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Gitlab, Inc. (GTLB)

Q1 2026 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good day, everyone, and welcome to today's GitLab First Quarter Fiscal Year 2026 Conference Call. At this time, all participants are in a view and listen-only mode. Later, you will have the opportunity to ask questions during the question-and-answer session. [Operator Instructions] Please note this call is being recorded.

It is now my pleasure to turn the conference over to Kelsey Turcotte.

Kelsey Turcotte
Vice President-Investor Relations, Gitlab, Inc.

Good afternoon. We appreciate you joining us for GitLab's first quarter fiscal year 2026 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 first quarter results and guidance for the second 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 Security (sic) [Securities] (00:01:37) 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 measures.

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 joining us today. First quarter revenue increased 27% year-over-year to $215 million, with non-GAAP operating margin reaching 12%. I want to thank our team for your focus on execution, and our customers. Our continued growth underscores the [ph] demonstratable (00:02:35) value customers realize with our AI-native DevSecOps platform. Unlike competitors, we are the only AI-native, cloud-agnostic, model-neutral DevSecOps platform, capable of running anywhere, including air-gapped environments. We offer comprehensive solutions across the software development lifecycle with built-in contextual AI that's really only possible on a platform with a unified data store. Every day, organizations face pressure to maximize efficiency, and software is an essential lever they have to create business agility and competitive advantage. Our DevSecOps platform stands at the core of enabling customers to build that mission-critical software.

I view our strategic differentiators as an opportunity for GitLab to advance conversations about AI strategic role in software development. As enterprises embrace AI and transform development practices, our unified platform uniquely enables them to maintain enterprise, security and compliance. We believe our market is moving rapidly in a direction that's inherently advantageous for platform solutions. I expect AI co-creation tools to empower more co-creators than ever. The result is that the volume of code being created will expand and all of those users and agents still require a platform in order to test, validate, secure, package and deploy their code to production environments. This is what GitLab does today.

Supermicro, an AI solutions provider, recently doubled the size of their software team and upgraded from our free tier in Q1. They selected GitLab Premium and Duo Pro to build an internal software acceleration program targeting 2X faster feature development for their end-to-end AI infrastructure solutions. It was a big quarter for our R&D team with the annual launch of new product capabilities across the platform in GitLab 18. This May introduction and product roadmap build upon the essential capabilities of successful software development, core DevOps, security and AI.

In core DevOps, we are centralizing artifact management, optimizing CI/CD pipelines for speed and security, and making it easier for users to find, filter, and embed content from anywhere in the platform. We want to ensure customers can easily collaborate and drive maximum ROI from their GitLab investment. We're also deepening our security capabilities to help customers achieve comprehensive visibility and control. This includes custom frameworks to design, implement and enforce compliance, vulnerability dashboards to pinpoint critical findings, and innovation to improve detection accuracy, reduce false positives, and help customers focus on the code that threat actors can exploit. Security is a key driver of GitLab Ultimate adoption, and we want to deliver market leading solutions that are even more effective because they're embedded in our DevSecOps platform.

And finally, we are natively integrating AI throughout the platform. Customers who use our Premium and Ultimate tiers now have access to both Duo Chat and Code Suggestions. In addition, GitLab Duo Enterprise is now available for GitLab Premium customers. We now include Chat and Code Suggestions with Premium and Ultimate because we see every engineer is experimenting with AI and we want Duo to be an obvious solution for them, with no barriers to adoption. This integrated approach offers an ideal starting point for both new and existing customers, allowing them to leverage Chat and Code Suggestions with limited usage limits and providing them a smooth upgrade path to our offerings with higher usage limits and more comprehensive capabilities, including GitLab Duo Pro, Duo Enterprise and when GA, GitLab Duo Workflow. We also made Duo Enterprise available to Premium customers for the first time in response to customer demand for self-hosted models and its ability to inject AI in planning, collaboration and deployment by lowering barriers to adoption and expanding the serviceable market with more flexible packaging. We believe we will be able to unlock more Duo adoption in coming quarters.

New and existing customers are increasingly finding Duo a compelling solution versus competitors. For example, R+V Insurance, a top five German insurer, is expanding their GitLab deployment by implementing Duo Enterprise in their regulated environment. After adopting GitLab Ultimate in 2023 to integrate their full DevSecOps lifecycle, R+V's recent Duo Enterprise evaluation demonstrated significant improvements with a more than 35% acceleration in AI-assisted test generation and 25% acceleration in both root cause analysis and code explanation.

In April, we launched GitLab Duo with Amazon Q, a strategic integration that embeds Amazon Q's autonomous software development agents directly within the GitLab DevSecOps platform. Early access participant, Volkswagen Digital Solutions, reported significant productivity gains, noting the joint capabilities dramatically reduce context switching and accelerate their entire pipeline from code commit to production deployment. Our

partnership with AWS extends beyond technical integration to coordinated go to market initiatives, including GitLab's position among the select AWS Global Summit sponsors. This alliance amplifies our market presence and drives higher quality customer engagement. Over the coming months, we will showcase this powerful combination at AWS Global Summit events, further expanding our enterprise reach.

