GitLab

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Sanjit Singh: Okay. Afternoon session, Day 4 Morgan Stanley TMT Conference. I'm Sanjit Singh. I run Infrastructure Software at Morgan Stanley Software Research. I am super happy to have the management team of GitLab. We have CEO and Founder, Sid Sijbrandij. Thank you, Sid, for joining us at the conference I think for the first time. And we have Chief Financial Officer, Brian Robins. Brian, thank you for joining us at the conference as well.

Let me get through some disclosures and we'll get right to it. For important disclosures, please see the Morgan Stanley research disclosure website at www.morganstanley.com/researchdisclosures. If you have any questions, please reach out to your Morgan Stanley sales representative.

Sid, to start the conversation, I've been following GitLab for a long time. And I think what's always impressed me is about the boldness of the vision. It's always been thinking about the software release cycle holistically. Was taking a platform approach to developer tools and now increasingly DevSecOps, was that always the vision? Or like when you started, you were looking for just solving a singular pain point? And how did that go from that to this very bold and ambitious vision to tackle these big markets?

Sid Sijbrandij: Yeah. We were looking to solve a single pain point, version control. And then Dmitriy, my cofounder, never wanted to upgrade another Jenkins installation again, and he made another product called CI without asking for permission. And then at some point, 2015, Camille, an engineer in Poland said, hey, I think we should combine the two. And Dmitriy said, obviously that's a bad idea. We need SharpTools that our people can combine. I said, that's really bad idea. Our customers want to combine tools. They don't want everything integrated. And Camille persisted and he said, well, at least it will be way more efficient for us to just maintain one code base. And we said, okay, well, we'll do it. But the results really surprised us. Not only was it better for us, but it was a lot better for our customers.

Today, when customers switch to GitLab, they get an average speed up of 7x. 7x faster cycle time because they don't have to hop between 10 different applications. And that's been the power. And since then, we have unlocked kind of that knowledge, and it was obvious, we shouldn't combine two things. We should replace like a 10, 15 point solutions that companies use. Sometimes a big bank, like 170 different point solutions that we can consolidate on a single platform.

Sanjit Singh: That makes a ton of sense. And it seems like software today is going to more platform

approaches. Particularly coming out of the last cycle and into this higher rate environment is this new normal because enterprises are focused on efficiency. Thinking about the last year, growth has been impacted, like many software companies, by the tighter budget environment. So when I look at your Q4, your most recent results, there's a lot of things to like, like revenue growth of 32%. Net retention rate actually improved to 130% from 128%. 52% growth in $1 million customers. 37% growth in $100,000 customers. And I think Brian even commented that there was some sort of normalization in the buying cycle.

And so the question is, in the context of all of those, call it, green shoots if you will, on the call on Monday, you noted that guidance would be, quote-unquote, less conservative going forward. Can you share your thinking of what we can expect as upside as far as to guide? And sort of why did you have to frame it in the context of more conservative versus the past couple of years?

Brian Robins: Yes, thanks for the question. This has been a question that has come up a lot since earnings, so I appreciate you asking it. One of the things at GitLab is we're a transparent company and we've always been transparent. When we actually -- for the first two years as a public company, our average beat has been about 7%. And so as we were going into our third year, we really wanted to be more prudent on our guidance, and we wanted to let people that we'll closer to the pin and we'll be less conservative than we've been historically on our beats.

We do have a number of growth vectors that we talked about in the company that are long term in nature that we're super excited about. We have the Premium price increase. We have the Agile Planning SKU. We have GitLab Duo Pro. And so there's a lot of growth features in the company that we're excited about.

Sanjit Singh: Great. That's important framing of the guidance. Some of the other themes -- and we're going to have a conversation, a pretty in-depth conversation about how AI is impacting the software release cycle. But let's talk about Duo. It's something that you highlighted on the call. Can you explain to the audience what Duo is and how is it being used to accelerate and automate each workflow that makes up the broader software development cycle?

