

## **MODERATOR**

Thank you for joining us today for GitLab's fourth quarter of fiscal year 2024 financial results presentation. GitLab's co-founder and CEO, Sid Sijbrandij, and GitLab's Chief Financial Officer, Brian Robins, will provide commentary on the quarter and the fiscal year.

Please note we will be opening up the call for panelist questions. To ask a question please use the chat feature and post your question directly to "IR Questions" using the drop-down menu.

Before we begin, I'll cover the Safe Harbor statement:

During this conference call, we may make forward-looking statements within the meaning of the federal securities laws. These statements involve assumptions and are subject to known and unknown risks and uncertainties that could cause actual results to differ materially from those discussed or anticipated. For a complete discussion of risk associated with these forward-looking statements in our business, please refer to our earnings release distributed today in our SEC filings, including our most recent quarterly report on Form 10-Q and our most recent annual report on Form 10-K.

Our forward-looking statements are based upon information currently available to us. We caution you to not place undue reliance on forward-looking statements, and we undertake no duty or obligation to update or revise any forward-looking statement, or to report any future events, or circumstances or to reflect the occurrence of unanticipated events.

We may also discuss financial performance measures that differ from comparable measures contained in our financial statements prepared in accordance with U.S. GAAP. These non-GAAP measures are not intended to be a substitute for our GAAP results.

A reconciliation of these non-GAAP measures to the most comparable GAAP financial measures is included in our earnings press release which, along with these reconciliations and additional supplemental information, are available at [ir.gitlab.com](https://ir.gitlab.com). A replay of today's call will also be posted on [ir.gitlab.com](https://ir.gitlab.com).

I will now turn the call over to GitLab's co-founder and Chief Executive Officer, Sid Sijbrandij.

**Sid Sijbrandij**

Thank you for joining us today. We had a strong fourth quarter with 33% revenue growth. We now have 96 customers with ARR over \$1 million, up from 63 one year ago. We continue to see that large enterprises like Barclays and BlueHalo are standardizing on GitLab.

Speed, productivity, and security are critical for our customers. With GitLab, customers see 7 times faster cycle times with 80% fewer code defects.

Today, I'd like to discuss our progress this quarter in three key areas:

- First is our security & compliance capabilities. From secure source code management and security scanning to GitLab Dedicated, our platform helps customers establish more secure & compliant software development practices.
- Second is our AI offering, GitLab Duo, which integrates AI throughout the software development lifecycle.
- And third is our Enterprise Agile Planning offering, which expands our platform to users outside of software engineering

Let's start with security & compliance. These are at the heart of our platform and set us apart from the competition.

This quarter we released Remote Development workspaces into general availability. These workspaces are consistent, reproducible environments that help developers get started faster. This also increases security because it limits the need to clone code to end user devices.

Customers come to GitLab to replace security point solutions. With most point solutions code isn't scanned at the time it's written. That causes friction for developers and increases the time required to find and fix vulnerabilities.

T-Mobile recently moved 25,000 projects into GitLab over just two months and increased their security scans to hundreds of thousands per month. Now that they are integrated into GitLab, T-Mobile is looking forward to leveraging GitLab Duo to increase engineering efficiency even more.

Oxa, a global provider of autonomous vehicle software, upgraded to GitLab Ultimate in the quarter. The company wanted to modernize multiple developer and security tools including version control, CI/CD, and more. With GitLab Ultimate, Oxa is now able to detect potential security issues earlier in the development process which is a major gain for Oxa, which works in a complex and safety-first environment.

Another example is CACI International, a national security company and a leader in Agile software development. GitLab allows CACI to deliver more efficiently in an Agile development environment and makes it easier to comply with emerging federal regulations.

GitLab Dedicated is our single-tenant SaaS solution for customers who need to comply with data isolation and residency requirements. I'm excited to see adoption grow since we made it generally available last year.

Organizations like Southwest Airlines are choosing GitLab Dedicated to get the best of both worlds: the security of a single-tenant environment plus the benefits of a SaaS offering that's updated and backed up by GitLab.

On to AI. Secure AI is a core part of our platform vision. We enable our customers to adopt AI responsibly.

AI helps teams write more code, faster. But more code isn't better if it's not secure and high quality. That's why GitLab Duo helps teams not only write code, but also understand code and fix vulnerabilities more effectively.

Having the broadest DevSecOps platform allows us to add more AI features and deliver more value to our customers. In a recent Omdia Market Radar report on AI-assisted software development, GitLab Duo had the most currently available features of any DevOps Platform.

