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

FORM 10-Q

(Mark One)

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

For the quarterly period ended April 30, 2020
or

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

For the transition period from to
Commission File Number: 001-38465

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

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

221 Main St.	Suite 1550	San Francisco	California	94105
		(Address of Principal Executive Offices)		(Zip Code)

(415) 489-4940
(Registrant's Telephone Number, Including Area Code)

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

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

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

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

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

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

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

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

The registrant has 183,508,855 shares of common stock, par value $0.0001, outstanding at May 29, 2020.

DOCUSIGN, INC.
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NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which statements involve substantial risk and uncertainties. All statements contained in this Quarterly Report on Form 10-Q other than statements of historical fact, including statements regarding our future operating results and financial position, our business strategy and plans, market growth and trends, and our objectives for future operations, and the impact of the ongoing coronavirus pandemic (the “COVID-19 pandemic”) on our financial conditions and results of operations are forward-looking statements. Forward-looking statements generally relate to future events or our future financial or operating performance. In some cases, you can identify forward-looking statements because they contain words such as “may,” “will,” “should,” “expects,” “plans,” “anticipates,” “could,” “intends,” “target,” “projects,” “contemplates,” “believes,” “estimates,” “predicts,” “potential,” or “continue” or the negative of these words or other similar terms or expressions that concern our expectations, strategy, plans or intentions. Forward-looking statements contained in this Quarterly Report on Form 10-Q include, but are not limited to, statements about:

- our ability to effectively sustain and manage our growth and future expenses, and our ability to achieve and maintain future profitability;
- our expectations regarding the impact of the COVID-19 pandemic on our business;
- our ability to attract new customers and to maintain and expand our existing customer base;
- our ability to scale and update our software suite to respond to customers’ needs and rapid technological change;
- the effects of increased competition on 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 software suite 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; and
- our ability to maintain proper and effective internal controls.

In addition, statements that “we believe” and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based upon information available to us as of the date of this Quarterly Report on Form 10-Q, and while we believe such information forms a reasonable basis for such statements, such information may be limited or incomplete, and our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all potentially available relevant information. These statements are inherently uncertain, and investors are cautioned not to unduly rely upon these statements.

You should not rely upon forward-looking statements as predictions of future events. We have based the forward-looking statements contained in this Quarterly Report on Form 10-Q primarily on our current expectations and projections about future events and trends that we believe may affect our business, financial condition, results of operations, and prospects. The outcome of the events described in these forward-looking statements is subject to risks, uncertainties, and other factors described in the section titled “Risk Factors” and elsewhere in this Quarterly Report on Form 10-Q. Moreover, we operate in a very competitive and rapidly changing environment. New risks and uncertainties emerge from time to time, such as the COVID-19 pandemic. Many of the risks and uncertainties are currently elevated by, and may or will continue to be elevated by, the current COVID-19 pandemic. It is not possible for us to predict all risks and uncertainties that could have an impact on the forward-looking statements contained in this Quarterly Report on Form 10-Q. We cannot assure you that the results, events, and circumstances reflected in the forward-looking statements will be achieved or occur, and actual results, events, or circumstances could differ materially from those described in the forward-looking statements.

The forward-looking statements made in this Quarterly Report on Form 10-Q relate only to events as of the date on which such statements are made. We undertake no obligation to update any forward-looking statements after the date of this Quarterly Report on Form 10-Q or to conform such statements to actual results or revised expectations, except as required by law.

PART I - FINANCIAL INFORMATION
ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
DOCUSIGN, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)

(in thousands, except per share data)	April 30, 2020	January 31, 2020
Assets		
Current assets		
Cash and cash equivalents	$ 442,237	$ 241,203
Investments—current	315,712	414,939
Restricted cash	280	280
Accounts receivable	220,602	237,841
Contract assets—current	13,236	12,502
Prepaid expenses and other current assets	51,176	37,125
Total current assets	1,043,243	943,890
Investments—noncurrent	140,117	239,729
Property and equipment, net	134,811	128,293
Operating lease right-of-use assets	161,484	149,833
Goodwill	193,594	194,882
Intangible assets, net	52,241	56,500
Deferred contract acquisition costs—noncurrent	169,686	153,333
Other assets—noncurrent	26,312	24,678
Total assets	$ 1,921,488	$ 1,891,138
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	$ 21,504	$ 28,144
Accrued expenses and other current liabilities	46,475	54,344
Accrued compensation	81,653	83,189
Contract liabilities—current	552,345	507,560
Operating lease liabilities—current	27,613	20,728
Total current liabilities	729,590	693,965
Convertible senior notes, net	472,162	465,321
Contract liabilities—noncurrent	11,287	11,478
Operating lease liabilities—noncurrent	173,750	162,432
Deferred tax liability—noncurrent	4,814	4,920
Other liabilities—noncurrent	7,097	6,695
Total liabilities	1,398,700	1,344,811
Commitments and contingencies (Note 10)		
Stockholders' equity		
Preferred stock, $0.0001 par value; 10,000 shares authorized, 0 shares issued and outstanding as of April 30, 2020 and January 31, 2020	—	—
Common stock, $0.0001 par value; 500,000 shares authorized, 183,428 shares outstanding as of April 30, 2020; 500,000 shares authorized, 181,254 shares outstanding as of January 31, 2020	18	18
Additional paid-in capital	1,714,462	1,685,167
Accumulated other comprehensive loss	(6,703)	(1,673)
Accumulated deficit	(1,184,989)	(1,137,185)
Total stockholders' equity	522,788	546,327
Total liabilities and stockholders' equity	$ 1,921,488	$ 1,891,138

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

DOCUSIGN, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS (Unaudited)

	Three Months Ended April 30,	
(in thousands, except per share data)	2020	2019
Revenue:		
Subscription	$ 280,922	$ 201,458
Professional services and other	16,095	12,504
Total revenue	297,017	213,962
Cost of revenue:		
Subscription	52,010	33,119
Professional services and other	22,022	18,900
Total cost of revenue	74,032	52,019
Gross profit	222,985	161,943
Operating expenses:		
Sales and marketing	171,793	129,936
Research and development	54,234	37,183
General and administrative	38,811	37,261
Total operating expenses	264,838	204,380
Loss from operations	(41,853)	(42,437)
Interest expense	(7,560)	(7,156)
Interest income and other income, net	3,742	5,217
Loss before provision for income taxes	(45,671)	(44,376)
Provision for income taxes	2,133	1,346
Net loss	$ (47,804)	$ (45,722)
Net loss per share attributable to common stockholders, basic and diluted	$ (0.26)	$ (0.27)
Weighted-average number of shares used in computing net loss per share attributable to common stockholders, basic and diluted	182,978	172,101
Other comprehensive loss:		
Foreign currency translation loss, net of tax	$ (5,189)	$ (1,631)
Unrealized gains on investments, net of tax	159	338
Other comprehensive loss	(5,030)	(1,293)
Comprehensive loss	$ (52,834)	$ (47,015)
Stock-based compensation expense included in costs and expenses:		
Cost of revenue—subscription	$ 3,864	$ 2,282
Cost of revenue—professional services and other	4,125	3,440
Sales and marketing	24,665	18,102
Research and development	11,885	7,317
General and administrative	9,012	11,130

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

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

(in thousands)	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
Balances at January 31, 2020	181,254	$ 18	$ 1,685,167	$ (1,673)	$ (1,137,185)	$ 546,327
Exercise of stock options	840	—	7,635	—	—	7,635
Settlement of RSUs	1,078	—	—	—	—	—
Tax withholding on RSU settlement	—	—	(46,723)	—	—	(46,723)
Employee stock purchase plan	256	—	13,590	—	—	13,590
Employee stock-based compensation expense	—	—	54,793	—	—	54,793
Net loss	—	—	—	—	(47,804)	(47,804)
Other comprehensive loss, net	—	—	—	(5,030)	—	(5,030)
Balances at April 30, 2020	183,428	$ 18	$ 1,714,462	$ (6,703)	$ (1,184,989)	$ 522,788

(in thousands)	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
Balances at January 31, 2019	169,303	$ 17	$ 1,545,088	$ (1,965)	$ (928,778)	$ 614,362
Exercise of stock options	2,634	—	32,254	—	—	32,254
Settlement of RSUs	1,460	—	—	—	—	—
Tax withholding on RSU settlement	—	—	(56,137)	—	—	(56,137)
Employee stock purchase plans	231	—	10,563	—	—	10,563
Employee stock-based compensation expense	—	—	43,703	—	—	43,703
Net loss	—	—	—	—	(45,722)	(45,722)
Cumulative impact of Topic 842 adoption	—	—	—	—	(48)	(48)
Other comprehensive loss, net	—	—	—	(1,293)	—	(1,293)
Balances at April 30, 2019	173,628	$ 17	$ 1,575,471	$ (3,258)	$ (974,548)	$ 597,682

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

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

(in thousands)	Three Months Ended April 30, 2020	2019
Cash flows from operating activities:		
Net loss	$ (47,804)	$ (45,722)
Adjustments to reconcile net to net cash used in operating activities		
Depreciation and amortization	14,039	11,971
Amortization of deferred contract acquisition and fulfillment costs	21,360	14,260
Amortization of debt discount and transaction costs	6,842	6,454
Non-cash operating lease costs	6,324	4,128
Stock-based compensation expense	53,551	42,271
Deferred income taxes	(104)	52
Other	504	(1,111)
Changes in operating assets and liabilities		
Accounts receivable	17,239	57,414
Contract assets	(740)	(2,701)
Prepaid expenses and other current assets	(9,660)	(7,107)
Deferred contract acquisition and fulfillment costs	(41,037)	(20,487)
Other assets	(1,364)	541
Accounts payable	(2,554)	282
Accrued expenses and other liabilities	(916)	4,710
Accrued compensation	(1,536)	(19,869)
Contract liabilities	44,594	4,274
Operating lease liabilities	406	(3,705)
Net cash provided by operating activities	59,144	45,655
Cash flows from investing activities:		
Purchases of marketable securities	—	(375,211)
Sales of marketable securities	28,986	—
Maturities of marketable securities	170,071	92,457
Purchases of strategic investments	—	(15,500)
Purchases of other investments	(3,000)	—
Purchases of property and equipment	(26,389)	(15,237)
Net cash provided by (used in) investing activities	169,668	(313,491)
Cash flows from financing activities:		
Payment of tax withholding obligation on RSU settlement	(46,723)	(56,137)
Proceeds from exercise of stock options	7,635	32,254
Proceeds from employee stock purchase plan	13,590	10,563
Net cash used in financing activities	(25,498)	(13,320)
Effect of foreign exchange on cash, cash equivalents and restricted cash	(2,280)	(379)
Net increase (decrease) in cash, cash equivalents and restricted cash	201,034	(281,535)
Cash, cash equivalents and restricted cash at beginning of period	241,483	518,178
Cash, cash equivalents and restricted cash at end of period	$ 442,517	$ 236,643

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

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

	Three Months Ended April 30,	
(in thousands)	2020	2019
Supplemental disclosure:		
Cash paid for interest	$ 1,438	$ 1,414
Cash paid for operating lease liabilities	6,389	4,729
Cash paid for income taxes	416	131
Non-cash investing and financing activities:		
Property and equipment in accounts payable and accrued expenses and other current liabilities	$ 3,445	$ 3,791
Operating lease right-of-use assets exchanged for lease obligations	18,745	53,653
Derecognition of build-to-suit lease	—	2,479

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

DOCUSIGN, INC.
Index for Notes to the Condensed Consolidated Financial Statements

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

Note 1. Summary of Significant Accounting Policies

Organization and Description of Business

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

We provide a platform that enables businesses of all sizes to digitally prepare, execute and act on agreements, thereby simplifying and accelerating the process of doing business.

Basis of Presentation and Principles of Consolidation

Our condensed consolidated financial statements include those of DocuSign, Inc. and our subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation. The accompanying condensed consolidated financial statements have been prepared in accordance with United States (“U.S.”) generally accepted accounting principles (“GAAP”) for interim financial information. Certain information and note disclosures normally included in the financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to the applicable rules and regulations of the Securities and Exchange Commission (“SEC”). Therefore, these unaudited interim consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes included in our 2020 Annual Report on Form 10-K.

Our condensed consolidated financial statements are unaudited and have been prepared on a basis consistent with that used to prepare the audited annual consolidated financial statements and, in our opinion, include all adjustments of a normal recurring nature necessary for the fair statement of our financial position, results of operations and cash flows. Our condensed consolidated balance sheet as of January 31, 2020 was derived from audited financial statements but does not include all disclosures required by GAAP. The results of operations for the three months ended April 30, 2020 are not necessarily indicative of the results to be expected for the year ending January 31, 2021.

Our fiscal year ends on January 31. References to fiscal 2021, for example, are to the fiscal year ending January 31, 2021. Certain prior year amounts have been reclassified to conform to current year presentation. These amounts were not material to any of the periods presented.

Use of Estimates

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

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

The World Health Organization declared in March 2020 that the outbreak of the coronavirus disease named COVID-19 constitutes a pandemic. We have undertaken measures to protect our employees, partners and customers. There can be no assurance that these measures will be effective, however, or that we can adopt them without adversely affecting our business operations. In addition, the COVID-19 pandemic has created and may continue to create significant uncertainty in global financial markets, which may decrease technology spending, depress demand for our solutions and harm our business and results of operations. As of the date of issuance of the financial statements, we are not aware of any specific event or circumstance that would require us to update our estimates, judgments or revise the carrying value of our assets or liabilities.

These estimates may change, as new events occur and additional information is obtained, and are recognized in the condensed consolidated financial statements as soon as they become known. Actual results could differ from those estimates and any such differences may be material to our financial statements.

Significant Accounting Policies

There have been no changes to our significant accounting policies described in our 2020 Annual Report on Form 10-K that have had a material impact on our consolidated financial statements and related notes.

Concentration of Credit Risk

Our financial instruments that are exposed to concentrations of credit risk consist primarily of cash, cash equivalents, marketable securities and accounts receivable. Although we deposit our cash with multiple financial institutions, the deposits, at times, may exceed federally insured limits. We have not experienced any losses on our deposits of cash and cash equivalents. Cash equivalents consist of money market funds which are invested through financial institutions in the U.S. Management believes that the institutions are financially stable and, accordingly, minimal credit risk exists.

We perform ongoing credit evaluations of our customers, do not require collateral and maintain allowances for potential credit losses on customers' accounts using the expected loss model.

Investments

Investments in marketable securities consist of commercial paper, corporate notes and bonds, as well as U.S. Treasury and government agency securities. Management determines the appropriate classification of investments at the time of purchase and reevaluates such determination at each balance sheet date. Marketable securities are classified as available-for-sale and are carried at fair value in the consolidated balance sheet and are classified as short-term or long-term based on their remaining contractual maturities.

We evaluate our investments with unrealized loss positions at the individual security level to determine whether the unrealized loss was related to credit or noncredit factors. We consider whether a credit loss exists based on the extent of the unrealized loss position, any adverse conditions specifically related to the security or the issuer's operating environment, pay structure of the security, the issuer's payment history and any changes in the issuer's credit rating. Estimated credit losses are determined using a discounted cash flow model and recorded as an allowance, with changes in expected credit losses on our investments recorded in "Interest income and other income, net" in the consolidated statements of operations and comprehensive loss. Unrealized gains and losses related to noncredit factors are reflected in "Other comprehensive income (loss)" on the consolidated balance sheets.

Recently Adopted Accounting Pronouncements

On February 1, 2020, we adopted Accounting Standards Update ("ASU") No. 2016-13, Financial Instruments—Credit Losses (Topic 326). The FASB subsequently issued ASU No. 2019-04, Codification Improvements to Topic 326, Financial Instruments - Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments. These updates change the impairment model for most financial assets and will require the use of an expected loss model in place of the currently used incurred loss method. Under this model, entities will be required to estimate the lifetime expected credit loss on such instruments and record an allowance to offset the amortized cost basis of the financial asset, resulting in a net presentation of the amount expected to be collected on the financial asset. The effect of adopting ASU 2016-13 and ASU 2019-04 on our consolidated financial statements and related disclosures was not material for the three months ended April 30, 2020.

On February 1, 2020, we adopted ASU No. 2018-15, Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40), which aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal use software license). The accounting for the service element of a hosting arrangement that is a service contract is not affected by the amendments in this update. The impact of prospectively adopting ASU 2018-15 on our consolidated financial statements was not material for the three months ended April 30, 2020.

Other Recent Accounting Pronouncements

Other recently issued accounting pronouncements are not expected to have a material impact on our consolidated financial statements.

