UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended July 31, 2024

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number: 001-38465

DOCUSIGN, INC.
(Exact name of registrant as specified in its charter)

Delaware	91-2183967
(State or Other Jurisdiction of Incorporation)	(I.R.S. Employer Identification Number)

221 Main St.	Suite 1550	San Francisco	California	94105

(Address of Principal Executive Offices) (Zip Code)

(415) 489-4940

(Registrant's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, par value $0.0001 per share	DOCU	The Nasdaq Global Select Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

☒	Large accelerated filer	☐	Accelerated filer
☐	Non-accelerated filer	☐	Smaller reporting company
		☐	Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The registrant has 202,972,713 shares of common stock, par value $0.0001, outstanding at August 30, 2024.

DOCUSIGN, INC.

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NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which statements involve substantial risk and uncertainties. All statements contained in this Quarterly Report on Form 10-Q other than statements of historical fact, including statements regarding our future operating results and financial position, our business strategy and plans, market growth and trends, our anticipated future products and product strategy, our objectives for future operations, and the impact of such assumptions on our financial condition and results of operations are forward-looking statements. Forward-looking statements generally relate to future events or our future financial or operating performance. In some cases, you can identify forward-looking statements because they contain words such as “may,” “will,” “should,” “expects,” “plans,” “anticipates,” “could,” “intends,” “target,” “projects,” “contemplates,” “believes,” “estimates,” “predicts,” “potential,” or “continue” or the negative of these words or other similar terms or expressions that concern our expectations, strategy, plans or intentions.

Forward-looking statements contained in this Quarterly Report on Form 10-Q include, but are not limited to, statements about: our expectations regarding global macro-economic conditions, including the effects of inflation, volatile interest rates, and market volatility on the global economy; our ability to estimate the size and growth of our total addressable market; our ability to compete effectively in an evolving and competitive market; the impact of any data breaches, cyberattacks or other malicious activity on our technology systems; our ability to effectively sustain and manage our growth and future expenses and maintain or increase future profitability; our ability to attract new customers and maintain and expand our existing customer base; our ability to effectively implement and execute our restructuring plans; our ability to scale and update our platform to respond to customers’ needs and rapid technological change, including our ability to successfully incorporate generative artificial intelligence into our existing and future products; our ability to successfully execute our go-to-market and sales strategy for our IAM platform; our ability to expand use cases within existing customers and vertical solutions; our ability to expand our operations and increase adoption of our platform internationally; our ability to strengthen and foster our relationships with developers; our ability to retain our direct sales force, customer success team and strategic partnerships around the world; our ability to identify targets for and execute potential acquisitions and to successfully integrate and realize the anticipated benefits of such acquisitions; our ability to maintain, protect and enhance our brand; the sufficiency of our cash, cash equivalents and capital resources to satisfy our liquidity needs; limitations on us due to obligations we have under our credit facility or other indebtedness; our ability to realize the anticipated benefits of our stock repurchase program; our failure or the failure of our software to comply with applicable industry standards, laws and regulations; our ability to maintain, protect and enhance our intellectual property; our ability to successfully defend litigation against us; our ability to attract large organizations as users; our ability to maintain our corporate culture; our ability to offer high-quality customer support; our ability to hire, retain and motivate qualified personnel, including executive level management; our ability to successfully manage and integrate executive management transitions; uncertainties regarding the impact of general economic and market conditions, including as a result of regional and global conflicts; our ability to successfully implement and maintain new and existing information technology systems, including our ERP system; and our ability to maintain proper and effective internal controls.

You should not rely upon forward-looking statements as predictions of future events. We have based the forward-looking statements contained in this Quarterly Report on Form 10-Q primarily on our current expectations and projections about future events and trends that we believe may affect our business, financial condition, results of operations, and prospects. The outcome of the events described in these forward-looking statements is subject to risks, uncertainties, and other factors described in the section titled “Risk Factors” and elsewhere in this Quarterly Report on Form 10-Q. Moreover, we operate in a very competitive and rapidly changing environment. New risks and uncertainties emerge from time to time. It is not possible for us to predict all risks and uncertainties that could have an impact on the forward-looking statements contained in this Quarterly Report on Form 10-Q. We cannot assure you that the results, events, and circumstances reflected in the forward-looking statements will be achieved or occur, and actual results, events, or circumstances could differ materially from those described in the forward-looking statements. The forward-looking statements made in this Quarterly Report on Form 10-Q relate only to events as of the date on which such statements are made. We undertake no obligation to update any forward-looking statements after the date of this Quarterly Report on Form 10-Q or to conform such statements to actual results or revised expectations, except as required by law.

PART I - FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

DOCUSIGN, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)

(in thousands, except per share data)	July 31, 2024	January 31, 2024
Assets		
Current assets		
Cash and cash equivalents	$ 619,064	$ 797,060
Investments—current	319,289	248,402
Accounts receivable, net of allowance for doubtful accounts of $ 7,816 and $5,499 as of July 31, 2024 and January 31, 2024	309,885	439,299
Contract assets—current	13,449	15,922
Prepaid expenses and other current assets	81,693	66,984
Total current assets	1,343,380	1,567,667
Investments—noncurrent	102,537	121,977
Property and equipment, net	265,544	245,173
Operating lease right-of-use assets	117,877	123,188
Goodwill	455,519	353,138
Intangible assets, net	90,227	50,905
Deferred contract acquisition costs—noncurrent	427,599	409,627
Deferred tax assets—noncurrent	822,026	2,031
Other assets—noncurrent	129,232	97,584
Total assets	$ 3,753,941	$ 2,971,290
Liabilities and Equity		
Current liabilities		
Accounts payable	$ 8,116	$ 19,029
Accrued expenses and other current liabilities	93,251	104,037
Accrued compensation	178,603	195,266
Contract liabilities—current	1,307,565	1,320,059
Operating lease liabilities—current	19,769	22,230
Total current liabilities	1,607,304	1,660,621
Contract liabilities—noncurrent	23,020	21,980
Operating lease liabilities—noncurrent	115,832	120,823
Deferred tax liability—noncurrent	18,122	16,795
Other liabilities—noncurrent	28,257	21,332
Total liabilities	1,792,535	1,841,551
Commitments and contingencies (Note 9)		
Stockholders' equity		
Preferred stock, $0.0001 par value; 10,000 shares authorized, 0 shares issued and outstanding as of July 31, 2024 and January 31, 2024	—	—
Common stock, $0.0001 par value; 500,000 shares authorized, 202,296 shares outstanding as of July 31, 2024; 500,000 shares authorized, 205,326 shares outstanding as of January 31, 2024	20	21
Treasury stock, at cost: 26 shares as of July 31, 2024; 18 shares as of January 31, 2024	(2,670)	(2,164)
Additional paid-in capital	3,087,650	2,821,461
Accumulated other comprehensive loss	(24,548)	(19,360)
Accumulated deficit	(1,099,046)	(1,670,219)
Total stockholders' equity	1,961,406	1,129,739
Total liabilities and equity	$ 3,753,941	$ 2,971,290

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

DOCUSIGN, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (Unaudited)

	Three Months Ended July 31,		Six Months Ended July 31,	
(in thousands, except per share data)	**2024**	**2023**	**2024**	**2023**
Revenue:				
Subscription	$ 717,366	$ 669,367	$ 1,408,849	$ 1,308,674
Professional services and other	18,661	18,320	36,818	40,401
Total revenue	736,027	687,687	1,445,667	1,349,075
Cost of revenue:				
Subscription	132,372	116,185	258,974	225,127
Professional services and other	23,093	29,397	45,937	56,942
Total cost of revenue	155,465	145,582	304,911	282,069
Gross profit	580,562	542,105	1,140,756	1,067,006
Operating expenses:				
Sales and marketing	287,464	294,838	569,108	575,443
Research and development	147,571	135,960	281,891	251,324
General and administrative	87,129	103,884	179,607	208,695
Restructuring and other related charges	597	811	29,721	29,583
Total operating expenses	522,761	535,493	1,060,327	1,065,045
Income from operations	57,801	6,612	80,429	1,961
Interest expense	(544)	(1,592)	(688)	(3,558)
Interest income and other income, net	14,630	17,455	28,739	29,700
Income before provision for (benefit from) income taxes	71,887	22,475	108,480	28,103
Provision for (benefit from) income taxes	(816,324)	15,080	(813,491)	20,169
Net income	$ 888,211	$ 7,395	$ 921,971	$ 7,934
Net income per share attributable to common stockholders:				
Basic	$ 4.34	$ 0.04	$ 4.49	$ 0.04
Diluted	$ 4.26	$ 0.04	$ 4.40	$ 0.04
Weighted-average shares used in computing net income per share:				
Basic	204,604	203,703	205,231	203,177
Diluted	208,274	208,192	209,559	208,284
Comprehensive income:				
Foreign currency translation gain (loss), net of tax	$ (1,017)	$ 2,075	$ (5,318)	$ 2,506
Unrealized gains on investments, net of tax	1,379	306	130	954
Other comprehensive income (loss)	362	2,381	(5,188)	3,460
Comprehensive income	$ 888,573	$ 9,776	$ 916,783	$ 11,394
Stock-based compensation expense included in costs and expenses:				
Cost of revenue—subscription	$ 15,593	$ 13,081	$ 29,774	$ 24,438
Cost of revenue—professional services and other	4,998	7,286	9,700	14,016
Sales and marketing	58,778	51,563	105,049	96,889
Research and development	53,430	45,151	97,632	81,148
General and administrative	31,649	34,592	60,169	74,934
Restructuring and other related charges	208	34	4,836	4,988

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

DOCUSIGN, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS’ EQUITY (Unaudited)

(in thousands)	Common Stock				Accumulated Other		
	Shares	Amount	Additional Paid-In Capital	Treasury Stock	Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
Balances at April 30, 2024	204,701	$ 20	$ 2,950,081	$ (2,670)	$ (24,910)	$ (1,785,521)	$ 1,137,000
Exercise of stock options	29	—	455	—	—	—	455
Settlement of restricted stock units	2,141	—	—	—	—	—	—
Tax withholding on net share settlement of restricted stock units	(766)	—	(38,895)	—	—	—	(38,895)
Repurchases of common stock	(3,809)	—	—	—	—	(201,736)	(201,736)
Employee stock-based compensation	—	—	176,009	—	—	—	176,009
Net income	—	—	—	—	—	888,211	888,211
Other comprehensive income, net	—	—	—	—	362	—	362
Balances at July 31, 2024	202,296	$ 20	$ 3,087,650	$ (2,670)	$ (24,548)	$ (1,099,046)	$ 1,961,406
Balances at April 30, 2023	202,359	$ 20	$ 2,412,033	$ (2,027)	$ (21,917)	$ (1,638,617)	$ 749,492
Exercise of stock options	61	—	705	—	—	—	705
Settlement of restricted stock units	2,141	—	—	—	—	—	—
Tax withholding on net share settlement of restricted stock units	(780)	—	(42,026)	—	—	—	(42,026)
Repurchases of common stock	(584)	—	—	—	—	(30,008)	(30,008)
Employee stock-based compensation	—	—	159,820	—	—	—	159,820
Net income	—	—	—	—	—	7,395	7,395
Other comprehensive income, net	—	—	—	—	2,381	—	2,381
Balances at July 31, 2023	203,197	$ 20	$ 2,530,532	$ (2,027)	$ (19,536)	$ (1,661,230)	$ 847,759

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

DOCUSIGN, INC.

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (Unaudited) (Continued)

(in thousands)	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Treasury Stock	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
Balances at January 31, 2024	205,326	$ 21	$ 2,821,461	$ (2,164)	$ (19,360)	$ (1,670,219)	$ 1,129,739
Exercise of stock options	84	—	1,089	—	—	—	1,089
Settlement of restricted stock units	4,229	—	—	—	—	—	—
Tax withholding on net share settlement of restricted stock units and employee stock purchase plan	(1,562)	—	(83,740)	(506)	—	—	(84,246)
Employee stock purchase plan	564	—	20,190	—	—	—	20,190
Repurchases of common stock	(6,345)	(1)	—	—	—	(350,798)	(350,799)
Employee stock-based compensation	—	—	328,650	—	—	—	328,650
Net income	—	—	—	—	—	921,971	921,971
Other comprehensive loss, net	—	—	—	—	(5,188)	—	(5,188)
Balances at July 31, 2024	202,296	$ 20	$ 3,087,650	$ (2,670)	$ (24,548)	$ (1,099,046)	$ 1,961,406
Balances at January 31, 2023	201,904	$ 20	$ 2,240,732	$ (1,785)	$ (22,996)	$ (1,598,684)	$ 617,287
Exercise of stock options	76	—	832	—	—	—	832
Settlement of restricted stock units	3,285	—	—	—	—	—	—
Tax withholding on net share settlement of restricted stock units and employee stock purchase plan	(1,195)	—	(64,860)	(242)	—	—	(65,102)
Employee stock purchase plan	420	—	18,390	—	—	—	18,390
Repurchases of common stock	(1,293)	—	—	—	—	(70,480)	(70,480)
Settlement of capped calls, net of related costs	—	—	23,688	—	—	—	23,688
Employee stock-based compensation	—	—	311,750	—	—	—	311,750
Net income	—	—	—	—	—	7,934	7,934
Other comprehensive income, net	—	—	—	—	3,460	—	3,460
Balances at July 31, 2023	203,197	$ 20	$ 2,530,532	$ (2,027)	$ (19,536)	$ (1,661,230)	$ 847,759

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

DOCUSIGN, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

	Six Months Ended July 31,	
(in thousands)	2024	2023
Cash flows from operating activities:		
Net income	$ 921,971	$ 7,934
Adjustments to reconcile net income provided by operating activities:		
Depreciation and amortization	51,528	48,105
Amortization of deferred contract acquisition and fulfillment costs	111,467	98,382
Amortization of debt discount and transaction costs	277	2,495
Non-cash operating lease costs	9,862	11,731
Stock-based compensation expense	307,160	296,413
Deferred income taxes	(824,561)	3,420
Other	5,323	(782)
Changes in operating assets and liabilities:		
Accounts receivable	123,571	99,803
Prepaid expenses and other current assets	(17,067)	(14,420)
Deferred contract acquisition and fulfillment costs	(131,255)	(113,356)
Other assets	(15,058)	(8,433)
Accounts payable	(11,575)	(20,294)
Accrued expenses and other liabilities	(8,160)	10,164
Accrued compensation	(19,902)	(3,312)
Contract liabilities	(16,526)	40,458
Operating lease liabilities	(12,021)	(13,657)
Net cash provided by operating activities	475,034	444,651
Cash flows from investing activities:		
Cash paid for acquisition, net of acquired cash	(143,611)	—
Purchases of marketable securities	(223,241)	(174,372)
Maturities of marketable securities	175,623	164,017
Purchases of strategic and other investments	(625)	(120)
Purchases of property and equipment	(45,033)	(46,436)
Net cash used in investing activities	(236,887)	(56,911)
Cash flows from financing activities:		
Repurchases of common stock	(349,138)	(70,480)
Settlement of capped calls, net of related costs	—	23,688
Payment of tax withholding obligation on net RSU settlement and ESPP purchase	(81,083)	(62,681)
Proceeds from exercise of stock options	1,089	832
Proceeds from employee stock purchase plan	20,190	18,390
Net cash used in financing activities	(408,942)	(90,251)
Effect of foreign exchange on cash, cash equivalents and restricted cash	(2,677)	2,290
Net increase (decrease) in cash, cash equivalents and restricted cash	(173,472)	299,779
Cash, cash equivalents and restricted cash at beginning of period [1]	801,499	723,201
Cash, cash equivalents and restricted cash at end of period [1]	$ 628,027	$ 1,022,980

[1] $9.0 million and $4.4 million of restricted cash was included in Prepaid expenses and other current assets and Other assets—noncurrent at July 31, 2024 and January 31, 2024. $5.2 million and $1.3 million of restricted cash was included in Prepaid expenses and other current assets and in Other assets—noncurrent at July 31, 2023 and January 31, 2023.

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

DOCUSIGN, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited) (Continued)

	Six Months Ended July 31,			
(in thousands)	**2024**		**2023**	
Supplemental disclosure:				
Cash paid for interest	$	—	$	93
Cash paid for operating lease liabilities		15,320		19,475
Cash paid for income taxes		13,207		6,090
Non-cash investing and financing activities:				
Property and equipment in accounts payable and accrued expenses and other current liabilities	$	1,639	$	4,224
Operating lease right-of-use assets exchanged for lease obligations		4,707		—
Excise tax payable on net stock repurchase		1,660		—

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

DOCUSIGN, INC.

Index for Notes to the Condensed Consolidated Financial Statements

DOCUSIGN, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1. Summary of Significant Accounting Policies

Organization and Description of Business

Docusign, Inc. (“we,” “our”, “us”, “Docusign”, or “Company”) was incorporated in the State of Washington in April 2003. We merged with and into Docusign, Inc., a Delaware corporation, in March 2015.

Docusign offers solutions that address agreement workflows and digital transformation. Docusign’s core offerings, including the world’s leading electronic signature and contract lifecycle management (“CLM”) products, allow organizations to boost productivity, accelerate contract review cycles, and transform agreement data into insights and actions while providing a better experience for their customers. Additionally, Docusign has introduced its Intelligent Agreement Management (“IAM”) platform, enabling organizations to create, commit to, and manage agreements, from virtually anywhere in the world, securely.

Basis of Presentation and Principles of Consolidation

Our condensed consolidated financial statements include those of Docusign, Inc. and our subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation. The accompanying condensed consolidated financial statements have been prepared in accordance with United States (“U.S.”) generally accepted accounting principles (“GAAP”) for interim financial information. Certain information and note disclosures normally included in the financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to the applicable rules and regulations of the Securities and Exchange Commission (“SEC”). Therefore, these unaudited interim consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes included in our fiscal 2024 Annual Report on Form 10-K.

Our condensed consolidated financial statements are unaudited and have been prepared on a basis consistent with that used to prepare the audited annual consolidated financial statements and, in our opinion, include all adjustments of a normal recurring nature necessary for the fair statement of our financial position, results of operations and cash flows. Our condensed consolidated balance sheet as of January 31, 2024 was derived from audited financial statements but does not include all disclosures required by U.S. GAAP. The results of operations for the three and six months ended July 31, 2024 are not necessarily indicative of the results to be expected for the year ending January 31, 2025.

Our fiscal year ends on January 31. References to fiscal 2025, for example, are to the fiscal year ending January 31, 2025. Certain prior year amounts have been reclassified to conform to current year presentation. These amounts were not material to any of the prior periods presented.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions in the condensed consolidated financial statements and notes thereto.

Significant items subject to such estimates and assumptions made by management include, but are not limited to, the determination of:
- the fair value of intangible assets acquired in business combinations;
- the average period of benefit associated with deferred contract acquisition costs and fulfillment costs;
- the fair value of certain stock awards issued;
- the useful life and recoverability of long-lived assets;
- the discount rate used for operating leases;
- the recognition and measurement of loss contingencies; and
- the recognition, measurement and valuation of deferred income taxes.

Significant Accounting Policies

There have been no changes to our significant accounting policies described in our fiscal 2024 Annual Report on Form 10-K that have had a material impact on our condensed consolidated financial statements and related notes.

Recent Accounting Pronouncements

In November 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2023-07, "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures" ("ASU 2023-07"), which enhances disclosures required for operating segments. ASU 2023-07 expands public entities' segment disclosures by requiring disclosure of significant segment expenses that are regularly provided to the chief operating decision maker and included within each reported measure of segment profit or loss, an amount and description of its composition for other segment items, and interim disclosures of a reportable segment's profit or loss and assets. All disclosure requirements of ASU 2023-07 are required for entities with a single reportable segment. ASU 2023-07 is effective for annual filings for the Company's fiscal year beginning February 1, 2024, and interim filings for the fiscal year beginning February 1, 2025, and should be applied on a retrospective basis to all periods presented. We are currently evaluating the effect of adopting ASU 2023-07 on our financial statement disclosures.

In December 2023, the FASB issued Accounting Standards Update 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures" ("ASU 2023-09"), amending existing income tax disclosure guidance, primarily requiring more detailed disclosure for income taxes paid and the effective tax rate reconciliation. ASU 2023-09 is effective for annual reporting periods beginning after December 15, 2024, with early adoption permitted and can be applied on either a prospective or retrospective basis. We are currently evaluating the effect of adopting ASU 2023-09 on our income tax disclosures.

In March 2024, the SEC adopted the final rules under SEC Release No. 33-11275, The Enhancement and Standardization of Climate-Related Disclosures for Investors, which requires registrants to provide certain climate-related information in their registration statements and annual reports. As it pertains to the financial statements, the final rules require the financial statement footnotes to include certain disclosures regarding the amounts of expenses (or capitalized costs) incurred that relate to severe weather events and other natural conditions, as well as other disclosures regarding the material impact on financial estimates and assumptions of severe weather events and other natural conditions or disclosed targets or disclosed targets or transition plans. It also requires disclosure of financial statement amounts related to carbon offsets and renewable energy credits. The disclosure requirements will be phased in beginning with our annual filing for the fiscal year ending January 31, 2026. In April 2024, the SEC issued an order staying these rules pending the completion of judicial review of litigation challenging the validity of the rules. We are currently evaluating the disclosure impact of adoption of the standard on our consolidated financial statements.

We have not adopted accounting pronouncements during the three and six months ended July 31, 2024.

Note 2. Revenue

Subscription revenue is recognized over time and accounted for approximately 97% of our revenue in each of the three and six month periods ended July 31, 2024 and 2023.

Performance Obligations

As of July 31, 2024, the amount of the transaction price allocated to remaining performance obligations for contracts greater than one year was $ 2.2 billion. We expect to recognize 56% of the transaction price allocated to remaining performance obligations within the 12 months following July 31, 2024 in our condensed consolidated statement of operations and comprehensive income.

Contract Balances

Contract assets represent amounts for which we have recognized revenue, pursuant to our revenue recognition policy, for contracts that have not yet been invoiced to our customers where there is a remaining performance obligation, typically for multi-year arrangements. Total contract assets were $13.4 million and $15.9 million as of July 31, 2024 and January 31, 2024. The change in contract assets reflects the difference in timing between our satisfaction of remaining performance obligations and our contractual right to bill our customers.

Contract liabilities consist of deferred revenue and payments received in advance of performance under the contract. Such amounts are generally recognized as revenue over the contractual period. For the six months ended July 31, 2024 and 2023, we recognized revenue of $969.4 million and $876.0 million that was included in the corresponding contract liability balance at the beginning of the periods presented.

We receive payments from customers based upon contractual billing schedules. We record accounts receivable when the right to consideration becomes unconditional. Payment terms on invoiced amounts are typically 30 days.

Geographic Information

Revenue by geography is based on the address of the customer as specified in our master subscription agreements with our customers. Revenue by geographic area was as follows:

	Three Months Ended July 31,		Six Months Ended July 31,	
(in thousands)	2024	2023	2024	2023
U.S.	$ 529,452	$ 507,984	$ 1,042,178	$ 1,001,042
International	206,575	179,703	403,489	348,033
Total revenue	$ 736,027	$ 687,687	$ 1,445,667	$ 1,349,075

Note 3. Fair Value Measurements

The following table summarizes our financial assets that are measured at fair value on a recurring basis:

	July 31, 2024			
(in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Level 1:				
Cash equivalents[1]				
Money market funds	$ 119,053	$ —	$ —	$ 119,053
Level 2:				
Cash equivalents[1]				
Commercial paper	17,933	—	(4)	17,929
Available-for-sale securities				
Commercial paper	87,595	3	(68)	87,530
Corporate notes and bonds	306,644	168	(436)	306,376
U.S. governmental securities	27,959	—	(39)	27,920
Level 2 total	440,131	171	(547)	439,755
Total	$ 559,184	$ 171	$ (547)	$ 558,808

	January 31, 2024			
(in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Level 1:				
Cash equivalents[1]				
Money market funds	$ 298,517	$ —	$ —	$ 298,517
Level 2:				
Cash equivalents[1]				
Commercial paper	43,845	—	(9)	43,836
U.S. government agency securities	9,968	—	(1)	9,967
Available-for-sale securities				
Commercial paper	42,958	2	(25)	42,935
Corporate notes and bonds	299,166	262	(670)	298,758
U.S. governmental securities	28,752	—	(66)	28,686
Level 2 total	424,689	264	(771)	424,182
Total	$ 723,206	$ 264	$ (771)	$ 722,699

[1] Included in “cash and cash equivalents” in our consolidated balance sheets as of July 31, 2024 and January 31, 2024, in addition to cash of $ 482.1 million and $444.8 million.

We use quoted prices in active markets for identical assets to determine the fair value of our Level 1 investments. The fair value of our Level 2 investments is determined using pricing based on quoted market prices or alternative market observable inputs .