Sid Sijbrandij: Yeah. So Duo is our suite of AI features, and we address more workstreams than anybody else. A recent Omdia report showed that we are by far in the lead in addressing use cases. Typically when people say AI and DevOps, they think of code generation, but there's a lot more. We've got 15 other things that we address with GitLab. You can imagine a developer writing code, it's typically 25% of their time. We help them with the other 75% of their time, too, summarizing issues, doing all kinds of other things.

But we also, for every developer, there's typically an operations or a security person, and we make their life better as well. We explain vulnerabilities with AI. We suggest fixes. We help with planning. We help with deployment. So AI is not like a single feature. It's all these features together to make people more productive. And because we're the broadest platform, we have planning and creating and securing and operating software in one platform, we can offer more AI features than anybody else.

Sanjit Singh: Awesome. And so Brian, to you, with Duo out, I think you have Code Suggestions on the way. You have pricing out for these solutions. Where are we in terms of the customer spending intentions? You've sort of addressed a little bit in the previous question around guidance. But with respect to sales cycles, customers downsizing, churn, to what extent is that getting better going into 2024?

Brian Robins: Yeah, we talked a lot about customer buying behavior patterns have changed. And so sort of pre-pandemic, about a year and a half ago, two years ago, when a procurement department would come in buy, they would buy as much as they could for projects that were going to be funded, headcount that was going to be funded. And they would try to negotiate as big of a package as they could and get the best discount with the Ramp Deal. Through the pandemic, when there was a number of different layoffs, the buying behavior changed where they would come back to you on a much more frequent basis, and they would buy just for what's needed, and they would try to come to you multiple times a year.

And so we commented in this last call about how the buying behavior has more normalized. We saw churn and contraction levels improve to what they were like six quarters ago. And so we're super happy, especially with the large enterprises, on the performance that we had this quarter. Our RPO grew 55% year over year, which is really a testament to the large enterprises and some of the multiyear deals that we signed in the quarter.

Sanjit Singh: And as we think about on the -- we're talking about AI and hopefully going into a new innovation cycle. You guys have a seat-based model. Sort of connect the data points. The hyperscalers are feeling a little bit better. They're seeing cloud optimization stabilize. Is it just sort of a matter of time -- because if we want to release AI applications, we have to release more software. Is it just a function of sequence that ultimately as the hyperscalers start to see your workloads coming on, that drives more software development projects, and you ultimately start to see that improved demand in results?

Sid Sijbrandij: I personally think that as AI makes creating software more affordable, that we're going to see a lot of demand. If you make it easier to make software, there's going to be more people who make software, not fewer of them, in my opinion. And we're super happy with our partnerships with the hyperscalers. We mentioned in earnings that revenue through the hyperscalers increased 100% year over year.

Sanjit Singh: Awesome. Going back to the first question around taking a platform approach. When I look at this market, it seems like the software delivery pipeline, there's a couple things going on. It seems like software delivery pipeline is in the process of moving to the cloud, number one. Two, we've got AI being infused across the various workflows. And three, customers are more focused on productivity and efficiency than they ever have.

And so the question is the time for a platform now, and are we expecting to see an inflection in customers take a platform approach? Because to me, this market's kind of felt like security. It's been this overlay. You have the software release cycle, and there's 20, 30, 50 vendors solving for each one. And so is now the time where we should expect customers to rethink how they're delivering and securing software?

Sid Sijbrandij: Yeah, if you look at your three factors, I think it adds up to moving to platform. The hyperscalers partner with us because they know if they first standardize on GitLab by the customer, they can move to the cloud faster. If you look at AI, the broader the platform, the more AI features you can bring to bear to help people. And productivity efficiency wise, customers get kind of a four-layered return on GitLab. They save on software licenses. They don't have the integration costs of bringing all the different point solutions together. Their people get more effective. But most importantly is that increased cycle time. Like faster cycle time means more progress in your most important projects. Our most expensive offering, GitLab Ultimate, pays for itself within six months.

