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Gitlab, Inc. (GTLB)

Q4 2025 Earnings Call

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MANAGEMENT DISCUSSION SECTION

[Abrupt Start]

Operator: ...Fourth Quarter Fiscal Year 2025 Conference Call. At this time, all participants are in a view and listen-only mode. Later, you will have the opportunity to ask a question during the question-and-answer session. And if you'd like to ask a question, please use the raise hand feature, located in the menu at the bottom of your screen. In addition, please ensure your Zoom name reflects your full name and the firm that you are with. [Operator Instructions] . Please note today's call is being recorded. Now, I'll be standing by should you need any assistance.

But for now, it is my pleasure to turn things over to Kelsey Turcotte. Kelsey, over to you.

Kelsey Turcotte

Vice President-Investor Relations, GitLab, Inc.

Good afternoon. We appreciate you joining us for GitLab's fourth quarter fiscal year 2025 financial results conference call. With me are Bill Staples, our CEO; and Brian Robins, our CFO. During this afternoon's call, we will provide an overview of the business, commentary on our fourth quarter results and guidance for the first quarter and fiscal year 2026. 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 call and presentation will be governed by this language.

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.

I'll now turn the call over to Bill. Bill?

William Staples

Chief Executive Officer & Director, Gitlab, Inc.

Thank you, Kelsey, and good afternoon, everyone. Thank you for taking the time to join us today on our fourth quarter earnings call. Before I get any further into the call, I want to take this opportunity to welcome Ian Steward to GitLab in the role of CRO. He will join us later this quarter from Tricentis, where he currently serves as CRO. Ian has spent his career driving revenue growth with a strong analytical and operational bias and brings a wealth

of experience in helping developers and IT organizations realize value. I am thrilled Ian is joining the company and will help drive GitLab through our next growth stage.

I also want to thank Ashley Kramer for her service as Interim CRO over the past few quarters. Ashley will remain in the Interim CRO role through the end of Q1 FY 2026, and will work with Ian to ensure a smooth leadership transition and will then pursue opportunities outside of GitLab.

Turning back to the quarter. Q4 was a strong finish in FY 2025, continuing the momentum GitLab has built throughout the year, driven in part by Ultimate, Dedicated and GitLab Duo. Fourth quarter revenue increased 29% year-over-year to \$211 million, once again, coming in ahead of our expectations. And consistent with our commitment to responsible growth, our non-GAAP operating margin reached 18%. This is an increase of 960 basis points year-over-year. Brian will give a deeper dive into the quarter and provide guidance for Q1 and fiscal year FY 2026 in just a moment.

But first, let me step back and share what I've learned in my first quarter at GitLab and how we're approaching the opportunity ahead. I spent most of my time this quarter meeting with customers, investors and team members learning everything I could. I engaged with more than 50 customers, including Booking.com and USAA, and listening to how GitLab uniquely accelerates their team's ability to deliver secure software faster.

Three key themes emerged from those conversations. First, GitLab's comprehensive platform approach drives enormous productivity and efficiency improvements with very clear ROI. Second, the momentum around DevSecOps and specifically the need for security responsibilities to shift left. We believe every engineer needs to understand and be part of delivering secure software and AI is only going to accelerate that trend.

Finally, every customer, even those who admitted they were skeptics just a few quarters ago, are actively evaluating AI tools and exploring how they can benefit by incorporating AI into their DevSecOps strategy. As we brainstormed their AI strategy together, it became even more clear how our customers bet on GitLab will become a competitive advantage for them and the foundation for a successful AI strategy in the years to come. Nearly every customer I spoke with feels it. With the power of generative AI for co-creation, we're almost certainly going to see a significant increase in both software creators and code in the coming years. We believe organizations won't just have more developers, they'll have more production ready code generated by AI and more applications built and deployed by agents.

As with any software, this code will need to meet the quality, security, privacy and compliance requirements of the business. A successful AI strategy, therefore, depends on a successful approach to managing the software lifecycle at scale, something GitLab is already proving to do better than anyone else in the category.

Organizations who have already adopted or in the process of moving to GitLab and taking a platform approach benefit from automated security scanning, enforceable compliance guardrails and standardized workflows not only with their human developers, but for agent generated code as well. We believe organizations without an integrated DevSecOps approach will struggle to manage the complexity and potential risk of agentic AI development. For organizations that want to leverage the benefits of AI agents, while delivering a safe and reliable experience for their customers, we believe the best path is to standardize on an end-to-end DevSecOps platform. And GitLab offers the most comprehensive DevSecOps platform today.

I spend a lot of time this quarter meeting team members around the world and at every level of the organization. I heard their commitment to our values, their passion for both the people and the mission of GitLab and the many things we're doing well today as a company. I also heard the typical growing pains of a public company at our age

and maturity and the desire to grow faster with less friction so we can scale to become a defining generational company in our category. Driven by that and with the help of the executive team and leaders around the company, we put together an FY 2026 plan to help us improve.

Our plan is very simple and really focused on the fundamentals of a successful business. Number one, we will focus on adding more new paying customers this year, especially in the Mid-Market and Enterprise segments where our ability to expand is the highest and our value is the most. Number two, we will focus on our expansion motions and helping customers realize the value of our platform faster. And number three, we will focus on delivering customer value through innovation at a faster pace, especially in our core DevOps, security and AI areas with an eye to provide higher quality, more complete and market-leading solutions in all three areas. Every team member is now orienting their work around these three objectives. I sense a renewed energy and excitement as we enter the new fiscal year.

