GitLab Q2 FY 26 Earnings Call
Prepared Remarks
Sep 3, 2025

Cassidy Fuller-Patterson:

Good afternoon, we appreciate you joining us for GitLab's second 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 second quarter results, and guidance for the third 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 will now turn the call over to Bill. Bill…

Bill Staples:

Thank you, Cassidy, and good afternoon everyone. Thank you for joining us today.

I’m pleased to report strong second quarter results with revenue that increased 29% year-over-year to $236 million and non-GAAP operating margin reaching 17%.

Before we get into the broader business update, I want to call out that we are maintaining this year’s revenue outlook while raising non-GAAP operating profit, demonstrating our commitment to responsible growth and operating discipline. This is to account for the ongoing Go To Market evolution under new leadership, and an updated view on small business. We’ll go into more details shortly.

As a reminder, we started our fiscal year with three objectives to help us focus on the things that we believe will help us drive our next leg of growth with improved operational efficiency to continue to scale and become a generational company in our category. Here's an update.

Objective 1

Our first objective is to add more new paying customers, especially in the Mid-Market and Enterprise segments. To be a multi-billion dollar growth business, we need to add new customers every quarter who can grow with us. All cohorts since the inception of the company continue to expand with us at about the same rate, but new business cohort member sizes have been getting smaller. It is time to balance our expansion efforts with discrete motions focused on new customer acquisition.

To achieve this, we’re establishing two parallel tracks: sales-led growth and product-led growth.

On the sales-led side, Ian Steward, our CRO, just completed his first quarter, and delivered strong results. He is leading several strategic initiatives to help set us up for continued scale as we grow beyond the billion dollar revenue mark, including establishing a global new business team focused on first orders and a post-sales motion to support rapid module adoption and value realization. We’ll ramp this initiative over H2 with the goal of it starting to provide benefits for FY27.

Our start-up program has contributed to new customer growth this quarter, with a 72% quarter-over-quarter increase in the number of new startups joining the program, of which 56% were AI companies.

A powerful example of a new customer win is our Q2 deal with Chaos, a provider of world-class visualization and design solutions used across multiple industries, including architecture and design, media and entertainment, and product e-commerce. In a highly competitive evaluation, Chaos selected GitLab Ultimate for our end-to-end DevSecOps capabilities, including built-in security scanning and SOC 2 readiness, which are essential to Chaos' growth strategy following several recent acquisitions and mergers.

On the product-led side, we will begin a growth motion focused on customer acquisition through self-service experience. I'm pleased to share that I've hired Manav Khurana, as our new Chief Product and Marketing Officer. Manav and I worked together for four years at New Relic. He has held executive roles in product-led growth, marketing, and product, and he's an expert in product-led growth. At New Relic, he built a large, high-growth self-service business from scratch that contributed nearly 50% of customers to the overall base in three years. I have confidence in Manav's ability to drive results at GitLab, and expect this to gradually ramp over multiple quarters.

Objective 2

Our second objective is to help customers realize the value of our platform faster, helping to drive revenue expansion.

Here again, we're pursuing a dual sales-led growth and product-led growth strategy.

On the sales-led side, we have strengthened our bench and are implementing multiple programs to reinforce sales and post-sales excellence. This includes better processes, sophistication around pipeline generation, and price control. We're also improving our training and enablement efforts, particularly around AI. And, we're developing new sales plays that will provide more focused outbound activities based on actions where we've previously seen results. This is all complemented by an enhanced customer success and post-sales playbook designed to accelerate customer value-realization and platform adoption.

On the product-led side, our PLG motion will increasingly trigger product-qualified lead signals to our sales force. This will help them understand moments when our field can engage customers and better support their journey toward more value.

We had good success with expansions in Q2, with customers like Adesso, Clario, and Virgin Media O2. For example, Virgin Media O2, one of the largest mobile network operators in the United Kingdom, has increased their Ultimate investment by more than 5 times since 2022 as they've embraced our comprehensive platform approach. Virgin Media O2 has become one of our most prolific adopters across source code management, CI/CD, and security scanning, and also recently enabled GitLab Ultimate with Duo.

Our GitLab Ultimate and Dedicated products represent the highest value offers available for purchase.

GitLab Ultimate now represents 53% of our total ARR, with 8 of our 10 largest deals in the quarter including Ultimate. Customers are increasingly recognizing our abilities in security and requiring that security be embedded with code development. The compelling security capabilities of the GitLab platform continue to be the strong driver of Ultimate adoption. Our new customer win with a major European FinTech company is a great example. With Ultimate, they expect to reduce mean time to recovery from 2-4 days to 2-4 hours and achieve 100% security scanning across all projects.