Note 2. Revenue and Performance Obligations

Subscription revenue is recognized over time and accounted for approximately 95% and 94% of our revenue for the three months ended April 30, 2020 and 2019.

As of April 30, 2020, the amount of the transaction price allocated to remaining performance obligations for contracts greater than one year was $784.9 million. We expect to recognize 54% of the transaction price allocated to remaining performance obligations within the 12 months following April 30, 2020, in our consolidated statement of operations and comprehensive loss.

Note 3. Fair Value Measurements

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

	April 30, 2020			
(in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Level 1:				
Cash equivalents(1)				
Money market funds	$ 169,397	$ —	$ —	$ 169,397
Level 2:				
Available-for-sale securities				
Commercial paper	9,472	20	—	9,492
Corporate notes and bonds	283,699	1,204	(523)	284,380
U.S. Treasury securities	53,062	310	—	53,372
U.S. government agency securities	108,313	320	(48)	108,585
Level 2 total	454,546	1,854	(571)	455,829
Total	$ 623,943	$ 1,854	$ (571)	$ 625,226

	January 31, 2020			
(in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Level 1:				
Cash equivalents(1)				
Money market funds	$ 165,424	$ —	$ —	$ 165,424
Level 2:				
Available-for-sale securities				
Commercial paper	14,919	7	(1)	14,925
Corporate notes and bonds	372,844	891	(31)	373,704
U.S. Treasury securities	90,697	153	(1)	90,849
U.S. government agency securities	175,086	153	(49)	175,190
Level 2 total	653,546	1,204	(82)	654,668
Total	$ 818,970	$ 1,204	$ (82)	$ 820,092

(1) Included in “cash and cash equivalents” in our consolidated balance sheets as of April 30, 2020 and January 31, 2020, in addition to cash of $272.8 million and $75.8 million.

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

The fair value of our available-for-sale securities as of April 30, 2020, by remaining contractual maturities, were as follows (in thousands):

Due in one year or less	$	315,712
Due in one to two years		140,117
	$	455,829

As of April 30, 2020, we had a total of 133 available-for-sale securities, with 43 securities in an unrealized loss position. An allowance for credit losses was deemed unnecessary for these securities, given the extent of the unrealized loss positions as well the issuers' high credit ratings and consistent payment history. As of January 31, 2020, we had 178 available-for-sale securities, none of which were considered to be other-than-temporarily impaired.

We had no liabilities measured at fair value on a recurring basis as of April 30, 2020 and January 31, 2020.

Convertible Senior Notes

As of April 30, 2020 and January 31, 2020, the estimated fair value of our 0.5% Convertible Senior Notes (the "Notes") with aggregate principal amount of $575.0 million was $903.0 million and $743.5 million. We estimated the fair value based on the quoted market prices in an inactive market on the last trading day of the reporting period (Level 2). The Notes are recorded at face value less unamortized debt discount and transaction costs as "Convertible senior notes, net" on our consolidated balance sheets. Refer to Note 8 for further information.

Note 4. Property and Equipment, Net

Property and equipment consisted of the following:

(in thousands)		April 30, 2020		January 31, 2020
Computer and network equipment	$	74,146	$	66,937
Software, including capitalized software development costs		38,595		33,373
Furniture and office equipment		17,529		16,752
Leasehold improvements		69,327		59,564
		199,597		176,626
Less: Accumulated depreciation		(89,286)		(81,228)
		110,311		95,398
Work in progress		24,500		32,895
	$	134,811	$	128,293

As of April 30, 2020 and January 31, 2020, work in progress consisted primarily of capitalized costs of internally-developed software projects under development and leasehold improvements related to office build-out projects.

We capitalized $5.1 million and $5.9 million of internally developed software and implementation costs incurred in hosting arrangements for the three months ended April 30, 2020 and 2019. Such amounts included capitalized stock-based compensation of $1.2 million and $1.4 million in the three months ended April 30, 2020 and 2019.

Depreciation expense associated with property and equipment $9.8 million and $7.2 million for the three months ended April 30, 2020 and 2019.

Note 5. Goodwill and Intangible Assets, Net

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

Balance at January 31, 2020	$ 194,882
Cumulative translation adjustment	(1,288)
Balance at April 30, 2020	$ 193,594

Intangible assets consisted of the following:

	As of April 30, 2020				As of January 31, 2020		
(in thousands, except years)	Weighted-average Remaining Useful Life (Years)	Estimated Fair Value	Accumulated Amortization	Acquisition-related Intangibles, Net	Estimated Fair Value	Accumulated Amortization	Acquisition-related Intangibles, Net
Existing technology	1.4	$ 31,594	$ (26,191)	$ 5,403	$ 31,594	$ (25,164)	$ 6,430
Tradenames / trademarks	0.0	2,419	(2,419)	—	2,419	(2,369)	50
Customer contracts & related relationships	7.3	65,782	(21,032)	44,750	65,782	(19,071)	46,711
Certifications	0.5	6,917	(6,575)	342	6,917	(6,229)	688
Maintenance contracts & related relationships	0.5	1,498	(1,478)	20	1,498	(1,403)	95
Backlog—Subscription	0.4	6,400	(5,308)	1,092	6,400	(4,508)	1,892
	6.5	$ 114,610	$ (63,003)	51,607	$ 114,610	$ (58,744)	55,866
Cumulative translation adjustment				634			634
Total				$ 52,241			$ 56,500

Amortization of finite-lived intangible assets was as follows:

	Three Months Ended April 30,	
(in thousands)	2020	2019
Cost of subscription revenue	$ 1,348	$ 1,627
Sales and marketing	2,911	3,106
Total	$ 4,259	$ 4,733

As of April 30, 2020, future amortization of finite-lived intangibles that will be recorded in cost of revenue and operating expenses is estimated as follows:

Fiscal Period:	Amount (in thousands)
2021, remainder	$ 9,559
2022	8,370
2023	6,023
2024	6,023
2025	6,023
Thereafter	15,609
Total	$ 51,607

Note 6. Contract Balances

Contract assets represent amounts for which we have recognized revenue, pursuant to our revenue recognition policy, for contracts that have not yet been invoiced to our customers where there is a remaining performance obligation, typically for multi-year arrangements. Total contract assets were $14.2 million and $13.4 million as of April 30, 2020 and January 31, 2020, of which $0.9 million were noncurrent for both periods and included within “Other assets—noncurrent” on our condensed consolidated balance sheets. The change in contract assets reflects the difference in timing between our satisfaction of remaining performance obligations and our contractual right to bill our customers.

Contract liabilities consist of deferred revenue and include payments received in advance of performance under the contract. Such amounts are generally recognized as revenue over the contractual period. For the three months ended April 30, 2020 and 2019, we recognized revenue of $224.7 million and $157.0 million that was included in the corresponding contract liability balance at the beginning of the periods presented.

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

Note 7. Deferred Contract Acquisition and Fulfillment Costs

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

	Three Months Ended April 30,	
(in thousands)	**2020**	**2019**
Deferred Contract Acquisition Costs		
Beginning balance	$ 155,697	$ 115,985
Additions to deferred contract acquisition costs	34,158	17,401
Amortization of deferred contract acquisition costs	(16,941)	(13,150)
Cumulative translation adjustment	(1,533)	(1,103)
Ending balance	$ 171,381	$ 119,133
Deferred Contract Fulfillment Costs		
Beginning balance	$ 8,218	$ 3,432
Additions to deferred contract fulfillment costs	6,879	3,086
Amortization of deferred contract fulfillment costs	(4,419)	(1,110)
Ending balance	$ 10,678	$ 5,408

Note 8. Senior Notes

In September 2018, we issued $575.0 million in aggregate principal amount of the Notes due in 2023, which included the initial purchasers’ exercise in full of their option to purchase an additional $75.0 million principal amount of the Notes, in a private placement to qualified institutional buyers in an offering exempt from registration under the Securities Act of 1933, as amended. The net proceeds from the issuance of the Notes were $560.8 million after deducting the initial purchasers’ discounts and transaction costs.

As of April 30, 2020, the conversion conditions described in our 2020 Annual Report on Form 10-K have not been met and therefore the Notes are not yet convertible.

The net carrying value of the liability component of the Notes was as follows:

(in thousands)	April 30, 2020	January 31, 2020
Principal	$ 575,000	$ 575,000
Less: unamortized debt discount	(95,132)	(101,461)
Less: unamortized transaction costs	(7,706)	(8,218)
Net carrying amount	$ 472,162	$ 465,321

As of April 30, 2020 and January 31, 2020, the net carrying amount of the equity component of the Notes was $131.3 million, net of $3.3 million transaction costs.

The interest expense recognized related to the Notes was as follows:

	Three Months Ended April 30,	
(in thousands)	2020	2019
Contractual interest expense	$ 718	$ 710
Amortization of debt discount	6,329	5,970
Amortization of transaction costs	513	484
Total	$ 7,560	$ 7,164

Capped Calls

To minimize the potential economic dilution to our common stock upon conversion of the Notes, we entered into privately-negotiated capped call transactions (“Capped Calls”) with certain counterparties and incurred costs of $67.6 million related to the transactions. The Capped Calls each have an initial strike price of approximately $71.50 per share, subject to certain adjustments, which corresponds to the initial conversion price of the Notes. The Capped Calls have initial cap prices of $110.00 per share, subject to certain adjustments. The Capped Calls cover, subject to anti-dilution adjustments, approximately 8.0 million shares of common stock.

Impact on Loss Per Share

In periods when we have net income, the Notes will not have an impact on our diluted earnings per share until the average market price of our common stock exceeds the initial conversion price of $71.50 per share, as we intend and have the ability to settle the principal amount of the Notes in cash upon conversion. We are required under the treasury stock method to compute the potentially dilutive shares of common stock related to the Notes for periods we report net income. However, upon conversion, there will be no economic dilution from the Notes until the average market price of our common stock exceeds the cap price of $110.00 per share, as exercise of the Capped Calls offsets any dilution from the Notes from the conversion price up to the cap price. Capped Calls are excluded from the calculation of diluted earnings per share, as they would be antidilutive.

Note 9. Leases

We lease offices under noncancelable operating lease agreements that expire at various dates through February 2032. As of April 30, 2020, we had no finance leases. Some operating leases contain escalation provisions for adjustments in the consumer price index.

The following table is a summary of our lease costs:

	Three Months Ended April 30,	
(in thousands)	2020	2019
Operating lease cost	$ 7,995	$ 5,706
Short-term lease cost	165	269
Total lease cost	$ 8,160	$ 5,975

Future lease payments under noncancelable operating leases as of April 30, 2020, were as follows:

Fiscal Period:		Amount (in thousands)
2021, remainder	$	26,611
2022		36,542
2023		36,922
2024		37,285
2025		28,882
Thereafter		67,650
Total undiscounted cash flows	$	233,892
Less: imputed interest		(32,529)
Present value of lease liabilities	$	201,363

The weighted average remaining lease term and discount rate for operating leases as of April 30, 2020 were 7.2 years and 4.3%.

As of April 30, 2020, we had commitments of $6.0 million for an operating lease with commencement date subsequent to quarter end. This lease has a term of six years.

Note 10. Commitments and Contingencies

As of April 30, 2020, we had unused letters of credit outstanding associated with our various operating leases totaling $9.0 million.

We have entered into certain noncancelable contractual arrangements that require future purchases of goods and services. These arrangements primarily relate to cloud infrastructure support and sales and marketing activities. As of April 30, 2020, our future noncancelable minimum payments due under these contractual obligations with a remaining term of more than one year were as follows:

Fiscal Period:		Amount (in thousands)
2021, remainder	$	7,523
2022		14,985
2023		2,041
2024		1,419
2025		990
Thereafter		3,566
Total	$	30,524

Indemnification

We enter into indemnification provisions under our agreements with customers and other companies in the ordinary course of business, including business partners, contractors and parties performing our research and development. Pursuant to these arrangements, we agree to indemnify and defend the indemnified party for certain claims and related losses suffered or incurred by the indemnified party from actual or threatened third-party claims because of our activities. The duration of these indemnification agreements is generally perpetual. The maximum potential amount of future payments we could be required to make under these indemnification clauses or agreements is not determinable. Historically, we have not incurred material costs to defend lawsuits or settle claims related to these indemnification agreements. As a result, we believe the fair value of these indemnification agreements is not material as of April 30, 2020, and January 31, 2020. We maintain commercial general liability insurance and product liability insurance to offset certain of our potential liabilities under these indemnification agreements.

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

Claims and Litigation

From time to time, we may be subject to legal proceedings, claims and litigation made against us in the ordinary course of business. We believe the final outcome of these matters will not have a material adverse effect on our business, consolidated financial position, results of operations or cash flows.

Note 11. Stockholders' Equity

Equity Incentive Plans

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

The 2018 Plan serves as a successor to the 2011 Plan and 2003 Plan and provides for the grant of stock-based awards to our employees, directors and consultants. Shares available for grant under the 2011 Plan that were reserved but not issued as of the effective date of the 2018 Plan were added to the reserves of the 2018 Plan. No additional awards under the 2011 Plan or 2003 Plan have been made since the effective date of the 2018 Plan. Outstanding awards under these two plans continue to be subject to the terms and conditions of the respective plans.

As of April 30, 2020, 33.9 million shares of our common stock were available for issuance under the 2018 Plan.

The 2018 Plan provides that the number of shares reserved will automatically increase on the first day of each fiscal year, beginning on February 1, 2019, and ending on February 1, 2028, by 5% of the total number of shares of our capital stock outstanding on the immediately preceding January 31st (or such lesser number of shares as our board of directors or a committee of our board of directors may approve). The most recent automatic increase of 9.1 million shares occurred on February 1, 2020.

Stock Options

Option activity for the three months ended April 30, 2020 was as follows:

(in thousands, except years and per share data)	Number of Options	Weighted-Average Exercise Price Per Share	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding at January 31, 2020	6,882	$ 14.39	5.38	$ 441,247
Exercised	(840)	9.01		
Canceled/expired	(12)	18.05		
Outstanding at April 30, 2020	6,030	$ 15.13	5.61	$ 540,435
Vested and expected to vest at April 30, 2020	6,007	$ 15.12	5.61	$ 538,408
Exercisable at April 30, 2020	5,451	$ 14.87	5.49	$ 489,893

As of April 30, 2020, our total unrecognized compensation cost related to stock option grants was $4.2 million. We expect to recognize this expense over the remaining weighted-average period of approximately 0.7 years.

RSUs

RSUs granted under the 2018 Plan generally vest over a four-year period, either quarterly or with 25% vesting at the end of one year and the remainder quarterly thereafter. The majority of RSUs vest upon the satisfaction of a service-based vesting condition. From time to time, we also grant RSUs that are subject to either a performance-based or market-based vesting condition. The performance-based conditions will be satisfied upon satisfaction of certain financial performance targets. The market-based conditions will be satisfied if certain milestones based on our common stock price or relative total shareholder return are met.

RSU activity for the three months ended April 30, 2020 was as follows:

(in thousands, except per share data)	Number of Units		Weighted-Average Grant Date Fair Value
Unvested at January 31, 2020	13,859	$	46.28
Granted	959		82.02
Vested	(1,675)		38.95
Canceled	(512)	$	47.37
Unvested at April 30, 2020	12,631	$	49.93

As of April 30, 2020, our total unrecognized compensation cost related to RSUs was $474.1 million. We expect to recognize this expense over the remaining weighted-average period of approximately 2.4 years.

2018 Employee Stock Purchase Plan

The Employee Stock Purchase Plan ("ESPP") allows eligible employees to purchase shares of our common stock at a discounted price by accumulating funds, normally through payroll deductions, of up to 15% of their earnings. The purchase price for common stock under the ESPP is equal to 85% of the fair market value of our common stock on the first or last day of the offering period, whichever is lower. The ESPP provides for separate six-month offering periods that begin in the first and third quarter of each year. In the three months ended April 30, 2020, 0.3 million shares of our common stock were purchased under the ESPP. Compensation expense related to the ESPP was $1.9 million for the three months ended April 30, 2020.

The number of shares reserved under the ESPP will automatically increase on the first day of each fiscal year, starting on February 1, 2019 and continuing through February 1, 2028, in an amount equal to the lesser of (i) 1% of the total number of shares of our common stock outstanding on January 31 of the preceding fiscal year, (ii) 3.8 million shares, or (iii) a lesser number of shares determined by our board of directors. As of April 30, 2020, 6.5 million shares of our common stock were reserved for issuance under the ESPP.

