

Q3 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" above 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 benefits of the DocuSign Agreement Cloud and enhancements to it, additions to the Agreement Cloud suite of products, and the creation, size or growth of a new cloud platform category. They also include statements about our future operating results and financial position, our business strategy and plans, market growth and trends, and our objectives for future operations.

Forward-looking statements include all statements that are not historical facts and can be identified by terms 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 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 effectively 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 and rapid technological change; the effects of increased competition in our market and our ability to compete effectively; 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 relationship with developers; our ability to expand our direct sales force, customer success team and strategic partnerships around the world; our ability to identify targets for and execute potential acquisitions; our ability to successfully integrate the operations of businesses we may acquire, or to realize the anticipated benefits of such acquisitions; our ability to maintain, protect and enhance our brand; the sufficiency of our cash and cash equivalents to satisfy our liquidity needs; our failure or the failure of our software suite of services 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; our ability to estimate the size and potential growth of our target market; our ability to maintain proper and effective internal controls. 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 July 31, 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 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 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.

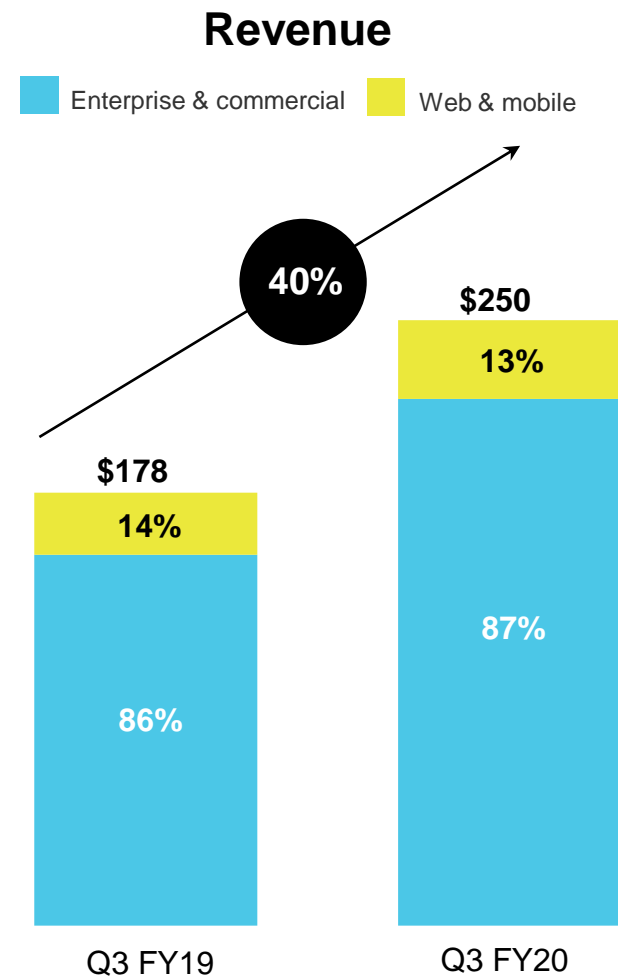
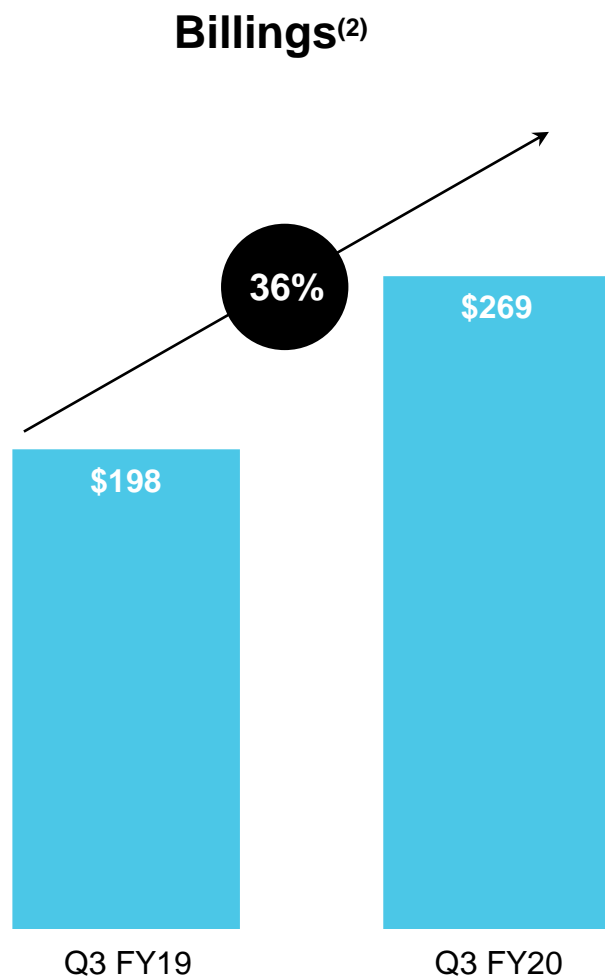
Non-GAAP gross profit, non-GAAP gross margin, non-GAAP operating expenses, non-GAAP income (loss) from operations, non-GAAP operating margin, non-GAAP net income (loss) and non-GAAP net income (loss) per share: We define these non-GAAP financial measures as the respective GAAP measures, excluding expenses 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⁽¹⁾



