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GTLB.OQ - Q1 2027 GitLab Inc Earnings Call

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OVERVIEW:

Company Summary

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PRESENTATION

Operator

(audio in progress) (Operator Instructions) Please note this call is being recorded.

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

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

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 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*

I'm pleased to report Q1 results. Revenue of \$264 million, growth of 23%, operating profit of \$38 million 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 2.5 times in just 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 for many of these customers is small in year one, history is unambiguous about what comes next. For example, our 2016 cohort has expanded more than 100 times over the past 10 years. That is the type of customer journey we're working to replicate with all of our 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 vectors. 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're sharing CRR this quarter as an early signal. However, it's 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'll 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. Duo Agent Platform handles the repetitive engineering workflows across the software lifecycle so engineers can focus on consequential work. The pattern underneath these numbers matters, though, even more.

DAP 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. Duo Agent Platform 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 of savings 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, and 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 our executive advisory board meeting, where we brought together leaders from our largest and most strategic customers. I wanted to share three insights from this event, which help illustrate where the market's 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 judgment. 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 twofold: cloud, model and tool neutrality, and everything that happens around code generation, the tests, the controls, the governance.

And 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 call 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. The signals in our Q1 performance and from our customers are strong. 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 live streamed on our website and really bring these to life.

All right, bet number one, machine scale 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 securing it in a defined sequence.

With Duo Agent Platform, GitLab can now coordinate software development lifecycle 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 builds are climbing as fast as adoption. What doesn't come monetize 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, cloud 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 that exist in the world today, and most of it 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 software development lifecycle 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 planning, coding, reviewing, securing, deploying and operating 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 becoming 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 that 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 the 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 to Zillow's coding agent providers and Zillow's internal agents have met fundamentally different infrastructure needs as AI-assisted workflows help engineering teams shift 40% more code per engineer and focus on broader development priorities. This quarter, they're migrating more than 2,000 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 multi-year commitment to GitLab Ultimate and Duo Agent Platform 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. And 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 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.

Thank you. The opportunity ahead is an 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 agentic era. I'm really excited for our Transcend event 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 very best days are ahead.

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

Jessica Ross - *GitLab Inc - Chief Financial Officer*

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 across 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 layoffs in our customer base. M&A-related contraction was an additional headwind. Without those dynamics, the quarter would have been even stronger.

Where GitLabs platform really shows up is in our enterprise business, where we continue to see resilience. Our 100,000 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 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 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 \$3.1 million compared to \$3.1 million in the prior year. Our goal remains to deconsolidate JiHu, though we cannot 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. This is 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 three 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.

The majority of the remainder is 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 2 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 no material 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. This was 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% and 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.

QUESTIONS AND ANSWERS

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

(Event Instructions)

Matt Hedberg, RBC; followed by Sanjit Singh, Morgan Stanley.

Matthew Hedberg - *RBC Capital Markets Inc - Analyst*

Great. Thanks, Yao. Thanks for taking my questions, guys. Congrats on the quarter. Really great to see the stabilization this quarter. I guess my question, Bill, for you, with all of the innovation that you guys have been delivering upon, can you talk about the competitive landscape? I guess specifically looking at GitHub, how win rates trended there? Is pricing holding up? Just any color on that, it feels like you guys are having quite a bit of success these days.

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

Thanks so much, Matt. Yeah, it's a very interesting environment we live in. Agents are really driving infrastructure load higher than humans ever did or could and taking some of our competitors to the brink, as we've all seen. It's important to remember, competitors have a different mix of audiences. We're squarely focused on enterprise customers. And so there's different communities, in our case, a different pace and much higher stakes with our customers. We do see real opportunity here.

Remember though, for our customers, this workload is mission critical. It's hard to migrate and it takes time, especially at enterprise scale. That's because the decision of GitLab as a platform is a core infrastructure decision and requires the entire organization to align and make that decision. It's not as simple as someone downloading a tool onto their laptop.

