's going to go on tour and see or speak to our customers, but this is someone who cares very deeply about it and has the operational skills to write an amazing next chapter for GitLab.

00:44:33 **Answer – Kelsey Turcotte:** Thank you. Next question goes to Gray Powell of BTIG. Gray, go ahead.

Analyst:Gray Powell

00:44:39 **Question – Gray Powell:** Okay, great. Can you hear me?

00:44:44 **Answer – Sytse Sid Sijbrandij:** We can.

00:44:44 **Question – Gray Powell:** All right. Awesome. Well, thanks, Kelsey. I'll keep this one short. I hope to speed things along. Question for Brian. Just how do you feel about your visibility on the pipeline and the demand environment today versus 6 to 12 months ago?

00:44:59 **Answer – Brian G. Robins:** Yeah, thanks, Gray. Appreciate the question. When we went and talked about Q3, there wasn't many changes from Q2 nor Q1. And so, there's been a, as I mentioned, there's still the spend environment out there. We're seeing what others are seeing. It's cautious, but we haven't seen a lot of great fluctuations. And so, we have enough confidence to pass through the beat and raise for the year. And so happy with where the pipeline is for 4Q.

00:45:31 **Question – Gray Powell:** Okay. Thank you.

00:45:33 **Answer – Kelsey Turcotte:** Next question goes to Pinjalim Bora at JPMorgan. Pinjalim, go ahead.

Analyst:Pinjalim Bora

00:45:39 **Question – Pinjalim Bora:** Oh, great. Thank you for taking the questions. Sid, all the best and welcome, Bill. I want to talk about agentic AI and as AI agents kind of become a reality with every

(00:45:50) potential ephemeral agents working for them, how do you envision GitLab's pricing model evolving to fit that world over time?

00:45:59 **Answer – Sytse Sid Sijbrandij:** That's a great question. And the background is, hey, if the agents do the work and it's not directly tied to a user, how do you price that? Do you still price that per seat? And I can't comment on future pricing, but as I've already given some ideas of why Bill is great. One of the things he's also overseeing at New Relic is a move to consumption pricing. That's not the reason we brought him in. We brought him in because he's a great leader but never hurts.

00:46:35 And despite kind of it going to that like pricing maybe differently for these workflows, we do see a great for people working in software. And if you look at AI, it's making it easier for people to get on in software. With Duo, it's easier to program something. So I'm not going to give forecasts or preannounce pricing, but those are my thoughts. Thank you.

00:47:04 **Question – Pinjalim Bora:** Okay. Thank you.

00:47:07 **Answer – Kelsey Turcotte:** Great. Thanks, Pinjalim. Next and final question goes to Nick Altmann at Scotiabank. Nick, go ahead.

Analyst:Nick Altmann

00:47:16 **Question – Nick Altmann:** Awesome. Thank you. Sid, wishing you all the best. My question is on the Ultimate Premium mix, and it sounds like Duo Enterprise is gaining some nice traction, especially with the net new customers and being a driver for Ultimate adopting. But when you're talking to customers, can you just talk about how much of a driver for the Duo Enterprise is for customers maybe looking to upgrade from Premium to Ultimate?

00:47:51 And then as we kind of think about that dynamic going forward and potentially more of net new customers landing in Ultimate, just how should we think about the pace of mix shift as it pertains to ARR from Ultimate versus Premium? Thank you.

00:48:20 **Answer – Sytse Sid Sijbrandij:** Yeah, I think there's different customers. We talked about the Emirates becoming a customer and they combine Ultimate with Duo Pro. There's also a ton of customers combining Ultimate with Duo Enterprise. So it's going to vary by customer. I think we should recognize that it's also going to evolve over time. And what's important to us is that we are end-to-end with customers and we're super excited about working with the hyper scalers to make sure that customers use all of GitLab. We are also making progress with the system integrators of the world, making sure people get all the value out of GitLab.

00:48:55 If you look at how much functionality GitLab offers, there's very few companies using everything today. So that's a big thing we can focus on making sure to use more of the platform and get even more value. And even though, nobody uses everything of GitLab, they already have a 480% return in three years. Think about all the features we're still going to add, think about all the features we still can get adopted. That's where a lot of the leverage is. Use more of GitLab, become even better in writing software yet the AI is helping, even without the AI it's already great and the AI, I think the adoption in the future is going to be greater and greater.

00:49:42 **Question – Nick Altmann:** Great. Thank you.

00:49:44

Thanks, Sid. This concludes our Q3 FY 2025 earnings presentation. Thanks to all of you once again for joining us and have a great evening.

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