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OVERVIEW:

Company Summary

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PRESENTATION

Operator

Good day, everyone, and welcome to today's GitLab fourth quarter fiscal year 2026 conference call. (Operator Instructions) Please note, this call is being recorded.

It is now my pleasure to turn the conference over to Yaoxian Chew.

Yaoxian Chew - *GitLab Inc - Vice President, Investor Relations*

Good afternoon. We appreciate you joining us on GitLab's fourth quarter and fiscal year 2026 financial results conference call. With me are Bill Staples, our CEO; and Jessica Ross, our CFO. During this afternoon's call, we will provide an overview of the business, commentary on our fourth quarter and full year results and guidance for the first quarter and fiscal year 2027.

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 nonrecurring 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?

William Staples - *GitLab Inc - Chief Executive Officer, Director*

Thank you, Yao, and good afternoon, everyone. Fiscal 2026 was a significant year for GitLab. ARR surpassed \$1 billion. We generated \$220 million in free cash flow, an increase of over 80% and nearly 7 percentage points of margin expansion year over year.

FY26 and Q4 delivered our highest absolute net new ARR year and quarter ever, and we intend to build on that momentum. I'm really proud of the work the team is driving. Given our deep technological and structural advantages and the growing TAM ahead, we believe we can do even better. I believe we have the right team in place to execute the opportunity, and the rest of my remarks will lay out our plan. Jessica will then walk through the financials.

Let me address our FY27 outlook directly. We aren't satisfied with our revenue growth guidance. Like many companies reaching \$1 billion in revenue, our focus has been shifting to scaling our growth. We've identified five specific strategies where we see the greatest opportunity to improve our growth at scale in FY27.

The five are: number one, reaccelerating first orders to fuel long-term expansion; number two, scaling sales capacity with dedicated leadership and investments; number three, expanding product packaging to unlock new monetization vectors; number four, engaging price-sensitive customers with greater value and coverage; and number five, continuing to execute an AI strategy aligned with our core platform strengths. We've already begun acting on all five.

FY27 is all about execution and proving our hypothesis with results. Let me walk through each one.

In FY26, we reversed a long period of first order deceleration. This is critically important because our customers often land small and extend steadily, a pattern that's held for over a decade. Sales led first orders began reaccelerating in Q2 FY26 right after Ian joined. On the product side, Manav has reinvigorated product-led growth. First order logos inflected in October, and we've seen four consecutive months of improvement.

For FY27, we now see a clear path to sustained acceleration in first orders, driven by continued sign-up momentum, new product like on-ramps, and a dedicated first order sales team with a new global leader for regional leads in place and rapid hiring underway. In fact, the team has already closed their first deals in Q1. As a proof point, this quarter, we secured a landmark deal with one of the semiconductor industry's most strategic players, a cornerstone supplier in the AI super cycle. After a competitive evaluation against incumbent tooling and AI-powered alternatives, they chose GitLab Premium and Duo Enterprise for over 5,000 users, validating our unified platform and AI capabilities.

With regard to sales capacity, we began increasing headcount in FY26, and we're entering FY27 with more capacity than we've ever had. And we have a path to even stronger ramped capacity beginning in Q3. With FY27 kick-off, we've overhauled territory design to also better serve all segments and strengthen enablement. When it comes to innovation, GitLab has a long history of delivering ongoing value with 172 consecutive months of new releases. Customers who consolidated repos and CI on GitLab consistently want to do more with us but have told us our pricing is too coarse-grained.

In FY27, we plan multiple new monetization opportunities each quarter: built-in artifact management, software supply chain security, integrated secrets management, and more. These will be opt-in a la carte offerings that provide intermediate options both Premium and Ultimate customers have been asking for ways to opt into more value at incremental price. Most of these are anticipated throughout the year, so we expect modest FY27 contribution but meaningful impact for FY28 and beyond.

Our 50% Premium price increase a few years ago also coincided with rising AI code experimentation and flattish SaaS budgets. Simultaneously, our upmarket shift reduced technical resources at the lower end of the market. Together, these have slowed Premium growth, particularly among price-sensitive customers which we estimate at roughly 20% of our ARR, including the SMB weakness that we have been discussing recently.

We are responding here on multiple fronts. We now have an AI product and platform in market since mid-January that helps accelerate the full software life cycle, and we are including compelling GitLab DAP promotional credits with Premium and Ultimate users to increase the value they see. We have adjusted coverage models as well for this cohort and we are investing in onboarding, adoption, and self-service experiences that will help all customers get value faster.

GitLab sits at the heart of how enterprises build and deliver software. In January, we launched GitLab Duo Agent Platform and repositioned GitLab for the AI era. Our intelligent orchestration platform lets users deploy AI agents across the software life cycle using the same context, permissions, and security model that they already have in place today.

This platform rests on three core pillars: workflows, a unified place where teams and AI agents collaborate on tasks across the software life cycle; context, rich semantic access to full SDLC data for high quality and more efficient outcomes; guardrails, with GitLab, you can deploy anywhere and have security and compliance embedded directly in your software factory. GitLab is positioned where AI systems are best leveraged, the point of execution. We bring together the missing context and take action where the code lives, where it is merged, built, deployed, where compliance is enforced, and where corrective actions prevent downstream bugs, technical debt, and security issues.

Before AI, our platform reduced friction for developers. Now it can unlock step-function productivity gains by reducing friction for agents and the humans managing them. Duo Agent Platform also introduces usage-based pricing alongside our seat model. Customers pay for agent work, where every engineer can delegate tasks to multiple agents in parallel. As agents automate more across the software life cycle, revenue grows with the value we deliver.