Sanjit Singh: Makes tons of sense. I'm thinking again about other things going on in the market and potential catalysts. You have one big player, Atlassian, who has this end of life of their server deployments. When you talk to your customers, if you could take us through behind the curtain and into the eyes of a decision maker who owns the software release cycle, when they have to think about, okay, I have to do something with my -- I either have to take it to the cloud, like Atlassian says, or maybe seek alternative solutions. Is that creating a funnel, if you will, or a decision point where people have to think about a broader architecture decision?

Sid Sijbrandij: Yeah. Being forced to make a decision, people took stock, like what do we want? How is our spend going to evolve on that? Do we get the same functionality? But also, how should our process look like? And with GitLab, a lot of the checks that were manual before are now automatic. So it's less manual work, and that attracts people. We had a leading 3D design firm not only buy a ton of GitLab Ultimate licenses, but also buy Enterprise Agile Planning licenses for all their sales people, the people not directly involved with DevSecOps, but part of the software planning process. So the biggest benefit when they move to GitLab is that the planning happens on the same platform as the creation. So it's more up to date, there's less manual work and you can move faster.

Sanjit Singh: As a follow up to that, just thinking from how you answered the question, from a sales motion process, are you targeting some of those Atlassian customers who are looking at that deadline that was in February and sort of prospecting them? What's been sort of the -- is there a specific sales playbook to address that opportunity?

Sid Sijbrandij: There is, to address that immediate opportunity, that the kind of deprecation of their server product. I think more importantly, I think it's going to be something that keeps on giving. Because the opportunity to consolidate point tools into your platform to bring your planning together with your software creation, I think that's a good idea today, but that will be a good idea five years from now. So that's why we're really excited about Enterprise Agile Planning for the long term.

Sanjit Singh: Awesome. Brian, it's been a focus for investors around the price increase that the company launched on its Premium offering last year after, I think it was four or five years and you guys had released 400 new feature and capabilities. So it was probably the right time. That pricing went from $20 per user to $30 per user. And so in terms of on its face, it looks like a big 50% price increase. What's been the effective yield of that, in terms of what's been the reaction, the buying behavior? Because there was a list price increase and then customers can decide, hey, maybe we have fewer users on Premium. Maybe we upgrade to Ultimate. What's the been the behavioral response to the pricing change?

Brian Robins: Yeah, absolutely. When we announced the price increase, there was a lot of different calculations for how much the price increase was going to be. So we've done a lot of time educating investors and analysts on what the impact would be. When we modeled it internally, for FY 2024, we actually did better than our expectations and our internal models. And so we're happy with the results. We talked about the impact for the price increase in FY 2025 is going to be $10 million to $20 million of incremental revenue.

I think if you look at the price increase, it's been five years, over 400 features. We've invested hundreds of millions of dollars on the platform, and so the price increase was to justify the value that we're delivering to our customers. We have cohorts back to 2016 that are still expanding with us today. There's not many other businesses with the same product, same price point for over eight, nine years that are still expanding at the same rate that they're expanding from two years ago.

Sanjit Singh: You've seen a lot of adoption of the Ultimate tier. To what extent has the price increase on Premium sort of created a nudge and incentive to upgrade to Ultimate?

Brian Robins: The Ultimate tier we're super happy with. It's our highest priced tier. It's the fastest growing tier in the company. And it's priced higher than our competitors' highest priced tier by multiples. And as Sid alluded to, the payback period for Ultimate is about six months, and in three years, the ROI is over 400%.

And so in the deal review meetings that I sit in weekly, we do hear that some people say Ultimate used to be 5x more expensive. Now it's about 3x more expensive, and so we'll just go to Ultimate versus Premium. But I think what really drives people to Ultimate is the advanced security features, the compliance, the governance. And that's why we're seeing Ultimate grow greater than 50% of our bookings this quarter and last quarter and today represents about 44% of our total ARR.

Sanjit Singh: On Ultimate, Sid, you've described Ultimate as including the capabilities that really differentiates you from your competitors. Maybe you can sort of walk through why the Ultimate tier separates you from the pack, if you will.

