

**GitLab Q1 FY 27 Earnings Call**  
**Prepared Remarks**  
**June 2, 2026**

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**Yaoxian Chew:**

Good afternoon, we appreciate you joining us for GitLab's first quarter 2027 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 first quarter and full year results, and guidance for the second 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 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:**

I'm pleased to report Q1 results: revenue of \$264M, growth of 23%, operating profit of \$38M at a 14% non-GAAP operating margin, and 1,519 customers paying us more than \$100,000 a year, up 18% year over year. Dollar-based net retention was 117%.

These results help crystallize what has become increasingly clear: the opportunity ahead is massive, and speed matters. We announced GitLab's Act 2 a few weeks ago. Jessica will get into the details of the financial aspect of the restructuring shortly, I'll spend my time highlighting the signal we're getting on the opportunity and the strategic bets we're making to unlock GitLab's advantages against this structural tailwind.

Our core enterprise DevSecOps business remains strong. Gross bookings growth rate hit its highest level in four quarters. GitLab Dedicated crossed another milestone of \$70 million in ARR. Ultimate now represents 57% of ARR and 7 of our top 10 deals.

DAP contributed more net new ARR in its first quarter than Duo Pro and Duo Enterprise combined in any prior quarter, and it was attached to four of our top 10 deals. Over the course of FY27 we intend to transition Duo Pro and Duo Enterprise subscriptions into DAP, consolidating our AI portfolio into a single agentic platform and onto the consumption business model.

Platform activity is also surging. Code pushes across our paid SaaS customer base are up 49% year over year. CI pipeline growth accelerated from the mid-20s in late FY26 to 38% in April. One of our most advanced agentic customers grew the volume of code in their repositories by 2.5x in six months, and it's still accelerating. The agentic era is creating structural tailwinds for DevSecOps platforms, and GitLab is on the critical path to scaling agentic engineering in the enterprise.

Let's talk about the Five Growth initiatives I introduced last call.

First: Accelerating First Order Growth

We delivered 30% higher new logo growth versus the same period last year. The dedicated first-order team is ramping ahead of schedule, and a strong resurgence in product-led growth produced our highest absolute first-order count in 10 quarters.

The reason this matters is simple: The changes we've made this past year are enabling Gitlab to compete and win new business at a dramatically faster rate and while Net ARR contribution from many of these customers is small in year one, history is unambiguous on what comes next. For example, our 2016 cohort has expanded more than 100x over the past 10 years. That is the type of customer journey we are working to replicate with all new customers.

Second: We told you we're scaling sales capacity.

Our FY26 quota carrying headcount investments are already benefiting gross bookings as planned, and we've continued to grow capacity. Based on the timing of these hires and our historical ramp time, consistent with what we shared last quarter, we expect most of the benefit to land in the second half of the year.

Third: Let's talk about our expanding monetization factors

There are really three dynamics to highlight:

First, our customers are starting to ask non-technical users — product managers, designers, security teams — to begin using GitLab and agentic workflows which translates to more seats needed over time. Governance, version control, audit trails, and approval workflows are now their problems too. That's a new footprint to grow into.

Second, agentic workloads are pushing DevSecOps infrastructure harder than it was designed for. The outages and reliability gaps of our competition you've all been reading about are showing up in customer conversations. Our cloud-neutral architecture and platform reliability are real differentiators in those conversations and a few of the architectural bets I'll talk about in a minute will position us to capture the agentic infrastructure opportunity ahead.

Third, our consumption business is off to a really solid start. Consumption run rate is an internal metric we track to gauge uptake of GitLab Credits. We are sharing CRR this quarter as an early signal - however, it is important to note that one quarter is not sufficient to establish a meaningful trend. At the end of our first full quarter of consumption, Duo Agent Platform paid consumption run rate was nearly \$20 million. Included in this number are minimum usage commitments made pre-GA and during Q1, as well as on demand credits. As Duo Agent Platform adoption expands and we bring new products to market, paid CRR will likely become a more meaningful forward indicator of where our commercial model is heading. We will provide more formal metrics and disclosure cadence as this motion continues to mature

Fourth: We're continuing to support price sensitive customers.

Headwinds have persisted with this cohort, which makes up about 20% of our ARR. The initiatives around increased coverage and faster time to value are underway and will take time to manifest.

Fifth: We're executing our AI Strategy.

GitLab Duo Agent Platform reached general availability two weeks before the quarter began, and as I shared at the top of the call, contributed more net ARR in its first quarter than Duo Pro and Duo Enterprise combined in any previous quarter. As code generation accelerates, the AI paradox is real — every customer I talk to describes bottlenecks across

code review, testing, security remediation, pipeline management and more. DAP handles the repetitive engineering workflows so engineers can focus on consequential work.