Finally, we remain on schedule to launch GitLab Duo Workflow, our agentic AI solution, this winter. We're getting great feedback from our workflow private beta participants. What began as a private beta with six major customers has now expanded to dozens. Developers report that Workflow is beginning to transform their daily productivity. Engineers describe confidently delegating complex, multi-step refactoring tasks to Workflow and then watching as it methodically outlines a transparent execution plan resulting in clean, properly committed code. Our private beta satisfaction metrics are really compelling. 82% of surveyed users already classify themselves as either satisfied or very satisfied with Workflow's capabilities, validating our strategic investment in agentic software development.

Momentum with GitLab Duo continues to grow, particularly with Duo Enterprise. In Q1, the number of customers who purchased GitLab Duo for the first time increased 35% quarter-over-quarter. We also closed some great expansion deals with existing customers. For example, Highmark Health and enGen, a health tech subsidiary of Highmark Health, added GitLab Duo Enterprise to their existing GitLab Ultimate deployment. Multiple strategic objectives drove this decision. This includes enhanced developer productivity and a comprehensive enterprise-wide AI solution that strengthens both code quality and security while simultaneously extending generative AI benefits beyond developers to their broader technical teams.

Ultimate now represents 52% of total ARR, with eight of our 10 largest deals in the quarter purchasing Ultimate. We're also seeing Ultimate continue to increase as a percentage of total new customer lands. This quarter's new Ultimate customers include [ph] Eficode and Technosylva (10:32), Premise Health and SGK. We also had significant expansions at American Family Mutual Insurance Company and the FBI. In Q1, a leading AI-powered market intelligence and search platform chose GitLab in a competitive evaluation that included GitHub. Their goal is to unify their growing development team under a single solution to manage what has become a very complex environment. In addition to GitLab Ultimate, they chose Duo Enterprise to power AI development capabilities and streamline workflows. These large scale adoptions validate our comprehensive platform strategy and demonstrate growing market recognition of the value delivered by Duo Enterprise.

Turning to Dedicated, our single tenant SaaS solution, we continue to see broad adoption across industries and I'm pleased to announce that we achieved FedRAMP Moderate authorization. We expect this will create a nice tailwind in our public sector business with Dedicated for Government. The rapid adoption we're seeing validates our strategic investment in providing enterprise grade isolation with cloud native convenience, particularly among security conscious sectors where compliance requirements traditionally slowed digital transformation efforts.

In Q1, German based FORVIA HELLA, one of the world's oldest automotive suppliers, purchased GitLab Dedicated and Duo Enterprise. Dedicated will enable them to streamline their highly complex environment and reduce R&D overhead costs. Additionally, Ignite by FORVIA HELLA, the organization's software factory, shared with us that GitLab Duo's intelligent Code Suggestions have become a daily asset for their developers. Combined with the chat feature, Duo allows for immediate feedback and iteration, resulting in faster development cycles and a more secure code base. According to Ignite, GitLab Duo is a seamless and powerful addition to their workflows.

Also in Q1, NatWest expanded their investment with us. Since NatWest became a Dedicated customer in 2022, we've partnered closely with them to drive results that include 20% improvements in deployment frequency over the last 12 months, which have increased the pace of outcomes to colleagues and customers utilizing AI code

generation and governance simplification. Based on the success they've seen over the past several years, NatWest increased their GitLab footprint to 17,000 users on Dedicated and 6,000 Duo Enterprise seats.

One of the things that distinguishes GitLab is our vibrant co-creation ecosystem, with April setting an all-time record for customer contributions to our platform. This represents customer-driven innovation with industry leaders like Thales, Scania and Siemens. Recent submissions include package registry capabilities and expanded logging functionality for our AI gateway. This collaborative model delivers real world value across multiple dimensions. It accelerates our feature velocity, ensures innovations match enterprise requirements, and fosters deeper partnerships with our customers.

I believe our mission to help customers deliver secure software faster is of critical importance to every business in the world and our technology holds transformational power. We aspire to be the world's best AI native DevSecOps platform, unlocking step function productivity improvements by redefining the software engineering experience through human and agent collaboration. I shared this new vision for GitLab with our team members a few weeks ago, and I will introduce it, along with the innovation we're building today and the roadmap ahead, at our GitLab 18.0 launch event later this month.

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. I'm pleased with our team's focus on execution in the first quarter, which resulted in 27% revenue growth, significant year-over-year operating margin expansion and record adjusted free cash flow. These results highlight the effectiveness of our intelligent DevSecOps platform and demonstrates our ability to generate sustainable growth while enhancing profitability. We believe all of this position us for long-term success, even amid evolving market conditions.

Turning to the numbers, first quarter revenue reached $214.5 million, an increase of 27% from Q1 of the prior year. We now have 10,104 customers with ARR of at least 5,000 hours, which contributed over 95% of total ARR in Q1. Our larger customer cohort of $100,000-plus in ARR increased 26% year-over-year and reached $1,288. We have a diversified customer base both by industry and geography, and new single customer accounts for more than 2% of ARR.

