[Sharlene Seemungal]

Thank you for joining us today for GitLab's third quarter of fiscal year 2023 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.

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 for our fiscal year 2023 third quarter earnings presentation.

GitLab's value proposition as a mission critical DevSecOps platform has always been clear. In today's turbulent economic climate, it's even more so. Companies cannot – and we believe will not – slow down their software innovation. They are turning to solutions like GitLab to reduce costs, drive efficiencies, fuel a fast pace of innovation, and meet customer demands.

We executed well in the third quarter, exceeding our guidance for both revenue growth and non-GAAP profitability. We continue to demonstrate our ability to achieve high growth with improving incremental margins.

In the third quarter of fiscal year 2023 we generated revenue of $113.0 million dollars. This represents growth of 69% year over year. Our dollar based net retention rate exceeded our reporting threshold of 130%.

Our third quarter results also continue to demonstrate improving operating leverage in our business. Our non-GAAP operating margin improved by 1,666 basis points year over year. We've stated this before, but it bears repeating, we remain committed to growing in a responsible manner.

With these business results, there are three main topics I will cover today.

- First, I will delve deeper into GitLab's value proposition, and specifically why customers are choosing us to be a core part of their business and technology innovation strategy.
- Second, I will provide an update on our latest product innovations and how they fuel the differentiated value customers receive from GitLab.
- And third, I will share how our partners and alliances are accelerating our go-to-market strategy.

Every company needs to be great at developing, securing, and operating software – or they will be disrupted. They are increasingly turning to DevSecOps as a central pillar of their software innovation strategy.

We see a shift from a legacy approach where IT managers stitch together a patchwork of homegrown and third party tools. While some of these tools may be best in class, the market is clearly moving away from point solutions towards a single application – a platform – for the entire software delivery lifecycle. Analyst firm Gartner has also seen this trend. They predict that 60% of the market will have adopted a Value Stream Delivery Platform by the end of 2024.

We believe this shift in the market is happening for three reasons:

- First, IT executives and managers realize the costs and inefficiencies inherent in the patchwork DevSecOps point solution approach. This approach leads to unwieldy and ungovernable toolchain sprawl, especially as there are more and more applications and tools to integrate.
- Second, executives rely on visibility to solve significant business challenges, such as going faster from planning an initiative to seeing the result, moving to the cloud, and securing the entire software supply chain. Without a DevSecOps platform, leaders struggle to get end-to-end visibility into these initiatives.
- Finally, the headwinds in the global economy continue driving the need for greater automation and productivity. Many companies are either no longer hiring, or actually reducing their workforces. At the same time, their imperative to drive more customer value remains constant. This means that everyone needs to do more with less.

Put simply, in this economic environment, it is no longer optional, but required to be faster from idea to outcome, to remove legacy technology, and to move to one development toolchain. The market is looking for a DevSecOps platform to build **better software faster.** By prioritizing a move to a single application, companies can reduce their budget while still delivering on their business commitments.

A powerful example comes from our customer, UBS. In their most recent earnings investor deck, UBS shared its powerful story about leveling up technology in order to drive digitalization and differentiation for its clients. Specifically, they removed 50 different development toolchains and are moving to 1 with frequent app delivery through automation. They also transitioned approximately 18,500 people to a uniform agile model in order to increase speed from idea to outcome, and they've introduced a set of industry-standard metrics to measure the efficiency of their software development process.

Last quarter, we announced the results of a recently commissioned Total Economic Impact study conducted by Forrester Consulting. We turned to Forrester to better understand the return on investment that can be realized from GitLab Ultimate, which is the fastest growing part of our business. We wanted to see how companies save on costs and achieve business and technology goals with GitLab.

Forrester found that, as a result of implementing GitLab, a composite company based on interviewed customers saw a 12x increase in the number of annual releases for revenue generating applications, an 87% improvement in development and delivery efficiency, and a total return on investment of 427% over three years. Even more critical in this economic environment, they saw a payback on the investment in less than 6 months. These business results are rooted in four main areas:

- Reducing costs of software as a result of choosing a single platform vendor over multiple point solutions.
- Reducing costs associated with tool chain integration.
- Creating higher developer productivity and a better user experience. And,
- Increasing revenue due to faster cycle time of application releases.

In a single application, GitLab provides all the functionality of a complete DevSecOps platform. We allow organizations to deliver software faster, while strengthening security and compliance, thereby maximizing the return on software development.

The story of CARFAX is a powerful example of these benefits. CARFAX, which owns the world's largest vehicle history database and helps millions of people daily shop for vehicles, wanted to consolidate its software development toolchain and reduce security vulnerabilities. Purchasing GitLab Ultimate enabled CARFAX to automate security practices including SAST, dependency scanning, container scanning, and secret detection. This resulted in accelerating and simplifying deployment processes, reducing toolchain complexity, and improving visibility of performance metrics. CARFAX has increased the number of software builds by 341% in one year using GitLab.

In Q3, we continued to deliver new solutions to the market. For instance, we announced GitLab Govern, which brings together our security and compliance capabilities.

