

# **Q2 F2020 Financial Review**

# Safe Harbor

This presentation contains “forward-looking” statements that are based on our management’s beliefs and assumptions and on information currently available to management. Forward-looking statements include statements under “Outlook” in our press release and any other statements about expected financial metrics, such as revenue, billings, non-GAAP gross margin, non-GAAP diluted weighted-average shares outstanding, and non-financial metrics, such as customer growth, as well as statements related to our expectations regarding the growth in adoption of our broader Agreement Cloud offering, the benefits of the DocuSign Agreement Cloud and enhancements to it, our estimated total addressable market and the impact of DocuSign Agreement Cloud on such market, including our belief that the Agreement Cloud category has the potential to be as big as CRM and ERP one day and that customers will share that belief, our ability to deliver product innovation, and our intentions to make charitable donations. They also include statements about our possible or assumed business strategies, potential growth opportunities and potential market opportunities.

Forward-looking statements include all statements that are not historical facts and can be identified by terms such as “believe,” “could,” “potential,” “will,” “would” or similar expressions and the negatives of those terms. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These risks include, but are not limited to, risks and uncertainties related to: our ability to estimate the size of our total addressable market; our ability to sustain and manage our growth and future expenses, achieve and maintain future profitability, attract new customers and maintain and expand our existing customer base; our ability to scale and update our platform to respond to customers’ needs, rapid technological change and increased competition in our market; our ability to compete effectively, expand our operations and increase adoption of our platform internationally; including our ability to deliver the benefits anticipated by enhancements to our DocuSign Agreement Cloud; our ability to successfully integrate SpringCM’s operations; our ability to pay off our convertible senior notes when due; our ability to successfully defend or otherwise resolve assertions by third parties that we violate their intellectual property rights; and our ability to respond to a network or data security incident that allows unauthorized access to our network or data or our customers’ data. Additional risks and uncertainties that could affect our financial results are included in the section titled “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our annual report on Form 10-K for the year ended January 31, 2019, our quarterly report on Form 10-Q for the quarter ended April 30, 2019, and other filings that we make from time to time with the SEC. In addition, any forward-looking statements contained in this presentation are based on assumptions that we believe to be reasonable as of this date. Except as required by law, we assume no obligation to update these forward-looking statements, or to update the reasons if actual results differ materially from those anticipated in the forward-looking statements.

# Non-GAAP 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 are presenting 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.

