



Third Quarter Fiscal 2024 Prepared Remarks

Kelsey Turcotte, Senior Vice President of Investor Relations:

Good afternoon and thank you for joining us today to review UiPath's third quarter fiscal 2024 financial results, which we announced in our earnings press release issued after the close of the market today. On the call with me are Daniel Dines, UiPath's Co-Founder and Co-Chief Executive Officer; Rob Enslin, Co-Chief Executive Officer; and Ashim Gupta, Chief Financial Officer. Rob will start the discussion and then turn the call over to Daniel. After that Ashim will review our results and provide guidance. Then we will open the call for questions.

Our earnings press release and financial supplemental materials are posted on the UiPath Investor Relations website: ir.uipath.com. These materials include GAAP to non-GAAP reconciliations. We will be discussing non-GAAP metrics on today's call.

This afternoon's call includes forward-looking statements about our ability to drive growth and operational efficiency and grow our platform, as well as our financial guidance for the fourth quarter fiscal 2024. Actual results may differ materially from those expressed in the forward-looking statements due to many factors and therefore, investors should not place undue reliance on these statements. For a discussion of the material risks and uncertainties that could affect our actual results, please refer to our Annual Report on Form 10-K for the year ended January 31, 2023, and our subsequent reports filed with the SEC, including our Quarterly Report on Form 10-Q for the period ended October 31, 2023 to be filed with the SEC. Forward looking statements made on this call reflect our views as of today; we undertake no obligation to update them.

I would like to highlight that this webcast is being accompanied by slides. We will post the slides, and a copy of our prepared comments to our investor relations website immediately following the conclusion of this call. In addition, please note that all comparisons are year over year unless otherwise indicated.

Now, I would like to hand the call over to Rob.

Rob Enslin, Co-Chief Executive Officer:

Thank you, Kelsey. Good afternoon, everyone, thanks for joining us.

Our third quarter results underscore the compelling value our end-to-end automation platform delivers for our customers and the strength of our business model.



For the quarter, ARR grew 24% to \$1.378 billion, driven by third quarter net new ARR of \$70 million, while revenue was \$326 million, up 24%.

We continue to deliver growth while driving operational efficiencies across the organization. Non-GAAP operating margin increased more than 600 basis points year over year to 13%. We also delivered non-GAAP adjusted free cash flow of \$44 million.

As many of you know, at the beginning of this fiscal year we pivoted our go-to-market resources towards organizations that have a meaningful runway to invest in enterprise automation over the long-term. This investment has significantly increased our presence in the C-suite and helped raise our profile with partners of all sizes. You could feel our momentum at Forward VI, our annual user conference, where we hosted more than 3,000 guests, including automation practitioners, industry visionaries, and key customer decision makers. We also launched our inaugural UiPath AI10 Awards program, recognizing UiPath customers who embody what it means to be a leader in AI at Work. I left the event super energized about the tangible value our platform is delivering for customers and our leadership position in the market.

FX-adjusted dollar based net retention for the quarter was 123% and we closed a record number of third quarter deals over \$1 million in ARR. Customers with \$1 million or more in ARR grew 31% to 264, while customers with \$100,000 or more in ARR increased to 1,974.

Industry verticalization continues to be a strategic priority for the company with playbooks, marketing events, and enablement to support our teams. We now have 70 solution accelerators available in our marketplace, with IT Service Management Software user provisioning and two-way match invoice processing for Coupa and SAP among some of the most popular downloads.

While we saw broad based strength in net new ARR across industries this quarter, there were a couple of standouts.

The Federal team delivered a record quarter as agencies are increasingly standardizing on our AI-powered Business Automation Platform with a robust set of end-to-end capabilities to enrich employee experience, create mission readiness, and achieve breakthrough outcomes. Customer highlights included Veterans Affairs, Coast Guard, the IRS, and the Department of Homeland Security. We are also working with the United States Department of Agriculture to support their Future of Work initiative, delivering a new era of citizen and employee experiences. Using our full platform, USDA is driving mission impactful enterprise automations across their HR, Finance, and IT departments.



The program also features a digital assistant on every USDA employee desktop, driving personal productivity for approximately 100,000 employees.

Momentum continues in financial services and healthcare where automation delivers considerable value. This includes one of our top 25 customers, a large non-profit health system in the US. Taking a deeper look at their automation journey, they are a great example of how customers expand with us over time. Working closely with our account executives and GSIs, their journey started in 2018 with core RPA and, over the last several years, they have expanded to attended automation, Document Understanding, Test Suite, and Process Mining. To date, they have achieved a return on investment of over \$250 million and this quarter, in one of our largest deals in company history, they expanded to the full platform as they work to create a centralized Enterprise Automation Service department with a mandate from their EVP sponsor to deliver automation across their entire enterprise. They are also in the process of developing use cases for Communications Mining and UiPath Apps.