Note 12. Net Loss per Share Attributable to Common Stockholders

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

	Three Months Ended April 30,			
(in thousands, except per share data)		2020		2019
Numerator:				
Net loss attributable to common stockholders	$	(47,804)	$	(45,722)
Denominator:				
Weighted-average common shares outstanding		182,978		172,101
Net loss per share attributable to common stockholders:				
Basic and diluted	$	(0.26)	$	(0.27)

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

	April 30,	
(in thousands)	2020	2019
RSUs	12,550	14,620
Stock options	6,030	10,989
ESPP	227	288
Convertible senior notes	2,553	—
Total antidilutive securities	21,360	25,897

Note 13. Income Taxes

Our tax provision or benefit from income taxes for interim periods is determined using an estimate of our annual effective tax rate, adjusted for discrete items, if any, that are taken into account in the relevant period. Each quarter, we update our estimate of the annual effective tax rate, and if our estimated tax rate changes, we make a cumulative adjustment.

Our income tax provision was $2.1 million and $1.3 million for the three months ended April 30, 2020 and 2019, respectively. The increase in the tax provision was primarily driven by higher foreign tax expenses, resulting from higher year-over-year earnings in certain foreign jurisdictions as we continue to scale our foreign operations to support our ongoing international growth.

We review the likelihood that we will realize the benefit of our deferred tax assets and, therefore, the need for valuation allowances, on a quarterly basis. We maintain a valuation allowance against certain deferred tax assets, including all U.S. deferred tax assets and certain foreign deferred tax assets as a result of our history of losses in the U.S. and certain foreign jurisdictions, and the variability and uncertainty of operating results. In the event we determine our deferred tax assets are realizable based on our assessment of relevant factors, an adjustment to the valuation allowance may increase income in the period such determination is made.

As of April 30, 2020, our gross unrecognized tax benefits totaled $13.7 million, excluding related accrued interest and penalties, of which $2.5 million would impact the effective tax rate if recognized. Our policy is to account for interest and penalties related to uncertain tax positions as a component of income tax provision. We do not expect to have any significant changes to unrecognized tax benefits during the next twelve months.

We are subject to taxation in the U.S. and various foreign jurisdictions. Our tax years from inception in 2003 through April 30, 2020 remain subject to examination by U.S. and California taxing authorities, as well as taxing authorities in various other state and foreign jurisdictions. We are under examination by the Israel Tax Authority for tax years 2015 through 2018. We are not under examination in any other material jurisdiction. We believe that adequate amounts have been reserved in all jurisdictions.

Note 14. Geographic Information

We operate in one operating segment and one reportable segment as we only report financial information on an aggregate and consolidated basis to the Chief Executive Officer, who is our chief operating decision maker.

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

	Three Months Ended April 30,	
(in thousands)	2020	2019
U.S.	$ 242,168	$ 176,266
International	54,849	37,696
Total revenue	$ 297,017	$ 213,962

No single country other than the U.S. had revenue greater than 10% of total revenue in the three months ended April 30, 2020 and 2019.

Our long-lived assets by geographic area, which consist of property and equipment, net and operating lease right-of-use assets were as follows:

(in thousands)		April 30, 2020		January 31, 2020
U.S.		201,842	$	182,288
International		94,453		95,838
Total long-lived assets	$	296,295	$	278,126

Note 15. Subsequent Events

On February 26, 2020, we entered into a Share Purchase Agreement to acquire all outstanding equity in Seal Software Group Limited, a leading contract analytics and artificial intelligence technology provider, for approximately $185.1 million in cash, subject to adjustments. The acquisition closed on May 1, 2020.

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our condensed consolidated financial statements and related notes included elsewhere in this Quarterly Report on Form 10-Q and with our audited consolidated financial statements included in our 2020 Annual Report on Form 10-K. As discussed in the section titled "Note Regarding Forward-Looking Statements," the following discussion and analysis contains forward-looking statements that involve risks and uncertainties, as well as assumptions that, if they never materialize or prove incorrect, could cause our results to differ materially from those expressed or implied by such forward-looking statements. Factors that could cause or contribute to these differences include, but are not limited to, those identified below and those discussed in the section titled "Risk Factors" under Part II, Item 1A in this Quarterly Report on Form 10-Q and in our 2020 Annual Report on Form 10-K. Our fiscal year ends January 31.

Executive Overview of First Quarter Results

Overview

DocuSign accelerates the process of doing business for companies and simplifies life for their customers and employees. We accomplish this by transforming the foundational element of business: the agreement.

We offer the world's #1 e-signature solution as the core part of our broader software suite for automating the agreement process, which we call the DocuSign Agreement Cloud. It is designed to allow companies of all sizes and across all industries to quickly and easily make nearly every agreement, approval process or transaction digital. It provides comprehensive functionality across e-signature and addresses the broader agreement process. As a result, over 660,000 customers and hundreds of millions of users worldwide utilize DocuSign to create, upload and send documents for multiple parties to sign electronically. The DocuSign Agreement Cloud allows users to complete approvals, agreements and transactions faster by building end-to-end processes. DocuSign eSignature integrates with popular business apps, and our functionality can also be embedded using our API. Finally, the DocuSign Agreement Cloud allows our customers to automate and streamline their business-critical workflows to save time and money, while staying secure and legally compliant.

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

We generate substantially all our revenue from sales of subscriptions, which accounted for 95% and 94% of our revenue in the three months ended April 30, 2020 and 2019. Our subscription fees include the use of our software suite and access to customer support. Subscriptions generally range from one to three years, and substantially all our multi-year customers pay in annual installments, one year in advance.

We also generate revenue from professional and other non-subscription services, which consists primarily of fees associated with providing new customers deployment and integration services. Other revenue includes amounts derived from sales of on-premises solutions. Professional services and other revenue accounted for 5% and 6% of our revenue in the three months ended April 30, 2020 and 2019. We anticipate continuing to invest in customer success through our professional services offerings as we believe it plays an important role in accelerating our customers' deployment of our software suite, which helps to drive customer retention and expansion of the use of the DocuSign Agreement Cloud.

We offer subscriptions to our software suite to enterprise businesses, commercial businesses and very small businesses ("VSBs"), which we define as companies with fewer than 10 employees and includes professionals, sole proprietorships and individuals. We sell to customers through multiple channels. Our go-to-market strategy relies on our direct sales force and partnerships to sell to enterprises and commercial businesses and our web-based self-service channel to sell to VSBs, which we believe is the most cost-effective way to reach our smallest customers. We offer more than 300 off-the-shelf, prebuilt integrations with the applications that many of our customers already use—including those offered by Google, Microsoft, NetSuite, Oracle, Salesforce, SAP, SAP SuccessFactors and Workday—so that they can create, sign, send and manage agreements from directly within these applications. We have a diverse customer base spanning various industries and countries with no significant customer concentration. No single customer accounted for more than 10% of total revenue in any of the periods presented.

We focused initially on selling our e-signature solutions to commercial businesses and VSBs, and later expanded our focus to target enterprise customers. To demonstrate this growth over time, the number of our customers with greater than $300,000 in annual contract value (measured in billings) has increased from approximately 30 customers as of January 31, 2013 to 473 customers as of April 30, 2020. Each of our customer types has a different purchasing pattern. VSBs tend to become customers quickly with very little to no direct sales or customer support interaction and generate smaller average contract values, while commercial and enterprise customers typically involve longer sales cycles, larger contract values and greater expansion opportunities for us.

COVID-19 Update

The COVID-19 pandemic has continued to spread rapidly across the world. The pandemic and the public health measures taken in response to it have adversely affected workforces, organizations, customers, economies, and financial markets globally, leading to an economic downturn and increased market volatility. We are continuing to monitor the actual and potential effects of the pandemic across our business. Because these effects are dependent on highly uncertain future developments--including the duration, spread and severity of the outbreak, the actions taken to contain the virus, and how quickly and to what extent normal economic and operating conditions can resume--they are extremely difficult to predict. While our revenues, billings and earnings are relatively predictable as a result of our subscription-based business model, the effects of the COVID-19 pandemic may not be fully reflected in our results of operations until future periods.

Since mid-March, we have taken a number of precautionary measures to ensure the health and safety of our employees, partners and customers. DocuSign shifted to a remote workplace, requiring nearly all employees to work from home. We suspended all business travel other than for essential functions. We have cancelled or replaced planned events, such as our Momentum conferences, with virtual-only experiences. We have incurred expenses to support our employees working from home, including reimbursements for home office equipment and a stipend for other qualifying expenses, and may incur similar expenses in the future as remote operations continue. The impact of these and any other operational changes we may implement is uncertain, but as of the date of this filing they have not materially affected our ability to maintain operations.

We have experienced a substantial increase in overall demand for our solutions, particularly DocuSign eSignature, as the shift to remote, web-enabled business operations has caused more organizations to adopt or expand their use of digital agreements. This has resulted in a significant increase in customer spending across almost all industries and regions we serve, though we have experienced slower growth or declining spending in certain industries most impacted by the pandemic, such as travel and hospitality. As the pandemic continues, however, we may experience volatility in customer demand; increased customer churn; increases in late payment or non-payment by customers; delayed purchasing decisions; and increased pressure on pricing, discounts and payment terms, any of which could materially harm our business, results of operations and overall financial performance.

See the section below titled "Risk Factors" for further discussion of the potential impact of the COVID-19 pandemic on our business, financial condition and results of operations.

Financial Results:

(in thousands)	Three Months Ended April 30, 2020	2019
Total revenue	$ 297,017	$ 213,962
Total costs and expenses	338,870	256,399
Total stock-based compensation expense	53,551	42,271
Loss from operations	(41,853)	(42,437)
Net loss	(47,804)	(45,722)
Net cash provided by operating activities	59,144	45,655
Capital expenditures	(26,389)	(15,237)

Cash, cash equivalents and investments were $898.1 million as of April 30, 2020.

Key Factors Affecting Our Performance

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

Growing Customer Base

We are highly focused on continuing to acquire new customers to support our long-term growth. We have invested, and expect to continue to invest, heavily in our sales and marketing efforts to drive customer acquisition. As of April 30, 2020, we had a total of over 660,000 customers, including over 85,000 enterprise and commercial customers, compared to over 500,000 customers and over 60,000 enterprise and commercial customers as of April 30, 2019. We define a customer as a separate and distinct buying entity, such as a company, an educational or government institution, or a distinct business unit of a large company that has an active contract to access our software suite. We define enterprise customers as companies generally included in the Global 2000. We define commercial customers to include both mid-market companies, which includes companies outside the Global 2000 that have greater than 250 employees, and small-to-medium-sized businesses (“SMBs”), which are companies with between 10 and 249 employees, in each case excluding any enterprise customers. We refer to total customers as all enterprises, commercial businesses and VSBs.

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

Retaining and Expanding Contracts with Existing Enterprise and Commercial Customers

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

Increasing International Revenue

Our international revenue in three months ended April 30, 2020 increased by 46% from the three months ended April 30, 2019 and represented 18% of our total revenue in both periods.

We started our international selling efforts in English-speaking common law countries, such as Canada, the United Kingdom and Australia, where we were able to leverage our core technologies due to similar approaches to e-signature in these jurisdictions and the United States ("U.S."). We have since made significant investments to be able to offer our solutions in select civil law countries. For example, in Europe, we have Standards-Based Signature technology tailored for electronic IDentification, Authentication and trust Services ("eIDAS"). Standards-Based Signatures support signatures that involve digital certificates, including those specified in the EU's eIDAS regulations for advanced and qualified electronic signatures. In addition, to follow longstanding tradition in Japan, we enable signers to upload and apply their personal eHanko stamp to represent their signatures on an agreement.

We plan to increase our international revenue by leveraging and continuing to expand the investments we have already made in our technology, direct sales force and strategic partnerships, as well as helping existing U.S.-based customers manage agreements across their international businesses. Additionally, we expect our strategic partnerships in key international markets, including our current relationships with SAP in Europe, to further grow.

Investing for Growth

We believe that our market opportunity is large, and we plan to invest to continue to support further growth. This includes expanding our sales headcount and increasing our marketing initiatives. We also plan to continue to invest in expanding the functionality of our software suite and underlying infrastructure and technology to meet the needs of our customers across industries.

Components of Results of Operations

Revenue

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

Subscription Revenue. Subscription revenue consists of fees for the use of our software suite and our technical infrastructure and access to customer support, which includes phone or email support. We typically invoice customers in advance on an annual basis. We recognize subscription revenue ratably over the term of the contract subscription period beginning on the date access to our software suite is provided.

Professional Services and Other Revenue. Professional services revenue includes fees associated with new customers requesting deployment and integration services. We price professional services on a time and materials basis and on a fixed fee basis. We generally have standalone value for our professional services and recognize revenue based on standalone selling price as services are performed or upon completion of services for fixed fee contracts. Other revenue includes amounts derived from sales of on-premises solutions.

Overhead Allocation

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

Cost of Revenue

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

Cost of Professional Services and Other Revenue. Cost of professional services and other revenue consists primarily of personnel costs for our professional services delivery team, travel-related costs and allocated overhead costs.

We expect our cost of revenue to continue to increase in absolute dollar amounts as we invest in our business.

Gross Profit and Gross Margin

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

Operating Expenses

Our operating expenses consist of selling and marketing, research and development and general and administrative expenses.

Selling and Marketing Expense. Selling and marketing expense consists primarily of personnel costs, including sales commissions. These expenses also include expenditures related to advertising, marketing, promotional events and brand awareness activities, as well as allocated overhead costs. We expect selling and marketing expense to continue to increase in absolute dollars as we enhance our product offerings and implement marketing strategies.

Research and Development Expense. Research and development expense consists primarily of personnel costs. These expenses also include non-personnel costs, such as subcontracting, consulting and professional fees for third-party development resources, as well as allocated overhead costs. Our research and development efforts focus on maintaining and enhancing existing functionality and adding new functionality. We expect research and development expense to increase in absolute dollars as we invest in the enhancement of our software suite.

General and Administrative Expense. General and administrative expense consists primarily of employee-related costs for those employees providing administrative services such as legal, human resources, information technology related to internal systems, accounting and finance. These expenses also include certain third-party consulting services, certain facilities costs and allocated overhead costs. We expect general and administrative expense to increase in absolute dollars to support the overall growth of our operations.

Interest Expense

Interest expense consists primarily of contractual interest expense, amortization of discount and amortization of debt issuance costs on our Notes.

Interest Income and Other Income, Net

Interest income and other income, net, consists primarily of interest earned on our cash, cash equivalents and investments, as well as foreign currency transaction gains and losses.

Provision For Income Taxes

Our provision for income taxes consists primarily of income taxes in certain foreign jurisdictions where we conduct business, state minimum taxes in the U.S., and tax benefits arising from deductions for stock options. We have a valuation allowance against our U.S. deferred tax assets, including U.S. net operating loss carryforwards. We expect to maintain this valuation allowance for the foreseeable future or until it becomes more likely than not that the benefit of our U.S. deferred tax assets will be realized by way of expected future taxable income in the U.S.

Discussion of Results of Operations

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

	Three Months Ended April 30,	
(in thousands)	2020	2019
Revenue:		
Subscription	$ 280,922	$ 201,458
Professional services and other	16,095	12,504
Total revenue	297,017	213,962
Cost of revenue:		
Subscription	52,010	33,119
Professional services and other	22,022	18,900
Total cost of revenue	74,032	52,019
Gross profit	222,985	161,943
Operating expenses:		
Sales and marketing	171,793	129,936
Research and development	54,234	37,183
General and administrative	38,811	37,261
Total operating expenses	264,838	204,380
Loss from operations	(41,853)	(42,437)
Interest expense	(7,560)	(7,156)
Interest income and other income, net	3,742	5,217
Loss before provision for income taxes	(45,671)	(44,376)
Provision for income taxes	2,133	1,346
Net loss	$ (47,804)	$ (45,722)

The following table sets forth the components of our consolidated statements of operations data as a percentage of revenue:

(in thousands)	Three Months Ended April 30, 2020	2019
Revenue:		
Subscription	95 %	94 %
Professional services and other	5	6
Total revenue	100	100
Cost of revenue:		
Subscription	18	15
Professional services and other	7	9
Total cost of revenue	25	24
Gross profit	75	76
Operating expenses:		
Sales and marketing	58	61
Research and development	18	17
General and administrative	13	18
Total operating expenses	89	96
Loss from operations	(14)	(20)
Interest expense	(3)	(3)
Interest income and other income, net	2	2
Loss before provision for income taxes	(15)	(21)
Provision for income taxes	1	—
Net loss	(16)%	(21)%

The following discussion and analysis is for the three months ended April 30, 2020, compared to the same period in 2019.

Revenue

(in thousands, except for percentages)	Three Months Ended April 30, 2020	2019	2020 versus 2019
Revenue:			
Subscription	$ 280,922	$ 201,458	39 %
Professional services and other	16,095	12,504	29 %
Total revenue	$ 297,017	$ 213,962	39 %

Subscription Revenue

Subscription revenue increased $79.5 million, or 39%, in the three months ended April 30, 2020, primarily driven by customer growth.