Take one of our airline customers with a 3,000-person technology organization, they are deploying Duo Agent Platform to automate vulnerability remediation, dependency updates, and cloud migrations. Roughly 90% of their component updates now run autonomously, freeing developers for customer-facing feature work. We have an ambitious roadmap and plan to deliver new value every single month, with focused go-to-market to accelerate adoption. As a reminder, nearly 70% of revenue comes from self-managed customers who require an upgrade to release 18.8 or better, and we typically see it taking two quarters for over 50% to adopt the new release. We are investing alongside our partners to accelerate upgrades wherever possible.

FY27 is about converting pilots to production, not significant revenue contribution. We will share metrics as they become material. The software development market is undergoing a fundamental shift. AI is accelerating. It is increasing code volume, delivery complexity, and the stakes of getting it wrong are just higher than ever.

Security, compliance, and governance aren't optional. They're existential. This is the environment GitLab was built for. The changes I have described, rebuilding our go-to-market capacity, creating new monetization vectors, and positioning GitLab at the center of agentic AI, these aren't separate initiatives. They're one integrated plan to capture a market that is moving in our direction.

And our data confirms this. In Q4, we added the most \$1 million customers in GitLab's history. Gross retention is consistent with historical trends, and churn is at its lowest it's been in four years.

Ultimate is now 56% of ARR and accounted for nine of the top 10 deals. We see more than 60% year-over-year growth in Ultimate projects with security scanning and nearly 30% more security projects per seat. Indeed, operates the world's number one job site.

They started with GitLab in 2015 for source control, expanded to Premium in 2020 to support CI/CD adoption, and upgraded to Ultimate in 2024 for advanced security, compliance, and governance capabilities across thousands of GitLab users, and saw an 80% increase in pipelines

with lower infrastructure costs. This quarter, they are deepening their strategic partnership with a move to GitLab Dedicated as part of their infrastructure modernization journey.

Mercedes-Benz expansion this quarter also illustrates our compounding growth potential. Today's vehicles contain more software code than fighter jets, driving companies like Mercedes to hire thousands of engineers. Our relationship began years ago with Source Code Management. Today, GitLab serves as a central platform powering their software-defined vehicle transformation, supporting thousands of developers across regions.

Now, investor uncertainty is understandably high. When every developer has access to the same models, code generation becomes a commodity. The bottleneck shifts to everything after the code: reviews, security, pipelines, compliance, deployment. That's precisely where we live, and that position gets harder to replicate as AI proliferates.

Some of our customers already carry decades of technical debt, thousands of repositories, and compliance obligations tied to policies written years ago. GitLab holds all of that context. History, ownership, risk, intent, it's all getting indexed and connected across the software life cycle.

In the world of autonomous agents, context is the difference between useful action and a potentially catastrophic one. Every commit, every scan, every deployment makes our graph richer and our agents more accurate. The longer a customer runs on GitLab, the smarter the platform gets. That is a moat that widens over time.

And with GitLab Duo Agent Platform, we're not just a tool that agents use. We are the environment where they run, the orchestration layer that governs what they do, in what order, and within which guardrails. We have the ingredients for a generational company: a growing market, trusted distribution at scale, deep customer relationships, and platform capabilities that have been built up over years. We operate from a strong financial position, with approximately \$1.3 billion in cash and investments, and are sustainably generating free cash flow.

I am pleased to share that our Board has authorized GitLab's first share repurchase program at \$400 million, reflecting confidence in our fundamentals and the growth plan ahead. We believe GitLab shares represent attractive value and remain committed to disciplined capital allocation. FY27 is about demonstrating that this foundation can deliver value to customers, momentum through consistent performance, and progress quarter by quarter.

With that, I would now like to turn it over to Jessica to walk through the financial results.

Jessica Ross - *GitLab Inc - Chief Financial Officer*

Thank you, Bill, and thank you to everyone for joining us today. This is my first earnings call as GitLab's CFO, and I'm excited to be here. I joined GitLab because I see an incredible business at the center of unprecedented industry transformation. The opportunity to help shape how AI transforms software development through intelligent orchestration is compelling.

In my first few weeks, I've been impressed by the passionate customers and team members, the platform's technical depth, and the leadership team Bill has assembled. My focus is on building the financial discipline and operational rigor to support our next chapter of growth. I look forward to getting to know many of you in the coming weeks.

I will start with our full-year and fourth-quarter results, and cover our capital allocation framework, and FY2027 guidance. Fiscal 2026 was a strong year. Revenue grew 26% to \$955 million. Non-GAAP operating margin reached 17%, up approximately 680 basis points year over year. Adjusted free cash flow grew 83% to \$220 million, with over seven points of margin expansion.

We now have 10,682 customers with ARR of at least \$5,000, contributing over 95% of total ARR. Our \$100,000-plus cohort grew 18% year over year to 1,456 customers, representing just over 75% of ARR. And as Bill mentioned, we added the largest number of \$1 million-plus customers in GitLab's history in Q4, now more than 155, up 26% year over year.

Now let me move to our fourth-quarter results. Q4 revenue was \$260 million up 23% year over year, 3.5 points above guidance. Non-GAAP operating margin reached 20.5%, five points above guidance. The revenue beat was in part due to approximately \$3 million of one-time items related to favorable foreign exchange and Jehu performance.