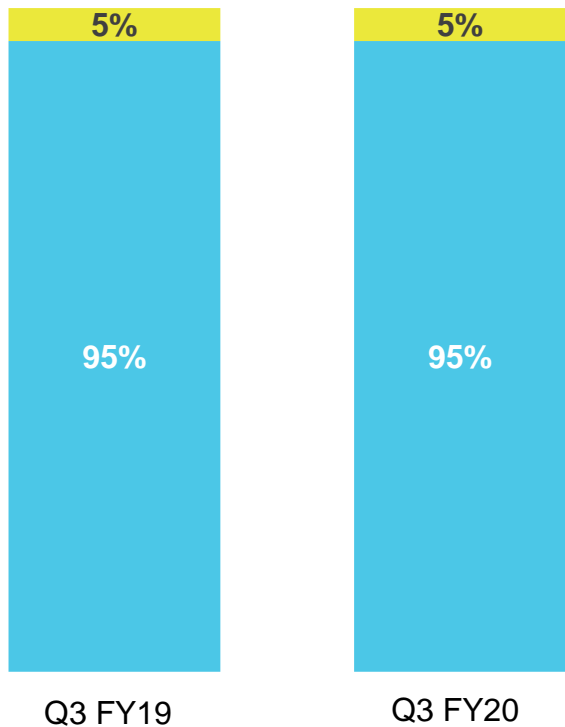
(1) For the third quarters ended October 31, 2018 and 2019. \$ in millions.