The pattern underneath the numbers matters though even more. Duo Agent Platform is unlocking access to incremental AI budgets beyond existing DevSecOps spend. That's a different commercial dynamic than seat expansion, and it changes our addressable opportunity inside accounts.

We also announced expanded relationships with AWS, Google Cloud, and Anthropic this quarter. DAP spend is now eligible against committed cloud budgets on Google, AWS and Anthropic Marketplaces, which removes a real procurement friction point.

One customer story makes the dynamic concrete. A top-10 US bank ran a Duo Agent Platform pilot across everyday engineering workflows. In Q1, developers averaged 1.5 hours saved per task. Active rollout is now underway across hundreds of developers, with adoption and daily credit consumption climbing fast. Each cohort ramps faster than the last. Based on the customer's current rollout plan, the active user base is expected to grow nearly 20x upon full deployment later this year.

Next, I want to share our learnings from the evolving environment and where the market's going.

We recently hosted an Executive Advisory Board meeting where we brought together thought leaders from our largest and most strategic customers. I want to share three insights from this event, which help illustrate where the market is heading and GitLab's growing value proposition.

First, the head of engineering at a major technology platform put it this way: "Agents are like psychopathic interns. They lack good judgement. A human could go to jail for certain decisions but what about an agent?" That question doesn't have a legal answer yet. Governance and control is a systems level problem that needs a platform level answer. And, that platform is GitLab.

Second, the head of software engineering at a top-10 bank after hearing our roadmap told us he'd buy the full platform tomorrow. His one condition was tool optionality for his developers. In other words, GitLab's value is two-fold: cloud, model, and tool neutrality, and everything that happens around code generation — the tests, the controls, the governance.

Finally, one customer managing over 200,000 repositories told us they simply can no longer configure governance project by project. What they need is what they called mission control logic — policy injected at the platform level across the entire estate. That's a machine-scale problem and one of our architectural bets I'll describe in just a minute.

Maximizing our ability to capture this opportunity requires change — to **our** infrastructure, monetization, and how we operate. I laid those out in my Act 2 letter. Here are the five architectural bets we're pursuing to create new value for customers, position ourselves to benefit even more from AI structural tailwinds, and expand our monetization vectors. Transcend next week will be livestreamed on our website and really bring these to life.

Alright bet number one, machine scaled infrastructure.

Agents work at machine scale, and they're pushing competitors to the brink. This quarter we began a generational rebuild of git to support the scale and features required for 100x growth. This is a scale requirement that didn't exist before and has become a real pain point for every team on their agentic journey.

We're partnering with an AI lab on the design and implementation of the new service, including APIs that are optimized for agents to store and retrieve context, including code. As the leading contributor to git today, we have a right to win this layer of infrastructure, you're not going to want to miss the demo next week.

Bet number two, is around orchestration.

Agents create activity. What businesses need is software that drives business outcomes. Orchestration is what connects the two.

We've been connecting and automating the steps of software delivery for years with our CI/CD pipelines. We own the assembly line for code - building, testing, shipping and security it, in a defined sequence. With Duo Agent Platform GitLab can now coordinate SDLC tasks between humans and agents. The next step expands our agentic infrastructure across artifact management, governance and compliance, and continuous deployment. For these new services, the value scales with the work performed, just as it does with Duo Agent Platform.

Architectural bet number three is all about context.

Code generation is commoditizing fast, and enterprise AI bills are climbing as fast as adoption. What doesn't commoditize is the connected data model across every project, every repo, and team, accumulated over years.

We're building a first-class, API-accessible service called GitLab Orbit that improves outcome quality and reduces the cost of agentic actions. Access to Orbit will be monetized through consumption credits and will be valuable to both DAP users and external agents — Claude Code, Cursor, Codex, whatever the customers choose. Context is a compounding asset. Every human and agent action actually makes it richer.

Architectural bet number four is about governance.

For enterprise-scale adoption, governance is non-negotiable. We're designing identity, audit, policy, and deployment flexibility as core platform services from the start, so every agent, pipeline, and merge request runs through them by default. This builds on the work that already differentiates GitLab Ultimate, and you'll see more advancements in this area at Transcend next week.

Architectural bet number five is that one platform for all modes of software engineering will be incredibly valuable for customers.

There are trillions of lines of code exist in the world, and most can't and won't be rewritten anytime soon. Software teams will build and manage software three ways for the coming decade: they'll do it the manual human SDLC approach that we have led for the last decade, they'll use agents on tasks as they do today with Duo Agent Platform, and they'll embrace autonomous agentic engineering.