First-order bookings were healthy, with particular strength in Asia Pacific. Enterprise win rates improved quarter over quarter and sales cycles remained consistent. We did see softer performance in the US. More broadly, we experienced a few large deals slipping from customers facing budget constraints and industry challenges.

We also saw only a partial recovery in the public sector following the government reopening and continued weakness in the price-sensitive cohort Bill alluded to earlier. Dollar-based net retention was 118%. Gross retention remains well above 90% and consistent with historical trends. Our largest customers continue to expand, though we are seeing pressure in the mid-market and SMB segments that weighed on net retention.

Total RPO grew 20% year over year to \$1.1 billion. Current RPO grew 24% to \$719.4 million. Non-GAAP gross margin was 89%. SaaS now represents approximately 32% of total revenue and grew 38% year over year, driven by continued strength in GitLab Dedicated and Duo.

Q4 non-GAAP operating income was \$53.4 million with operating margin of 20.5%, up approximately 280 basis points year over year. Q4 adjusted free cash flow was \$41.8 million at a 16% margin. We ended the quarter with \$1.3 billion in cash and investments.

On Jehu, Q4 non-GAAP expenses were \$3.8 million compared to \$3.2 million in the prior year. Our goal remains to deconsolidate Jehu, though we cannot predict the likelihood or timing of when that may occur. Before turning to guidance, let me briefly cover our capital allocation framework.

First, investing in growth. Capital goes first to high-return investments that accelerate our product roadmap and strengthen our go-to-market motion, scaling sales capacity, building our first-order team, accelerating Duo Agent Platform, and deepening security innovation. We are reallocating resources towards the highest-return initiatives while balancing growth with profitability and cash generation.

Second, balance sheet resilience. We are maintaining a strong liquidity position, with sustainable free cash flow and approximately \$1.3 billion in cash, cash equivalents, and short-term investments. We have the flexibility to invest in ourselves and inorganic growth through cycles without constraint.

Third, share repurchases. Our Board has authorized GitLab's first \$400 million share repurchase program, reflecting confidence in our fundamentals and a disciplined approach to capital allocation. We look at repurchases as a meaningful way to drive shareholder value and manage dilution, particularly around periods of share price dislocation.

Now moving to our FY2027 guidance. Guidance represents our clearest view of the business given the current operating environment. Let me frame the key assumptions before getting into the numbers.

First, ratable model dynamics. In a ratable model, revenue reflects the cumulative effect of bookings activity over multiple prior periods. As Bill shared previously, we are not satisfied with sustaining historical growth rates and are executing all five growth opportunities he identified. However, a significant portion of our FY27 guide acknowledges that the bookings growth rate has not scaled with revenue over the past three years, and that reality flows through mathematically.

Second, nonrecurring FY26 tailwinds. FY2026 benefited from several items we are not embedding in guidance for FY27, in aggregate, approximately 300 basis points of growth. In order of magnitude, these include the Premium price increase from three years ago, positive FX dynamics, and specific clauses in certain customer contracts.

Third, segment caution. We expect better public sector performance in FY2027 but are not assuming a bounce back. We expect the price-sensitive cohort, approximately 20% of ARR, to remain under pressure given the trends we observed in Q4.

And finally, prudent assumptions on newer growth drivers. We are assuming minimal revenue contribution from GitLab Duo Agent in FY27. We launched seven weeks ago and need time to convert pilots to production deployments. Additionally, approximately 70% of our revenue comes from self-managed customers, which dictates a measured adoption curve.

With that context, for Q1 FY27, we expect total revenue of \$253 million to \$255 million representing approximately 18% to 19% year-over-year growth. We expect non-GAAP operating income of \$32 million to \$34 million. We expect non-GAAP net income per share of \$0.20 to \$0.21, assuming 173 million weighted average diluted shares outstanding.

Note that Q4 has three more days than Q1, creating a sequential headwind. For full year FY27, we expect total revenue of \$1.099 billion to \$1.118 billion, representing approximately 15% to 17% year-over-year growth. We expect non-GAAP operating income of \$129 million to \$137 million. We expect non-GAAP net income per share of \$0.76 to \$0.80, assuming 175 million weighted average diluted shares outstanding.

A few additional modeling points. We assume stable year-on-year growth rates across Q2 through Q4. Full-year gross margin of 85% to 87%, down from 89% in FY26, reflecting increased mix of SaaS, Dedicated, and GitLab Duo Agent Platform, which carry different cost structures.

For FY27 modeling purposes, we forecast approximately \$15 million of expenses related to Jehu, compared with \$13 million last year. We are operating from a position of strength. Our TAM continues to grow. Customer retention remains best in class. Our largest customers continue to expand. And first orders have returned to growth.

We are building new multiyear growth drivers with GitLab Duo Agent Platform and hybrid pricing. Our FY27 guidance reflects where we are today. Early in a transformation with clear priorities, scaling sales capacity, stabilizing net retention, addressing the price-sensitive cohort, and converting DAP pilots to production. As we make progress, we'll update you. Thank you for joining us.

I will now turn the call over to Yao to moderate Q&A.

QUESTIONS AND ANSWERS

Yaoxian Chew - *GitLab Inc - Vice President, Investor Relations*

(Operator Instructions)

Koji Ikeda, Bank of America, followed by Matt Hedberg from RBC.

Koji Ikeda - *Bofa Merrill Lynch Asset Holdings Inc - Analyst*

Yeah. Thanks for taking the question. Jessica, great to have you on the call. So I have a question on security, and security is a big driver of Ultimate upsells and presumably agentic Duo security usage in the future.