We also continue to see strong adoption of GitLab Dedicated, now contributing approximately $50M in ARR, growing 92% year over year.

Let me provide a couple of additional examples from the quarter of major customers and how they are realizing value in the GitLab platform.

This quarter we expanded our relationship with a top 10 U.S. bank - that upgraded to GitLab Dedicated after seeing success with GitLab Premium. They are also deploying 1,000 new seats of GitLab Duo Enterprise, enabling them to automate compliance enforcement and giving the power back to developers to innovate at the speed they need.

Another example is the Government Technology Agency of Singapore (GovTech Singapore), which uses GitLab Dedicated for its SHIP-HATS platform that supports Singapore's digital government services. In Q2, GovTech Singapore expanded its deployment to include GitLab-managed Hosted Runners, fully integrated with its Dedicated instance. This will allow GovTech

Singapore, through its SHIP-HATS platform, to redirect technical expertise towards improving developer experience rather than maintaining infrastructure.

Objective 3
Finally, our third objective is to accelerate customer-focused innovation by focusing in our core DevOps, Security, and AI areas with an aim to provide higher quality, more complete market leading solutions in all three areas. I'm excited at the accelerating pace of innovation that our teams are delivering.

Some highlights of what we've delivered over the last few months include - 28 new features in GitLab Premium, 33 new features in GitLab Ultimate, and 11 new features in GitLab Duo Pro and Enterprise. That's a total of 72 new features across our paid tiers and offerings.

For example, in core DevOps, we're simplifying dependency management with our Maven virtual registry, now in beta for GitLab Premium and Ultimate customers. We also released GitLab Runner 18.1, a cornerstone feature of GitLab CI/CD pipelines, which we continue to enhance and invest in. And, we've added immutable container tags, a new merge request homepage, and custom workflow statuses for issues and tasks. These features extend GitLab's competitive advantage over other best of breed solutions.

In security and compliance we continue to strengthen our capabilities. Today, customers can now use GitLab's new CI/CD components to support SLSA Level 1 compliance. We've also added PHP support for Advanced SAST, increased SAST coverage for GitLab Duo Vulnerability Resolution, a new group overview compliance dashboard, and the beta of Centralized Security Policy Management. And, we rolled out compromised password protection to 100% of GitLab.com users, which helps protect all user accounts from credential-based attacks.

Our innovation to embed security seamlessly within development is a key driver for why large customers continue to expand with us. For example, one of the largest wireless operators in the US is using the security policies in GitLab Ultimate to implement comprehensive "shift left" practices that automate security scanning, enforce guardrails across their CI/CD pipelines, and require merge approvals tied to scan results, all without slowing down innovation. In Q2, they expanded their GitLab Ultimate deployment by adding 4,000 new users as part of their initiative to standardize on GitLab as the organization's primary software development platform for all engineering teams.

Customers are really excited by the rapid development and promise of AI tools. Gitlab customers are actively testing multiple tools and developing their internal use strategies. GitLab Duo Agent Platform is resonating with customers who see immediate value in our agentic AI capabilities. As one senior software architect at a leading communications industry supplier put it: “I’ve been impressed watching GitLab’s agentic AI capabilities evolve with the new Duo Agent Platform. The autonomous task delegation and run tools functionality are genuinely useful additions to our workflow.”

Our expansion with Emirates, the world’s largest international airline, demonstrates the competitive advantage of our integrated AI approach with GitLab Duo Enterprise. After comparing Duo with other solutions, including GitHub Copilot, Emirates decided to go all in with GitLab, renewing their investment and upgrading to Duo Enterprise.

We’re also seeing traction with our GitLab Duo with Amazon Q offering.

Our AWS partnership delivered a significant milestone this quarter with HFM, a global retail broker serving over 2.5 million client accounts. Originally a GitLab Community Edition user, HFM was looking to replace point solutions such as Jenkins with GitLab. At the same time, they were actively evaluating AI code generation tools such as Amazon Q Developer, Gemini, and GitHub Copilot. Our GitLab Duo with Amazon Q offering was the natural choice, since it allows HFM to leverage Amazon Q agents where their developers are already working, in GitLab's DevSecOps platform.

Now, I want to address three common questions I have been hearing from investors recently regarding the impacts of AI and our strategy.

First, we have received questions about the balance of our growth between pricing and seat growth. I’m pleased to share that seat growth has accounted for more than 70% of our revenue growth, and in fact, we’ve seen accelerating double-digit paid seat growth rates over the past year. Every customer cohort since inception continues to expand with us. We’ve shared this one time metric to help you understand the trends that we are seeing in the business.