On the expansion front, we ended the quarter with a dollar-based net retention rate, or DBNRR, of 122%. Q1 DBNRR was driven by a combination of seat expansion at approximately 80%, increased customer yield at approximately 5%, and tier upgrades at approximately 15%. Q1 seat growth was driven in part by strength in Ultimate and GitLab Duo, as customers start on their AI journey and continue to expand deployments. We also continue to see a tailwind on mix of seats from the large deal we signed in Q4, which will continue through Q3 of this year. 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 $955.1 million, while cRPO grew 34% year-over-year to $584.8 million. We encourage investors to look at these numbers over a multi-quarter period.

Non-GAAP gross margin was 90% for the quarter. The team has maintained the best-in-class gross margin even as our SaaS business has quickly scaled, driven in part by the strength in GitLab Dedicated. SaaS is 30% total revenue and grew 35% year-over-year. Once again, we saw significant increase in operating leverage. Q1 non-GAAP operating income was $26.1 million compared to a loss of $3.8 million in Q1 of last year. As a reminder, we hosted Summit, a global gathering of our team in Q1 FY 2025, which was a non-recurring expense of $15 million. Non-GAAP operating margin was 12.2% compared to negative 2.3% in Q1 of last year, an increase of

approximately 1,400 basis points year-over-year. We have a very strong business model with minimal fixed expenses given our remote work environment. This gives us the flexibility to continue to invest in the business and expand operating margins.

Now, turning to guidance, our guidance philosophy has not changed and assumes that the macroeconomic environment we have been operating in since April continues. For the second quarter of FY 2026, we expect total revenue of $226 million to $227 million, representing growth rate of approximately 24% year-over-year. We expect a non-GAAP operating income of $23 million to $24 million, and we expect a non-GAAP net income per share of $0.16 to $0.17, assuming $171 million weighted average diluted shares outstanding.

For the full year FY 2026, we expect total revenue of $936 million to $942 million, representing growth rate of approximately 24% year-over-year. We expect a non-GAAP operating income of $117 million to $121 million. And we expect a non-GAAP net income per share of $0.74 to $0.75, assuming $172 million weighted average diluted shares outstanding.

The fundamentals of our business are very strong. We generated $104.1 million in adjusted free cash flow in Q1, a record adjusted free cash flow margin of 49%. Free cash flow was driven by ongoing improvements in operating leverage and Q4 to Q1 seasonality and collections. We ended the quarter with $1.1 billion in cash and investments, providing us with significant flexibility to navigate market fluctuations while continuing to invest in both our AI capabilities, platform enhancements and go-to-market organization.

Separately, I'd like to provide an update on JiHu, our China joint venture. In Q1 FY 2026, non-GAAP expenses related to JiHu were $3.1 million compared to $3 million in Q1 of last year. Our goal remains to deconsolidate JiHu. However, we cannot predict the likelihood or timing when that may potentially incur. Thus, for FY 2026 modeling purposes, we forecast approximately $18 million of expenses related to JiHu compared with $13 million from last year.

In closing, I am pleased with our team's focus on execution in Q1, which resulted in another strong quarter of top line growth, increasing operating leverage and growing momentum in AI adoption. We also continue to meaningfully enhance our platform. I'm very excited about all the new, secure, scalable, AI native capabilities we're delivering in GitLab 18.0 and what that can mean for customers. We invite you to join our GitLab 18.0 launch event on June 24 to learn more about it. To register, please visit our Investor Relations website. Thank you for joining today.

With that, I'll now turn it over to Kelsey, who will moderate the Q&A.

QUESTION AND ANSWER SECTION

Kelsey Turcotte
Vice President-Investor Relations, Gitlab, Inc.

A

Thank you very much, Brian. At this time, [Operator Instructions] With that, we'll take our first question from Rob Owens of Piper Sandler. Rob, go ahead.

Rob D. Owens
Analyst, Piper Sandler & Co.

Q

Great. Thank you very much. Hopefully, you guys can hear me on the other end. And I will stick to Kelsey's one question just to try and stay on her good side. Bill, at a high level, obviously, a lot of noise around what AI is doing with coding, especially with Code Suggestion and code completion. And I think you did a good job in your prepared remarks kind of laying out the value that you add beyond that, right, in terms of packaging, testing, CI/CD. So, help us understand just where customer conversations are strategically right now with things just moving so fast in this space.

William Staples
Chief Executive Officer & Director, Gitlab, Inc.

A

[audio gap] (20:50-20:58) for engineers and every single customer conversation I have, at one point or another, lands on AI. I think our customers see that and every team leader is looking for ways to use AI to make their teams more productive, accelerate innovation, improve quality, everything. It is evolving very rapidly. Every day, it seems like there's new tools, new techniques, new innovation, and we're right there along with that. In fact, this quarter, I had a chance to really dive in with our product and engineering organization, understand more deeply what we're building as my second quarter here as CEO, and get really excited about the level of focus and the accelerated innovation that I'm seeing coming out of the engineering team with our new vision.

So, I think it's a time where there's going to be a lot of fluctuation. For example, when I go talk to customers right now, it's very common that they'll say, hey, I'm using Duo, I'm testing it side by side other competitive tools, whether that's Copilot or Cursor or Windsurf or others. They're truly open to experimenting with multiple tools, in fact, buying multiple tools to compare them side by side and make sure that giving their engineers the best.

