



DocuSign Inc.

Fourth Quarter Fiscal Year 2026 Earnings Call

March 17, 2026

C O R P O R A T E P A R T I C I P A N T S

Matthew Sonefeldt, *Investor Relations*

Allan Thygesen, *Chief Executive Officer*

Blake Grayson, *Chief Financial Officer*

C O N F E R E N C E C A L L P A R T I C I P A N T S

Robbie Owens, *Piper Sandler*

Tyler Radke, *Citigroup*

Mark Murphy, *JPMorgan*

Patrick Walravens, *Citizens JMP*

Kirk Materne, *Evercore ISI*

Allan Verkhovski, *BTIG*

Josh Baer, *Morgan Stanley*

Aleksandr Zukin, *Wolfe Research*

Rishi Jaluria, *RBC Capital Markets*

John Agreese, *Needham & Company*

John Gibb, *Jefferies*

Patrick McIlwee, *William Blair*

PRESENTATION

Operator

Good afternoon, ladies and gentlemen, and thank you for joining Docusign's Fourth Quarter Fiscal 2026 Earnings Conference Call.

At this time, all participants are in a listen-only mode. After the speakers' presentation, there will be a question-and-answer session. As a reminder, this conference is being recorded and will be available for replay from the Investor Relations section of the website following the call.

If anyone should require operator assistance during the conference, please press star, zero on your telephone keypad.

I will now pass the call over to Matthew Sonefeldt, Head of Investor Relations. Thank you. You may begin.

Matthew Sonefeldt

Thank you Operator.

Good afternoon and welcome to Docusign's Q4 Fiscal 2026 Earnings Call. Joining me on today's call are Docusign's CEO Allan Thygesen, and CFO Blake Grayson.

The press release announcing our fourth quarter Fiscal 2026 results was issued earlier today and is posted on our Investor Relations website, along with a published version of our prepared remarks.

Before we begin, let me remind everyone that some of the statements on today's call are forward-looking including any statements regarding future performance. We believe our assumptions and expectations related to these forward-looking statements are reasonable, but they are subject to known and unknown risks and uncertainties that may cause our actual results or performance to be materially different. In particular, our expectations regarding factors affecting customer demand and adoption are based on our best estimates at this time and are therefore subject to change. Please read and consider the Risk Factors in our filings with the SEC together with the content of this call. Any forward-looking statements are based on our assumptions and expectations to date and, except as required by law, we assume no obligation to update these statements in light of future events or new information.

During this call, we will present GAAP and non-GAAP financial measures. In addition, we provide non-GAAP weighted average share counts and information regarding free cash flows and billings and ARR. These non-GAAP measures are not intended to be considered in isolation from, a substitute for, or superior to our GAAP results. We encourage you to consider all measures when analyzing our performance.

For information regarding our non-GAAP financial information, the most directly comparable GAAP measures and a quantitative reconciliation of those figures, please refer to today's earnings press release which can be found on our website at investor.docusign.com.

I'd now like to turn the call over to Allan.

Allan Thygesen

Thank you Matt, and good afternoon everyone.

In Fiscal 2026, Docusign's AI-native Intelligent Agreement Management or IAM platform established clear market leadership as the agreement system of action for companies of all sizes. After just 18 months, IAM

customers are generating over \$350 million in ARR, and delivering strong retention and expansion. We're proud of the improvements in product, go-to-market, and operational execution over the past three years that have led us to this inflection point. We are positioned to begin accelerating the business.

Fiscal 2026 was defined by consistent execution, positioning us for durable long-term growth. In Q4, revenue was \$837 million, up 8% year-over-year, while billings exceeded \$1 billion for the first time, growing 10% year-over-year. ARR ended at \$3.3 billion, up 8% year-over-year. IAM represented 11% of ARR.

Fiscal 2026 was our first year with non-GAAP operating margins over 30% and free cash flow over \$1 billion.

In Fiscal 2027, we expect to maintain operating margins at a similar level as we reinvest go-to-market efficiencies into increased R&D investment to accelerate our roadmap. We will also leverage strong cash flow generation to support our repurchase program, which we have expanded to \$2.6 billion.

In Fiscal 2027, we are focused on two priorities to grow IAM. First, helping customers automate workflows and drive business results, and second, expanding our AI data and innovation advantage.

IAM is an AI-native end-to-end platform that transforms how customers manage agreements across every part of an organization. In the front office, sales workflows connect to legal, finance, and operations teams, while also integrating with CRM platforms, enabling customers to close deals faster, deliver a better customer experience, and gain meaningful top line benefits. In the back office, IAM's extraction and analysis capabilities enable a CFO in procurement use cases or a general counsel in legal use cases to better manage vendor relationships and gain previously unattainable insights into the business across hundreds of thousands of documents, using IAM as a system of action.

Aon, a leading global professional services firm, is implementing Docusign's Intelligent Agreement Management to surface intelligence buried in its legacy agreements and deliver it through Aon's Meridian capability, equipping colleagues with the clarity they need to serve clients more effectively.

Bank of Queensland signed a three-year strategic agreement and upgraded to IAM through the Microsoft Azure Marketplace. By leveraging our global partnership, Bank of Queensland will accelerate its digital transformation, streamlining agreement workflows to reduce their cost-to-serve, improve speed to market, and strengthen regulatory controls through deeper Microsoft integration.

IAM is now the center of gravity across our direct sales, partner, and product-led growth motions. Building on significant commercial momentum, in Fiscal 2027 we will scale IAM with enterprises by adding a top-down C-suite-focused sales motion.

We are launching IAM consumption-based subscription pricing in Q1. Our partner channel is increasingly emphasizing IAM, and made an improved contribution to our direct business in Q4 with total partner-contributed bookings growing by over 30% year-over-year.