Organizations like NatWest, Ultragaz, and Magic Leap have invested in GitLab Duo to help them drive efficiency while also ensuring robust security and code quality.

Another example is a major telecommunications company in Asia that was looking to boost productivity with AI-powered features not only in coding, but across the entire software

development lifecycle. After testing Code Suggestions for one month and seeing positive results, in Q4 the company invested in thousands of GitLab Duo licenses to improve engineering productivity.

After releasing GitLab Duo Code Suggestions into general availability last quarter we recently released the Beta of GitLab Duo Chat.

GitLab Duo Pro now also includes organizational controls that help companies adopt AI responsibly. We are now selling GitLab Duo Pro for \$19 per user per month.

We recently launched the GitLab AI Transparency Center to enable our customers to confidently harness the potential of AI with GitLab. The AI Transparency Center documents how we built GitLab Duo Pro to accommodate the right model for the right use cases. It also demonstrates our commitment to transparency and protection of customer data and Intellectual Property.

I'd now like to discuss our improvements in Enterprise Agile Planning. We are hearing from more and more customers who want to rethink how they do planning. They want the planning in the same platform where the engineering work to deliver on the planning is happening.

Early in Q4 we launched a new Enterprise Agile Planning SKU. Now customers can get even more value out of GitLab by bringing everyone into a single, secure platform.

For example, a leading 3D modeling software company upgraded to GitLab Ultimate in Q4 and purchased additional Enterprise Agile planning seats so they can move their Sales teams out of JIRA and onto GitLab.

Finally, on the leadership side, we're excited to welcome Sabrina Farmer as Chief Technology Officer. Sabrina has 25 years of experience and joins us from Google, where she was directly responsible for the reliability and performance of Google's products and infrastructure. I look forward to the impact Sabrina will have across the company.

In closing, we are well-positioned to win in the estimated \$40 billion market opportunity in front of us.

I'd like to thank all our customers, partners, team members, community members, and investors for their support.

With that, I'll turn it over to Brian Robins, GitLab's Chief Financial Officer.

## **Brian Robins**

Thank you Sid, and thank you again for everyone joining us today.

I'll start with a brief recap of our full year and quarter results. In FY2024, total revenue grew 37% to \$580 million. Our growth continues to be driven by our land and expand motion. Our Dollar-Based Net Retention was 130% in Q4. We delivered on breakeven free cash flow a year ahead of our commitment with free cash flow of \$33 million in FY24. In addition, on a standalone basis excluding the impact of JiHu, our JV and majority owned subsidiary, we recorded our first year of non-GAAP operating profit. We are thrilled to have achieved these milestones - these are a testament to our philosophy for responsible growth.

Our fourth quarter revenue grew 33% year-over-year and we delivered over 1,900 basis points of non-GAAP operating margin expansion. Looking back at the quarter, I want to share some of the areas we have been closely monitoring. These include customer buying behavior, contraction, and Ultimate performance.

In comparing Q4 with Q3 of FY24, we have seen improved buying behavior across all customer sizes. In particular, performance with our Enterprise customers exceeded expectations. We had a record quarter for \$100,000 ARR and \$1 million ARR customer net adds. While the spending environment remains cautious, we believe we are starting to see buying behavior normalize with accelerated adoption of our DevSecOps platform. Churn & contraction during Q4 also improved for the fourth consecutive quarter and is even better than levels we saw six quarters ago. And finally, we continued to see strong growth in Ultimate, our top tier. Ultimate represented over 50% of Q4 ARR bookings, driven by customer wins for security & compliance use cases.

Now, turning to the numbers for the quarter. Revenue of \$164 million this quarter represents an increase of 33% organically from Q4 of the prior year. We ended Q4 with over 8,600 customers with ARR of at least \$5,000, compared to over 8,100 customers in the third quarter of FY24.

This compares to over 7,000 customers in Q4 of the prior year and a year-over-year growth rate of approximately 23%. Currently, customers with >\$5,000 in ARR represent approximately 95% of our total ARR.

We also measure the performance and growth of our larger customers, who we define as those spending more than \$100,000 and \$1 million in ARR with us. At the end of the fourth quarter of FY24, we had 955 customers with ARR of at least \$100,000, compared to 874 customers in Q3 of FY24. This compares to 697 customers in the fourth quarter of FY23, a year-over-year growth rate of approximately 37%. At the end of FY24 we had 96 customers with ARR of at least \$1 million compared to 63 at the end of the prior year, which represents a year-over-year growth rate of 52%.