(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⁽¹⁾

Subscription Professional services & other



Average contract length⁽²⁾

≤12 months >12 months

By contracts

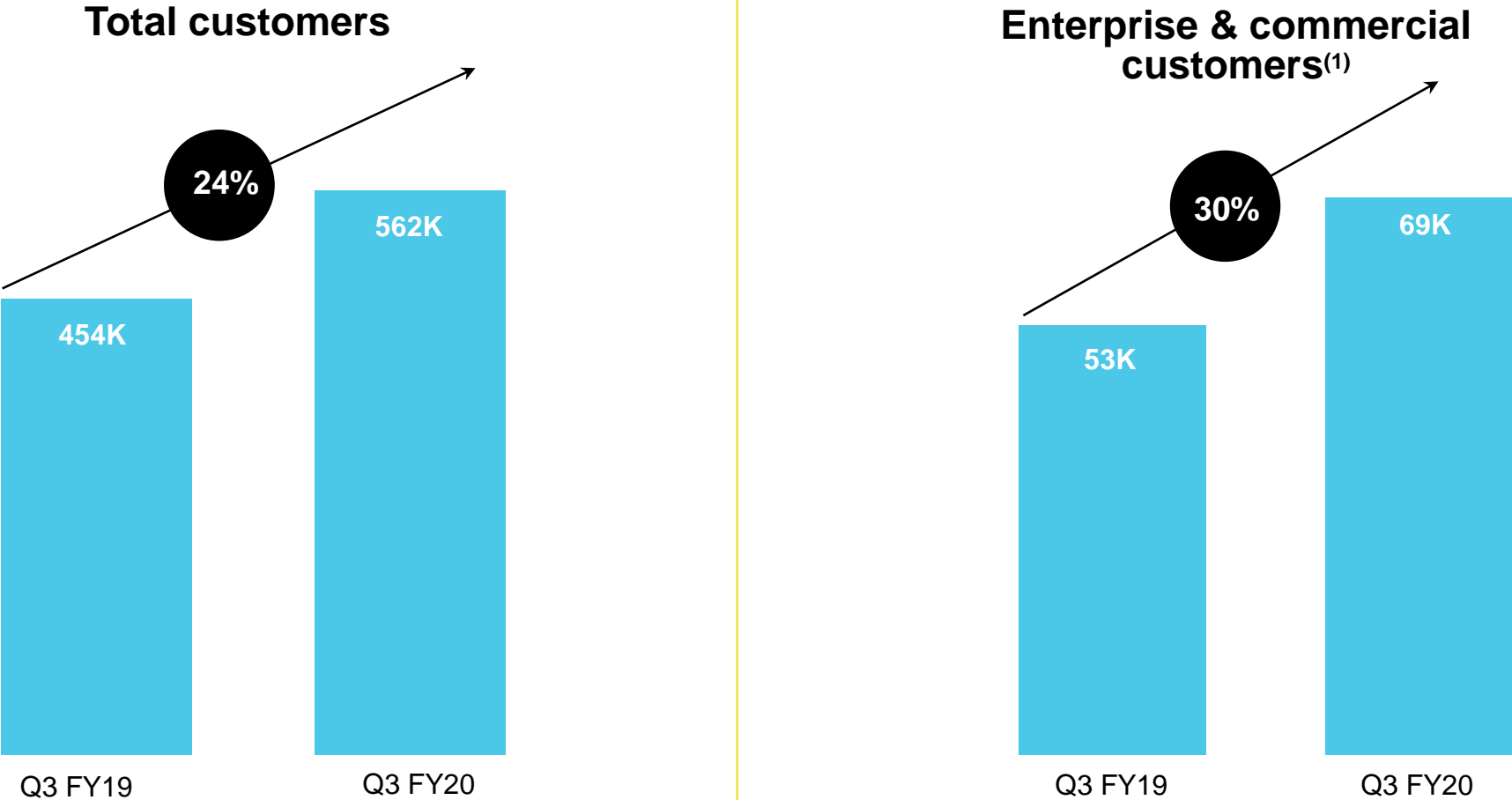


Dollar weighted



(1) For the third quarters ended October 31, 2018 and 2019.
(2) Rolling 4-quarter average through Q3 FY20.

Large and growing customer base

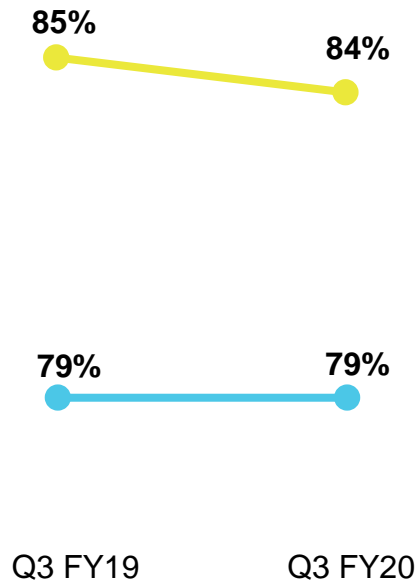


(1) Comprised of customers who were not acquired through our self-service channel. We define enterprise customers as companies generally included in the Global 2000. We generally define commercial customers to include both mid-market companies, which includes companies outside the Global 2000 that have 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

