GitLab

Investor Letter

Q2 FY27

Bill Staples, *Chief Executive Officer*

What better way to introduce our investor letter than to share an exceptional set of Q2 FY27 results.

The team delivered record gross bookings, more than 40% Net ARR growth, and more than 100% growth in First Orders. Revenue grew 21% year over year to $286.3 million, and calculated billings growth accelerated from 12% last quarter to 24%.

I'm proud of the execution behind those results. I believe they reinforce something fundamental about GitLab's position in the market: **enterprises are choosing GitLab as a core platform on which to build their AI future.**

In my recent essay, *When Code Is Abundant*, I argued that as AI makes implementation dramatically cheaper, the constraint moves from producing code to trusting what gets produced. Context, control, security, governance, and the infrastructure required to turn intelligence into production software become more important.

That's exactly where GitLab sits.

That strategic relevance is showing up in what customers are buying. Deals of $500,000 or more grew more than 150% year over year, and Ultimate now represents 59% of ARR and was part of eight of our ten largest deals this quarter. GitLab helps enterprises build, secure, and govern software with AI.

For more than a decade, GitLab has brought together the context of how software is built, secured, and shipped—across source code, issues, merge requests, pipelines, vulnerabilities, policies, approvals, and deployments. As AI becomes more capable, we believe that connected context becomes even more valuable.

We're seeing evidence of that with GitLab Orbit, our context graph for the software lifecycle. Since opening the beta in June, more than 2,200 organizations have enabled Orbit indexing, up 70% in four weeks. Customers have generated more than 170,000 queries, with roughly 80% of customer query volume coming from customers connecting Orbit to external agents such as Claude Code and Codex. Compare The Market tested Orbit against traditional RAG across 79 real merge requests and saw accuracy improve from 58% to 70%.

Core platform usage is also strong. Year over year, secure repositories grew 60%, code pushes grew 50%, and CI/CD pipelines grew 40%. Among some customers moving most aggressively into AI-assisted development, we've seen codebases grow as much as 500%.

As enterprises adopt more AI development tools, they use more GitLab.

Last quarter, our Act 2 letter described the architectural bets we're making for this era. This letter is about the economics: how we translate that position into durable revenue growth.

The revenue growth algorithm

Our strategy is straightforward:

More customers	×	**More products**	×	**More consumption per customer**

Q2 demonstrated meaningful progress across that model.

More customers

GitLab remains deeply underpenetrated relative to our global opportunity.

Over the past year, we added sales capacity, improved specialization, better aligned incentives, tightened funnel management, and increased our focus on competitive execution. Those changes are working. In Q2, we generated approximately 1,700 First Orders, more than double a year ago, while First Order net ARR grew nearly 40%. Underneath that performance, account executive capacity increased about 30% year over year while productivity per rep improved approximately 10%, evidence that increased capacity and stronger execution are beginning to compound.

Agentic approaches to engineering are driving the market increasingly toward GitLab's strengths. As enterprises decide which platforms will underpin their AI futures, they need a secure and governed environment connecting source code, CI/CD, security, and the software-lifecycle context agents need to work effectively.

This quarter, one of the largest wholesale mortgage lenders in the U.S. chose GitLab Ultimate as the platform for more than 1,000 engineers as it modernizes its development environment.

We believe the combination of stronger execution and this structural AI tailwind is driving the First Order reacceleration we're seeing today and contributing to our strongest competitive performance in years.

Some First Orders are intentionally small, and our history shows why they matter: more than half of our current $1 billion-plus in run rate revenue comes from customers whose first order was less than $5,000. Our strategy is to land customers wherever they're ready to start and grow with them over time to be part of our $100k+ and $1M+ cohorts.

More products

Premium and Ultimate built GitLab's first $1 billion-plus trailing four quarter business, and the core continues to perform well. Ultimate ARR grew approximately 35% year over year in Q2, while dollar-based net retention increased sequentially to 117%, its first sequential acceleration since 2024.

AI expands that opportunity.

Agentic software development is creating a new breed of agentic infrastructure for humans and agents working together. AI requires context, compute, identity, secrets, artifacts, orchestration, security, governance, and source control designed for machine scale. We introduced several new products during our June Transcend event and will be launching a few of them and updating our roadmap in a few weeks at Transcend in October.