And so with Claude code security making a lot of noise, and with the chance that other foundational model vendors potentially releasing their own code security products, how should we be thinking about the differentiation GitLab brings with its security portfolio, and why it should continue to drive Ultimate upsells and agentic usage in the future? Thank you.

William Staples - *GitLab Inc - Chief Executive Officer, Director*

Thanks, Koji. I have been getting that question a lot, and it really comes down to the difference between suggestions and certification. Claude code security helps developers write better code at authoring time, and that is really valuable. But the tool that suggests secure code at authoring time can't be the same tool that certifies it is ready for production.

And that is where GitLab comes in. GitLab is that independent system that answers a different question. It answers the question is this project, is this source code, ready to ship? A developer can ignore Claude's recommendations during authoring time. In fact, Anthropic's own page says developers always make the call.

But with GitLab, they can't bypass the execution policy for the pipeline. They can't ignore the merge request approval rules. Companies ship what is secure and meets their engineering standards, and GitLab is the platform they rely on to uphold those standards.

So, really, these are complementary. Claude improves source code at authoring time, and GitLab governs whether the software is allowed to ship.

Yaoxian Chew - *GitLab Inc - Vice President, Investor Relations*

Matt Hedberg, RBC, followed by Rob Owens from Piper Sandler.

Matthew Hedberg - *RBC Capital Markets Inc - Analyst*

Great. Thanks for taking my questions. Thanks, Yao, and thanks, everybody. Bill, you started the call indicating you're not happy with current growth targets for the year. But I certainly do appreciate the five initiatives that you outlined. It seems like you guys have a lot to -- that could benefit growth.

Kind of thinking about some of the considerations that Jessica outlined around fiscal '27 guidance, I guess, the question is, how should we think about timing of acceleration? And your path back to 20% or better growth, I'm sure you are aspiring to.

William Staples - *GitLab Inc - Chief Executive Officer, Director*

Yeah. Fair question. As I think about those five growth initiatives and I think about what has the biggest immediate impact on FY27, it really starts with the investment we're making in go-to-market. That increased capacity to both covers our existing customers better and wins new logos at an accelerated rate.

As I mentioned, we're entering the fiscal year with the highest capacity ever, and we expect a step-function increase in the ramped capacity starting around Q3. So that is how I think about GitLab for FY27. But really stepping back and thinking about long-term growth, let us remind ourselves, we just delivered the highest new net ARR year and quarter ever. The core business is really healthy.

Gross retention is at its best in the last four years. Every customer cohort since inception continues to expand. Win rates are stable. Engagement is growing.

This is a business that's been decelerating based on bookings patterns and lapping mechanics over the last three years. It's not losing relevance. In fact, its relevance is only gaining momentum in the AI era.

To address the value-capture equation, that's why we are pursuing multiple new strategies. In addition to the increased capacity to go after the TAM, we're also introducing those new SKUs to provide additional adjacent value for customers to opt into. It's why we have also now

launched Duo Agent Platform with a new hybrid pricing model that allows customers to get value and automate full life cycle tasks, and we get to charge based on work and value delivered, not just based on the seats.

It's also why we are adjusting our coverage models and investing in included DAP credits for customers in that price-sensitive cohort to increase their value equation as well and their stickiness and growth. So long term, I believe this company has everything it needs to be a high-growth generational company, and it's ours to execute, starting here in FY27.

Yaoxian Chew - *GitLab Inc - Vice President, Investor Relations*

Rob Owens, Piper Sandler, followed by Sanjit Singh from Morgan Stanley.

Rob Owens - *Piper Jaffray Inc - Analyst*

Great. Thank you so much for taking my question. Bill, I wanted to build on one of your comments around gross retention being at its highest levels, but yet your net retention comes down. And I know that you had mentioned some weakness in the mid-market. Maybe on the front of the question, you can unpack that NRR number for us a little bit and what is driven that overall.

Obviously, there is some concern about seats out there and potential seat expansion at customers. So help us understand that dynamic.

And I guess number two, as we look forward and you're guiding to a total revenue less than where your retention rate is now your expansion rate, I should say, maybe some guardrails around where NRR could go over the coming year. Thanks.

William Staples - *GitLab Inc - Chief Executive Officer, Director*

Yeah. I will take the first part, then maybe Jessica can talk a little bit about where -- how to think about it in FY27. So yeah, dollar-based net retention is not something that we guide to or focus on. We think of it as an output of the business. As we look at the mix of deepening our (inaudible) segments, we see enterprise is really healthy.

Our \$100,000 cohort, as I shared, grew by 18% year over year, and it represents 75% of our ARR. The million-dollar cohort grew even faster at 26% year over year. So our largest customers continue to expand, and that signal is really strong and consistent.

The pressure that we see is concentrated in that price-sensitive cohort. And we estimate it around 20% of ARR, which includes the 8% of the business that we have previously discussed which is in SMB, as well as parts of mid-market and Premium. And we're addressing that in FY27 with now including DAP credits with every Premium seat. We have adjusted coverage models to give them better connection into GitLab, including technical services to accelerate value adoption and value realization. And we're investing in better time-to-value experiences.

Jessica, do you want to talk a little bit about the number itself and where we expect it to go from here?

Jessica Ross - *GitLab Inc - Chief Financial Officer*

Yeah. As you indicated -- as Bill indicated, it's not a number that we guide to, but I do want to reinforce this is a year of stabilization for GitLab. And so I would expect DNR to trend down slightly before stabilizing.