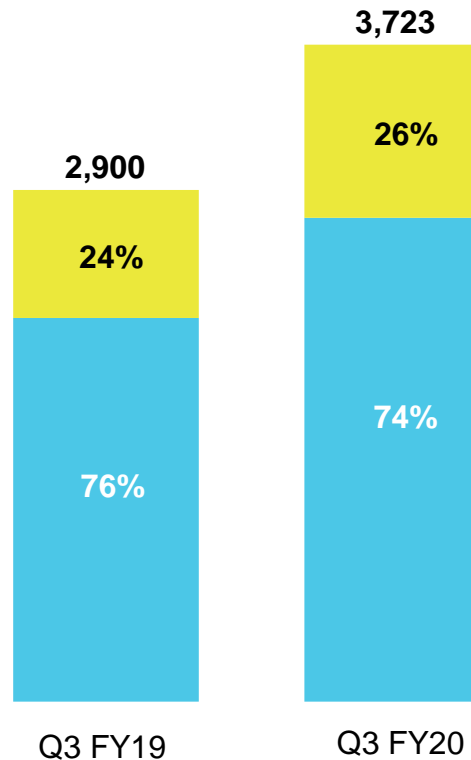
Non-GAAP gross margin⁽¹⁾

● Subscription gross margin ● Total gross margin

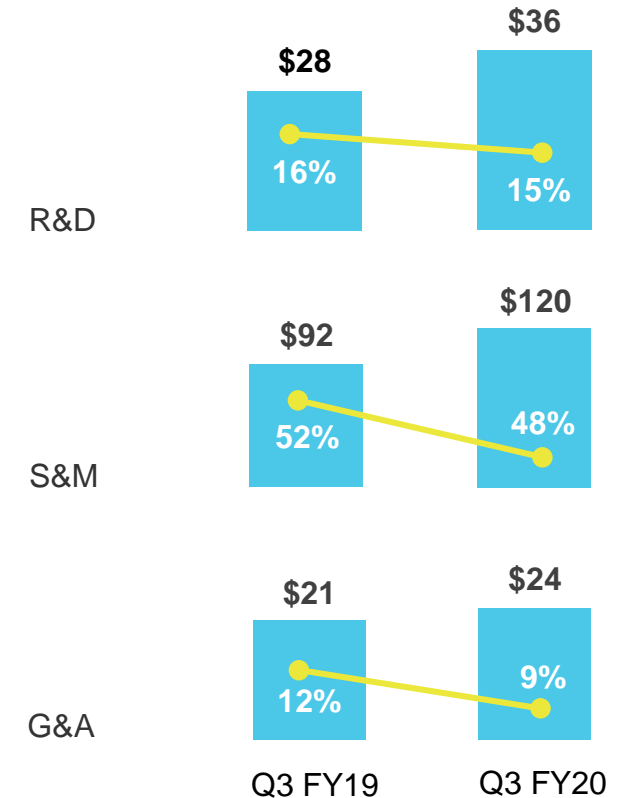


Headcount⁽²⁾

■ Domestic ■ International



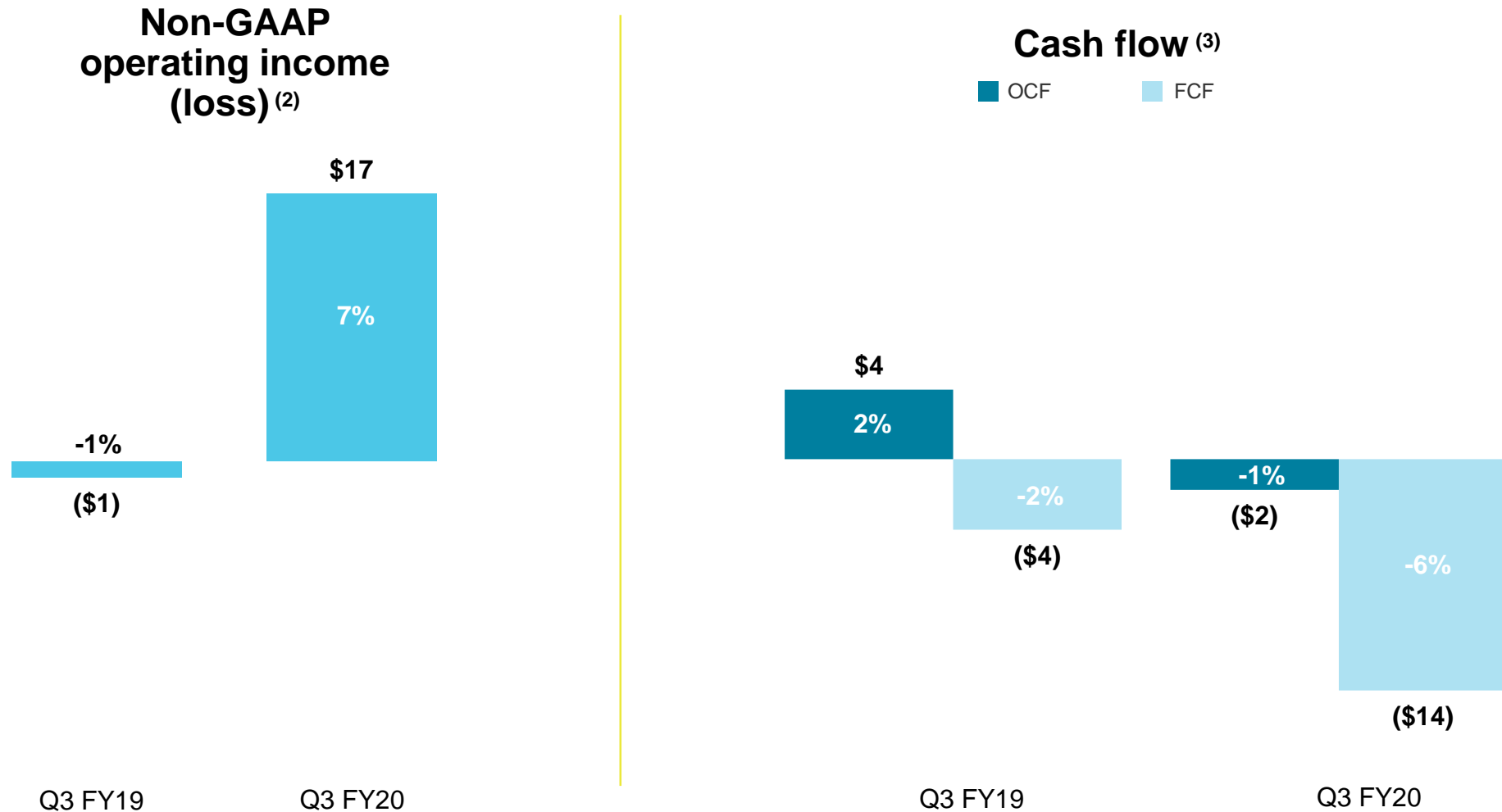
Non-GAAP opex⁽¹⁾



(1) Please see Appendix for non-GAAP reconciliation. \$ in millions. % of revenue.

(2) As of October 31, 2018 and 2019.

Improving profitability and cash flows⁽¹⁾



(1) For the second quarters ending October 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 third quarter of fiscal 2020 includes legal and settlement costs related to the RPost litigation.

Q4 FY2020 guidance

	Q4 Fiscal 2020		
Total Revenue	\$263M	-	\$267M
Billings	\$346M	-	\$356M
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%
Non-GAAP Interest and other income	\$3M	-	\$4M
Provision for income taxes	\$1M	-	\$2M
Non-GAAP diluted weighted-average shares o/s	190M	-	195M

FY2020 guidance

	Fiscal 2020		
Total Revenue	\$962M	-	\$966M
Billings	\$1,083M	-	\$1,093M
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%
Non-GAAP Interest and other income	\$16M	-	\$17M
Provision for income taxes	\$5M	-	\$6M
Non-GAAP diluted weighted-average shares o/s	190M	-	195M