Many of our new products will be incremental add-ons to our core platform monetized through GitLab Credits rather than bundled into every seat. That allows customers to adopt at their own pace and allows GitLab to capture value as usage grows independently of headcount.

Duo Agent Platform, or DAP, was our first major consumption product, launched at the start of the year. In our second quarter in market, DAP expanded 50% sequentially, and a top-20 U.S. commercial bank and GitLab customer since 2016 expanded its monthly minimum commitment nearly tenfold. Its existing GitLab governance foundation now allows it to introduce agents with permissions, controls, and auditability already in place rather than building a separate, ungoverned toolchain.

Subsequent to quarter end, we also made Secrets Manager and Dedicated Hosted Runners generally available, our second and third new consumption products this year. We expect to be able to make several more consumption products available for purchase in the second half of this year.

More consumption per customer

With more customers and products coming into the picture, we need to unlock consumption with low friction commercial contracts.

That's the purpose of Flex.

Flex expands what a customer's GitLab commitment can buy, lowers friction for adoption and maximizes every dollar they spend.

Instead of committing dollars to a fixed number of premium or ultimate seats, Flex customers make a single dollar commitment to GitLab. Each month, they can allocate that commitment across seat reservations, DAP, Secrets Manager, and future consumption products.

The commitment doesn't decrease when the allocation changes. What changes is how customers put those dollars to work. Contractual, minimum monthly reservations ensure that customers are realizing value across the contract lifetime and minimize lumpy revenue recognition for GitLab.

With work accelerating due to agents, and more builders coming into the picture, we have a tremendous opportunity ahead to create and capture value. Minimizing the time between customer interest and realized value is good for customers and good for GitLab. Flex was designed to do this in three important ways:

1. **It helps customers get more value from every dollar they commit to GitLab**. Instead of leaving unused capacity stranded as shelfware, customers can redirect those dollars toward the products creating the most value for them. We believe better utilization should strengthen our already healthy retention profile by reducing the potential for churn and contraction driven by unused spend.
2. **It reduces sales and procurement friction.** Once the financial commitment is in place, customers can allocate dollars across existing and new products on their own timing throughout the year, without requiring a new commercial agreement each time. We’ve already increased sales capacity and productivity; Flex should help us make that capacity even more productive by allowing our teams to spend less time on contracting and procurement and more time helping customers realize value.
3. **It lets usage expand seamlessly as customer needs grow.** Customers can consume any eligible product on demand, including Premium and Ultimate seats, and usage above their commitment is billed in the month it occurs. That removes many of the true-up and contracting cycles required today, gives customers more flexibility, and creates another potential growth tailwind for GitLab as usage expands.

Seats remain an important growth engine. At the same time, engineers can spin up multiple agents which consume pipelines, context, compute, secrets, artifacts, and other services.

> **As humans and agents increasingly build software together, Flex allows customers to dynamically grow both the number of people using the platform and the number of Credits they consume with minimal friction.**

In its first six weeks in market, more than 130 customers committed more than $20 million to Flex, the majority at renewal.

Starting in Q3, we're making Flex the recommended default for new and existing customers. Because existing customers generally transition as contracts renew, we expect the transition to take at least three fiscal years.

Measuring consumption

To help investors follow this transition, we have introduced Paid Consumption Run Rate, or Paid CRR.

Paid CRR is a point-in-time annualized measure that includes GitLab Credit commitments, Flex commitments, and paid on-demand consumption, while excluding trials and promotional credits.

We are providing Paid CRR as an aid in understanding the scope and momentum of our growing consumption business. Our goal is to exceed $100 million in Paid CRR this fiscal year. It should not be viewed as incremental revenue, ARR, or a metric that will reconcile directly to quarterly revenue. As customers move to Flex, existing subscription dollars become part of the committed pool available across seats and consumption products, and differences in consumption patterns create differences in revenue recognition timing.

In Q2, Paid CRR increased from $15 million exiting Q1 to more than $40 million with the introduction of Flex. DAP Paid CRR grew roughly 50% quarter over quarter, inclusive of credit commitments, paid on-demand credits, and Flex reservations for DAP. We started the year with a seat based subscription business, which continues to grow well, and we'll end the year with a meaningful and scaling consumption business.