I think that's likely to continue. And the great thing about that is all of those tools that are really focusing on code creation are creating more code and more code creators that end up needing GitLab for all the things that we do after the code gets created, all the testing, all the validation, all the security, packaging, publishing and the rest. So we believe long term, this is an exciting time for engineers, and it only helps GitLab further our mission as well.

Kelsey Turcotte
Vice President-Investor Relations, Gitlab, Inc.

A

Great. Thanks for the question. Next question goes to Koji Ikeda of 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 maybe a question on the growth. And so when I look at the business and the financial metrics, it's almost like a tale of two growth stories here. And so when we look at the fiscal Q1 beat, probably one of the skinniest beats that we've seen since the IPO, and you're

keeping the revenue guide for the full year. But when I dig a little bit deeper, RPO, cRPO, billings, all look pretty good. And so help us understand the puts and takes there and maybe any commentary on deal linearity in the quarter, and if you could, May demand versus April demand. Thank you.

Brian G. Robins
Chief Financial Officer, Gitlab, Inc.

A

Thanks, Koji. This is Brian. For the quarter, there wasn't any surprises. I'm happy with how the team executed in the quarter. There were two things that we observed in the quarter. One is the mix favored more SaaS, and then two, the linearity was backend-weighted in the quarter. As a reminder also, 1Q had a few less days than 1Q of last year. There's been no change in guidance philosophy, and we're assuming the same macroeconomic conditions that we've seen this year in the guidance.

Koji Ikeda
Analyst, BofA Securities, Inc.

Q

Thank you.

Kelsey Turcotte
Vice President-Investor Relations, Gitlab, Inc.

A

Great. Thanks, Koji. Next question goes to Sanjit Singh of Morgan Stanley. Sanjit, go ahead.

Sanjit K. Singh
Analyst, Morgan Stanley & Co. LLC

Q

Yeah.

Kelsey Turcotte
Vice President-Investor Relations, Gitlab, Inc.

A

Sanjit – oh, there you are. Good. Thanks.

Sanjit K. Singh
Analyst, Morgan Stanley & Co. LLC

Q

Congratulations on the improving profitability. Really nice to see. I guess my question, I guess, for Brian, when we look at the sequential customer adds this quarter, when we look at like net new adds on both the $100,000 side and on the customers above $5,000, it looked like they decelerated a little bit. And I was wondering if there's anything theme there with some of the pricing changes you announced in the quarter with respect to new customers signing up for Premium, and just any sort of color behind the net new customer additions this quarter. Appreciate it. Thanks.

Brian G. Robins
Chief Financial Officer, Gitlab, Inc.

A

Yeah, absolutely. Great question. Let me break the answer down and hitting two things. One, let me hit on first orders, and then also break down the composition of the numbers and less – then greater than $5,000. So first, one of the company's three objectives that we announced in the last earnings call was to increase the volume of new first orders. On a logo basis, we performed better this quarter than last year for enterprise and mid-market segment, and we also performed a lot better on dollars added within the quarter. And so, that initiative that we put into place is starting to pay dividends.

When you look at the components of new customer adds greater than $5,000, there's a number of different things that go into that. First is new customers. Second is lost customers and churn. Third is customers who expanded into the $5,000 bucket. And then fourth is customers who contracted into the $5,000 bucket. When I look at the breakdown of all those, the biggest change that we had was customers expanding into the $5,000 bucket and customers contracting into the $5,000 bucket, and that basically comprised of 160 logos different year-over-year. And so at the low end of the market, SMB, and low end of mid-market is where we're seeing some price sensitivity, but it's not impacting the financials. It's impacting the new customer adds. And as a reminder, we don't compensate on new customer adds. We compensate on bookings within the quarter. So, I hope that's helpful. The new customer adds this quarter greater than $5,000 didn't concern me.

Kelsey Turcotte
Vice President-Investor Relations, Gitlab, Inc.

A

Great. Thanks, Brian. Next question goes to Kash Rangan at Goldman Sachs. Kash, go ahead.

Kash Rangan
Analyst, Goldman Sachs & Co. LLC

Q

[indiscernible] (26:55) here, but can you talk [indiscernible] (27:02)...

Kelsey Turcotte
Vice President-Investor Relations, Gitlab, Inc.

A

Hey, Kash, the [ph] train (27:08) is – we're actually having some trouble hearing you.

Kash Rangan
Analyst, Goldman Sachs & Co. LLC

Q

[indiscernible] (27:13)

Kelsey Turcotte
Vice President-Investor Relations, Gitlab, Inc.

A

You want to drop for a minute and then we'll put you back in the queue? Okay. So, we'll take the next question from Derrick Wood at Cowen. Derrick, go ahead.

Derrick Wood
Analyst, TD Cowen

Q

Great. Thanks, guys. I guess either for Bill or Brian, we get investor questions around because adoption of AI is so strong inside of developer use cases and there's just such good proven productivity gains, is there reason to be worried about job growth in the software developer market? And so, I guess how are you guys seeing seat growth trend during renewals? And what's your kind of broader view on how AI impacts demand for developers in the enterprise looking out over the next couple of years?

William Staples
Chief Executive Officer & Director, Gitlab, Inc.