Our product strategy is also focused on delivering more use-case value across organizations and enterprises. In Fiscal 2027, IAM will cover more surface area for our customers by introducing new IAM SKUs for specific functions within companies, including IAM for HR and Procurement. We are also building richer agentic tools for legal teams. This complements existing SKUs for Sales and Customer Experience (CX). We will continue to strengthen trust and compliance functionality through deeper permissioning, access management and auditing, as well as expanded IAM extensibility to more enterprise-focused third-party public and private applications.

Recently launched AI-powered tools bolster IAM's workflow capabilities. Agreement Desk, Agreement Preparation, and AI-Assisted Review streamline agreement creation. Workspaces and Identity Verification speed up secure agreement commitment. And Custom Extractions and SCIM for Docusign deliver

sophisticated, scalable capabilities that enterprise customers require. You can see these in action in our demo videos found in the prepared remarks.

eSignature remains a thriving part of our platform vision. In Q4 we added AI capabilities to eSignature that make every step of the signing process smarter and more trustworthy. We continue to see consistent year-over-year growth in the eSignature base, especially among customers spending \$300,000 or more per year.

Q4 envelope consumption once again increased year-over-year at near multi-year highs, while growth in envelopes sent remains healthy and consistent. Our focus on improving sales engagement and reducing customer friction delivered year-over-year improvements in gross and dollar net retention.

Three years ago, we recognized that AI would transform how agreements are managed, and we began building the AI-native platform that became IAM. We believed that agreement management was a natural extension of DocuSign's business, and that we had unique competitive advantages. These include a deep understanding of customer agreement workflows and context, a large ecosystem with more than 1,100 integrations, market-leading security and compliance, and customer trust and distribution relationships built over decades with companies around the world.

Our AI-data advantage continues to grow as customers invest in IAM. Today, the number of private, consented agreements ingested has expanded to more than 200 million agreements in DocuSign Navigator—our intelligent repository—up from 150 million in December. AI search leader Elastic is deploying Navigator to automate contract workflows across the business, while fintech leader Clasp is leveraging Navigator and our suite of app extensions to automate agreement workflows and centralize its contract data.

DocuSign AI models draw upon an enormous unmatched body of agreement data gathered over two decades. By leveraging our customer consented library of private contracts, we believe we can achieve up to a 15 percentage point improvement in precision and recall compared to our models training on public contract data, while operating at incredible cost efficiency.

We have optimized AI processing costs by upwards of 50x compared to running direct prompts on LLMs.

We further extend our AI advantage by directly integrating with the leading AI providers. Last month, we partnered directly with Anthropic to make IAM available as part of Claude Cowork. The DocuSign MCP connector is available in beta today through Anthropic's Connectors Directory. It enables DocuSign customers to use Cowork's natural language prompts to automate agreement workflows and securely create, review, send, and manage agreements in IAM, all with DocuSign's trusted security and access controls.

In addition to Cowork, IAM also connects via MCP server to OpenAI's ChatGPT, Google Gemini, GitHub Copilot, Copilot Studio, and Salesforce's Agentforce. IAM's ability to integrate with customer workflows and third-party applications delivers significant value to our customers.

Leading venture-backed fintech company Vestwell connected IAM to its CRM and reduced the time required to create a new customer agreement package from 75 minutes to 5 minutes. Move Forward Financial, a real estate lender, is saving money and delivering a better customer experience by using IAM for Sales. Payworks, a Canadian developer of workforce management software, increased 24-hour contract completion rates from 55% to 87%, and recovered more than \$400,000 in annual sales representative productivity by integrating IAM workflows with a complex Salesforce implementation.

Inside DocuSign, we're adopting AI across the organization, deploying new tools and enablement programs to boost productivity and gain efficiencies. The vast majority of our engineering organization is developing with AI, and 60% of new code is AI-assisted.

In closing, we're proud of the immense value IAM delivers to customers by enabling them to build sophisticated and efficient agreement workflows and unlock the power of the data in their agreements. Docusign IAM has emerged as the category-leading agreement management platform, and puts Docusign at the leading edge of AI innovation.

I want to thank the entire Docusign team for their dedication to helping our customers move faster, grow their businesses, and operate more efficiently, all while transforming Docusign into a durable, long-term growth business.

With that, let me turn it over to Blake.

Blake Grayson

Thanks, Allan, and good afternoon everyone.

Fiscal 2026 represented a critical year for Docusign as we continued our transformation, leveraging our recognized leading position amongst the world's most trusted software companies to help customers realize value from their full repository of agreements through IAM. With 1.8 million customers representing most large enterprises, mid-market companies, and over 1.5 million small businesses, we are in a unique position to provide the insights, productivity, and velocity companies need to improve their performance, particularly via leveraging AI.

Fiscal 2026 was both our first full year integrating IAM into our business as our primary growth driver and our first year generating over \$1 billion in free cash flow. We are proud of the progress we've made over the past three years and aspire to even greater gains in the future.

Q4 total revenue was \$837 million, and subscription revenue was \$819 million, both up 8% year-over-year. For the full year Fiscal 2026, total revenue was \$3.2 billion, up 8% year-over-year, and subscription revenue was also \$3.2 billion, up 9% year-over-year. Revenue in Q4 and for the full year benefited from approximately 80 basis points and 20 basis points year-over-year, respectively, from foreign exchange rates. Additionally, as discussed in prior quarters, Fiscal 2026 revenue also had a slight tailwind from digital add-ons that launched in late Fiscal 2025.

Our annual recurring revenue, or ARR, grew 8% year-over-year in Fiscal 2026 to nearly \$3.3 billion. This is consistent with our Fiscal 2025 ARR growth rate of 8% year-over-year. ARR growth this year was driven by accelerating gross new bookings, primarily from IAM customers, as well as gross retention improvements. Our ARR growth in Fiscal 2025 was driven predominantly by gross retention as we made sizable gains that year.

We're excited about the opportunity to accelerate our ARR growth in Fiscal 2027 as we continue to become an even more valuable partner to our customers. As a reminder, and as detailed in our filings, ARR is calculated using fixed exchange rates set at the start of the fiscal year.