The second question is how AI will impact seat growth and monetization. There are some who assume that AI will reduce engineering headcount and impact our seat growth. During the quarter we conducted a third party survey of nearly 400 customers to better understand the impact of AI on their use of GitLab. 91% of the customers we surveyed believe AI-native dev tools will increase their use of GitLab within the next 24 months. 88% expect their developer headcount to increase or stay the same within the next 12 months, of which 78% expect it to increase.

GitLab's monetization opportunity doesn't end with seat growth. With the GitLab Duo Agent Platform, we are enabling engineers to collaborate with AI agents and do many tasks automatically and in parallel, instead of manually or one at a time as they do today. We plan to charge for all of this work done via usage charges, whether that work is done by our agents, or our partners' agents hosted and integrated into our platform. This means our business model will evolve from a purely seat based model to a hybrid seat + usage based model. When launched, customers will receive some included usage with their base subscriptions so they can easily begin to adopt Duo Agent Platform, pay as they go beyond the included amount and commit in advance to additional usage to receive the very best pricing.

Finally, I would like to expand on the competitive environment. It seems with each passing month there is a new start-up or large new vendor shipping AI code generation tools.

With GitLab Duo Agent Platform, we're positioning ourselves differently from code generation-focused AI tools. Multiple independent studies have highlighted significant issues related to the current generation of coding assistants. This quarter there were multiple reports that show the code these tools generate isn't always high quality or secure. And research has shown that "almost right" code isn't having the positive effect on developer productivity that organizations had hoped for.

These are the same challenges human engineers already have and the mission GitLab was built around. As an AI-native DevSecOps orchestration platform we welcome engineers and AI code generation tools with open arms. Our platform helps engineers, and AI agents and tools they choose, to build, verify, secure and deploy enterprise grade software that meets the world's toughest privacy, security and compliance standards. If you're running a business and you want to embrace AI as part of your engineering process, we believe you need GitLab.

This is why, just a few weeks ago with GitLab 18.3, we announced agentic partnerships with Anthropic, OpenAI, Google, Amazon, and Cursor and shipped native integrations with Claude Code, Codex, Amazon Q, Gemini CLI, and open source agents. We also delivered our first Model Context Protocol server with partnership support from Cursor. We see these strategic partnerships as a strong affirmation of the value of our platform. True to our roots, we are the only vendor to provide this level of interoperability.

GitLab Duo weekly active usage has increased nearly 6x so far this year, albeit off a small base. One quarter of this usage are new Duo users on the capabilities included in Premium and Ultimate announced in 18.0, and these users now have access to Duo Agent Platform in beta.

We’re on track for GitLab Duo Agent Platform GA by the end of the year. This is a very bold and ambitious target and I want to set proper expectations. We will ship when it reaches our quality bar and customers are ready to pay for the service. In addition, it is important to remember that adoption of on premises Enterprise software like GitLab can take time. Approximately 70% of our revenue is from self-managed deployments and customers often take many quarters, sometimes years, to upgrade.

Our flexible deployment options and vibrant partner ecosystem is part of what makes GitLab unique. As a public company not controlled by a single cloud hyperscaler, GitLab stands for independence: the independence of our customers to build software in their cloud of choice and with their choice of AI providers and using their choice of AI code generation tools. We stand alone in that promise. The world needs GitLab today, more than ever.

To close, I want to address the leadership news we announced this afternoon. By now you all should have seen the news that Brian Robins will step down as Chief Financial Officer to pursue another opportunity. He will stay with us until September 19th to help ensure a smooth transition. On behalf of the entire company, I want to thank you, Brian, for your many contributions and wish you all the best.

We’ve initiated a search for a successor, and are fortunate to have a deep bench of talent throughout our finance organization during this period. We expect to name James Shen, Vice President of Finance, as interim CFO, and to promote Controller Simon Mundy as Chief

Accounting Officer. James has been with us since 2021 and has played an integral role in shaping our business, strategy, and financial principles. We are confident this will be a seamless handoff.

I'm really excited by the fresh energy and new perspectives from new team members, which will complement the experience and strength of our existing team. I feel confident in the health of the business, our competitive position in the market, and the increasing strength of our AI strategy. I'll keep you updated as we progress each quarter.

With that, I'll turn it over to Brian.

Brian Robins:

Thank you Bill. It's been a life changing opportunity and a real privilege to be able to contribute to Gitlab's success and growth in this chapter of my career. I want to thank the entire Gitlab team and the board for their partnership throughout my tenure and letting me be part of this journey. Sid and Bill, thank you for the support and trust you've placed in me as a partner. We've built a category defining leader and architected the company for global scale, with improving margins and free cash flow generation.

The world needs GitLab today, more than ever. I am confident in Gitlab's future and look forward to tracking our continued success for decades to come.