Yaoxian Chew - *GitLab Inc - Vice President, Investor Relations*

Sanjit Singh, Morgan Stanley, followed by Karl Keirstead from UBS. Sanji, do we have you online?

Sanjit Singh - *Morgan Stanley & Co Ltd - Equity Analyst*

Yeah. Yeah. Can you hear me?

Yaoxian Chew - *GitLab Inc - Vice President, Investor Relations*

Yep. We can.

Sanjit Singh - *Morgan Stanley & Co Ltd - Equity Analyst*

Perfect. Thank you for taking the questions, and Jessica, congratulations on the role. Bill, I had a question on essentially pricing. How do you sort of come to the pricing equation for DAP, for Duo Agents?

And I guess the context that I am thinking about is that the coding agents, the popular coding agents, a lot of them are still seat-based pricing, whether it is \$20 a month or higher. This is more DAP, seems to be priced more on a consumption-based model. So how did you sort of arrive at the pricing mechanism for DAP? And then play this forward, how do you think about capturing more value in the GitLab platform?

William Staples - *GitLab Inc - Chief Executive Officer, Director*

Yeah. Let me first start with that observation you made around competitors seeming to have more of a seat-based price. That's actually not entirely true. They may have a seat-based entry cost, but then they either throttle usage or charge you for overages, which is actually a less efficient model than what GitLab offers, which is we offer customers the ability to start with included credits.

Every Premium seat gets \$12 in credits. Every Ultimate seat gets \$24 in credits. And that is because we want to win their hearts and minds with this phase of the platform. They can use it without having to sign new contracts or get new agreements. And if they are finding value, they can then choose to opt into on-demand credits.

Think of on-demand credits as effectively pay-as-you-go. We do monthly bills based on actual usage at around a dollar a credit. What this does then is it creates a demand model for our sales force, where they see the signal of customers using and getting value, and they are able to go have a conversation with the customer and offer additional discounts for committed credits as a monthly minimum. That then drives the flywheel of ratable revenue and ARR because those monthly minimum commitments turn into a subscription that we recognize ratably.

This is a really powerful model that we think is better value for customers than having to pay on a per-seat basis for throttled usage or overages. It's more efficient. And I will just offer this: the existing competitive tools are heavily subsidized by venture capitalists. I don't think that is going to last forever. In fact, I would predict this year you will see many of the enterprise tools beginning to move to API-based charges instead of seat-based charges, which could raise bills for enterprises in the years to come.

Yaoxian Chew - *GitLab Inc - Vice President, Investor Relations*

Karl Keirstead, UBS, followed by Shrenik Kothari from Baird.

Karl Keirstead - *UBS AG - Analyst*

Yao, can you hear me now?

Yaoxian Chew - *GitLab Inc - Vice President, Investor Relations*

We can. Hey, Karl.

Karl Keirstead - *UBS AG - Analyst*

Okay. Thank you. Sorry about that. Hey, Jessica, I wouldn't mind probing a little bit on the initial fiscal '27 non-GAAP margin guide of -- it looks like 12% at the high end, which would be a five-point diesel from the year you just put up.

Can you unpack that a little bit and talk through some of the investments? I'm guessing sales capacity and perhaps even some DAP free credits could be weighing on that margin guidance, but I'd love to hear your views.

And then just if we zoom out, understanding you are not going to give guidance, but how are you and Bill just conceptually thinking about the margin structure at GitLab? And if you think that this year could be the trough and how important is it for you and Bill to get those non-GAAP EBIT margins up to, say, 20% plus? Thank you.

Jessica Ross - *GitLab Inc - Chief Financial Officer*

No, I appreciate the question, Karl. So our FY27 margin guide reflects three discrete, well-understood investments, one of which we committed to at the IPO, and we believe we have clear line of sight to expansion from there. At the midpoint, approximately 300 bps of step-down comes directly from the gross margin mix shift that we have discussed. So the fab mix transition, which we pre-disclosed at IPO. And then the remaining compression reflects two very deliberate investments.

First, we are rebuilding go-to-market capacity, as Bill just talked about. It has been underinvested for several years, and so we are scaling sales capacity, building our first-order team, and continuing to deepen partner coverage.

Second, we are accelerating the Duo Agent Platform and deepening security and innovation. So our investment priority is clear. I highlighted in my remarks about the capital allocation framework, R&D first, then sales and marketing, then G&A. None of these are structural and each has a defined timeline and a clear return as the business scales.

So as we look to the future, this is really a year of investment, and we believe it's the right thing to do for long-term value creation. And we're going to be watching payoffs very closely and empowering the business with the right guardrails. That discipline has not changed.

I think one of the reasons that I joined is the business has really demonstrated an ability to grow profitably and responsibly. The evidence is the 1,700 bps of margin expansion that we've delivered over the past two years. And in the long run, we're not managing to margin percentage. We're managing to gross profit dollar growth and the durable returns that come from scaling our platform.

Yaoxian Chew - *GitLab Inc - Vice President, Investor Relations*

Shrenik Kothari, Baird, followed by Jason Ader from William Blair.

Shrenik Kothari - *Robert W. Baird & Co Inc - Analyst*

Yeah. Thanks a lot for taking my question, and welcome aboard, Jessica. Looking forward to working with you. Bill, you mentioned that, of course, fiscal '27 is largely about converting to [production] and the financial contribution still remaining modest.