So I don't expect to see an overnight swing here, but here is what we're seeing. In Q1, we saw a notable increase in enterprises looking to adopt GitLab as their platform, including new first orders as well as consolidation within our existing base. That did result in a small but meaningful improvement year-over-year against historical win rates.

And as I shared in the prepared remarks, we also saw an inflection in first order count. We're now 30% year-over-year higher as a result of the combination of product-led and sales-led growth efforts that we've been investing in for the last few quarters.

We are running targeted go-to-market campaigns to seize this opportunity, and we're seeing early results from that. But I think what I'd point out for investors that's even more important is what I mentioned on the call. We're partnering with an AI lab on the design and development of the future of [Orbit] infrastructure.

Our design requirement for that project is 100x scale versus what humans need today because we anticipate that's going to be required for enterprise customers as we move from the early adoption phase of agentic engineering to full teams embracing agentic engineering practices.

So that's a really new, exciting opportunity for us. You'll see more about that next week at Transcend and encourage you to tune in.

Matthew Hedberg - *RBC Capital Markets Inc - Analyst*

Thanks, Bill.

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

Sanjit Singh, Morgan Stanley; followed by Radi Sultan, UBS.

Oscar Saavedra - *Morgan Stanley & Co Ltd - Analyst*

Hi. Thank you for taking our question. This is Oscar Saavedra for Sanjit. Maybe if I can touch a bit more on the guidance. And maybe any changes on the philosophy. So you've spoken to expected benefits from the scaling sales capacity in the second-half of the year, but also there's commentary around uncooperative macro backdrop and just you accounting for that not improving going forward and maybe also some potential execution disruption.

So maybe I wanted to get a sense, maybe a finer point on the increased conservatism maybe that is being embedded into the guidance versus what you're seeing out there playing out today?

Jessica Ross - *GitLab Inc - Chief Financial Officer*

Yeah, no, thanks for the question, a couple of things, just kind of speaking to last quarter, we deliberately did give a wider range, which we cited many moving parts in the business. And just as we think about how the quarter played out, so far assumptions have largely played out as expected, so we're now through one quarter where we beat both on revenue and NGOI and again, reminder, the business is largely ratable and we have very strong visibility.

As we're thinking about additional prudence, right, as we talked about, we did have some impact from churn and contraction related to risks and we had some unique to the quarter related to M&A. And again, with a large, even though we've been very intentional on the riff about protecting sales, photo carry, sales capacity and our engineering headcount.

We know with any large-scale risk, there is some risk of disruption. So we have embedded that into the guide as well. So I'd say the four things again, so two carries over from last quarter, we don't still while we saw some strong performance in [PubSec] this quarter, we still don't expect an immediate bounce back.

While we're very pleased with the results that we're seeing on DAP so far, we're not expecting material revenue there and then the additional new pieces are the risks and the execution risk.

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

Radi Sultan, UBS; followed by Ethan Weeks, Piper.

Radi Sultan - UBS AG - Analyst

Awesome. Thank you very much. Bill, in your prepared remarks, you mentioned the opportunity to bring more non-technical users to the platform. My question is, how do you imagine monetizing those users? Do you think the current SKUs properly reflect the needs of that cohort? Maybe you could just walk through how you're thinking about shaping the product and monetization opportunity to capture that emerging cohort of non-technical users. Thank you.

William Staples - GitLab Inc - Chief Executive Officer, Director

Yeah, it was a notable increase this quarter in our customers asking for and exploring additional seats for those non-engineering users. I think it's been asked a few times in recent quarters, are we seeing that possibility?

And while we've had a few conversations this quarter, there was more of a pattern forming where we do see teams electing to ask project managers, designers, program managers and others to begin contributing code using agentic tools. And of course they need GitLab seats in order to do that to contribute to the core code repository and take advantage of the CI pipelines and everything else we give.

