**[MODERATOR]**

Thank you for joining us today for GitLab's second 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 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. A replay of today's call will also be posted on 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 delivered a strong quarter. Revenue grew 38% year-over-year. We continue to demonstrate significant operating leverage in our model.

We also reached a major milestone. Gartner and Forrester issued reports officially recognizing DevOps Platforms. This is the category we created. These reports validate the category's significance and importance. They also prove that the market is moving from point solutions to platforms.

I'm thrilled with where these industry analysts placed GitLab in the category. We were named a leader in the 2023 Gartner Magic Quadrant for DevOps Platforms. We scored highest in our ability to execute. We were the only leader in the Forrester Wave Integrated Software Delivery Platforms 2023.

These reports show significant momentum for GitLab. They also reinforce a consistent theme I hear. Customers want to develop better, faster, and more secure software. They want to do more with less.

I would like to discuss three topics today.
- First, how we are innovating to create further differentiation for our DevSecOps platform.
- Second, how we are capturing the large DevSecOps opportunity with a strong go-to-market motion.
- Third, how we are continuing to drive responsible growth in the business. Brian will cover this topic in more detail.

We held our GitLab 16 product launch event last quarter. We shared new features and capabilities of our AI-powered DevSecOps platform. We also discussed our roadmap for the coming year.

GitLab is uniquely able to help companies overcome the complexity of developing software. One area on which we focused was compliance. Our DevSecOps platform helps compliance leaders set the right controls and governance frameworks. We shared several new compliance capabilities. These include centralized policy management, expanded reports and controls, and compliance dashboards.

Another focus area was security. GitLab enables companies to strengthen their software supply chain security. Point solutions make it difficult for teams to ship software faster while maintaining strong security. In contrast, our DevSecOps platform enables companies to shift their security practices left. It helps developers catch vulnerabilities earlier in the development process.

Let me provide a customer example. BetterCloud is a market-leading SaaS workflow automation platform. They turned to GitLab to secure their software supply chain. In Q2 they renewed their business with GitLab to consolidate their fragmented toolchain. As a result, BetterCloud deprecated multiple security point solution providers. This strengthened their security posture while also enhancing automation and increasing developer satisfaction.

GitLab enables customers to make their software more secure without sacrificing speed. This differentiated value proposition resonates across all verticals. One particular example is the public sector. *Speed-to-mission* is imperative in this vertical.

GitLab customer Navy Black Pearl demonstrates this value proposition well. Navy Black Pearl is a DevSecOps service developed and managed by Sigma Defense. This service creates mission applications for the U.S. Department of Navy. Black Pearl uses GitLab to quickly create new applications and continuously modify code in response to evolving requirements and priorities. Using GitLab, Navy Black Pearl's teams have designed and created custom operational software environments within days rather than months.

Many of our customers have complex security, compliance, and regulatory requirements. We address these needs with GitLab Dedicated. This is a single-tenant SaaS offering that became generally available in Q2. With GitLab Dedicated we fully manage and deploy the DevSecOps platform. This enables customers to save on operational costs. It also provides the control and compliance of a self-hosted solution. GitLab Dedicated offers full data and source code isolation, data residency, and private networking.

Let me provide another customer example. One of the world's leading advisory and asset management firms chose GitLab Dedicated over GitHub in Q2. They had a SaaS-first initiative. Their security teams would not allow a multi-tenant SaaS solution. They chose us because GitLab Dedicated met their security and compliance requirements. GitLab Dedicated also

enabled this customer to accomplish other objectives. These included eliminating duplicate tools, increasing operational efficiency, and accelerating their move to the cloud.

GitLab integrates all aspects of software development into the same platform. Customers can improve their productivity and efficiency across the entire lifecycle. This includes Enterprise Agile Planning and Value Stream Management.

In Q2 we expanded business with a multinational financial services company. The customer wanted to drive greater efficiency by integrating an Enterprise Agile Planning solution with the rest of their software development practices. They moved thousands of business users from Jira to GitLab.