The fair values of our available-for-sale securities as of July 31, 2024, by remaining contractual maturities, were as follows (in thousands):

Due in one year or less	$	319,289
Due in one to two years		102,537
	$	421,826

As of July 31, 2024 and January 31, 2024, securities in an unrealized loss position were, individually and in aggregate, not material. An allowance for credit losses was deemed unnecessary for these securities, given the extent of the unrealized loss positions as well as the issuers' high credit ratings and consistent payment history.

We had no liabilities measured at fair value on a recurring basis as of July 31, 2024 and January 31, 2024.

Note 4. Property and Equipment, Net

Property and equipment, net consisted of the following:

(in thousands)		July 31, 2024		January 31, 2024
Computer and network equipment	$	142,253	$	142,241
Software, including capitalized software development costs		228,634		168,584
Furniture and office equipment		18,504		18,196
Leasehold improvements		62,930		58,230
		452,321		387,251
Less: Accumulated depreciation		(279,094)		(244,270)
		173,227		142,981
Work in progress		92,317		102,192
Total	$	265,544	$	245,173

Depreciation and amortization expense associated with property and equipment was $ 20.8 million and $20.3 million for the three months ended July 31, 2024 and 2023, and $40.6 million and $38.1 million for the six months ended July 31, 2024 and 2023. This included amortization expense related to capitalized internally developed software costs of $13.4 million and $8.8 million for the three months ended July 31, 2024 and 2023, and $25.1 million and $15.6 million for the six months ended July 31, 2024 and 2023 .

For the three months ended July 31, 2024 and 2023, we capitalized $26.8 million and $22.2 million of internally developed software, including $ 9.1 million and $6.9 million of capitalized stock-based compensation expense in the three months ended July 31, 2024 and 2023. For the six months ended July 31, 2024 and 2023, we capitalized $51.5 million and $43.9 million of internally developed software, including $17.7 million and $13.7 million of capitalized stock-based compensation expense in the six months ended July 31, 2024 and 2023 .

Note 5. Acquisitions

Acquisition of DocuSmart, Inc. d/b/a Lexion

On May 31, 2024 (“Acquisition Date”), we acquired 100% of the outstanding equity interests of Lexion, Inc. (“Lexion”), an AI-powered contract management platform which features intelligent contract repository and agreement workflow automation and reporting. We expect to integrate Lexion’s technology comprehensively across the Docusign IAM platform to better enable organizations to create, commit to, and manage agreements. The results of Lexion’s operations have been included in the accompanying consolidated financial statements since the Acquisition Date.

The acquisition purchase consideration, in accordance with ASC 805, totaled $154.0 million and was paid in cash. The Company paid $ 17.4 million of the consideration to an escrow account held for 18 months by a third party for post-closing indemnification obligations.

We accounted for the transaction as a business combination using the acquisition method of accounting. We allocated the purchase price to the tangible and identifiable intangible assets acquired and liabilities assumed based on their respective estimated fair values on the Acquisition Date. Fair values were determined using the replacement cost method. Excess purchase price consideration was recorded as goodwill and is primarily attributable to the assembled workforce and expanded market opportunities when integrating Lexion's intelligent contract repository and agreement workflow automation capabilities within Docusign's IAM platform. The values assigned to the assets acquired and liabilities assumed are based on preliminary estimates of fair value available as of the date of this Quarterly Report on Form 10-Q. We continue to collect information with regards to our estimates and assumptions, including potential liabilities, contingencies, and the allocation of the purchase price. We will record adjustments to the fair value of the net assets acquired, liabilities assumed and goodwill within the measurement period, if necessary.

The following table summarizes preliminary allocation of purchase consideration to assets acquired and liabilities assumed based on their respective estimated fair values as of the date of acquisition:

(in thousands)		May 31, 2024
Cash and cash equivalents	$	10,409
Accounts receivable, net		1,741
Goodwill		103,352
Intangible assets, net		50,200
Contract liabilities — current		(5,071)
Deferred tax liability		(5,862)
Accrued expenses and other current liabilities		(749)
Total purchase consideration	$	154,020

None of the goodwill recognized upon acquisition is deductible for U.S. federal income tax purposes.

The estimated useful lives of intangible assets, primarily based on the expected period of benefit to us, and fair values of the identifiable intangible assets at Acquisition Date were as follows:

(in thousands, except years)		Estimated Fair Value	Expected Useful Life
Existing technology	$	29,900	5.0 years
Customer relationships—subscription		20,300	7.0 years
Total intangible assets	$	50,200	5.8 years

Additionally, the purchase agreement provides for $19.1 million of deferred compensation for key employees for which post acquisition employment service is required. The deferred compensation was paid into an escrow account at closing and recorded as prepaid asset that will amortize into compensation expense on a straight-line basis over the three year term of the arrangement.

We granted certain continuing employees and founders of Lexion restricted stock units ("RSUs") with an aggregate grant date fair value of $ 34.8 million that will be accounted for as a post-acquisition compensation expense over the vesting period.

During the six months ended July 31, 2024, we incurred acquisition related expenses of $ 4.7 million which are recognized within general and administrative expenses in the consolidated statement of operations.

The following unaudited pro forma information has been prepared for illustrative purposes only and assumes the acquisition occurred on February 1, 2023. It includes pro forma adjustments related to the amortization of acquired intangible assets, share-based compensation expense, deferred compensation, and transaction related expenses. The impact of pro forma adjustments during the three and six months ended July 31, 2024 is not material. For the purpose of computing the pro forma tax effects of the acquisition, we applied the historical annual effective tax rate for the three and six months ended July 31, 2023 to the combined entity results. The unaudited pro forma results have been prepared based on estimates and assumptions, which we believe are reasonable, however, they are not necessarily indicative of the consolidated results of operations had the acquisition occurred on February 1, 2023, or of future results of operations:

	Three Months Ended July 31,	Six Months Ended July 31,
(in thousands) (unaudited)	2023	2023
Net income/(loss)	4,082	2,117

Note 6. Goodwill and Intangible Assets, Net

The changes in the carrying amount of goodwill were as follows (in thousands):

Balance at January 31, 2024	$	353,138
Additions—Lexion		103,352
Cumulative translation adjustment		(971)
Balance at July 31, 2024	$	455,519

Intangible assets consisted of the following:

		As of July 31, 2024			As of January 31, 2024		
(in thousands, except years)	Weighted-average Remaining Useful Life (Years)	Acquisition-related Intangibles, Gross	Accumulated Amortization	Acquisition-related Intangibles, Net	Acquisition-related Intangibles, Gross	Accumulated Amortization	Acquisition-related Intangibles, Net
Existing technology	4.1	$ 106,094	$ (70,913)	$ 35,181	$ 76,194	$ (65,777)	$ 10,417
Customer contracts & related relationships	5.3	130,382	(66,689)	63,693	110,082	(60,947)	49,135
Other	0.0	22,534	(22,534)	—	22,534	(22,534)	—
	4.9	$ 259,010	$ (160,136)	98,874	$ 208,810	$ (149,258)	59,552
Cumulative translation adjustment				(8,647)			(8,647)
Total				$ 90,227			$ 50,905

Amortization of finite-lived intangible assets was as follows:

	Three Months Ended July 31,		Six Months Ended July 31,	
(in thousands)	2024	2023	2024	2023
Cost of subscription revenue	$ 3,067	$ 2,314	$ 5,137	$ 4,717
Sales and marketing	3,113	2,630	5,742	5,259
Total	$ 6,180	$ 4,944	$ 10,879	$ 9,976

As of July 31, 2024, future amortization of finite-lived intangibles that will be recorded is estimated as follows, excluding cumulative translation adjustment:

Fiscal Period:	Amount (in thousands)
2025, remainder	$ 13,839
2026	21,535
2027	19,398
2028	16,938
2029	13,191
Thereafter	13,973
Total	$ 98,874

Note 7. Deferred Contract Acquisition and Fulfillment Costs

The following table represents a rollforward of our deferred contract acquisition and fulfillment costs:

	Six Months Ended July 31,			
(in thousands)	2024		2023	
Deferred Contract Acquisition Costs:				
Beginning balance	$	409,658	$	355,389
Additions to deferred contract acquisition costs		113,172		89,191
Amortization of deferred contract acquisition costs		(92,644)		(73,982)
Cumulative translation adjustment		(2,587)		2,113
Ending balance	$	427,599	$	372,711
Deferred Contract Fulfillment Costs:				
Beginning balance	$	22,525	$	21,076
Additions to deferred contract fulfillment costs		18,083		24,165
Amortization of deferred contract fulfillment costs		(18,823)		(24,400)
Cumulative translation adjustment		14		139
Ending balance	$	21,799	$	20,980

Note 8. Debt

Convertible Senior Notes

In September 2018, we issued $575.0 million in aggregate principal amount of the 0.5% Convertible Senior Notes due in 2023 (“2023 Notes”). The net proceeds from the issuance of the 2023 Notes were $560.8 million after deducting the initial purchasers’ discounts and transaction costs.

In January 2021, we issued $690.0 million in aggregate principal amount of the 0% Convertible Senior Notes due in 2024 (“2024 Notes,” and together with the 2023 Notes, the “Notes”). The net proceeds from the issuance of the 2024 Notes were $677.3 million after deducting the initial purchasers’ discounts and transaction costs.

The 2023 Notes and 2024 Notes were extinguished, and all outstanding amounts were repaid in full during the third and fourth quarters of fiscal 2024, respectively. We repaid in cash $37.1 million and $689.9 million in aggregate principal amount of the 2023 Notes and 2024 Notes.

The effective interest rate on the 2023 Notes was 1.0%. The effective interest rate on the 2024 Notes was 0.6%. Interest expense recognized related to the Notes was as follows:

	Three Months Ended July 31,				Six Months Ended July 31,			
(in thousands)	2024		2023		2024		2023	
Contractual interest expense	$	—	$	46	$	—	$	403
Amortization of transaction costs		—		1,110		—		2,219
Total	$	—	$	1,156	$	—	$	2,622

Capped Calls

To minimize the potential economic dilution to our common stock upon conversion of the Notes, we entered into privately negotiated capped call transactions (“Capped Calls”) with certain counterparties. In the first quarter of fiscal 2024, we unwound $23.7 million of the Capped Calls in relation to our 2023 Notes and received cash from the counterparties. All remaining Capped Calls associated with the 2023 Notes and 2024 Notes expired during the third and fourth quarters of fiscal 2024, respectively.

Impact on Net Income Per Share

In periods when we have net income, the shares of our common stock subject to the Notes outstanding during the period are included in our diluted earnings per share under the if-converted method. In the three months ended April 30, 2023, the Capped Calls were excluded from the calculation of diluted earnings per share, as they were antidilutive.

Revolving Credit Facility

In January 2021, we entered into a credit agreement, as subsequently amended in May 2023, with a syndicate of banks. The credit agreement extended a senior secured revolving credit facility (the “Credit Facility”) to us in an aggregate principal amount of $500.0 million, which amount may be increased by an additional $250.0 million subject to the terms of the credit agreement. We may use the proceeds of future borrowings under the credit facility to finance working capital, for capital expenditures and for other general corporate purposes, including permitted acquisitions.

The Credit Facility matures in January 2026 and requires us to comply with customary affirmative and negative covenants. We were in compliance with all covenants as of July 31, 2024. As of July 31, 2024, there were no outstanding borrowings under the Credit Facility. The Credit Facility is subject to customary fees for loan facilities of this type, including ongoing commitment fees at a rate between 0.25% and 0.30% per annum on the daily undrawn balance.

Note 9. Commitments and Contingencies

As of July 31, 2024, we had unused letters of credit outstanding totaling $ 0.6 million, the majority of which are associated with our various operating leases.

We have entered into certain noncancelable contractual arrangements that require future purchases of goods and services. These arrangements primarily relate to cloud infrastructure support and sales and marketing activities. As of July 31, 2024, our future noncancelable minimum payments due under these contractual obligations with a remaining term of more than one year were as follows:

Fiscal Period:		Amount (in thousands)
2025, remainder	$	18,631
2026		48,783
2027		10,588
2028		1,663
2029		1,138
Thereafter		483
Total	$	81,286

We entered into agreements with public cloud computing service providers with minimum commitments through fiscal 2027 and 2028. As of July 31, 2024 our remaining commitments under these agreements are $15.3 million and $102.1 million, respectively, which are excluded from the table above.

Indemnification

We enter into indemnification provisions under our agreements with customers and other companies in the ordinary course of business, including business partners, contractors and parties performing our research and development. Pursuant to these arrangements, we agree to indemnify and defend the indemnified party for certain claims and related losses suffered or incurred by the indemnified party from actual or threatened third-party claims because of our activities. The duration of these indemnification agreements is generally perpetual. The maximum potential amount of future payments we could be required to make under these indemnification clauses or agreements is not determinable. Historically, we have not incurred material costs to defend lawsuits or settle claims related to these indemnification agreements. As a result, we believe the fair value of these indemnification agreements is not material as of July 31, 2024, and January 31, 2024. We maintain commercial general liability insurance and product liability insurance to offset certain of our potential liabilities under these indemnification agreements.

We have entered into indemnification agreements with each of our directors, executive officers and certain other officers. These agreements require us to indemnify such individuals, to the fullest extent permitted by Delaware law, for certain liabilities to which they may become subject as a result of their affiliation with us.

Claims and Litigation

From time to time, we may be subject to legal proceedings, claims, investigations or other contingencies in the ordinary course of business. If we are unsuccessful in defending, or if we determine to settle, any of these matters, we may be required to pay substantial sums, be subject to injunction and/or be required to change how we operates our business, which could have a material adverse impact on our financial position or results of operations.

Legal costs associated with litigation are expensed as incurred. Unless otherwise stated, we are unable to reasonably estimate the loss or a range of possible loss for the matters described below. In certain instances, we may be unable to determine that a loss is probable, or to reasonably estimate the amount of loss or a range of loss, for a claim because of the limited information available and the potential effects of future events and decisions by third parties, such as courts and regulators, that will determine the ultimate resolution of the claim. We review loss contingencies at least quarterly to determine whether the likelihood of loss has changed and whether we can make a reasonable estimate of the loss or range of loss. When we determine that a loss from a claim is probable and reasonably estimable, we record a liability for an estimated amount. We also provide disclosure when we determine it is reasonably possible that a loss may be incurred or when it is reasonably possible that the amount of a loss will exceed its recorded liability. Because these issues are often subject to substantial uncertainty, the probability of a loss (if any) and/or the estimated amount of a loss are difficult to ascertain. While it is not feasible to predict the outcome of all proceedings and exposures with certainty, we believe the final outcome of these matters, including the cases described below, will not have a material adverse effect on our business, consolidated financial position, results of operations or cash flows.

Docusign, Inc. Securities Litigation and Related Derivative Litigation

On February 8, 2022, a putative securities class action was filed in the U.S. District Court for the Northern District of California, captioned Weston v. Docusign, Inc., et al., Case No. 3:22-cv-00824, naming Docusign and certain of our then-current and former officers as defendants. An amended complaint was filed on July 8, 2022. As amended, the suit purports to allege claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended, and Rule 10b-5 promulgated thereunder, based on allegedly false and misleading statements about our business and prospects during the course of the COVID-19 pandemic. As amended, the suit is purportedly brought on behalf of purchasers of our securities between June 4, 2020 and June 9, 2022. Our motion to dismiss the case at the pleading stage was denied by the U.S. District Court on April 18, 2023 and the suit is now proceeding.

An earlier action alleging similar claims against the same defendants, captioned Collins v. Docusign, Inc., et al., Case No. 3:22-cv-00851, filed in the Eastern District of New York and subsequently transferred to the Northern District of California, was voluntarily dismissed on February 14, 2022.

Eight putative shareholder derivative cases have been filed containing allegations based on or similar to those in the securities class action (Weston). The cases were filed on May 17, 2022, in the U.S. District Court for the District of Delaware, captioned Pottetti v. Springer, et al., Case No. 1:22-cv-00652; on May 19, 2022, in the U.S. District Court for the Northern District of California, captioned Lapin v. Springer, et al., Case No. 3:22-cv-02980; on May 20, 2022, in the U.S. District Court for the Northern District of California, captioned Votto v. Springer, et al., Case No. 3:22-cv-02987; on September 20, 2022, in the U.S. District Court for the Northern District of California, captioned Fox v. Springer, et al., Case No. 3:22-cv-05343; on March 7, 2024, in the Delaware Court of Chancery, captioned Roy v. Alhadeff, et al., Case No. C.A. 2024-0223-PAF; on April 9, 2024, in the U.S. District Court for the Northern District of California, captioned Alexander v. Springer, et al., Case No. 3:24-cv-02139; on April 11, 2024, in the Delaware Court of Chancery, captioned Ingrao v. Beer, et al., Case No. C.A. 2024-0382-PAF; and on May 28, 2024, in the Delaware Court of Chancery, captioned Jordan v. Springer, et al., Case No. C.A. 2024-0564-PAF. Each case is allegedly brought on the Company’s behalf. The suits name the Company as a nominal defendant and, depending on the particular case, the members of our board of directors or, in certain instances, then-current or former officers, as defendants. While the complaints vary, they are based largely on the same underlying allegations as the securities class action suit described above (Weston), as well as, in certain instances, alleged insider trading. Collectively, these lawsuits purport to assert claims for, among other things, breach of fiduciary duty, aiding and abetting such breach, corporate waste, gross mismanagement, unjust enrichment, and under Sections 10(b) and 21D of the Securities Exchange Act of 1934. The complaints seek to recover unspecified damages and other relief on the Company’s behalf. By court order dated July 19, 2022, the first two cases in the Northern District of California (Lapin and Votto) have been consolidated and stayed in light of the securities class action and no response to the complaints in the action will be due unless and until the stay is lifted. The third case in the Northern District of California (Fox) was related to the other derivative suits and assigned to the same judge, and was similarly stayed by order of the court on December 2, 2022. The most recent case in the Northern District of California (Alexander) was also related to the other derivative suits and assigned to the same judge, and subsequently consolidated with Lapin and Votto and stayed by order of the court on May 8, 2024. The Delaware suit (Pottetti) was voluntarily dismissed on September 1, 2022, and then re-filed in the Delaware Court of Chancery on September 22, 2022, under the caption Pottetti v. Springer, et al., Case No. C.A. 2022-0852-PAF. The Delaware Court of Chancery issued an order on September 30, 2022, staying the action in light of the securities class action. On May 28, 2024, plaintiff filed a notice seeking to voluntarily dismiss the Delaware Court of Chancery Pottetti action. On June 14, 2024, the plaintiff in Pottetti moved to voluntarily dismiss that action and the Court granted the dismissal on June 17, 2024. Similar to the prior stay in Pottetti, we anticipate the newly filed suits (Roy, Ingrao, and Jordan) will be consolidated and stayed in light of the securities class action, such that no response to the complaints would be due unless and until the stay is lifted.

Docusign Civil Litigation

On October 25, 2022, an action was filed in the Delaware Court of Chancery, captioned Daniel D. Springer v. Mary Agnes Wilderotter and Docusign, Inc., Civil Action No. 2022-0963-LWW, concerning Mr. Springer's resignation from our board of directors. To avoid the cost and distraction of further litigation with Mr. Springer, we stipulated to entry of judgment in favor of Mr. Springer as to his disputed resignation and his status as a member of our board of directors. The Court of Chancery later dismissed the case.

In addition, on January 26, 2023, Mr. Springer delivered a demand for arbitration before JAMS, a private alternative dispute resolution firm, captioned Daniel D. Springer v. Docusign, Inc. and Mary Agnes Wilderotter. The demand alleged that Mr. Springer was wrongfully terminated as Chief Executive Officer; asserted related claims against Docusign and Ms. Wilderotter, including defamation, withholding promised compensation and breach of contract. The arbitration hearing for this case took place in March 2024.

On August 28, 2024, the arbitrator issued a final, non-appealable order which decided against Mr. Springer on all of his claims, and did not award him any relief. Docusign considers the matter closed.

Note 10. Stockholders' Equity

Equity Incentive Plans

We maintain three stock-based compensation plans: the 2018 Equity Incentive Plan (the "2018 Plan"), the Amended and Restated 2011 Equity Incentive Plan and the Amended and Restated 2003 Stock Plan.

As of July 31, 2024, 39.3 million shares of our common stock were available for issuance under the 2018 Plan.

Restricted Stock Units

RSU activity for the six months ended July 31, 2024 was as follows:

(in thousands, except per share data)	Number of Units	Weighted-Average Grant Date Fair Value
Unvested at January 31, 2024	26,700	$ 60.70
Granted	10,403	57.84
Vested	(4,352)	71.83
Canceled	(2,256)	69.55
Unvested at July 31, 2024	30,495	$ 57.28

As of July 31, 2024, our total unrecognized compensation cost related to RSUs was $ 1.3 billion. We expect to recognize this expense over the remaining weighted-average period of approximately 2.99 years.

As of July 31, 2024, the grant date fair value of unvested RSUs subject to market-based and performance-based vesting conditions ("PSU") was $ 129.6 million. The number of RSUs granted or canceled included in the table above reflects shares that could be eligible to vest at 100% of target for PSUs and includes adjustments for over or under achievement for PSUs granted in prior periods.

Stock Options

Option activity for the six months ended July 31, 2024 was as follows:

(in thousands, except years and per share data)	Number of Options	Weighted-Average Exercise Price Per Share	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding at January 31, 2024, all vested and exercisable	1,385	$ 17.39	2.63	$ 60,117
Exercised	(85)	12.86		
Canceled/expired	(1)	13.43		
Outstanding at July 31, 2024, all vested and exercisable	1,299	$ 17.70	2.27	$ 48,940

As of July 31, 2024, there was no remaining unrecognized compensation cost related to stock option grants.

Employee Stock Purchase Plan

The Employee Stock Purchase Plan ("ESPP") allows eligible employees to purchase shares of our common stock at a discounted price, normally through payroll deductions, subject to the terms of the ESPP and applicable law. As of July 31, 2024, 12.1 million shares of our common stock were reserved for issuance under the ESPP.

Compensation expense related to the ESPP was $ 3.5 million and $4.5 million for the three months ended July 31, 2024 and 2023, respectively, and $6.6 million and $8.7 million for the six months ended July 31, 2024 and 2023, respectively.

Stock Repurchase Program

In March 2022, our board of directors authorized a stock repurchase program of up to $ 200.0 million of our outstanding common stock. Subsequently, in September 2023, our board of directors authorized an increase to our existing stock repurchase program for an additional amount of up to $300.0 million of our outstanding common stock. In May 2024, our board of directors authorized an increase to our existing stock repurchase program for an additional amount of up to $1.0 billion of our outstanding common stock.

During the three months ended July 31, 2024, we repurchased and canceled 3.8 million shares of common stock for an aggregate amount of $ 201.7 million. During the six months ended July 31, 2024, we repurchased and canceled 6.3 million shares of common stock for an aggregate amount of $ 350.8 million. The repurchase amount includes the 1% excise tax as a result of the Inflation Reduction Act ("IRA").

During the three months ended July 31, 2023, we repurchased and canceled 0.6 million shares of common stock for an aggregate amount of $ 30.0 million. During the six months ended July 31, 2023, we repurchased and canceled 1.3 million shares of common stock for an aggregate amount of $ 70.5 million.

Note 11. Restructuring and Other Related Charges

2024 Restructuring Plan

During the first quarter of fiscal 2024, our board of directors authorized a restructuring plan (the “2024 Restructuring Plan”) designed to support our growth, scale and profitability objectives. We incurred costs associated with the 2024 Restructuring Plan related to employee termination benefits and other costs mainly in the first quarter of fiscal 2024. As of the second quarter of fiscal 2024, the 2024 Restructuring Plan had been substantially completed.

2025 Restructuring Plan

During the first quarter of fiscal 2025, our board of directors authorized a restructuring plan (the “2025 Restructuring Plan”) designed to strengthen and support our financial and operational efficiency while continuing to invest in product and related initiatives. We incurred costs associated with the 2025 Restructuring Plan related to employee termination benefits and other costs mainly in the first quarter of fiscal 2025. As of the second quarter of fiscal 2025, the 2025 Restructuring Plan has been substantially completed.

These amounts are recorded to the Restructuring and other related charges within our consolidated statements of operations and comprehensive income as they are incurred.

For the three months ended July 31, 2024, restructuring and other related charges were $ 0.6 million for employee termination benefits. For the six months ended July 31, 2024, restructuring and other related charges were $29.7 million for employee termination benefits, which included stock-based compensation expense of $4.8 million. For the three months ended July 31, 2023, restructuring and other related charges were $ 0.8 million. For the six months ended July 31, 2023, restructuring and other related charges were $29.6 million, and primarily composed of $ 28.0 million for employee termination benefits, which included stock-based compensation expense of $5.0 million.