Billings for Q4 were up 10% year-over-year, and exceeded \$1 billion for the first time in Docusign's history. Approximately half of the Q4 billings outperformance relative to our guidance was driven by timing, with the remainder from FX and bookings. For the full year Fiscal 2026, billings were \$3.4 billion, also up 10% year-over-year. Billings in Q4 and for the full year benefited by approximately 2.3% and 1.1% year-over-year, respectively, from foreign exchange rates.

As a reminder, this quarter will be the last time we report on billings as a top line metric as we shift to discussing ARR going forward. Please see Slide 29 in our Q4 earnings deck for a full summary of our top line metrics changes.

The underlying foundation of our business remains durable and healthy. Our dollar net retention rate, or DNR, was 102% in Q4, up from 101% in the prior year, showing moderate sequential improvement over

the last six quarters. Both consumption—a measure of envelope utilization—and the volume of envelopes sent in Q4 continued to improve year-over-year, with consumption remaining near multi-year highs across customer segments and verticals.

We are seeing continued strong adoption of our IAM platform. In Q4, and after just over 18 months from launch, IAM represented over \$350 million in ARR, or 10.8% of total company ARR, up from 2.3% at the end of Fiscal 2025. Although still early, our first IAM renewal cohorts are performing better than the company average, and we continue to see adoption rates for IAM features climb as users engage with the platform's expanding functionality.

In Q4, total customers grew 9% year-over-year to over 1.8 million. We ended the quarter with 1,205 customers spending over \$300,000 annually, a 7% increase year-over-year. International revenue surpassed 30% of total revenue in Q4 and grew 15% year-over-year.

Our commitment to operating efficiency delivered strong profitability for the quarter and Fiscal 2026.

Non-GAAP gross margin for Q4 was 81.8%, down 50 basis points from the prior year, due to ongoing costs associated with our cloud infrastructure migration, as discussed throughout the year. For Fiscal 2026, non-GAAP gross margin was 82.0%, down 20 basis points on a year-over-year basis, a better result than the anticipated full percentage point of headwind in our initial Fiscal 2026 guidance as higher revenue partially offset the cloud migration impact.

Non-GAAP operating income for Q4 was \$247 million, up 10% year-over-year. Operating margin was 29.5%, up 70 basis points versus last year. For the full year, non-GAAP operating income was \$968 million, up 9% year-over-year, with full year operating margin reaching 30% in the fiscal year for the first time in our company's history, representing a 30 basis point increase year-over-year.

We ended Fiscal 2026 with 7,044 employees, up modestly from 6,838 a year ago, as we continued to invest deliberately in roles focused on growing the IAM platform. While we are hiring across all of our global offices, the vast majority of our net new headcount growth has come from, and we expect will continue to be, in lower-cost locations.

Also in Fiscal 2026, we delivered our first year with over \$1 billion of free cash flow, a 33% margin, compared to 31% a year prior. In Q4, we generated \$350 million of free cash flow, representing 25% year-over-year growth and a 42% margin. Strength in Q4 was driven primarily by improved collections efficiency, as well as higher billings seasonality and the timing of billings.

Our balance sheet remains strong. We ended the quarter with approximately \$1.1 billion of cash, cash equivalents, and investments. We have no debt on the balance sheet.

In Q4, we also increased our buyback activity, repurchasing \$269 million in shares. This was our largest quarterly dollar buyback to date. For the full year Fiscal 2026, we repurchased \$869 million in stock, representing 82% of our annual free cash flow. When including the additional funds used to offset taxes due on RSU vesting, this rate is slightly over 100% for the year.

In Q4, we established a 10b5-1 program to repurchase shares before the open window, rather than our typical buybacks that coincide with open trading windows after earnings. This mechanism extends the potential timeframe for share buybacks, and we have already repurchased \$158 million to date in Q1. In addition, today we announced a \$2 billion increase to our repurchase program, bringing our total remaining authorization to \$2.6 billion. Our focus continues to be on improving free cash flow generation and redeploying excess capital opportunistically to shareholders.

Non-GAAP diluted EPS for Q4 was \$1.01, a \$0.15 per share improvement from \$0.86 last year. GAAP diluted EPS for Q4 was \$0.44 versus \$0.39 last year. For Fiscal 2026, non-GAAP diluted EPS was \$3.84

versus \$3.55 in Fiscal 2025, and GAAP diluted EPS was \$1.48 versus \$5.08 last year. As a reminder, GAAP earnings in Fiscal 2025 were positively impacted by the tax valuation allowance release that year.

In Q4 and Fiscal 2026, the buyback program contributed to reducing our share count. Diluted weighted average shares outstanding for Q4 were 204.7 million, a decrease from 214.5 million last year. Basic weighted average shares outstanding for Q4 decreased by 2.8 million year-over-year to 200.5 million from 203.3 million total shares.

With that, let me turn to guidance.

For ARR, we anticipate accelerating growth in Fiscal 2027 compared to the prior year. We expect a year-over-year growth rate range of 8.25% to 8.75%, or an 8.5% year-over-year increase to \$3.551 billion at the midpoint at the end of Q4 Fiscal 2027. We expect growth to be driven by gross new bookings, primarily from both new and expanding IAM customers, as well as by gross retention improvements versus Fiscal 2026. Related to this, we expect another year of modest improvement in DNR.

We expect IAM to represent approximately 18% of our total ARR at the end of Q4 Fiscal 2027, driving IAM to well over \$600 million in ARR by the end of this year.

This is our first year guiding to ARR, and I want to provide some context on our philosophy and approach around it. Our guidance represents our current best estimates for both total ARR and IAM's trajectory based on the business data and bookings forecast available today. Therefore, we intend to only revise our ARR forecasts as our underlying bookings expectations evolve for the entire year, and not necessarily on a quarterly basis. As you are aware, our bookings are seasonally weighted more heavily to the second half of the year, in particular Q4 which is typically our strongest quarter. As a result, updating our full year ARR forecast will depend on our visibility later into the year, which will take time to achieve.