Customers standardize on our AI-powered Automation Platform to deliver transformational outcomes that streamline processes, eliminate errors, and operate with the enterprise-quality execution needed to succeed in today's environment. A great example is Johnson Controls. After starting their automation journey in 2021 with core RPA, they adopted the full UiPath platform as they work to consolidate their automation program to one end-to-end solution. They also plan to leverage our AI capabilities like Document Understanding, Test Suite, and Task Mining to drive automation across their entire business.

Another example is The Department for Work and Pensions, the UK's largest public service department. They have been using core RPA since 2018 to help their most vulnerable citizens improve their quality of life by automating millions of service and support claims each year. Since their first deployment, they have scaled to over 1,000 robots in production and saved 3.1 million hours to date. During the quarter they expanded to the full platform as they look to harness AI and integrate Document Understanding, Process Mining, and Communications Mining into their automation program to improve citizen services, drive operational efficiency, and increase cost saving and capacity creation.

We are also landing new logos which are adopting multiple platform products in their first purchase like Tenable and KIK Consumer Products. In their first phase of deployment KIK intends to leverage unattended robots and Document Understanding to drive efficiency across their finance department, with the long-term goal of scaling automation across their entire enterprise.



Our value-based go-to-market tool, NorthStar, also continues to drive deeper customer conversations as we strategically position the differentiated and actionable benefits of AI-powered automation. A great example is Sobeys, a customer since 2020, where we created a Northstar roadmap to help them maximize the ROI of their automation program. As a result, Sobeys expanded their automation footprint in the quarter to streamline processes in Finance, Merchandising, and Supply Chain and to improve their hiring process in stores. They are also investigating how they may be able to use our platform in their SAP transformation journey.

Turning to our SAP partnership, while in the early stages, we are excited about the collaboration between our teams. I recently joined Scott Russell, SAP Executive Board Member, Customer Success, to co-host their sales leadership meeting and we continue to see success in signing new logos from the partnership like The Arnott's Group. An Australian producer of biscuits and snack food, The Arnott's Group selected the UiPath Platform to optimize business processes and reduce operating costs. Their initial focus will be automating end-to-end sales order and invoice processing. We also announced an expanded partnership with Deloitte, one of SAP's largest and most strategic partners. Deloitte will embed the UiPath AI-powered Business Automation Platform into their Ascend service delivery platform, powering the next generation of SAP transformations.

These strategic relationships are powerful for our customers, but they also drive increased engagement with GSIs, and our partner ecosystem has never been more invested than they are right now. At Forward VI, we hosted an impactful session for more than 750 partners outlining our streamlined strategy that is designed to accelerate growth and revenue for our partners, while creating solutions that deliver exceptional value to our customers.

Our partners and GSIs are an important element of our go-to-market motion that help us expand our reach to customers in a scalable, efficient, and cost-effective manner. For example, working with Deloitte, an Australian Government agency has built a robust automation program across their finance and HR business lines where they utilize Document Understanding to streamline invoice processing, reduce errors, and enhance data accuracy. To further accelerate their automation program, they adopted Task Mining in the quarter to analyze processes and accelerate scoping activities.

Broadening our technology ecosystem also makes it easier for customers to deploy automations and we recently announced several new strategic partnerships. These include Amazon Bedrock, which enables automation developers and citizen developers to seamlessly integrate Generative AI directly in their UiPath Studio and Studio Web



automations, and the availability of the AI-Powered Business Automation Platform on the Google Cloud Marketplace in early 2024.

In summary, third quarter results are another proof point of our commitment to delivering strong top-line growth with expanding profitability and non-GAAP adjusted free cash flow. I want to thank our employees and partners for their support. None of this would be possible without your relentless focus on unlocking value for our customers day in and day out.

With that, I'll turn the call over to Daniel.

Daniel Dines, Co-Founder and Co-Chief Executive Officer:

Thanks, Rob. Good afternoon everyone, thanks for joining us.

The automation market is at an inflection point, and as the market leading tool that enables organizations to derive actionable value from AI, we believe this is a huge opportunity for UiPath.

At Forward VI we introduced our latest platform release, 2023.10, and delivered scores of new capabilities that seamlessly translate the potential of AI into tangible action to drive business outcomes for our customers.

From my perspective one of the most exciting announcements at Forward was UiPath Autopilot, a new set of AI-powered capabilities for developers, testers, analysts, and knowledge workers, designed to enhance the user experience across the UiPath platform. We expect Autopilot, which is based on Generative AI, to bring our unique capabilities in RPA, API automation, Document Understanding, and Specialized AI to the full spectrum of enterprise-grade end-to-end processes automation.