Restructuring liability activities during the six months ended July 31, 2024:

(in thousands)	January 31, 2024	Accruals	Cash Payments	July 31, 2024
2024 Restructuring Plan				
Other	122	—	(122)	—
Total	$ 122	$ —	$ (122)	$ —
2025 Restructuring Plan				
Employee termination benefits	$ —	$ 24,874	$ (24,276)	$ 598
Total	$ —	$ 24,874	$ (24,276)	$ 598

Note 12. Net Income per Share Attributable to Common Stockholders

The following table presents the calculation of basic and diluted net income per share attributable to common stockholders for periods presented:

	Three Months Ended July 31,		Six Months Ended July 31,	
(in thousands, except per share data)	**2024**	**2023**	**2024**	**2023**
Numerator:				
Net income attributable to common stockholders, basic	$ 888,211	$ 7,395	$ 921,971	$ 7,934
Add: Interest expense on convertible senior notes	—	46	—	403
Net income attributable to common stockholders, diluted	$ 888,211	$ 7,441	$ 921,971	$ 8,337
Denominator:				
Weighted-average common shares outstanding, basic	204,604	203,703	205,231	203,177
Effect of dilutive securities	3,670	4,489	4,328	5,107
Weighted-average common shares outstanding, diluted	208,274	208,192	209,559	208,284
Net income per share attributable to common stockholders:				
Basic	$ 4.34	$ 0.04	$ 4.49	$ 0.04
Diluted	$ 4.26	$ 0.04	$ 4.40	$ 0.04

Outstanding potentially dilutive securities that were excluded from the diluted per share calculations because they would have been antidilutive are as follows:

	Three Months Ended July 31,		Six Months Ended July 31,	
(in thousands)	**2024**	**2023**	**2024**	**2023**
RSUs	8,924	16,028	6,188	7,190
ESPP	443	456	274	289
Total antidilutive securities	9,367	16,484	6,462	7,479

Note 13. Income Taxes

Our tax provision or benefit from income taxes for interim periods is determined using an estimate of our annual effective tax rate as prescribed under Accounting Standards Codification ("ASC") 740, "*Income Taxes*", adjusted for discrete items, if any, that are taken into account in the relevant period. Each quarter, we update our estimate of the annual effective tax rate, and if our estimated tax rate changes, we make a cumulative adjustment, which results in a provision or benefit from income taxes in current or subsequent quarters.

Our income tax (benefit) / provision was $(816.3) million) and $15.1 million for the three months ended July 31, 2024 and 2023, respectively. Our income tax (benefit) / provision was $(813.5) million and $20.2 million for the six months ended July 31, 2024 and 2023, respectively.

We regularly assess the need for a valuation allowance on our deferred tax assets. In making this assessment, we consider both positive and negative evidence related to the likelihood of realization of the deferred tax assets to determine, based on the weight of available evidence, whether it is more likely than not that some or all the deferred tax assets will not be realized. As of July 31, 2024, based on all available positive and negative evidence, having demonstrated sustained U.S. profitability which is objective and verifiable, and taking into account anticipated future earnings, we have concluded it is more likely than not that our U.S. federal and states deferred tax assets will be realizable, with the exception of certain federal deferred tax assets subject to limitation on use and our California deferred tax assets. Our U.S. federal and state deferred tax assets largely consist of tax attribute carryforwards (including net operating losses and tax credits) and capitalized research expenditures, all of which are expected to be fully utilized in light of anticipated future earnings. We continue to maintain a valuation allowance against California deferred tax assets due to the uncertainty regarding realizability of these deferred tax assets as they have not met the "more likely than not" realization criterion. We expect future research and development tax credit generation in California to exceed our ability to use the existing tax credits.

When a change in valuation allowance is recognized during an interim period, the change in valuation allowance resulting from current year income is included in the annual effective tax rate and the release of valuation allowance supported by projections of future taxable income is recorded as a discrete tax benefit in the interim period. We released $837.7 million of our valuation allowance as a discrete tax benefit during the three and six months ended July 31, 2024. We will continue to monitor the need for a valuation allowance against our deferred tax assets on a quarterly basis.

As of July 31, 2024, our gross unrecognized tax benefits totaled $71.2 million, excluding related accrued interest and penalties, of which $58.8 million would impact the effective tax rate if recognized. Our policy is to account for interest and penalties related to uncertain tax positions as a component of income tax provision. We do not expect material changes to our gross unrecognized tax benefits within the next 12 months.

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our condensed consolidated financial statements and related notes included elsewhere in this Quarterly Report on Form 10-Q and with our audited consolidated financial statements included in our fiscal 2024 Annual Report on Form 10-K. As discussed in the section titled “Note Regarding Forward-Looking Statements,” the following discussion and analysis contains forward-looking statements that involve risks and uncertainties, as well as assumptions that, if they never materialize or prove incorrect, could cause our results to differ materially from those expressed or implied by such forward-looking statements. Factors that could cause or contribute to these differences include, but are not limited to, those identified below and those discussed in the section titled “Risk Factors” under Part II, Item 1A in this Quarterly Report on Form 10-Q and in our fiscal 2024 Annual Report on Form 10-K. Our fiscal year ends January 31.

Executive Overview of Second Quarter Results

Overview

Docusign offers solutions that address agreement workflows and digital transformation. Docusign’s core offerings, including the world’s leading electronic signature and CLM products, allow organizations to boost productivity, accelerate contract review cycles, and transform agreement data into insights and actions, while providing a better experience for their customers. Additionally, Docusign has introduced its IAM platform, enabling organizations to create, commit to, and manage agreements, from virtually anywhere in the world, securely. As a result, approximately 1.6 million customers and more than a billion users worldwide utilize our platform to accelerate and simplify the process of doing business.

Historically, we have primarily offered access to our products on a subscription basis with prices based on the functionality our customers require and the quantity of Envelopes required by our customers. Similar to the physical envelopes historically used to mail paper documents, an Envelope is a digital container used to send one or more documents for signature or approval to one or more recipients. Our customers have the flexibility to put a large number of documents in an Envelope. For a number of use cases, such as buying a home, multiple Envelopes are used over the course of the process. To drive customer reach and adoption, we also offer for free certain limited-time or feature-constrained versions of our platform.

In addition, we have begun offering our new IAM platform on a user-based subscription basis. The subscription offerings have multiple pricing tiers as well as specialized packages for specific user personas and end markets beginning with sales and customer experience. The rollout of the platform and additional pricing model began gradually in certain customer segments and geographies starting in the second quarter of fiscal 2025, and we plan to continue the platform rollout across additional segments and geographies. As a result, we currently expect eSignature to continue to represent the majority of our revenue for the foreseeable future.

We generate substantially all our revenue from sales of subscriptions, which accounted for 97% of our revenue in each of the three and six month periods ended July 31, 2024 and 2023. Our subscription fees include the use of our products and access to customer support. Subscriptions generally range from one to three years, and substantially all our multi-year customers pay in annual installments, one year in advance.

We also generate revenue from professional and other non-subscription services, which consists primarily of fees associated with providing new customers deployment and integration services. Other revenue includes amounts derived from sales of on-premises solutions. Professional services and other revenue accounted for the remainder of total revenue in each of the three and six months ended July 31, 2024 and 2023. We anticipate continuing to invest in customer success through our professional services offerings as we believe it plays an important role in accelerating our customers’ adoption of our products, which helps drive customer retention and expansion.

We are highly focused on continuing to acquire new customers to support our long-term growth. We have invested, and expect to continue to invest in our go-to-market efforts involving an omnichannel approach that consists of direct sales, partner-assisted sales and digital self-service purchasing. As of July 31, 2024, we had a total of approximately 1.6 million customers, including approximately 253,000 enterprise and commercial customers, compared to over 1.4 million customers and approximately 226,000 enterprise and commercial customers as of July 31, 2023. We define a customer as a separate and distinct buying entity, such as a company, an educational or government institution, or a distinct business unit of a large company that has an active contract to access our products.

We offer subscriptions to our products to businesses at all scales, from global enterprise down to local, very small businesses ("VSBs"). We have an omnichannel go-to-market approach that consists of direct sales, partners to sell to our customers, and digital self-serve. We offer more than 900 active partner integrations with the applications that many of our customers already use so that they can create, commit and manage agreements directly within these applications. We have a diverse customer base spanning across virtually all industries and around the world with no significant customer concentration. No single customer accounted for more than 10% of total revenue in any of the periods presented.

We focused initially on selling our products to commercial businesses and VSBs and later expanded our focus to target enterprise customers. The number of our customers with greater than $300,000 in annualized contract value was 1,066 customers as of July 31, 2024 compared to 1,047 customers as of July 31, 2023. Each of our customer types has a different purchasing pattern. VSBs typically become customers by quickly utilizing our digital and self-serve channels and generate smaller average contract values, while commercial and enterprise customers typically involve longer sales cycles, larger contract values and greater expansion opportunities for us.

Financial Results for the Three and Six Months Ended July 31, 2024 and 2023

	Three Months Ended July 31,		Six Months Ended July 31,	
(in thousands)	2024	2023	2024	2023
Total revenue	$ 736,027	$ 687,687	$ 1,445,667	$ 1,349,075
Total costs and expenses	678,226	681,075	1,365,238	1,347,114
Total stock-based compensation expense	164,656	151,707	307,160	296,413
Income from operations	57,801	6,612	80,429	1,961
Net income	888,211	7,395	921,971	7,934
Net cash provided by operating activities	220,208	211,016	475,034	444,651
Purchases of property and equipment	(22,280)	(27,379)	(45,033)	(46,436)

Cash, cash equivalents, restricted cash and investments were $1.0 billion as of July 31, 2024.

Key Factors Affecting Our Performance

We believe that our future performance will depend on many factors, including the following:

Investing for Growth

We believe that our market opportunity is large, and we plan to invest to support long-term growth. This includes optimizing our omnichannel go-to-market opportunities to target attractive growth opportunities balanced with a more efficient go-to-market cost structure, accelerating product innovation through the continued investment in research and development, and enhancing operational and financial efficiency to scale effectively. Additionally, we continue to evaluate strategic acquisitions and investments. By focusing on infrastructure and technology that best serve our diverse customer base, we are prioritizing initiatives that not only enhance our product capabilities but also expand our product solutions.

We believe these combined efforts will strengthen our ability to retain and grow within our existing customer base, while also attracting new customers.

Growing Customer Base

We believe that our ability to increase the number of customers using our products, particularly the number of enterprise and commercial customers, is an indicator of our market penetration, the growth of our business and our potential future business opportunities. By increasing awareness of our products, further developing our sales and marketing expertise and continuing to build features tuned to different industry needs, we have expanded the diversity of our customer base to include organizations of all sizes across nearly every industry.

Retaining and Expanding Contracts with Existing Enterprise and Commercial Customers

Many of our customers have increased spend with us as they have expanded their use of our offerings in both existing and new use cases across their front or back office operations. Our enterprise and commercial customers may start with just one use case and gradually implement additional use cases across their organization once they see the benefits of our products. Several of our largest enterprise customers have deployed our software platform for hundreds of use cases across their organizations. We believe there is significant expansion opportunity with our customers following their initial adoption of our software platform.

Increasing International Revenue

Our international revenue represented 28% of total revenue in each of the three and six months ended July 31, 2024 compared to 26% of total revenue in each of the three and six months ended July 31, 2023.

We started our international selling efforts in English-speaking common law countries, such as Canada, the UK and Australia, where we were able to leverage our core technologies due to similar approaches to electronic signature in these jurisdictions and the U.S. We have since made significant investments to be able to offer our products in select civil law countries. For example, in Europe, we offer Standards-Based Signature (“SBS”) technology tailored for the European Union’s (“EU”) electronic Identification, Authentication and Trust Services (“eIDAS”) regulations. SBS supports signatures that involve digital certificates, including those specified in the EU’s eIDAS regulations for advanced and qualified electronic signatures.

We believe there is a substantial opportunity for us to increase our international customer base by leveraging and expanding investments in our technology, direct sales force and strategic partnerships around the world, as well as helping existing U.S.-based customers manage agreements across their international businesses. We have experienced increased demand across multiple regions and are focusing our sales and marketing resources to capitalize on the potential growth of these markets. Additionally, we expect to continue to develop and enhance our strategic partnerships in key international markets as we grow internationally.

Components of Results of Operations

Revenue

We derive revenue primarily from the sale of subscriptions and, to a lesser extent, professional services.

Subscription Revenue	Subscription revenue consists of fees for the use of our software platform and our technical infrastructure and access to customer support, which includes phone or email support. We typically invoice customers annually in advance. We recognize subscription revenue ratably over the term of the contract subscription period beginning on the date access to our software platform is provided.
Professional Services and Other Revenue	Professional services revenue includes fees associated with new customers requesting deployment and integration services. We price professional services on a time and materials basis and on a fixed fee basis. We generally have standalone value for our professional services and recognize revenue based on standalone selling price as services are performed or upon completion of services for fixed fee contracts. Other revenue includes amounts derived from sales of on-premises solutions.

Overhead Allocation

We allocate shared overhead costs, such as facilities (including rent, utilities and depreciation on equipment shared by all departments), information technology, information security and recruiting costs to all departments based on headcount. As such, these allocated overhead costs are reflected in each cost of revenue and operating expense category.

Cost of Revenue

Cost of Subscription Revenue	Cost of subscription revenue primarily consists of expenses related to hosting our software platform and providing support. These expenses consist of employee-related costs, including salaries, bonuses, benefits, stock-based compensation and other related costs associated with our technical infrastructure, customer success and customer support. These expenses also consist of software and maintenance costs, third-party hosting fees, outside services associated with the delivery of our subscription services, amortization expense associated with capitalized internal-use software and acquired intangible assets, credit card processing fees and allocated overhead costs.
Cost of Professional Services and Other Revenue	Cost of professional services and other revenue consists primarily of personnel costs for our professional services delivery team, travel-related costs and allocated overhead costs.

Gross Profit and Gross Margin

Gross profit is total revenue less total cost of revenue. Gross margin is gross profit expressed as a percentage of total revenue. We expect that gross profit and gross margin will continue to be affected by various factors including our pricing, timing and amount of investment to maintain or expand our hosting capability, the growth of our software platform support and professional services team, stock-based compensation expenses, amortization of costs associated with capitalized internal use software and acquired intangible assets and allocated overhead costs.

Operating Expenses

Our operating expenses consist of sales and marketing, research and development, general and administrative, and restructuring and other related charges. As our revenues continue to increase, our operating expenses as a percentage of revenue may increase or decrease at different rates, driven by the timing of revenue recognition, the timing of hiring, our investments in growth and other factors.

Sales and Marketing Expense	Sales and marketing expense consists primarily of personnel costs, including sales commissions. These expenses also include expenditures related to advertising, marketing, promotional events and brand awareness activities, as well as allocated overhead costs. We expect sales and marketing expense to continue to increase in absolute dollars as we enhance our product offerings and implement marketing strategies.
Research and Development Expense	Research and development expense consists primarily of personnel costs. These expenses also include non-personnel costs, such as subcontracting, consulting and professional fees for third-party development resources, as well as allocated overhead costs. Our research and development efforts focus on maintaining and enhancing existing functionality and adding new functionality. We expect research and development expense to increase in absolute dollars as we invest in the enhancement of our software platform.
General and Administrative Expense	General and administrative expense consists primarily of employee-related costs for those employees providing administrative services such as legal, human resources, information technology related to internal systems, accounting and finance. These expenses also include certain third-party consulting services, certain facilities costs, allocated overhead costs, and lease-related charges. We expect general and administrative expense to increase in absolute dollars to support the overall growth of our operations.
Restructuring and Other Related Charges	Restructuring and other related charges consist primarily of costs associated with restructuring plans approved by our board of directors. In connection with these restructuring actions or other exit actions, which were undertaken to improve operating margin and support our growth, scale and profitability objectives, we recognize costs related to termination benefits for former employees whose positions were eliminated, the write-off of facility-related balances, and other costs.

Interest Expense

In fiscal 2024, interest expense consisted primarily of contractual interest expense and amortization of debt issuance costs on our Notes. The Notes were extinguished during fiscal year 2024. In fiscal 2025, interest expense consists primarily of commitment fees on the undrawn balance of our revolving credit facility and the amortization of the associated issuance costs.

Interest Income and Other Income, Net

Interest income and other income, net, consists primarily of interest earned on our cash, cash equivalents and investments, changes in fair value of our strategic investments and foreign currency transaction gains and losses.

Provision for (Benefit from) Income Taxes

Our income tax benefit consists primarily of the release of a $837.7 million valuation allowance related to our U.S. deferred tax assets. We regularly assess the need for a valuation allowance on our deferred tax assets. In making this assessment, we consider both positive and negative evidence related to the likelihood of realization of the deferred tax assets to determine, based on the weight of available evidence, whether it is more likely than not that some or all the deferred tax assets will not be realized. As of July 31, 2024, based on all available positive and negative evidence, having demonstrated sustained U.S. profitability, which is objective and verifiable, and taking into account anticipated future earnings, we have concluded it is more likely than not that our U.S. federal and states deferred tax assets will be realizable, with the exception of certain federal deferred tax assets subject to limitation on use and our California deferred tax assets. We continue to maintain a valuation allowance against these deferred tax assets due to the uncertainty regarding realizability of these deferred tax assets as they have not met the “more likely than not” realization criterion.

Discussion of Results of Operations

The following table summarizes our historical consolidated statements of operations data:

(in thousands, except percentages)	Three Months Ended July 31, 2024	As % of revenue	Three Months Ended July 31, 2023	As % of revenue	Six Months Ended July 31, 2024	As % of revenue	Six Months Ended July 31, 2023	As % of revenue
Revenue:								
Subscription	$ 717,366	97 %	$ 669,367	97 %	$ 1,408,849	97 %	$ 1,308,674	97 %
Professional services and other	18,661	3	18,320	3	36,818	3	40,401	3
Total revenue	736,027	100	687,687	100	1,445,667	100	1,349,075	100
Cost of revenue:								
Subscription	132,372	18	116,185	17	258,974	18	225,127	17
Professional services and other	23,093	3	29,397	4	45,937	3	56,942	4
Total cost of revenue	155,465	21	145,582	21	304,911	21	282,069	21
Gross profit	580,562	79	542,105	79	1,140,756	79	1,067,006	79
Operating expenses:								
Sales and marketing	287,464	39	294,838	43	569,108	39	575,443	43
Research and development	147,571	20	135,960	20	281,891	20	251,324	19
General and administrative	87,129	12	103,884	15	179,607	12	208,695	15
Restructuring and other related charges	597	—	811	—	29,721	2	29,583	2
Total operating expenses	522,761	71	535,493	78	1,060,327	73	1,065,045	79
Income from operations	57,801	8	6,612	1	80,429	6	1,961	—
Interest expense	(544)	—	(1,592)	—	(688)	—	(3,558)	—
Interest income and other income, net	14,630	2	17,455	2	28,739	2	29,700	2
Income before provision for (benefit from) income taxes	71,887	10	22,475	3	108,480	8	28,103	2
Provision for (benefit from) income taxes	(816,324)	(111)	15,080	2	(813,491)	(57)	20,169	1
Net income	$ 888,211	121 %	$ 7,395	1 %	$ 921,971	65 %	$ 7,934	1 %

The following discussion and analysis is for the three and six months ended July 31, 2024, compared to the same period in 2023, unless otherwise stated .

Revenue

(in thousands, except for percentages)	Three Months Ended July 31, 2024	Three Months Ended July 31, 2023	2024 versus 2023	Six Months Ended July 31, 2024	Six Months Ended July 31, 2023	2024 versus 2023
Revenue:						
Subscription	$ 717,366	$ 669,367	7 %	$ 1,408,849	$ 1,308,674	8 %
Professional services and other	18,661	18,320	2 %	36,818	40,401	(9) %
Total revenue	$ 736,027	$ 687,687	7 %	$ 1,445,667	$ 1,349,075	7 %

Subscription revenue increased by $48.0 million, or 7%, in the three months ended July 31, 2024 and by $100.2 million, or 8%, in the six months ended July 31, 2024. The increase was primarily due to the expansion of revenue from existing customers and the addition of new customers, as well as an increase in sales to our commercial and enterprise customers through our direct and indirect go-to-market initiatives. We continue to invest in a variety of customer programs and initiatives, which, along with expanded customer use cases, have helped increase our subscription revenue over time.

Cost of Revenue and Gross Margin

(in thousands, except for percentages)	Three Months Ended July 31, 2024	Three Months Ended July 31, 2023	2024 versus 2023	Six Months Ended July 31, 2024	Six Months Ended July 31, 2023	2024 versus 2023
Cost of revenue:						
Subscription	$132,372	$116,185	14 %	$ 258,974	$ 225,127	15 %
Professional services and other	23,093	29,397	(21) %	45,937	56,942	(19) %
Total cost of revenue	$155,465	$145,582	7 %	$ 304,911	$ 282,069	8 %
Gross margin:						
Subscription	82 %	83 %	(1) pts	82 %	83 %	(1) pts
Professional services and other	(24) %	(60) %	36 pts	(25)%	(41)%	16 pts
Total gross margin	79 %	79 %	— pts	79 %	79 %	— pts

Cost of subscription revenue increased by $16.2 million, or 14%, in the three months ended July 31, 2024 and by $33.8 million, or 15%, in the six months ended July 31, 2024, primarily driven by higher costs to support our growing customer base.

Increases in the three months ended July 31, 2024, primarily consisted of:

- $11.2 million in information technology costs, including a $7.7 million increase in hosting costs as we transition from co-located data centers to public cloud storage infrastructure to support future growth; and
- $4.7 million in personnel costs due to higher headcount driven by additional hiring and the Lexion acquisition.

Increases in the six months ended July 31, 2024, primarily consisted of:

- $21.2 million in information technology costs, including a $15.3 million increase in hosting costs as we transition from co-located data centers to public cloud infrastructure to support future growth; and
- $10.0 million in personnel costs and $5.3 million in stock-based compensation expense due to higher headcount driven by additional hiring.

Cost of professional services revenue decreased by $6.3 million, or 21%, in the three months ended July 31, 2024, and by $11.0 million, or 19% in the six months ended July 31, 2024, primarily driven by lower headcount resulting in lower personnel costs and stock-based compensation expense for both the three months and six months ended July 31, 2024.

Sales and Marketing

(in thousands, except for percentages)	Three Months Ended July 31, 2024	Three Months Ended July 31, 2023	2024 versus 2023	Six Months Ended July 31, 2024	Six Months Ended July 31, 2023	2024 versus 2023
Sales and marketing	$287,464	$294,838	(3) %	$ 569,108	$ 575,443	(1) %
Percentage of revenue	39 %	43 %		39 %	43 %	

Sales and marketing expenses decreased by $7.4 million, or 3%, in the three months ended July 31, 2024 and by $6.3 million, or 1%, in the six months ended July 31, 2024, primarily due to a decrease in marketing and advertising costs due to shifts in line with our go-to-market strategy.

Main drivers in the three months ended July 31, 2024, primarily consisted of:

- $10.1 million decrease in marketing and advertising, including a reduction in paid search, in line with cost efficiency measures, partially offset by
- $7.2 million increase in stock-based compensation expense due to executive transitions and annual merit increases.

Main drivers in the six months ended July 31, 2024, primarily consisted of:

- $10.5 million decrease in marketing and advertising, including a reduction in paid search, in line with cost efficiency measures, partially offset by
- $8.2 million increase in stock-based compensation expense due to executive transitions and annual merit increases.

Research and Development

	Three Months Ended July 31,		2024 versus	Six Months Ended July 31,		2024 versus
(in thousands, except for percentages)	2024	2023	2023	2024	2023	2023
Research and development	$147,571	$135,960	9 %	$ 281,891	$ 251,324	12 %
Percentage of revenue	20 %	20 %		20 %	19 %	

Research and development expenses increased by $11.6 million, or 9%, in the three months ended July 31, 2024 and by $30.6 million, or 12%, in the six months ended July 31, 2024, primarily due to investments in our workforce to drive product innovation. In the three months ended July 31, 2024, stock-based compensation increased $8.3 million due to executive transitions, annual merit increases, and higher headcount. In the six months ended July 31, 2024, stock-based compensation expense increased $16.5 million due to annual merit increases and executive transitions, and personnel expense increased $11.0 million due to rising headcount.

General and Administrative

	Three Months Ended July 31,		2024 versus	Six Months Ended July 31,		2024 versus
(in thousands, except for percentages)	2024	2023	2023	2024	2023	2023
General and administrative	$87,129	$103,884	(16) %	$ 179,607	$ 208,695	(14) %
Percentage of revenue	12 %	15 %		12 %	15 %	

General and administrative expenses decreased by $16.8 million, or 16%, in the three months ended July 31, 2024 and $29.1 million, or 14%, in the six months ended July 31, 2024.