Appendix

GAAP to non-GAAP gross profit reconciliation

Gross Profit (in \$K)

	Quarter Ended October 31,	
	2018	2019
GAAP Gross Profit	133,312	187,538
Add: Stock-based Compensation in Cost of Revenue	5,976	7,150
Add: Amortization of Acquisition-related Intangibles in Cost of Revenue	1,632	1,348
Add: Acquisition-related Expenses in Cost of Revenue	108	-
Add: Employer Payroll Tax on Employee Stock Transactions in Cost of Revenue	-	715
> Non-GAAP Gross Profit	141,028	196,751
GAAP Gross Margin	75%	75%
Non-GAAP Gross Margin	79%	79%

Subscription Gross Profit (in \$K)

	Quarter Ended October 31,	
	2018	2019
GAAP Subscription Revenue	169,426	238,072
Less: GAAP Subscription Cost of Revenue	28,709	43,178
GAAP Subscription Gross Profit	140,717	194,894
Add: Stock-based Compensation in Subscription Cost of Revenue	2,398	3,534
Add: Amortization of Acquisition-related Intangibles in Subscription Cost of Revenue	1,632	1,348
Add: Employer Payroll Tax on Employee Stock Transactions in Subscription Cost of Revenue	-	337
> Non-GAAP Subscription Gross Profit	144,747	200,113
GAAP Subscription Gross Margin	83%	82%
Non-GAAP Subscription Gross Margin	85%	84%