For total revenue in the first quarter and Fiscal Year 2027, we expect \$822 million to \$826 million in Q1, or an 8% year-over-year increase at the midpoint, and \$3.484 billion to \$3.496 billion for Fiscal 2027, or an 8% year-over-year increase at the midpoint. After adjusting for impacts from FX and the moderate tailwinds from digital add-ons in Fiscal 2026, revenue growth is in line with the prior year.

Beginning Fiscal Year 2027, we will only guide to total revenue given that subscription revenue has now become the vast majority of our recognized revenue base, specifically 98% of our revenue in Fiscal 2026. We will continue to report the breakdown between subscription and professional services and other revenue in the footnotes of our SEC filings, based on materiality thresholds.

For profitability, we expect non-GAAP gross margin to be between 80.8% to 81.2% for Q1, and between 81.5% to 82.0% for Fiscal 2027. We expect non-GAAP operating margin to reach 29.0% to 29.5% for Q1 and 30.0% to 30.5% for Fiscal 2027. Our Fiscal 2027 operating margin's guidance reflects a similar level of margin expansion as we saw in Fiscal 2026.

We expect non-GAAP fully diluted weighted average shares outstanding of 196 million to 201 million for Q1 and 190 million to 195 million for Fiscal 2027, a meaningful reduction from the prior year as we expect that our buyback activity will more than offset dilution. For detailed commentary on top and bottom line factors to guidance, please see the Modeling Considerations appendix in our prepared remarks.

In closing, Fiscal 2026 was defined by the successful global rollout of IAM and our continued commitment to business fundamentals and improving efficiencies while redeploying excess capital to shareholders. As we look toward Fiscal 2027, we remain focused on leveraging efficiency gains to drive product innovation and ultimately accelerating ARR growth, delivering the long term improvements that our customers, shareholders, and employees will be proud of.

That concludes our prepared remarks. With that, Operator, let's open the call for questions.

Operator

Thank you. If you would like to ask a question, please press star, one on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press star, two if you would like to remove your question from the queue. For participants using speaker equipment, it may be necessary to pick up your handset before pressing the star keys.

Our first question is from Rob Owens with Piper Sandler. Please proceed.

Rob, please check and see if your line is muted.

Robbie Owens

Sorry about that. Thank you guys for taking my question and your patience while I figured out the mute button there.

Allan, in your prepared remarks, you talked about being positioned to accelerate the business, and clearly, that's reflected here in the ARR guide and after two years of consistent growth now calling for modest acceleration. Maybe help us unpack what's underpinning that confidence. You talked about gross retention, net retention, but can you stack rank kind of the delta between the two with IAM being a role? Maybe speak to some of the top-of-funnel activity that you're seeing as well? And lastly, along those lines, the level of conservatism that you have in this guidance relative to prior years? Thanks.

Allan Thygesen

Sure. Thanks for the question.

Overall, I think we're really pleased with the momentum in the business and that's what's reflected in our guide. We continue to see, I think, very strong adoption of product market fit in the commercial segment and accelerating momentum in enterprise, which represents an even larger addressable opportunity.

In terms of the drivers of the growth this year, it's a combination of new expansion bookings and retention, and both are very significant focus areas inside the company.

On the expansion side, as I said, it cuts across segments, primarily driven by IAM. And on the retention side, of course, the bulk of the business is in design (phon) and I think we're doing a better and better job on retention there reflected in the increasing DNR rates. We're starting to see a modest contribution from IAM as well, which has even higher retention, but it's still a very small part of the book. So that's not a huge driver this year, and of course it will become more important as we go further out.

Blake, I don't know if there's anything you want to add that.

Blake Grayson

Yes. Just kind of ending question on the level of conservatism, I think, Rob, that was in your question, we continue to forecast and communicate what we see in the business. No change in our philosophy there. And as things develop over time, we'll continue to update, but no change in structure or anything like that.

Robbie Owens

Great. Thanks for the color.

Operator

Our next question is from Tyler Radke with Citi. Please proceed.

Tyler Radke

Thank you for taking the question. I appreciate all the disclosure and prepared remarks you put out ahead of time and good to see the slight excel on the guide.

I guess, Blake, you walked through sort of the guidance philosophy on ARR, which we understand is fundamentally a different metric than billings. But I guess as we just sort of look at the IAM piece implied within your guidance, I mean, very strong growth this year. I think you added about \$280 million, \$285 million of net new IAM in FY26, up orders of magnitude from the prior year. But if we look at your guide for next year for FY '27, it sort of implies a similar amount of net new in IAM. So can you just help us understand—I mean, it seems like this is a business that's growing exponentially. You got a lot of new initiatives ahead. You talked about consumption pricing, the C-suite selling. Why wouldn't that number continue to ramp? And maybe just sort of help frame that in the context of returning to double-digit growth, kind of what else do you kind of need to see to kick in to get back there? Thank you.

Blake Grayson

Sure. Thanks for the question. What we saw this year and what we're expecting to see next year, again, it's a pretty linear progression in the IAM share of ARR. You saw us go from 2.3% to 10.8% this year. We're forecasting approximately 18% by the end of next year. A lot of that has to do with renewal cycles, right? So, how are we having those discussions with our customers, getting deeper into their business on a consultative approach around what's right for them.

I would just say IAM is tracking as we hoped it would. I'm excited for it to become an even larger percentage of our business over time. It absolutely is a key growth lever for us to get to that aspirational double-digit growth rate. that, combined with improvements in gross retention, which not only are we making those in eSign, but also we are seeing IAM contribute to that in small shares today just because we're getting our very first renewal cohorts through. But the combination of those two things, I think, helps us reach that longer-term aspirational goal of reaching double-digit growth. Hopefully, that helps.

Tyler Radke

Great. Thank you.

Operator

Our next question is from Mark Murphy with JPMorgan. Please proceed.

Mark Murphy

Thank you. I'll add my congrats.