The decrease in the three months ended July 31, 2024, primarily consisted of $13.5 million in professional fees and related expenses, including release of litigation accruals and insurance reimbursements for defense costs.

Decreases in the six months ended July 31, 2024, primarily consisted of:

- $14.8 million in stock-based compensation expense mainly due to executive transitions that occurred in fiscal 2024; and
- $14.0 million in professional fees and related expenses, including release of litigation related accruals and insurance reimbursements related to litigation fees.

Provision for (Benefit from) Income Taxes

(in thousands, except for percentages)	Three Months Ended July 31, 2024	Three Months Ended July 31, 2023	2024 versus 2023	Six Months Ended July 31, 2024	Six Months Ended July 31, 2023	2024 versus 2023
Provision for (benefit from) income taxes	$ (816,324)	$15,080	(5,513)%	$ (813,491)	$ 20,169	(4,133)%
Percentage of revenue	(111)%	2 %		(57)%	1 %	

The change in income tax benefit for the three and six months ended July 31, 2024, was primarily due to the release of $837.7 million of our valuation allowance related to our U.S. deferred tax assets, as a discrete tax benefit during the three months ended July 31, 2024. As of July 31, 2024, based on all available positive and negative evidence, having demonstrated sustained profitability which is objective and verifiable, and taking into account anticipated future earnings, we concluded that it is more likely than not that our U.S. federal and state deferred tax assets will be realizable, with the exception of certain federal deferred tax assets subject to limitation on use and our California deferred tax assets. We will continue to monitor the need for a valuation allowance against our deferred tax assets on a quarterly basis (see Note 13 to the Condensed Consolidated Financial Statements, included in Part I, Item 1 of this Form 10-Q for further details).

Liquidity and Capital Resources

Our principal sources of liquidity were cash, cash equivalents and investments, as well as cash generated from operations. As of July 31, 2024, we had $938.4 million in cash and cash equivalents and short-term investments. We also had $102.5 million in long-term investments that provide additional capital resources. We finance our operations primarily through payments by our customers for use of our product offerings and related services, and we have additional borrowing capacity available from our credit facility.

In January 2021, we entered into a $500.0 million credit facility, as amended in May 2023, which may be increased by an additional $250.0 million subject to customary terms and conditions. The credit facility is available until January 11, 2026, to optimize our capital structure and strengthen our balance sheet. There were no outstanding borrowings under the credit facility as of July 31, 2024, and we were in compliance with related covenants as of July 31, 2024.

We believe that our sources of liquidity, including our cash, cash equivalents and investments, and expected future operating cash flows, and borrowing capacity available to us from our credit facility, are adequate to meet our potential cash commitments as well as meet our working capital and capital expenditures needs for the foreseeable future, including upcoming maturities of our contractual obligations over the next 12 months.

Our future capital requirements will depend on many factors including our growth rate, customer retention and expansion, inflation, tax withholding obligations related to settlement of our RSUs, the timing and extent of spending to support our efforts to develop our software platform, the expansion of sales and marketing activities and the continuing market acceptance of our software platform. We may in the future enter into arrangements to acquire or invest in complementary businesses, technologies and intellectual property rights. We may be required to seek additional equity or debt financing. In the event that additional financing is required from outside sources, we may not be able to raise it on terms acceptable to us or at all. If we are unable to raise additional capital when desired, our business, operating results and financial condition would be adversely affected.

Our principal contractual obligations and commitments consist of obligations under operating leases, as well as noncancelable contractual commitments that primarily relate to cloud infrastructure support and sales and marketing activities . Refer to Note 9 to the Condensed Consolidated Financial Statements, included in Part I, Item 1 of this Form 10-Q.

We do not have any special purpose entities and we do not engage in off-balance sheet financing arrangements.

In addition to our contractual commitments, our board of directors has authorized a stock repurchase program, which commenced in March 2022 and does not have an expiration date. During the six months ended July 31, 2024, we repurchased 6.3 million shares of common stock for $350.8 million through our stock repurchase program. Included in the repurchase amount is the 1% excise tax as a result of the IRA. The program has no minimum purchase and no mandated end date. The repurchase program may be suspended or discontinued at any time at our discretion. We expect that our existing sources of liquidity, including our existing cash, cash equivalents and investments, expected future operating cash flows, and borrowing capacity of our credit facility, will finance the repurchase of common stock at management's discretion. The timing and amount of any repurchases of common stock will be determined by management based on its evaluation of market conditions and other factors.

Cash Flows

The following table summarizes our cash flows for the periods indicated:

	Six Months Ended July 31,			
(in thousands)		**2024**		**2023**
Net cash provided by (used in):				
Operating activities	$	475,034	$	444,651
Investing activities	$	(236,887)	$	(56,911)
Financing activities		(408,942)		(90,251)
Effect of foreign exchange on cash, cash equivalents and restricted cash		(2,677)		2,290
Net change in cash, cash equivalents and restricted cash	$	(173,472)	$	299,779

Cash Flows from Operating Activities

Cash provided by operating activities was $475.0 million in the six months ended July 31, 2024. Our primary sources of cash provided by operating activities were billings and the related cash collections in addition to interest income due to higher interest rates. Our primary uses of cash include the payment of employee salaries and benefits, including the payment of termination benefits under the 2025 Restructuring Plan implemented in the first quarter of fiscal 2025, in addition to vendor payments. Additionally, in connection with the acquisition of Lexion, we agreed to pay $19.1 million in deferred compensation for key employees, which we paid into an escrow account.

Cash provided by operating activities was $444.7 million for the six months ended July 31, 2023. Our primary sources of cash provided by operating activities were billings and the related cash collections in addition to interest income due to favorable interest rates. Our primary uses of cash include payment of employee salaries and benefits, including the payment of termination benefits under the 2024 Restructuring Plan implemented in the first quarter of fiscal 2024.

Cash Flows from Investing Activities

For the six months ended July 31, 2024, net cash used in investing activities of $236.9 million was primarily driven by the acquisition of Lexion, which totaled $143.6 million, net of cash acquired in addition to $47.6 million net purchases of marketable securities and $45.0 million in purchases of property and equipment as we continued to support operations at our data centers and invest in capitalized software development projects.

For the six months ended July 31, 2023 , cash used in investing activities of $56.9 million was primarily driven by $10.4 million net purchases of marketable securities in addition to $46.4 million in purchases of property and equipment as we continued to support operations at our data centers and invest in capitalized software development projects.

Cash Flows from Financing Activities

For the six months ended July 31, 2024, cash used in financing activities of $408.9 million was primarily driven by $349.1 million to repurchase 6.3 million shares of common stock at an average price of $55.02 per share through our stock repurchase program, and $59.8 million payments for tax withholding on share settlements, net of proceeds associated with equity plans.

For the six months ended July 31, 2023, cash used in financing activities of $90.3 million was primarily driven by $70.5 million to repurchase 1.3 million shares of common stock at an average price of $54.51 per share through our stock repurchase program, and $43.5 million payments for tax withholding on share settlements, net of proceeds associated with equity plans. We also received $23.7 million in connection with the settlement of our Capped Calls in relation to our 2023 Notes.

Critical Accounting Policies and Estimates

We prepare our financial statements in accordance with GAAP. Preparing these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses and related disclosures. We evaluate our estimates and assumptions on an ongoing basis. Our estimates are based on historical experience and various other assumptions that we believe to be reasonable under the circumstances. Our actual results could differ from these estimates.
The critical accounting estimates, assumptions and judgments that we believe to have the most significant impact on our consolidated financial statements are revenue recognition, deferred contract acquisition costs, stock-based compensation, income taxes, loss contingencies, business combinations, and valuation of acquired intangible assets in business combinations.

Except for the following, there have been no material changes to our critical accounting policies and estimates as described in our fiscal 2024 Annual Report on Form 10-K.

Valuation of Acquired Intangible Assets in Business Combinations

See Note 1, “Summary of Significant Accounting Policies,” to our consolidated financial statements included in our fiscal 2024 Annual Report on Form 10-K, for information regarding our significant accounting policies for business combinations.

At the acquisition date, we make significant estimates and assumptions when we determine the fair value of acquired assets and liabilities, especially with respect to acquired intangible assets. Key assumptions include, but are not limited to, time and resources required to recreate the assets acquired. Although we believe the assumptions and estimates we have made are reasonable and appropriate, they are based in part on historical experience and information obtained from the management of the acquired companies. Our estimates of fair value are based upon assumptions believed to be reasonable, but which are inherently uncertain. During the measurement period of up to one year, from the acquisition date, based on new information obtained that relates to the facts and circumstances that existed as of the acquisition date, we record adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill. We record adjustments identified, if any, subsequent to the end of the measurement period in our consolidated statement of operations.

Recent Accounting Pronouncements

Refer to Note 1 in the Notes to the Condensed Consolidated Financial Statements in Part I, Item 1 of this Form 10-Q for recently issued accounting pronouncements not yet adopted as of the date of this report.

Non-GAAP Financial Measures and Other Key Metrics

To supplement our consolidated financial statements, which are prepared and presented in accordance with GAAP, we use certain non-GAAP financial measures, as described below, to understand and evaluate our core operating performance. These non-GAAP financial measures, which may be different than similarly titled measures used by other companies, are presented to enhance investors' overall understanding of our financial performance and should not be considered a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP.

We believe that these non-GAAP financial measures provide useful information about our financial performance, enhance the overall understanding of our past performance and future prospects, and allow for greater transparency with respect to important metrics used by our management for financial and operational decision-making. We present these non-GAAP measures to assist investors in seeing our financial performance using a management view, and because we believe that these measures provide an additional tool for investors to use in comparing our core financial performance over multiple periods with other companies in our industry. However, these non-GAAP measures are not intended to be considered in isolation from, a substitute for, or superior to our GAAP results.

Non-GAAP gross profit, non-GAAP gross margin, non-GAAP income from operations, non-GAAP operating margin and non-GAAP net income : We define these non-GAAP financial measures as the respective GAAP measures, excluding expenses related to stock-based compensation, employer payroll tax on employee stock transactions, amortization of acquisition-related intangibles, amortization of debt discount and issuance costs, fair value adjustments to strategic investments, acquisition-related expenses, lease-related impairment and lease-related charges, restructuring and other related charges, and, as applicable, other special items. The amount of employer payroll tax-related items on employee stock transactions is dependent on our stock price and other factors that are beyond our control and do not correlate to the operation of the business. When evaluating the performance of our business and making operating plans, we do not consider these items (for example, when considering the impact of equity award grants, we place a greater emphasis on overall stockholder dilution rather than the accounting charges associated with such grants). We believe it is useful to exclude these expenses in order to better understand the long-term performance of our core business and to facilitate comparison of our results to those of peer companies and over multiple periods. In addition to these exclusions, we subtract an assumed provision for income taxes to calculate non-GAAP net income. We utilize a fixed long-term projected tax rate in our computation of the non-GAAP income tax provision to provide better consistency across the reporting periods. For fiscal 2024 and fiscal 2025, we have determined the projected non-GAAP tax rate to be 20%.

Free cash flow: We define free cash flow as net cash provided by operating activities less purchases of property and equipment. We believe free cash flow is an important liquidity measure of the cash that is available (if any), after purchases of property and equipment, for operational expenses, investment in our business and to make acquisitions. Free cash flow is useful to investors as a liquidity measure because it measures our ability to generate or use cash in excess of our capital investments in property and equipment. Once our business needs and obligations are met, cash can be used to maintain a strong balance sheet and invest in future growth.

Billings: We define billings as total revenues plus the change in our contract liabilities and refund liability less contract assets and unbilled accounts receivable in a given period. Billings reflects sales to new customers plus subscription renewals and additional sales to existing customers. Only amounts invoiced to a customer in a given period are included in billings. We believe billings can be used to measure our periodic performance, when taking into consideration the timing aspects of customer renewals, which represents a large component of our business. Given that most of our customers pay in annual installments one year in advance, but we typically recognize a majority of the related revenue ratably over time, we use billings to measure and monitor our ability to provide our business with the working capital generated by upfront payments from our customers.

Reconciliation of gross profit (loss) and gross margin:

	Three Months Ended July 31,		Six Months Ended July 31,	
(in thousands)	2024	2023	2024	2023
GAAP gross profit	$ 580,562	$ 542,105	$ 1,140,756	$ 1,067,006
Add: Stock-based compensation	20,591	20,367	39,474	38,454
Add: Amortization of acquisition-related intangibles	3,067	2,314	5,137	4,717
Add: Employer payroll tax on employee stock transactions	816	713	1,839	1,387
Add: Lease-related impairment and lease-related charges	—	292	—	721
Non-GAAP gross profit	$ 605,036	$ 565,791	$ 1,187,206	$ 1,112,285
GAAP gross margin	78.9 %	78.8 %	78.9 %	79.1 %
Non-GAAP adjustments	3.3 %	3.5 %	3.1 %	3.3 %
Non-GAAP gross margin	82.2 %	82.3 %	82.0 %	82.4 %
GAAP subscription gross profit	$ 584,994	$ 553,182	$ 1,149,875	$ 1,083,547
Add: Stock-based compensation	15,593	13,081	29,774	24,438
Add: Amortization of acquisition-related intangibles	3,067	2,314	5,137	4,717
Add: Employer payroll tax on employee stock transactions	595	465	1,387	930
Add: Lease-related impairment and lease-related charges	—	206	—	505
Non-GAAP subscription gross profit	$ 604,249	$ 569,248	$ 1,186,173	$ 1,114,137
GAAP subscription gross margin	81.5 %	82.6 %	81.6 %	82.8 %
Non-GAAP adjustments	2.7 %	2.4 %	2.6 %	2.3 %
Non-GAAP subscription gross margin	84.2 %	85.0 %	84.2 %	85.1 %
GAAP professional services and other gross loss	$ (4,432)	$ (11,077)	$ (9,119)	$ (16,541)
Add: Stock-based compensation	4,998	7,286	9,700	14,016
Add: Employer payroll tax on employee stock transactions	221	248	452	457
Add: Lease-related impairment and lease-related charges	—	86	—	216
Non-GAAP professional services and other gross profit	$ 787	$ (3,457)	$ 1,033	$ (1,852)
GAAP professional services and other gross margin	(23.8)%	(60.4)%	(24.8)%	(40.9)%
Non-GAAP adjustments	28.0 %	41.5 %	27.6 %	36.3 %
Non-GAAP professional services and other gross margin	4.2 %	(18.9)%	2.8 %	(4.6)%

Reconciliation of income from operations and operating margin:

	Three Months Ended July 31,		Six Months Ended July 31,	
(in thousands)	2024	2023	2024	2023
GAAP income from operations	$ 57,801	$ 6,612	$ 80,429	$ 1,961
Add: Stock-based compensation	164,448	151,673	302,324	291,425
Add: Amortization of acquisition-related intangibles	6,180	4,944	10,879	9,976
Add: Employer payroll tax on employee stock transactions	4,772	4,046	11,176	8,230
Add: Acquisition-related expenses	3,358	—	4,716	—
Add: Restructuring and other related charges	597	811	29,721	29,583
Add: Lease-related impairment and lease-related charges	—	1,784	—	4,460
Non-GAAP income from operations	$ 237,156	$ 169,870	$ 439,245	$ 345,635
GAAP operating margin	7.9 %	1.0 %	5.6 %	0.1 %
Non-GAAP adjustments	24.3 %	23.7 %	24.8 %	25.5 %
Non-GAAP operating margin	32.2 %	24.7 %	30.4 %	25.6 %

Reconciliation of net income:

(in thousands)	Three Months Ended July 31, 2024	Three Months Ended July 31, 2023	Six Months Ended July 31, 2024	Six Months Ended July 31, 2023
GAAP net income	$ 888,211	$ 7,395	$ 921,971	$ 7,934
Add: Stock-based compensation	164,448	151,673	302,324	291,425
Add: Amortization of acquisition-related intangibles	6,180	4,944	10,879	9,976
Add: Employer payroll tax on employee stock transactions	4,772	4,046	11,176	8,230
Add: Acquisition-related expenses	3,358	—	4,716	—
Add: Restructuring and other related charges	597	811	29,721	29,583
Add: Amortization of debt discount and issuance costs	—	1,294	—	2,898
Add: Fair value adjustments to strategic investments	—	—	—	119
Add: Lease-related impairment and lease-related charges	—	1,784	—	4,460
Add: Income tax and other tax adjustments	(866,572)	(22,325)	(906,950)	(54,790)
Non-GAAP net income	$ 200,994	$ 149,622	$ 373,837	$ 299,835

Computation of free cash flow:

(in thousands)	Three Months Ended July 31, 2024	Three Months Ended July 31, 2023	Six Months Ended July 31, 2024	Six Months Ended July 31, 2023
Net cash provided by operating activities	$ 220,208	$ 211,016	$ 475,034	$ 444,651
Less: Purchases of property and equipment	(22,280)	(27,379)	(45,033)	(46,436)
Non-GAAP free cash flow	$ 197,928	$ 183,637	$ 430,001	$ 398,215
Net cash provided by (used in) investing activities	$ (176,110)	$ (64,723)	$ (236,887)	$ (56,911)
Net cash used in financing activities	$ (239,068)	$ (69,347)	$ (408,942)	$ (90,251)

Computation of billings:

(in thousands)	Three Months Ended July 31, 2024	Three Months Ended July 31, 2023	Six Months Ended July 31, 2024	Six Months Ended July 31, 2023
Revenue	$ 736,027	$ 687,687	$ 1,445,667	$ 1,349,075
Add: Contract liabilities and refund liability, end of period	1,334,461	1,233,894	1,334,461	1,233,894
Less: Contract liabilities and refund liability, beginning of period	(1,340,680)	(1,210,965)	(1,343,792)	(1,191,269)
Add: Contract assets and unbilled accounts receivable, beginning of period	17,179	22,936	20,189	16,615
Less: Contract assets and unbilled accounts receivable, end of period	(17,461)	(22,358)	(17,461)	(22,358)
Add: Contract assets and unbilled accounts receivable by acquisitions	53	—	53	—
Less: Contract liabilities and refund liability contributed by acquisitions	(5,071)	—	(5,071)	—
Non-GAAP billings	$ 724,508	$ 711,194	$ 1,434,046	$ 1,385,957

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risks in the ordinary course of our business. Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. Our market risk exposure is primarily the result of fluctuations in foreign currency exchange and interest rates.

Interest Rate Risk

As of July 31, 2024, we had cash, cash equivalents and investments totaling $1.0 billion, which consisted primarily of bank deposits, money market funds, commercial paper, corporate notes and bonds and U.S. Treasury and government agency securities. Interest-earning instruments carry a degree of interest rate risk. Our investment portfolio is composed of highly rated securities and limits the amount of credit exposure to any one issuer. A hypothetical 100 basis point increase in interest rates would result in an approximate $2.7 million decrease of the fair value of our investment portfolio as of July 31, 2024. Such losses would only be realized if we sold the investments prior to maturity. We do not enter into investments for trading or speculative purposes and have not used any derivative financial instruments to manage our interest rate risk exposure. Additionally, our revolving credit facility, which is undrawn as of July 31, 2024, can be borrowed based on floating interest rate indexes, thus exposing us to potential interest rate fluctuations should we decide to access the facility.

Foreign Currency Exchange Risk

Our reporting currency is the U.S. dollar, and the functional currency of each of our subsidiaries is either its local currency or the U.S. dollar, depending on the circumstances. The assets and liabilities of each of our subsidiaries are translated into U.S. dollars at exchange rates in effect at each balance sheet date. Operations accounts are translated using the average exchange rate for the relevant period. A strengthening or weakening of the U.S. dollar against the other currencies may negatively or positively affect our operating results as expressed in U.S. dollars. Foreign currency translation adjustments are accounted for as a component of “Accumulated other comprehensive loss” within “Stockholders’ equity”. Gains or losses due to remeasurements of transactions denominated in foreign currencies are included in “Interest income and other income, net” in our consolidated statements of operations and comprehensive income. We have not engaged in the hedging of foreign currency transactions to date, although we may choose to do so in the future. We do not believe that an immediate 10% increase or decrease in the relative value of the U.S. dollar to other currencies would have a material effect on our operating results.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer (our principal executive officer) and Chief Financial Officer (our principal financial officer), has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the “Exchange Act”)), as of July 31, 2024. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that as of July 31, 2024, our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act (a) is recorded, processed, summarized and reported within the time periods specified by Securities and Exchange Commission (“SEC”) rules and forms and (b) is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding any required disclosure.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting identified in management’s evaluation pursuant to Rules 13a-15(d) or 15d-15(d) under the Exchange Act during the second quarter of fiscal 2025 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls and Procedures

Our management, including our Chief Executive Officer and Chief Financial Officer, believes that our disclosure controls and procedures and internal control over financial reporting are designed to provide reasonable assurance of achieving their objectives and are effective at the reasonable assurance level. However, our management does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of the controls. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time, we may be subject to legal proceedings and claims in the ordinary course of business. We have received, and may in the future continue to receive claims from third parties asserting, among other things, infringement of their intellectual property rights. Future litigation may be necessary to defend ourselves, our partners and our customers by determining the scope, enforceability and validity of third-party proprietary rights, or to establish our proprietary rights. The results of any current or future litigation cannot be predicted with certainty, and regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.

Docusign, Inc. Securities Litigation and Related Derivative Litigation

On February 8, 2022, a putative securities class action was filed in the U.S. District Court for the Northern District of California, captioned Weston v. Docusign, Inc., et al., Case No. 3:22-cv-00824, naming Docusign and certain of our then-current and former officers as defendants. An amended complaint was filed on July 8, 2022. As amended, the suit purports to allege claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended, and Rule 10b-5 promulgated thereunder, based on allegedly false and misleading statements about our business and prospects during the course of the COVID-19 pandemic. As amended, the suit is purportedly brought on behalf of purchasers of our securities between June 4, 2020 and June 9, 2022. Our motion to dismiss the case at the pleading stage was denied by the U.S. District Court on April 18, 2023 and the suit is now proceeding.

An earlier action alleging similar claims against the same defendants, captioned Collins v. Docusign, Inc., et al., Case No. 3:22-cv-00851, filed in the Eastern District of New York and subsequently transferred to the Northern District of California, was voluntarily dismissed on February 14, 2022.

Eight putative shareholder derivative cases have been filed containing allegations based on or similar to those in the securities class action (Weston). The cases were filed on May 17, 2022, in the U.S. District Court for the District of Delaware, captioned Pottetti v. Springer, et al., Case No. 1:22-cv-00652; on May 19, 2022, in the U.S. District Court for the Northern District of California, captioned Lapin v. Springer, et al., Case No. 3:22-cv-02980; on May 20, 2022, in the U.S. District Court for the Northern District of California, captioned Votto v. Springer, et al., Case No. 3:22-cv-02987; on September 20, 2022, in the U.S. District Court for the Northern District of California, captioned Fox v. Springer, et al., Case No. 3:22-cv-05343; on March 7, 2024, in the Delaware Court of Chancery, captioned Roy v. Alhadeff, et al., Case No. C.A. 2024-0223-PAF; on April 9, 2024, in the U.S. District Court for the Northern District of California, captioned Alexander v. Springer, et al., Case No. 3:24-cv-02139; on April 11, 2024, in the Delaware Court of Chancery, captioned Ingrao v. Beer, et al., Case No. C.A. 2024-0382-PAF; and on May 28, 2024, in the Delaware Court of Chancery, captioned Jordan v. Springer, et al., Case No. C.A. 2024-0564-PAF. Each case is allegedly brought on the Company’s behalf. The suits name the Company as a nominal defendant and, depending on the particular case, the members of our board of directors or, in certain instances, then-current or former officers, as defendants. While the complaints vary, they are based largely on the same underlying allegations as the securities class action suit described above (Weston), as well as, in certain instances, alleged insider trading. Collectively, these lawsuits purport to assert claims for, among other things, breach of fiduciary duty, aiding and abetting such breach, corporate waste, gross mismanagement, unjust enrichment, and under Sections 10(b) and 21D of the Securities Exchange Act of 1934. The complaints seek to recover unspecified damages and other relief on the Company’s behalf. By court order dated July 19, 2022, the first two cases in the Northern District of California (Lapin and Votto) have been consolidated and stayed in light of the securities class action and no response to the complaints in the action will be due unless and until the stay is lifted. The third case in the Northern District of California (Fox) was related to the other derivative suits and assigned to the same judge, and was similarly stayed by order of the court on December 2, 2022. The most recent case in the Northern District of California (Alexander) was also related to the other derivative suits and assigned to the same judge, and subsequently consolidated with Lapin and Votto and stayed by order of the court on May 8, 2024. The Delaware suit (Pottetti) was voluntarily dismissed on September 1, 2022, and then re-filed in the Delaware Court of Chancery on September 22, 2022, under the caption Pottetti v. Springer, et al., Case No. C.A. 2022-0852-PAF. The Delaware Court of Chancery issued an order on September 30, 2022, staying the action in light of the securities class action. On May 28, 2024, plaintiff filed a notice seeking to voluntarily dismiss the Delaware Court of Chancery Pottetti action. On June 14, 2024, the plaintiff in Pottetti moved to voluntarily dismiss that action and the Court granted the dismissal on June 17, 2024. Similar to the prior stay in Pottetti, we anticipate the newly filed suits (Roy, Ingrao, and Jordan) will be consolidated and stayed in light of the securities class action, such that no response to the complaints would be due unless and until the stay is lifted.