A

Yeah. Thanks, Derrick. I'll talk a little bit about how I see the outlook, and Brian, feel free to add any commentary on the seat trends in the quarter. I think – I know there's a raging debate about this and I think a lot of it is borne out of anxiety about the future by engineers, frankly, as they see how powerful AI can be at helping to do software engineering. Frankly, I've seen this trend throughout my career, building developer tools in around this space for about 30 years. Every time we create advances in productivity and higher levels of abstraction where prized

engineering skills become maybe less required and sometimes no longer required, the same kind of phenomenon occurs. And I'd say this one's definitely stronger than other times because of the power of AI, but every time, I've also seen that higher level abstraction and more productivity actually yield more opportunity. And I believe the same is true here with AI. And I see the number of engineers continuing to be sustained and even grow. I think the number of people who are able to create code is only going to increase with some of the power of AI and ability to create code without having necessarily the deep technical skills at times required. And then I also believe the volumes of code will also increase. And both of those are really important for GitLab. As you know, we price today based on users, but also a large part of our business is taking that code and helping users manage it throughout the software lifecycle. And so more code and more users means good business for GitLab.

Brian, do you want to talk about any of the...

Brian G. Robins
Chief Financial Officer, Gitlab, Inc.

Yeah. I'll just comment a little bit on seats and developer hiring in general. And so from a seat perspective and our dollar-based net retention rate, 80% of the contribution came from seats. And it's really a combination of a couple different things: one, the large deal that we had in 3Q – I'm sorry, in 4Q, but also the additional seats that we're selling for Duo in the add on SKUs that we have. And so happy with the number of additional seats that we're selling into our customer base. From a developer hiring perspective, we aren't correlated directly with the market. It's a very large TAM. We're barely penetrated in TAM. There's a big market in front of us. With that said, some of the recent reports I've read is developer hiring has turned positive and we've seen an uptick over the last quarter or two.

Kelsey Turcotte
Vice President-Investor Relations, Gitlab, Inc.

Great. Thanks for the question.

Derrick Wood
Analyst, TD Cowen

Thank you.

Kelsey Turcotte
Vice President-Investor Relations, Gitlab, Inc.

Appreciate it. Next question goes to Pinjalim Bora of JPMorgan. Pinjalim, go ahead.

Pinjalim Bora
Analyst, JPMorgan Securities LLC

Can you hear me?

Kelsey Turcotte
Vice President-Investor Relations, Gitlab, Inc.

Yes, we can now.

Pinjalim Bora
Analyst, JPMorgan Securities LLC

Great. Bill, it seems like the bottleneck has kind of shifted right from kind of AI-driven code generation, and GitLab is obviously poised to break that bottleneck for a lot of your customers as you infuse AI. But how do you make sure that GitLab extracts the value that is aligned with that unlock that customers might enjoy beyond coding, since your pricing is kind of more on a seat basis, right? How are you thinking about that?

William Staples
Chief Executive Officer & Director, Gitlab, Inc.

A

Yeah, Pinjalim, really good question, and that's something we've been studying quite intensely for some time and especially my last quarter, as I had a chance to dive in with product and engineering and help really refine our vision with greater aspiration and focus in the coming quarters. And as I mentioned in the pre-recorded remarks, I'm really excited to talk more about that vision in our June 24 GitLab 18.0 launch event.

Let me maybe share five ways that we're focusing on creating value and differentiation with our AI approach. GitLab today is really known as a place where engineers collaborate and teams come together to build software across the software lifecycle. And as we think about AI, we think about building on that core strength, unlock a really unique, collaborative experience with many to many interactions between humans and agents.

We also are building on our reputation for open source and co-creation. And so we're pursuing a strategy that allows for that to extend into agentic AI as well, and we're going to provide pervasive extensibility and flexibility with an open community approach for catalog and – catalog for agent discovery and development.

Third, we're also building on our reputation for security and privacy. We already provide cloud neutrality, LLM neutrality and the support for self-hosted models. And our agentic approach, which will provide agents that span the software lifecycle, continues to support the best-in-class standards for security and privacy.

Fourth, we're also in a unique position given our single database platform approach. And we're taking advantage of that by building what we call a knowledge graph that stitches together all of the context for a given task, whether the human is executing that task or an agent's executing the task, to give really high quality context that allows for better outcomes. So for example, one of the things that we're looking at, the teams actually implementing right now is a deep research feature that allows an agent to crawl the entire hierarchy of all of the context that we understand about a given project, all of the issues, all of the work items, all of the code, obviously, the people working on that code, the security scans, the test cases, everything related so they can create a summary and help an engineer or an engineering leader understand exactly where the state of that project is. That's something that really is not possible without a platform built the way GitLab is.

Finally, the fifth thing that we're really looking deeply at is integrating software lifecycle agents natively into GitLab so that every Premium and Ultimate customer can automatically start collaborating with them friction-free, out of the box. That's one of the reasons that we introduced Duo Chat and Duo Code Suggestions into Premium and Ultimate this last quarter so that we can lay the groundwork for that kind of human-to-agent collaboration in the quarters to come.

Kelsey Turcotte
Vice President-Investor Relations, Gitlab, Inc.

A

Great. Thanks, Bill. Next question goes to Nick Altmann with Scotiabank. Nick, go ahead.