Looking ahead

We're winning more customers with stronger sales execution, more competitive products and market tailwinds. Flex is designed to make adoption and expansion friction free so customers can get the most out of every dollar they spend.

> **Act 1 built a $1 billion-plus trailing four quarter business around the people building software. Act 2 gives GitLab the opportunity to build a much larger business around the work itself, as humans and agents generate, test, secure, govern, and ship software at machine scale.**

As I argued in *When Code Is Abundant*, AI is changing where value accrues in software development. Our job is to turn GitLab's position at the context, control, and execution layer into durable reaccelerating growth.

Thank you for your trust and support.

Bill Staples
Chief Executive Officer

Jessica Ross, *Chief Financial Officer*

Q2 was an exceptional quarter and, we believe, an important inflection point for our business. We delivered our strongest gross bookings in company history, more than 40% Q2 Net ARR growth, sequentially accelerating dollar-based net retention, and meaningful operating leverage. Strength was broad-based across new and existing customers, geographies, customer sizes, and our core platform, driven by sales execution, competitive tailwinds, product innovation, and early interest in Flex.

Bill laid out why GitLab is increasingly well positioned as enterprises build their AI future. I'll focus on how that opportunity is showing up in our financial and operating results, using the framework we increasingly use to think about growth: **more customers, more products, more consumption per customer.**

Q2 at a Glance

Gross bookings: Highest quarter in company history

Net ARR: Up over 40% year over year, our second-highest growth quarter in the last four years

Revenue: $286.3 million, up 21% year over year, approximately five points ahead of guidance

Calculated billings: Up 24% year over year, accelerating from 12% last quarter

Dollar-based net retention: 117%, accelerating sequentially for the first time since 2024

We're sharing more operating metrics this quarter than we have historically, to give investors greater visibility into the drivers of our performance and the evolution of our business model.

More Customers

We had approximately **1,700 First Orders** in the quarter, up more than 100% year over year, and new logo Net ARR grew 39% year over year. First Orders declined from Q3 FY23 through Q1 FY25, stabilized over the following year, and began accelerating in Q3 FY26 as our First Order strategy took hold. The magnitude of this quarter's growth was the strongest we've seen yet.

Landing customers small and growing them over time remains core to our strategy. AI is also expanding who can build software beyond traditional developer personas, and we see an opportunity to be the platform, governance layer, and controls that let a broader set of users build securely.

More Products

Our core platform remains healthy. Ultimate tier ARR grew approximately 35% year over year and now represents 59% of ARR, and large deals of $500,000 or greater increased more than 150% year over year, further evidence that our largest customers are deepening their commitment to GitLab.

We're also expanding what customers can consume through GitLab. DAP had a strong quarter, with Paid CRR growing roughly 50% sequentially. Flex, our new commercial model, is designed to let customers adopt these products with far less buying friction. After only six weeks in market, more than 130 customers have committed over $20 million to Flex, a strong early signal of interest in both the model and our product roadmap. More updates on this innovation are coming next quarter and in the months ahead.

More Consumption

Usage across the platform continues to climb:

CI pipelines created: Up 40% year over year

Push actions: Up 50% year over year

Paid Consumption Run Rate (Paid CRR): Increased to over $40 million exiting Q2, including the initial contribution from Flex

A few customer stories bring these trends to life. Intuitive Machines has tripled CI pipeline usage in two years, grown merge requests 65% year over year, and more than doubled DAP adoption. A leading telecom provider in Europe now covers roughly 150,000 repositories with centrally managed security scanning and fully consumed a 26,000-credit monthly allocation shortly after its hackathon launch.