Docusign Civil Litigation

On October 25, 2022, an action was filed in the Delaware Court of Chancery, captioned Daniel D. Springer v. Mary Agnes Wilderotter and Docusign, Inc., Civil Action No. 2022-0963-LWW, concerning Mr. Springer's resignation from our board of directors. To avoid the cost and distraction of further litigation with Mr. Springer, we stipulated to entry of judgment in favor of Mr. Springer as to his disputed resignation and his status as a member of our board of directors. The Court of Chancery later dismissed the case.

In addition, on January 26, 2023, Mr. Springer delivered a demand for arbitration before JAMS, a private alternative dispute resolution firm, captioned Daniel D. Springer v. Docusign, Inc. and Mary Agnes Wilderotter. The demand alleged that Mr. Springer was wrongfully terminated as Chief Executive Officer; asserted related claims against Docusign and Ms. Wilderotter, including defamation, withholding promised compensation and breach of contract. The arbitration hearing for this case took place in March 2024.

On August 28, 2024, the arbitrator issued a final, non-appealable order which decided against Mr. Springer on all of his claims, and did not award him any relief. Docusign considers the matter closed.

ITEM 1A. RISK FACTORS

Risk Factors Summary

These summary risks provide an overview of many of the risks we are exposed to in the normal course of our business. As a result, the following summary risks do not contain all the information that may be important to you, and you should read them together with the more detailed discussion of risks set forth following this section under the heading "Risk Factors," and with the other information in this Quarterly Report on Form 10-Q. Additional risks beyond those discussed below in "Risk Factors" or elsewhere in this Quarterly Report on Form 10-Q that we do not currently anticipate or that we currently deem immaterial could have an adverse effect on our business, results of operations, financial condition or prospects, and could cause the trading price of our common stock to decline.

These risks include, but are not limited to, the following:

Business and Industry Risks

- Any decrease in adoption of our eSignature product, without a corresponding increase in our other products.
- Any inability to attract new customers and retain and expand sales to existing customers.
- Our inability to compete in an evolving and highly competitive market.
- Our systems and security measures being compromised or subject to data breaches, cyberattacks or other malicious activity.
- Any real or perceived improper use of, disclosure of, or access to sensitive customer data.
- Our IAM platform, products, and solutions not evolving to meet the needs of our customers or failing to achieve market acceptance.
- Any inability to manage our growth effectively.
- An over-estimation of the size of our total addressable market.
- Any interruption or delay in performance from our technical operations infrastructure, co-located data centers and third-party cloud providers.
- Any loss of highly skilled personnel, including our management team or other key employees, or inability to attract, integrate and retain such employees necessary to support our business.
- Our inability to maintain successful relationships with our strategic partners or to establish and maintain relationships with partners that provide complementary technology.
- Any inability to effectively develop and expand our marketing and sales capabilities.

Financial Risks, including Taxation

- Any fluctuations in our financial results or failure to meet expectations of securities analysts or investors.
- Our long and unpredictable sales cycles, which often require considerable time and expense.
- The delay in reflecting downturns or upturns in sales contracts in our operating results due to recognition of subscription revenue.
- Any failure to forecast our revenue accurately, or failure to match our expenditures with corresponding revenue.
- Any operational challenges in connection with our current or future international operations.
- A lack of additional capital or the availability to use it on reasonable terms to support business growth and objectives.
- Any limits on business flexibility and access to capital due to substantial indebtedness.
- Any limits on our ability to use our net operating loss carryforwards to offset future taxable income.

Legal and Regulatory Risks

- Any actual or perceived failure to comply with laws and regulations affecting our business.

- Legal proceedings against us by third parties for various claims, including any current or future legal proceedings.
- Any failure to adequately protect our proprietary rights, including intellectual property rights.
- The implementation of AI in our business and challenges with properly governing its use.

Risks Related to our Common Stock

- Any volatility in the market price of our common stock.

General Risks

- Unfavorable conditions in our industry or the global economy or reductions in information technology spending.
- Natural catastrophic events and man-made problems, including the effects of climate change.

Risk Factors

Our business involves significant risks, some of which are described below. You should carefully consider the following risks, together with all the other information in this Quarterly Report on Form 10-Q, including in the preceding Risk Factors Summary, and our consolidated financial statements and the related notes included elsewhere in this Quarterly Report on Form 10-Q.

Business and Industry Risks

We derive a majority of our revenue from our eSignature product, and slower or declining adoption of our eSignature product, without a corresponding increase in the use of our other products and solutions, could cause our operating results to suffer.

Sales of subscriptions to our eSignature product account for substantially all of our subscription revenue and are the source of substantially all of our professional services revenue. Although we continue to add to our suite of products and solutions for automating the agreement process, we expect that we will be substantially dependent on our eSignature product to generate revenue for the foreseeable future. As a result, our operating results could suffer due to:

- any decline in demand for our eSignature product;
- the failure of our eSignature product to maintain market acceptance;
- the market for electronic signatures failing to grow, or growing more slowly than we expect;
- new products and technologies from our competitors that replace or represent an improvement over our eSignature product;
- new technological innovations or standards that our eSignature product does not address;
- changes in regulations;
- sensitivity to our current or future pricing;
- our inability to release enhanced versions of our eSignature product on a timely basis; and
- macro- and micro-economic factors, including inflation, changes in interest rates, increased debt and equity market volatility, actual or perceived instability in the global banking sector, and the impact of regional or global conflicts or other public health crises.

We have experienced, and may continue to experience, declines and fluctuations in the demand for our eSignature product due to a number of factors, including changing patterns of customer adoption and retention, shifts in customer spending levels, a highly competitive market, and general economic and global market conditions. We will need to maintain or increase sales of subscriptions to our eSignature product, in addition to increasing the usage and adoption of our other product offerings, in order to support our growth and operating objectives. If customer adoption and expansion of our eSignature product falls below our expectations, our business, financial condition, and operating results would be adversely affected.

If we are unable to attract new customers and retain and expand sales to existing customers, our revenue growth will be adversely affected.

To increase our revenue, we must continue to grow our customer base. As our market matures, product and service offerings evolve, and competitors introduce lower cost and/or differentiated products or solutions that compete or are perceived to compete with our products and solutions, our ability to attract new customers could be impaired. This may be especially challenging where organizations have already invested significantly in an existing solution. If our pricing is not competitive or we cannot attract new customers and subsequently maintain and expand those customer relationships, our business and operating results may be harmed.

Our ability to increase our revenue also depends on our ability to expand the sales of our products and solutions to, and renew subscriptions with, existing customers and their organizations. Our existing customers, especially our enterprise customers, must increase their use of our products and solutions by purchasing new products, additional subscriptions and our enhanced products and solutions. We may also, from time to time, invest in products and functionalities to diversify our sales and marketing strategy. If these or other efforts to attract new customers or expand sales to our existing customers are not successful, our business, operating results and financial condition may suffer.

Moreover, a majority of our subscription contracts are for one year. Our customers have no obligation to renew their subscriptions and we cannot guarantee that our customers will renew their subscriptions with us for a similar or greater contract period or on the same or more favorable terms. Our renewal and expansion rates may decline or fluctuate as a result of a number of factors, including customer spending levels, customer dissatisfaction, decreases in the number of users with our customers, changes in the type and size of our customers, pricing, competitive conditions, customer attrition and general economic and global market conditions, including as a result of inflation, changes in interest rates, actual or perceived instability in the global banking sector, increased debt and equity market volatility and the impact of regional or global conflicts or other public health crises. If our customers do not renew their subscriptions for our products and solutions or if they reduce their subscription amounts at the time of renewal, our revenue will decline, and our business will suffer.

The market in which we participate is evolving and highly competitive, which may negatively affect our ability to add new customers, retain existing customers and grow our business.

Our products and solutions address a market that is evolving and highly competitive. We have customers in a wide variety of industries, including real estate, financial services, insurance, manufacturing, and healthcare and life sciences. We intend to continue to expand our sales efforts internationally, where many countries may have less familiarity with and acceptance of e-signature products. It is difficult to predict customer demand for our products and solutions, customer retention and expansion rates, the size and growth rate of the market for agreement automation, the entry of competitive products or the success of existing competitive products. We expect that we will continue to need intensive sales efforts to educate prospective customers, particularly enterprise and commercial customers and international customers, about the uses and benefits of our products and solutions. Additionally, we face competition from different companies depending on the product or solution. For example, our primary global e-signature competitor is currently Adobe Sign. We also face competition from a select number of vendors that focus on specific industries, geographies or product areas such as contract lifecycle management and advanced contract analytics. As we attempt to sell our products and solutions to new and existing customers, we must convince them that our products and solutions are superior to the solutions that their organizations have used in the past.

Many of our competitors have longer operating histories than us, significantly greater financial, technical, marketing and other resources, stronger brand and customer recognition, larger intellectual property portfolios and broader global distribution. As a result, our competitors may be able to respond more quickly and effectively than we can to new or changing opportunities, technologies, standards or customer requirements. Our competitors may also offer lower pricing than we do or bundle certain competing products and services at a lower price. Further, we could lose customers if our competitors develop new competitive products and solutions, acquire competitive products, reduce prices, form strategic alliances with other companies, are acquired by third parties with greater resources or develop and market new technologies that render our existing or future products less competitive, unmarketable or obsolete. For example, disruptive technologies such as generative AI may fundamentally alter the market for our services in unpredictable ways and reduce customer demand. If we are unable to effectively compete, our business, operating results and financial condition would be harmed.

Our systems and security measures have been, and may in the future be, compromised or subject to data breaches, cyberattacks, or other malicious activity, which could result in customers reducing or stopping their use of our products, our reputation being harmed, and significant liabilities and adverse effects on our operating results and financial condition.

Our operations involve the storage and transmission of customer data, personal data and other sensitive information, and our corporate environment contains important company data and/or business records, employee data and data from partner, vendor or other relationships, as well as a wide variety of our own internal company, partner and employee information. Our employees, service providers and third parties often work on a remote or hybrid arrangement basis, which may involve relying on less secure systems and may increase the risk of cybersecurity related incidents. We cannot guarantee these private work environments and electronic connections to our work environment have the same robust security measures as those deployed in our physical offices. We also rely on third-party and public-cloud infrastructure, and we depend in part on third-party security measures to protect against unauthorized access, cyberattacks and the mishandling of customer data. Our ability to monitor our third-party service providers' data security is limited and any breach of our providers' security measures may result in unauthorized access to, or misuse, loss or destruction of, our and our customers' data.

While we have security measures in place designed to protect our production and development environment and other systems, maintain the integrity of customer, company, partner and employee information, and prevent data loss, misappropriation and other security breaches and incidents, we have faced security incidents in the past that did not have a material impact on our operations. In these cases, upon detection, we took prompt action to prevent any additional unauthorized access, put further security controls in place and worked with law enforcement agencies, when appropriate. These efforts may not completely eliminate potential risks from such incidents. Furthermore, there can be no assurance that there will be no impact to our operations from these or similar incidents in the future. Despite our prevention and response efforts, any security incident or breach, even if immaterial and properly addressed, could result in negative publicity, loss of customers, damage to our reputation and could impair our sales and harm our business.

Like other organizations providing valuable technology and services, we are subject to increasing cyberattacks from malicious third parties using a wide variety of tactics. The frequency and sophistication of such threats continues to increase and often becomes further heightened in connection with geopolitical tensions. In addition, we face increased risk to maintain the performance, reliability, security and availability of our products and technical infrastructure to the satisfaction of our customers. Advances in technology and the increasing sophistication of attackers have led to more frequent and effective cyberattacks, including advanced persistent threats by state-sponsored actors, cyberattacks relying on complex social engineering or "phishing" tactics, ransomware attacks and other methods including credential stuffing and account takeover attacks, denial or degradation of service attacks, malicious code (e.g., viruses and worms), and many other techniques that may lead to the loss, theft or misuse of personal, corporate or financial information, fraudulent payments and identity theft. If bad actors gain improper access to our systems or databases or those of our partners, service providers, and other third parties who have access to our data, they may be able to steal, publish, delete, copy, unlawfully or fraudulently use or modify data, including personal information and/or blackmail us to pay a ransom.

If our security measures, or the security measures of our partners, service providers, or customers, are compromised, our reputation could be damaged, our ability to attract and retain customers could be adversely affected, we could be subject to negative publicity, increased costs to remedy any problems and otherwise respond to any incident, monetary and other losses for us or our customers, identity theft for our customers, the inability to expand our business, additional scrutiny, restrictions, fines or penalties from regulatory or governmental authorities, loss of customers and customer confidence in our services, ongoing regulatory oversight, assessments and audits, exposure to civil litigation, and/or a breach of our contracts with third parties, all of which could expose us to significant liability and harm our business, financial condition, and operating results.

Despite significant efforts to identify vulnerabilities and create security barriers to such threats, it is virtually impossible for us, our service providers, our partners and our customers to entirely mitigate these risks. Further, we could be forced to expend significant financial and operational resources in response to a security breach, including repairing system damage, increasing security protection costs, investigating and remediating any information security vulnerabilities, complying with data breach notification obligations and applicable laws, and defending against and resolving legal and regulatory claims, all of which could divert resources and the attention of our management and key personnel away from our business operations and materially and adversely affect our business, financial condition, and operating results. In July 2023, the Securities and Exchange Commission (the "SEC") also adopted a new cybersecurity rule (effective in December 2023) requiring companies subject to SEC reporting requirements to formally report material cyber security incidents, where failure to report may result in the SEC imposing injunctions, fines and other penalties. Additionally, there can be no assurance that any limitations of liability provisions in our contracts would be enforceable or adequate in the event of a security breach or would otherwise protect us from any such liabilities or damages with respect to any particular claim.

We also cannot be sure that our existing general liability insurance coverage, our cybersecurity coverage, and coverage for errors or omissions will continue to be available on acceptable terms or will be available in sufficient amounts to cover one or more large claims, or that insurers will not deny coverage as to any future claim. Security breaches may result in increased costs for such insurance as well. One or more large, successful claims against us in excess of our available insurance coverage, or changes in our insurance policies, including premium increases or large deductible or coinsurance requirements, could have an adverse effect on our business, operating results and financial condition.

We obtain and process a large amount of sensitive customer data. Any actual or perceived improper use of, disclosure of, or access to such data could harm our reputation, as well as have an adverse effect on our business.

We receive, store and process personal information and other data from and about our customers, employees, partners and service providers. In addition, customers use our products and solutions to obtain and store personal information, health information (including protected health information) and personal financial information. Our handling of data is thus subject to a variety of laws and regulations around the world, including regulation by various government agencies, such as the respective Data Protection Authorities of the United Kingdom and other EU member states who enforce the General Data Protection Regulation, the U.S. Federal Trade Commission (the “FTC”), the U.S. Department of Health and Human Services Office for Civil Rights (the “OCR”), the California Privacy Protection Agency, and other various state, local and foreign agencies and other authorities, such as each U.S. state’s attorney general. Our data handling also is subject to contractual obligations and industry standards.

We have internal and publicly posted policies, notices, and other related documentation regarding our collection, data categorization or identification, processing, use, disclosure, deletion and security of information. Although we endeavor to comply with our policies and documentation, we may at times fail to do so or be accused of having failed to do so. The publication of our privacy notices and other related documentation that provide commitments about data privacy and security can subject us to potential actions if they are found to be non-compliant, deceptive, unfair, or otherwise misrepresent our actual practices, which could materially and adversely affect our business, financial condition and results of operations.

We are subject to various evolving laws and regulations governing our use of our business data. For more information on these laws and regulations, see the risk factor “*We are subject to laws and regulations affecting our business, including those related to e-signature, marketing, advertising, privacy, data protection and information security. Our actual or perceived failure to comply with laws or regulations could harm our business. Complying with laws and regulations, in particular those related to privacy and data protection, could also result in additional costs and liabilities to us or inhibit sales of our software.*” If we are not able to comply with these laws or regulations or if we become liable under these evolving laws or regulations, we could be directly harmed, and we may be forced to implement new measures to reduce our exposure to this liability. This may require us to expend substantial resources or to discontinue certain solutions, which would negatively affect our business, operating results and financial condition. In addition, the increased attention focused upon liability issues as a result of lawsuits and legislative proposals could harm our reputation or otherwise impact the growth of our business. Any costs incurred as a result of this potential liability could harm our business and operating results.

Additionally, any failure or perceived failure by us to comply with laws, regulations, policies, legal or contractual obligations, industry standards, or regulatory guidance relating to privacy or data security, may result in governmental investigations and enforcement actions, litigation, fines and penalties or adverse publicity, and could cause our customers and partners to lose trust in us, which could have an adverse effect on our reputation and business.

If our IAM platform, products, and solutions do not evolve to meet the needs of our customers or fail to achieve sufficient market acceptance, our financial results and competitive position will suffer.

We spend substantial amounts of time and money to research, develop and enhance our existing products, add new offerings, incorporate additional functionality, and solve new use cases to meet our customers’ rapidly evolving demands. Maintaining adequate research and development resources, such as the appropriate personnel and development technology, to meet the demands of our customers and potential customers is essential to our business. If we are unable to develop products and solutions internally due to a lack of research and development resources, we may be forced to rely on acquisitions to expand into certain markets or technologies, which can be costly. When we develop or acquire new or enhanced products and solutions, we typically incur expenses and expend resources upfront to develop, market, promote and sell them. For example, in April 2024, we launched our new IAM platform. When we introduce new or enhanced products and solutions, they must achieve high levels of market acceptance to justify the amount of our investment in developing or acquiring them and bringing them to market.

Our platform, products, solutions or enhancements to our existing products and solutions could also fail to attain sufficient market acceptance for many reasons, including:

- failure to predict market demand for particular features or functions, or to timely meet demand;
- defects, errors or failures in our platform, products, and solutions;
- negative publicity about their performance or effectiveness;
- changes in applicable legal or regulatory requirements, or increased legal or regulatory scrutiny, adversely affecting our products and solutions;
- delays in releasing our products and solutions to the market;
- negative customer perception of our IAM platform or new products and solutions;
- inability to effectively execute our go-to-market and sales-directed strategies for our IAM platform, including the implementation of additional pricing models for products or enhancements; and
- introduction or anticipated introduction of competing products by our competitors.

For example, we have made, and intend to continue making, significant investments in our platform and developing products that incorporate AI, and while we believe that such platform and new products will drive future growth of our business, the development of such new features involves significant risks and costs, and there is no guarantee that any such offerings will ultimately be successful. If the release of these or other new and enhanced products, solutions or functionalities as part of our platform do not meet customer needs or if our customers do not accept them, our business, operating results and financial condition would be harmed. The adverse effect on our financial results may be particularly acute because of the significant research, development, marketing, sales and other expenses we will have incurred.

Our prior rapid growth may not be indicative of our future growth.

While we've previously experienced periods of rapid growth, we expect that, in the future, as our revenue increases, our revenue growth rate could decline as the scale of our business increases. For example, while we experienced an increase in paying customers and revenue in the past, in part due to macro-economic conditions, including the COVID-19 pandemic, there is no assurance that we will experience a continued increase in paying customers or that new or existing customers will utilize our products at similar levels. Additionally, future revenue growth rates may fail to meet the expectations of investors or securities analysts, particularly if measured against previous periods of accelerated revenue growth such as those experienced during the earlier phases of the COVID-19 pandemic and the resulting increased adoption of remote work and reduced seasonality experienced during such periods.

We believe that future growth of our revenue depends on a number of factors, including our ability to:

- price our products and solutions effectively so that we are able to attract and retain customers;
- attract new customers, increase our existing customers' use of our products and solutions and provide our customers with excellent customer support;
- expand our product offerings for our customers, including our ability to successfully implement such product offerings and ensure successful adoption of new or enhanced product offerings by our customers;
- effectively implement our sales strategies, including the expansion of self-serve capabilities;
- continue to introduce our products and solutions to new markets outside of the U.S.;
- mitigate and effectively manage the increased pace of the digital transformation of business and the costs of monitoring and complying with evolving governmental mandates;
- hire, retain, train, and integrate our employee base including our sales force, customer success, research and development teams and key employees;
- successfully identify and develop, acquire or invest in businesses, products or technologies that we believe could complement or expand our products and solutions; and
- increase global awareness of our brand.

We may not successfully accomplish any of these objectives. We expect to continue to expend substantial financial and other resources on:

- product development and innovation;
- sales, including our omni channel: direct, self-serve and partners;
- marketing to expand brand awareness both in the U.S. and internationally;
- our technology infrastructure, including information technology systems, systems architecture, management tools, scalability, availability, performance and security, as well as disaster recovery measures;
- acquisitions or strategic investments;
- international expansion; and
- general administration, including legal and accounting expenses.

In addition to growth in revenue, we have also experienced significant growth in the number of our customers and users, the number and complexity of the transactions we handle, and the amount of data that our infrastructure supports. Our growth has placed and may continue to place significant demands on our management and our operational and financial resources.

Finally, our business is becoming more complex as we increase our product offerings, expand internationally and acquire complementary companies, products and technologies. In connection with this increased complexity, we are working to improve our operational, financial and management controls as well as our reporting systems and procedures, including streamlining or automating manual processes, all of which requires capital expenditures and management attention. Failure to effectively manage our growth and operations could have an adverse effect on our business, operating results and financial condition.

If we have overestimated the size of our total addressable market, our future growth rate may be limited.

We have estimated the size of our total addressable market based on internally generated data and assumptions, as well as data published by third parties, which we have not independently verified. While we believe our market size estimates are reasonable, such information is inherently imprecise and subject to a high degree of uncertainty. If our third-party or internally generated data prove to be inaccurate or we make errors in our assumptions based on that data, our actual market may be more limited than our estimates. In addition, these inaccuracies or errors may cause us to misallocate capital and other critical business resources, which could harm our business. Even if our total addressable market meets our size estimates and experiences growth, we may not continue to grow our share of the market.

We depend on co-located data centers and third-party cloud providers, as well as our own technical operations infrastructure, to provide our products and solutions to our customers in a timely manner. Interruptions or delays in performance of our products and solutions could result in customer dissatisfaction, damage to our reputation, loss of customers, limited growth and reduction in revenue.

We currently serve our customers from third-party data center hosting facilities and cloud service providers. Our customers need to be able to access our products at any time, without interruption or degradation of performance. In some cases, third-party cloud providers run their own platforms that we access, and we are, therefore, vulnerable to their service interruptions. As a result, we depend, in part, on our providers’ ability to protect our service supply chain against damage or interruption, including from natural disasters, regional or global conflicts, power or telecommunications failures, criminal acts and similar events. In the event that our data center and service arrangements are terminated, or if there are any lapses of service or damage to a data center, we could experience lengthy interruptions in our service as well as delays and additional expenses in arranging new facilities and services. Even with current and planned disaster recovery arrangements, our disaster recovery planning may not account for all eventualities and our business could be harmed.

In addition to third-party data centers and cloud service providers, we also rely on our own technical operations infrastructure to support and serve our increasing customer base. We must maintain sufficient excess capacity in our operations infrastructure to ensure that our products and solutions are accessible within an acceptable load time. Design and mechanical errors, spikes in usage volume and failure to follow system protocols and procedures could cause our systems to fail, resulting in interruptions in our products and solutions.

Furthermore, in July 2024, a software update by CrowdStrike Holdings, Inc., a cybersecurity technology company, caused widespread crashes of Windows systems into which it was integrated, including certain Windows systems that may have been used by our third-party service providers, vendors and customers. As of the date of this Quarterly Report on Form 10-Q, we have not experienced any material impacts as a result of the CrowdStrike software update, but we could in the future experience similar third-party software-induced interruptions to our operations.

Any interruptions or delays in our service, whether or not caused by our products, whether as a result of third-party error, our own error, natural disasters and the effects of climate change, operational disruptions related to labor shortages, public health crises or security breaches, whether accidental or willful, could harm our relationships with customers and cause our revenue to decrease and/or our expenses to increase. Also, in the event of damage or interruption, our insurance policies may not adequately compensate us for any losses that we may incur. These factors in turn could further reduce our revenue, subject us to liability and cause us to issue credits or cause customers to fail to renew their subscriptions, any of which could adversely affect our business.

We rely on the performance of highly skilled personnel, including our management and other key employees, and failing to attract, integrate, or retain such employees could harm our business.