Nick Altmann
Analyst, Scotiabank

Q

Awesome. Thank you. Bill, you mentioned seeing a higher mix of customers land in Ultimate. Can you just give us a sense for how much that has changed over the last couple quarters, and whether we should expect expansion rates to come down a bit just given you're seeing kind of more customers land in the Ultimate tier? And then the follow-up is just any implications on how we should consider the new pricing and packaging model with Duo Enterprise being available to Premium customers, and whether you expect that to impact the cadence of customers landing in Ultimate? Thanks.

William Staples
Chief Executive Officer & Director, Gitlab, Inc.

Yeah. First part of your question around more customers choosing Ultimate. It's awesome to see. Obviously, when a customer adopts Ultimate, they're getting the very best in capabilities from GitLab from the start, and we love seeing that. And I think it speaks to the strength of our security offerings as part of Ultimate and the real market trend to shift left and really focus on security as part of the DevOps lifecycle. And so happy to see that. The reality is most customers still do start with Premium, and Premium and Ultimate are kind of the ultimate one-two punch, right? Premium is a great SKU, low cost, affordable, most capable product, I think, in the market at its price point and very attractive for customers to start with. And that is where the majority of customers do start today, and then they mature and scale both the number of engineers and teams using GitLab, as well as the level of capability they buy into with that Ultimate upgrade, providing a great expansion path for us. I don't see that changing. Honestly, it's great to see more customers landing in Ultimate, but I believe that one-two land-and-expand strategy we have is working and will continue.

With regard to the second part of your question around the shift to make Enterprise available with Premium or to Premium customers, that's really a change that we've done for a couple of reasons. First, we do see demand from Premium customers for the Enterprise product. There are a number of capabilities there that make a lot of sense for them, including self-hosted models, as well as AI capabilities across the software lifecycle. Now, they don't have the security capabilities there as part of Ultimate, but majority of the features that we have in Duo Enterprise do apply to those Premium customers, and we're happy to unlock that for them. As we studied that change, we also saw that while many customers do buy both Ultimate and Enterprise together, the Duo Enterprise SKU was not a driver of the upgrade to Ultimate, and so therefore no significant risk in terms of expanding the service addressable market by more flexible packaging.

Nick Altmann
Analyst, Scotiabank

Great. Thank you.

Kelsey Turcotte
Vice President-Investor Relations, Gitlab, Inc.

Great. Thanks, Nick. Next question goes to Gray Powell of BTIG. Gray, go ahead.

Gray Powell
Analyst, BTIG LLC

Okay, great. Thank you. Can you hear me okay?

Brian G. Robins
Chief Financial Officer, Gitlab, Inc.

We can.

Gray Powell

Analyst, BTIG LLC

Q

Awesome. Look, I know, like a lot of the questions are focused on top line momentum, but I just kind of got to ask, you posted a huge free cash flow number in Q1, Was there anything that was one-time in nature that helped the results? And then if I just look at past seasonality, Q4 actually tends to be the biggest quarter for free cash flow. So if that's correct, then it seems like you all could potentially post 20% plus margins this year, again, on the free cash flow side. So I guess is there anything you'd say that would or anything you'd highlight to talk me down, because it feels like something that broader market seems to be missing.

Brian G. Robins

Chief Financial Officer, Gitlab, Inc.

A

Yeah, thanks for the question. Q4 is seasonally our strongest quarter and so we collect that cash in Q1 and we generated over $100 million in free cash flow. So happy with that. But there is nothing anomalistic within the quarter that led to the higher free cash flow collections. That was just normal business operations.

Kelsey Turcotte

Vice President-Investor Relations, Gitlab, Inc.

A

Great. Thanks.

Gray Powell

Analyst, BTIG LLC

Q

Okay. Fair enough.

Kelsey Turcotte

Vice President-Investor Relations, Gitlab, Inc.

A

Thanks, Gray. Next question goes to Mike Cikos of Needham. Mike, go ahead.

Mike Cikos

Analyst, Needham & Co. LLC

Q

Hey, thanks for taking the questions, guys. I just wanted to come back to the earliest comments. It might have been in response to Rob over at Piper. But, Bill, when you were talking about the AI experimentation that's going on out there, you'd [ph] rattled off (00:39:49), hey, people are testing multiple vendors, whether it's GitLab with Duo versus Cursor, Windsurf. And I just wanted to see how is it you guys gain confidence that you're winning in this market, right? We've tiptoed around the new logo growth this quarter, the [ph] skinny beat (00:40:08). I just wanted to see, like with the strength of the offering here, how do you ensure you're climbing above some of the marketing [ph] club (00:40:16) that's out there or ensure that you're continuing to [ph] gain it through (00:40:19)?

William Staples

Chief Executive Officer & Director, Gitlab, Inc.

A

Yeah. I mean, we actually engage with those customers who are testing multiple vendors, the typical bakeoff. And frankly, we see GitLab Duo win out against other leading competitors and some of our largest customers. So I don't have a lot of concern about our ability to compete in the market. I think there's lots of opportunity still ahead of us. As I said earlier, I think we're building on a really strong strategy and some clear differentiation. Our GitLab Duo Workflow product that's been in private beta has been getting really strong feedback as well, and we're on track to make that public beta available later this summer, as well as GA to come later in the winter. So I think that only strengthen our competitive position and put us in a really good spot with customers.