Let's talk about each of the three objectives and the momentum we saw in Q4 that we're building on. A great example of execution against objective number one is the deal we closed in Q4 with Anthropic, the creator of Claude, a large language model trusted by millions of users worldwide. With Ultimate Self-Managed, the Anthropic team is trusting GitLab to securely house all their code in one place, while providing greater performance, insight, control and customization over their development workflows.

We also landed one of the largest cybersecurity companies in a competitive displacement for source code management. As a global cybersecurity leader, the customer requires a reliable, scalable solution they can run in their own environment, which our competitor could no longer provide after sun-setting their on premises offering. The customer's engineering teams were also unhappy with the user experience in their existing tool. They chose GitLab for our enterprise-grade scalability, ease of use and continued investment in on-premises capabilities. This strategic decision will help them dramatically improve developer productivity and accelerate product delivery, while maintaining control of their development infrastructure.

Our second FY 2026 objective is to unlock value faster for our customers. Customers on our platform are enjoying 15 times faster time to market, 4 times faster feature delivery and up to 60% reduction in manual tasks. We know that when customers see results like these, they expand usage and invest more with us. A good example of this is Caisse des Dépôts et Consignations, an investment arm of the French state. After seeing success with an initial deployment of GitLab Ultimate in their infrastructure team, they're now standardizing their entire development organization on GitLab, replacing a complex array of point solutions, including source control, CI/CD, Enterprise Agile Planning and security scanning tools. This decision will help CDC streamline their development experience, reduce technical debt in their toolchain, and strengthen their security posture through integrated security scanning and compliance controls.

To further strengthen our ability to grow with customers, we're making numerous go-to-market enhancements, including expanded customer success and professional service teams and offers, intensive onboarding and training to get our reps ramped more quickly, improved enablement on new innovation and standardized customer success plans.

Partners are also critical to success both landing and expanding with customers. This year, we will expand our relationships with services and consulting partners, and we continue to invest in our hyperscaler relationships. In December, we announced an integrated AI offering with AWS at re:Invent, which went into beta in January. This collaborative product development brings together GitLab's AI-powered DevSecOps platform with Amazon Q's autonomous AI agents to create a seamless AI-powered developer experience, which we expect to be available in the coming months.

Our third FY 2026 objective is to accelerate innovation in focused ways that increase value for customers. This year, our R&D investments will be made across three themes. The first is our core DevOps platform to help customers accelerate toolchain consolidation. The second is to build upon our differentiated security and compliance capabilities. And third, we'll continue to drive AI innovation, including Duo Enterprise and Duo Workflow. Our goal here is to enhance and deliver world-class products in all three areas with clear monetization paths. And while we expect these innovations will have some modest impact on FY 2026, they will set our field organization up with multiple expansion paths for customers in FY 2027.

To get a sense for the opportunity ahead as we focus on these areas, let me share a few customer stories and the business expansion we saw from them in Q4 FY 2025. This quarter, Zscaler, a leader in cloud security, selected GitLab in a competitive win. What started as a migration opportunity became a strategic decision to invest in our market-leading platform. Zscaler recognizes that GitLab can streamline developer onboarding, enhance security and compliance, and consolidate their toolchain into a single application. The value of our platform is also why we're seeing such tremendous momentum with GitLab Ultimate. Ultimate has now reached 50% of our total ARR and our top seven largest deals in the fourth quarter were Ultimate expansions.

Also in Q4, AWS Professional Services expanded their GitLab commitment by moving from our open source free tier to get lab GitLab Ultimate. AWS Professional Services chose to Ultimate to help their customer facing teams deliver solutions and proof of concept code more efficiently, while maintaining Amazon's strict security requirements. This strategic expansion strengthens our partnership with AWS.

GitLab Dedicated grew approximately 90% year-over-year in Q4 and we also sold our largest first order Dedicated deal. Customers across industries value the flexibility and efficiency of Ultimate, delivered as a single tenant SaaS solution, which reduces labor and infrastructure costs, while providing the control and compliance of a self-hosted solution. We're also seeing healthy adoption of GitLab Dedicated among our existing enterprise customers. Delta Airlines, which already uses GitLab Ultimate, is expanding their investment by moving to GitLab Dedicated as part of their broader cloud transformation journey. With Dedicated, GitLab fully manages and deploys Delta's DevSecOps platform with controls, freeing the team to focus on creating value and accelerating their monetization rather than maintaining infrastructure. Another customer, NatWest, extended their investment in both GitLab Dedicated and Duo Enterprise in Q4, continuing their digital transformation initiatives with GitLab as their strategic DevSecOps partner.