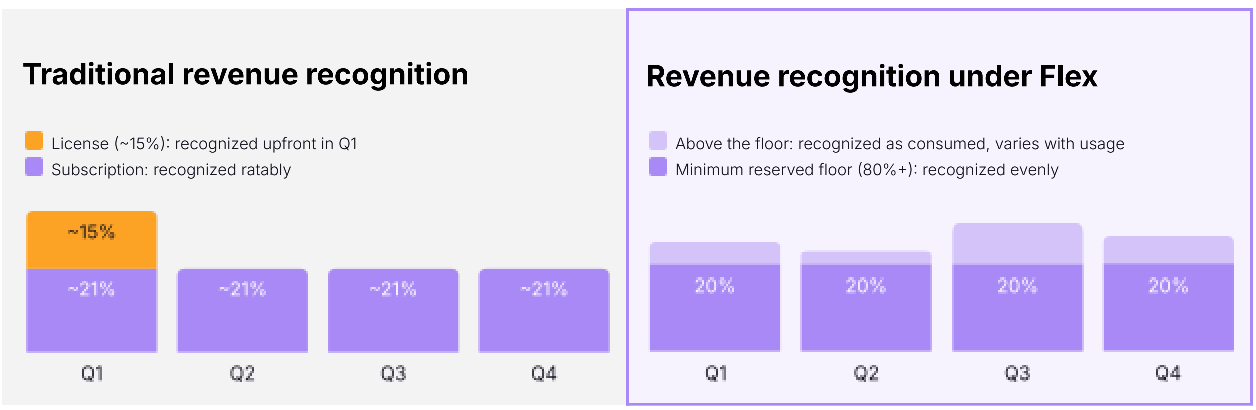
We're early in the consumption transition. Q2 gave us real confidence in our ability to grow it, and we're seeing underlying platform activity accelerate alongside it.

Flex Accounting

As Flex adoption grows and becomes a more material driver of our overall revenue, there are two reporting implications investors should understand clearly: Revenue recognition and cRPO.

Bookings	Billings	Cash	RPO	cRPO	Revenue Timing
No changes	No changes	No changes	No changes	Excludes Flex	No upfront license recognition

Revenue Recognition
Today, approximately 15% of a traditional self-managed license is recognized upfront. Under Flex, because customers can adjust their product mix within the buying program, the self-managed license revenue is recognized over the contract term.



Our goal is to reach more than $100 million of customer commitments on Flex in FY27. As a rule of thumb, for every $50 million of self-managed business that converts to Flex during FY27, we estimate approximately $5 million of revenue that would otherwise have been recognized in FY27 will instead be recognized over future periods. In total, we expect no more than a $13 million impact to FY27 revenue from this timing shift. Keep in mind any revenue that is not recognized upfront in our Flex commitments, will be recognized during the duration of the contract period.

To be clear, this is a timing change only. Customer commitments and cash economics are unchanged. Billings continue to be collected upfront under both Flex and traditional subscription contracts. As we gain more visibility into adoption and its financial impact, we'll reconsider our guidance methodology for FY28.

cRPO

Flex also changes where customer commitments are reflected in the RPO metrics. Because a Flex contract represents a contractual dollar commitment, the full committed amount is included in total RPO. However, Flex is excluded from current RPO because the performance obligation changes each month with customer reservations, and it is therefore excluded from cRPO. Each contract includes a monthly minimum reservation amount which guarantees customers receive value through the contract duration, and GitLab recognizes revenue evenly for the vast majority of the contract amount.

Taking a step back: Flex has no impact on bookings, billings, cash, or RPO. Revenue recognition timing and cRPO are the two metrics affected, and we'll break out that impact explicitly each quarter so investors can separate the accounting effect of Flex from the underlying performance of the business.

The Bottom Line

Q2 was an exceptional quarter across the board, filled with record-breaking achievements from our team. The momentum we have today gives us increasing confidence in the evolution of our business: more customers, more products, more consumption per customer. We're expanding the number of customers entering the GitLab platform, creating more ways for them to realize value, and building a commercial model that lets their investment with us grow as we deliver more innovation. **We believe the opportunity ahead is significant, and our focus is on translating it into durable growth and long-term value for our customers and shareholders.**

Jessica Ross
Chief Financial Officer

Cautionary Note Regarding Forward-Looking Statements

This letter contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements contained in this letter that do not relate to matters of historical fact should be considered forward-looking statements, including without limitation statements regarding the Company's trends with respect to consumption-based products, the future uptake of the Company's Flex program, the Company's goals regarding its Paid CRR performance for this fiscal year or in the future, the Company's ability to capitalize on AI implementation to grow customer demand and to grow its market generally. These statements are neither promises nor guarantees, but involve known and unknown risks, uncertainties and other important factors that may cause actual events or results to differ materially from those expressed or implied by the forward-looking statements, including the factors discussed under the caption "Risk Factors" in the Company's Quarterly Report on Form 10-Q for the quarter ended July 31, 2026, filed with the Securities and Exchange Commission on September 1, 2026, and the Company's other filings with the Securities and Exchange Commission. These factors could cause actual results to differ materially from those indicated by the forward-looking statements made in this letter. Any such forward-looking statements represent management's estimates as of the date of this letter. While the Company may elect to update such forward-looking statements at some point in the future, the Company disclaims any obligation to do so, even if subsequent events cause its views to change.