We introduced GitLab Govern because we see that organizations across many industries are facing increasingly stringent regulatory and compliance requirements. GitLab Govern includes Vulnerability management, Audit Events, Compliance Management, Dependency Management, and Security policy management. These capabilities help organizations achieve continuous security and compliance of their software supply chain without compromising on speed and agility.

With this solution, we help customers proactively identify vulnerabilities by integrating and automating vulnerability management within the development lifecycle. Issues can be identified, logged, triaged, tracked, and remediated – all in the same application. Developers can address vulnerabilities in real time, avoiding release delays.

The story of Agoda, one of the world's largest and fastest growing online travel booking platforms, demonstrates many of these benefits. Agoda had been employing a multitude of both free and paid tools in their software development lifecycle. With most of these products in silos, Agoda was experiencing a poor developer experience, and a slow pace of new product development, along with governance and compliance challenges. Consolidating many of these systems on GitLab's single application resulted in increased productivity and visibility, a single source of truth for governance, security audit and compliance, and a greater empowerment and retention of developers. Agoda can now process over 1 million pipelines per month, their average build queue time has decreased from 40 minutes to 32 seconds, and their developer NPS score has increased.

In Q3, we also advanced our machine learning capabilities with the release of Suggested Reviewers, which represents GitLab's first ML-powered feature. Recommending the right person to review a merge request eliminates potential delays, issues with quality control, and a lack of compliance. As we move further into ModelOps and beyond, we're taking software development lifecycle practices and unlocking next gen DevSecOps practices for organizations.

Another product innovation is GitLab Dedicated, which we officially announced in limited availability at AWS Re:Invent. GitLab Dedicated is a new way to use our enterprise DevSecOps platform as a single-tenant SaaS offering. This new offering provides all of the benefits of an enterprise DevSecOps platform with a focus on data residency, isolation, and private networking to meet complex compliance needs.

With the planned General Availability of GitLab Dedicated anticipated next year, our DevSecOps platform will be available in three deployment methods:

- GitLab.com, a multi-tenant SaaS platform;
- GitLab Dedicated, a single tenant SaaS platform;
- And, Self-managed, a download which provides users the ability to run GitLab anywhere.

That brings us to our partnerships with cloud hyperscalers. We view the hyperscalers as increasingly important partners for GitLab. In our conversations with them, we know they view GitLab as an accelerant for their customers to move faster to the cloud. This symbiotic relationship makes cloud hyperscalers a core part of our success in go-to-market. They accelerate time to market for GitLab customers on the cloud of their choice and they broaden the depth and breadth of our market reach.

You can see our cloud migration value proposition with customers like Dunelm Group, the UK's market leader in homewares. Dunelm was challenged with ensuring application security while rapidly transforming their digital footprint. As their engineering teams accelerated their move to their target architecture of serverless technologies and cloud first, they identified significant gaps in their existing CI/CD tooling. These included a lack of automation, governance, security, and visibility, which was creating strains on administrative management and performance. Comparative evaluations led Dunelm to choose GitLab SaaS Ultimate to integrate tools and seamlessly deploy secure pipelines on the AWS cloud. The resulting benefits included increased pipeline volume, accelerated productivity, reduced administrative burden, turbocharged team collaboration, and an upfront security focus to capture vulnerabilities much earlier. Dunelm can now deploy software 50-70 times per week, rather than 10-20 times, and onboarding now takes hours, rather than days.

In addition, last quarter we partnered with Google Cloud to launch Cloud Seed, a new capability that simplifies the developer experience for procuring and consuming cloud services. Cloud

Seed is built into the GitLab web UI and leverages our CI/CD pipeline capabilities in order to give developers a frictionless experience and to make it easier to deploy their web applications directly to Google Cloud from GitLab.

In our annual DevSecOps survey, we found that cloud adoption remains a high priority for organizations, and it is the second highest investment area for DevSecOps teams. Innovations like Cloud Seed enable organizations to accelerate their shift to the cloud.

In summary, I am very pleased with the quarter:

- We continue to innovate and create new capabilities for an expanded set of customers;
- We continue to demonstrate the benefits of a platform over a point solution approach;
- We continue to show that GitLab is mission-critical; and,
- We continue to believe that we are early in a large and growing market.

Our Q3 results demonstrate that we're well-positioned to drive durable growth with improving unit economics. I am grateful to all our team members, partners, the wider GitLab community, and customers who contributed to our results.

I'll now turn the call over to Brian Robins, GitLab's Chief Financial Officer . . .

[**Brian Robins**]

Thank you Sid, and thank you again for everyone joining us. I would like to spend a moment reviewing the key characteristics of our business model, and what we are seeing in the macro environment. Then, I will quickly recap our third quarter financial results and key operating metrics, and conclude with our guidance.

Our third quarter results continue to demonstrate our ability to drive high growth with improving incremental margins. Fueling these results are a number of key aspects of our business model that I would like to discuss briefly.

These include:

- the predictability of a subscription model that provides high visibility;
- a platform sale rather than a point solution, with very little revenue based on consumption;
- a diversified customer base across industry verticals, customer sizes, and geographic regions;
- And, a short implementation cycle with an established and well-documented ROI.