I know you touched upon the timeline a little bit in the previous question from the standpoint of scaling the sales and rebuilding go-to-market. But just for some early customer feedback -- and there is a customer you mentioned about, can you tell a little bit about, just at a very high level, what are the potential gating factors on the customer side that you are seeing so far? Is it the trust in these AI end-to-end workflows? Is it more governance approvals? And what, in your view, helps successfully scale these into production environments? Thanks a lot.

William Staples - *GitLab Inc - Chief Executive Officer, Director*

Yeah. Let me start with the early customer feedback on DAP and then remind investors what it is that will take to convert those early pieces of feedback and trials into revenue. You know, the first is we're getting really clear signal on the feedback that customers appreciate a full life cycle approach to agentic AI. Customers want to use DAP to handle highly repetitive and mundane tasks that engineers do every single day as they manage code, manage builds and deployments, and manage the security of their software. For example, an airline, I think I shared some of this in the prepared remarks, they're using DAP already to automate security vulnerability remediation, dependency updates, and cloud migrations, and they now have approximately 90% of component version updates now running autonomously.

Think about what that means. Work that used to require developers to context switch and understand those component updates are now done completely through agents.

Another example is an insurance company that used DAP to run an AI hackathon, and they saw measurable improvements across compliance violations, legacy modernization, developer onboarding time, and their security posture. These are just some of the benefits that customers are finding as they evaluate and trial Duo Agent Platform. In order to convert and become a paid customer with committed contracts, our customers have to be running a version of GitLab that supports the Duo Agent Platform.

About 70% of our revenue is supporting customers with self-managed deployments. It's not like a cloud-native multi-tenant SaaS service. GitLab's is a very diverse portfolio, with 70% running their own infrastructure and GitLab on their own premises, including many who have air-gapped environments that can't even connect to the cloud.

Those customers typically take about six months for up to 50% of them to be running a version like the 18.8 release that we just announced Duo Agent Platform GA with. So that is the first kind of timeline to keep in mind.

Obviously, the 30% of customers that are running in our multi-tenant cloud can start adopting today, and we're seeing early adoption there. But the bulk of the revenue won't have access to Duo Agent Platform for another couple of quarters.

And then secondarily, think about the fact that committed credits is really subscription revenue we recognize ratably. So even if we are able to start converting the trials to production and committed credits in the back half of the year, that revenue won't be recognized until the following quarters, going into FY28. So that's the reason for -- that's the early feedback that we are hearing from customers, and that's the reason for the conservative projections on Duo Agent Platform revenue in FY27.

Yaoxian Chew - *GitLab Inc - Vice President, Investor Relations*

(Event Instructions) Jason Ader, Blair, followed by Miller Jump from Truist.

Jason Ader - *William Blair Capital Partners - Equity Analyst*

Yeah. Thanks, Yao. My question for Bill. Has customer decision-making changed at all over the last few quarters in the face of all this massive change? I guess what I am asking is, have you seen sales cycles shift at all? More focused on the enterprise with this question, but maybe just talk about how customers are navigating all this onslaught of change.

William Staples - *GitLab Inc - Chief Executive Officer, Director*

Yeah. In my customer conversation, they are navigating it like most of the rest of us, which is every day, every week, there seems to be new innovation, new and exciting opportunities with AI, and they're excited about the potential, and they're trying to navigate the many challenges that come with it, starting with the privacy and security concerns with their business, and also the increased costs and expense of investing in AI versus other traditional workloads.

What is interesting is I think there is a ton of experimentation going, and, obviously, early results are really promising within certain workloads, especially around code generation and software development, and we're excited to take that early promise of building software using agents and turn it into actual software innovation with Duo Agent Platform.

I don't see customers' behaviors changing. Our win rates are consistent. As I shared earlier, our gross retention rate just hit the highest level it has in four years. Our competitive rates remain strong. And so, really, this is about focusing our increased capacity, executing a product strategy with increased pricing and packaging granularity to go after that opportunity in FY27 stronger than we did in FY26.

Yaoxian Chew - *GitLab Inc - Vice President, Investor Relations*

Miller Jump, Truist, followed by Kingsley Crane from Canaccord Genuity.

Miller Jump - *Truist Securities - Analyst*

Hey. Great. Thank you for taking my question. Bill, top -- I think you mentioned you overhauled territory design. I guess I am wondering, has the number of accounts per rep changed, and how do you ensure that those handoffs go smoothly? And then just for Jessica, have you baked in any conservatism to guidance for that? Thank you.

William Staples - *GitLab Inc - Chief Executive Officer, Director*

Yeah. It is a fair question. You know, every year, the territories end up getting resliced to some degree, and this year is no exception. But I believe it is going to pay off in the long run. We found we had more accounts than reps could effectively manage, and our upmarket shift a few years ago left the lower end of the market underserved.

So the overhaul territory design does reduce the number the rep has to manage, which should result in better customer intimacy, accelerated adoption, and value realization by the customer.

We're also investing on the technical services side, with increased overlay support, in particular for all segments, but also around two areas, and especially one around that price-sensitive cohort, with additional technical services to support their evaluation and adoption, and around AI. Many companies are needing help to adapt their workflows to AI. With Duo Agent Platform, there's a new set of technology and a new set of techniques to use with your software life cycle.

And so our technical teams are getting highly trained on that to help customers unlock the value, and we're also going to begin investing in forward-deployed engineers who can go in and support that customer adoption cycle.

Jessica Ross - *GitLab Inc - Chief Financial Officer*

And then the short answer to your question is, yeah. We have been very holistic in terms of how we are thinking about prudence as we evolve the go-to-market motion.

Yaoxian Chew - *GitLab Inc - Vice President, Investor Relations*

Kingsley Crane, Canaccord, followed by Howard Ma from Guggenheim.