Kelsey Turcotte
Vice President-Investor Relations, Gitlab, Inc.

A

Great.

Mike Cikos
Analyst, Needham & Co. LLC

Q

Thank you.

Kelsey Turcotte
Vice President-Investor Relations, Gitlab, Inc.

A

Great. Thanks, Mike. Next question goes to Jonathan Ruykhaver at Cantor Fitzgerald. Jonathan, go ahead.

Jonathan B. Ruykhaver
Analyst, Cantor Fitzgerald & Co.

Q

Yeah, thank you. Can you just talk about the enhancements with GitLab 18? Just specifically, what are the features that you see differentiating the most? And then just as a quick follow up, what are the factors that played into the decision not to charge for those features, especially in light of the comments you've made today around the innovation you're driving, around AI, the high quality context, improved outcomes, how do you expect to capture that value?

William Staples
Chief Executive Officer & Director, Gitlab, Inc.

A

Yeah, it's good question. I have heard some questions about our unlock of the Duo Chat and Duo Code Suggestions as part of Premium and Ultimate and why we're doing that. It's really important strategy point to understand. First, the reality is every engineer is looking for AI tools today to help them with their job. And we want GitLab Premium or Ultimate, both, to be an obvious, no friction, no barrier approach to AI. And so by including it, we eliminate all the friction for adoption. Now, we do have usage limits on it, so you can't use it unlimited, but developers can use it. They can get started, they can get a really good feel for its usability and its capability. And then we offer a very smooth ramp up to Pro and to Enterprise now for all customers. So we think it's a natural part of a ramp to value that's going to just lower the barrier to adoption and expand the market that's available to the full AI capabilities from GitLab.

With regard to your first – the first part of your question around AI or around a broader capabilities of the platform with the GitLab 18 launch, I shared a few of those in the prepared remarks, but I'd really just encourage everyone to tune in to the June 24th event. We've got some incredible demos in that event as well as we talk through the big releases. As I looked across the innovation, there's just some amazing things. Just in the last year alone, we launched more than 100 new innovations and capabilities for our premium customers and even more than that for our Ultimate customers. So the volume of innovation is really powerful.

for core DevOps, in particular, with GitLab 18, we are centralizing artifact management. That's been a very strong request that I've personally gotten from many customers. We're using more legacy vendors for that. We're improving our world class CI/CD pipelines for speed and security. And when it comes to security as well, a lot of customers, as we've mentioned, upgrading to Ultimate for those tools, they've been asking for better vulnerability dashboards, improved detection accuracy, reduction of false positives that are fairly common for these security tools who err on the side of conservativism. And we're delivering on those promises.

And then, finally with AI, I mentioned a bold new vision that we're sharing and some really incredible innovation, including our agentic chat and the ability to do asynchronous work and many to many collaborations between humans and agents, all of that to come in the days ahead, building on the Duo Chat and Duo Code Suggestions that we unlock now for every customer. So hopefully that gives you a flavor, Jonathan.

Jonathan B. Ruykhaver
Analyst, Cantor Fitzgerald & Co.

Q

Yes. Thank you.

Kelsey Turcotte
Vice President-Investor Relations, Gitlab, Inc.

A

Great. Next question comes from Adam Tindle of Raymond James. Adam, go ahead.

Adam Tindle
Analyst, Raymond James & Associates, Inc.

Q

Okay. Thank you. I just wanted to start, Brian, on Q1, the results versus guidance, I know it was kind of mentioned earlier, the skinny beat, sort of the tightest can call in a little while. Just the rationale for that. You mentioned the days in Q1. I don't think you had mentioned that on the Q4 call. So I wonder if that was maybe part of the reason or what would be the rationale for sort of that skinnier beat? And as you thought about guidance for Q2, you noted that you're assuming the macro since April continues, which is a fair assumption, but I just wonder how you might reflect on how May and the early part of June have been similar or different from April, because we've heard from a lot of vendors that have sort of bounced back. I just wonder what you might be seeing. Thank you.

Brian G. Robins
Chief Financial Officer, Gitlab, Inc.

A

Yeah. So let me first hit on days. So going into the quarter, we knew how many days there was. That was just as a reminder that there were fewer days in the quarter. So that didn't really have much to do with guidance. From a guidance perspective, there's been no change in guidance philosophy. The two things that happened in the quarter that I mentioned was the mix favored SaaS. From a rev rec self-manage, we recognize more upfront on SaaS, it's 100% ratable, and the linearity was a little bit more back end weighted. From a sort of an environment perspective, it remains cautious. But people are still buying. We haven't really seen too much difference from a macroeconomic perspective. I want to also hit a little bit on federal as well. I know that's been out there a lot. We had a really great quarter in first quarter in federal. We over-exceeded our expectations and we had good growth year-over-year. And so the federal business continues to do well as well.

Kelsey Turcotte
Vice President-Investor Relations, Gitlab, Inc.

A

Great. Thanks for the question. Next question goes to Steve Koenig at Macquarie. Steve, go ahead.

Steve Koenig
Analyst, Macquarie Capital (USA) Inc.