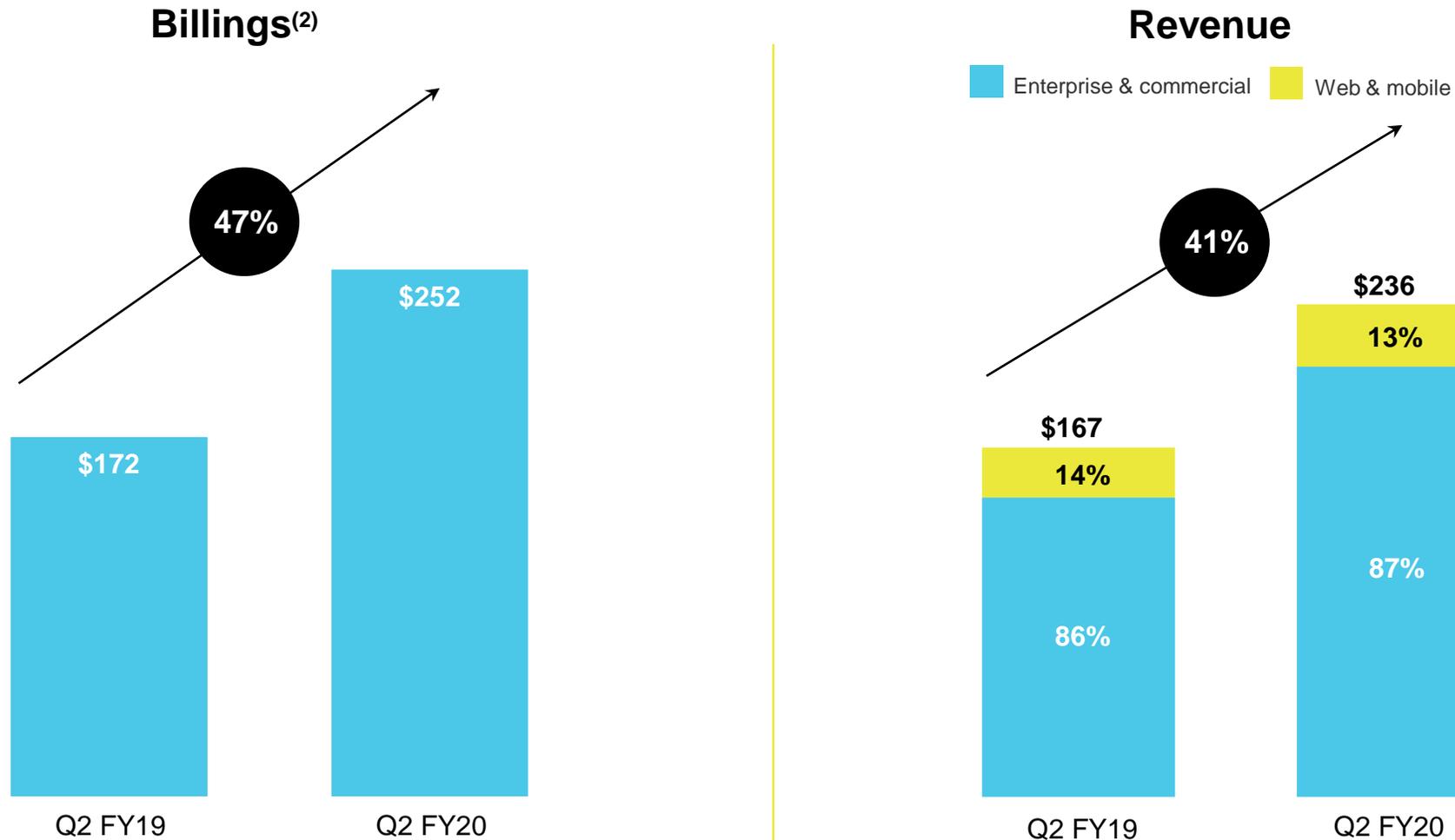
**Non-GAAP gross profit, non-GAAP gross margin, non-GAAP operating expenses, non-GAAP income (loss) from operations, non-GAAP operating margin, non-GAAP net income (loss) and non-GAAP net income (loss) per share:** We define these non-GAAP financial measures as the respective GAAP measures, excluding 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 from our convertible senior notes issued in September 2018, 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.

**Free cash flows:** We define free cash flow as net cash provided by (used in) operating activities less purchases of property and equipment. We believe free cash flow is an important liquidity measure of the cash (if any) that is available, 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 is a key metric to measure our periodic performance. 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.

For a reconciliation of these non-GAAP financial measures to the most directly comparable GAAP financial measure, please see the Appendix and the press release we filed today.