Our success and future growth depend upon the continued services of highly skilled personnel, including our management team and other key employees. Changes in our management team resulting from the hiring or departure of executives and key employees from time to time could disrupt our business. In the last 12 months, there have been significant changes to our senior leadership team. For example, in August 2024, Steve Shute, our President, Worldwide Field Operations, departed the Company and Paula Hansen was appointed as our President, Chief Revenue Officer.

These changes and any future significant leadership changes or senior management transitions involve inherent risk. In addition, executive leadership transition periods can be disruptive and may result in a loss of personnel with deep institutional or technical knowledge, or result in changes to business strategy or objectives, and may negatively impact our operations and relationships with employees and customers due to increased or unanticipated expenses, operational inefficiencies, uncertainty regarding changes in strategy, decreased employee morale and productivity, and increased turnover.

Our future success, and our ability to achieve our operational and business objectives, depends in large part on the successful recruitment, integration and continued service of senior management and other key personnel. In particular, we are highly dependent on the services of our senior management team, many of whom are essential to the development of our technology, platform, future vision, and strategic direction. Our senior management and key employees are employed on an at-will basis, meaning that we may terminate their employment at any time, with or without cause, and they may resign at any time, with or without cause. If we lose one or more of our senior management or other key employees and are unable to find adequate replacements, or if we fail to attract, integrate, retain and motivate members of our senior management team and key employees or otherwise fail to retain a significant portion of our workforce, our business could be harmed. For example, in February 2023, in an effort to support our growth, scale and profitability objectives, we authorized an additional restructuring plan, which included a restructuring and reduction of the current workforce by approximately 10%. The execution of this restructuring plan was substantially completed at the end of the second quarter of fiscal 2024. Further, in February 2024, in an effort to strengthen and support our financial and operational efficiency while continuing to invest in product and related initiatives, we authorized an additional restructuring plan, which included a restructuring and reduction of the current workforce by approximately 6%. The execution of this restructuring plan was substantially completed at the end of the second quarter of fiscal 2025. These restructuring plans could negatively impact our ability to attract, integrate, retain and motivate key employees.

We also are dependent on the continued service of our existing software engineers because of the complexity of our products and solutions. In particular, we compete with many other companies for software developers with high levels of experience and skilled sales and operations professionals in a tight U.S. labor market. We also require skilled product development, marketing, sales, finance and operations professionals, and we may not be successful in attracting and retaining the professionals we need, particularly in our principal U.S. locations in the San Francisco Bay Area and Seattle. Additionally, while we currently employ a hybrid model where employees have the flexibility to work from home, changes to our workplace arrangements could impact our ability to maintain our corporate culture or productivity, increase attrition or limit our ability to attract employees if individuals prefer to work full time at home or in the office. Competition for employees in our industry (and especially with expertise in AI technology and at our principal U.S. locations) is intense, and many of the companies we compete with for experienced personnel have greater resources than we do. To remain competitive, we may experience increased compensation-related expenses.

Our sales to government entities and highly regulated organizations are subject to a number of challenges and risks.

We sell to U.S. federal, state and local, as well as foreign, government agencies and public sector customers, as well as to customers in highly regulated industries such as financial services, pharmaceuticals, insurance, healthcare and life sciences. Sales to such entities are subject to a number of challenges and risks, including those related to our status as a service provider to U.S. state and federal governmental agencies. Selling to such entities can be highly competitive, expensive and time-consuming, often requiring significant upfront time and expense to meet unique compliance requirements, some of which may be statutory or regulatory, without any assurance that these efforts will generate a sale. These longer sale cycles make the timing of future revenue from these entities difficult to predict. Further, government compliance requirements may change, restricting our ability to sell into the government sector until we have met those revised requirements. Failure to meet government contract compliance obligations can create the risk of statutory penalties as well as standard breach of contract risk. Government demand and payment for our offerings are affected by public sector budgetary cycles and funding authorizations, and funding reductions or delays, including as a result of macro-economic factors, including inflation, changes in interest rates, government shutdowns, the U.S. presidential election, actual or perceived instability in the global banking sector, regional or global conflicts and public health crises, may adversely affect public sector demand for our products and solutions.

In addition, both government agencies and entities in highly regulated industries may demand shorter subscription periods or other contract terms that differ from our standard arrangements, including terms that can lead those customers to obtain broader rights in our offerings than would be standard. Such agencies and entities may have statutory, contractual or other legal rights to terminate contracts with us or our partners due to a default or for other reasons, and any such termination may adversely affect our business, operating results and financial condition.

If we are unable to maintain successful relationships with our partners, our business, operating results and financial condition could be harmed.

In addition to our direct sales force and our website, we use strategic partners, such as global system integrators, value-added resellers and independent software vendors, to sell our subscription offerings and solutions. Our agreements with our partners are generally nonexclusive, meaning our partners may offer their customers products and services of several different companies, including products and services that compete with ours, or may themselves be or become competitors. If our partners do not effectively market and sell our subscription offerings and solutions, choose to use greater efforts to market and sell their own products and services or those of our competitors, or fail to meet the needs of our customers, our ability to grow our business and sell our subscription offerings and solutions may be harmed. Our partners may cease marketing our subscription offerings or solutions with limited or no notice and with little or no penalty. In addition, acquisitions of our partners by our competitors could result in a decrease in the number of our current and potential customers, as our partners may no longer facilitate the adoption of our products and solutions by potential customers. The loss of a substantial number of our partners, our possible inability to replace them or the failure to recruit additional partners could harm our growth objectives and operating results. Even if we are successful in maintaining and recruiting new partners, we cannot assure you that these relationships will result in increased customer usage of our products and solutions or increased revenue. Additionally, as the scale of our partnership efforts increases with our growth, the successful implementation of these relationships may become more time-consuming, difficult and costly to realize, which could negatively impact our business performance or our brand reputation.

Failure to establish and maintain relationships with partners that can provide complementary technology offerings and software integrations could limit our ability to grow our business.

Our products and solutions seamlessly integrate with hundreds of other software applications, including Google, Microsoft, Oracle, Salesforce, SAP, and ServiceNow. Our growth strategy includes expanding the use of our products and solutions through complementary technology offerings and software integrations, such as third-party APIs. While we have established partnerships with providers of complementary offerings and software integrations, we cannot guarantee that we will be successful in continuing to maintain and scale these partnerships or establishing partnerships with additional providers as we grow. In the future, third-party providers of complementary technology offerings and software integrations may decline to enter into, or may later terminate, relationships with us; change their features or platforms; restrict our access to their applications and platforms; alter the terms governing use of and access to their applications and APIs; or implement other changes that could functionally limit or terminate our ability to use these third-party technology offerings and software integrations with our platform, any of which could negatively impact our offerings and harm our business.

We have in the past, and may in the future, engage in acquisition and investment activities, which could divert the attention of management, disrupt our business, dilute stockholder value and adversely affect our operating results and financial condition.

As part of our business strategy, we continually evaluate opportunities to acquire or invest in businesses, products or technologies that we believe could complement or expand our products and solutions, enhance our technical capabilities or otherwise offer growth opportunities. For example, in May 2024, we acquired Lexion, an AI-powered contract management platform which features intelligent contract repository and agreement workflow automation and reporting. In the future, we may be unable to identify suitable acquisition candidates and, even if we do, we may not be able to complete desired acquisitions on favorable terms, if at all. If we are unable to complete acquisitions, we may not be able to strengthen our competitive position or achieve our goals. Future acquisitions and investments may result in unforeseen operating difficulties and expenditures, including disrupting our ongoing operations, diverting management attention, increasing our expenses, and subjecting us to additional liabilities. An acquisition may also negatively affect our financial results because it may:

- require us to incur charges or assume substantial debt;
- cause adverse tax consequences or unfavorable accounting treatment;
- expose us to claims and disputes by third parties, including intellectual property and privacy claims and disputes;
- not generate sufficient financial return to offset additional costs and expenses related to the acquisition;
- cause us to incur liabilities for activities of the acquired company before the acquisition;
- cause us to record impairment charges associated with goodwill and other acquired intangible assets; and
- cause other unforeseen operating difficulties and expenditures.

Moreover, to pay for an acquisition or investment, we would have to use cash, incur debt and/or issue equity securities, each of which may affect our financial condition or the value of our common stock and (in the case of equity financing) could result in dilution to our stockholders.

In addition, a failure to successfully integrate the operations, personnel or technologies of an acquired business could impact our ability to realize the full benefits of such an acquisition. Our limited experience acquiring companies increases these risks. If we are unable to achieve the anticipated strategic benefits of an acquisition or if the integration or the anticipated financial and strategic benefits, including any anticipated cost savings, revenue opportunities or operational synergies, of such an acquisition are not realized as rapidly as or to the extent anticipated by us, our business, operating results and financial condition could suffer.

Failure to effectively develop and expand our marketing and sales capabilities could harm our ability to increase our customer base and achieve broader market acceptance of our products and solutions.

Our ability to increase our customer base and achieve broader market acceptance of our products and solutions depends to a significant extent on our ability to expand our marketing and sales operations. We continue to make investments in our sales force and strategic partnerships, including expansion and training, both domestically and internationally. We also dedicate significant resources to our sales and marketing efforts by investing in advertising campaigns on a variety of media platforms, including online and social media. The effectiveness of our online advertising has varied over time and may vary in the future due to competition for key search terms, changes in search engine use and changes in the search algorithms used by major search engines. If we cannot cost-effectively deploy our expanding sales force, both domestically and internationally, and use our marketing tools, or if we fail to promote our products and solutions efficiently and effectively, our ability to acquire new customers and our financial condition may suffer.

We may need to reduce or change our pricing model to remain competitive.

Different pricing structures apply to our Docusign product offerings. For eSignature, we price our subscriptions based on the functionality required by our customers and the quantity of Envelopes required by our customers. We expect that we may need to change our pricing or pricing structures from time to time, including in connection with the launch of our IAM platform and new or enhanced offerings or in response to competitive pressures. For example, in the second quarter of fiscal 2025, we began to offer our IAM platform on a user-based subscription with transaction-based add-ons. The rollout of our IAM platform and additional pricing model began gradually, starting in the second quarter of fiscal 2025. Additionally, as new or existing competitors introduce new competitive products or reduce their prices, we may be unable to attract new customers or retain existing customers based on our historical pricing. As we expand internationally, we must also determine the appropriate price to enable us to compete effectively in non-U.S. markets. Moreover, mid- to large-size enterprises may demand substantial price discounts as part of the negotiation of sales contracts. As a result, we may be required or choose to reduce our prices or otherwise change our pricing model, which could adversely affect our business, operating results and financial condition.

We may not be able to scale our business quickly enough to meet the growing needs of our customers and if we are not able to grow efficiently, our operating results could be harmed.

As use of our products and solutions grows and as customers use them for more types of transactions, we will need to devote additional resources to improving our application architecture, integrating with third-party systems and maintaining or scaling our technology infrastructure and performance. In addition, we will need to appropriately scale our internal business systems and our services organization, including customer support and professional services, to serve our growing customer base.

Any failure of or delay in these efforts could cause impaired system performance and reduced customer satisfaction. These issues make our products and solutions less attractive to customers, resulting in decreased sales to new customers, lower renewal rates by existing customers, or the issuance of service credits or refunds, which could hurt our revenue growth and our reputation. Even if we are able to upgrade our systems and expand our staff, any such expansion will be expensive and complex, requiring management time and attention. We could also face inefficiencies or operational failures as a result of our efforts to scale our infrastructure. Moreover, there are inherent risks associated with upgrading, improving and expanding our systems infrastructure. We cannot be sure that the expansion and improvements to our systems infrastructure will be effectively implemented on a timely basis, if at all. These efforts may be costly and could adversely affect our financial results.

For example, in fiscal 2023, we launched a new enterprise resource planning (“ERP”) system, which is designed to accurately maintain our financial records, enhance the flow of financial information, improve data management, and provide timely information to our management team. ERP system implementations are complex projects that require significant investment of capital and human resources, the reengineering of many business processes and the attention of many employees who would otherwise be focused on other aspects of our business. Our failure to improve our systems and processes or their failure to operate in the intended manner, could harm our business, financial condition, and operating results. Additionally, if the ERP system does not operate as intended, the effectiveness of our internal control over financial reporting could be adversely affected.

Additionally, from time to time, we realign our resources and talent to implement stage-appropriate business strategies, which could include furloughs, layoffs and reductions in force. For more information on reductions in force, see the risk factor above *"We rely on the performance of highly skilled personnel, including our management and other key employees, and failing to attract, integrate, or retain such employees could harm our business."* If there are unforeseen expenses associated with such realignments in our business strategies, and we incur unanticipated charges or liabilities, then we may not be able to effectively realize the expected cost savings or other benefits of such actions. Failure to manage any growth or any scaling back of our operations could have an adverse effect on our business, operating results, and financial condition.

If our products and solutions fail to perform properly and if we fail to develop enhancements to resolve any defect or other problems, we could lose customers or become subject to service performance or warranty claims and our market share could decline.

Our operations are dependent upon our ability to prevent system interruptions and, as we continue to grow, we will need to devote additional resources to improving our infrastructure in order to maintain the performance of our products and solutions. The applications underlying our products and solutions are inherently complex and may contain material defects or errors, which may cause disruptions in availability or other performance problems. We have from time to time found defects in our products and solutions and may discover additional defects in the future that could result in data unavailability or unauthorized access or other harm to, or loss or corruption of, our customers' data. While we implement bug fixes and upgrades as part of our regularly scheduled system maintenance, we may not be able to reasonably anticipate and correct defects or errors before implementing our products and solutions. Consequently, we or our customers may discover defects or errors after our products and solutions have been employed. If we fail to perform timely maintenance or if customers are otherwise dissatisfied with the frequency and/or duration of our maintenance services and related system outages, our existing customers could elect to not renew their subscriptions, delay or withhold payment to us, or cause us to issue credits, make refunds or pay penalties, and potential customers may not adopt our products and solutions and our brand and reputation could be harmed. In addition, the occurrence of any material defects, errors, disruptions in service or other performance problems with our software could result in warranty or other legal claims against us and diversion of our resources. The costs incurred in addressing and correcting any material defects or errors in our software and expanding our infrastructure and architecture in order to accommodate increased demand for our products and solutions may be substantial and could adversely affect our operating results.

If we fail to promote or maintain our brand, our ability to expand our customer base will be impaired and our financial condition may suffer.

We believe that promoting and maintaining the Docusign brand is important to supporting continued acceptance of our existing and future solutions, attracting new customers to our products and solutions and retaining existing customers. We also believe that the importance of our brand will increase as competition in our market increases. Successfully promoting and maintaining our brand will depend largely on the effectiveness of our marketing efforts, and our ability to provide reliable and useful solutions to meet the needs of our customers at competitive prices, maintain our customers' trust, continue to develop new functionality and solutions and successfully differentiate our products and solutions from those of our competitors. Additionally, the performance of our partners may affect our brand and reputation if customers do not have a positive experience with our partners' services. We invest significantly in sales and marketing activities to attract new customers and expand use cases with existing customers, but these activities may not generate customer awareness or yield increased revenue, and even if they do, any increased revenue may not offset the expenses we incurred in building our brand. If we fail to successfully promote and maintain our brand, we may fail to attract enough new customers or retain our existing customers to the extent necessary to realize a sufficient return on our brand-building efforts, and our business could suffer.

Further, we have also made public commitments to our corporate environmental, social, and governance ("ESG") and human capital management initiatives, including to the recruitment of a diverse workforce and reductions in carbon emissions. Any perceived changes in our dedication to these commitments or our failure to achieve progress in these areas on a timely basis, or at all, could adversely impact our relationships with our customers and employees and affect our reputation and the value of our brand.

If we fail to offer high-quality support, our business and reputation could suffer.

Many of our customers rely on our customer support and professional services personnel to deploy and use our products and solutions successfully. High-quality support is important for the renewal and expansion of our agreements with existing customers. The importance of high-quality support will increase as we expand our business and pursue new customers. If we do not help our customers quickly resolve issues and provide effective ongoing support, our ability to sell our products and solutions to existing and new customers could suffer and our reputation with existing or potential customers could be harmed.

Financial Risks, including Taxation

We expect fluctuations in our financial results, making it difficult to project future results, and if we fail to meet the expectations of securities analysts or investors, the price of our common stock could decline.

Our operating results have fluctuated in the past and are expected to fluctuate in the future due to a variety of factors, many of which are outside of our control. As a result, our past results may not be indicative of our future performance and comparing our operating results on a period-to-period basis may not be meaningful. For example, we have, in the past, experienced net losses and, even in periods in which we generate net income, we may not be able to maintain or increase our level of profitability. In addition to the other risks described herein, factors that may affect our operating results or cause our financial results to fluctuate include the following:

- general economic, market and industry conditions, including resulting from regional or global conflicts and as a result of inflation, changes in interest rates, actual or perceived instability in the global banking sector and increased debt and equity market volatility;
- fluctuations in demand for, or pricing of, our products and solutions, including due to the effects of global macro-economic conditions, and differing levels of demand for our products as our customers' priorities, resources, financial conditions and economic outlook change;
- our ability to attract new customers;
- our ability to renew our subscriptions with, and expand sales of our products and solutions to, our existing customers;
- timing of revenue recognition;
- customer delays in purchasing decisions in anticipation of new products or product enhancements by us or our competitors;
- changes in customers' budgets and in the timing of their budget cycles and purchasing decisions, including cost-cutting measures or other effects of macro-economic conditions;
- the timing and success of new product and service introductions by us or our competitors or any other change in the competitive dynamics of our industry, including consolidation or new entrants among competitors, customers, or strategic partners;
- our ability to control costs, including our operating expenses, and related impact to our operating margin;
- the timing of costs related to our go-to-market strategy including expansion of our sales capacity and marketing;
- potential accelerations of prepaid expenses and deferred costs;
- the amount and timing of non-cash expenses, including stock-based compensation, impairments and other non-cash charges;
- the amount and timing of costs associated with recruiting, training and integrating new employees, and retaining existing employees;
- the amount and timing of costs associated with our restructuring plans;
- the time and costs related to litigation, including securities litigation and litigation and claims involving our former CEO;
- issues relating to acquisitions and partnerships with third parties;
- the impact of new accounting pronouncements;
- changes in laws and regulations that affect our business;
- significant security breaches of, technical difficulties with, or interruptions to, the delivery and use of our products and solutions; and
- awareness of our brand on a global basis.

If our operating results fall below the expectations of investors and securities analysts who follow our stock, the price of our common stock could decline substantially, and we could face costly lawsuits, including securities class action lawsuits.

Our sales cycle with enterprise and commercial customers can be long and unpredictable, and our sales efforts require considerable time and expense.

Our ability to increase our revenue and grow our business is partially dependent on the widespread acceptance of our products and solutions by large businesses and other commercial organizations. We often need to spend significant time and resources to better educate and familiarize these potential customers with the value proposition of our products and solutions. The length of our sales cycle for these customers from initial evaluation to payment for our offerings is generally three to nine months, but can vary substantially from customer to customer and from offering to offering. Customers frequently require considerable time to evaluate, test and qualify our offerings prior to entering into or expanding a subscription. This is particularly true of CLM and our other advanced offerings, where longer evaluation, testing and qualification processes often result in longer sales cycles than for our eSignature product, and may also affect sales cycles for our IAM solutions as we market them to a growing number of potential customers. The timing of our sales with our enterprise customers and related revenue recognition is difficult to predict because of the length and unpredictability of the sales cycle for these customers. During the sales cycle, we expend significant time and money on sales and marketing and contract negotiation activities, which may not result in a sale.

Additional factors that may influence the length and variability of our sales cycle include:

- the effectiveness of our sales force;
- the discretionary nature of purchasing and budget cycles and decisions;
- the obstacles placed by customers' procurement process;
- economic conditions, including due to inflation, changes in interest rates, government shutdowns, increased debt and equity market volatility, and other factors impacting customer budgets;
- the customer's integration complexity;
- the customer's familiarity with e-signature and agreement automation processes;
- the complexity of contracts with certain large business customers, including customers in the public sector or other highly regulated industries;
- customer evaluation of competing products during the purchasing process;
- the competitive market for our products and services; and
- evolving customer demands.

Because we recognize revenue from subscriptions over the term of the relevant contract, downturns or upturns in sales contracts are not immediately reflected in full in our operating results.

We recognize revenue over the term of each of our contracts, which are typically one year in length but may be up to three years or longer. As a result, much of our revenue is generated from the recognition of contract liabilities from contracts entered into during previous periods. Consequently, a shortfall in demand for our products and solutions and professional services or a decline in new or renewed contracts in any one quarter may not significantly reduce our revenue for that quarter but could negatively affect our revenue in future quarters. Our revenue recognition model also makes it difficult for us to rapidly increase our revenue through additional sales contracts in any period, as revenue from new customers is recognized over the applicable term of their contracts.

If we fail to forecast our revenue accurately, or if we fail to match our expenditures with corresponding revenue, our operating results could be adversely affected.

You should not rely on the revenue growth of any prior quarterly or annual period as an indication of our future performance. Future growth rates are also subject to a number of assumptions and uncertainties, including the effectiveness of our sales and growth strategy and general macro-economic conditions. For example, it has been, and may continue to be, difficult for us to forecast our operating results due to recent macro-economic events, including interest rate hikes and rising rates of inflation and concerns about a potential economic downturn. Accordingly, we may be unable to prepare accurate internal financial forecasts or replace anticipated revenue that we do not receive as a result of delays arising from these factors. If we do not address these risks successfully, our operating results could differ materially from our estimates and forecasts or the expectations of investors, causing our business to suffer and our stock price to decline.

Our current operations are international in scope and we plan further geographic expansion, creating a variety of operational challenges.

A component of our growth strategy involves the further expansion of our operations and customer base internationally. In each of the years ended January 31, 2024, 2023 and 2022 total revenue generated from customers outside the U.S. was 26% , 25% and 23% of our total revenue. As of July 31, 2024, we have offices in 12 countries and approximately 35% of our full-time employees were located outside of the U.S. We are continuing to adapt to and develop strategies to address international markets but there is no guarantee that such efforts will have the desired effect. We expect that our international activities will continue to grow as we continue to pursue opportunities in existing and new international markets, which will require significant management attention and financial resources.

Our current international operations and future initiatives involve a variety of risks, including:

- changes in a specific country's or region's political or economic conditions, including the pace of the digital transformation of business in that country or region;
- the need to adapt and localize our products for specific countries, including providing customer support in different languages;
- greater difficulty collecting accounts receivable and longer payment cycles;
- potential changes in trade relations arising from U.S. policy initiatives;
- unexpected changes in laws and regulatory requirements, including but not limited to, taxes or trade laws;
- more stringent regulations relating to privacy and data security and the unauthorized use of, or access to, commercial and personal information, particularly in Europe;
- differing labor regulations, especially in Europe, where labor laws are generally more advantageous to employees as compared to those in the U.S., including deemed hourly wage and overtime regulations in these locations;
- challenges inherent in efficiently managing an increased number of employees;
- difficulties in managing a business in new markets with diverse cultures, languages, and customs, as well as legal, alternative dispute and regulatory systems;
- increased travel, real estate, infrastructure and legal compliance costs associated with international operations;
- currency exchange rate fluctuations;
- limitations on our ability to reinvest earnings from operations in one country to fund the capital needs of our operations in other countries;
- laws and business practices favoring local competitors or general preferences for local vendors;
- limited or insufficient intellectual property protection or difficulties enforcing our intellectual property;
- regional or global conflicts, including sanctions or other laws and regulations prohibiting or limiting operations in certain jurisdictions;
- political instability or terrorist activities;
- exposure to liabilities under anti-corruption and anti-money laundering laws, including the U.S. Foreign Corrupt Practices Act of 1977, as amended ("FCPA"), the U.S. domestic bribery statute contained in 18 U.S.C. § 201, the U.S. Travel Act, the U.K. Bribery Act, and similar laws and regulations in other jurisdictions;
- adverse tax burdens and foreign exchange controls that could make it difficult to repatriate earnings and cash; and
- exposure to regional or global public health issues, and to travel restrictions and other measures undertaken by governments in response to such issues.

Our limited experience in operating our business internationally increases the risk that any potential future expansion efforts that we undertake may not be successful. If we invest substantial time and resources to further expand our international operations and are unable to do so successfully and in a timely manner, our business and operating results will suffer.

Our credit facility provides our lenders with a first-priority lien against substantially all of our assets, and contains financial covenants and other restrictions on our actions, which could limit our operational flexibility and otherwise adversely affect our financial condition.

Our credit facility restricts our ability to, among other things:

- use our accounts receivable, inventory, trademarks and most of our other assets as security in other borrowings or transactions, unless the value of the assets subject thereto does not exceed a certain threshold;
- incur additional indebtedness;
- incur liens upon our property;
- dispose of certain assets;
- declare dividends or make certain distributions; and
- undergo a merger or consolidation or other transactions.