Now, let me share a few additional wins we're seeing with GitLab Duo. We had a very good quarter with Duo, particularly with Duo Enterprise, as customers realize the power of AI throughout the entire software development lifecycle. Longtime GitLab customer, Barclays, a leading global financial institution, has steadily expanded their use of our products and did so again in Q4. Initially an Ultimate customer, they made their first Duo purchase in Q2 FY 2025 with Duo Pro. Because of the success they had with GitLab to-date, in Q4, Barclays invested in 20,000 GitLab Ultimate and Duo Enterprise seats. Another key win was Capgemini, a global leader in engineering and R&D services. By selecting GitLab, Capgemini is upgrading and scaling its software engineering delivery platform, which is used by thousands of engineers worldwide to drive AI-powered, software defined product transformation across industries. GitLab Ultimate streamlines the toolchain for greater transparency, security and efficiency. And with GitLab Duo, AI capabilities are embedded throughout the development lifecycle.

Also in Q4, CACI, a major US technology company and government contractor, previously removed seven point solutions by consolidating on the GitLab platform, resulting in 13 times faster security scans and a 90% savings in toolchain administration. This quarter, they invested in Duo Enterprise to continue to drive efficiencies and improve developer experience.

Finally, we are pleased to announce that Duo Workflow is entering private beta this month. Duo Workflow is our move from AI-assisted to AI-driven software development, leveraging both the power of agentic AI and the comprehensiveness of our DevSecOps platform. A few weeks ago, we announced the private beta of Duo Workflow where we will work with a set of customers to gain rapid feedback on use cases and product direction. Our intention is to move swiftly into public beta this summer. Looking forward, I am really energized by the opportunity ahead of us and excited for what FY 2026 will bring. Consistent with the commitment we made at our IPO, we are prioritizing growth and we're doing that responsibly.

Before I turn the call over to Brian, I'd like to also welcome David Henshall to GitLab's board of directors. David brings a wealth of leadership, deep technology experience and financial acumen, having long tenure in the CFO and CEO roles at Citrix, as well as extensive service on multiple public boards. I'm even more convinced now than I was 90 days ago that this is the time to be in the software business and serving developers. I look forward to speaking with many of you in the coming weeks.

And with that, I'll turn it over to Brian.

Brian G. Robins

Chief Financial Officer, Gitlab, Inc.

Thank you, Bill. And thanks again to everyone for joining us today. We delivered a strong end to FY 2025. And I want to thank the GitLab team for your ongoing commitment to our customers and partners. Driving results for our customers is the most important thing we do.

Q4 was a strong quarter for Enterprise segment. We closed the largest net ARR deal in company history. We had a record quarter of net adds for customers over \$100,000 in ARR. This group of new customers also included the most first orders of more than \$100,000 in ARR in the company's history. With GitLab, customers can deliver software faster and more securely. They can also consolidate into a single platform, saving both time and money, which is a high priority in any spending environment.

I'll start with a brief recap of our full year and then turn to the fourth quarter results and guidance. FY 2025 revenue grew 31% to \$759.2 million as our growth continues to be driven by our land and expand motion. Our FY 2025 non-GAAP operating margin reached 10.2%, an increase of approximately 1,050 basis points year-over-year, while adjusted free cash flow grew 259% to \$120 million.

Turning to Q4, I'm really pleased with our results, which exceeded our expectations. Revenue for the quarter reached \$211.4 million, an increase of 29% from Q4 of the prior year. And we delivered a record non-GAAP operating margin. We now have 9,893 customers with ARR of at least \$5,000, which contributed over 95% of total ARR in Q4. In particular, we monitor performance of our larger customer cohort of \$100,000-plus in ARR, which increased 29% this quarter and reached 1,229. This includes 123 customers of \$1 million or more in ARR, an increase of 28% year-over-year. As a scale, this cohort continues to make significant investments in Ultimate and Duo.

On the expansion front, we ended the quarter with a dollar-based net retention rate or DBNRR of 123%. Q4 DBNRR was driven by a combination of seat expansion at approximately 75%, increased customer yield at approximately 15%, and tier upgrades at approximately 10%. Seat strength this quarter was driven in part by a large expansion with a strategic customer, as well as growing traction with our Duo offerings. As we have mentioned, we expect these ratios to fluctuate quarter-to-quarter based on the composition of the underlying renewal portfolio.

Total RPO grew 40% year-over-year to \$945 million, while cRPO grew 35% year-over-year to \$579.2 million. We encourage investors to look at these metrics over a multi-quarter period.

Non-GAAP gross margin was 91% for the quarter. The team has maintained a best-in-class gross margin, even as our SaaS business has quickly scaled, driven in part by GitLab Dedicated. SaaS now represents 29% of total revenue and grew 36% year-over-year. We ended the year with 2,375 team members, an increase of 12% over FY 2024. The majority of the hiring was in sales for additional sales capacity and in R&D.

Once again, we saw a significant increase in operating leverage. Q4 non-GAAP operating income was \$37.4 million, compared to \$13.2 million in Q4 of last year. Similar to previous quarters, we dropped our revenue outperformance to the bottom line, which in combination with the team's focus on execution, translated to a record quarterly non-GAAP operating margin of 17.7%, compared to 8.1% of Q4 of last year. This is an increase of more than 960 basis points year-over-year. Q4 FY 2025 adjusted free cash flow was \$62.1 million, compared to \$24.5 million in the prior-year period. Cash from operating activities was \$63.2 million in the fourth quarter, compared to \$24.9 million in the prior-year period.