Allan, it's intriguing to see the 200 million documents have been adjusted into Navigator because I think theoretically it would give you an accuracy advantage or performance advantage if you compare it to LLMs that might be out there running queries on their own.

You're also saying that the Anthropic partnership is central to your strategy. Could you comment on how much of a priority you want your own sovereign AI system Iris to be versus kind of working with Anthropic? And basically, how much of an accuracy advantage are you seeing when people are using Iris?

Allan Thygesen

Yes. To start just at the highest level, AI has been fantastic for Docusign over the last three years. I think we saw the potential impact on the agreement space early, particularly on the IAM vision, and you can see how that's powered some incremental growth for us.

I want to distinguish between the agreement library and the processing that we do on that and then what's the UI that people interact with.

On the data side, we have a huge advantage in using private consented agreements, not just public data. When we started with IAM, we were processing off public data, and now, as you mentioned, we've reached 200 million agreements that have been consented to be processed, and that's powering increased accuracy in our models.

At the same time, because we're processing large amounts of data, we've taken significant steps to drive additional efficiency in how we process that data, and that's what's driving the very significant cost advantage that we have in processing these large data sets.

So, we are certainly benefiting from the overall model innovation that the Anthropic's and OpenAI's and Google's of the world are doing and building on top of that, leveraging the incredible CapEx innovation they're doing, but then we have our own proprietary access to data, workflows and trust from customers that adds to that.

In terms of the user experience, we always have the philosophy that we want to reach users and enable them wherever they want to do their work. So they can certainly do that through the Docusign UI. But we've always been available in Salesforce, in the SAPs of the world, Workday and many other applications, and so it's sort of a logical extension of that to now be available in the leading chatbots like Anthropic's or OpenAI's, which we announced last fall. I view that as a continuation of our strategy. And you should expect to see us—if new surfaces arise that are important to our customers, we want to make Docusign data and actions available in those surfaces. Hopefully that's clear.

Mark Murphy

Makes sense. Thank you very much.

Operator

Our next question is from Patrick Walravens with Citizens JMP. Please proceed.

Patrick Walravens

Great. Thank you and let me add my congratulations.

If I could ask one for each of you, Allan, I was intrigued by the comment about the bank. I think it was maybe the Bank of Queensland that bought Docusign through the Microsoft Azure Marketplace. If you could just comment on the Microsoft relationship and how that's trending, that would be great.

And then, Blake, for you, I've gotten emails about this. If you wouldn't mind touching on where you are on your philosophy on stock-based comp, I think that would be appreciated by your investors.

Allan Thygesen

Yes. So on the Bank of Queensland deal, yes, that was transacted through the Microsoft Azure Marketplace, and we've done a number of enterprise transactions there. As you all know, Microsoft has a number of Azure commitment agreements with large companies and often they appreciate being able to buy through that platform.

But it's beyond just the convenience factor. I would say I've been thrilled with Microsoft as a partner. They really leaned in here and were a big part of the sale. In fact, a Microsoft leader presented that case at our conference last week to the entire partner community. So they've been fantastic and we look forward to doing even more with them.

Blake, I think that was second question for you.

Blake Grayson

Yes. Thanks, Patrick. Related to stock-based comp, we've made a concerted effort around that line item. I think you'll see in the financials that stock-based comp — I mean, it's been pretty flat actually for the past couple of years. Stock-based comp grew 2% year-over-year in Fiscal '26. I think that was coming off a slight decrease, negative 1% in Fiscal '25. And you can see that in our results—if you just take SBC as a percentage of revenue, it's been declining the past couple of years. We're happy with that. I expect it to decline again into Fiscal '27.

As you all know, there's been a number of actions that we've taken over the past years to manage stock-based comp around whether that's headcount resource management, whether it's around fewer executive grants and also a shift to more PSUs, whether that's making adjustments to equity structures, around leaning a bit more into cash comp. We recognize we still have work to do, but I'm proud of the continued progress that we're making and we're focused on continuing that.

Allan Thygesen

Maybe just to add to that. Just to add to you asked about Microsoft, but I don't want to—since you mentioned Bank of Queensland, I think it's an important use case to talk about.

I think you all know that financial services has always been an important vertical for DocuSign, and of course we've powered many use cases from bank account onboarding to mortgages, to loan agreements, etc., but historically, we sat just at the end of the process, the execution moment. A very important moment, a very high value moment, but that has powered—we basically work with practically every bank, certainly all the large ones. But now we can essentially power the entire onboarding process, from the initial presentation of the sign-up process, to real-time data validation of the data that a customer enters, to real-time identity verification of their documents and that they are present, and then, of course, the execution moment and then riding the data back to whatever systems power the next step in the process. which is dramatic simplification and both improvement in the customer experience and improvement in internal efficiency. Bank of Queensland is an example of one of the early customers for that end-to-end process. I think we're going to do a lot more of that over the next couple of years, so I just thought that was an exciting use case, not just for what illustrates about the Microsoft partnership before; it illustrates for a use case that might not be well understood.

Patrick Walravens

Thank you.

Operator

Our next question is from Kirk Materne with Evercore ISI. Please proceed.

Kirk Materne

Hi. Thanks for taking the question.

I was wondering if you could—you just mentioned banks, and I was wondering, Allan, if you could just talk a little bit about what you guys are thinking about from a vertical perspective. I realize you're a horizontal

platform at its core, but I was just kind of curious what you're seeing in terms of either faster adoption in some verticals for IAM and maybe what you're doing to lean into some verticals where there's a really good product fit for that product? Thanks.

Allan Thygesen

Yes. Thanks for the question.

At the high level, I would say we're still an incredibly broad application, and that's true for Sign and it's also for IAM, to see it adopted across industries, across companies of different sizes, and now across geographies.

I would say that we are moving increasingly towards a functional use cases. So, the account side of the example I just gave for banks, of course, is a customer experience front-of-the-house type application. We also do that in B2B or B2B sales organizations. That's, of course, been a long-standing partnership with Salesforce and we do that for other CRMs as well. And now, increasingly, more use cases in procurement, where there's a lot of B2B contracting that happens, and in HR, where the attraction and recruiting and onboarding of new employees, mirrors in many ways the bank account example that I gave you at the beginning. So we are focused on those functional use cases, if you will, more than specific industries.