# Strong growth in billings and revenue<sup>(1)</sup>



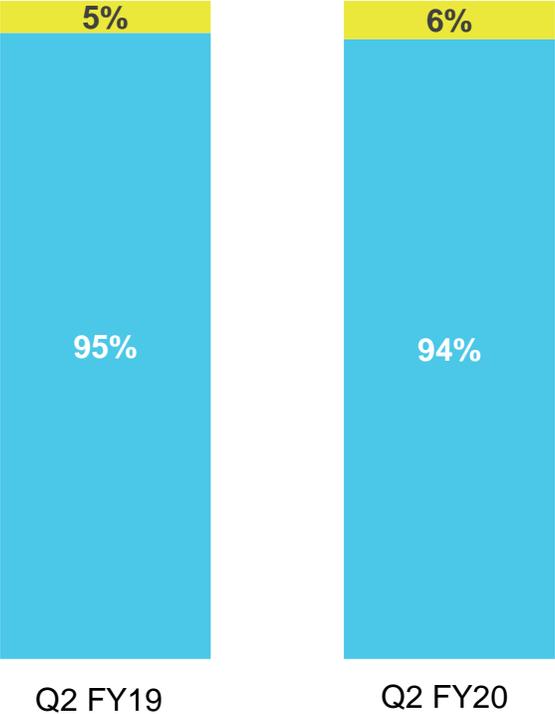
(1) For the second quarters ended July 31, 2018 and 2019. \$ in millions.

(2) Total revenues plus the change in contract liabilities and refund liability less contract assets and unbilled accounts receivable in a given period. Please see Appendix for non-GAAP reconciliation.

# Strong revenue visibility

Revenue contribution<sup>(1)</sup>

Subscription Professional services & other



Average contract length<sup>(2)</sup>

≤12 months >12 months

By contracts



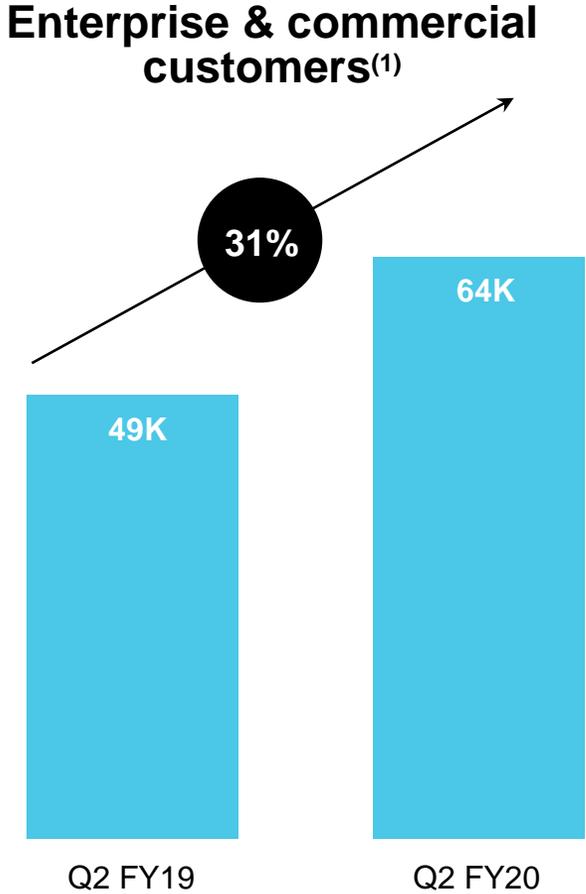
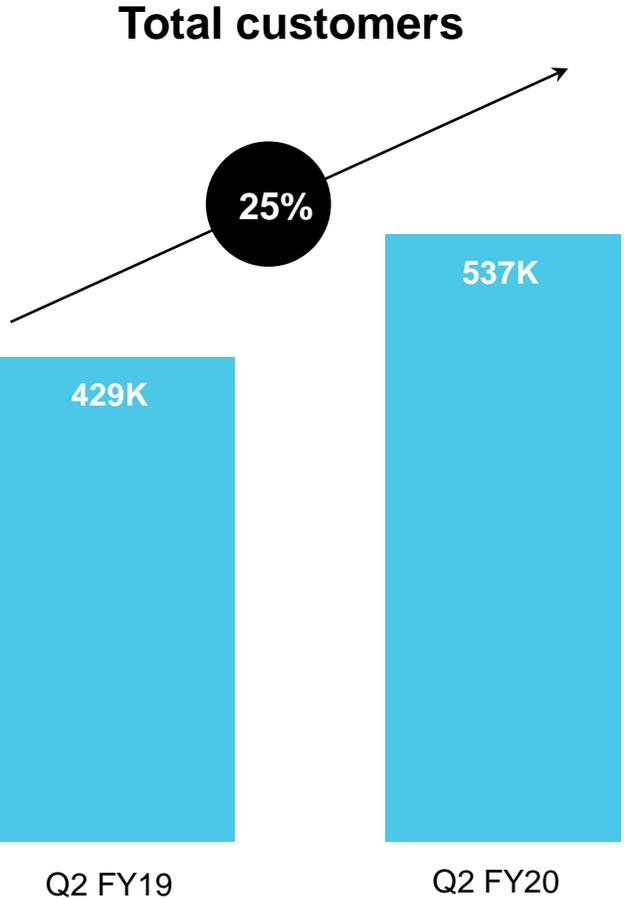
Dollar weighted