We continue to invest in a variety of customer programs and initiatives, which, along with expanded customer use cases, have helped increase our subscription revenue over time. We expect subscription revenue to continue to increase as we offer new functionality, attract new customers and fully realize the potential of our acquisitions in our product offerings.

Professional Services and Other Revenue

Professional services and other revenue increased by $3.6 million, or 29%, in the three months ended April 30, 2020, primarily due to increased engagement of professional services to support our growing customer base.

Cost of Revenue and Gross Margin

(in thousands, except for percentages)	Three Months Ended April 30, 2020	2019	2020 versus 2019
Cost of revenue:			
Subscription	$ 52,010	$ 33,119	57 %
Professional services and other	22,022	18,900	17 %
Total cost of revenue	$ 74,032	$ 52,019	42 %
Gross margin:			
Subscription	81 %	84 %	(3) pts
Professional services and other	(37)%	(51)%	14 pts
Total gross margin	75 %	76 %	(1) pts

Cost of Subscription Revenue

Cost of subscription revenue increased $18.9 million, or 57%, in the three months ended April 30, 2020, primarily due to:

- An increase of $10.4 million in operating costs, primarily related to an increase in reseller partnership fees and higher data center costs;
- An increase of $5.4 million in personnel costs primarily due to higher headcount.

Cost of Professional Services and Other Revenue

Cost of professional services and other revenue increased $3.1 million, or 17%, in the three months ended April 30, 2020, primarily due to an increase of $2.9 million in personnel costs as a result of higher headcount.

Sales and Marketing

(in thousands, except for percentages)	Three Months Ended April 30, 2020	2019	2020 versus 2019
Sales and marketing	$ 171,793	$ 129,936	32 %
Percentage of revenue	58 %	61 %	

Sales and marketing expenses increased $41.9 million, or 32%, in the three months ended April 30, 2020, primarily due to:

- An increase of $27.1 million in personnel costs due to higher headcount and higher commissions in line with higher sales;
- An increase of $6.6 million in stock-based compensation expense due to higher headcount;
- An increase of $4.8 million in marketing and advertising expense, primarily due to higher spend on online advertising platforms to capture the increase in demand in the current quarter.

Research and Development

(in thousands, except for percentages)	Three Months Ended April 30, 2020	2019	2020 versus 2019
Research and development	$ 54,234	$ 37,183	46 %
Percentage of revenue	18 %	17 %	

Research and development expenses increased $17.1 million, or 46%, in the three months ended April 30, 2020, primarily due to increases of $11.6 million in personnel costs and $4.6 million in stock-based compensation expense driven by higher headcount.

General and Administrative

(in thousands, except for percentages)	Three Months Ended April 30, 2020	Three Months Ended April 30, 2019	2020 versus 2019
General and administrative	$ 38,811	$ 37,261	4 %
Percentage of revenue	13 %	18 %	

General and administrative expenses increased $1.6 million, or 4%, in the three months ended April 30, 2020, primarily due to an increase of $3.0 million in personnel costs driven by higher headcount.

Interest Expense

(in thousands, except for percentages)	Three Months Ended April 30, 2020	Three Months Ended April 30, 2019	2020 versus 2019
Interest expense	$ 7,560	$ 7,156	6 %
Percentage of revenue	3 %	3 %	

Interest expense remained relatively flat in the three months ended April 30, 2020 and primarily consisted of interest expense and amortization of discount and transaction costs on the Notes.

Interest Income and Other Income, Net

(in thousands, except for percentages)	Three Months Ended April 30, 2020	Three Months Ended April 30, 2019	2020 versus 2019
Interest income	$ 3,381	$ 3,679	(8) %
Foreign currency loss	(545)	(423)	29
Other	906	1,961	(54)
Interest income and other income, net	$ 3,742	$ 5,217	(28) %
Percentage of revenue	2 %	2 %	

Interest income and other income, net, decreased by $1.5 million, in the three months ended April 30, 2020, primarily due to lower amortization on our marketable securities.

Provision for Income Taxes

(in thousands, except for percentages)	Three Months Ended April 30, 2020	Three Months Ended April 30, 2019	2020 versus 2019
Provision for income taxes	$ 2,133	$ 1,346	58 %
Percentage of revenue	1 %	— %	

Provision for income taxes increased by $0.8 million, primarily due to higher foreign tax expenses, resulting from higher year-over-year earnings in certain foreign jurisdictions.

Liquidity and Capital Resources

Our principal sources of liquidity were cash, cash equivalents and investments as well as cash generated from operations. As of April 30, 2020, we had $757.9 million in cash and cash equivalents and short-term investments. We also had $140.1 million in long-term investments that provide additional capital resources. Since inception we have financed our operations primarily through equity financings and payments by our customers for use of our product offerings and related services. In addition, in September 2018 we issued and sold $575 million in aggregate principal amount of 0.5% Convertible Senior Notes due 2023, which are further described in Note 8 of our condensed consolidated financial statements.

We believe our existing cash, cash equivalents and marketable securities will be sufficient to meet our working capital and capital expenditures needs over at least the next 12 months. While we have generated losses from operations in the past as reflected in our accumulated deficit of $1.2 billion as of April 30, 2020, we generated positive cash flows from operations of $59.1 million in the three months ended April 30, 2020. We expect to continue to incur operating losses for the foreseeable future due to the investments we intend to make and may require additional capital resources to execute strategic initiatives to grow our business.

We typically invoice our customers annually in advance. Therefore, a substantial source of our cash is from such invoices, which are included on our consolidated balance sheets in contract liabilities until revenue is recognized or in accounts receivable until cash is collected. Accordingly, collections from our customers have a material impact on our cash flows from operating activities. Our accounts receivable decreased by $17.2 million in the three months ended April 30, 2020 and $57.4 million in the three months ended April 30, 2019, which resulted in a $40.2 million decrease in cash provided by operating activities year over year. Contract liabilities consists of the unearned portion of billed fees for our subscriptions, which is subsequently recognized as revenue in accordance with our revenue recognition policy. As of April 30, 2020, we had contract liabilities of $563.6 million, compared to $519.0 million as of January 31, 2020. The increase in contract liabilities resulted in net cash provided by operating activities of $44.6 million in the three months ended April 30, 2020 and a year over year increase of $40.3 million in net cash provided by operating activities when compared to the $4.3 million increase in contract liabilities in the three months ended April 30, 2019. Therefore, our growth in billings to existing and new customers has a material net beneficial impact on our cash flows from operating activities.

On February 26, 2020, we entered into a Share Purchase Agreement to acquire Seal Software Group Limited, a leading contract analytics and artificial intelligence technology provider, for cash consideration of approximately $185.1 million, subject to adjustments. The acquisition closed on May 1, 2020.

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

Cash Flows

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

	Three Months Ended April 30,		
(in thousands)	**2020**	**2019**	**Change**
Net cash provided by (used in):			
Operating activities	$ 59,144	$ 45,655	$ 13,489
Investing activities	169,668	(313,491)	483,159
Financing activities	(25,498)	(13,320)	(12,178)
Effect of foreign exchange on cash and cash equivalents	(2,280)	(379)	(1,901)
Net change in cash, cash equivalents and restricted cash	$ 201,034	$ (281,535)	$ 482,569

Cash Flows from Operating Activities

Net cash provided by operating activities increased by $13.5 million. This change was primarily due to an increase of $24.5 million in non-cash expense, offset by a decrease of $8.9 million in net cash provided by operating assets and liabilities and an increase of $2.1 million in net loss. The increase in non-cash expenses was primarily due to an increase of $11.8 million non-cash amortization expenses and $11.3 million increase in stock-based compensation expense driven by higher headcount.

Net cash provided by changes in operating assets and liabilities decreased by $8.9 million primarily due to a decrease of $40.2 million in cash provided from changes in accounts receivable, an increase of $20.6 million in cash used in deferred contract acquisition and fulfillment costs. These were partially offset by an increase of $40.3 million in cash provided from changes in contract liabilities and a decrease of $18.3 million in cash used in accrued compensation. Additionally, net cash provided by changes in operating assets and liabilities also included the impact of $0.9 million cash used in accrued expenses and other liabilities, as compared to $4.7 million cash provided by accrued expenses and other liabilities in prior year.

Cash Flows from Investing Activities

Net cash provided by investing activities was $169.7 million, as compared to $313.5 million net cash used in investing activity in prior year. This change was primarily due to cash inflows of $199.1 million from maturities and sales of marketable securities versus cash outflows of $282.8 million from net purchases of marketable securities in prior year. There was also a decrease of $12.5 million in purchases of strategic and other investments. These changes were offset by an increase of $11.2 million in purchases of property and equipment.

Cash Flows from Financing Activities

Net cash used in financing activities increased by $12.2 million due to a net decrease of $21.6 million in proceeds from exercises of stock options and purchases under the ESPP, offset by a decrease of $9.4 million in cash used to remit tax withholding obligations on RSUs settled.

Contractual Obligations and Commitments

Our principal contractual obligations and commitments consist of obligations under the Notes (including principal and coupon interest), operating leases, as well as noncancelable contractual commitments that primarily relate to cloud infrastructure support and sales and marketing activities. Refer to Note 8 for more information on the Notes and Note 9 and Note 10 for our lease and other commitments.

As of April 30, 2020, we had unused letters of credit outstanding associated with our various operating leases totaling $9.0 million.

Off-Balance Sheet Arrangements

We did not have during the periods presented, and we do not currently have, any off-balance sheet financing arrangements or any relationships with unconsolidated entities or financial partnerships, including entities sometimes referred to as structured finance or special purpose entities, that were established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

Critical Accounting Policies and Estimates

We prepare our financial statements in accordance with U.S. generally accepted accounting principles (“GAAP”). Preparing these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses and related disclosures. We evaluate our estimates and assumptions on an ongoing basis. Our estimates are based on historical experience and various other assumptions that we believe to be reasonable under the circumstances. The current COVID-19 pandemic has caused uncertainty and disruption in the global economy and financial markets. We are not aware of any specific event or circumstance that would require us to update our estimates, judgments or revise the carrying value of our assets or liabilities. These estimates may change, as new events occur and additional information is obtained. Our actual results could differ from these estimates.
The critical accounting estimates, assumptions and judgments that we believe to have the most significant impact on our consolidated financial statements are revenue recognition, deferred contract acquisition costs, stock-based compensation, business combinations and valuation of goodwill and other acquired intangible assets and income taxes.

There have been no material changes to our critical accounting policies and estimates as described in our 2020 Annual Report on Form 10-K.

Recent Accounting Pronouncements

Refer to Note 1 to our consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q for recently issued accounting pronouncements not yet adopted as of the date of this report.

Non-GAAP Financial Measures and Other Key Metrics

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

We believe that these non-GAAP financial measures provide useful information about our financial performance, enhance the overall understanding of our past performance and future prospects, and allow for greater transparency with respect to important metrics used by our management for financial and operational decision-making. We present these non-GAAP measures to assist investors in seeing our financial performance using a management view, and because we believe that these measures provide an additional tool for investors to use in comparing our core financial performance over multiple periods with other companies in our industry.

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

Billings: We define billings as total revenues plus the change in our contract liabilities and refund liability less contract assets and unbilled accounts receivable in a given period. Billings reflects sales to new customers plus subscription renewals and additional sales to existing customers. Only amounts invoiced to a customer in a given period are included in billings. We believe billings 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.

Reconciliation of gross profit and gross margin:

	Three Months Ended April 30,	
(in thousands)	2020	2019
GAAP gross profit	$ 222,985	$ 161,943
Add: Stock-based compensation	7,989	5,722
Add: Amortization of acquisition-related intangibles	1,348	1,627
Add: Employer payroll tax on employee stock transactions	1,036	652
Non-GAAP gross profit	$ 233,358	$ 169,944
GAAP gross margin	75 %	76 %
Non-GAAP adjustments	4 %	3 %
Non-GAAP gross margin	79 %	79 %
GAAP subscription gross profit	$ 228,912	$ 168,339
Add: Stock-based compensation	3,864	2,282
Add: Amortization of acquisition-related intangibles	1,348	1,627
Add: Employer payroll tax on employee stock transactions	535	221
Non-GAAP subscription gross profit	$ 234,659	$ 172,469
GAAP subscription gross margin	81 %	84 %
Non-GAAP adjustments	3 %	2 %
Non-GAAP subscription gross margin	84 %	86 %
GAAP professional services and other gross loss	$ (5,927)	$ (6,396)
Add: Stock-based compensation	4,125	3,440
Add: Employer payroll tax on employee stock transactions	501	431
Non-GAAP professional services and other gross loss	$ (1,301)	$ (2,525)
GAAP professional services and other gross margin	(37)%	(51)%
Non-GAAP adjustments	29 %	31 %
Non-GAAP professional services and other gross margin	(8)%	(20)%

Reconciliation of income (loss) from operations and operating margin:

	Three Months Ended April 30,	
(in thousands)	2020	2019
GAAP loss from operations	$ (41,853)	$ (42,437)
Add: Stock-based compensation	53,551	42,271
Add: Amortization of acquisition-related intangibles	4,259	4,733
Add: Employer payroll tax on employee stock transactions	6,548	5,755
Add: Acquisition-related expenses	694	—
Non-GAAP income from operations	$ 23,199	$ 10,322
GAAP operating margin	(14)%	(20)%
Non-GAAP adjustments	22 %	25 %
Non-GAAP operating margin	8 %	5 %

Reconciliation of net income (loss):

	Three Months Ended April 30,	
(in thousands, except per share data)	2020	2019
GAAP net loss	$ (47,804)	$ (45,722)
Add: Stock-based compensation	53,551	42,271
Add: Amortization of acquisition-related intangibles	4,259	4,733
Add: Employer payroll tax on employee stock transactions	6,548	5,755
Add: Amortization of debt discount and issuance costs	6,842	6,454
Add: Acquisition-related expenses	694	—
Non-GAAP net income	$ 24,090	$ 13,491

Computation of free cash flow:

	Three Months Ended April 30,	
(in thousands)	2020	2019
Net cash provided by operating activities	$ 59,144	$ 45,655
Less: Purchases of property and equipment	(26,389)	(15,237)
Non-GAAP free cash flow	$ 32,755	$ 30,418
Net cash provided by (used in) investing activities	$ 169,668	$ (313,491)
Net cash used in financing activities	$ (25,498)	$ (13,320)

Computation of billings:

	Three Months Ended April 30,	
(in thousands)	2020	2019
Revenue	$ 297,017	$ 213,962
Add: Contract liabilities and refund liability, end of period	568,544	395,254
Less: Contract liabilities and refund liability, beginning of period	(522,201)	(390,887)
Add: Contract assets and unbilled accounts receivable, beginning of period	15,082	13,436
Less: Contract assets and unbilled accounts receivable, end of period	(16,390)	(16,810)
Non-GAAP billings	$ 342,052	$ 214,955

ITEM 3. QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT MARKET RISK

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

Interest Rate Risk

As of April 30, 2020, we had cash, cash equivalents and investments totaling $898.1 million, which consisted primarily of bank deposits, money market funds, commercial paper, corporate notes and bonds and U.S. Treasury and government agency securities. Interest-earning instruments carry a degree of interest rate risk. Our investment portfolio is comprised of highly rated securities and limits the amount of credit exposure to any one issuer. A hypothetical 100 basis point increase in interest rates would result in an approximately $1.5 million decrease of the fair value of our investment portfolio as of April 30, 2020. Such losses would only be realized if we sold the investments prior to maturity. We do not enter into investments for trading or speculative purposes and have not used any derivative financial instruments to manage our interest rate risk exposure.

On September 18, 2018, we offered and issued $575.0 million aggregate principal amount of Notes. The Notes have a fixed annual interest rate of 0.5%, and, therefore, we do not have economic interest rate exposure on the Notes. The fair value of the Notes changes when the market price of our stock fluctuates or interest rates change. However, we carry the Notes at face value less unamortized discount on our balance sheet and present the fair value for required disclosure purposes only.