Now, turning to guidance. Guidance assumes that the macroeconomic environment we've been operating in over the last year stays consistent. In addition, we have completed our annual standalone selling price analysis, or SSP, which determines the upfront revenue recognition rate for license revenue. Year-over-year, SSP has no material impact on revenue allocation and is included in today's Q1 and FY 2026 guidance. For the first quarter of FY 2026, we expect total revenue of \$212 million to \$213 million, representing a growth rate of 25% to 26% year-over-year. We expect a non-GAAP operating income of \$21 million to \$22 million, and we expect a non-GAAP net income per share of \$0.14 to \$0.15, assuming 172 million weighted average diluted shares outstanding.

For the full year FY 2026, we expect total revenue of \$936 million to \$942 million, representing a growth rate of approximately 24% year-over-year. We expect a non-GAAP operating income of \$109 million to \$114 million. And we expect a non-GAAP net income per share of \$0.68 to \$0.72, assuming 173 million weighted average diluted shares outstanding.

Before I move on, I have two final points on guidance. First, in Q1 FY 2025, we invested \$15 million in a global gathering for our team that will not recur in FY 2026. As a result, we anticipate non-GAAP operating margin to be flat from Q1 to Q2 FY 2026. Second, with the conclusion of the bilateral advance pricing agreement, or BAPA with the IRS and Netherlands Dutch tax authority, beginning in FY 2026, we will be applying a 22% long-term non-GAAP projected tax rate. The new 22% rate is included in both Q1 and FY 2026 non-GAAP net income per share guidance. This rate reflects the new location of our IP in the US following the conclusion of our BAPA. It does not imply any incremental increase on actual cash taxes paid.

Separately, I would like to provide an update on JiHu, our China joint venture. In Q4 FY 2025, non-GAAP expenses related to JiHu were \$3.2 million, compared to \$3.8 million in Q4 of last year. Our goal remains to deconsolidate JiHu. However, we cannot predict the likelihood or timing of when that may potentially occur. Thus, for FY 2026 modeling purposes, we forecast approximately \$18 million of expenses related to JiHu, compared with \$13 million from last year.

In summary, Q4 was a strong close to FY 2025, a year, which we saw tremendous demand for GitLab Ultimate, achieved triple digit growth with Dedicated, acquired strategic capabilities in security with Oxeye and Rezilion, delivered both Duo Pro for code assistance and Duo Enterprise, injecting AI throughout the entire software

development lifecycle and we announced key integrations with Google and AWS. All this sets us up for a strong FY 2026. I'm excited for the year ahead.

Thank you for joining us today. With that, I'll turn over the call to Kelsey, who will moderate the Q&A.

QUESTION AND ANSWER SECTION

Kelsey Turcotte

Vice President-Investor Relations, GitLab, Inc.

A

Great. Thanks, Brian. [Operator Instructions] And we'll take our first question from Karl Keirstead at UBS. Karl, are you there? Chelsey, do we hear Karl?

Karl E. Keirstead

Analyst, UBS Securities LLC

Q

Yes. Can you hear me?

Kelsey Turcotte

Vice President-Investor Relations, GitLab, Inc.

A

You're almost there. Yes, you're back. Go ahead.

Karl E. Keirstead

Analyst, UBS Securities LLC

Q

Okay, yes. Sorry about that. Congrats on the nice results, particularly the NRR mix from seat expansion stood out to me. But Bill and Brian, I'd love to ask about the code gen space. Maybe Brian, if you can offer any even qualitative color about the contribution from Duo, Duo Enterprise in that 24%. And then, Bill, just maybe a question for you about the market development. It sounds like you've had some good success. You called out, obviously, Barclays and Capgemini, among others. But the code gen market from our vantage point is looking increasing highly competitive with obviously GitHub Copilot. But you've got some standalone tools like Cursor that are already at \$100 million in revenues, even Anthropic is launching their own version of Claude Code. How do you differentiate Duo Enterprise in what's likely to be a more competitive co-gen market throughout the year? Thank you.

Brian G. Robins

Chief Financial Officer, Gitlab, Inc.

A

Thanks, Karl. I'll start first, and appreciate the question. This quarter, we're really pleased with the performance of Duo. It exceeded our expectations again this quarter. If you looked at the deals that included Duo, about a third of that was Duo ARR versus the total ARR. And so once again, people are buying enough licenses to match the Ultimate licenses that they have within the purchase. On the prepared remarks, Bill mentioned a number of customers. We have Barclays this quarter, CACI, Zscaler and NatWest. So happy with the logos and the large enterprises that are buying Duo.

From a contribution standpoint, with our FY 2026 guide at the midpoint, about \$939 million, it's going to take a little while for Duo to move the needle, but happy with where it's at. We have this ratable model and it exceeded our internal expectations again. I'll turn over to Bill for the second part of the question.

William Staples

Chief Executive Officer & Director, Gitlab, Inc.

A

Yeah. Thanks, Brain. Karl, you asked about the market, how I see it and our differentiation. Yeah. First, let me say there are a lot of tools in this space and it seems like every day there's a new one. AI is the hot new technology trend. Obviously, we're going to see rapid advancements like this I think ongoing for a while. It's just a really exciting time. This new technology wave is one of the reasons that I wanted to come to GitLab, because I believe it's going to be transformational for the world and transformational for our business.