Just like the cloud era, choosing a vendor strategy that splits your infrastructure and your developer experience is a painful and costly choice. GitLab customers don't need to. GitLab is the one platform that already spans plan, code, review, secure, deploy, and operate with one control plane, one data plane, and governance underneath. Adding autonomy is an extension of the platform, not a separate stack. Customers get one place to manage all their software systems, with cloud and model neutrality. That's the structural advantage others simply can't match.

I want to also talk about Gitlab Flex

You see as AI workloads change the relationship between cost, value, and predictability, our business model will need to follow suit. Consumption is the right model for it, which is why we added GitLab Credits to our business. It's become increasingly clear that customers need even more flexibility in how they use our platform. That's why next week at Transcend we'll be unveiling GitLab Flex: a buying program that lets customers mix seat-based and credit-based products in ways we believe will be exciting for them and for GitLab. We look forward to sharing more with you then, and in the quarters ahead.

Let me close with two customer stories from the quarter. They illustrate a simple point: the problems that GitLab solves — security, compliance, governance at scale — only get harder in an agentic world ahead.

Zillow Group operates the US's largest real estate marketplace and has been a GitLab customer for over a decade. Their internal AI-powered pipeline engine generates thousands of GitLab projects and pipelines. AI-scale workloads added by Zillow's coding agent providers and Zillow's internal agents have meant fundamentally different infrastructure needs as AI-assisted workflows help engineering teams ship 40% more code per engineer and focus on broader development priorities. This quarter, they're migrating more than 2000 engineers to GitLab Dedicated to strengthen security and compliance with platform-level

enforcement, and scale with AI-driven growth. They're also piloting GitLab Duo Agent Platform as the context layer that makes their AI investments even more effective.

CSL Behring, a global biotech leader, is another long-time GitLab customer who signed a multiyear commitment to GitLab Ultimate and DAP this quarter, further deepening the relationship. Their challenge was not just consolidating fragmented tools but doing it while standing up an AI development capability that their AI governance board could approve. GitLab's unified platform provided enterprise model controls, audit logs, and security analysis embedded in the same pipeline developers already use.

Before I hand it over to Jessica, I want to take this moment to thank all the Team Members who have helped bring GitLab to where it is today, including those departing in connection with the workforce changes announced as part of Act 2. The work you've done here mattered, and it continues to matter. You came to GitLab when we needed you. You laid the foundation on which we stand today. The cultural, technical and commercial decisions we are making have not been easy, but are necessary.

The opportunity here isn't incremental growth on a DevSecOps platform. We're now on the critical path to scaling agentic engineering in the enterprise, and building toward becoming the trusted enterprise platform for software creation in the AI era.

Transcend is next week. You'll see Orbit, you'll see Flex, you'll see agents pushing git at 100x scale, and our first delivery of autonomous engineering. That's where the next chapter starts. Our best days are ahead.

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

**Jessica Ross:**

Thanks Bill, and thanks to everyone joining us. I'll now cover three things: Our Q1 results, what's driving them, and how we are thinking about the rest of the year.

Revenue came in at \$264 million. Up 23% year-over-year and four points ahead of our guide. Enterprise performance was strong, with strength well distributed across all Geographies. Public sector performance also outperformed our expectations, and GitLab Dedicated crossed another milestone of \$70 million in ARR. In addition, the quarter also benefited from \$2 million of non-recurring overages and early renewals.

We delivered this against an uncooperative macro backdrop. As we expected, our price-sensitive cohort, roughly 20% of ARR, remained under pressure. Across the business, we saw more seat contraction than we anticipated, mostly tied to lay-offs in our customer base. M&A related contraction was an additional headwind. Without those dynamics the quarter would have been even stronger.

Where GitLab's platform really shows up is in our enterprise business, where we continue to see resilience. Our \$100K-plus customers grew 18% year-over-year to 1,519 , and now represent just over 75% of ARR. We now have 10,831 customers paying us at least \$5,000 in ARR, representing over 95% of our total ARR base.

Gross retention remains well above 90%, in line with historical trends. Dollar-based net retention was 117%. As expected, the tale of two cities we've talked about before continues to play out. We saw healthy spend dynamics from our larger customers, and pressure in the mid-market and SMB segments that weighed on net retention.

Total RPO grew 18% year-over-year to \$1.1 billion. Current RPO grew 24% to \$724.1 million.