Our credit facility also requires that our Consolidated Leverage Ratio (as defined in the credit facility) not exceed specified levels, or that our Consolidated Interest Coverage Ratio (as defined in the credit facility) be less than specified levels. Our ability to comply with these and other covenants is dependent upon several factors, some of which are beyond our control.

Our failure to comply with the covenants or payment requirements, or the occurrence of other events specified in our credit facility, could result in an event of default under the credit facility, which would give our lenders the right to terminate their commitments to provide additional loans under the credit facility and to declare all borrowings outstanding, together with accrued and unpaid interest and fees, to be immediately due and payable. In addition, we have granted our lenders first-priority liens against all of our assets as collateral. Failure to comply with the covenants or other restrictions in the credit facility could result in a default. If the debt under our credit facility was to be accelerated, we may not have sufficient cash on hand or be able to sell sufficient collateral to repay it, which would have an immediate adverse effect on our business and operating results.

We may require additional capital to support business growth and objectives, and this capital might not be available to us on reasonable terms, if at all, and may result in stockholder dilution.

We fund our operations through payments by our customers for use of our product offerings and related services. In addition, as of July 31, 2024, we had available borrowing capacity of $500.0 million under our credit facility. We cannot be certain when or if our operations will generate sufficient cash to fund our ongoing operations or the growth of our business.

Based upon our current operating plan, we believe that our existing cash, cash equivalents and investments are sufficient to fund our current operating expenses and capital expenditure requirements based on historical forecasts. We have based this assessment on assumptions that may prove to be wrong, and it is possible that we could use our capital resources sooner than we currently expect. This estimate does not reflect the possibility that we may not be able to access a material portion of our existing cash, cash equivalents and investments due to market conditions. For example, if banks or financial institutions wind down and liquidate, enter receivership or become insolvent in the future in response to financial conditions affecting the banking system and financial markets, our ability to access our existing cash, cash equivalents and investments may be threatened and could have a material adverse effect on our business and financial condition.

We also intend to continue to make investments to support our business and, in the future, we may require additional funds. Additional financing may not be available on favorable terms, if at all. In addition, in the event that we incur additional debt, including under the credit facility, the debt holders would have rights senior to holders of common stock to make claims on our assets. Additionally, the credit facility restricts our ability to pay dividends on common stock and the terms of any future debt could restrict our operations. Further, if we issue additional equity securities, stockholders will experience dilution, and the new equity securities could have rights senior to those of our common stock. If adequate funds are not available on acceptable terms when we require it, we may be unable to invest in future growth opportunities, which could harm our business, operating results and financial condition.

We have in the past incurred substantial indebtedness and may in the future incur substantial indebtedness that may decrease our business flexibility, access to capital and/or increase our borrowing costs, which may adversely affect our operations and financial results.

As of July 31, 2024, we had available borrowing capacity of $500.0 million under our credit facility. If we decide to borrow a portion or the full amount under our credit facility, such indebtedness may:

- limit our ability to borrow additional funds for working capital, capital expenditures, acquisitions or other general business purposes;
- limit our ability to use our cash flow or obtain additional financing for future working capital, capital expenditures, acquisitions or other general business purposes;
- require us to use a substantial portion of our cash flow from operations to make debt service payments;
- limit our flexibility to plan for, or react to, changes in our business and industry;
- place us at a competitive disadvantage compared to our less leveraged competitors; and
- increase our vulnerability to the impact of adverse economic and industry conditions, including inflation, changes in interest rates, and actual or perceived instability in the global banking sector.

Our ability to use our net operating loss carryforwards to offset future taxable income may be subject to certain limitations.

As of July 31, 2024, we had accumulated net operating loss carryforwards and research tax credits in our federal, state and foreign jurisdictions with varying expiration dates.

Under Sections 382 and 383 of the Internal Revenue Code of 1986, as amended, our ability to utilize net operating loss carryforwards or other tax attributes, such as research tax credits, in any taxable year may be limited if we experience an “ownership change.” An “ownership change” generally occurs if one or more stockholders or groups of stockholders who own at least 5% of our stock increase their ownership by more than 50 percentage points over their lowest ownership percentage within a rolling three-year period. Similar rules may apply under state and foreign tax laws. Future issuances of our stock could cause an “ownership change.” It is possible that any future ownership change could have a material effect on the use of our net operating loss carryforwards or other tax attributes, which could adversely affect our profitability.

If our estimates or judgments relating to our critical accounting policies prove to be incorrect, our operating results could be adversely affected.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in our consolidated financial statements and accompanying notes. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, as provided in the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” Our operating results may be adversely affected if our assumptions change or if actual circumstances differ from those in our assumptions, which could cause our operating results to fall below the expectations of securities analysts and investors, resulting in a decline in the trading price of our common stock.

We are exposed to fluctuations in currency exchange rates, which could negatively affect our operating results.

Our sales contracts are primarily denominated in U.S. dollars, and therefore substantially all of our revenue is not subject to foreign currency risk. However, a strengthening of the U.S. dollar could increase the real cost of our offerings to our customers outside of the U.S., which could adversely affect our operating results. In addition, an increasing portion of our operating revenues and operating expenses is earned or incurred outside of the U.S., and an increasing portion of our assets is held outside of the U.S. These operating revenues, expenses and assets are denominated in foreign currencies and are subject to fluctuations due to changes in foreign currency exchange rates. If we are not able to successfully manage, or to implement strategies to manage, against the risks associated with currency fluctuations, our operating results could be adversely affected.

Additionally, global events as well as geopolitical developments, including regional conflicts in Europe and the Middle East, fluctuating commodity prices, trade tariff developments and inflation have caused, and may in the future cause, global economic uncertainty and uncertainty about the interest rate environment, which could amplify the volatility of currency fluctuations. We have not engaged in the hedging of foreign currency transactions to date, so we may not be able to effectively offset the adverse financial impacts that may result from unfavorable movements in foreign currency exchange rates, which could adversely affect our operating results.

We could be required to collect additional sales taxes or be subject to other tax liabilities that may increase the costs our clients would have to pay for our offering and adversely affect our operating results.

A successful assertion by one or more states or foreign jurisdictions requiring us to collect taxes where we presently do not do so, or to collect more taxes in a jurisdiction in which we currently do collect some taxes, could result in substantial tax liabilities, including taxes on past sales, as well as penalties and interest. Any imposition by state or local governments or other jurisdictions of sales tax collection obligations on out-of-state or -jurisdiction sellers could also create additional administrative burdens for us, put us at a competitive disadvantage if they do not impose similar obligations on our competitors and decrease our future sales, which could have a material adverse impact on our business and operating results.

Legal and Regulatory Risks

We are subject to laws and regulations affecting our business, including those related to e-signature, marketing, advertising, privacy, data protection and information security. Our actual or perceived failure to comply with laws or regulations could harm our business.

The U.S. federal government and various state and foreign governments have adopted or proposed limitations on the collection, distribution, use and storage of data relating to individuals and businesses, including the use of contact information and other data for marketing, advertising and other communications with individuals and businesses. In the U.S., various laws, and regulations and agency rules and opinions apply to the collection, processing, disclosure and security of certain types of data, including:

- The ESIGN Act in the U.S., eIDAS in the EU and similar U.S. state laws, particularly the Uniform Electronic Transactions Act (the “UETA”), which authorize the creation of legally binding and enforceable agreements utilizing electronic signatures and records. We are particularly reliant on the UETA and the ESIGN Act, which together have solidified the legal landscape in the U.S. for use of electronic signatures and records by providing that electronic signatures and records carry the same weight and have the same legal effect as paper documents and wet ink signatures.

- The Electronic Communications Privacy Act, the Computer Fraud and Abuse Act, the Gramm Leach Bliley Act, and state laws relating to privacy and data security.

- Additionally, the FTC and many U.S. state attorney generals are interpreting federal and state consumer protection laws as imposing standards for the online collection, use, dissemination, and security of personal information. For example, California has enacted the California Consumer Privacy Act (the “CCPA”), as amended by the California Privacy Rights Act (the “CPRA”), that subjects businesses to new regulations promulgated through a recently created enforcement agency called the California Privacy Protection Agency. Other states have passed comparable legislation, and some may pass similar legislation with potentially greater penalties, and more rigorous compliance requirements relevant to our business.

- The Health Insurance Portability and Accountability Act (“HIPAA”) in the U.S. (as amended and supplemented by the Health Information Technology for Economic and Clinical Health Act of 2009 (“HITECH”)), and even more stringent state health information privacy laws, impose mandatory contractual terms and other obligations with respect to safeguarding the privacy, security and transmission of protected health information and de-identified health information. We may function as a HIPAA business associate for certain of our customers and, as such, are subject to applicable privacy and data security requirements. Failure to comply with applicable HIPAA requirements can result in significant civil monetary penalties and, in certain circumstances, criminal penalties and fines.

Additionally, we are subject to various other laws and regulations affecting our business. For example, the SEC has adopted cybersecurity risk management and disclosure rules, which require mandatory disclosure of information pertaining to cybersecurity incidents and cybersecurity risk management, strategy and governance. In March 2024, the SEC also adopted (but subsequently stayed the implementation of) amendments that would require us to disclose certain climate-related information in our annual reports beginning with our annual report covering fiscal year ended January 31, 2026. Additionally, California recently adopted the Climate Corporate Data Accountability Act and the Climate-Related Financial Risk Act, each of which mandate certain climate-related public disclosure requirements (although there are proposals to stay such requirements until 2028).

We expect that new laws, regulations and industry standards will continue to be proposed and enacted relating to privacy, data protection, marketing, advertising, electronic signatures, consumer communications and information security in the U.S., the EU and other jurisdictions, and we cannot determine the impact such future laws, regulations and standards may have on our business. Future laws, regulations, standards and other obligations or any changed interpretation of existing laws or regulations could impair our ability to develop and market new functionality and maintain and grow our customer base and increase revenue. For example, changes in the regulatory landscape relating to new and evolving technologies, such as generative AI, and future restrictions on the collection, use, sharing or disclosure of data, or additional requirements for the express or implied consent of our customers, partners or end consumers for the use and disclosure of such information could require us to incur additional costs or modify our products and solutions, possibly in a material manner, and could limit our ability to develop new functionality. Any actual or perceived failure to comply with these or other laws or regulations could harm our business, and result in legal liability, regulatory action, or brand and reputational harm.

Complying with laws and regulations related to privacy and data protection could result in additional costs and liabilities to us or inhibit sales of our software.

Internationally, many countries have established their own data privacy and security legal framework with which we, our customers and partners may need to comply. For example, in Europe, the General Data Protection Regulation (the “GDPR”) has been enacted as national legislation for respective member states and contains robust obligations on data controllers and processors and fulsome documentation requirements for data protection compliance programs by companies. As a result of our presence in Europe and the United Kingdom (“UK”) and our products and services being offered in the EU and the UK, we are subject to the GDPR, UK GDPR, the UK Data Protection Act 2018, and other similar regional European data protection regulations, all of which impose stringent data protection and cybersecurity requirements, and could increase the risk of non-compliance and the costs of providing our services in a compliant manner. We are also certified as a Privacy Rights Processor under the Asia-Pacific Economic Cooperation. A breach of the GDPR, UK GDPR or other such data protection regulations, could result in regulatory investigations, reputational damage, fines and sanctions, orders to cease or change our processing of our data, enforcement notices, or assessment notices (for a compulsory audit). Such penalties, which may include fines up to the greater of €20 million (£17.5 million) or 4% of global turnover, are in addition to any civil litigation claims by customers and data subjects. We may also face civil claims including representative actions and other class action-type litigation (where individuals have suffered harm), potentially amounting to significant compensation or damages liabilities, as well as associated costs, diversion of internal resources, and reputational harm.

Additionally, both the GDPR and UK GDPR impose strict rules on the transfer of personal data out of the EU and the UK to a "third country," or a country whose laws do not ensure an adequate level of data protection safeguards (such as the U.S.). These obligations may evolve, be interpreted or applied in a manner that is inconsistent from one jurisdiction to another and may conflict with other requirements or our practices. For example, in June 2023, the European Commission adopted an adequacy decision ("UK Adequacy Decision") which facilitates personal data sharing from the European Economic Area ("EEA") to the UK without the need for additional data protection safeguards. The UK Adequacy Decision includes a "sunset clause", rendering the decision valid for four years, after which it will be reviewed by the European Commission and renewed only if the European Commission considers that the UK continues to ensure an adequate level of data protection. The European Commission also stated that it would intervene at any point within the four years if the UK deviates from the level of protection presently in place. If this adequacy decision is reversed by the European Commission, it would require that companies implement protection measures such as the approved Standard Contractual Clauses for data transfers between the EU and the UK.

Legal developments in Europe continue to evolve, creating complexity and uncertainty regarding transfers of personal data from the EU and the UK to the U.S. On June 4, 2021, the European Commission finalized new versions of the Standard Contractual Clauses, with the Implementing Decision now in effect. The UK Information Commissioner's Office of the Data Protection Authority published the UK version of the Standard Contractual Clauses, and by March 2024, we will be required to use and honor these clauses for transfers of UK residents' personal data to a foreign country that does not have adequate data protection. On July 10, 2023, the European Commission adopted an adequacy decision for the EU-U.S. Data Privacy Framework (a new cooperative effort between U.S. and European officials to overcome the security issues raised by the EU-U.S. Privacy Shield regarding personal transfers from the EU to the U.S.). In October 2023, the UK Information Commissioner's Officer ("ICO") adopted the UK-U.S. data bridge to allow self-certifying companies to effect personal data transfers from the UK to the U.S. without additional safeguards. This new Data Privacy Framework could be subject to legal challenge in front of the Court of Justice of the European Union, which had previously invalidated the Privacy Shield. We currently utilize respective Binding Corporate Rules and Standard Contractual Clauses as the approved data transfer mechanisms by the EU Commission for corresponding applicable data transfer activity. While we do not anticipate any immediate changes in our current operations, we will continue to monitor these legal developments.

We have been and may in the future be subject to legal proceedings and litigation for a variety of claims, including labor and employment issues, intellectual property disputes, securities law violations, derivative litigation and other matters, which may be costly and may subject us to significant liability and increased costs of doing business. Our business may suffer if it is alleged or determined that our technology infringes the intellectual property rights of others or if the cost and time-commitment of litigation diverts resources from our other business activities.

From time to time, we have been and may in the future be involved as a party or an indemnitor in legal proceedings, disputes or regulatory inquiries that arise in the ordinary course of business. These may include alleged claims, lawsuits and proceedings regarding labor and employment issues, commercial disagreements, securities law violations and other matters. In particular, companies in the software industry are often required to defend against litigation claims based on allegations of infringement or other violations of intellectual property rights. We have from time to time been subject to intellectual property claims and disputes and may be subject to such claims in the future. In addition, many of these companies have the capability to dedicate substantially greater resources to enforce their alleged intellectual property rights and to defend claims that may be brought against them. Any litigation may also involve patent holding companies or other adverse patent owners that have no relevant product revenue and against which our patents may therefore provide little or no deterrence. If a third party is able to obtain an injunction preventing us from utilizing such third-party intellectual property rights, or if we cannot license or develop technology for any infringing aspect of our business, we would be forced to limit or stop sales of our software or cease business activities employed by such intellectual property and may be unable to compete effectively. Any inability to license third-party technology in the future would have an adverse effect on our business or operating results and would adversely affect our ability to compete.

Such disputes may require us to redesign our products, delay releases, enter into costly settlement or license agreements, pay costly damage awards, or face a temporary or permanent injunction prohibiting us from marketing or selling our products and solutions. Requiring us to change one or more aspects of the way we deliver our products and solutions may harm our business. We may also be contractually obligated to indemnify our customers in the event of infringement of a third party's intellectual property rights. Responding to such claims, including those currently pending, regardless of their merit, can be time consuming and costly to defend in litigation and damage our reputation and brand.

For more information on our pending legal proceedings, see Item 1. Legal Proceedings of this Form 10-Q.

Regardless of the merits or ultimate outcome of any claims that have been or may be brought against us or that we may bring against others, lawsuits are time-consuming and expensive to resolve, divert management's time and attention, and could harm our reputation. Although we carry general liability and other forms of insurance, our insurance may not cover potential claims that arise or may not be adequate to indemnify us for all liability that may be imposed. We may also determine that the most cost-effective way to resolve a dispute is to enter into a settlement agreement. Litigation is inherently unpredictable and we cannot predict the timing, nature, controversy or outcome of lawsuits or assure you that the results of any of these actions will not have an adverse effect on our business, operating results or financial condition.

We could incur substantial costs in protecting or defending our proprietary rights, and any failure to adequately protect our rights could impair our competitive position and we may lose valuable assets, experience reduced revenue and incur costly litigation to protect our rights.

Our success is dependent, in part, upon protecting our proprietary technology. We rely on a combination of patents, copyrights, trademarks, service marks, trade secret laws and contractual provisions in an effort to establish and protect our proprietary rights. However, the steps we take to protect our intellectual property may be inadequate. While we have been issued patents in the U.S. and other countries and have additional patent applications pending, we may be unable to obtain patent protection for the technology covered in our patent applications. In addition, any patents issued in the future may not provide us with competitive advantages or may be successfully challenged by third parties. Any of our patents, trademarks or other intellectual property rights may be challenged or circumvented by others or invalidated through administrative process or litigation. There can be no guarantee that others will not independently develop similar products, duplicate any of our products or design around our patents. Furthermore, legal standards relating to the validity, enforceability and scope of protection of intellectual property rights are uncertain. Despite our precautions, it may be possible for unauthorized third parties to copy our products and use information that we regard as proprietary to create products and solutions that compete with ours. Some license provisions protecting against unauthorized use, copying, transfer and disclosure of our products may be unenforceable under the laws of jurisdictions outside the U.S. To the extent we expand our international activities, our exposure to unauthorized copying and use of our products and proprietary information may increase.

We enter into confidentiality and invention assignment agreements with our employees and consultants and enter into confidentiality agreements with the parties with whom we have strategic relationships and business alliances. No assurance can be given that these agreements will be effective in controlling access to and distribution of our products and proprietary information. Further, these agreements do not prevent our competitors or partners from independently developing technologies that are substantially equivalent or superior to our products and solutions.

In order to protect our intellectual property rights, we may be required to spend significant resources to monitor and protect and enforce these rights, including through litigation. Litigation brought to protect and enforce our intellectual property rights could be costly, time consuming and distracting to management and could result in the impairment or loss of portions of our intellectual property. Furthermore, our efforts to enforce our intellectual property rights may be met with defenses, counterclaims and countersuits attacking the validity and enforceability of our intellectual property rights. Our inability to protect our proprietary technology against unauthorized copying or use, as well as any costly litigation or diversion of our management’s attention and resources, could delay further sales or the implementation of our products and solutions, impair the functionality of our products and solutions, delay introductions of new solutions, result in our substituting inferior or more costly technologies into our products and solutions or injure our reputation. We will not be able to protect our intellectual property if we are unable to enforce our rights or if we do not detect unauthorized use of our intellectual property. Moreover, policing unauthorized use of our technologies, trade secrets and intellectual property may be difficult, expensive and time-consuming, particularly in foreign countries where the laws may not be as protective of intellectual property rights as those in the U.S. and where mechanisms for enforcement of intellectual property rights may be less effective. If we fail to adequately protect our intellectual property and proprietary rights, our business, operating results and financial condition could be adversely affected.

Many of our customers deploy our products and solutions globally, and our products and solutions must comply with certain legal and regulatory requirements in varying countries. If our products and solutions fail to meet these requirements, we could incur significant liabilities and our financial condition may suffer.

Many customers use our products and solutions globally to comply with safe harbors and other legislation in the countries in which they transact business. For example, some of our customers rely on government authorizations we maintain, such as FedRAMP in the U.S, or certifications such as our qualification as a Trust Service Provider under eIDAS in the EU to help satisfy their own legal and regulatory compliance requirements. If a court or regulatory body determines that our products and solutions are inadequate to meet these requirements, documents executed through our products and solutions could, in some instances, be rendered unenforceable, resulting in potential loss of customers, liability under customer contracts, and brand and reputational damage.

We use AI in our business, and challenges with properly governing its use could result in reputational harm, competitive harm, and legal liability, and adversely affect our results of operations.

We use AI-powered tools and services as part of operating our business, and also incorporate AI features and applications into our products and solutions and are making further investments in expanding AI capabilities in our products and solutions. AI technologies can be complex and are presently rapidly evolving, and while we believe that product features powered by next generation AI technologies, such as generative AI, will help drive the future growth of our business, there is no guarantee that such new product features will ultimately be successful, and our competitors and other third parties may incorporate AI into their products more quickly or more successfully than us, all of which could impair our ability to compete effectively and may adversely affect our results of operations. This use of AI in our products and solutions may present new and evolving challenges, including reputational harm, competitive harm, and legal liability, and adversely affect our results of operations.

The development and use of AI features and applications present various intellectual property, data privacy, security and reliability risks that may impact our business. We may choose to significantly invest in the development and maintenance of proprietary datasets and training models, and development of appropriate protections, safeguards, and policies for handling the processing of data with our AI features and applications, which may be costly, subject us to legal liability, and negatively impact our business, financial condition, and results of operations.

Existing laws and regulations may be interpreted, or new laws and regulations regarding AI may be adopted and interpreted, in ways which could negatively affect the way we use AI in our products. For example, the European Parliament, the European Commission and Council reached a political agreement on December 8, 2023, regarding the EU Artificial Intelligence Act that, once finalized and entered into force, would prohibit certain AI applications and systems with unacceptable risk and impose additional requirements on the use of other high-risk or limited-risk AI applications or systems. Intellectual property ownership issues, licensing and privacy rights surrounding AI technologies are evolving and have not been fully addressed by U.S. federal or state courts or foreign jurisdictions, which may expose us to claims of intellectual property infringement or misappropriation or privacy rights violations, or result in inquiries by government bodies or agencies. For example, the U.S. Federal Trade Commission initiated multiple AI-related inquiries in 2023 and 2024 and sent requests to technology companies, including Docusign, seeking additional information about their AI usage and policies. The rapid evolution of AI technologies will require significant resources in research and development in order to develop, test and maintain our platform and products to minimize any potential harmful impact on our business, financial condition, and results of operations.

The continued use in our business and incorporation of AI-powered features and applications into our products and solutions may subject us to new and evolving regulatory scrutiny, litigation, social or ethical concerns, or other risks that could harm our business, reputation, brand, and our results of operations. For example, if the content, analyses, or recommendations arising from our AI product offerings are, or are alleged to be, inaccurate, deficient, offensive, or biased, or if they have a perceived or actual negative impact on human rights, privacy rights, employment, or in other social contexts, we may experience brand and reputational harm or legal liability, and our business, financial condition, and results of operations may be adversely affected. Additionally, AI technology may involve significant technical complexity, which will require specialized expertise and may increase compensation-related expenses. Competition for specialized personnel in the AI industry is intense, and failing to attract, integrate, or retain such specialized expertise in AI could adversely affect our business and results of operations.

We use open source software in our products, which could subject us to litigation or other actions.

We use open source software in our products and solutions. Any use of open source software may expose us to greater risks than the use of commercial software because open source licensors generally do not provide warranties or controls on the functionality or origin of the software. Any use of open source software may involve security risks, making it easier for hackers and other third parties to determine how to compromise our platform. From time to time, there have been claims challenging the ownership of open source software against companies that incorporate open source software into their products. As a result, we could be subject to lawsuits by parties claiming ownership of what we believe to be open source software. Litigation could be costly for us to defend, have a negative effect on our operating results and financial condition or require us to devote additional research and development resources to change our products. In addition, if we were to combine our proprietary software products with open source software in a certain manner, we could, under certain of the open source licenses, be required to release the source code of our proprietary software products. If we inappropriately use or incorporate open source software subject to certain types of open source licenses that challenge the proprietary nature of our software products, we may be required to re-engineer our products, discontinue the sale of our products and solutions or take other remedial actions.

Indemnity provisions in various agreements potentially expose us to substantial liability for intellectual property infringement, data protection and other losses.

Our agreements with some customers and other third parties include indemnification provisions under which we agree to indemnify them for losses suffered or incurred as a result of claims of intellectual property infringement, data protection, damages caused by us to property or persons, or other liabilities relating to or arising from our offerings, solutions or other contractual obligations. Some of these indemnity provisions provide for uncapped liability for which we would be responsible, and some indemnity provisions survive termination or expiration of the applicable agreement. Large indemnity payments could harm our business, operating results and financial condition. Although we normally contractually limit our liability with respect to such obligations, we may still incur substantial liability related to them and we may be required to cease use of certain functions of our products and solutions as a result of any such claims. In addition, our customer agreements generally include a warranty that the proper use of Docusign by a customer in accordance with the agreement and applicable law will be sufficient to meet the definition of an "electronic signature" as defined in the Electronic Signatures in Global and National Commerce Act ("ESIGN Act") and eIDAS. Any warranty or indemnification claim brought by our customers could result in damage to our reputation and harm our business and operating results.