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

Adjusted Operating Gain / (Loss) (in \$K)	Quarter Ended October 31,	
	2018	2019
GAAP Operating Loss	(58,417)	(43,997)
Add: Stock-based Compensation in Cost of Revenue	5,976	7,150
Add: Amortization of Intangibles in Cost of Revenue	1,632	1,348
Add: Acquisition-related Expenses in Cost of Revenue	108	-
Add: Employer payroll tax on employee stock transactions in Cost of Revenue	-	715
Add: Stock-based Compensation in Operating Expenses	45,772	45,586
Add: Amortization of Intangibles in Operating Expenses	2,257	2,957
Add: Acquisition-related Operating Expenses	1,660	-
Add: Employer payroll tax on employee stock transactions in Operating Expenses	-	3,129
> Non-GAAP Operating Income (Loss)	(1,012)	16,888
Operating Margin (GAAP)	(33%)	(18%)
Operating Margin (non-GAAP)	(1%)	7%

Free Cash Flow (in \$K)	Quarter Ended October 31,	
	2018	2019
Net Cash Provided by Operating Activities	4,261	(1,869)
Less: Purchases of Property, Plant, and Equipment	(8,576)	(12,280)
> Free Cash Flow	(4,315)	(14,149)
Free Cash Flow Margin	(2%)	(6%)
Net Cash Used in Investing Activities	(227,355)	(19,067)
Net Cash Provided by (Used in) Financing Activities	498,070	(6,186)

GAAP to non-GAAP operating expenses reconciliation

Sales & Marketing (in \$K)

	Quarter Ended October 31,	
	2018	2019
GAAP Sales & Marketing	117,051	149,231
Less: Stock-based Compensation in Sales & Marketing	(22,338)	(24,649)
Less: Amortization of Acquisition-related Intangibles in Sales & Marketing	(2,257)	(2,957)
	(68)	-
Less: Employer payroll tax on employee stock transactions in Sales & Marketing	-	(1,682)
> Non-GAAP Sales & Marketing	92,388	119,943
Sales & Marketing as % of Revenue (GAAP)	66%	60%
Sales & Marketing as % of Revenue (non-GAAP)	52%	48%

Research & Development (in \$K)

	Quarter Ended October 31,	
	2018	2019
GAAP Research & Development	38,404	48,758
Less: Stock-based Compensation in Research & Development	(9,919)	(11,679)
Less: Acquisition-related Expenses in Research & Development	(302)	-
Less: Employer payroll tax on employee stock transactions in Research & Development	-	(712)
> Non-GAAP Research & Development	28,183	36,367
Research & Development as % of Revenue (GAAP)	22%	20%
Research & Development as % of Revenue (non-GAAP)	16%	15%

General & Administrative (in \$K)

	Quarter Ended October 31,	
	2018	2019
GAAP General & Administrative	36,274	33,546
Less: Stock-based Compensation in General & Administrative	(13,515)	(9,258)
Less: Acquisition-related Expenses in General & Administrative	(1,290)	-
Less: Employer payroll tax on employee stock transactions in General & Administrative	-	(735)
> Non-GAAP General & Administrative	21,469	23,553
General & Administrative as % of Revenue (GAAP)	20%	13%
General & Administrative as % of Revenue (non-GAAP)	12%	9%

Computation of billings

Computation of Billings (in \$K)

	Quarter Ended October 31,	
	2018	2019
Revenue	178,385	249,502
Add: Contract Liabilities and Refund Liability, End of Period	330,060	435,898
Less: Contract Liabilities and Refund Liability, Beginning of Period	(300,426)	(412,953)
Add: Contract Assets and Unbilled Accounts Receivable, Beginning of Period	16,196	17,757
Less: Contract Assets and Unbilled Accounts Receivable, End of Period	(15,229)	(20,805)
Less: Contract Liabilities and Refund Liability Contributed by the Acquisition of SpringCM	(11,002)	-
Billings	197,984	269,399