(1) For the second quarters ended July 31, 2018 and 2019.

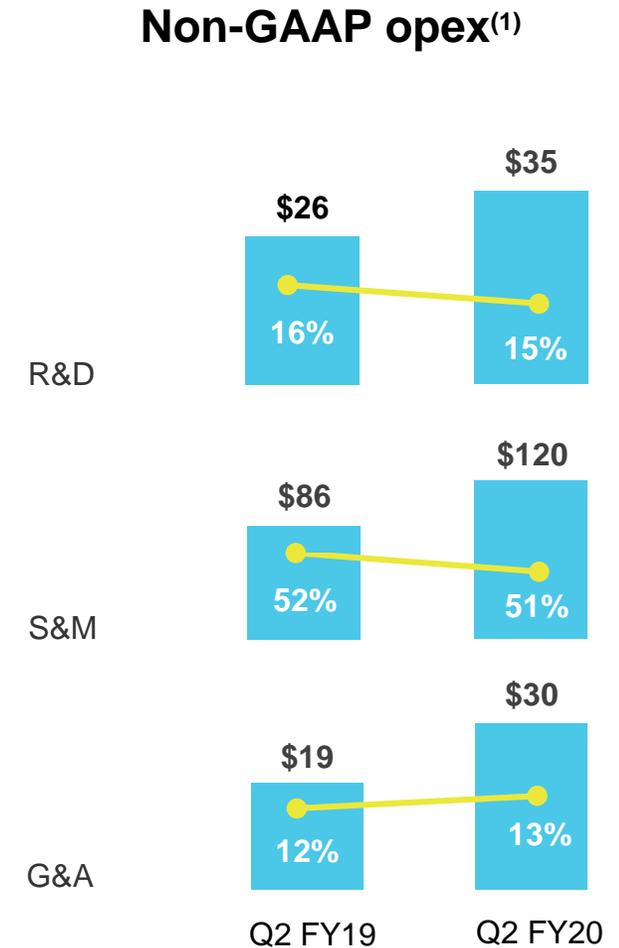