To the extent that we focus on industries, financial services, healthcare and government are three areas that we invest a little extra in because while they're complicated, they're high value, and we do well in them. But it's very broad from an industry perspective.

Kirk Materne

That's super helpful. If I could just ask a follow-up for Blake.

Just Blake, on gross retention, do you have any sense on how that changes with IAM customers for you all? I realize the cohorts are pretty new here, but I was just kind of curious if that's playing out the way you would have expected in terms of potentially higher gross retention for those customers? Thanks.

Blake Grayson

Yes. We are seeing—and I'm going to preface this by a very early days of our first renewal cohort. So the sample size is pretty small, but even with that said, gross retention and dollar net retention rates for these IAM early renewal cohorts are better than the company average. So I would say cautiously optimistic, excited. It's frankly what we expected from this because just of all the feature functionality that comes with IAM and we'll see how that develops over time, but I'm cautiously optimistic about that so far.

Kirk Materne

Thank you.

Operator

Our next question is from Allan Verkhovski with BTIG. Please proceed.

Allan Verkhovski

Hey, thanks for taking the question here.

Allan, it's interesting to see how you've optimized AI processing costs by upwards of 50x compared to running the direct prompts on LLMs. Why is IAM consumption-based pricing the right way of monetizing?

And what were your top learnings from the quarter in conversations with your larger customers about how much of an uplift you can drive with IAM? And then I've got a quick follow-up with Blake after.

Allan Thygesen

Yes. Just to be clear, the consumption pricing we're referring to is consumption, if you will, of service credits. It's not a straight up token type billing model. You buy a certain amount of capacity. This of course is not new to DocuSign, as you all know, better than almost anyone. Our e-signature business has historically revolved around an envelope model where you pre-buy envelope capacity. You can think of this as sort of a generalization of that.

With all the different ways we can deliver value with IAM we've basically looked at how each of those products and use cases drive value, and created a credit system and we've now used that (inaudible) customers. They've been very enthusiastic. Both our customers and our sales teams appreciate that model and so we're now rolling it out next month, and I think that will just power most of our enterprise business going forward.

We still think for commercial customers a simpler pricing model makes sense, but for enterprises where there's so many different ways to deliver value and grow value over time that a consumption-based credit model is the right approach, and that's been validated in the last six months of trialing.

Allan Verkhovski

Got it. Then, Blake, is your internal time line for when you can get to 10% top line growth sooner, unchanged, or later after this quarter and why?

Blake Grayson

Yes. Just to be frank on this, that is our long-term aspiration for us. It is for me in the long term achievable. If we can both grow expansion and accelerate gross new bookings and improve our retention rates, that's something we could do. The when on that is not as important to me at the moment. We're going to go as fast as we can at this company and provide value to our customers. I think it's something we can achieve. It's going to take some time for us, as you can see. But I'm really excited about the opportunity ahead. But as far as like timeline or anything like that, nothing really to share.

Allan Verkhovski

Okay. Awesome. Thank you, guys.

Operator

Our next question is from Josh Baer with Morgan Stanley. Please proceed.

Josh Baer

Great. Thanks for the question. A couple on the enterprise opportunity. One, Blake, you were mentioning that around like the linear progression of IAM as a percentage of ARR, I guess I'm wondering—I know that wasn't like a comment about all years in the future. But I would expect with your positioning and kind of readiness in the enterprise for that to accelerate just because of the size of the enterprise opportunity and now unlocking that. Would that be the case? How are you thinking about the unlock of enterprise and the impact on that linearity?

Allan Thygesen

Why don't you go first Blake and then I'll add.

Blake Grayson

Yes. I think, obviously, for us, we've got big aspirations for enterprise. It's still early days for us there. You heard a couple of examples. You heard Aon's one that we're really excited about internally. And obviously, externally, the other ones that we've talked about.

I think for us, we're just going to have to see how this ramps over time, right? Is that as our customers use IAM and they experiment it and they use more of it, you can see that ramp over time, but it's a little bit like eSignature, right? You go into maybe through a division and then you're able to expand that to more users and whatnot. But I think that it's still early days for us. We're really excited about the opportunity. Our long-term success depends on growing the enterprise business. We're really excited about that and we are very heads-down focused in order to that.

Allan, I don't know if there's more you wanted to add.

Allan Thygesen

Yes. Just on the enterprise topic, it's really shifting into gear for us. It's contributing more of the top line mix. And over time, I expect it ultimately to become a bigger part of our business than it has been historically in eSign just because of the addressable opportunity and the pain is so much larger.

Just for purposes of illustration, I just want to double-click on the Aon example just for a second. So as you can imagine, Aon being an insurance business, their product is essentially agreements. They literally process hundreds of millions of documents. They have a strategic project called Meridian that's basically a customer portal where the customer can access all of their agreements with Aon and derive insights from those agreements, and this of course also create opportunities for additional value for Aon. They chose DocuSign to power that, which we're honored by.

That is a massively complex enterprise project and a project that is transformational in terms of the customer value proposition for Aon. It's sponsored by the highest level in the company. We're thrilled to be deeply engaged with them and they are certainly pushing us in several areas, but that's what you want and expect from your largest customers and partners. There's a number of examples like that, Aon is I think the most iconic of this quarter.

Josh Baer

Really helpful. Just to stay on this topic, any way to frame the pipeline or demand for IAM specifically in the enterprise? And related, could there be any initiatives or are there any current initiatives of bringing customers on to IAM before the renewals that we are kind of just talking about with regard to the linear progression? Thanks.