Product Innovations

New Capabilities for Governed Agentic Development

GitLab announced new platform value streams that give agents fast, governed access to the compute, context, secrets, and artifacts they need to work accurately. These products cut manual work, close security gaps, and speed time to production.

GitLab Secrets Manager, available as a paid add-on to Gitlab.com customers, brings credential management into the platform customers already run their pipelines on, removing a third-party tool from the stack and closing a common source of security breaches.

Next Generation Source Code Management rebuilds Git for agentic-scale workloads, completing tasks up to 50x faster in internal testing.

GitLab Duo Agent Platform Self-Hosted gives teams in air-gapped or regulated environments model choice without sending code outside their environment.

GitLab Orbit maps the entire software lifecycle into a single context graph, helping agents respond up to 11x faster and produce up to 45x fewer hallucinations in internal testing.

Governance for Agents puts identity, policy, audit, and approval around every agent action, giving teams real-time visibility into high-risk activity.

GitLab Duo CLI brings agents into the terminal with full project context, cutting the time developers spend switching tools for agentic help.

Custom Flows let teams automate their own multi-step workflows triggered by GitLab events, without needing to set up or manage credentials to authenticate to external services.

Developer Flow resolves reviewer feedback, fixes merge conflicts, and completes rebase-and-merge in one click, closing the gap between review and merge.

Components Analytics shows which CI/CD Catalog components and versions are running across the organization, surfacing outdated versions without checking each pipeline by hand.

Dependency scanning with an SBOM gives teams an inventory of every third-party component matched against advisories, cutting the manual work of piecing together audits and vulnerability response.

Dependency Scanning Auto-Remediation proposes and iterates on a fix automatically when a scan finds a vulnerable package, cutting the manual work of chasing down vulnerabilities.

Security Review Flow reasons about what code is meant to do, catching logic errors and broken authorizations that pattern-based scanners miss.

Independent Analyst Validation of GitLab's Platform Strategy and ROI

GitLab's platform strategy and the return it delivers were both independently validated by analysts this quarter.

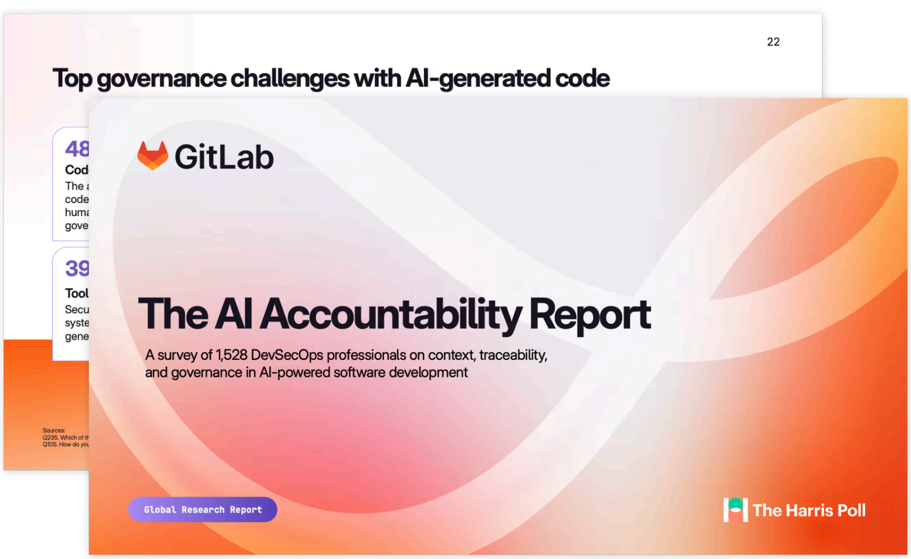
> GitLab was named a Leader in the Gartner® Magic Quadrant™ for DevSecOps Platforms[1] for the fourth consecutive year, connecting planning, development, security, and deployment in a single platform.