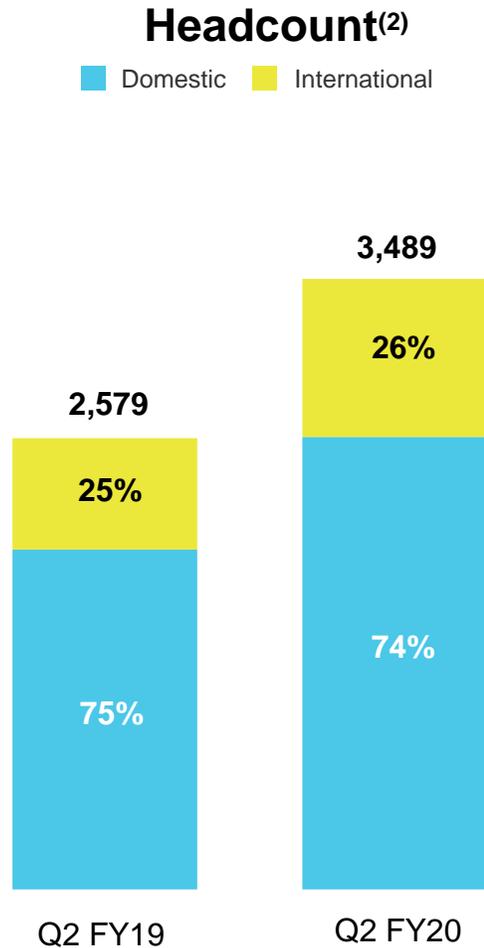
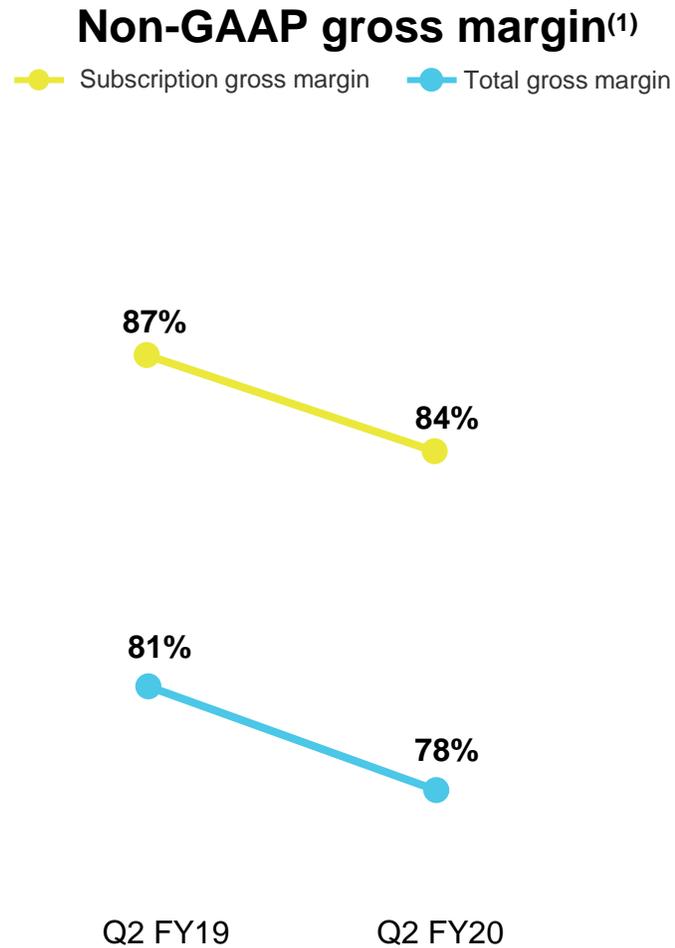
(2) Rolling 4-quarter average through Q2 FY20.