Sid Sijbrandij: Ultimate includes all of the security you would need in a DevSecOps pipeline. And that's not just static scanning, but we're the only platform with dynamic scanning, with fuzz testing, with API security. And that allows customers to consolidate on a platform. It also makes it easier to shift security left, to do it earlier. To enforce it, with GitLab you can say, hey, this project needs to comply with that, and GitLab will prove that the project complies for you. We're the only platform that can do that.

Apart from that, we're the only platform that has integrated Enterprise Agile Portfolio Planning. We talked about the advantages of combining planning with the rest of the software delivery process. So that's the features that the number one reason it's selling is security and compliance. The number two reason is that integration of planning.

Sanjit Singh: And so it kind of opens up the conversation to the security opportunity. And to kick off that part of the conversation, there are a number of companies -- not even like traditional security companies. There are a number of companies coming from dev tool world, from infra world to move into security, if you will. And so I guess the questions is what gives the license for GitLab to be a credible provider of security solutions versus Datadog is trying to do this, private companies trying to do it. There's a whole set of incumbent point solutions that want to provide security scanning capabilities, for example. So what gives GitLab the license to win in security?

Sid Sijbrandij: Yeah. I think that the breadth of it, the depth of it. We've invested heavily in the security features over a very, very long time. The only ones who can kind of do compliance automate it. The alternative is building something like that yourself. We regularly replace point solutions like Checkmarx, Snyk, Vericode, Black Duck, Synopsys, and these customers are able to move to just GitLab.

Brian Robins: Super important also to note is it's integrated into the platform, and so you get the entire platform when you buy the product. And so the payback is really quick, the ability that you don't have to do all the integrations. And so there's a lot of benefits, too, of having it within GitLab.

Sanjit Singh: Let's talk a little bit about the -- well, first, who owns the purchasing decision? That's kind of the debate in the market. You may be selling to DevOps users or SR users or developers. But is it the CSO or the SOC team that owns the budget? And to the extent

that it's more on the security side, what has GitLab been doing to build relationships both with these security buyers, but maybe with integrating with the security channel and the broader ecosystem overall?

Sid Sijbrandij: So typically, software is so essential to companies, they are becoming software companies. So yeah, there's multiple C level execs. And we talk with both like the CTO, who's responsible for engineering, the CIO, who runs the scalable, secure platform that complies with all their internal processes, and the CSO, the person who has to do with security. And if we talk to the CSO, they say, look, I bought all the best point solutions in the market. I just can't get people to use them. With GitLab, people are able to move and then get all those scans done. At T-Mobile, they moved 25,000 software projects to GitLab in two months. And after that, they were running hundreds of thousands of security scans because it made it so much easier.

Sanjit Singh: In terms of -- one of the themes on the earnings calls has been sort of GitLab Enterprise. That kind of dovetails with security, but also the compliance and the sort of the rigorous requirements that you guys are able to meet. So GitLab Dedicated. Talk about why you released this offering to market and what has been the adoption to date.

Sid Sijbrandij: The majority of our revenue is still coming from customers who have a self-managed installation. Typically, they run that in the cloud. But what's typically important to them is that they're the only customer in that installation, that way they're more secure. With GitLab Dedicated, we can offer them the best of both worlds. Still single tenant, but it's software-as-a-service. So no maintenance for them. We make sure it's reliable. We make sure it's fast. We make sure it's always up to date. We can get the best of both worlds. And in Q4, Southwest Airlines became a Dedicated customer.

Sanjit Singh: Brian, can you frame out the uplift potential to win a customer like Southwest Airlines? As Sid mentioned, if they have a self-managed deployment and they go to GitLab Dedicated, what does that ARR uplift look like?

Brian Robins: Yeah. So basically the way we priced Dedicated is it's you have to be on Ultimate and you have to be a certain number of licenses, and there's the infrastructure charges on top of it. I think it's less about the individual customer and more about the addressable market for more customers with a more complex environment that would like this to get up and running faster on GitLab.