In terms of how we compete and our differentiation, it really goes back to the platform. As you know, AI models work when they're fed context and GitLab provides some of the best context when it comes to working with code. First, our source code capability is one of the best in the world, and we're now in the Gartner Magic Quadrant as number one in both vision and execution for DevOps. We not only have that, but we also have a full lifecycle set of capabilities from planning and issue tracking through integration, packaging and deployments. We also have our security tools, which are also world-class. And so we're building a knowledge graph that lets us take all of that context, feed it into the models, and then help developers throughout the software lifecycle to make decisions, with our Duo Pro and our Duo Enterprise product.

In addition, as we mentioned, we are shipping this month a private beta of our Duo Workflow, which is our autonomous AI agent service that allows for AI to drive proactive action for engineers. Think of it as a autonomous engineering buddy that you can work with to get work done. Inside GitLab, we're testing that already and seeing really good results, so I think we'll present a step function and productivity improvement, and it's all driven off of that context that we have as a platform provider.

Last, I'll say, I'm really excited about AI for another reason, not just our ability to bring context and inject AI throughout the software lifecycle, but I believe AI is going to increase the number of software creators and the amount of code that is generated both by humans as well as by machines or by the AI models. That code needs to adhere to the organization's quality, security, compliance, all of the requirements that software has today. And GitLab as a platform provides all of that capability. So whether the code is generated by AI tools like the ones you mentioned or by our Duo product, whether it's built by a human or a machine, it'll still need all of the capabilities of our platform in order to ensure the organization can govern their software lifecycle. So I believe it presents an even greater opportunity for us than in years past.

Kelsey Turcotte

Vice President-Investor Relations, GitLab, Inc.

A

Great. Thank you. Thanks for the question, Karl. Kash Rangan from Goldman Sachs, you're next.

Kash Rangan

Analyst, Goldman Sachs & Co. LLC

Q

Hey, thank you very much. Congrats, Bill, on your first full quarter at the company. Clearly, your tone sounds quite encouraging. You're encouraged by AI, Duo and the workflow, agentic technology, and also the impact of pricing. There's a new CRO, not to mention that. Yet, the – when I look at the reported results, is there something that is not reported in the reported results that is representative of the broader enthusiasm that you share? And also, when I look at the guidance, the sequential growth in cRPO, as good as it is in Q4 and the guidance, maybe the tone there in the financial outlook is not matched by the tone that you optimistically share with all the changes you're making. And granted that it's all super early, it's just one quarter and, hopefully, it's a very, very long, amazing career. But help us understand why the fundamental conviction in the company is not quite expressed in the financial, although I'm sure Brian would agree to disagree with me that you would say that the guidance is

very, very good. I agree. But maybe there's some bridge between the optimism and the numbers, the way we look at it, there's something else underneath the surface that is behind your conviction. What is that? Thank you.

William Staples

Chief Executive Officer & Director, Gitlab, Inc.

A

Yeah, thanks, Kash. Well, let me start with how I spent my time. This quarter was an amazing opportunity to get on the road, spend a lot of time with customers and really hear from them what GitLab does for them. I met with more than 50 customers, as I said, and hearing their enthusiasm for GitLab is really a big component of what makes me excited. We have some fantastic customers, as you all know, and they are dependent on us to build their software and to run their business. And it's amazing what GitLab has built. And I'm just honored to be part of it.

I also think that's recognized. If you look at the Gartner Magic Quadrant, as I already mentioned, we are known as a platform that's world-class and brings incredible ROI, nearly 500% in three years with a six-month payback. And I think our strengths are really well known and customers are increasingly betting on this platform approach because they see the productivity and efficiency gains that it provides them. I also spent a lot of time with team members learning GitLab from the inside and hearing their conviction, their commitment to our values and our mission and their excitement to be part of this next chapter of growth. That also, I think, increases my confidence and optimism for the road ahead.

I also do believe, as I just shared, when Karl asked about AI, this is – one of the most exciting times in technology that I've experienced in my career. And I've seen quite a bit from the launch of the Internet to the rise of the smartphone and social media and cloud and all the technology waves that we've seen in the last couple of decades. I do believe AI represents an enormous opportunity for world transformation, and that's driven by software. And GitLab is at the heart of building software. So from my perspective, there's no better place to be.

Certainly, we've got competition, we've got things to navigate as a company in order to continue to grow at the scale that we're reaching. But I believe those are challenges that any great competitor would face, and I'm optimistic given what I'm hearing from customers and from team members, that we can tackle them and continue to grow.

Kelsey Turcotte

Vice President-Investor Relations, GitLab, Inc.

A

Great. Thanks for that, Bill. Rob Owens from Piper Sandler, your question now.

Rob D. Owens

Analyst, Piper Sandler & Co.

Q

Great. Thanks, Kelsey, and good afternoon, everyone. Bill, I would love to drill down on some of these conversations that you had with customers throughout the quarter. I think you cited 50 customers, and especially relative to your view about increasing the number of software developers, because I guess in other areas of the enterprise stack, we're seeing more optimization as a result of AI. And so help us understand kind of the view of a lot of these customers, and why it doesn't creep into a less developer type of argument versus taking the other side of the coin in terms of increasing the number of software creators? Thanks.