AI continues to be a key area of product innovation. We are developing AI-powered capabilities across the entire software development lifecycle. Let me share just a few of these capabilities. Code Suggestions uses generative AI to suggest code to developers. Suggested Reviewers leverages AI to identify the most appropriate reviewers of code. Explain This Vulnerability provides details about potential security vulnerabilities in code. Code Suggestions remains on track to be generally available later this year.

We differentiate our approach to AI in several ways. We have a commitment to privacy and transparency in our use of AI. We also deliver AI throughout the entire software development lifecycle.

Today we released the findings of our State of DevSecOps study. This study illustrates the importance of our AI differentiation even further. In June 2023 we surveyed more than 1,000 respondents. These included individual contributors and leaders in software development, IT operations, and security. We found that 79% of respondents are concerned about AI tools accessing private information or intellectual property. We also found that developers only spend 25% of their time writing code. That's why we believe delivering AI beyond just code suggestions is essential.

The second topic I want to discuss is how we intend to capture the large DevSecOps market opportunity with a strong go-to-market motion.

Strategic partnerships are an important part of our go-to-market execution. I would like to highlight Google Cloud and AWS as two of the most significant.

GitLab and Google Cloud are strongly committed to delivering secure enterprise AI offerings across the software development lifecycle. We are thrilled to be working with Google Cloud on delivering our vision of AI-powered workflows. We are leveraging PaLM2 foundation models, including the Codey model family, to deliver new AI-powered experiences to all users involved in creating secure software.

Our partnership with Google extends even further. At this year's Google Cloud NEXT we announced our plan to integrate GitLab into the Google Cloud console. GitLab also received the 2023 Google Cloud Partner of the Year award for the third consecutive year. Google recognized GitLab for our achievements in Application Development within the Google Cloud ecosystem.

Another key partner is AWS. In Q2 AWS introduced support for GitLab in AWS CodePipeline. This is a fully managed continuous integration and continuous delivery service. This new AWS capability allows developers to leverage their GitLab.com source code repository to build, test, and deploy code changes with AWS CodePipeline.

Last quarter we also embarked on our DevSecOps World Tour. We are taking GitLab on the road to 14 cities in 4 countries. These events bring together developers, security, and operations technology leaders. They can learn how organizations use GitLab to build more secure software, faster. We are happy to feature many partner and customer speakers. Examples include Delta Airlines, Lend Lease, and Cisco.

In Q2 we announced the appointment of Chris Weber as our new Chief Revenue Officer. Chris brings more than 20 years of sales leadership experience from Microsoft. This includes building multi-billion dollar sales organizations. Chris's customer-first approach will be instrumental as GitLab scales in our next phase of growth.

In closing, I'm pleased with our second quarter results. They demonstrate continued momentum and solidify our category leadership. With our recent analyst and customer validation, we are well-positioned to win in the estimated $40 billion market opportunity.

I'd like to thank our customers for trusting GitLab. I also want to thank our team members, partners, and the wider GitLab community for their contributions this quarter.

I will now 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'm very happy with our key metrics in Q2 and that our revenue grew 38% year-over-year. I'd like to emphasize Sid's point about driving responsible growth as we achieved over 2,300 basis points of non-GAAP operating margin expansion. We continue to find ways to become more efficient, while scaling the business to address our large market opportunity. We also continue to make targeted investments in key product areas. These include security, compliance, AI and agile planning.

Part of our responsible growth strategy is to continue to optimize our pricing and packaging. In April of this year, we raised the price of our Premium SKU for the first time in 5 years. Over that time frame we added over 400 new features. We believe this better aligns price with value for our customers, and the investment we made over the past 5 years. In the first four months post launch, customer behavior was in-line with our expectations. As a reminder we anticipate minimal impact to our financials from this change in the current year. We expect the price increase to have a much larger impact in FY25 and beyond.