Sanjit Singh: So when we think about that, just to dovetail off of your response, I should think about the self-managed base and potential penetration of GitLab Enterprise within that base as maybe kind of the first step before they go full on cloud. Is that a decent way to think about it?

Sid Sijbrandij: I think it's a way to -- well, we're the only DevOps platform who offers this single tenant SaaS, and I think the customers will get more value. And if they get more value because they're always up to date and it's always reliable, it tends to grow. They tend to get more people involved. They tend to add planning to it and everything else. So it's not so much that Dedicated itself makes money. It's so much of a better experience for the customer and the users that we tend to grow seat count within those customers.

Sanjit Singh: Yeah, makes total sense. Let's talk a little bit about the underlying tech. So you guys are delivering a lot of different product capabilities. Underpinning all of these products is a singular data store. Can you talk about architectural decision to have one massive back end for the platform? What types of data gets housed in the GitLab data store, and what kind of intelligence and future capabilities will this approach unlock?

Sid Sijbrandij: Yeah. There's other providers who call it a platform, but it's kind of multiple applications. Then you are still kind of switching between apps. I think us and GitHub are the only true platforms today where it's a single application, single code base, single data store. And the big advantage of that is you get a faster cycle time. You don't have to switch applications. You can do very intelligent things with AI, for example. We wouldn't have been able to add so many AI functions, the most in the market, if it was across different applications. So we're very proud. We have the broadest platform, because the more point solutions our customers can replace, the more they save on licensing, the more they save on integration costs. The better they can up their compliance, the more efficient they get.

Sanjit Singh: Yeah, it's a really interesting point because essentially what you're saying, it translates to product velocity in terms of the breadth of capabilities and your ability to go from one product --

Sid Sijbrandij: Exactly. Companies that are becoming software companies, typically the speed at which they can move is the speed at which they can improve their software. We can go 7x faster. That's a massive advantage.

Sanjit Singh: Makes total sense. Let's talk a little bit about go-to-market. And to kick off that part of the conversation, we obviously saw a bit of a boom coming out of the pandemic, calendar -- late parts of calendar 2020, 2021, early 2022. What parts of that environment, that sales playbook, that work back then, what part of that is still valid today? And what parts are that we have to sort of chunk out because that was just a really special time in the market, a really frothy time in the market where budgets were plentiful?

Sid Sijbrandij: I think with us, there's no revolution, it's evolution. We have a new CRO, Chris. He hit the ground running. One thing that he's doing is he's focusing even more on the largest customers. Because the bigger companies are, the more complex it is to keep all these point solutions up in the air, the bigger the benefit of moving to a platform. And we want to make sure each and every one is successful, not just in the purchase, but in implementing it and getting -- realizing all the value.

Sanjit Singh: Makes a lot of sense. Talk a little bit about on the Chris Weber, your new CRO. What impact has he had on the sales organization? Maybe from an operational perspective, building muscle, as you talked about, focusing on larger customers. But as sort of the quarter-to-quarter execution, what role is he going to play in GitLab executing against its targets?

Sid Sijbrandij: Yeah, he inherited a great organization. He's doing an amazing job. I think that the numbers we put in Q4 are an example of that. The biggest focus has been in order to be a great kind of technical thought partner to our customers, and to make sure that when they vouch for GitLab and put their job on the line to say, look, we're going to get rid of these 10 point solutions, want to make sure they're successful each and every time. We're a pure play company. This is what we do. We do one thing and want to do it very well each and every time.

Sanjit Singh: Makes sense. Want to go back to the security topic and the go-to-market behind that. Sometimes when we're trying to build relationships with these security purchase decision makers, there's an overlay specialist security sales force who may have had experience with those customers and those CSOs and those SOC teams, if you will. Is that an approach that you guys have considered? Is there going to be an overlay specialist security sales force at GitLab, or is it going to be all sales people selling the entire platform?

Sid Sijbrandij: Yeah, all of our sales people have to be able to talk both with the engineer and with the IT leaders and with the CSOs. That doesn't mean we don't have specialists in GitLab. And only the best person should talk to customers. To start, our chief information security officer, he's part of our E group. He's on an eco level. And he has a lot of customer empathy and is talking to lots of CSOs at our customers.