Foreign Currency Exchange Risk

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

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer (our principal executive officer) and Chief Financial Officer (our principal financial officer), has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the “Exchange Act”), as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that as of April 30, 2020, our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act (a) is recorded, processed, summarized and reported within the time periods specified by Securities and Exchange Commission rules and forms and (b) is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding any required disclosure.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting identified in management’s evaluation pursuant to Rules 13a-15(d) or 15d-15(d) under the Exchange Act during the first quarter of fiscal 2021 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. We continue to monitor the impact of the COVID-19 pandemic and, despite many of our employees working remotely, have not experienced any changes that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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

ITEM 1A. RISK FACTORS

Our business involves significant risks, some of which are described below. You should carefully consider the following risks, together with all of the other information in this Quarterly Report on Form 10-Q, including our consolidated financial statements and the related notes included elsewhere in this Quarterly Report on Form 10-Q. Any of the following risks could have an adverse effect on our business, results of operations, financial condition or prospects, and could cause the trading price of our common stock to decline. Our business, results of operations, financial condition or prospects could also be harmed by risks and uncertainties not currently known to us or that we currently do not believe are material.

Risks Related to Our Business and Industry

We cannot predict the impact of the COVID-19 pandemic on our business, results of operations and financial condition.

The impact of the COVID-19 pandemic and related public health measures on our business will depend largely on future developments, including the duration and severity of the COVID-19 pandemic, which are highly uncertain and cannot be accurately predicted.

The COVID-19 pandemic has created and is likely to continue to create significant uncertainty in global financial markets, which may decrease overall technology spending and depress demand for our solutions. In addition, the COVID-19 pandemic may disrupt our customers' or partners' operations, limiting their ability to pay for our solutions and adversely affecting our results of operations.

We have undertaken measures to mitigate the effect of the COVID-19 pandemic on our business and to protect our employees, partners and customers, including by imposing travel restrictions for our employees, requiring almost all employees to work remotely until further notice, and shifting customer, partner and investor events to virtual-only formats. However, there can be no assurance that these measures will be effective, or that we can adopt them without adversely affecting our business operations. For example, our management team has been focusing additional time on planning for and mitigating the risks of the COVID-19 pandemic, which may reduce the amount of time available for other initiatives. The COVID-19 pandemic may lead to inefficiencies of our employees, operational and cybersecurity risks and other circumstances which could have an adverse impact to our results of operations.

In addition, the COVID-19 pandemic has caused significant volatility in financial markets and has raised the prospect of an extended global recession. Further, the full effects of the COVID-19 pandemic cannot be predicted as a result of uncertainties including the extent and rate of the spread, the possibility and timing of any vaccine, treatment, or cure or stop to the spread, and the potential for additional peaks in infection rates later in 2020. Public health problems resulting from COVID-19 and precautionary measures instituted by governments and businesses to mitigate its spread, including travel restrictions, school and business closures, and quarantines, could contribute to a general slowdown in the global economy, adversely impact our customers and partners, and disrupt our operations. Changes in our operations in respect to COVID-19 or employee illnesses resulting from the COVID-19 pandemic may result in inefficiencies or delays that cannot be fully mitigated through succession planning, employees working remotely, or teleconferencing technologies

Finally, to the extent that the COVID-19 pandemic harms our business and results of operations, many of the other risks described in this "Risk Factors" section will be exacerbated.

We have a history of operating losses and may not achieve or sustain profitability in the future.

We began operations in 2003 and have experienced net losses since inception. We generated a net loss of $47.8 million and $45.7 million in the three months ended April 30, 2020 and 2019, and as of April 30, 2020, we had an accumulated deficit of $1.2 billion. We will need to generate and sustain increased revenue levels in future periods to become profitable and, even if we do, we may not be able to maintain or increase our level of profitability. We intend to continue to incur significant expenses to support growth, further develop and enhance our products and solutions, expand our infrastructure and technology, increase our sales headcount and marketing activities, and grow our international operations and customer base. As a result of these investments and due to our status as a public company, we also expect to incur increased compliance costs. Our efforts to grow our business may be costlier than we expect, and we may not be able to increase our revenue enough to offset our increased operating expenses. We may incur significant losses in the future for a number of reasons, including the other risks described herein, and unforeseen expenses, difficulties, complications and delays and other unknown events. If we are unable to achieve and sustain profitability, the value of our business and common stock may significantly decrease.

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

Our operating results have fluctuated in the past and are expected to fluctuate in the future due to a variety of factors, many of which are outside of our control. As a result, our past results may not be indicative of our future performance and comparing our operating results on a period-to-period basis may not be meaningful. In addition to the other risks described herein, factors that may affect our operating results include the following:

- fluctuations in demand for or pricing of our products and solutions, including due to the current COVID-19 pandemic;
- our ability to attract new customers;
- our ability to renew our subscriptions with, and expand sales of our products and solutions to, our existing customers;
- timing of revenue recognition;
- customer delays in purchasing decisions in anticipation of new products or product enhancements by us or our competitors;
- changes in customers’ budgets and in the timing of their budget cycles and purchasing decisions, including cost-cutting measures or other effects of the COVID-19 pandemic;
- the timing and success of new product and service introductions by us or our competitors or any other change in the competitive dynamics of our industry, including consolidation or new entrants among competitors, customers, or strategic partners;
- our ability to control costs, including our operating expenses;
- potential accelerations of prepaid expenses and deferred costs;
- the amount and timing of non-cash expenses, including stock-based compensation, goodwill impairments and other non-cash charges;
- the amount and timing of costs associated with recruiting, training and integrating new employees;
- issues relating to acquisitions and partnerships with third parties;
- general economic, market and industry conditions, including resulting from the COVID-19 pandemic;
- the impact of new accounting pronouncements;
- changes in laws and regulations that affect our business;
- significant security breaches of, technical difficulties with, or interruptions to, the delivery and use of our products and solutions; and
- awareness of our brand on a global basis.

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

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

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

- any decline in demand for our e-signature solutions;
- macro- and microeconomic effects of the COVID-19 pandemic;
- the failure of our e-signature solutions to maintain market acceptance;
- the market for electronic signatures failing to grow, or growing more slowly than we expect;
- the introduction of products and technologies that replace or substitute for, or represent an improvement over, our e-signature solutions;
- technological innovations or new standards that our e-signature solutions do not address;
- changes in regulations;
- sensitivity to our current or future pricing; and
- our inability to release enhanced versions of our e-signature solutions on a timely basis.

If we experience a material decline in sales of subscriptions to our e-signature solutions, without a corresponding increase in subscriptions to our other products and solutions, our revenue and operating results would be harmed.

The market for our products and solutions is relatively new and evolving. If the market does not develop further, develops more slowly, or in a way that we do not expect, our business will be adversely affected.

The market for our products and solutions—including our e-signature solution, which is the core part of our broader Agreement Cloud platform for automating the agreement process—is relatively new and evolving, which makes our business and future prospects difficult to evaluate. We have customers in a wide variety of industries, including real estate, financial services, insurance, manufacturing, and healthcare and life sciences. It is difficult to predict customer demand for our products and solutions, customer retention and expansion rates, the size and growth rate of the market for agreement automation, the entry of competitive products or the success of existing competitive products. We expect that we will continue to need intensive sales efforts to educate prospective customers, particularly enterprise and commercial customers, about the uses and benefits of our products and solutions, and such sales efforts could be hindered by the current COVID-19 pandemic. The size and growth of our addressable market depends on a number of factors, including our customers' desire to differentiate themselves through e-signature solutions and other products and solutions that automate the agreement process, as well as changes in the competitive landscape, technological changes, budgetary constraints of our customers, changes in business practices, changes in regulations and changes in economic conditions. If customers do not accept the value proposition of our offerings, then a viable market for products and solutions may not develop further, or it may develop more slowly than we expect, either of which would adversely affect our business and operating results.

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

To increase our revenue, we must continue to grow our customer base. As our market matures, product and service offerings evolve, and competitors introduce lower cost and/or differentiated products or solutions that are perceived to compete with our products and solutions, our ability to attract new customers could be impaired. This may be especially challenging where organizations have already invested significantly in an existing solution. If we fail to offer competitive products and solutions at competitive prices or to attract new customers and subsequently maintain and expand those customer relationships, our business and operating results may be harmed.

Our ability to increase our revenue also depends on our ability to expand the sales of our products and solutions to, and renew subscriptions with, existing customers and their organizations. For our business to succeed, it is important that our existing customers, especially our enterprise customers, increase their use of our products and solutions through the purchase of new products, additional subscriptions and our enhanced products and solutions. If our efforts to sell additional functionality and products and solutions to our customers are not successful, our business, operating results and financial condition may suffer.

Moreover, a majority of our subscription contracts are for one year. Our customers have no obligation to renew their subscriptions and we cannot guarantee that our customers will renew their subscriptions with us for a similar or greater contract period or on the same or more favorable terms. Our renewal and expansion rates may decline or fluctuate as a result of a number of factors, including customer spending levels, customer dissatisfaction with our products and solutions, decreases in the number of users at our customers, changes in the type and size of our customers, pricing changes, competitive conditions, customer attrition and general economic conditions, including as a result of the current COVID-19 pandemic. If our customers do not renew their subscriptions for our products and solutions or if they reduce their subscription amounts at the time of renewal, our revenue will decline, and our business will suffer.

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

Our products and solutions address a market that is evolving and highly competitive. The products and solutions in our products and solutions face competition from different companies depending on the product or solution. For example, our primary global e-signature competitor is currently Adobe Systems Incorporated. We also face competition from a select number of specialized vendors that focus on specific industries, geographies or use cases. In addition to competition in the e-signature market, our other products and solutions, such as DocuSign CLM, DocuSign Payments and DocuSign ID Verification separately face competition from companies in the contract lifecycle management, payment processing and identity verification software markets. As we attempt to sell access to our products and solutions to potential customers with existing products and solutions, we must convince them that our products and solutions are superior to the solutions that their organization has used in the past.

Many of our competitors have longer operating histories than us, significantly greater financial, technical, marketing and other resources, stronger brand and customer recognition, larger intellectual property portfolios and broader global distribution. As a result, our competitors may be able to respond more quickly and effectively than we can to new or changing opportunities, technologies, standards or customer requirements. Further, we could lose customers if our competitors develop new competitive products and solutions, acquire competitive products, reduce prices, form strategic alliances with other companies, are acquired by third parties with greater resources or develop and market new technologies that render our existing or future products less competitive, unmarketable or obsolete. If we are unable to effectively compete, our business, operating results and financial condition would be harmed.

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

We currently serve our customers from third-party data center hosting facilities. Our customers need to be able to access our products at any time, without interruption or degradation of performance. In some cases, third-party cloud providers run their own platforms that we access, and we are, therefore, vulnerable to their service interruptions. As a result, we depend, in part, on our data center providers’ ability to protect these facilities against damage or interruption, including from natural disasters, power or telecommunications failures, criminal acts and similar events. In the event that our data center arrangements are terminated, or if there are any lapses of service or damage to a data center, we could experience lengthy interruptions in our service as well as delays and additional expenses in arranging new facilities and services. Even with current and planned disaster recovery arrangements, including the existence of secondary data centers that become active during certain lapses of service or damage at a primary data center, our business could be harmed.

In addition to third-party data centers and cloud providers, we also rely on our own technical operations infrastructure to support and serve our rapidly growing customer base. To meet our business needs, we must maintain sufficient excess capacity in our operations infrastructure to ensure that our products and solutions are accessible within an acceptable load time. Design and mechanical errors, spikes in usage volume and failure to follow system protocols and procedures could cause our systems to fail, resulting in interruptions in our products and solutions. Any interruptions or delays in our service, whether or not caused by our products, whether as a result of third-party error, our own error, natural disasters or security breaches, whether accidental or willful, could harm our relationships with customers and cause our revenue to decrease and/or our expenses to increase. Also, in the event of damage or interruption, our insurance policies may not adequately compensate us for any losses that we may incur. These factors in turn could further reduce our revenue, subject us to liability and cause us to issue credits or cause customers to fail to renew their subscriptions, any of which could adversely affect our business.

Our systems and security measures have on occasion in the past been, and may in the future be, compromised or subject to data breaches, cyberattacks or other malicious activity. Consequently, our products and solutions may be perceived as not being secure. This may result in customers reducing or stopping their use of our products or solutions, our reputation being harmed, our incurring significant liabilities and adverse effects on our operating results and growth prospects.

Our operations involve the storage and transmission of customer data, personal data and other sensitive information, and our corporate environment contains important company data and/or business records, employee data and data from partner, vendor or other relationships, as well as a wide variety of our own internal company, partner and employee information. Like other organizations providing valuable technology and services, we are subject to cyberattacks from malicious third parties using a wide variety of tactics, including credential stuffing and account takeover attacks, denial or degradation of service attacks, malicious code (e.g., viruses and worms), denial-of-service attacks and many other techniques. While we have security measures in place designed to protect our production, development and other systems, maintain the integrity of customer, company, partner and employee information, and prevent data loss, misappropriation and other security breaches and incidents, we have faced security incidents in the past. For example, in March 2017, a malicious third party used a phishing attack to gain access to a remote employee's laptop and then accessed a list of email addresses which were uploaded to a third-party website. In addition, in April 2020, a malicious third party used a brute force password attack to gain access to an isolated testing environment, and exfiltrated a portion of our source code. In both cases we took immediate action to prevent any additional unauthorized access, put further security controls in place and worked with law enforcement agencies. These efforts may not completely eliminate potential risks from such incidents, however. While these attempts had no impact on our operations, products or services, there can be no assurance that there will be no impact from these or similar incidents in the future.

Despite our prevention and response efforts, any security incident or breach, even if immaterial and properly addressed, could result in negative publicity, loss of customers, damage to our reputation and could impair our sales and harm our business. Moreover, due to the current COVID-19 pandemic, there is an increased risk that we may experience cybersecurity related incidents as a result of our employees, service providers, and third parties working remotely on less secure systems during government mandated shelter-in-place orders. Further, we may face additional security incidents in the future, resulting in unauthorized access to, loss of or unauthorized disclosure of sensitive and proprietary information of DocuSign or our customers, partners or employees, and such incidents may in the future result in regulatory enforcement actions, litigation (including a new private right of action under the California Consumer Privacy Act, as described in the risk factor below titled "We are subject to laws and regulations affecting our business, including those related to e-signature, marketing, advertising, privacy, data protection and information security. Our actual or perceived failure to comply with laws or regulations could harm our business. Complying with laws and regulations could also result in additional costs and liabilities to us or inhibit sales of our software."), indemnity obligations and other possible liabilities, in addition to the potential harms described above.

Additionally, as we rely on third-party and public-cloud infrastructure, we depend in part on third-party security measures to protect against unauthorized access, cyberattacks and the mishandling of customer data. Our ability to monitor our third-party service providers' data security is limited and any breach of our providers' security measures may result in the unauthorized access to, or misuse, loss or destruction of our and our customers' data.

Cyberattacks and other malicious internet-based activity continue to increase, and cloud-based service providers have been and are expected to continue to be targeted. Further, advances in technology and the increasing sophistication of attackers have led to more frequent and effective cyberattacks, including advanced persistent threats by state-sponsored actors, cyberattacks relying on complex social engineering or "phishing" tactics, ransomware attacks and other methods that may lead to the loss, theft or misuse of personal, corporate or financial information, fraudulent payments and identity theft. Despite significant efforts to create security barriers to such threats, it is virtually impossible for us, our service providers, our partners and our customers to entirely mitigate these risks. If our security measures, or the security measures of our service providers, partners or customers, are compromised, our reputation could be damaged, our ability to attract and retain customers could be adversely affected and our business may be harmed. In addition, a cybersecurity event could result in significant increases in costs, including costs for remediating the effects of such an event, lost revenues due to decrease in customer trust and network downtime, increases in insurance coverage due to cybersecurity incidents and damages to our reputation because of any such incident.

Many U.S. and foreign laws and regulations require companies to provide notice of data security breaches and/or incidents involving certain types of personal data to individuals, the media, government authorities or other third parties. In addition, some of our customers contractually require notification of data security breaches. Security compromises experienced by our competitors, by our customers or by us may lead to public disclosures, which may lead to widespread negative publicity. Any security compromise in our industry, whether actual or perceived, could harm our reputation, erode customer confidence in the effectiveness of our security measures, negatively affect our ability to attract new customers, cause existing customers to elect not to renew their subscriptions or subject us to third-party lawsuits, regulatory fines or other action or liability, which could adversely affect our business and operating results.

There can be no assurance that any limitations of liability provisions in our contracts would be enforceable or adequate or would otherwise protect us from any such liabilities or damages with respect to any particular claim. We also cannot be sure that our existing general liability insurance coverage and coverage for errors or omissions will continue to be available on acceptable terms or will be available in sufficient amounts to cover one or more large claims, or that insurers will not deny coverage as to any future claim. One or more large, successful claims against us in excess of our available insurance coverage, or changes in our insurance policies, including premium increases or large deductible or co-insurance requirements, could have an adverse effect on our business, operating results and financial condition.