Changes in tax laws, rulings and interpretations may subject us to potential adverse tax consequences, which could negatively affect our financial position and results of operations.

We operate globally and are subject to taxes in the U.S. and numerous other jurisdictions throughout the world, and the tax regimes we are subject to or operate under, including income and non-income taxes, are unsettled and may be subject to significant change. The U.S., other jurisdictions or governmental bodies, such as the European Commission of the European Union, and intergovernmental economic organizations, such as the Organization for Economic Cooperation and Development, have made or could make unprecedented assertions about how taxation is determined and, in some cases, have proposed or enacted new laws that are contrary to the way in which rules or regulations have historically been interpreted and applied.

For example, in 2021, the Organization for Economic Cooperation and Development announced Pillar Two Model Rules defining the global minimum tax, which calls for the taxation of large multinational corporations at a minimum of 15%. Many non-U.S. tax jurisdictions have either recently enacted legislation to adopt certain components of the Pillar Two Model Rules beginning in 2024, including the adoption of additional components in later years, or announced their plans to enact legislation in future years. Our effective tax rate could increase in future years as a result of these changes, which could have an adverse impact on our business and operating results.

Additionally, our corporate structure and associated transfer pricing policies contemplate future growth into international markets, and consider the functions, risks and assets of the various entities involved in the intercompany transactions. We may be subject to taxation in international jurisdictions with increasingly complex tax laws and precedents which could have an adverse effect on our liquidity and operating results. The amount of taxes we pay in these different jurisdictions may depend on the application of the tax laws of those jurisdictions, including the U.S., to our international business activities, changes in tax rates, new or revised tax laws or interpretations of existing tax laws and policies and our ability to operate our business in a manner consistent with our corporate structure and intercompany arrangements.

Furthermore, tax authorities in the jurisdictions in which we operate may challenge our transfer pricing policies and intercompany arrangements or disagree with our determinations as to the income and expenses attributable to specific jurisdictions. If such a challenge or disagreement were to occur, and our position was not sustained, we could be required to pay additional taxes, interest and penalties, which could result in one-time tax charges, higher effective tax rates, reduced cash flows and lower overall profitability of our operations. Our financial statements could fail to reflect adequate reserves to cover such a contingency. In addition, the authorities in these jurisdictions could review our tax returns and impose additional tax, interest and penalties, and the authorities could claim that various withholding requirements apply to us or to our subsidiaries or assert that benefits of tax treaties are not available to us or our subsidiaries which could have a material impact on us and the results of our operations.

The requirements of being a public company, including developing and maintaining proper and effective disclosure controls and procedures and internal control over financial reporting, may strain our resources and divert management's attention away from other business concerns.

As a public company, we are subject to the reporting requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act") the Sarbanes-Oxley Act, the Dodd-Frank Wall Street Reform and Consumer Protection Act, the listing requirements of Nasdaq and other applicable securities rules and regulations that impose various requirements on public companies. Our management and other personnel devote a substantial amount of time to compliance with these requirements and such compliance has increased, and will continue to increase, our legal, accounting and financial costs.

The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting. In order to maintain and improve the effectiveness of such controls, we have expended, and anticipate that we will continue to expend, significant resources. For example, since our IPO, we have hired additional accounting and financial staff with appropriate public company experience and technical accounting knowledge to assist in our compliance efforts.

We have incurred and expect to continue to incur significant expenses and devote substantial management effort toward compliance with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act. To assist us in complying with these requirements we may need to hire more employees in the future, or engage outside consultants, which will increase our operating expenses.

Despite significant investment, our current controls and any new controls that we develop may become inadequate because of changes in business conditions. Any failure to implement and maintain effective internal control over financial reporting could adversely affect the results of periodic management evaluations and annual independent registered public accounting firm attestation reports regarding the effectiveness of our internal control over financial reporting that are required to be included in the periodic reports that we file with the SEC. If our management team or independent registered public accounting firm were to furnish an adverse report, or if it is determined that we have a material weakness or significant deficiency in our internal control over financial reporting, investors could lose confidence in the accuracy and completeness of our financial reports, the market price of our common stock could decline, and we could be subject to sanctions or investigations by Nasdaq, the SEC or other regulatory authorities or shareholder litigation.

In addition, as we continue to scale and improve our operations, including our internal systems and processes, we currently utilize, and in the future may seek to implement, a variety of critical systems, such as billing, human resource, financial reporting and accounting systems. The implementation and transition to any new critical system, such as the new ERP system we implemented in 2023, may be disruptive to our business if they do not work as planned or if we experience issues related to such implementation or transition, which could have a material adverse effect on our operations and result in compromised internal reporting and processes. Moreover, since most of our employees (including those critical to maintaining an effective system of disclosure controls and internal control over financial reporting) are working and are expected to continue to work for the near term, in either a fully remote or a hybrid environment, risks that we have not contemplated may arise and result in our failure to maintain effective disclosure controls or internal control over financial reporting.

We are subject to governmental export and import controls that could impair our ability to compete in international markets or subject us to liability if we violate the controls.

Our products and solutions are subject to U.S. export controls, including the Export Administration Regulations and economic sanctions administered by the Office of Foreign Assets Control, and we incorporate encryption technology into certain of our products and solutions. These encryption products and the underlying technology may be exported outside of the U.S. only with export authorizations, including by license, a license exception or other appropriate government authorizations, including the filing of an encryption registration.

Furthermore, our activities are subject to U.S. economic sanctions laws and regulations that prohibit the shipment or distribution of certain products and services without the required export authorizations, including to countries, governments and persons targeted by U.S. embargoes or sanctions. Obtaining the necessary export license or other authorization for a particular sale may be time-consuming and may result in the delay or loss of sales opportunities even if the export license ultimately may be granted. Additionally, sanctions regimes are rapidly changing as a result of regional or global conflicts. While we take precautions to prevent our products and solutions from being exported in violation of these laws, including obtaining authorizations for our encryption products, implementing IP address blocking and screenings against U.S. government and international lists of restricted and prohibited persons, we cannot guarantee that the precautions we take will prevent violations of export control and sanctions laws. Violations of U.S. sanctions or export control laws can result in significant fines or penalties and possible incarceration for responsible employees and managers could be imposed for criminal violations of these laws.

In addition, if our strategic partners fail to obtain appropriate import, export or re-export licenses or permits, we may also be adversely affected, through reputational harm as well as other negative consequences including government investigations and penalties. We presently incorporate export control compliance requirements to our strategic partner agreements; however, no assurance can be given that our strategic partners will comply with such requirements.

Foreign governments also regulate the import and export of certain encryption and other technology, including import and export licensing requirements, and have enacted, and may in the future enact, sanctions and laws that could limit our ability to distribute our products and solutions or could limit our end-customers' ability to implement our products and solutions in those countries. Changes in our products and solutions or future changes in export and import regulations may create delays in the introduction of our products and solutions in international markets, prevent our end-customers with international operations from deploying our products and solutions globally or, in some cases, prevent the export or import of our products and solutions to certain countries, governments or persons altogether. From time to time, various governmental agencies have proposed additional regulation of encryption technology, including the escrow and government recovery of private encryption keys. Any change in export or import regulations, economic sanctions or related legislation, increased export and import controls or change in the countries, governments, persons or technologies targeted by such regulations, could result in decreased use of our products and solutions by, or in our decreased ability to export or sell our products and solutions to, existing or potential end-customers with international operations. Any decreased use of our products and solutions or limitation on our ability to export or sell our products and solutions would adversely affect our business, operating results and prospects.

We are subject to anti-corruption, anti-bribery, anti-money laundering, and similar laws, and non-compliance with such laws can subject us to criminal and/or civil liability and harm our business.

We are subject to the FCPA, the U.S. domestic bribery statute contained in 18 U.S.C. § 201, the U.S. Travel Act, the U.K. Bribery Act, and other anti-bribery and anti-money laundering laws in the countries in which we conduct activities. As we increase our international sales and business and sales to the public sector internationally, we may engage with business partners and third-party intermediaries to market our products and solutions and to obtain necessary permits, licenses, and other regulatory approvals. In addition, we or our third-party intermediaries may have direct or indirect interactions with officials and employees of government agencies or state-owned or affiliated entities. We can be held liable for the corrupt or other illegal activities of these third-party intermediaries and our employees, representatives, contractors, partners, and agents, even if we do not explicitly authorize such activities.

While we have policies and procedures to address compliance with such laws, we cannot assure you that our employees and agents will not take actions in violation of our policies and applicable law, for which we may be ultimately held responsible. As we increase our international sales and business, our risks under these laws may increase.

Detecting, investigating and resolving actual or alleged violations can require a significant diversion of time, resources and attention from senior management. In addition, noncompliance with anti-corruption, anti-bribery, or anti-money laundering laws could subject us to whistleblower complaints, investigations, sanctions, settlements, prosecution, other enforcement actions, disgorgement of profits, significant fines, damages, other civil and criminal penalties or injunctions, suspension and/or debarment from contracting with certain persons, the loss of export privileges, reputational harm, adverse media coverage and other collateral consequences. If any subpoenas or investigations are launched, or governmental or other sanctions are imposed, or if we do not prevail in any possible civil or criminal litigation, our business, operating results and financial condition could be materially harmed. In addition, responding to any action will likely result in a materially significant diversion of management's attention and resources and significant defense costs and other professional fees. Enforcement actions and sanctions could further harm our business, operating results and financial condition.

Risks Related to our Common Stock

Our stock price may be volatile, and the value of our common stock may decline.

The market price of our common stock may be highly volatile and may fluctuate or decline substantially as a result of a variety of factors, some of which are beyond our control or are related in complex ways, including:

- actual or anticipated fluctuations in our financial condition and operating results;
- customer demand for our solutions and the pace of the digital transformation of business;
- changes in senior management or key personnel;
- general economic, regulatory and market conditions, including inflation and interest rate fluctuations;
- variance in our financial performance from expectations of securities analysts;
- issuance of research reports by securities analysts, including publishing unfavorable reports;
- changes in the prices of subscriptions to our products and solutions;
- changes in our projected operating and financial results;
- changes in laws or regulations applicable to our products and solutions;
- announcements by us or our competitors of significant business developments, acquisitions or new offerings;
- rumors and market speculation made by external parties that involve us or other companies in our industry;
- our involvement in any litigation;

- future sales of our common stock or other securities by us or our stockholders;
- the consummation, and the anticipated benefits, of our stock repurchase program;
- the trading volume of our common stock;
- changes in the anticipated future size and growth rate of our market;
- changes in the political climate in the U.S.; and
- terrorist attacks, natural disasters and the effects of climate change, regional and global conflicts, sanctions, laws and regulations that prohibit or limit operations in certain jurisdictions, public health crises or other such events impacting countries where we have operations.

In addition, broad market and industry fluctuations, as well as general economic, political, regulatory and market conditions, may negatively impact the market price of our common stock. In the past, companies that have experienced volatility in the market price of their securities have been subject to securities class action litigation. We have been subject to, and may in the future be subject to, this type of litigation, which could result in substantial costs, divert our management's attention from our business, and adversely affect our business. For more information on our pending legal proceedings, see Item 1. Legal Proceedings of this Form 10-Q.

Anti-takeover provisions in our charter documents and under Delaware law could make an acquisition of our company more difficult, limit attempts by our stockholders to replace or remove our current management and limit the market price of our common stock.

Provisions in our amended and restated certificate of incorporation and amended and restated bylaws may have the effect of delaying or preventing a change of control or changes in our management. Our amended and restated certificate of incorporation and amended and restated bylaws include provisions that:

- authorize our board of directors to issue, without further action by the stockholders, shares of undesignated preferred stock with terms, rights and preferences determined by our board of directors that may be senior to our common stock;
- require that any action to be taken by our stockholders be effected at a duly called annual or special meeting and not by written consent;
- specify that special meetings of our stockholders can be called only by our board of directors, the chairperson of our board of directors, or our chief executive officer;
- establish an advance notice procedure for stockholder proposals to be brought before an annual meeting, including proposed nominations of persons for election to our board of directors;
- establish that our board of directors is divided into three classes, with each class serving three-year staggered terms;
- prohibit cumulative voting in the election of directors;
- provide that our directors may be removed for cause only upon the vote of sixty-six and two-thirds percent (66 2/3%) of our outstanding shares of common stock;
- provide that vacancies on our board of directors may be filled only by a majority of directors then in office, even though less than a quorum; and
- require the approval of our board of directors or the holders of at least sixty-six and two-thirds percent (66 2/3%) of our outstanding shares of common stock to amend our bylaws and certain provisions of our certificate of incorporation.

These provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our board of directors, which is responsible for appointing the members of our management. In addition, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the Delaware General Corporation Law, which generally, subject to certain exceptions, prohibits a Delaware corporation from engaging in any of a broad range of business combinations with any "interested" stockholder for a period of three years following the date on which the stockholder became an "interested" stockholder. Any delay or prevention of a change of control transaction or changes in our management could cause the market price of our common stock to decline.

Our amended and restated certificate of incorporation provides that the Court of Chancery of the State of Delaware or the U.S. federal district courts are the exclusive forums for substantially all disputes between us and our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers or other employees.

Our amended and restated certificate of incorporation provides that the Court of Chancery of the State of Delaware is the sole and exclusive forum for any derivative action or proceeding brought on our behalf, any action asserting a breach of fiduciary duty owed by any of our directors, officers or other employees to us or our stockholders, any action asserting a claim against us arising pursuant to any provisions of the Delaware General Corporation Law, our amended and restated certificate of incorporation or our amended and restated bylaws, or any action asserting a claim against us that is governed by the internal affairs doctrine. If a court were to find any of these exclusive-forum provisions in our amended and restated certificate of incorporation to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving the dispute in other jurisdictions, which could seriously harm our business.

Section 22 of the Securities Act creates concurrent jurisdiction for federal and state courts over all claims brought to enforce any duty or liability created by the Securities Act or the rules and regulations thereunder. Our amended and restated certificate of incorporation, however, provides that the U.S. federal district courts will be the exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act. In December 2018, the Delaware Chancery Court issued an opinion invalidating provisions similar to ours limiting to U.S. federal court the forum in which a stockholder is able to bring a claim under the Securities Act ("Federal Forum Provision"). On March 18, 2020, however, the Delaware Supreme Court reversed the decision of the Delaware Chancery Court and held that such provisions are facially valid. In light of that recent decision, we announced that we may in the future enforce our Federal Forum Provision. While there can be no assurance that federal courts or other state courts will follow the holding of the Delaware Supreme Court or determine that the Federal Forum Provision should be enforced in a particular case, application of the Federal Forum Provision generally means that suits brought by our stockholders to enforce any duty or liability created by the Securities Act must be brought in federal court and cannot be brought in state court. While the Federal Forum Provision does not apply to suits brought to enforce any duty or liability created by the Exchange Act, Section 27 of the Exchange Act creates exclusive federal jurisdiction over all claims brought to enforce any duty or liability created by the Exchange Act or the rules and regulations thereunder. Accordingly, actions by our stockholders to enforce any duty or liability created by the Exchange Act or the rules and regulations thereunder also must be brought in federal court. Our stockholders will not be deemed to have waived our compliance with the federal securities laws and the regulations promulgated thereunder.

Any person or entity purchasing or otherwise acquiring or holding any interest in any of our securities shall be deemed to have notice of and consented to our exclusive forum provisions, including the Federal Forum Provision. These provisions may limit a stockholder's ability to bring a claim in a judicial forum of the stockholder's choosing for disputes with us or our directors, officers, or other employees, which may discourage lawsuits against us and our directors, officers, and other employees.

General Risks

Unfavorable conditions in our industry or the global economy or reductions in information technology spending could limit our ability to grow our business and negatively affect our operating results.

Our operating results may vary based on the impact of changes in our industry or the global economy on us and our existing and prospective customers. The revenue growth and potential profitability of our business depend on demand for our products and solutions. Current or future economic and global market uncertainties or downturns could adversely affect our business and operating results. Economic uncertainty and associated macro-economic conditions make it difficult for our customers and us to accurately forecast and plan future business activities, and could cause our customers to slow spending on our products. Negative conditions in the general economy both in the U.S. and abroad, including conditions resulting from inflation, changes in interest rates, actual or perceived instability in the global banking sector,, gross domestic product growth, financial and credit market fluctuations, political turmoil, natural catastrophes and the effects of climate change, public health crises, regional and global conflicts and terrorist attacks in the U.S., Europe, the Asia Pacific region or elsewhere, could cause a decrease in business investments, including spending on information technology, and negatively affect the growth of our business. In addition, unfavorable conditions in certain industry sectors could impact customers or partners disproportionately, which could also impact the demand for our products. To the extent our products and solutions are perceived by customers and potential customers as costly, or too difficult to deploy or migrate to, our revenue may be disproportionately affected by delays or reductions in general information technology spending. Also, competitors, many of whom are larger and more established than we are, may respond to market conditions by lowering prices and attempting to lure away our customers. In addition, the increased pace of consolidation in certain industries may result in reduced overall spending on our products and solutions. We cannot predict the timing, strength or duration of any economic slowdown, instability or recovery, generally or within any particular industry. If the economic conditions of the general economy or markets in which we operate worsen from present levels, our business, operating results and financial condition could be adversely affected.

Natural catastrophic events and man-made problems such as power disruptions, computer viruses, data security breaches, regional or global conflicts, and terrorism may disrupt our business.

We rely heavily on our network infrastructure and information technology systems, including our security-related or ERP systems, for our business operations. A disruption or failure of these systems in the event of online attack, earthquake, fire, terrorist attack, public health crisis, power loss, telecommunications failure or other similar catastrophic event, including as a result of the effects of climate change, could cause system interruptions, delays in accessing our service, reputational harm and loss of critical data or could prevent us from providing our products and solutions to our customers. A catastrophic event that results in the destruction or disruption of our data centers, or our network infrastructure or information technology systems, including any errors, defects or failures in third-party hardware, could affect our ability to conduct normal business operations and adversely affect our operating results. Additionally, while we believe our exposure from the recent conflicts in Ukraine and the Middle East is limited, we could experience unanticipated disruptions to our business as a result of current or future regional and global conflicts, including sanctions or other laws and regulations prohibiting or limiting operations in certain jurisdictions, increased risks of potential cyberattacks, related impacts to our customers, or micro- or macro-economic effects on the global economy.

ITEM 2. Unregistered Sales of Equity Securities, Use of Proceeds, and Issuer Purchases of Equity Securities.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

The following table summarizes our stock repurchases during the three months ended July 31, 2024:

Period	Total Number of Shares Purchased (1)	Average Price Paid Per Share (2)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (in thousands) (3)
May 1 - May 31	—	—	—	$1,142,382
June 1 - June 30	2,323,385	$51.67	2,323,385	$1,022,329
July 1 - July 31	1,485,979	$53.85	1,485,979	$942,306
Total	3,809,364		3,809,364	$942,306

(1) In March 2022, our board of directors authorized and approved a stock repurchase program of up to $200.0 million of our outstanding common stock. In September 2023, our board of directors authorized an increase to our existing stock repurchase program for an additional amount of up to $300.0 million of our outstanding common stock. In May 2024, our board of directors authorized an increase to our existing stock repurchase program for an additional amount of up to $1.0 billion of our outstanding common stock. Repurchases of our common stock may be effected from time to time, either on the open market, block trades, in privately negotiated transactions, and other transactions in accordance with applicable securities laws. The program does not obligate the Company to repurchase any specific number of shares and may be discontinued at any time. The program has no expiration date and will continue until otherwise suspended, terminated, or modified at any time for any reason by our board of directors. See Note 10 of this Quarterly Report on Form 10-Q for additional information related to stock repurchases.

(2) Average price paid includes costs associated with the repurchases, excluding the 1% excise tax as a result of the IRA.

(3) Amounts presented exclude the 1% excise tax as a result of the IRA.

ITEMS 3 and 4 are not applicable and have been omitted.

ITEM 5. Other Information

During the three months ended July 31, 2024, the following officers and directors of the Company entered into trading plans during an open insider trading window and intended to satisfy the affirmative defense of Rule 10b5-1 (c) under the Securities Exchange Act of 1934, as amended, and the Company's policies on insider trading:

Name	Title	Adoption Date	Earliest Sale Date	Expiration Date	Aggregate # of securities to be sold	Aggregate # of securities to be purchased
Teresa Briggs	Director	June 14, 2024	September 16, 2024	June 30, 2025	Up to 2,136	N/A
Blake Grayson	Chief Financial Officer	June 28, 2024	October 15, 2024	June 30, 2025	Up to 111,662	N/A
Jim Shaughnessy	Chief Legal Officer	July 10, 2024	October 9, 2024	October 31, 2025	Up to 37,500	N/A

Each of the 10b5-1 plans in the above table included a representation from the director or officer to the broker administering the plan that such individual was not in possession of any material nonpublic information regarding the Company or the securities subject to the plan. A similar representation was made to the Company in connection with the adoption of the plan under the Company's insider trading policy. Those representations were made as of the date of adoption of the 10b5-1 plan, and speak only as of that date. In making those representations, there is no assurance with respect to any material nonpublic information of which the director or officer was unaware, or with respect to any material nonpublic information acquired by the director or officer or the Company after the date of the representation.

ITEM 6. Exhibits

The documents listed in the Exhibit Index of this Quarterly Report on Form 10-Q are incorporated by reference or are filed with this Quarterly Report on Form 10-Q, in each case as indicated therein (numbered in accordance with Item 601 of Regulation S-K).

EXHIBIT INDEX

Exhibit Number	Description	Form	File No.	Incorporated by Reference Exhibit	Filing Date
3.1	Amended and Restated Certificate of Incorporation.	8-K	001-38465	3.1	May 1, 2018
3.2	Amended and Restated Bylaws.	8-K	001-38465	3.1	March 11, 2024
10.1#	Separation Agreement by and between Registrant and Steve Shute, dated June 24, 2024.	8-K	001-38465	10.1	June 25, 2024
10.2#	Offer Letter by and between the Registrant and Paula Hansen, dated June 7, 2024.	8-K	001-38465	10.2	June 25, 2024
10.3#	Executive Severance and Change in Control Agreement by and between Registrant and Paula Hansen, dated June 10, 2024.	8-K	001-38465	10.3	June 25, 2024
31.1	Certification of the Chief Executive Officer pursuant to Exchange Act Rule 13a-14 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.			Filed herewith	
31.2	Certification of the Chief Financial Officer pursuant to Exchange Act Rule 13a-14 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.			Filed herewith	
32.1*	Certification of the Chief Executive Officer and the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.			Filed herewith	
101.INS	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document).				
101.SCH	Inline XBRL Taxonomy Extension Schema Document.				
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.				
101.DEF	Inline XBRL Taxonomy Definition Linkbase Document.				
101.LAB	Inline XBRL Taxonomy Extension Labels Linkbase Document.				
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.				
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)				

# Indicates management contract or compensatory plan, contract or agreement

* The certifications furnished in Exhibit 32.1 hereto are deemed to accompany this Quarterly Report on Form 10-Q and will not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, except to the extent that the registrant specifically incorporates it by reference.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: September 6, 2024

DOCUSIGN, INC.

By: /s/ Allan Thygesen

Allan Thygesen
Chief Executive Officer
(Principal Executive Officer)

By: /s/ Blake Grayson

Blake Grayson
Chief Financial Officer
(Principal Accounting and Financial Officer)

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO EXCHANGE ACT RULES 13a-14(a) AND 15d-14(a)
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Allan Thygesen, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Docusign, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 6, 2024

By: /s/ Allan Thygesen
Allan Thygesen
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO EXCHANGE ACT RULES 13a-14(a) AND 15d-14(a)
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Blake Grayson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Docusign, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 6, 2024

By: /s/ Blake Grayson
Blake Grayson
Chief Financial Officer
(Principal Accounting and Financial Officer)

Exhibit 32.1

CERTIFICATIONS OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Allan Thygesen, the Chief Executive Officer of Docusign, Inc., certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of Docusign, Inc. for the fiscal quarter ended July 31, 2024 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Docusign, Inc.

Date: September 6, 2024

By: /s/ Allan Thygesen
Allan Thygesen
Chief Executive Officer
(Principal Executive Officer)

I, Blake Grayson, the Chief Financial Officer of Docusign, Inc., certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of Docusign, Inc. for the fiscal quarter ended July 31, 2024 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Docusign, Inc.

Date: September 6, 2024

By: /s/ Blake Grayson
Blake Grayson
Chief Financial Officer
(Principal Accounting and Financial Officer)