Sanjit Singh: Probably from an investment perspective, is there a way to think about how much a security sales motion, does that require more investment versus what we've seen over the past couple of years when you think about allocating investments?

Sid Sijbrandij: I think it's really -- that's hard to say. I think if you look at the money companies are prepared to spend, typically it's higher in security. You can defer from us, Ultimate, more than half of bookings, 44% of revenue and growing. And the main reason to buy it is security and compliance. So we're becoming more and more a security company. Even though we also help with agile planning and deployment and everything else, but security is such a compelling reason that that's a bigger and bigger part.

Sanjit Singh: I have one more question on the product and the platform and then we'll go to the audience to see if they have any questions for the GitLab management team. The simple question is this. How does the team decide, just given that you have so much product velocity, how do you decide what features reside in a Premium subscription versus Ultimate? How do you guys think through that decision?

Sid Sijbrandij: Yeah. We have a model for that we call buyer-based open core. And basically it's -- if an executive really wants it, it's in Ultimate. For example, an executive wants to prove compliance to the auditors. If a director wants it, we put it in Premium. If an individual contributor wants it because it makes their day to day faster, we put it in the free open-source version to drive adoption.

Sanjit Singh: That's a really interesting way to think about that. Let's go to the audience. If you just raise your hand and wait for the microphone, we'll kick off the Q&A. Up here in the front.

Unidentified Participant: I wanted to ask about, you talked about the developers, only 25% of their time are writing code and the other are working on other stuff. We're seeing new models coming with huge context windows of a million tokens. We're seeing people uploading an entire code base and the LLM can analyze it. I was wondering, where do you see the new initiatives in automated testing? And what is GitLab's plan to automate the other area of the stack?

Sid Sijbrandij: Yeah. These models are getting better. They will be able to get more context. I think we're in a great position as a platform to host people's code to add that context and to give it to the model when relevant. And GitLab already has a feature to help you write tests, and that's going to -- those things will continue to grow, get better, get more automated, require less human hand holding.

Sanjit Singh: I think we had a question up front. The microphone's right there.

Unidentified Participant: Thank you so much for taking my question. I got two question. One is on the potential -- growth potential of the company. So you talk about that we are consolidating many points. And then can you walk us through the potential of the TAM, because a lot of the owners are not paying yet, but paying, I don't know, $20, $30 or even $50 a month. It's not big expenses, right? So how should we think about that in terms of the user and ARPU? And my second question will be on competition with GitHub. Let's say you go to

the CSO. Then how do you convince them to -- between you, GitLab and GitHub? Thank you.

Sid Sijbrandij: Yeah, thank you. The total market for kind of DevOps tools is estimated to be a $40 billion revenue a year market, and it's growing. So it's a big market. Us and GitHub together are less than 5% of the market. The whole name of the game is to replace the point solutions faster, and GitLab today can replace more point solutions than anybody else.

Another way to kind of size the market is to look at, for example, a go-to-market. You have a go-to-market organization. They're paying for Salesforce, they're paying for this, they're paying for that. They're spending a lot more per person than is currently being spent in the software development market, even though those people are being paid typically as much money. And I think we can have as big as an impact with software there. So we feel really good about the size of the market.

We're talking to a CSO and it compares to GitHub, they see we can do a lot of things that they need and that GitHub can't do. GitHub doesn't have dynamic scanning. GitHub doesn't have API security. GitHub doesn't have fuzz testing. Even better, we can prove that they are compliant. With GitLab, they can tag every project, note the security framework, say what that security framework consists of and prove that. The auditors can walk in, point to any environment, and they have the reports ready. We're unique in that capability.

Oh, you asked how we would talk to the CSO. If I talk to the CIO, I bring different points up. How GitLab's installation is more secure. It scales better. It gives them more ways to customize. I talk to an engineering leader, I talk about how it's a better user experience because we replace more point solutions. And you can finally tell the developers they can deprecate here and they will cheer for him or her. So it's a different talk, depending on who's listening. Thank you.