As many of you know, we do not believe calculated billings to be a good indicator of our business, given that prior period comparisons can be impacted by a number of factors, most notably our history of large prepaid multi-year deals. This quarter total RPO grew 55% year over year to \$674 million. cRPO grew 40% to \$430 million for the same time frame.

We ended our fourth quarter with a Dollar-Based Net Retention Rate of 130%. As a reminder, this is a trailing 12 month metric that compares the expansion activity of customers over the last 12 months, with the same cohort of customers during the prior 12 month period.

Non-GAAP gross margins were 92% for the quarter. SaaS represents over 25% of total revenue and grew 52% YoY. We have been able to maintain best-in-class non-GAAP gross margins despite the higher cost of SaaS delivery. This is another example of how we continue to drive efficiencies in the business.

We saw improved operating leverage this quarter, largely driven by realizing greater efficiencies as we continue to scale the business. Q4 non-GAAP operating profit was \$13.2 million, or 8% of revenue, compared to a loss of \$13.8 million, or negative (11%) of revenue in the fourth quarter of last year. This includes an operating loss of \$2.1 million for JiHu. On a standalone GitLab basis, Q4 non-GAAP operating income was \$15.3 million, or 9% of revenue.

Cash from operating activities was \$24.9 million in the fourth quarter of FY24, compared to a \$11.7 million use of cash in operating activities in the same quarter of last year. Free cash flow

was \$24.5 million in the fourth quarter of FY24 compared to a negative (\$12.8) million in the same quarter of last year. Free cash flow is defined as net cash from operating activities less cash used for property and equipment, excluding non-recurring items.

Turning to guidance I would like to make a couple of comments. First, we are entering our third year as a public company. As I mentioned we are seeing normalization in buyer behavior and as a result, I expect our guidance philosophy to be less conservative this year than in our first two years. We want to communicate the right expectations and are sharing guidance accounting for the current environment. Second, as a reminder every year we evaluate our standalone selling price, or SSP, which determines our upfront revenue recognition rate for license revenue. We have not finished our SSP analysis for the new year, so we have not factored any change to SSP in the FY25 guide. We will share an update at the next earnings call once we have the results of the SSP analysis.

With that said our guidance for first quarter of FY25:

- We expect total revenue of \$165 million to \$166 million, representing a growth rate of 30% to 31% year-over-year.
- We expect a non-GAAP operating loss of \$13 million to \$12 million. This loss includes an approximately \$15M expense related to our in-person company-wide Summit. As an all-remote company, we're thrilled to bring team members together in the same location for the first time since 2019.
- And, we expect a non-GAAP net loss per share of \$0.05 to \$0.04, assuming 158 million weighted average basic shares outstanding.

For the full year FY25:

- We expect total revenue of \$725 million to \$731 million, representing a growth rate of approximately 26% year-over-year.
- We expect a non-GAAP operating income of \$5 million to \$10 million.
- And, we expect non-GAAP net income per share of \$0.19 to \$0.23 assuming 168 million weighted average diluted shares outstanding.

We believe that our continued focus on responsible growth will yield further improvements in our unit economics. We plan to be free cash flow positive again in FY25 excluding any non-recurring cash tax payments related to the bilateral Advance Pricing Agreement.

There are a number of drivers we believe will fuel our business in FY25 which we have included in our guidance. At our core, we see that continuing to deliver customer value with our DevSecOps platform aligns our success with our customers' success. Additionally in April of last year, we raised the price of our Premium tier for the first time in five years. Thus far, customer behavior has been in-line with our expectations, and we expect this to be \$10 million to \$20 million of incremental revenue in FY25. Another driver is GitLab Dedicated. GitLab Dedicated allows us to serve companies in highly regulated industries with complex security & compliance requirements. We continue to sign large enterprises on Dedicated, for example a leading US airline expanded onto Dedicated with a seven-figure deal during Q4. The final driver for FY25 is the monetization of our AI capabilities. GitLab Duo Pro is now in the market at \$19 per user per month.

Separately, I would like to provide an update on JiHu, our China joint venture. Our goal remains to deconsolidate JiHu. However, we cannot predict the likelihood or timing of when this may potentially occur. Thus, for modeling purposes for FY25, we forecast approximately \$15 million of expenses related to JiHu, compared with \$18 million in FY24.

In closing, I'm pleased with our business momentum driven by our market-leading platform approach and commitment to capturing our large market opportunity. We hit major milestones for free cash flow and non-GAAP operating income profit while growing the business. I am proud of the consistent execution in FY24.

With that, we will now move to Q&A. To ask a question please use the chat feature and post your question directly to "IR Questions." We are ready for the first question.