Q

Great. Okay. Thanks, Kelsey. Hi, GitLab. I wanted to just dig in, maybe follow up on that last question a little bit more. So, Brian, in your comment about in the quarter, there was a bit more SaaS than usual and linearity was back end weighted, was that a function of kind of little bit more of the macro and/or execution related or both? And you're not the first company that has comment, especially in the DevOps area that is seeing that phenomenon. So

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more color about why you think that was. And then secondly, as you're looking at the macro and you're seeing impacts, like what metrics are you all tracking internally to understand the macro? And lastly, in your Q2, will you make any execution adjustments or tactical adjustments in your go to market to try to improve the linearity? That's all I got. Thanks for taking the question.

Brian G. Robins
Chief Financial Officer, Gitlab, Inc.

A

Yeah. That was a packed question with multiple questions in it.

Steve Koenig
Analyst, Macquarie Capital (USA) Inc.

Q

Okay.

Brian G. Robins
Chief Financial Officer, Gitlab, Inc.

A

And so from a macro – I sit in – try to sit in all of our forecast calls that we have. And only on a couple occasions has it come up that tariffs, people were contemplating delaying. And it was really from the procurement department, not actually the owner, the buyer itself. And so I'm not sure if that was a negotiation tactic or something that that company was seriously contemplating.

From a macro perspective, the GitLab platform, Ultimate has less than six month payback and over 480% ROI in three years. And so people are buying our platform to consolidate and save money. And so we haven't really seen much overall from a macro perspective. Some of the metrics that we look at internally is all around the linearity within a quarter. And so we have that tracked over the last several years. We have a plan that we track to see how we're doing against that. We look at pipeline creation, we look at pipeline movement and so forth. Within the quarter itself, you asked about execution, every quarter, there's deals that you think are going to close in the door – in the quarter and there's approvals that you need to get that may or may not happen. And so that was a normal sort of in the quarter phenomenon, not something specifically that we saw this quarter versus some of the previous quarter.

So as CFO, I think you can always improve on execution. Ian is focusing on that. And we're driving better execution across the entire organization. But there was nothing specific to call out within the quarter.

Kelsey Turcotte
Vice President-Investor Relations, Gitlab, Inc.

A

Great. Thanks.

Steve Koenig
Analyst, Macquarie Capital (USA) Inc.

Q

Okay. Thank you.

Kelsey Turcotte
Vice President-Investor Relations, Gitlab, Inc.

A

Last question goes to Jason Ader at William Blair. Jason, go ahead.

Jason Ader
Analyst, William Blair & Co. LLC

Q

Can you hear me okay, Kelsey?

Kelsey Turcotte
Vice President-Investor Relations, Gitlab, Inc.

A

We can now.

Jason Ader
Analyst, William Blair & Co. LLC

Q

All right. Awesome. Bill, where do you see the biggest risk of disruption to the current DevOps toolchain? Obviously, this toolchain has been in place for a while. You guys play across the entire toolchain. But with the emergence of these AI coding assistance that are taking off like wildfire, especially some of the startup players, where does that – how does that ripple effect impact other parts of the toolchain? I know you kind of said earlier you thought it was good for you, but I imagine there are some parts of the toolchain that could be more impacted than others. And then just secondly, would it make sense for you guys to partner with a Cursor, a Windsurf, because maybe that actually could be a channel you to bring in new customers?

William Staples
Chief Executive Officer & Director, Gitlab, Inc.

A

Yeah. Hey, great question. I know there's a lot of market excitement about those tools. And frankly, we're really excited about them as well. I know it's also sometimes confusing about where one tool begins and another tool ends. But the way I think about this is Cursor and Windsurf, since you mentioned those two, they're helping engineers create applications and new code in particular. And GitLab actually picks up where those code assistance leave off. All of the code that they generate does need all of the things that GitLab does so well, testing, securing, analyzing, packaging, building, deploying, right? And so they already actually work great with GitLab. Cursor works great, Windsurf works great. And they already are driving code into GitLab. And so that's why a lot of our customers do test for those tools in addition to Duo. And we do offer co-creation capabilities as well. As I mentioned, the Duo Code Suggestions capability, that's now part of every Premium and Ultimate license, has the same ability as Cursor or Windsurf in multiple IDEs, development tools to create code and create applications. And our capability there is only going to get stronger over time. But we really believe in interoperability and being an open platform. And so we embrace those tools. We're excited by the innovation they're bringing to developers. And we don't see them challenging the domain, the parts of the DevSecOps lifecycle that we are world class at today.

So I guess I'll just finalize this by saying we also – as we think about our AI strategy, we're just thinking much broader from the start. It's a multi-pronged strategy that looks across the software lifecycle and we're really excited about the approach we've brought to the market already with agentic AI, with Amazon Q and our partnership there, as well as the Duo Workflow products and the beta that's now playing out with GA to come. So as I think about the broader picture of work we're doing versus what the startups are doing, I think they're really complementary and really exciting for customers down the road. Hope that answers your question.

Jason Ader
Analyst, William Blair & Co. LLC

Q

Thank you.

Kelsey Turcotte
Vice President-Investor Relations, Gitlab, Inc.

Great. Thank you very much to everyone who's participated. This concludes our Q1 FY 2026 earnings presentation. Have a great day. And if you have any questions, just follow up with the IR team. Take care. Bye-bye.