Sanjit Singh: Go back to the audience for Q&A, but I wanted to pick up on his point. When the generative AI kind of hype cycle hit in full force at the spring of last year, there was an initial view that with things like GitHub and Copilot, that that would be disruptive to companies like GitLab. And since then, we've seen a number of companies release their code advisor, code pilots. You guys have as well.

And so going forward, how does a customer think about, one, first part of the question, what AI is going to do to other parts of the lifecycle? So beyond code advisors. And what's going to be the basis of why I choose one platform like a GitLab versus a GitHub and there's even other players that are trying to do similar things. Like how has AI changed the basis of competition is the spirit of the question.

Sid Sijbrandij: Yeah. Great question. Three points I'll make. First one is you need a good code suggestion functionality. We went generally available with Code Suggestions in December. It is a competitive offering. The second thing is the complex windows are increasing. Like the AI can get smarter if you give it the relevant information. The code hosting platforms, GitHub, GitLab have a natural advantage in making the AI give smarter suggestions because it's easier for us to give that context.

Third thing is people are rising up. AI is not just writing more code. It's helping the developers with everything else. It's helping your security, the operations, the planning people. And they're starting to look at, okay, who can add the most value over the whole software development lifecycle? Recent Omdia report, we met 37 of the 42 use cases,

more than any other DevOps platform. And that's starting to become a bigger and bigger thing. So the shine of the headline-y feature is kind of, yeah, everyone's got that. And now it's about who can add the most value throughout the lifecycle.

Sanjit Singh: Makes perfect sense. Let's go back to the audience to see if there's any questions for the management team. Just raise your hand and we'll get the mic to you. No questions. All right. So let's talk about Enterprise Agile Planning. It's been a theme in a couple of your last earnings calls. The decision to move into planning obviously has been a huge area of strength for Atlassian and its Jira offering. I'd love to get a sense of the scale or the momentum behind customers sort of rethinking the planning piece and bringing it into a platform like GitLab.

Sid Sijbrandij: The great thing about planning is that there's a lot of new people involved. So we had a customer, we talked about it during earnings, they moved go GitLab thousands of people, but they bought additionally, thousands of extra licenses for their sales people. So for us, these are kind of net new people getting involved. We needed a new SKU for that. So we have Enterprise Agile Planning at $15 per user per month paid annually. And that's because these people are not using any of the other features of GitLab. Agile planning is included in Ultimate. If you're doing DevSecOps and you need planning, it's part of that. But these new users coming in, it is very exciting.

We're very, very, very early in this movement. Most customers today are in Jira, and we're starting to see the first customers. UBS was kind of the first mover in that, and now we're starting to see all the other ones coming in. But it's early. It's not going to have a giant effect on our revenue for this year. But we see the potential over time to it's the best thing for all our customers to bring planning into the platform. So we see a great long-term potential there.

Sanjit Singh: Great. Maybe let's wrap up on just the investments required to scale the AI capabilities in the AI portfolio. Brian, maybe this is a question for you, if not, Sid, feel free to take it. But as you look at your overall investment philosophy as it relates to AI, to what extent will your AI investments require significant investments in GPU capacity, and to what extent will that impact your COGS?

Brian Robins: Yeah, so when we look at our investments in R&D in general, one thing that's unique about GitLab versus a lot of other companies, we have single engineering groups. We do monthly software releases, and so we iterate a lot. And so it's not like we're trying to make a monolithic system with a whole bunch of people on it, launch it six to nine months later. And so we get a lot more done a lot quicker than other companies. And so the investments it takes, we've prioritized because we're working on the full breadth of the platform, are in security compliance around AI, and that's built into the numbers that we've given out.

Sanjit Singh: Awesome. With that, we'll leave it there. Thank you so much, Sid and Brian, for coming to the TMT conference and giving us an update on the GitLab story. We really appreciate it.

Sid Sijbrandij: Thanks for having us.

Brian Robins: Thank you.