Kingsley Crane - *Canaccord Genuity Corp - Analyst*

Great. Thank you for taking my question. Legacy code modernization has been in focus the past couple weeks. But when you rewrite millions of lines of COBOL, for example, that is not in a vacuum. It is still going to need to be version controlled, run through CI/CD, reviewed, tested.

Bill, you have been a developer for a long time. How much weight do you give to the idea that we are going to rewrite a lot of existing code versus creating that new code? And then could this be expansionary for GitLab?

William Staples - *GitLab Inc - Chief Executive Officer, Director*

Yeah. That's a great question, Kingsley. I think in theory, any software can be rewritten, and I see tons of really exciting experiments where developers are taking code generation tools, putting them into a closed loop, and giving them instructions to iterate until the code emulates another existing piece of software. And I think there are certain places where that can be done, for example, the discrete library or a simple application.

For the scenario you described, for example, a legacy COBOL application, maybe that is running on a mainframe or a piece of enterprise software that integrates with multiple third-party SaaS back ends, maybe Salesforce or Zendesk or other systems, I think it's a lot harder.

So much of the context for that code is in people's heads. It's not written down. It's not documented. It's been built up over many, many years. And it's very hard to discover those integrations and assumptions purely through the code.

And so, the way I look at the future of software engineering, I think of it as kind of three modes that we're going to be in for quite a while. And there are parallels here to what we just lived through with the public cloud era. If you remember, when we started in the public cloud era, there was a big question of are enterprises going to leave their on-premise data centers behind and lift and shift everything to the public cloud? Or are they going to build just new applications in the public cloud and leave everything where it is?

Where we have ended is a similar place, I think, to where we are going with software. I think we are going to have three modes. The first mode is there will be a set of software that is so mission critical for the business maybe especially to financially regulated and public sector companies, where agents are just not allowed to touch the code, either for security, privacy, or just sensitivity reasons. That's a mode one.

Mode two is where we are at today. And that's what Duo Agent Platform supports, which is human and agent collaboration on brownfield code bases, and these are orchestration patterns that are emerging and being used today, and I think that they will continue, especially for brownfield code bases like the one you mentioned, for some time to come.

And then as we get better at orchestration and enable more closed-loop iteration on code, especially with new greenfield projects, those code bases can become increasingly fully automated through the intelligent orchestration platform that we're delivering, and there will be less involvement from humans in touching and managing that code, other than steering agents and orchestrating from above the loop. I hope that answers your question.

Operator

Howard Ma, Guggenheim, followed by Ryan MacWilliams.

Howard Ma - *Guggenheim Securities LLC - Equity Analyst*

Hi. Thanks for taking the question. Bill, I wanted to ask you more about Duo Agent Platform. In some of our conversations with engineering leaders, there seems to be a hesitance in adopting too many agents from multiple third-party software vendors out of the gate, and meanwhile, larger enterprises may also be debating between a build-versus-buy approach to agents. Then on the pricing side, you have the new usage-based pricing for DAP, but you still have the seat-based pricing for Duo Pro and Duo Enterprise, which could cause some confusion for your customers.

So how do you address these potential challenges? And are you exploring a further evolution of the model that combines the currency-based and usage-based for Duo, for DAP, to make the pricing and packaging more seamless?

William Staples - *GitLab Inc - Chief Executive Officer, Director*

Yeah. So to be clear, the Duo Pro and Duo Enterprise capabilities are already part of Duo Agent Platform, and Duo Agent Platform represents a massive superset on top of that. Think of it as like a 100x kind of capability beyond what Duo Pro and Enterprise provided. Those packages are still in market mostly for continuity perspective. Any customers who have already been planning or in the process of buying those, we did not want to disrupt and force them to reevaluate a new platform before making their purchase decisions.

And we'll be incentivizing both customers and our field to turn those contracts into Duo Agent Platform credits in the coming year ahead. So think of this as a transition period since Duo Agent Platform is just seven weeks in market. And over the next couple of quarters, it will be clear, Customers will see Duo Agent Platform as our AI offering going forward.

Yaoxian Chew - *GitLab Inc - Vice President, Investor Relations*

Ryan MacWilliams, Wells Fargo, followed by Nick Altmann from BTIG.

Ryan MacWilliams - *Wells Fargo Securities LLC - Equity Analyst*

Two-part question. For Jessica, nice to meet you on the earnings call, and would love to hear about how you built up to this guide on the top-line side and any changes to the guidance philosophy there. And then for Bill, we would love to hear about barriers to entry around CI/CD. Why this is a strategic advantage for GitLab, and why this would be difficult to replicate for enterprise customers, like try to replicate CI/CD with AI. Thanks.

Jessica Ross - *GitLab Inc - Chief Financial Officer*

Well, maybe I will start with the guidance philosophy, especially with this being my first quarter here as GitLab CFO. So I think there's a lot happening this year. In addition to me joining, a lot of moving parts. This is an investment and an execution year for GitLab. As we have talked about, we are moving from a seat to hybrid model, are in a new product cycle, the DAP launch, and we are also scaling our go-to-market motion. So a lot of moving parts.

The first thing, I want to be clear: our process has not changed internally, and it is as rigorous as ever. And I spent my first few weeks getting into the details of the business so that I could stand behind the numbers with conviction. Additionally, when I joined, I ran an intentional listening campaign with investors, and the feedback was very clear: investors want more insight and transparency into how we arrive at the numbers. And so we heard you. And I hoping that you all see that reflected in our prepared remarks, and I expect to carry that forward with my guidance philosophy.