William Staples

Chief Executive Officer & Director, Gitlab, Inc.

A

Yeah, Rob, I get that question a lot, actually, mostly from investors. It doesn't come up often from customers, interestingly enough. I think the reality is, for many customers, they've always felt resource constrained. The number of engineers in the world has – if you think about it as a percent of the world's total population, it's less than 1%, it's a fraction of 1% that's created all the software in the world that now reaches billions and billions of people around the world every day on their smartphones and through the cloud.

And what AI represents is an opportunity to raise the abstraction level again, to make it easier than ever to build software. And so that's an incredible productivity boost. But also, the process of building software is not just about authoring code, and that abstraction is going to go higher. It's going to be easier to generate code or write code, just like it has over the last couple of decades with higher level languages and with the cloud. But it's not just about writing the code, you've got to ensure that the code is high quality, you've got to make sure it's secure, you've got to make sure it adheres to the compliance practices and everything else. And that is what GitLab really specializes in, not necessarily in the code authoring, although we help engineers do that with our Duo Pro product, but with the entire software management, the entire software lifecycle. So we serve a number of personas, not just developers, but all of the roles around the software lifecycle. And as I said earlier, I think that's only going to drive more demand for our platform as more software creators are – come about, as well as more code is generated.

Kelsey Turcotte

Vice President-Investor Relations, GitLab, Inc.

A

Great. Thanks, Bill. Next question goes to Matt Hedberg at RBC. Matt, go ahead.

Matthew Hedberg

Analyst, RBC Capital Markets LLC

Q

Great. Thanks, Kelsey. Thanks for the time, guys, and Bill, congrats on joining [ph] the quarter (00:37:19). Welcome to you. I had a question on Ultimate. It was a big part of the prepared remarks and we've seen a pretty dramatic increase in the mix there, which is really great to see. I think it really resonates the – especially the SecOps piece. I'm wondering, you talked about a couple of nice wins and a couple of upsells there. How should we think about the sustainability because it's done quite well on an improvement in mix over the last year? Is that something that you think continues into fiscal 2026? And maybe just like, if you could summarize the one or two items why customers are so drawn to Ultimate, I think that would be helpful.

Brian G. Robins

Chief Financial Officer, Gitlab, Inc.

A

Yeah, Matt, this is Brian. Thanks for the question. Super happy with the Ultimate performance. As we said, it's now 50% of the total ARR and that is even with the price increase, it's doing that well. And the reason why people are attracted to Ultimate are really for security and compliance. And so, the payback period is less than six months. ROI is over 480% in three years. And we're really seeing the strength of the enterprise come into Ultimate.

We talked about, in 4Q, we had the most first orders greater than \$100,000 in company history. And obviously, that's mostly Ultimate. And so there's a number of reasons why people come into Ultimate. We're getting more and more lands on Ultimate. And it's really for the payback period, the time to value, the ease of use, the positive business outcomes.

Kelsey Turcotte

Vice President-Investor Relations, GitLab, Inc.

A

Great. Thank you. Next question goes to Joel Fishbein at Truist.

Joel P. Fishbein, Jr.

Analyst, Truist Securities, Inc.

Q

Thanks for taking the question and congrats on the great results. I guess it's a question for both of you, guys. Congrats on hiring Ian to be your CRO. I'm just curious to see if there's – you expect any significant changes to go-to-market, sales comp, any of that. And is that already baked into the guidance that you've given? Thanks.

William Staples

Chief Executive Officer & Director, Gitlab, Inc.

A

Yeah. Thanks, Joel. I'm really excited to bring on Ian. I spent quite a bit of time this quarter meeting with nearly a dozen candidates, looking at all different kinds of profiles of CROs, different stages of their career. I got a lot of help from the board as well, and some pretty wise directors, who spent a lot of time in go-to-market, as well as members of the management team. And Ian really represents an amazing profile for GitLab. He's spent his career in the trenches, he's been an account executive, he's been a sales manager, he's been a region leader, and the CRO. He's opened new regions, expanded into countries, driven partner channel. He's built territories and compensation models and he's a strong operational and analytical operator. I really believe he's going to bring a level of rigor to our go-to-market strategy as we plan beyond the \$1 billion mark to scale the business.

He starts with the customer success and the market opportunity in mind and he maps that back to individual contributor success as he builds out the go-to-market strategy. So I'm really excited to bring that into the company. I believe it will only build on the strength that we already have from a go-to-market motion perspective and help us continue to scale as we grow.

In terms of go-to-market changes, really, I think they're mostly incremental at this point. We are incentivizing, as I mentioned, on first orders to increase our ability to win new customers. We're starting a small new inside sales team, has also focused on landing new customers. We're looking at global expansion to ensure that we're capturing the opportunity around the world and we're continuing to invest in our partner ecosystem to ensure that we can get better leverage and driving expansion as well. So we just finished up last week our company kickoff and our sales kickoff. The whole organization is aligned around our goals now and I think as Ian comes on the start of Q2, it will only continue to help us achieve our objectives.

Kelsey Turcotte

Vice President-Investor Relations, GitLab, Inc.

A

Great. Thanks, Bill. Next question goes to Derrick Wood at Cowen. Derrick, go ahead.