We currently are in several conversations along those lines and we're putting forward the same seat-based pricing model that we provide for engineers given the value and the requirements are the same. So we think our seat-based model is going to benefit from these conversations as well as our dual agent platform approach because those users have the same requirements in terms of agentic engineering across the software lifecycle.

Radi Sultan - UBS AG - Analyst

Thank you.

Yaoxian Chew - GitLab Inc - Vice President, Investor Relations

Ethan Weeks, Piper Sandler; followed by Derek Wood, TD Cowen.

Ethan Weeks - Piper Sandler - Analyst

Great. Thanks for taking my question. And this is Ethan filling in for Rob tonight. Bill, I wanted to ask around this rebuilding of Git and the much larger scale that you're trying to build this at, and specifically the point you made around partnering with an AI lab on this vision. And there's been some worries in the past around these AI labs looking to do this in-house or become competitive with you. And so I was wondering if you could touch on why they decided to partner with you in building this rather than trying to compete with you? Thanks.

William Staples - GitLab Inc - Chief Executive Officer, Director

I think there's probably multiple factors there. Number one, we are -- I believe, the leading contributor to the open source Git community today. And we also serve several of the AI labs with GitLab. And so both being a customer and a notable GitLab -- Git open source contributor. Probably help them make the choice to partner with us.

I think in addition, we serve more than half of the Fortune 100 today. We're a serious DevSecOps vendor in this market, have hundreds of thousands of organizations that use GitLab today, and they want to be able to deliver a great experience to their customers through GitLab. So it's been a great partnership. You'll see the demo next week. That we'll share the current progress on that and more details then.

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

Derek Wood, TD Cowen; followed by Matt Calitri, Needham.

Unidentified Participant

Great. Thanks, guys. This is [Cole] on for Derek. Bill, can you just talk a little bit more about the kind of seat compression that you're seeing and how you guys expect this to unfold? And then secondly, just on that same point, how do you think the new monetization can help offset that in the model? Thanks.

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

Actually, we've seen seats growing this quarter. Obviously, with the growth that we delivered, we did see seats growing. That's our primary monetization model today. I think Jessica mentioned a few churn and contraction and M&A activity that was unique to the quarter, which had we not seen, the quarter would have been even stronger, but definitely seats are growing.

And in terms of new monetization, our GitLab Credits consumption program is also helping us start to take on new AI budgets, as I shared. It's also delivered our highest net ARR quarter, AI quarter ever. As I mentioned, it outperformed in its first quarter Duo Pro and Duo Enterprise combined over any previous quarter. And I think we've been in the Duo business two or three years. So an impressive start with the GitLab Credits program and Duo Agent platform and seeds continue to grow.

Jessica Ross - *GitLab Inc - Chief Financial Officer*

Yeah. And I would just add, again, I think to that point, AI workloads, they are really changing the relationship between cost, value and predictability. And we look at it all as additive and providing our customers with more optionality and flexibility.

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

Matt Calitri, Needham; followed by Kingsley Crane, Canaccord Genuity.

Matt Calitri - *Needham & Company - Analyst*

Great. Thanks, guys. This is Matt Calitri on for Mike Cikos over at Needham. Thank you for taking our questions. Can you provide specifics on where you intend on reinvesting restructuring savings in order to drive the architectural strategy that Bill laid out? And how will you measure ROI on these changes?

Jessica Ross - *GitLab Inc - Chief Financial Officer*

No, great question. Thank you. So we're really looking at it in three places, people, technology and process. From a people lens, we are asking a lot of the people who are staying on with us for Act 2 and we want to ensure that we're investing in them and retaining for them because they're going to be playing a really significant role in this journey.

Second on technology, we're really leaning into the architectural effects that Bill outlined in his script. And we're going to be reallocating and investing in R&D resources to accelerate our roadmap. Again, we're really excited to share more at Transcend next week. So definitely check that out.