These attributes contribute to the results we are seeing. To illustrate this, customer cohorts from 7 years ago are still expanding today.

Despite the ongoing volatility in the macroeconomic environment in the third quarter, we see customers continuing to prioritize the need to leverage a mission critical platform to build software better, faster, cheaper, and in a more secure manner.

We are also happy on how we executed on hiring. We added over 200 new team members in 3Q and we continue to experience lower attrition than the industry. We view the uncertainty in the macro economy as a benefit for hiring new team members, and we continue to be active in recruiting, primarily focusing on adding new team members in sales and R&D.

Next, turning to the numbers. Revenue of $113.0 million this quarter represents an increase of 69% organically from the prior year. We ended 3Q with over 6,400 customers with ARR of at least $5,000, compared to over 5,800 customers in the prior quarter, and over 4,000 customers in the prior year. This represents a year-over-year growth rate of approximately 59%. 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 third quarter of FY2023, we had 638 customers with ARR of at least $100,000, compared to 593 customers in the prior quarter, and 427 customers in the third quarter of FY2022. This represents a year-over-year growth rate of approximately 49%.

As many of you know, we do not believe calculated billings to be a good indicator for 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 62% year over year to $393 million, and cRPO grew 67% to $278 million.

We ended our third quarter with a Dollar-Based Net Retention Rate consistent with previous quarters. This exceeded our reporting threshold of 130%, which we believe remains best-in-class and consistent with our track record as a public company.

The Ultimate tier continues to be our fastest growing tier, representing 39% of ARR for the third quarter of FY 2023, compared with 32% of ARR in the third quarter of FY 2022.

Non-GAAP gross margins were 89% for the quarter, which compares to 89% in the immediately preceding quarter and 90% for the third quarter of FY 2022. As we move forward, we are estimating a moderate reduction in this metric due to the rapid year-over-year growth rate of our SaaS offering.

We saw improved operating leverage across the business this quarter, largely driven by revenue outperformance. Non-GAAP operating loss was $21.6 million, or (19%) of revenue, compared to a loss of $23.9 million, or (36%) of revenue in Q3 of last fiscal year. Q3 FY 2023 includes $5.0 million of expenses related to our JV and majority owned subsidiary. In addition, we incurred $2.1 million in termination payments relating to events that were canceled.

Operating cash use was slightly over $1 million in the third quarter of FY 2023, compared to $10.1 million use in the same quarter last year.

In summary, we're pleased with our performance during the third quarter of FY2023 on both the top and bottom line and we believe our business is set up for continued strength.

Now let's turn to guidance:

For fourth quarter of FY 2023:

- We expect total revenue of $119.0 million to $120.0 million, representing a growth rate of 53% to 54% year-over-year.
- We expect non-GAAP operating loss of $27.0 million to $26.0 million.

- And, we expect non-GAAP net loss per share of $0.15 to $0.14 assuming 150 million weighted average shares outstanding.

For the full year FY2023:

- We now expect total revenue of $420.5 million to $421.5 million, representing a growth rate of 66% to 67% year-over-year.
- We expect a non-GAAP operating loss of $100.0 million to $99.0 million.
- And, we expect non-GAAP net loss per share of $0.56 to $0.55 assuming 148 million weighted average shares outstanding.

On a percentage basis, our new annual FY 2023 guidance implies non-GAAP operating margin improvement of approximately 1,525 basis points year-over-year at the midpoint of our guidance ranges. Over the longer term, we believe that a continued, targeted focus on growth initiatives and scaling the business will yield further improvements in unit economics.

A few more details on guidance and our model. We now estimate that we will incur approximately $16 million of incremental expenses related to the resumption of travel and in-person customer and marketing events, as well as new public company costs that were not incurred during FY 2022. In addition, we forecast approximately $20 million of expenses related to JiHu, our China joint venture. This compares with $12 million of combined JiHu and Meltano costs in FY 2022.

We are in the early stages of our FY 2024 planning process, but would like to provide an update on FY 2024 revenue growth and our path to achieving free cash flow breakeven. Based on everything we know today, we are currently comfortable with the Street estimates which have us growing revenue over 40%. On the expense side, we continue to evaluate our hiring plans going forward as we monitor leading indicators in our business as it relates to the macroeconomy.

As Sid and I have said over the last several quarters, our number one priority is growth but we will do this responsibly. There has been no philosophical change in how we run the business to maximize shareholder value over the long term. We continue to be focused on growth while driving improvements in the unit economics of our business.

In addition, we are targeting to be free cash flow breakeven for FY 2025. We hope this provides some greater visibility into our financial targets. On our next earnings call, we will provide more detailed guidance for FY 2024.

We believe we are addressing a very substantial market opportunity that is currently underpenetrated, and that we're well positioned to capture an outsized portion of it. We continue to drive positive business outcomes, time to value, and ROI for our customers.

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.

[Sid Sijbrandij]

Thank you so much for your time today. I’d like to thank all of our customers for trusting GitLab to help them achieve their business objectives. I’d like to thank our partners, the wider GitLab community, and of course our GitLab team members for all their continued contributions. You all had a big part in our success, thank you.