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

We spend substantial amounts of time and money to research, develop and enhance our existing products, add new offerings to our products and solutions for automating the agreement process, incorporate additional functionality, and solve new use cases to meet our customers' rapidly evolving demands. Maintaining adequate research and development resources, such as the appropriate personnel and development technology, to meet the demands of our customers and potential customers is essential. If we are unable to develop products and solutions internally due to a lack of research and development resources, we may be forced to rely on acquisitions to expand into a certain markets or technologies, which can be costly. When we develop or acquire new or enhanced products and solutions, we typically incur expenses and expend resources upfront to develop, market, promote and sell them. As a result, when we introduce new or enhanced products and solutions, they must achieve high levels of market acceptance to justify the amount of our investment in developing or acquiring them and bringing them to market. If the release of our new and enhanced products and solutions fails to meet the needs of our customers or if our customers do not accept new and enhanced solutions offered by us, our business, operating results and financial conditions would be harmed. The adverse effect on our financial results may be particularly acute because of the significant research, development, marketing, sales and other expenses we will have incurred.

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

- failure to predict market demand for particular features or functions, or to supply solutions that meet this demand quickly enough;
- defects, errors or failures in our products and solutions;
- negative publicity about their performance or effectiveness;
- changes in applicable legal or regulatory requirements, or increased legal or regulatory scrutiny, adversely affecting our products and solutions;
- delays in releasing our products and solutions to the market; and
- introduction or anticipated introduction of competing products by our competitors.

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

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

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

- the effectiveness of our sales force, in particular new sales people as we increase the size of our sales force, train our new sales people to sell to enterprise customers and launch advanced offerings for automating other aspects of the agreement process;
- the discretionary nature of purchasing and budget cycles and decisions;
- the obstacles placed by customers' procurement process;
- economic conditions and other factors impacting customer budgets;
- the customer's integration complexity;

- the customer's familiarity with e-signature and agreement automation processes;
- customer evaluation of competing products during the purchasing process; and
- evolving customer demands.

Our recent rapid growth may not be indicative of our future growth, and, if we continue to grow rapidly, we may not be able to manage our growth effectively.

Our revenue grew from $701.0 million in the year ended January 31, 2019 to $974.0 million in the year ended January 31, 2020. We expect that, in the future, as our revenue increases, our revenue growth rate will decline. We also believe that growth of our revenue depends on a number of factors, including our ability to:

- price our products and solutions effectively so that we are able to attract and retain customers;
- attract new customers, increase our existing customers' use of our products and solutions and provide our customers with excellent customer support;
- expand our Agreement Cloud offerings for our customers;
- continue to introduce our products and solutions to new markets outside of the United States;
- hire, maintain and train our sales force;
- successfully identify and acquire or invest in businesses, products or technologies that we believe could complement or expand our products and solutions; and
- increase global awareness of our brand.

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

- sales and marketing, including a significant expansion of our sales organization, particularly in the United States;
- our technology infrastructure, including systems architecture, management tools, scalability, availability, performance and security, as well as disaster recovery measures;
- product development, including investments in our product development team and the development of new products and new functionality for our existing products and solutions;
- acquisitions or strategic investments;
- international expansion; and
- general administration, including legal and accounting expenses.

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

Finally, our business is becoming more complex as we increase our product and solution offerings, add additional staff and acquire complementary companies, products and technologies. In connection with this increased complexity, we are working to improve our operational, financial and management controls as well as our reporting systems and procedures, which requires capital expenditures and management attention. Failure to effectively manage our growth could have an adverse effect on our business, operating results and financial condition.

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

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

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

Because our recent growth has resulted in the rapid expansion of our business and product offerings, we do not have a long history upon which to base forecasts of future revenues and operating results. Accordingly, we may be unable to prepare accurate internal financial forecasts or replace anticipated revenue that we do not receive as a result of delays arising from these factors. If we do not address these risks successfully, our operating results could differ materially from our estimates and forecasts or the expectations of investors, causing our business to suffer and our stock price to decline.

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

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

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

As part of our business strategy, we continually evaluate opportunities to acquire or invest in businesses, products or technologies that we believe could complement or expand our products and solutions, enhance our technical capabilities or otherwise offer growth opportunities. For example, on September 4, 2018, we acquired SpringCM, a provider of cloud-based document generation and contract lifecycle management software, and on May 1, 2020, we acquired Seal Software Group Limited, a provider of contract analytics software. In the future, we may be unable to identify suitable acquisition candidates and, even if we do, we may not be able to complete desired acquisitions on favorable terms, if at all. If we are unable to complete acquisitions, we may not be able to strengthen our competitive position or achieve our goals. If we are able to complete future acquisitions and investments, such transactions may result in unforeseen operating difficulties and expenditures, including disrupting our ongoing operations, diverting management attention, increasing our expenses, and subjecting us to additional liabilities. An acquisition may also negatively affect our financial results because it may:

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

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

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

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

We sell to U.S. federal, state and local, as well as foreign, government agencies, as well as to customers in highly regulated industries such as financial services, pharmaceuticals, insurance, healthcare and life sciences. Sales to such entities are subject to a number of challenges and risks. Selling to such entities can be highly competitive, expensive and time-consuming, often requiring significant upfront time and expense without any assurance that these efforts will generate a sale. Further, government certification requirements may change, restricting our ability to sell into the government sector until we have met those revised requirements. Government demand and payment for our offerings are affected by public sector budgetary cycles and funding authorizations, with funding reductions or delays, including as a result of the COVID-19 pandemic, adversely affecting public sector demand for our products and solutions.

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

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

We price our subscriptions for e-signature solutions based on the number of users within an organization that use our products and solutions to send agreements digitally for signature or the number of Envelopes that such users are provisioned to send. We expect that we may need to change our pricing from time to time, including in connection with the launch of new or enhanced offerings for automating the agreement process. As new or existing competitors introduce new products that compete with ours or reduce their prices, we may be unable to attract new customers or retain existing customers based on our historical pricing. We also must determine the appropriate price to enable us to compete effectively internationally. Moreover, mid- to large-size enterprises may demand substantial price discounts as part of the negotiation of sales contracts. As a result, we may be required or choose to reduce our prices or otherwise change our pricing model, which could adversely affect our business, operating results and financial condition.

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

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

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

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

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

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

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

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

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

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

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

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

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

Further, these third-party providers may experience operational difficulties due to the current COVID-19 pandemic, which could limit or alter our ability to use these third-party technology offerings, which in turn could have an adverse impact on our result of operations.

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

Our operating results may vary based on the impact of changes in our industry or the global economy on us and our existing and prospective customers. The revenue growth and potential profitability of our business depend on demand for our products and solutions. Current or future economic uncertainties or downturns could adversely affect our business and operating results. Negative conditions in the general economy both in the United States and abroad, including conditions resulting from changes in gross domestic product growth, financial and credit market fluctuations, political turmoil, natural catastrophes, warfare and terrorist attacks on the United States, Europe, the Asia Pacific region or elsewhere, could cause a decrease in business investments, including spending on information technology, and negatively affect the growth of our business. In addition, the COVID-19 pandemic has created significant additional uncertainty in the global economy. If the COVID-19 pandemic worsens, or continues for longer than expected, especially in regions in which we have material operations or sales, such as the United States, Canada, the United Kingdom, France, Germany, Ireland Israel, Australia, Singapore, Japan, Brazil, Egypt or Sweden, our business activities originating from affected areas, including sales-related activities, could be adversely affected. Disruptive activities could include business closures in impacted areas and restrictions in our employees' and other service providers' ability to travel. To the extent our products and solutions are perceived by customers and potential customers as costly, or too difficult to deploy or migrate to, our revenue may be disproportionately affected by delays or reductions in general information technology spending. Also, competitors, many of whom are larger and more established than we are, may respond to market conditions by lowering prices and attempting to lure away our customers. In addition, the increased pace of consolidation in certain industries may result in reduced overall spending on our products and solutions. We cannot predict the timing, strength or duration of any economic slowdown, instability or recovery, generally or within any particular industry. If the economic conditions of the general economy or markets in which we operate worsen from present levels, our business, operating results and financial condition could be adversely affected.

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

We have funded our operations since inception primarily through equity financings, including our IPO and payments by our customers for use of our product offerings and related services. In addition, in September 2018, we offered and issued $575.0 million aggregate principal amount of 0.5% Convertible Senior Notes due 2023 (the "Notes"), including the initial purchasers' exercise in full of their option to purchase up to an additional $75.0 million principal amount of Notes. We cannot be certain when or if our operations will generate sufficient cash to fund our ongoing operations or the growth of our business.

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

We have incurred substantial indebtedness that may decrease our business flexibility, access to capital and/or increase our borrowing costs, and we may still incur substantially more debt, which may adversely affect our operations and financial results.

As of January 31, 2020, we had $575.0 million (undiscounted) principal amount of indebtedness under our Notes. Our indebtedness may:

- limit our ability to borrow additional funds for working capital, capital expenditures, acquisitions or other general business purposes;
- limit our ability to use our cash flow or obtain additional financing for future working capital, capital expenditures, acquisitions or other general business purposes;
- require us to use a substantial portion of our cash flow from operations to make debt service payments;
- limit our flexibility to plan for, or react to, changes in our business and industry;
- place us at a competitive disadvantage compared to our less leveraged competitors; and

- increase our vulnerability to the impact of adverse economic and industry conditions, including as a result of the COVID-19 pandemic.

Further, the indenture governing the Notes does not restrict our ability to incur additional indebtedness and we and our subsidiaries may incur substantial additional indebtedness in the future, subject to the restrictions contained in any future debt instruments existing at the time, some of which may be secured indebtedness.

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

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

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

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

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

In addition, as a result of the COVID-19 pandemic, most of our employees - including those critical to maintaining an effective system of disclosure controls and internal control over financial reporting - are working, and may continue to work for the near term, in a remote environment and not in the office environment from which they have historically performed their duties. We have limited experience maintaining effective control systems with our employees working in remote environments, and risks that we have not contemplated may arise and result in our failure to maintain effective disclosure controls or internal control over financial reporting.

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

We believe that maintaining the DocuSign brand is important to supporting continued acceptance of our existing and future solutions, attracting new customers to our products and solutions and retaining existing customers. We also believe that the importance of our brand will increase as competition in our market increases. Successfully maintaining our brand will depend largely on the effectiveness of our marketing efforts, our ability to provide reliable and useful solutions to meet the needs of our customers at competitive prices, our ability to maintain our customers' trust, our ability to continue to develop new functionality and solutions and our ability to successfully differentiate our products and solutions from our competitors'.

Additionally, the performance of our partners may affect our brand and reputation if customers do not have a positive experience with our partners' services. Brand promotion activities may not generate customer awareness or yield increased revenue, and even if they do, any increased revenue may not offset the expenses we incurred in building our brand. If we fail to successfully promote and maintain our brand, we may fail to attract enough new customers or retain our existing customers to the extent necessary to realize a sufficient return on our brand-building efforts, and our business could suffer.

We are subject to laws and regulations affecting our business, including those related to e-signature, marketing, advertising, privacy, data protection and information security. Our actual or perceived failure to comply with laws or regulations could harm our business. Complying with laws and regulations, in particular those related to privacy and data protection, could also result in additional costs and liabilities to us or inhibit sales of our software.

We receive, store and process personal information and other data from and about customers, in addition to our employees, partners and service providers. In addition, customers use our products and solutions to obtain and store personal identifiable information, personal health information (including protected health information) and personal financial information. Our handling of data is thus subject to a variety of laws and regulations, including regulation by various government agencies, such as the U.S. Federal Trade Commission (the "FTC"), the U.S. Department of Health and Human Services Office for Civil Rights (the "OCR"), and various state, local and foreign agencies and other authorities. Our data handling also is subject to contractual obligations and industry standards.

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

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

- The EU General Data Protection Regulation (the "GDPR"), which became effective in May 2018, imposes strict requirements related to processing the personal data of EU individuals. EU data protection authorities have the power to impose administrative fines for violations of the GDPR of up to a maximum of €20 million or 4% of a noncompliant company's annual global turnover for the preceding financial year, whichever is higher, and violations of the GDPR may also lead to damages claims by data controllers and data subjects. Such penalties are in addition to any civil litigation claims. The GDPR imposes compliance burdens on us, including by mandating burdensome documentation requirements and granting certain rights to individuals to control how we collect, use, disclose, retain and process information about them. Additionally, the United Kingdom implemented the Data Protection Act effective in May 2018 and statutorily amended in 2019 that substantially implements the GDPR. The United Kingdom's departure in January 2020 from the European Union (commonly referred to as Brexit) has created uncertainty with regard to the requirements for data transfers between the United Kingdom and the EU and other jurisdictions it is still unclear whether transfer of data from the European Economic Area to the United Kingdom will remain lawful under GDPR following "Brexit." The GDPR also imposes strict rules on the transfer of personal data out of the EU to the United States. These obligations may be interpreted and applied in a manner that is inconsistent from one jurisdiction to another and may conflict with other requirements or our practices. In addition, these rules are consistently under scrutiny.

- The CCPA took effect on January 1, 2020 and will be enforceable by the California Attorney General six months after the publication of the final regulations or July 1, 2020. The CCPA gives California residents expanded rights to access and delete their personal information, opt out of certain personal information sharing, and receive detailed information about how their personal information is used. The CCPA provides for civil penalties for violations, as well as a private right of action for data breaches that is expected to increase data breach litigation. The CCPA may increase our compliance costs and potential liability, particularly in the event of a data breach. The CCPA may regulate or impact our processing of personal information depending on the context. It remains unclear what, if any, modifications will be made to this legislation or how it will be interpreted.

- HIPAA in the United States (as amended and supplemented by the Health Information Technology for Economic and Clinical Health Act of 2009 ("HITECH") imposes mandatory contractual terms and other obligations with respect to safeguarding the privacy, security and transmission of protected health information. We may function as a HIPAA business associate for certain of our customers and, as such, are subject to applicable privacy and data security requirements. Failure to comply with HIPAA can result in significant civil monetary penalties and, in certain circumstances, criminal penalties and fines.

- Numerous other laws including the Electronic Communications Privacy Act, the Computer Fraud and Abuse Act, the Gramm Leach Bliley Act ("GLBA"), and other state laws relating to privacy.

In addition, many foreign governments have established or are in the process of establishing privacy and data security legal frameworks with which we, our customers, partners or our vendors must comply. In certain cases these laws and regulations are more restrictive than those in the United States and apply broadly to the collection, use, storage, disclosure and security of various types of data. Such laws and regulations may be modified or subject to new or different interpretations, and new laws and regulations may be enacted in the future.

We expect that there will continue to be new proposed laws, regulations and industry standards relating to privacy, data protection, marketing, advertising, electronic signatures, consumer communications and information security in the United States, the EU and other jurisdictions, and we cannot determine the impact such future laws, regulations and standards may have on our business. Future laws, regulations, standards and other obligations or any changed interpretation of existing laws or regulations could impair our ability to develop and market new functionality and maintain and grow our customer base and increase revenue. Future restrictions on the collection, use, sharing or disclosure of data or additional requirements for express or implied consent of our customers, partners or end consumers for the use and disclosure of such information could require us to incur additional costs or modify our products and solutions, possibly in a material manner, and could limit our ability to develop new functionality.

If we are not able to comply with these laws or regulations or if we become liable under these laws or regulations, we could be directly harmed, and we may be forced to implement new measures to reduce our exposure to this liability. This may require us to expend substantial resources or to discontinue certain solutions, which would negatively affect our business, operating results and financial condition. In addition, the increased attention focused upon liability issues as a result of lawsuits and legislative proposals could harm our reputation or otherwise impact the growth of our business. Any costs incurred as a result of this potential liability could harm our business and operating results.

Additionally, any failure or perceived failure by us to comply with laws, regulations, policies, legal or contractual obligations, industry standards, or regulatory guidance relating to privacy or data security, may result in governmental investigations and enforcement actions (including, for example, a ban by EU data protection authorities on the processing of EU personal data under the GDPR), litigation, fines and penalties or adverse publicity, and could cause our customers and partners to lose trust in us, which could have an adverse effect on our reputation and business.

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

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

The success of our business depends on customers' continued and unimpeded access to our products and solutions on the internet.

Our customers must have internet access in order to use our products and solutions. Some providers may take measures that affect their customers' ability to use our products and solutions, such as degrading the quality of the data packets we transmit over their lines, giving those packets lower priority, giving other packets higher priority than ours, blocking our packets entirely or attempting to charge their customers more for using our products and solutions.

In 2018, the U.S. Federal Communications Commission repealed net neutrality rules which would have barred internet providers from blocking or slowing down access to online content and, protected services like ours from such interference. To the extent network operators attempt to interfere with our products and solutions, extract fees from us to deliver our solution or otherwise engage in discriminatory or anti-competitive practices, our business could be adversely impacted.