And then finally, I would just reiterate that this business is ratable, which gives us strong forward visibility, and we apply that visibility into our approach so that when we give you a number, we have high confidence that we will achieve it. So then as it relates to the revenue guide build-up, I think we gave you all the building blocks within my prepared remarks.

But I do want to reiterate, FY26 and Q4 delivered the highest net new ARR year and quarter ever. And so because our model is ratable, a large part of the step down in our guide is mechanical. So it's not a change in the underlying health of the business. The guide reflects an honest view of where we are today, not where we hope to be.

So I will just break down again what is driving that step down from 26%. First, the mechanics. FY26 benefited from approximately 300 bps of nonrecurring tailwinds, Premium price, favorable FX dynamics, and specific contract clauses that will not repeat. Strip those out, and the comparable growth rate gets you closer to 23%.

Beyond that, the ratable model means revenue today reflects bookings decisions made three years ago, and bookings growth has not kept pace with revenue growth over the past three years. So that mathematical reality flows through for FY27, regardless of what we do operationally this year.

Second, what is embedded in the guide? As we have discussed, our first-order team is coming online now but will not be fully ramped until the back half of the year. We have talked about the fact those investments take time to show up in bookings, and bookings take time to show up in revenue. So we have embedded prudence there.

And then we have also been very deliberately cautious on both public sector and mid-market, where we saw softness in Q4 and are not assuming an immediate bounce back. And then, as we have also talked about, DAP customer reception has been strong, but we are in the very early stages of the adoption cycle.

And on a billion-dollar business with a ratable revenue model, we are not embedding any meaningful revenue contribution from something that we just launched seven weeks ago.

William Staples - *GitLab Inc - Chief Executive Officer, Director*

Thanks, Jessica. Let me try and answer the first part of your question, which I will paraphrase as, how does the core GitLab platform stack up in a world where agents are quickly iterating, growing, getting stronger and better. And I think this is a common confusion with investors, so let me try to use an analogy, and I hope this makes it more clear.

You should think of the core DevOps platform that GitLab has as core infrastructure that both humans need to take action as well as agents need. So, for example, there are many coding agents that can generate code, but that code needs to be stored. It needs to be version controlled. It needs to be tested. It needs to be reviewed. It needs to be secured and checked against all of the standards, the compliance frameworks, and everything else the business is accountable for.

That infrastructure is what GitLab has been building for over a decade. It's what businesses rely on to ensure the integrity of their software, and it's not going anywhere.

What agents do is offer an artificial intelligence alternative to the human intelligence that has long gone into both writing the code and managing that software complexity. So you can think of Duo Agent Platform as that alternative for GitLab customers. They can now use Duo Agent Platform to automate tasks, to hand -- to do seamless handoffs between humans and agents, and between agents and other agents, to do all of the tasks that are required to move that software from planning all the way through deployment. Competitors can obviously offer alternative agents, but they don't offer a replacement for the infrastructure that is GitLab.

Yaoxian Chew - *GitLab Inc - Vice President, Investor Relations*

Great. We're almost up in time, Nick, you're going to be wrapping up the call here with the last question. Go ahead, please.

Nicholas Altmann - *BTIG LLC - Equity Analyst*

Awesome. Thank you. Jessica, just on the net new ARR strength you alluded to in Q4, it sounds like the public sector improved sequentially. I know you said there were some deal slippages this quarter, but can you just give us a sense as to how much of the strength this quarter was driven from some of the 3Q public sector weakness we saw and that kind of getting across the finish line in Q4? Thanks.

Jessica Ross - *GitLab Inc - Chief Financial Officer*

No. Thanks for the question. Yeah. As you alluded to, we delivered the net new ARR quarter ever, but the reality is results were mixed. First-order bookings were healthy with strength in Asia Pacific, and enterprise win rates improved quarter over quarter, and sales cycles have held steady. So, the softness was really concentrated in three areas.

First, pubsec, which is about 12% of ARR. And I want to be clear here. The long-term thesis has not changed. We remain the partner to the US government, and they continue to view us as mission critical.

That being said, we only saw a partial recovery following the government reopening. Some business moved into FY27, and visibility still is not where we would like it to be. I think the budget picture has been interesting. We have had increases in certain departments and a lot of uncertainty in others. So again, that's been built into our guide.

The second piece is the price-sensitive cohort that Bill talked about. And as we shared, we size this at about roughly 20% of ARR. It does include some of the SMB weakness that we've been discussing, as well as parts of mid-market Premium and customers with less budget flexibility.

But, again, we feel like we size this right. We're not seeing that in the rest of the business. I think that has been reinforced by our \$100,000 growing 18% year over year and that million dollar cohort growing 26%, and enterprise DBNRR remains very healthy.

And then you get into the US performance and deal slippage that you were referring to, and that's just very customer specific. We experienced a few large deals slipping from specific customers facing budget constraints and some industry-specific challenges. For example, there was one retailer that had some Q4 challenges and another large customer that had some layoffs and restructuring. So these are real issues, and we are continuing to meet our customers where they are, but we found it to be something very specific. And that is all been embedded into our guide going forward.

Yaoxian Chew - *GitLab Inc - Vice President, Investor Relations*

Great. Thank you. With that, that concludes our Q&A. We will be at the Morgan Stanley TMT conference this week and look forward to meeting many of you in person. Thank you for attending GitLab's 4Q and fiscal '26 earnings call. Have a good evening.

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