# Large and growing customer base



(1) Comprised of customers who were not acquired through our self-service channel. We define enterprise customers as companies generally included in the Global 2000. We generally define commercial customers to include both mid-market companies, which includes companies outside the Global 2000 that have greater than 250 employees, and SMBs, which are companies with between 10 and 249 employees, in each case excluding any enterprise customers.

# Achieving increased leverage



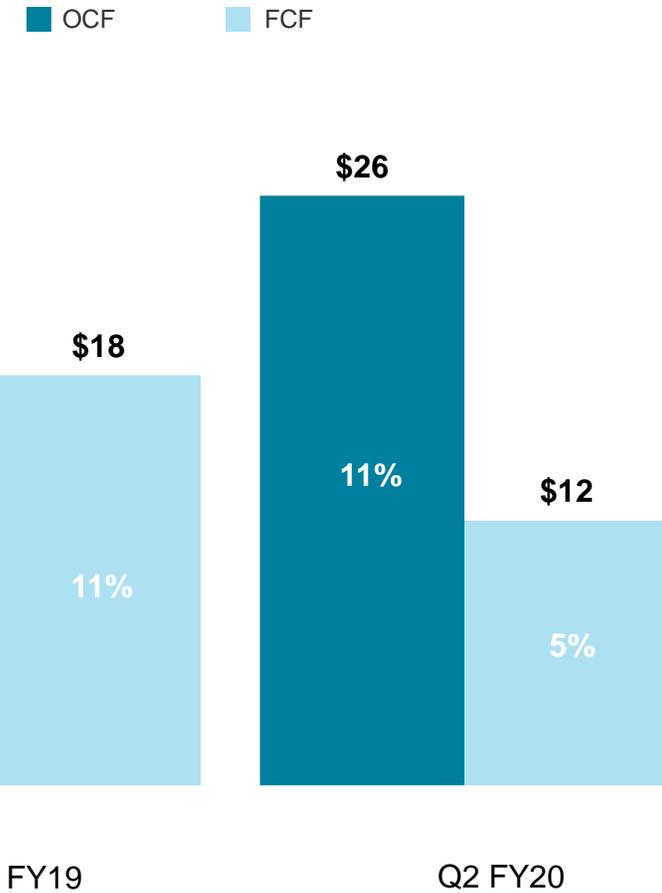
(1) Please see Appendix for non-GAAP reconciliation. \$ in millions. % of revenue.  
 (2) As of July 31, 2018 and 2019.

# Improving profitability and cash flows<sup>(1)</sup>

## Non-GAAP operating income<sup>(2)</sup>



## Cash flow<sup>(3)</sup>



(1) For the second quarters ending July 31, 2018 and 2019. \$ in millions. % of revenue.

(2) Please see Appendix for non-GAAP reconciliation.

(3) Net cash provided by operating activities for the second quarter of fiscal 2020 includes legal and settlement fees of approximately \$6 million related to the RPost litigation.

# Q3 FY2020 guidance

	Q3 Fiscal 2020		
Total Revenue	\$237M	-	\$241M
Billings	\$260M	-	\$270M
Non-GAAP Gross margin	78%	-	80%
Non-GAAP Sales and marketing	48%	-	50%
Non-GAAP Research and development	15%	-	17%
Non-GAAP General and administrative	10%	-	12%
Interest and other income	\$3M	-	\$4M
Provision for income taxes	\$1M	-	\$2M
Non-GAAP diluted weighted-average shares o/s	185M	-	190M

# FY2020 guidance

	Fiscal 2020		
Total Revenue	\$947M	-	\$951M
Billings	\$1,063M	-	\$1,083M
Non-GAAP Gross margin	78%	-	80%
Non-GAAP Sales and marketing	48%	-	50%
Non-GAAP Research and development	15%	-	17%
Non-GAAP General and administrative	11%	-	13%
Interest and other income	\$13M	-	\$16M
Provision for income taxes	\$6M	-	\$8M
Non-GAAP diluted weighted-average shares o/s	190M	-	195M

# Appendix

# GAAP to non-GAAP gross profit reconciliation

Gross Profit (in \$K)	Quarter Ended July 31,	
	2018	2019
GAAP Gross Profit	130,683	174,436
Add: Stock-based Compensation in Cost of Revenue	4,410	7,936
Add: Amortization of Acquisition-related Intangibles in Cost of Revenue	1,003	1,381
Add: Employer Payroll Tax on Employee Stock Transactions in Cost of Revenue	-	541
> Non-GAAP Gross Profit	136,096	184,294
GAAP Gross Margin	78%	74%
Non-GAAP Gross Margin	81%	78%

Subscription Gross Profit (in \$K)	Quarter Ended July 31,	
	2018	2019
GAAP Subscription Revenue	158,461	220,811
Less: GAAP Subscription Cost of Revenue	(23,057)	(39,472)
GAAP Subscription Gross Profit	135,404	181,339
Add: Stock-based Compensation in Subscription Cost of Revenue	1,588	3,115
Add: Amortization of Acquisition-related Intangibles in Subscription Cost of Revenue	1,003	1,381
Add: Employer Payroll Tax on Employee Stock Transactions in Subscription Cost of Revenue	-	211
> Non-GAAP Subscription Gross Profit	137,995	186,046
GAAP Subscription Gross Margin	85%	82%
Non-GAAP Subscription Gross Margin	87%	84%