And then finally, from a process lens, we are reviewing our processes to take advantage of AI and go faster as an organization. And I think this is very much in line with our capital allocation strategy. We have high conviction that it's really the best path to durable growth, operating leverage and long-term shareholder value.

And then I think on the second point from an ROI lens, look, it's really too early to provide details, but we are, like everything else, going to be very intentional about how we invest with clear guardrails and the right trade-off. And I think we're very clear-eyed on both the risks and opportunities but believe that the market opportunity here is too big to not capitalize on it now.

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

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

Kingsley Crane - *Canaccord Genuity Corp - Analyst*

Great. Look, Bill, there's a lot of noise out there, but I just want to start by commending you for the candor in the Act 2 letter, the open approach that you're taking and how you've led through what's a difficult but pivotal time and you've navigated transitions before, so I think you know how much it's about people and trust, not just technology.

So two angles on that. First, I just want to touch on talent. You talk about deep technical problem solvers as the scarcest most valuable resource. How do you feel about attrition over the past couple of weeks and just generally retaining 10x engineers? And then on disruption, I know the guide had some sort of market disruption, but the letter talks about committing to new customer disruptions. Can you just help us get more confidence on that commitment?

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

Yeah, thanks, Kingsley. Definitely these moments are difficult for any company to undertake. And maybe I should just pause for a second and express again my gratitude for all those that we separated with and are undergoing consultation with starting yesterday. We really appreciate the contributions from all of those who've been part of GitLab. Those who we separated with as well as those who chose to undertake the voluntary departure.

They came when GitLab needed them. They've delivered amazing things and the foundation that they built is what we're going to continue to build on. We were very careful in terms of how we went about the restructuring.

In fact, as you can probably tell from the letter, we started by clearly articulating the why, the way we see the market, the future of software engineering, the first principles around our investments going forward. We then explained the what, the product strategy, business strategy as well to go after the opportunity.

And then we talked about the how with team members and some of the tough challenges that we're trying to solve in order to allow us to go faster as an organization and capture this opportunity.

And that included some of the things that I shared in the letter, like reducing our operational footprint as well as reducing management layers so that we can make faster decisions and flow communication faster. We're also forming smaller teams in R&D.

So all of that -- I share all of that context because it goes towards your question around retention. It's really important that team members understand the changes we're making and the opportunity ahead and are as excited about it as we are, which is another reason we actually issued the voluntary departure program because we understand this is a lot of change and maybe it's not for everyone and we wanted to head off future attrition by giving those team members who came maybe in a different era with different expectations and opportunity to move on if they weren't excited about the new direction.

So we've executed that now. We were very careful in protecting our sales capacity to ensure that we can continue to deliver on the targets that we've set for this year. And as we shared, we're also investing in team members and in particular in R&D, we actually expect to grow our ability in the coming quarters. And so to execute on those architectural bets, we're investing in our team members and we'll continue to invest in R&D to make sure that we can deliver as quickly as possible.

Jessica Ross - *GitLab Inc - Chief Financial Officer*

And then just on your comment on customer exposure, it's very limited. We have no sales presence in the geographies that we've exited and where customers exist, we're managing transitions very deliberately with a very focused communications plan.

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

Howard Ma, Guggenheim; followed by Nick Altmann, BTIG.

Howard Ma - *Guggenheim Securities LLC - Equity Analyst*

Thanks for taking the question. I just wanted to clarify two items. I'll ask them together. The first is the \$20 million of Duo Agent Platform annualized consumption. I just want to be sure, is that a clean number in that it doesn't include any Duo Pro or Enterprise spending that converted into DAP commitments?

And then my second question is the 30% new logo growth, can you help reconcile that with the greater than \$5,000 ARR customer net adds? Because I'm seeing it's about \$149,000, but that was down 30%, maybe that reflects the one-time tech-related layoffs and M&A-related churn.