Allan Thygesen

Yes. I mean, look, it's always the case in subscription business; the renewal creates a natural focus point, shall we say, for discussions. But we are absolutely working to accelerate discussions with customers who are further out from their renewal and finding ways to do deals out of cycle. We have various contract structures to help facilitate that and as well as opportunity identification for our sales teams and our partners, and as you know, enterprise sales cycles are long anyway and so you've got to start way ahead if you want to do a big deal like an Aon type deal.

So yes, that is a focus. I don't think we'll ever be able to completely avoid the natural timing that's associated around renewals. It's just a fact of life, and customers also anticipate that and work towards that. But we are absolutely pulling a lot of levers to enable our sales teams, our partners and customers to have discussions as soon as customers frankly are ready to entertain them.

Josh Baer

Great. Thanks, Allan.

Operator

Our next question is from Alex Zukin with Wolfe Research. Please proceed.

Aleksandr Zukin

Hey guys, thanks for taking my question. I guess maybe two quick ones for me. I'll ask the inverse of Tyler's question.

If I think about the guidance around ARR, looking at the IAM flat and that implies non-IAM ARR is going to actually—is guided to get a lot—meaningfully better. Just curious what's driving kind of the confidence? Is that a gross retention dynamic continuing to improve? Then I've got a quick follow-up for Blake.

Blake Grayson

Yes. Let me see if I can answer the question I think in the spirit in the way you're asking it.

If you look at the IAM net new ARR and you try to compare it to the Company net new ARR, that can be a tricky comparison because the way to think about IAM is really not necessarily as an incremental brand new product, but it's a platform shift, right? We have got a lot of customers in our installed base that are moving to IAM, and remember, IAM comes with an e-Signature offer as well and customers are paying for that as a part of their IAM deals that they're doing with us.

So while IAM has many incremental features on top, it's also driving that platform shift. So I encourage you to think about it because of that as a platform. Use total company ARR when thinking about our absolute kind of dollar growth.

For us, retention gains are critical. IAM is one of those big levers for us to be able to do that, that we think that will play out over time, right? Because you got to get somebody into—customer to move into IAM, keep them getting excited about it and then renew them as well. So this is going to play out over years for us.

I think that I'm really excited about it. But along with that, too, we're making gains in our total company retention as well, which, as Allan said earlier and I think all of you know, it's still predominantly an e-Sign business. And so for us, those two things matter a lot. I'm really excited to be able to improve upon the gains that we made this year and get even bigger ones next year.

Aleksandr Zukin

Understood. Then maybe just with respect to the consumption-based pricing that you guys are introducing, I guess how much of the IAM ARR in the year that you're guiding to do you expect to be coming from consumption? Are you not including any of that in the guide? How do we think about that progression as it applies to NRR improvements gradually throughout the year?

Blake Grayson

So, we're launching subscription consumption-based pricing, so I would say the consumption element is all part of our ARR forecast, whether it's consumption or seats or not. And so I would encourage you to think about it that way.

Like Allan said, this is a lot akin to what we do with envelopes today, right? That a customer signs up for a subscription and then they get a capacity that they can utilize against it. So I don't think there's any big

swing necessarily just because of the pricing plan. I think it's going to give us an opportunity to appeal to a lot more of these enterprise customers and I think that's the best way for us to be able to increase usage over time.

Allan Thygesen

Yes. I agree with all that. I'd just say, look, it's primarily relevant in the enterprise space, which is a smaller but accelerating part of our business. And of course, it does lend itself to, as you implied in your question, potentially realize more growth over time in accounts because you already have the pricing mechanism installed and it would be sort of easier to say, "Well, you just need more credits."

So, let's see. Let's see where it goes for this year. It's important for the enterprise go-to-market and probably somewhat meaningful for the overall business, but not the primary driver.

Aleksandr Zukin

Got it. Thanks, guys.

Operator

Our next question is from Rishi Jaluria with RBC Capital Markets. Please proceed.

Rishi Jaluria

Wonderful. Thanks so much for taking my questions.

Maybe to start, not to keep harping on the ARR kind of question, but I guess just kind of taking at face value, right, you're guiding to effectively non-IAM ARR being flat, IAM ARR growing hypergrowth—call it 70%, 80%, depending on the assumptions you make. I get that there is a conversion element from it, right? And so maybe I'll ask a question that we've been trying to figure out for a while and hopefully, you have a decent amount of telemetry that you can make kind of some sort of preliminary indication. Just wanted to get a sense, what sort of pattern of behavior do you see in terms of overall ACV, TCV, LTM, whatever—sorry, LTV—whatever metric you want to use, but just in terms of so far as you've taken existing customers, moved them from just the core e-signature to the IAM platform, how much higher does that spending look like? And then I've got a quick follow-up. Thanks.

Allan Thygesen

Sure. Yes. I mean our focus continues to be on driving our dollar net retention rate up. We're going to do that in large part by making IAM in the foundation, not only of our expansion strategy but also our retention strategy going forward. So talking about expansion rates and stuff gets pretty tricky when you start to balance those components. We are seeing in general, in the vast majority of cases, an expansion opportunity for our customers that are coming in. We're not breaking that out. But we also need to see the early renewal cohort customers and we're encouraged, like I said earlier about that. But it's something that for us and for IAM in total it provides an expansion and a retention opportunity, but we're not breaking out the expansion rates right now.

Rishi Jaluria

Understood. That's helpful.

Then maybe just thinking going back to some of the partnerships that you have, with Anthropic; you've got one with OpenAI. We're seeing new highlighted on (inaudible) over the past several months. I'm just coming at a time with clearly investors are worried about potential competition either from DIY, using those platforms (inaudible) the platforms themselves. Can you maybe talk a little bit about how is your conversation with

both of those—and any other model providers as well because I know you can have the ability to work with most models out there—but just how those conversations have kind of staged over time and how you've been able to double down on a lot of the things that have made you successful in shaping the nature of those partnerships? Thanks so much.

Allan Thygesen

Yes. Thanks. The reality is, I think every provider of chatbots, the leading ones like OpenAI and probably like Google, but there are many others who are aiming to provide a chat interface to their customers. And as they think about how do I provide value with that chatbot, one of the most important data elements that you want to expose and process that you want to kick off is agreements. So, we've had a lot of inbound interest. Every major provider of models is interested in partnering with us on this, which is reflected in those announcements, and there'll be more like that.