# GAAP to non-GAAP operating gain / (loss) and free cash flow reconciliation

Adjusted Operating Gain / (Loss) (in \$K)	Quarter Ended July 31,	
	2018	2019
GAAP Operating Loss	(37,720)	(64,722)
Add: Stock-based Compensation in Cost of Revenue	4,410	7,936
Add: Amortization of Intangibles in Cost of Revenue	1,003	1,381
Add: Employer payroll tax on employee stock transactions in Cost of Revenue	-	541
Add: Stock-based Compensation in Operating Expenses	35,755	47,856
Add: Amortization of Intangibles in Operating Expenses	765	3,039
Add: Employer payroll tax on employee stock transactions in Operating Expenses	-	3,323
> Non-GAAP Operating Income (Loss)	4,213	(646)
Operating Margin (GAAP)	(23%)	(27%)
Operating Margin (non-GAAP)	3%	-%

Free Cash Flow (in \$K)	Quarter Ended July 31,	
	2018	2019
Net Cash Provided by Operating Activities	22,695	26,405
Less: Purchases of Property, Plant, and Equipment	(4,336)	(14,554)
> Free Cash Flow	18,359	11,851
Free Cash Flow Margin	11%	5%
Net Cash Used in Investing Activities	(4,336)	(18,237)
Net Cash Provided by (Used in) Financing Activities	530,480	(19,647)

# GAAP to non-GAAP operating expenses reconciliation

## Sales & Marketing (in \$K)

	Quarter Ended July 31,	
	2018	2019
GAAP Sales & Marketing	103,779	150,886
Less: Stock-based Compensation in Sales & Marketing	(16,791)	(25,942)
Less: Amortization of Acquisition-related Intangibles in Sales & Marketing	(765)	(3,039)
Less: Employer payroll tax on employee stock transactions in Sales & Marketing	-	(1,577)
> Non-GAAP Sales & Marketing	86,223	120,328
Sales & Marketing as % of Revenue (GAAP)	62%	64%
Sales & Marketing as % of Revenue (non-GAAP)	52%	51%

## Research & Development (in \$K)

	Quarter Ended July 31,	
	2018	2019
GAAP Research & Development	33,773	47,517
Less: Stock-based Compensation in Research & Development	(7,359)	(11,963)
Less: Employer payroll tax on employee stock transactions in Research & Development	-	(1,026)
> Non-GAAP Research & Development	26,414	34,528
Research & Development as % of Revenue (GAAP)	20%	20%
Research & Development as % of Revenue (non-GAAP)	16%	15%

## General & Administrative (in \$K)

	Quarter Ended July 31,	
	2018	2019
GAAP General & Administrative	30,851	40,755
Less: Stock-based Compensation in General & Administrative	(11,605)	(9,951)
Less: Employer payroll tax on employee stock transactions in General & Administrative	-	(720)
> Non-GAAP General & Administrative	19,246	30,084
General & Administrative as % of Revenue (GAAP)	19%	17%
General & Administrative as % of Revenue (non-GAAP)	12%	13%

# Computation of billings

## Computation of Billings (in \$K)

	Quarter Ended July 31,	
	2018	2019
Revenue	167,044	235,612
Add: Contract Liabilities and Refund Liability, End of Period	300,426	412,953
Less: Contract Liabilities and Refund Liability, Beginning of Period	(293,667)	(395,254)
Add: Contract Assets and Unbilled Accounts Receivable, Beginning of Period	14,555	16,810
Less: Contract Assets and Unbilled Accounts Receivable, End of Period	(16,196)	(17,757)
Billings	172,162	252,364