Looking back at the quarter, I want to touch on customer buying patterns, contraction, and Ultimate trends. First, customer purchasing behavior in Q2 was consistent with Q1 of FY24, and we believe buying patterns appear to have stabilized. Second, contraction was lower than Q1 of FY24, and appears to be stabilizing. Third, Ultimate, our top tier, continues to see strong adoption driven by customer wins for security and compliance use cases.

Now, turning to the numbers. Revenue of $139.6 million this quarter represents an increase of 38% organically from Q2 of the prior year. We ended Q2 with over 7,800 customers with ARR of at least $5,000, compared to over 7,400 customers in the first quarter of FY24. This compares to over 5,800 customers in Q2 of the prior year. This represents a year-over-year growth rate of

approximately 33%. 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 in ARR with us. At the end of the second quarter of FY24, we had 810 customers with ARR of at least $100,000, compared to 760 customers in Q1 of FY24. This compares to 593 customers in the second quarter of FY23. This represents a year-over-year growth rate of approximately 37%.

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 37% year over year to $496 million, and cRPO grew 34% to $335 million for the same time frame.

We ended our second quarter with a Dollar-Based Net Retention Rate of 124%. As a reminder, this is a trailing 12 month metric that compares the expansion activity of customers over the last 12 months, with that same cohort of customers during the prior 12 month period.

The Ultimate tier continues to be our fastest growing tier, representing 42% of ARR for the second quarter of FY24, compared with 39% of ARR in the second quarter of FY23.

Non-GAAP gross margins were 91% for the quarter, which is consistent with the preceding quarter. This is slightly improved from the second quarter of FY23. SaaS represents over 25% of total ARR. 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. Non-GAAP operating loss of $4.3 million, or (3%) of revenue, compared to a loss of $27.0 million, or (27%) of revenue in 2Q of last year. This includes an operating loss of $3.2 million for JiHu, our JV and majority owned subsidiary. On a standalone GitLab basis, the operating loss was $1.1 million.

We generated positive operating cash flow of $27.1 million in the second quarter of FY24, compared to a $36.3 million use of cash in operating activities in the same quarter of last year.

Now let's turn to guidance. We are assuming that the trends in the business we have seen over the last few quarters continue. There has been no change to our overall guidance philosophy.

For third quarter of FY24:
- We expect total revenue of $140 million to $141 million, representing a growth rate of 24% to 25% year-over-year.
- We expect a non-GAAP operating loss of $6 million to $5 million.
- And, we expect a non-GAAP net loss per share of $0.02 to $0.01, assuming 155 million weighted average shares outstanding.

For the full year FY24:
- We now expect total revenue of $555 million to $557 million, representing a growth rate of approximately 31% year-over-year.
- We expect a non-GAAP operating loss of $33 million to $30 million.
- And, we expect non-GAAP net loss per share of $0.08 to $0.05 assuming 154 million weighted average shares outstanding.

Excluding the impact of JiHu, it's likely that GitLab will reach breakeven on a non-GAAP operating income basis in the third quarter of FY24.

On a percentage basis, our new annual FY24 guidance implies non-GAAP operating improvement of approximately 1,500 basis points year-over-year at the midpoint of our guidance. We believe that our continued focus on responsible growth will yield further improvements in our unit economics. We remain on track to achieve free cash flow breakeven for FY25.

There are a number of drivers we are introducing that we believe should help fuel our business in FY25. I touched on the first one earlier, which is the price increase in our Premium tier. Additionally, in Q2 we started enforcing user limits on our free SaaS tier. It's early but we have seen additional free users upgrade to Premium. A third driver is the launch of Dedicated. This allows us to address a new opportunity for companies with complex security and compliance

requirements. Finally, we plan to monetize our AI capabilities by launching an add-on that will include Code Suggestions functionality later this year.

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 FY24, we now forecast approximately $25 million of expenses related to JiHu, compared with $19 million in FY23.

In closing, I'm pleased with our continued business momentum. We believe the value proposition of our market-leading DevSecOps platform is resonating in the market. Looking forward, we continue to prioritize driving revenue growth in a responsible manner.

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.