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

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

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

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

We are subject to legal proceedings and litigation, including intellectual property disputes, which are costly and may subject us to significant liability and increased costs of doing business. Our business may suffer if it is alleged or determined that our technology infringes the intellectual property rights of others.

The software industry is characterized by the existence of a large number of patents, copyrights, trademarks, trade secrets and other intellectual and proprietary rights. Companies in the software industry are often required to defend against litigation claims based on allegations of infringement or other violations of intellectual property rights. Our technologies may not be able to withstand any third-party claims or rights against their use. In addition, many of these companies have the capability to dedicate substantially greater resources to enforce their intellectual property rights and to defend claims that may be brought against them. Any litigation may also involve patent holding companies or other adverse patent owners that have no relevant product revenue and against which our patents may therefore provide little or no deterrence. If a third party is able to obtain an injunction preventing us from accessing such third-party intellectual property rights, or if we cannot license or develop technology for any infringing aspect of our business, we would be forced to limit or stop sales of our software or cease business activities covered by such intellectual property and may be unable to compete effectively. Any inability to license third-party technology in the future would have an adverse effect on our business or operating results and would adversely affect our ability to compete. We may also be contractually obligated to indemnify our customers in the event of infringement of a third party's intellectual property rights. Responding to such claims, including those currently pending, regardless of their merit, can be time consuming, costly to defend in litigation and damage our reputation and brand.

We may be the subject of lawsuits that allege our products and solutions infringe the intellectual property rights of other companies. For example, in June 2011, RMail Limited, RPost Communications Limited and RPost Holdings filed a complaint against us for patent infringement in the United States District Court for the Eastern District of Texas. In October 2012, RPost Holdings Inc. and RPost Communications Limited filed another patent infringement complaint against us in the same court. In August 2019, we and such RPost entities entered into a settlement agreement and both cases were dismissed.

A decision in favor of the plaintiffs in any future lawsuits could subject us to significant liability for damages and our ability to develop and sell our products may be harmed. We also may be required to redesign our products, delay releases, enter into costly settlement or license agreements, pay costly damage awards, or face a temporary or permanent injunction prohibiting us from marketing or selling our products and solutions. Requiring us to change one or more aspects of the way we deliver our products and solutions may harm our business. Lawsuits are time-consuming and expensive to resolve, and they divert management's time and attention. Although we carry general liability insurance, our insurance may not cover potential claims of this type or may not be adequate to indemnify us for all liability that may be imposed. We cannot predict the outcome of lawsuits and cannot assure you that the results of any of these actions will not have an adverse effect on our business, operating results or financial condition.

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

We use open source software in our products and solutions. From time to time, there have been claims challenging the ownership of open source software against companies that incorporate open source software into their products. As a result, we could be subject to lawsuits by parties claiming ownership of what we believe to be open source software. Litigation could be costly for us to defend, have a negative effect on our operating results and financial condition or require us to devote additional research and development resources to change our products. In addition, if we were to combine our proprietary software products with open source software in a certain manner, we could, under certain of the open source licenses, be required to release the source code of our proprietary software products. If we inappropriately use or incorporate open source software subject to certain types of open source licenses that challenge the proprietary nature of our software products, we may be required to re-engineer our products, discontinue the sale of our products and solutions or take other remedial actions.

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

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

We rely on the performance of highly skilled personnel, including our management and other key employees, and the loss of one or more of such personnel, or of a significant number of our team members, could harm our business.

Our success and future growth depend upon the continued services of our management team and other key employees. From time to time, there may be changes in our management team resulting from the hiring or departure of executives and key employees, which could disrupt our business. Our senior management and key employees are employed on an at-will basis.

We may terminate any employee's employment at any time, with or without cause, and any employee may resign at any time, with or without cause. If we lose one or more of our senior management or other key employees and are unable to find adequate replacements, or if we fail to attract, retain and motivate members of our senior management team and key employees, our business could be harmed.

We also are dependent on the continued service of our existing software engineers because of the complexity of our products and solutions. In particular, we compete with many other companies for software developers with high levels of experience in designing, developing and managing cloud-based software, as well as for skilled sales and operations professionals. We also require skilled product development, marketing, sales, and operations professionals, and we may not be successful in attracting and retaining the professionals we need, particularly in our principal U.S. locations in the San Francisco Bay Area and Seattle. Competition for these employees in our industry (and especially in our principal U.S. locations) is intense, and many of the companies we compete with for experienced personnel have greater resources than we do.

In addition, certain immigration laws restrict or limit our ability to recruit internationally. Any changes to immigration policies that restrain the flow of technical and professional talent may inhibit our ability to recruit and retain highly qualified employees.

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

A component of our growth strategy involves the further expansion of our operations and customer base internationally. In each of the years ended January 31, 2020, 2019 and 2018 total revenue generated from customers outside the U.S. was 18%, 17% and 17% of our total revenue. We currently have offices in the United States, Canada, the United Kingdom, France, Germany, Ireland, Israel, Australia, Singapore, Japan, Brazil, Sweden and Egypt. We are continuing to adapt to and develop strategies to address international markets but there is no guarantee that such efforts will have the desired effect. As of January 31, 2020, approximately 27% of our full-time employees were located outside of the United States. We expect that our international activities will continue to grow over the foreseeable future as we continue to pursue opportunities in existing and new international markets, which will require significant management attention and financial resources.

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

- changes in a specific country's or region's political or economic conditions, including as a result of the COVID-19 pandemic;
- exposure to regional public health issues, such as the COVID-19 pandemic, and to travel restrictions and other measures undertaken by governments in response to such issues;
- the need to adapt and localize our products for specific countries, including providing customer support in different languages;
- greater difficulty collecting accounts receivable and longer payment cycles;
- potential changes in trade relations arising from policy initiatives implemented by the Trump administration, which has been critical of existing and proposed trade agreements;
- unexpected changes in laws and regulatory requirements, including but not limited to, taxes or trade laws;
- more stringent regulations relating to privacy and data security and the unauthorized use of, or access to, commercial and personal information, particularly in Europe;
- differing labor regulations, especially in Europe, where labor laws are generally more advantageous to employees as compared to the United States, including deemed hourly wage and overtime regulations in these locations;
- challenges inherent in efficiently managing an increased number of employees over large geographic distances, including the need to implement appropriate systems, policies, benefits and compliance programs;
- difficulties in managing a business in new markets with diverse cultures, languages, customs, legal systems, alternative dispute systems and regulatory systems;
- increased travel, real estate, infrastructure and legal compliance costs associated with international operations;
- currency exchange rate fluctuations and the resulting effect on our revenue and expenses, and the cost and risk of entering into hedging transactions if we chose to do so in the future;
- limitations on our ability to reinvest earnings from operations in one country to fund the capital needs of our operations in other countries;
- laws and business practices favoring local competitors or general preferences for local vendors;
- limited or insufficient intellectual property protection or difficulties enforcing our intellectual property;
- political instability or terrorist activities;

- exposure to liabilities under anti-corruption and anti-money laundering laws, including the U.S. Foreign Corrupt Practices Act of 1977, as amended (“FCPA”), the U.S. domestic bribery statute contained in 18 U.S.C. § 201, the U.S. Travel Act, the U.K. Bribery Act, and similar laws and regulations in other jurisdictions; and
- adverse tax burdens and foreign exchange controls that could make it difficult to repatriate earnings and cash.

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

Our international operations and recent U.S. federal tax legislation may subject us to potential adverse tax consequences.

We are expanding our international operations and staff to better support our growth into international markets. Our corporate structure and associated transfer pricing policies contemplate future growth into international markets, and consider the functions, risks and assets of the various entities involved in the intercompany transactions. We may be subject to taxation in international jurisdictions with increasingly complex tax laws and precedents which could have an adverse effect on our liquidity and operating results. The amount of taxes we pay in different jurisdictions may depend on the application of the tax laws of those jurisdictions, including the United States, to our international business activities, changes in tax rates, new or revised tax laws or interpretations of existing tax laws and policies and our ability to operate our business in a manner consistent with our corporate structure and intercompany arrangements. Tax authorities in the jurisdictions in which we operate may challenge our transfer pricing policies and intercompany arrangements or disagree with our determinations as to the income and expenses attributable to specific jurisdictions. If such a challenge or disagreement were to occur, and our position was not sustained, we could be required to pay additional taxes, interest and penalties, which could result in one-time tax charges, higher effective tax rates, reduced cash flows and lower overall profitability of our operations. Our financial statements could fail to reflect adequate reserves to cover such a contingency. In addition, the authorities in these jurisdictions could review our tax returns and impose additional tax, interest and penalties, and the authorities could claim that various withholding requirements apply to us or to our subsidiaries or assert that benefits of tax treaties are not available to us or our subsidiaries which could have a material impact on us and the results of our operations.

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

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

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

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

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

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

We are subject to the FCPA, the U.S. domestic bribery statute contained in 18 U.S.C. § 201, the U.S. Travel Act, the U.K. Bribery Act, and other anti-bribery and anti-money laundering laws in the countries in which we conduct activities. Anti-corruption and anti-bribery laws have been enforced aggressively in recent years and are interpreted broadly to generally prohibit companies and their employees and third-party intermediaries from authorizing, offering, or providing, directly or indirectly, improper payments or benefits to recipients in the public or private sector. As we increase our international sales and business and sales to the public sector, we may engage with business partners and third-party intermediaries to market our products and solutions and to obtain necessary permits, licenses, and other regulatory approvals. In addition, we or our third-party intermediaries may have direct or indirect interactions with officials and employees of government agencies or state-owned or affiliated entities. We can be held liable for the corrupt or other illegal activities of these third-party intermediaries, our employees, representatives, contractors, partners, and agents, even if we do not explicitly authorize such activities.

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

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

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

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

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

As of January 31, 2020, we had accumulated net operating loss carryforwards of $1.7 billion for federal and $856.8 million for state, respectively. Of the total federal net operating losses, $105.8 million is carried forward indefinitely and is not limited to 80% of taxable income, and $1.2 billion is carried forward indefinitely but is limited to 80% taxable income. The remaining federal and state net operating loss carryforwards will begin to expire in 2025 and 2021, respectively. As of

January 31, 2020, we also had total foreign net operating loss carryforwards of $16.6 million, which do not expire under local law. We also have total U.S. federal and state research tax credits of $51.6 million. The U.S. federal research tax credits will begin to expire in 2033. The U.S. state research tax credits do not expire.

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

Our reported financial results may be adversely affected by changes in accounting principles generally accepted in the United States.

U.S. GAAP are subject to interpretation by the Financial Accounting Standards Board (the "FASB"), the SEC and various bodies formed to promulgate and interpret accounting principles. A change in these principles or interpretations could have a significant effect on our reported financial results and could affect the reporting of transactions completed before the announcement of a change.

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

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in our consolidated financial statements and accompanying notes. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, as provided in the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations." The results of these estimates form the basis for making judgments about the carrying values of assets, liabilities and equity, and the amount of revenue and expenses that are not readily apparent from other sources. Significant assumptions and estimates used in preparing our consolidated financial statements include those related to allocation of revenue between recognized and deferred amounts, goodwill and intangible assets, fair value of financial instruments, valuation of stock-based compensation, and the valuation allowance for deferred income taxes. Our operating results may be adversely affected if our assumptions change or if actual circumstances differ from those in our assumptions, which could cause our operating results to fall below the expectations of securities analysts and investors, resulting in a decline in the trading price of our common stock.

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

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

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

We rely heavily on our network infrastructure and information technology systems for our business operations. A disruption or failure of these systems in the event of online attack, earthquake, fire, terrorist attack, public health crisis (such as the COVID-19 pandemic), power loss, telecommunications failure or other similar catastrophic event could cause system interruptions, delays in accessing our service, reputational harm and loss of critical data or could prevent us from providing our products and solutions to our customers. A catastrophic event that results in the destruction or disruption of our data centers, or our network infrastructure or information technology systems, including any errors, defects or failures in third-party hardware, could affect our ability to conduct normal business operations and adversely affect our operating results.

In addition, as computer malware, viruses and computer hacking, fraudulent use attempts and phishing attacks have become more prevalent, we face increased risk from these activities to maintain the performance, reliability, security and availability of our products and technical infrastructure to the satisfaction of our customers. Any such computer malware, viruses, computer hacking, fraudulent use attempts, phishing attacks or other data security breaches to our network infrastructure or information technology systems or to computer hardware we lease from third parties, could, among other things, harm our reputation and our ability to retain existing customers and attract new customers.

Risks Related to Ownership of Our Common Stock

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

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

- the current COVID-19 pandemic and any associated economic downturn;
- actual or anticipated fluctuations in our financial condition and operating results;
- variance in our financial performance from expectations of securities analysts;
- issuance of research reports by securities analysts, including publishing unfavorable reports;
- changes in the prices of subscriptions to our products and solutions;
- changes in our projected operating and financial results;
- changes in laws or regulations applicable to our products and solutions;
- announcements by us or our competitors of significant business developments, acquisitions or new offerings;
- our involvement in any litigation;
- future sales of our common stock or other securities by us or our stockholders;
- changes in senior management or key personnel;
- the trading volume of our common stock;
- changes in the anticipated future size and growth rate of our market;
- changes in the political climate in the United States;
- terrorist attacks, natural disasters, public health crises (such as the COVID-19 pandemic) or other such events impacting countries where we have operations; and
- general economic, regulatory and market conditions.

In addition, broad market and industry fluctuations, as well as general economic, political, regulatory and market conditions, may negatively impact the market price of our common stock. In the past, companies that have experienced volatility in the market price of their securities have been subject to securities class action litigation. We may be the target of this type of litigation in the future, which could result in substantial costs and divert our management's attention.

Future sales of our common stock in the public market could cause the market price of our common stock to decline.

Sales of a substantial number of shares of our common stock in the public market, or the perception that these sales might occur, could depress the market price of our common stock and could impair our ability to raise capital through the sale of additional equity securities. We are unable to predict the effect that such sales may have on the prevailing market price of our common stock.

Under our investors' rights agreement, certain stockholders can require us to register shares owned by them for public sale in the United States. In addition, we filed a registration statement to register shares reserved for future issuance under our equity compensation plans. As a result, subject to the satisfaction of applicable exercise periods and the expiration or waiver of the market standoff agreements and lock-up agreements referred to above, the shares issued upon exercise of outstanding stock options or upon settlement of outstanding RSU awards will be available for immediate resale in the United States in the open market.

Future sales of shares of our common stock may make it more difficult for us to sell equity securities in the future at a time and at a price that we deem appropriate. These sales also could cause the trading price of our common stock to decline and make it more difficult for you to sell shares of our common stock.

Future sale and issuances of our common stock, including pursuant to our Employee Stock Purchase Plan ("ESPP") and our 2018 Equity Incentive Plan ("2018 Plan") could result in dilution to our stockholders and could cause our stock price to fall.

Our ESPP provides eligible employees with the opportunity to purchase shares of our common stock at a discounted price per share. As of April 30, 2020, 6,541,070 shares of our common stock are reserved for issuance under our ESPP. Pursuant to our 2018 Plan, our management is authorized to grant stock options, restricted stock units and other equity awards to our employees, directors and consultants. As of April 30, 2020, 33,944,561 shares of our common stock are reserved and available for issuance under our 2018 Plan. Additionally, the number of shares of our common stock reserved for issuance under our ESPP and 2018 Plan will automatically increase on February 1 of each year, through and including February 1, 2028, by 1% and 5%, respectively, of the total number of shares of our capital stock outstanding on January 31 of the preceding fiscal year, or a lesser number of shares determined by our board of directors. Unless our board of directors elects not to increase the number of shares available for future purchase or grant each year, our stockholders may experience additional dilution, which could cause our stock price to fall.

If securities or industry analysts do not publish research or publish unfavorable or inaccurate research about our business, our stock price and trading volume could decline.

The trading market for our common stock depends, in part, on the research and reports that securities or industry analysts publish about us or our business. We do not have any control over these analysts. If the number of analysts that cover us declines or if analysts do not publish research or reports about our business, delay publishing reports about our business or publish negative reports about our business, regardless of accuracy, our stock price and trading volume could decline.

Regardless of accuracy, unfavorable interpretations of our financial information and other public disclosures could have a negative impact on our stock price. If our financial performance fails to meet analyst estimates or one or more of the analysts who cover us downgrade our common stock or change their opinion of our common stock, our stock price would likely decline.

We do not intend to pay dividends for the foreseeable future and, as a result, your ability to achieve a return on your investment will depend on appreciation in the price of our common stock.