Now lets turn to the results, I am pleased with our second quarter results, which resulted in 29% revenue growth and significant year over year operating margin expansion. Our continued growth underscores the incredible value customers realize with our AI-native DevSecOps platform.

Second quarter revenue reached $236 million dollars, an increase of 29% from Q2 of the prior year.

We now have 10,338 customers with ARR of at least $5,000 dollars, which contributed over 95% of total ARR in Q2. Our larger customer cohort of $100,000 dollars plus in ARR increased 25% year-over-year and reached 1,344. We continue to have a diversified customer base both by industry and geography and no 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 121%. Q2 DBNRR was driven by a combination of seat expansion, at approximately 80%; increased customer yield at approximately 5%; and the balance due to tier upgrades. I'd like to reiterate some one-time disclosures on seats that Bill discussed. Over 70% of revenue growth in FY26 is due to paid seat growth, and over the last four quarters we have seen an accelerating double-digit rate of paid seat YoY growth. Less than 10% of the FY26 revenue growth was derived from the premium price increase.

I'd like to take a moment to discuss the power of our business model. Our customer retention metrics continue to reflect the strength and durability of our platform value proposition. We maintain consistently strong NDR rates across our customer cohorts. Most importantly, our historical customer cohorts continue to expand, speaking to the value proposition of our platform even in challenging environments. Our 2016 cohort, now nearly a decade old, showcases this trend, growing 103.6x in ARR since its inception. This continued expansion from one of our oldest cohorts demonstrates the power of our land-and-expand model, validating that our customers continue to derive value from our AI-native platform long after initial deployment.

Total RPO grew 32% year-over-year to $988.2 million dollars, while cRPO grew 31% year-over-year to $621.6 million dollars. We encourage investors to look at these numbers over a multi-quarter period.

Non-GAAP gross margin was 90% for the quarter. The team continues to do a good job of driving operating efficiencies to maintain our best in class gross margin even as our SaaS business has quickly scaled, driven, in part, by the strength in GitLab Dedicated. SaaS now represents approximately 30% of total revenue and grew 39% year-over-year.

Once again we saw a significant increase in operating leverage. Q2 non-GAAP operating income was $39.6 million dollars, compared to $18.2 million dollars in Q2 of last year. Non-GAAP operating margin was 16.8% compared to 10% in Q2 of last year, an increase of approximately 682 basis points year over year. We believe we have a very strong business model that gives us the flexibility to continue to invest in the business and expand operating margins.

Q2 FY26 adjusted free cash flow was 46 million dollars, with adjusted free cash flow margin of 20%, compared to $10.8 million in the prior year. We ended the quarter with $1.2 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 would like to provide an update on JiHu, our China joint venture. In Q2 FY26 non-GAAP expenses related to JiHu were $3.3 million dollars compared to $3.3 million dollars in Q2 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 FY26 modeling purposes, we forecast approximately $18 million dollars of expenses related to JiHu, compared with $13 million dollars from last year.

Now turning to guidance.

For the third quarter of FY26:

- We expect total revenue of $238 million to $239 million dollars, representing a growth rate of approximately 23% year-over-year.
- We expect a non-GAAP operating income of $31 million to $32 million dollars.
- And, we expect a non-GAAP net income per share of $0.19 to $0.20, assuming 171 million weighted average diluted shares outstanding.

For the full year FY26:

- We expect total revenue of $936 million to $942 million dollars, representing a growth rate of approximately 24% year-over-year.
- We expect a non-GAAP operating income of $133 million to $136 million dollars.
- And, we expect a non-GAAP net income per share of $0.82 to $0.83, assuming 171 million weighted average diluted shares outstanding.

We're maintaining our full-year revenue guidance at the present time to account for the go-to-market organizational changes we are implementing that Bill discussed earlier. We see these changes as foundational for the company and expect they will position us for strong future performance. Additionally, we are seeing incremental softness in SMB that we expect will persist through the rest of the year. While Gitlab continues to benefit from consolidation vs point solutions, budget pressures as a whole are weighing on this segment. Against this, we have raised our full year profit outlook, reflecting strong operational leverage in the business and a commitment to responsible, sustainable growth.

In summary, I am pleased with our second quarter results. GitLab stands uniquely positioned as the only cloud-agnostic, model-neutral DevSecOps platform with comprehensive contextual AI capabilities that span planning through deployment, capable of running anywhere including air-gapped environments. Our TAM continues to grow, and we are investing strategically against opportunities that we expect will drive long term value. We are delivering sustainable growth while enhancing profitability and free cash flow. We are positioning Gitlab for long-term success regardless of market conditions.

With that, I will turn the call over to Cassidy who will moderate the Q&A.