Now, moving down the income statement. Non-GAAP gross margin was 88%, as SaaS continues to grow as a share of our revenue mix. It's now about a third of total revenue and grew 37% year-over-year, driven by continued strength in GitLab Dedicated and Duo.

Q1 Non-GAAP operating income was \$38 million versus \$26.1 million a year ago. Non-GAAP operating margin was 14%, up roughly 200 basis points year-over-year. On Jihu, Q1 Non-GAAP Expenses were \$3.1M compared to \$3.1M in the prior year. Our goal remains to deconsolidate JiHu, though we can not predict the likelihood or timing of when that may occur.

Adjusted free cash flow was \$147 million, a free cash flow margin of 56%. Here, we benefited from timing of collections.

Before turning to guidance, I'll provide a quick update on Capital Allocation. The framework I laid out last quarter is the same one guiding us today: Invest first in growth; maintain Balance Sheet resilience; and use buybacks to drive shareholder value and manage dilution. Q1 reflected all three. We ended the quarter with \$1.36 billion in cash and investments. We repurchased about 2.4 million shares, and have \$350 million remaining on the authorization.

Now, turning to Guidance. Let me lay out our key assumptions for the balance of the year.

I'll begin with our Act 2 plan announced last month. A key component of this plan is a restructuring of our workforce to ensure we have the right operating structure to capitalize on the opportunities ahead of us. As detailed in our initial announcement, we have engaged closely with our teams to reshape our company in the most effective and transparent way possible.

We are finalizing these decisions and anticipate that approximately 14%, or 350 of our team members as of January 31, 2026 will be impacted. We also expect to exit 22 countries and reduce our team member geographic footprint by approximately 37%. We are flattening our organizational structure, with up to 3 layers of management removed. We expect to incur \$30 million to \$35 million of pre-tax restructuring charges, of which approximately \$19 million is expected to be incurred in Q2, with the majority of the remainder expected to be recognized over the following three quarters.

We expect to reinvest the vast majority of the savings from this restructuring into several specific initiatives designed to accelerate our Act II strategy. These include: investments in our team members, a reallocation of resources to lean into the architectural bets that Bill outlined, and further building out internal AI tooling and associated costs.

Additionally, our outlook reflects prudence on four key items:

First, Macro: While we did see an improvement in public sector performance this quarter, we continue to not assume a meaningful bounce back in FY27. We also continue to expect the price sensitive cohort, which represents approximately 20% of ARR, to remain under pressure.

Second: While we are pleased with the early progress, we continue to assume minimal revenue contribution from GitLab Duo Agent Platform in FY27. The focus this year remains on converting pilots to production and ramping new adopters.

Third: We see accelerating layoffs concentrated in the tech sector, and heightened customer caution associated with these changes.

And fourth: The potential for some near-term disruption associated with organizational changes as we operationalize Act 2. We carefully considered business continuity when reviewing any restructuring affecting our quota-carrying sales force. We intentionally undertook a voluntary separation program to head off future potential attrition associated with the changes we made. That said, changes of this scale carry some near-term disruption, and our guidance reflects that.

Given our Q1 performance and the continued progress we are making across many of our five strategic priorities, we are raising our guidance for the full year.

For Q2 FY27:

- We expect total revenue of \$272 million to \$274 million, representing approximately 15% to 16% year-over-year growth

- We expect non-GAAP operating income of \$30 million to \$32 million
- And we expect non-GAAP net income per share of \$0.17 to \$0.18, assuming 168 million weighted average diluted shares outstanding

For the full year, we now expect:

- Total revenue of \$1.112 billion to \$1.118 billion, representing approximately 16% to 17% year-over-year growth
- Non-GAAP operating income of \$135 million to \$141 million
- And, non-GAAP net income per share of \$0.79 to \$0.82, assuming 166 million weighted average diluted shares outstanding

I'd also like to provide a few additional points for modeling purposes.

- First, we continue to expect full year gross margins to be between 85 to 87%.
- Second, we expect profitability to trough in Q3 due to timing of investments post restructuring
- Third, we are forecasting approximately \$15 million of expenses related to JiHu, compared with \$13 million last year.

This is a year where we are investing deliberately to capture the Act 2 opportunity. The financial profile we've achieved - over \$1 billion in run-rate Revenue, strong cash generation, and \$1.36 billion on the balance sheet — is the foundation we're investing from, not toward. That's what gives us the flexibility to rebalance resources behind our highest-return initiatives and return capital to shareholders — all at the same time. The opportunity ahead has never been greater, and the foundation we're investing from has never been stronger.

Thank you for joining us. I'll now turn the call over to Yao to moderate Q&A.