We have never declared or paid any cash dividends on our capital stock, and we do not intend to pay any cash dividends in the foreseeable future. Any determination to pay dividends in the future will be at the discretion of our board of directors. Accordingly, investors must rely on sales of their common stock after price appreciation, which may never occur, as the only way to realize any future gains on their investments.

Concentration of ownership of our common stock among our existing executive officers, directors and principal stockholders may prevent new investors from influencing significant corporate decisions.

Our executive officers, directors and current beneficial owners of 5% or more of our common stock beneficially own a significant percentage of our outstanding common stock. These persons, acting together, will be able to significantly influence all matters requiring stockholder approval, including the election and removal of directors and any merger or other significant corporate transactions. The interests of this group of stockholders may not coincide with the interests of other stockholders.

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

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

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

- provide that vacancies on our board of directors may be filled only by a majority of directors then in office, even though less than a quorum; and
- require the approval of our board of directors or the holders of at least sixty-six and two-thirds percent (66 2/3%) of our outstanding shares of common stock to amend our bylaws and certain provisions of our certificate of incorporation.

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

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

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

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

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

Risks Related to Our Notes

We may not have the ability to raise the funds necessary to settle conversions of the Notes in cash or to repurchase the Notes upon a fundamental change, and our future debt may contain limitations on our ability to pay cash upon conversion or repurchase of the Notes.

Subject to certain conditions, holders of the Notes may require us to repurchase for cash all or a portion of their Notes upon the occurrence of a fundamental change (as defined in the indenture governing the Notes) at a repurchase price equal to 100% of the principal amount of the Notes to be repurchased, plus accrued and unpaid interest, if any, to, but excluding, the fundamental change repurchase date. In addition, if a make-whole fundamental change (as defined in the indenture for the Notes) occurs prior to the maturity date of the Notes, we will in some cases be required to increase the conversion rate for a holder that elects to convert its Notes in connection with such make-whole fundamental change. Upon a conversion of the Notes, unless we elect to deliver solely shares of our common stock to settle such conversion (other than paying cash in lieu of delivering any fractional share), we will be required to make cash payments in respect of the Notes being converted. However, we may not have enough available cash or be able to obtain financing at the time we are required to make repurchases of Notes surrendered therefor or pay cash with respect to Notes being converted.

In addition, our ability to repurchase or to pay cash upon conversion of the Notes may be limited by law, regulatory authority or agreements governing our future indebtedness. Our failure to repurchase the Notes at a time when the repurchase is required by the indenture governing the Notes or to pay cash upon conversion of the Notes as required by the indenture would constitute a default under the indenture. A default under the indenture or the fundamental change itself could also lead to a default under agreements governing our future indebtedness. If the payment of the related indebtedness were to be accelerated after any applicable notice or grace periods, we may not have sufficient funds to repay the indebtedness and repurchase the Notes or to pay cash upon conversion of the Notes.

Servicing our debt requires a significant amount of cash, and we may not have sufficient cash flow from our business to pay our substantial debt.

Our ability to make scheduled payments of the principal of, to pay interest on or to refinance our indebtedness, including the amounts payable under the Notes, and any future borrowings or other future indebtedness, depends on our future performance, which is subject to economic, financial, competitive and other factors beyond our control. Our business may not continue to generate cash flow from operations in the future sufficient to service our debt and make necessary capital expenditures. If we are unable to generate such cash flow, we may be required to adopt one or more alternatives, such as selling assets, restructuring debt or obtaining additional equity capital on terms that may be onerous or highly dilutive. Our ability to refinance our indebtedness will depend on the capital markets and our financial condition at such time. We may not be able to engage in any of these activities or engage in these activities on desirable terms, which could result in a default on our debt obligations.

We may still incur substantially more debt or take other actions that would diminish our ability to make payments on the Notes when due.

We and our subsidiaries may incur substantial additional debt in the future, some of which may be secured debt. We are not restricted under the terms of the indenture governing the Notes from incurring additional debt, securing existing or future debt, recapitalizing our debt or taking a number of other actions that could have the effect of diminishing our ability to make payments on the Notes when due. Furthermore, the indenture prohibits us from engaging in certain mergers or acquisitions unless, among other things, the surviving entity assumes our obligations under the Notes and the indenture. These and other provisions in the indenture could deter or prevent a third party from acquiring us even when the acquisition may be favorable to holders of the Notes.

The conditional conversion feature of the Notes, if triggered, may adversely affect our financial condition and operating results.

In the event the conditional conversion feature of the Notes is triggered, holders of the Notes will be entitled to convert the Notes at any time during specified periods at their option. If one or more holders elect to convert their Notes, unless we elect to satisfy our conversion obligation by delivering solely shares of our common stock (other than by paying cash in lieu of delivering any fractional share), we may settle all or a portion of our conversion obligation in cash, which could adversely affect our liquidity. In addition, even if holders do not elect to convert their Notes, we could be required under applicable accounting rules to reclassify all or a portion of the outstanding principal of the Notes as a current rather than long-term liability, which would result in a material reduction of our net working capital.

The capped call transactions may affect the value of the Notes and our common stock.

In connection with the Notes, we entered into capped call transactions with certain financial institutions, or the option counterparties. The capped call transactions are expected generally to reduce the potential dilution upon any conversion of the Notes and/or offset any cash payments we are required to make in excess of the principal amount upon conversion of the Notes, with such reduction and/or offset subject to a cap.

In connection with establishing their initial hedges of the capped call transactions, the option counterparties and/or their respective affiliates purchased shares of our common stock and/or entered into various derivative transactions with respect to our common stock. This activity could have increased (or reduced the size of any decrease in) the market price of our common stock or the Notes at that time.

In addition, the option counterparties and/or their respective affiliates may modify their hedge positions by entering into or unwinding various derivatives with respect to our common stock and/or purchasing or selling our common stock in secondary market transactions (and are likely to do so during any observation period related to a conversion of notes or following any repurchase of notes by us on any fundamental change repurchase date or otherwise). This activity could also cause or avoid an increase or a decrease in the price of our common stock or the Notes.

The potential effect, if any, of these transactions and activities on the price of our common stock or the Notes will depend in part on market conditions and cannot be ascertained at this time. Any of these activities could adversely affect the value of our common stock.

Conversion of the Notes will dilute the ownership interest of existing stockholders, including holders who had previously converted their Notes, or may otherwise depress the price of our common stock.

The conversion of some or all of the Notes will dilute the ownership interests of existing stockholders to the extent we deliver shares of our common stock upon conversion of any of the Notes. The Notes may become in the future convertible at the option of the holders of the Notes prior to June 15, 2023 under certain circumstances as provided in the indenture governing the Notes. Any sales in the public market of the common stock issuable upon such conversion could adversely affect prevailing market prices of our common stock. In addition, the existence of the Notes may encourage short selling by market participants because the conversion of the Notes could be used to satisfy short positions, or anticipated conversion of the Notes into shares of our common stock could depress the price of our common stock.

The accounting method for convertible debt securities that may be settled in cash, such as the Notes, could have a material effect on our reported financial results.

In May 2008, the FASB issued FASB Staff Position No. APB 14-1, Accounting for Convertible Debt Instruments That May Be Settled in Cash Upon Conversion (Including Partial Cash Settlement), which has subsequently been codified as Accounting Standards Codification 470-20, Debt with Conversion and Other Options ("ASC 470-20"). Under ASC 470-20, an entity must separately account for the liability and equity components of the convertible debt instruments (such as the Notes) that may be settled entirely or partially in cash upon conversion in a manner that reflects the issuer's economic interest cost. The effect of ASC 470-20 on the accounting for the Notes is that the equity component is required to be included in the additional paid-in capital section of stockholders' equity on our consolidated balance sheet, and the value of the equity component would be treated as original issue discount for purposes of accounting for the debt component of the Notes. As a result, we will be required to record a greater amount of non-cash interest expense in current periods presented as a result of the amortization of the discounted carrying value of the Notes to their face amount over the term of the Notes. We will report larger net losses or lower net income in our financial results because ASC 470-20 will require interest to include both the current period's amortization of the debt discount and the instrument's non-convertible coupon interest, which could adversely affect our reported or future financial results, the trading price of our common stock and the trading price of the Notes.

In addition, under certain circumstances, convertible debt instruments (such as the Notes) that may be settled entirely or partly in cash are currently accounted for utilizing the treasury stock method, the effect of which is that the shares issuable upon conversion of the Notes are not included in the calculation of diluted loss per share except to the extent that the conversion value of the Notes exceeds their principal amount. Under the treasury stock method, for diluted loss per share purposes, the transaction is accounted for as if the number of shares of common stock that would be necessary to settle such excess, if we elected to settle such excess in shares, are issued. We cannot be sure that the accounting standards in the future will continue to permit the use of the treasury stock method. If we are unable to use the treasury stock method in accounting for the shares issuable upon conversion of the Notes, then our diluted loss per share would be adversely affected.

ITEMS 2, 3, 4 and 5 are not applicable and have been omitted.

ITEM 6. Exhibits

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

EXHIBIT INDEX

Exhibit Number	Description	Form	File No.	Incorporated by Reference Exhibit	Filing Date
2.1	Share Purchase Agreement dated as of February 26, 2020, by and among DocuSign, Inc., DocuSign International, Inc., Seal Software Group Limited and Fortis Advisors LLC, as the Shareholders' Representative	8-K	001-38465	2.1	February 28, 2020
3.1	Amended and Restated Bylaws of DocuSign, Inc.	8-K	001-38465	3.1	June 2, 2020
10.1#	Non-Employee Director Compensation Policy				
31.1	Certification of the Chief Executive Officer pursuant to Exchange Act Rule 13a-14 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				
31.2	Certification of the Chief Financial Officer pursuant to Exchange Act Rule 13a-14 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				
32.1*	Certification of the Chief Executive Officer and the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				
101.INS	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document).				
101.SCH	Inline XBRL Taxonomy Extension Schema Document.				
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.				
101.DEF	Inline XBRL Taxonomy Definition Linkbase Document.				
101.LAB	Inline XBRL Taxonomy Extension Labels Linkbase Document.				
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.				
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)				

# Indicates management contract or compensatory plan, contract or agreement

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

SIGNATURES

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

Date: June 5, 2020

DOCUSIGN, INC.

By: /s/ Daniel D. Springer

Daniel D. Springer
Chief Executive Officer
(Principal Executive Officer)

By: /s/ Michael J. Sheridan

Michael J. Sheridan
Chief Financial Officer
(Principal Accounting and Financial Officer)

Exhibit 10.1

DOCUSIGN, INC.
NON-EMPLOYEE DIRECTOR COMPENSATION POLICY
(Amended & Restated as of May 29, 2020)

Each member of the Board of Directors (the "***Board***") of DocuSign, Inc. (the "***Company***") who is a non-employee director of the Company (each such member, a "***Non-Employee Director***") will receive the compensation described in this Amended and Restated Non-Employee Director Compensation Policy (the "***Director Compensation Policy***") for his or her Board service.

The Director Compensation Policy may be amended or terminated at any time in the sole discretion of the Board.

A Non-Employee Director may decline all or any portion of his or her compensation by giving notice to the Company prior to the date cash is to be paid or equity awards are to be granted, as the case may be.[1]

Annual Cash Compensation

Each Non-Employee Director will receive the cash compensation set forth below for service on the Board. The annual cash compensation amounts will be payable in equal quarterly installments, in arrears following the end of each fiscal quarter in which the service occurred, pro-rated for any partial months of service. All annual cash fees are vested upon payment.

1. **Annual Board Service Retainer**:
    a. All Eligible Directors: $33,500
    b. Chairman or Lead Independent Director: $77,500 (in lieu of above)

2. **Annual Committee Member Service Retainer**:
    a. Member of the Audit Committee: $10,000
    b. Member of the Compensation Committee: $6,600
    c. Member of the Nominating and Corporate Governance Committee: $4,000

3. **Annual Committee Chair Service Retainer (in lieu of Committee Member Service Retainer)**:
    a. Chairman of the Audit Committee: $20,000
    b. Chairman of the Compensation Committee: $13,500
    c. Chairman of the Nominating and Corporate Governance Committee: $7,800

Equity Compensation

Equity awards will be granted under the Company's 2018 Equity Incentive Plan or any successor equity incentive plan (the "***Plan***"). All stock options granted under this policy will be Nonstatutory Stock Options (as defined in the Plan), with a term of ten years from the date of grant and an exercise price per share equal to 100% of the Fair Market Value (as defined in the Plan) of the underlying common stock of the Company on the date of grant.

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[1] This is included to allow a director who works for a fund to forfeit payments and avoid being deemed to have "constructively received" the payment for tax purposes (and be required to recognize the value as income for tax purposes) in a scenario where the director is obligated under a contractual obligation with the fund to disgorge such payments to the fund.

1. **Automatic Equity Grants**:

    a. **Initial Grant for New Directors.** Without any further action of the Board, each person who is elected or appointed for the first time to be a Non-Employee Director will automatically, upon the date of his or her initial election or appointment to be a Non-Employee Director, be granted a Restricted Stock Unit for a number of shares of common stock having a value of $400,000 (the "***Initial Grant***"). Each Initial Grant will vest in a series of 12 equal quarterly installments over the 3-year period measured from the date of grant.

    b. **Annual Grant.** Without any further action of the Board, commencing in fiscal 2020 and each fiscal year thereafter at the close of business on the date of each Annual Meeting, each person who is then a Non-Employee Director will automatically be granted a Restricted Stock Unit to purchase a number of shares of common stock having a value of $200,000 (the "***Annual Grant***"). Notwithstanding the foregoing, a director who is elected or appointed for the first time less than nine (9) months prior to the date such grants are made to executive officers or the date of such Annual Meeting shall not be eligible to receive such Annual Grant. Each Annual Grant (including, for the avoidance of doubt, the Annual Grants awarded in fiscal 2020) will vest in a series of four successive equal quarterly installments over the one-year period measured from the date of grant; provided that the fourth quarterly installment shall vest in full on the earlier of (i) the date of the Annual Meeting following the date of grant and (ii) the date that is one year following the date of grant of the Annual Grant, in each case, so long as the Non-Employee Director remains in Continuous Service (as defined below) through such date. If a Non-Employee Director's Continuous Service ends on the date of vesting, then the vesting shall be deemed to have occurred.

2. **Vesting; Change of Control**. All vesting is subject to the Non-Employee Director's "***Continuous Service***" (as defined in the Plan) on each applicable vesting date. Notwithstanding the foregoing vesting schedules, for each Non-Employee Director who remains in Continuous Service with the Company until immediately prior to the closing of a "***Change of Control***" (as defined in the Plan), the shares subject to his or her then-outstanding equity awards that were granted pursuant to this policy will become fully vested immediately prior to the closing of such Change of Control.

3. **Calculation Value of a Restricted Stock Unit Award**. The value of a restricted stock unit award to be granted under this policy will be determined based on the Fair Market Value per share on the grant date (as defined in the Plan).

4. **Remaining Terms**. The remaining terms and conditions of each Restricted Stock Unit, including transferability, will be as set forth in the Company's standard Restricted Stock Agreement, in the form adopted from time to time by the Board or Compensation Committee.

Expenses

The Company will reimburse Non-Employee Director for ordinary, necessary and reasonable out-of-pocket travel expenses to cover in-person attendance at and participation in Board and committee meetings; *provided*, that the Non-Employee Director timely submit to the Company appropriate documentation substantiating such expenses in accordance with the Company's travel and expense policy, as in effect from time to time.

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

PURSUANT TO EXCHANGE ACT RULES 13a-14(a) AND 15d-14(a)

AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Daniel D. Springer, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of DocuSign, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 5, 2020

By: /s/ Daniel D. Springer

Daniel D. Springer
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

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

I, Michael J. Sheridan, certify that:

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

Date: June 5, 2020

By: /s/ Michael J. Sheridan
Michael J. Sheridan
Chief Financial Officer
(Principal Accounting and Financial Officer)

Exhibit 32.1

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

I, Daniel D. Springer, the Chief Executive Officer of DocuSign, Inc., certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of DocuSign, Inc. for the fiscal quarter ended April 30, 2020 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of DocuSign, Inc.

Date: June 5, 2020

By: /s/ Daniel D. Springer

Daniel D. Springer
Chief Executive Officer
(Principal Executive Officer)

I, Michael J. Sheridan, the Chief Financial Officer of DocuSign, Inc., certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of DocuSign, Inc. for the fiscal quarter ended April 30, 2020 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of DocuSign, Inc.

Date: June 5, 2020

By: /s/ Michael J. Sheridan

Michael J. Sheridan
Chief Financial Officer
(Principal Accounting and Financial Officer)