Autopilot for Studio is intended to help developers across skill levels build automations faster by leveraging natural language descriptions to generate automation workflows. For less technical developers this is a great starter tool, while an advanced developer will benefit from increased productivity. Autopilot for Test will accelerate every phase of the testing lifecycle from generation of tests to surfacing insights from test results. And, finally, as the AI companion for business users, we anticipate that Autopilot for Everyone will help users create and use personalized and intelligent micro automations on the fly.

We also shared exciting announcements around Intelligent Document Processing at Forward, introducing our next-generation experience powered by active learning and Generative AI. Our next-gen IDP permits almost anyone to train Specialized AI models



for specific domains and document types, and our internal benchmarking shows that our next-gen IDP experience accelerates model training time by up to 80%—from a week to a day for complex scenarios, or down to minutes for simpler forms.

Document Understanding is driving significant value for customers including a Chicago based public utility. Working with Deloitte, they have created a robust automation program across their organization leveraging our AI products like Document Understanding to automate their meter inspection process where they have achieved over \$12 million and 163,000 hours in savings to date. With c-level sponsorship, during the quarter they expanded their UiPath deployment to incorporate Test Suite into their automation journey with a goal of saving over \$70 million a year.

And, we are humbled by third party recognition of our achievements, including IDC MarketScape: Worldwide Intelligent Document Processing or IDP, 2023-2024 Vendor Assessment where UiPath was named a leader in IDP for our broad market leadership and robust IDP capabilities in UiPath Document Understanding and Communications Mining integrated into our broader enterprise automation platform.

Innovation is a cornerstone of our strategy and we challenge ourselves every day to deliver market leading capabilities with a customer first mindset. I spent a lot of time with our teams in both Bellevue and Romania this quarter and am energized by our cutting edge product roadmap focused on transforming enterprise automation by harnessing the next-generation of AI technologies. Together with our world-class team of engineers I am excited to dedicate more time driving UiPath's innovation agenda as I transition into my new Chief Innovation Officer role this winter.

With that, I will turn it over to Ashim.

Ashim Gupta, Chief Financial Officer:

Thank you, Daniel. And good afternoon everyone.

Unless otherwise indicated I will be discussing results on a non-GAAP basis and all growth rates are year over year.

Turning to the third quarter, ARR totaled \$1.378 billion, an increase of 24%, driven by net new ARR of \$70 million. Excluding the FX tailwind, net new ARR totaled \$69 million.

We ended the quarter with 10,865 customers, including new logos like New Relic, Smile Doctors, Beacon Health System, and MidWestOne Financial Group. As we said last quarter, we continue to see macro headwinds at the lower end of our market and remain focused on acquiring customers with a higher propensity to grow.



Our dollar-based net retention rate for the quarter was 121%. Normalizing for FX, dollar-based net retention rate was 123%. Dollar-based gross retention of 97% continues to be best in class.

Revenue grew to \$326 million, an increase of 24% year-over-year. Normalizing for FX, which was an approximately \$3 million tailwind, revenue grew 23%.

Remaining performance obligations increased to \$995 million, up 31% year-over-year. Normalizing for FX, which was an approximately \$16 million tailwind, RPO grew 29%.

Current RPO increased to \$599 million.

Turning to expenses.

We delivered a third quarter overall gross margin of 87%, and software gross margin was 92%. As the team continues to drive cost discipline, we now expect fiscal year 2024 gross margins to be approximately 86%.

Third quarter operating expenses were \$240 million, highlighting the leverage in our business and our commitment to expense management and operating discipline.

GAAP operating loss of \$56 million included \$96 million of stock-based compensation expense.

Non-GAAP operating income was \$44 million, resulting in a third quarter non-GAAP operating margin of 13%.

Third quarter non-GAAP adjusted free cash flow was \$44 million.

As of October 31, we had \$1.8 billion in cash, cash equivalents, and marketable securities and no debt. Under our \$500 million buy back program, which we announced on September 6th, we repurchased 3.2 million shares of our Class A common stock at an average price of \$16.26 through October 31. Since November 1st, under a 10b5-1 plan, we repurchased an additional 1.7 million shares at an average price of \$17.38 through November 28, 2023.

Now, let me turn to guidance, which assumes the global macroeconomic environment continues to be variable.

For the fiscal fourth quarter 2024, we expect:

- Revenue in the range of \$381 million to \$386 million.



- ARR in the range of \$1.450 billion to \$1.455 billion.
- Non-GAAP operating income to be approximately \$78 million.

And, we expect fourth quarter basic share count to be approximately 567 million shares.

And, finally, we expect fiscal year 2024 non-GAAP adjusted free cash flow of more than \$250 million.

Thank you for joining us today and we look forward to speaking with many of you during the quarter.

With that, I will now turn the call over to the Operator.