Derrick Wood

Analyst, TD Cowen

Q

Great. Thanks. And Brian, 18% operating margin in Q4, congrats. That is impressive. And really just leads me to want to ask about the balance of growth investments versus margin expansion, how you're thinking about that, and calendar 2025 versus the last couple of years, given that you've had such a big improvement on margins. And I know Bill mentioned some things that you're doing on the R&D side, but I was just looking to double click on the go-to-market side. Just get a sense of how active you have been in building up sales capacity, how you're thinking about driving more growth to make sure you've got the right growth in capacity going forward. And I know, Bill, you just mentioned some of the tweaks you're making, but just would love to hear about the balance of investment in growth and margins.

Brian G. Robins

Chief Financial Officer, Gitlab, Inc.

A

Yeah. So let me jump in just on the margin profile. Since we've gone public, we've been – we say the number one thing to do, our number one objective is growth, but we'll do that responsibly. And we've been doing that quarter-after-quarter. And so we want to invest in growth to the extent we exceed what our internal estimates are, that typically falls to the bottom line. And so we've been doing that quarter-over-quarter. We had roughly 1,000 basis points improvement year-over-year. And so the way we sets our model up for next year is the same. When we look at investing in go-to-market dollars, it is pretty much we have the management built out, we have the second layer of management built out. And so the hires are pretty much in capacity and we have a pretty deep sales capacity planning model where depending upon what we do on a quarter, we'll hire a certain amount of reps based on time to ramp and it's driven really on a quarter-by-quarter basis.

And so the biggest investments that we're making next year or this year that we're in is sales capacity and in engineering. From an engineering standpoint, it's really a focus on AI and increase in the feature functionality across the platform, with a focus towards security.

Kelsey Turcotte

Vice President-Investor Relations, GitLab, Inc.

A

Great. Thanks for the question. Next question goes to Koji Ikeda at Bank of America. Koji, go ahead.

Koji Ikeda

Analyst, BofA Securities, Inc.

Q

Yeah. Hey, guys. Thanks so much for taking the questions. I wanted to ask about how you drive strong utilization of the GitLab platform offering across the DevSecOps workflow. And the reason why I asked that is I totally get that you can sell the Premium and Ultimate versions from a high value proposition consolidation theme. But how do you drive higher utilization of the platform? And does utilization of the platform need to come first? And is that the key to unlock adoptions of add-ons like Duo and Agile Planning? Thank you.

William Staples

Chief Executive Officer & Director, Gitlab, Inc.

A

Yeah, I'll jump on that. This is Bill. Thanks, Koji. Our approach to helping customers realize value, or as you describe it, utilization to realize that value is really a full team approach, as well as a partner approach. So as we engage customers, one of the things that we like to do as part of the contract renewal or the first order is to build out a customer success plan where we identify their objectives and how they want to adopt the platform, the resources and timeframes that they have in mind, and in particular for our larger Enterprise customers, where there's a lot at stake, we often talk about new offerings that we have, both in terms of customer success, Dedicated customer success, resources available to them, as well as professional services that could help them with that adoption journey.

In addition, we have a number of technical partners who we can bring into the conversation or our customers can tap into to help them with their DevSecOps journey, both with the technical migration as well as the practice of DevSecOps, often requires process and organizational changes in order to fully realize the value. And our partners are well utilized by our customers as well.

I guess I'll also share our approach to help customers basically meet customers where they are also plays a large role with the GitLab adoption experience. We're the only software provider in this category that allows customers to run the software on-premise in air gapped environments, in their own cloud or in a public cloud. And so that

makes the transition to run GitLab as a DevSecOps platform perhaps a little smoother and easier for customers, and in particular for high regulatory environments or compliance, such as government or financial institutions.

Kelsey Turcotte

Vice President-Investor Relations, GitLab, Inc.

Next question goes to Kingsley Crane at Canaccord Genuity. Kingsley, go ahead.

A

Kingsley Crane

Analyst, Canaccord Genuity LLC

Hey, thanks. Just to expand on that, it's nice to hear that you're expanding customer success initiatives in fiscal 2026. Sounds like it's also a big focus for Ian. So just to double check, what's the state of that organization today? How much transformation do you think needs to occur, if any, or is it really just about finding more scale and adding more resources to the existing framework? Thanks.

Q

William Staples

Chief Executive Officer & Director, Gitlab, Inc.

Yeah. Thank you very much for the latter. As I mentioned, spent a lot of time with customers. And of course, with that comes a lot of time with the field. I'm really impressed with our go-to-market organization, with their commitment to customer success and to get that [ph] built (00:48:02) into our mission. So the team's been performing really well, but this is an opportunity to bring in another level of leader with that deep sales background experience and the operational and analytical skill to help us scale beyond the \$1 billion mark that we're currently putting in the crosshairs. So really excited for Ian and what he brings to the organization.

A

Kelsey Turcotte

Vice President-Investor Relations, GitLab, Inc.

Next question goes to Gregg Moskowitz with Mizuho. Gregg, go ahead.

Gregg Moskowitz

Analyst, Mizuho Securities USA LLC

Great. Thanks, Kelsey. Hi, everyone. Bill, it's encouraging that every customer you met with so far is actively evaluating the incorporation of AI tools into their DevSecOps strategy. If you were to look out maybe a couple of years from now, how often might you expect or might we expect GitLab to upsell entire DevOps workforces to Duo Pro or Duo Enterprise versus a mix and match type of outcome? How do you see this evolving?