Jessica Ross - *GitLab Inc - Chief Financial Officer*

First, it is a clean number, but I do want to just be very clear that this is not something that anyone should be looking at in their models. It's a very early signal, one we're excited about, but at the same time, it's like one quarter's worth of data. And we're not basing our forecasts on that, and I hope that you are not as well.

And then just on the customer count, again, the bottom layers can get pretty noisy. I just would, again, point to you've got to look at it holistically. I think the big message is our enterprise business remains strong. Our 100,000 customer cohort grew 18%. And I just, again, encourage that's the way we look at it is really more of a kind of holistic lens.

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

Nick Altmann, BTIG; followed by Raimo Lenschow, Barclays.

Nicholas Altmann - *BTIG LLC - Equity Analyst*

Thank you. Jessica, can you just provide some color on the bookings because I believe you noted the gross bookings were very strong, but it seems like there's maybe some noise in the deferred revenue and the total RPO growth on a sequential basis was a bit lower versus historical level. So can you just parse out the gross booking strength that you guys alluded to versus the RPO and the billings growth?

Jessica Ross - *GitLab Inc - Chief Financial Officer*

I'll focus on the leading indicators. And again, I think the general comment here is the combination of billing, the RPO, and aggregate, you can take those to look at the business, but they all have their own nuances. So at the end of the day, I think the best visibility we have is into revenue, which is where we guide. But yes, first on billing, those were at 12% growth this quarter, which was coming off a really tough comp. We had 35% for [growth] in Q1 of FY26.

As I referenced, we had some larger seat contraction there than anticipated, which was mostly tied to layoffs in our customer base. And then in addition, we had some M&A contraction that was really unique to the quarter. Without those dynamics, the quarter would have been even stronger and we're very clear-eyed on that.

In terms of the other leading metrics, I'd talk about RPO for a second. I think there's a few things to note here. Yes, we are seeing some more uncertainty in the market, which is driving some more customer hesitancy on longer-term contracts, but we've also always prided ourselves on customer choice and meeting our customers where they are, which providing flexibility in contract terms is one of the ways that we've done that.

At the same time, we are really looking to incentivize the field to drive greater multi-year contracts where it makes sense.

But again, kind of getting back to the conversations around monetization, we think longer-term as developer unit economics evolve, this is really why we are continuing to expand our portfolio with Flex and other monetization vectors, which you're going to learn more about at Transcend.

But then again, stepping back completely, it's always worth looking at this through the lens of our retention rate, which continues to be well above 90%, which really is I think what speaks to the overall health of the business.

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

Raimo Lenschow, Barclays; followed by Ryan McWilliams, Wells.

Damien Kalganoff - *Barclay - Analyst*

Hey, guys, this is [Damien Kalganoff] from Raimo. Thanks for taking the question. Can you help us understand how we should be thinking about the recent momentum in your self-managed business? We noticed that the self-managed subscription revenue was roughly flat quarter-over-quarter for the first time since IPO. Was that tied to quarter specific seat contraction and M&A? Thank you.

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

Yeah, when we go to market with customers, we offer them the choice of self-managed, dedicated, or multi-tenant cloud. And really that's one of those strong value propositions of GitLab is you choose the cloud that you want to deploy in. That's up to our customers then to make that decision. And I think we noted that the multi-tenant and dedicated cloud growth was higher this quarter, which then of course offsets the self-managed growth that I think you're indicating there.

We see those fluctuations from time to time. Customers are in control of where they want to deploy. And we're seeing strong signal on the cloud side, which has been a trend since the IPO. So nothing more to note there than the dynamics of what customers are choosing, where customers are choosing to deploy.

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

Ryan McWilliams, Wells; followed by Lucky Schreiner, DA Davidson.

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

Hey, thanks for taking the question. Love the shift to seat pricing for humans and consumption pricing for agents. I think we'll see that more from other software vendors. Just on Duo Agent Platform, the credits are included with the premium and ultimate plans. And I know it's early days, but how common is it to have overages above the credits that are included?