> An independent Total Economic Impact™ study by Forrester Consulting found organizations using GitLab Duo Agent Platform can achieve a 400% return on investment and $7.5 million in net present value (NPV) over three years, with payback in under six months.

GitLab Research Quantifies the AI Governance Gap

GitLab commissioned The Harris Poll to survey enterprise leaders on how governance practices are keeping pace with AI-generated code.

> GitLab's AI Accountability Report, conducted by The Harris Poll, found that 80% of organizations adopted AI coding tools faster than they developed policies to govern them, and 92% report some form of governance challenge with AI-generated code.



1 *Gartner, Magic Quadrant for DevSecOps Platforms, Keith Mann, Thomas Murphy, Bill Holz, June 15, 2026. Gartner and Magic Quadrant are trademarks of Gartner, Inc., and/or its affiliates.*

Customer stories from the quarter

Dedicated First Order effort is resulting in wins

As an example of a First Order win, GitLab landed one of the country’s largest wholesale mortgage lenders as a customer with more than 1,000 engineers standardizing on GitLab Ultimate. Their self-managed legacy solution was heading toward end-of-life, and their engineers were manually auditing every project's configuration to confirm security scanners were actually in place. This win extends GitLab's footprint into the U.S. mortgage lending vertical, alongside other financial-services customers, and sets up a path to expand GitLab's AI capabilities with their engineers over time.

We continue to run DAP Pilots with our customers

A top-20 U.S. commercial bank and long-time GitLab customer since 2016 expanded its GitLab Duo Agent Platform commitment this quarter, growing its committed AI credit pool nearly tenfold. Its engineering teams describe GitLab's agents as becoming "true collaborators" across coding, testing, and CI/CD. This expansion builds on a year of platform work — restructuring the group hierarchy and standardizing over 2,300 pipelines with GitLab's Pipeline Execution Policies. That governance foundation let this regulated institution extend AI agents into its existing modernization work instead of bolting on a separate, ungoverned toolchain. With agent permissions tied to existing roles and every automated action logged and linked to CI/CD, the bank now has auditable AI-assisted development by default.

DAP has a unique value proposition for industries where the stakes are sometimes even extraterrestrial

Intuitive Machines was the first commercial organization to land a spacecraft on the Moon, and has since scaled to four concurrent lander programs and a growing satellite fleet. That growth, under ITAR-driven regulatory requirements, once meant manually configuring security settings project by project. Now, GitLab policies set once at the group level cascade automatically across every project, enforcing SAST before development even begins — governance that's helped CI pipeline usage triple in two years and merge requests grow 65% year-over-year. Intuitive Machines also runs GitLab Duo Agent Platform self-hosted on AWS Bedrock to keep sensitive code secure, with adoption more than doubling year-over-year as engineers use it for code review, testing, and onboarding.

Security and Governance concerns driven by AI adoption are influencing Ultimate upgrade decisions

One of Canada's largest retailers is a great example of how new governance and security concerns are being catalyzed by AI. This retailer wanted full security coverage across its 15,000+ code repositories, but only a small percentage had real coverage under an existing point solution. Then the stakes rose. Engineers were increasingly using AI to help write code, which increased velocity, volume, and associated risk. There was an urgent need for security and AI-assisted coding handled together in one place. This quarter, they upgraded from GitLab Premium to GitLab Ultimate, which will help them ramp policy and compliance quickly across their repos. Their goals are straightforward: protection everywhere from a single set of rules, catching problems early before code goes live, tighter control over sensitive keys, guardrails of AI-written code, and reporting leaders can act on.

AI is increasing GitLab's platform relevance as enterprises select their critical infrastructure partners for the era ahead

One of the largest U.S. retirement services providers, has been a GitLab customer since 2017. When a cloud outage disrupted mission-critical services, modernization moved to the CIO's agenda. The customer chose GitLab Dedicated to accelerate software delivery and modernize applications, creating a foundation for technology leadership in the next generation of financial services. GitLab provides the entire software development lifecycle in one resilient and trusted platform, helping them innovate faster, scale securely, and deliver more products and services.