A

Q

William Staples

Chief Executive Officer & Director, Gitlab, Inc.

Yeah, it's good question. I think of AI as becoming an essential part of the developer experience, both for code creation as well as every stage of the lifecycle. And that's why we're investing in that right now with our Duo Enterprise and our Duo Workflow products, injecting AI at every stage. I don't think a few years from now developers will be building software without AI.

A

Kelsey Turcotte

Vice President-Investor Relations, GitLab, Inc.

Great. Next question, please, goes to Sanjit Singh at Morgan Stanley. Sanjit, go ahead. Okay. Maybe we'll get you back in the queue again. Next question goes to Pinjalim Bora at JPMorgan.

A

Pinjalim Bora

Analyst, JPMorgan Securities LLC

Great.

Q

Kelsey Turcotte

Vice President-Investor Relations, GitLab, Inc.

Pinjalim, are you unmuted?

A

Pinjalim Bora

Analyst, JPMorgan Securities LLC

Yeah. Can you hear me?

Q

Kelsey Turcotte

Vice President-Investor Relations, GitLab, Inc.

Okay. Thanks. Yes.

A

Pinjalim Bora

Analyst, JPMorgan Securities LLC

Yeah. Thank you. Thank you for taking the question. Brian, just two-parter for you. Can you maybe talk about the assumptions around the guidance, especially around NRR has kind of reached around 123%. I'm trying to think if we have reached kind of a trough, are you seeing underneath kind of the seat growth stabilizing? Are you expecting any kind of a ramp? And then lastly, what did you see with respect to the pricing benefit in fiscal 2025 versus your initial expectations? And are you baking in any for fiscal 2026?

Q

Brian G. Robins

Chief Financial Officer, Gitlab, Inc.

Yeah. So thanks for the question. Let me start off with pricing. We exceeded our expectations last year on pricing. And I said that we're about halfway through. And so we expect the same amount of incremental impact next year as we did this year. If you look at it, we'll get everything that we got this year, plus we'll get incrementally what we got last year this year as well. And so we're about halfway through the pricing impact. That is factored into our guidance. And so, when we look at this quarter compared to the prior two or three quarters, they've been consistent. Still people – a cautious spending environment out there, but there is consistency. And so we've had less standard deviations when we do the bottoms up build.

A

And we looked at guidance from several different angles. We did a field [ph] AE (00:51:28) roll up, the CRO leadership team did a roll up and then we do one in our FP&A team and based on all the historical numbers and trending and pipeline and so forth. And so we use that to come up with guidance. So, there's been no change in our guidance philosophy.

Kelsey Turcotte

Vice President-Investor Relations, GitLab, Inc.

Great. Next question goes to Ryan MacWilliams at Barclays. Ryan, go ahead.

A

Ryan MacWilliams

Analyst, Barclays Capital, Inc.

Q

Hey, guys. Thanks for taking the question. Following the third quarter strong public sector deal result, any update on your public sector business and pipeline under this new administration? And is there any extra conservatism baked into your guide for the sector for this year? Thanks.

Brian G. Robins

Chief Financial Officer, Gitlab, Inc.

A

Great question. And we debated this a lot internally for the call. We don't know what we don't know. PubSec makes up roughly about 12% of our total ARR. What we do as a platform helps people become more efficient and actually save money. We've gone through the payback stats and our ROI stats. And so, our biggest quarter in PubSec is third quarter. We're watching it closely with the team, but we assume no changes at this time.

Kelsey Turcotte

Vice President-Investor Relations, GitLab, Inc.

A

Great. Our last question will go to Nick Altmann at Scotiabank. Nick, go ahead.

Nick Altmann

Analyst, Scotiabank

Q

Awesome. Thanks, guys. There were some great commentary around the Dedicated SKU. And so can you just talk about the underlying drivers there and why Dedicated is resonating with those larger customers? And then going forward, kind of going back to Matt's question around the Ultimate ARR mix this year, how impactful can Dedicated to that Ultimate mix moving higher? Thank you.

William Staples

Chief Executive Officer & Director, Gitlab, Inc.

A

Yeah. Thanks, Nick. Good question. Dedicated really is doing well. It grew more than 90% year-over-year in Q4. I think that's really driven off of the fact that we're the only ones in our category that can provide that single tenant SaaS offering. And it's a really important competitive advantage. As you know, when customers adopt Dedicated, it also does drive an Ultimate upgrade for us so they get the full value of the complete platform. And it's particularly valuable for certain verticals in particular where there's complex security and compliance requirement. So I'm thinking about industries like embedded software, financial services and the public sector.

We see a lot of potential to move our large Self-Managed customers to the Dedicated SaaS offering as time goes on. For example, Delta, an existing customer chose Dedicated as part of their cloud transformation this last quarter. So I believe we will continue to see that opportunity and it's really driven off of our unique competitive advantage.

Kelsey Turcotte

Vice President-Investor Relations, GitLab, Inc.

Great. That concludes our Q4 FY 2025 Earnings Call. Thanks again for joining us and have a great evening. We look forward to seeing a lot of you in the coming weeks.

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