And do you think as a result users will shift to annual credit plans across their business? And then are there any use cases that customers are seeing more significant adoption of GitLab Duo Agent 4 at this point? Thanks.

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

Yeah. What you're referring to there with included credits are promotional credits that we've given in this first quarter of availability that lets individual developers and engineers experiment with Duo Agent Platform before the organization needs to commit. And we do see, healthy usage of those in some of our customers that are early adopters.

It's important to note that, as I've shared in prior quarters, a large amount of our revenue, 70% of our revenue is self-managed, and it takes up to two quarters for them to upgrade to a build that includes new capabilities like Duo Agent Platform. So the early adoption we saw in Q1 is really largely from our SaaS customer base on gitlab.com.

We're not sharing the numbers in terms of the way the patterns that we're seeing. It's just too early to share how many customers are going over those promotional credit amounts. And where they're leveling out on usage, but we do see healthy early adoption.

And we'll continue to drive that. In terms of the use cases you asked about, we're seeing really healthy adoption across our top five use cases that include, for example, code reviews, which is something that basically every code change requires, fixing failed pipelines.

Also, we have an amazing feature around security vulnerability resolution, where once a security vulnerability is found by our scanners, you can enable Duo Agent Platform to automatically create a merge request on that vulnerability so that the engineer just needs to step in and review the vulnerability and accept it.

And we also have Duo Developer capabilities that allow engineers and non-engineering users to take requirements and define a set of tasks for the agent to do. And the dual developer agent will take those all the way through creating an MR and ultimately for deployment. So top five use cases we've had a lot of success with. And they have proven ROI that we sell now with customers when we go to market.

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

(Event Instructions) Lucky Schreiner, DA Davidson.

Lucky Schreiner - *DA Davidson & Co - Associate Vice President*

Great. Thanks for taking my question. I wanted to follow-up on one of the earlier answers on [Duo Duration] and Duo Duration declining, is that -- to clarify, is that purely macro driven or is some of that customer conservatism around the pricing changes you've made and making sure with consumption they feel comfortable with the visibility they have or maybe just double click a little bit more on some of the Duo Duration changes? Thanks.

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

Yeah, I think what you're asking about is multi-year contracts and Jessica shared kind of three dynamics there. The first is, especially in our category around software coding, there is a lot of uncertainty as the software engineering life cycle changes, as new tools emerge, as increasing spend shifts to AI and customers see all of those options and especially in budget in situations where budget is tight, they're choosing to make shorter agreements because the space is changing so fast. That uncertainty is well understood.

Second, we are very flexible with customers. If they are able to make a multi-year choice, obviously that's good with us and we incentivize our field teams to go after those. But if they want to make a single year agreement, that can be driven by multiple factors on their side. Then we're happy to do that as well.

And then finally, there is real opportunity here. The unit economics for developers are changing quite dramatically. If you think about looking backward, our ultimate seat price right now, retail price is \$99 per user.

But if you look at the numbers inclusive of AI tools. The amount of spend that companies are paying per engineer is changing dramatically. And so in many ways, I think customers see that as well. They're making decisions, thoughtful decisions about, what they're willing to spend this year and keeping a close eye on those trends to make sure that their multi-year agreements stay in check. And that's also an opportunity for us. As I mentioned, we're going to be introducing Flex next week, and that's going to open up new ways for customers to commit across seats and credits that we're excited about, and we'll share more next week.

Lucky Schreiner - *DA Davidson & Co - Associate Vice President*

Looking forward to it. Thanks.

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

Great for that. I'm seeing no further questions in queue, and that concludes the Q&A. We will be at the Bank of America Global Tech Conference this week and look forward to meeting many of you in person. Thank you for attending GitLabs first quarter in fiscal '27 earnings call. You may now disconnect.

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