I think we are well positioned as the system of record for agreements, as well as a system of action, and we can power those actions through our own interface, through third-party agentic interfaces or third-party applications like Salesforce and SAP and Workday.

I'm very bullish on our position as the authority and logical top partner for companies with ambitions to retrieve agreement data, kick off agreement processes, complete them. We're a good partner for that and I think that's reflective in what you see in the (inaudible) news.

Rishi Jaluria

Very helpful. Thank you.

Operator

Our next question is from Scott Berg with Needham & Company. Please proceed.

John Agreese

This is John Agreese (phon) on for Scott. One question for us. We noticed the company is conducting some A/B testing on self-serve eSignature plans. Have any pricing changes been incorporated into the Fiscal '27 guidance?

Blake Grayson

Well, I'll take that. Allan, if you want to add on, go ahead. Our guidance reflects all of our plans for this fiscal year, including tests like that. We're testing that at the moment and we'll see how it goes. We're excited about it, but the guidance is a reflection of the plans that we have for this next fiscal year.

Allan Thygesen

Yes. In a digital business, you're constantly testing all kinds of new pricing and packaging and this is just one of those that we're doing in a couple of geographies and we'll see which ones work and we'll scale.

John Agreese

Great. Thank you.

Operator

Our next question is from Brent Thill with Jefferies. Please proceed.

John Gibb

Hi. Thank you. This is John Gibb for Brent Thill. I had a question on AI.

Wondering which features where you're seeing the most traction and momentum? And also whether you're seeing any meaningful usage or volume or lease through the chatbots? Thank you.

Allan Thygesen

Yes. On the first point, Look, the foundational major AI platform feature (inaudible) as Navigator, which gives you access to your repository agreements. I think that still powers a tremendous amount of value for customers of all sizes. It's really remarkable how many different ways people find value from that. But we're now increasingly delivering AI-enabled features across the agreement journey. For example, we have automated Agreement Review. That's I think becoming a very expected thing. You'll see automated data validation, automated use of AI for identity verification and for risk assessment. We've launched a number of features in that area over the last six months. So really across the board, AI is wherever we can use that to power more value for customers, we're going to do that. You can see that now across the various stages of the journey and in different functional workflows.

There's so much more to come here, so I'm very optimistic that this is going to power value delivery and innovation for us for a while.

Operator

Our next question is from Patrick McIlwee with William Blair. Please proceed.

Patrick McIlwee

Hey, good afternoon Allan and Blake. Thank you for taking my questions.

One more on IAM. It's great to hear you're expecting absolute ARR from that product to nearly double this year. I understand a lot of that growth is coming from existing customers transitioning, but can you just provide a quick update on what type of traction you're seeing in going out and winning net new customers with those incremental capabilities? And as we think about that, how you feel this solution is competing against other CLM vendors and broader workflow platforms.

Allan Thygesen

Yes. I think that's going extremely well. It's an even larger part of our newco dollars than of normal renewals. I think when you come in fresh, you get to position all the exciting things IAM has to offer, whereas with some (inaudible) customers, they may have an existing perception of what's possible with agreements or what we can deliver for them and you need to change those perceptions.

Newco will continue to be a core element of Docusign's growth. Of course, all of our customers start as new customers and many of them started as small customers and grew into very large customers. So that is an essential acquisition pipeline that we continue to invest in.

With all that said, the primary focus of our go-to-market with IAM is with existing customers, and that's the vast majority of IAM revenue. It's a huge advantage for Docusign that we walk in, we already have your agreements. We're already a trusted and proven supplier. We're already generally very well perceived because of the quality of the Sign product and the experience customers have, and that's an amazing starting point for delivering value and for processing their agreements with AI that's unmatched by any other company.

So I think we have a lot of data and product advantages. We also have huge distribution advantages and that might not be as fully understood. But you can start to see that really come into play with the number of customers that we've already brought on to our new AI platform and number of agreements that we've ingested and processed.

Patrick McIlwee

Mm-hmm. Okay. Great. Thank you. Just quickly, you touched on it in the prepared remarks, but the flat guidance for operating margins, understand you're reinvesting some efficiencies from the go-to-market side in R&D. Is there any context you can provide on what those investments are geared towards or what capabilities you're looking at as you invest there?

Allan Thygesen

Yes. Maybe just first for context, I know you all know this, but I'm just going to repeat it anyway. We've gone from 20% operating margins to 30% operating margins over the last three years, grown revenue 30% while we've dropped headcount 15%. So I think DocuSign has been already on some of the efficiency improvements that we're all seeking.

I think the decision we made in planning for this year is that we're rightsized for the opportunity ahead and the growth acceleration opportunity that we have. That doesn't mean that we're not reprioritizing aggressively inside the company. So we continue to seek incremental efficiency in our go-to-market motion. I think we've done a lot there and there's going to be more opportunities. And then we're investing some of that in our product and technology organization.

The areas that we're investing in – enterprise and AI, continued acceleration of our legal tech roadmap, federal. U.S. federal is a big opportunity for us. Those are examples of things—security continues to be a key investment area. Those are five areas that got sort of incremental funding on top of baseline freed up by some of the efficiencies (inaudible) functions.

Patrick McIlwee

Got it. Very clear. Thank you both for the thoughts.

Operator

There are no further questions at this time. I would like to turn the conference back over to Allan for closing remarks.

Allan Thygesen

Thank you, Operator, and thank you to all who joined today's call.

In closing, we are very excited about the value IAM is delivering to customers and their workflows and through our AI innovation. We will be positioned to begin accelerating the business in 2026 or Fiscal 2027, while generating strong efficiency and profitability.

Thanks for your support. Look forward to talking next quarter.

Operator

Thank you. This will conclude today's conference. You may disconnect at this time, and thank you for your participation.