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

FORM 10-Q

(Mark One)

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

For the quarterly period ended July 31, 2022

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 200,779,249 shares of common stock, par value $0.0001, outstanding at August 31, 2022.

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, that are based on our management's beliefs and assumptions and on information currently available to management, and 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 objectives for future 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.

These risks and uncertainties include, among other things, risks related to our expectations regarding the impact of the coronavirus pandemic (the “COVID-19 pandemic”), including the easing of related regulations and measures as the pandemic and its related effects begin to abate or have abated, on our business, results of operations, financial condition, and future profitability and growth; our expectations regarding the impact of the evolving COVID-19 pandemic on the businesses of our customers, partners and suppliers, and the economy, as well as the macro- and micro-effects of the pandemic and differing levels of demand for our products as our customers’ priorities, resources, financial conditions and economic outlook change; global macro-economic conditions, including the effects of inflation, rising interest rates and market volatility on the global economy; our ability to estimate the size of our total addressable market, and the development of the market for our products, which is new and evolving; our ability to effectively sustain and manage our growth and future expenses, achieve and maintain future profitability, attract new customers and maintain and expand our existing customer base; our ability to scale and update our platform to respond to customers’ needs and rapid technological change; the effects of increased competition in our market and our ability to compete effectively; our ability to expand use cases within existing customers and vertical solutions; our ability to expand our operations and increase adoption of our platform internationally; our ability to strengthen and foster our relationships with developers; our ability to expand our direct sales force, customer success team and strategic partnerships around the world; the impact of any data breaches, cyberattacks or other malicious activity on our technology systems; our ability to identify targets for and execute potential acquisitions; our ability to successfully integrate the operations of businesses we may acquire, and to realize the anticipated benefits of such acquisitions; our ability to maintain, protect and enhance our brand; the sufficiency of our cash, cash equivalents and capital resources to satisfy our liquidity needs; limitations on us due to obligations we have under our credit facility or other indebtedness; our failure or the failure of our software to comply with applicable industry standards, laws and regulations; our ability to maintain, protect and enhance our intellectual property; our ability to successfully defend litigation against us; our ability to attract large organizations as users; our ability to maintain our corporate culture; our ability to offer high-quality customer support; our ability to hire, retain and motivate qualified personnel, including executive level management; our ability to successfully manage and integrate executive management transitions; our ability to estimate the size and potential growth of our target market; uncertainties regarding the impact of general economic and market conditions, including as a result of regional and global conflicts or related government sanctions; our ability to successfully implement and maintain new and existing information technology systems, including our ERP system; and our ability to maintain proper and effective internal controls.

You should not rely upon forward-looking statements as predictions of future events. We have based the forward-looking statements contained in this Quarterly Report on Form 10-Q primarily on our current expectations and projections about future events and trends that we believe may affect our business, financial condition, results of operations, and prospects. The outcome of the events described in these forward-looking statements is subject to risks, uncertainties, and other factors described in the section titled “Risk Factors” and elsewhere in this Quarterly Report on Form 10-Q. We undertake no obligation to update any forward-looking statements after the date of this Quarterly Report on Form 10-Q or to conform such statements to actual results or revised expectations, except as required by law.

PART I - FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

DOCUSIGN, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)

(in thousands, except per share data)	July 31, 2022	January 31, 2022
Assets		
Current assets		
Cash and cash equivalents	$ 637,186	$ 509,059
Investments—current	357,539	293,763
Accounts receivable, net of allowance for doubtful accounts of $5,749 and $5,807 as of July 31, 2022 and January 31, 2022	339,528	440,950
Contract assets—current	9,387	12,588
Prepaid expenses and other current assets	79,142	63,236
Total current assets	1,422,782	1,319,596
Investments—noncurrent	133,238	94,938
Property and equipment, net	186,229	184,664
Operating lease right-of-use assets	100,481	126,021
Goodwill	353,326	355,058
Intangible assets, net	81,246	98,816
Deferred contract acquisition costs—noncurrent	322,695	311,835
Other assets—noncurrent	67,349	50,337
Total assets	$ 2,667,346	$ 2,541,265
Liabilities and stockholders' equity		
Current liabilities		
Accounts payable	$ 44,449	$ 52,804
Accrued expenses and other current liabilities	90,756	91,377
Accrued compensation	149,761	160,163
Contract liabilities—current	1,073,800	1,029,891
Operating lease liabilities—current	43,479	37,404
Total current liabilities	1,402,245	1,371,639
Convertible senior notes, net—noncurrent	720,677	718,487
Contract liabilities—noncurrent	14,630	16,725
Operating lease liabilities—noncurrent	90,479	126,340
Deferred tax liability—noncurrent	10,323	9,316
Other liabilities—noncurrent	21,861	23,255
Total liabilities	2,260,215	2,265,762
Commitments and contingencies (Note 7)		
Stockholders' equity		
Preferred stock, $0.0001 par value; 10,000 shares authorized, 0 shares issued and outstanding as of July 31, 2022 and January 31, 2022	—	—
Common stock, $0.0001 par value; 500,000 shares authorized, 200,771 shares outstanding as of July 31, 2022; 500,000 shares authorized, 198,834 shares outstanding as of January 31, 2022	20	20
Treasury stock, at cost: 8 and 7 shares as of July 31, 2022 and January 31, 2022	(1,648)	(1,532)
Additional paid-in capital	1,968,852	1,720,013
Accumulated other comprehensive loss	(24,446)	(4,809)
Accumulated deficit	(1,535,647)	(1,438,189)
Total stockholders' equity	407,131	275,503
Total liabilities and stockholders' equity	$ 2,667,346	$ 2,541,265

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)

(in thousands, except per share data)	Three Months Ended July 31, 2022	Three Months Ended July 31, 2021	Six Months Ended July 31, 2022	Six Months Ended July 31, 2021
Revenue:				
Subscription	$ 605,194	$ 492,758	$ 1,174,445	$ 944,693
Professional services and other	16,990	19,086	36,431	36,230
Total revenue	622,184	511,844	1,210,876	980,923
Cost of revenue:				
Subscription	107,931	84,455	213,090	162,526
Professional services and other	28,773	29,325	56,030	56,497
Total cost of revenue	136,704	113,780	269,120	219,023
Gross profit	485,480	398,064	941,756	761,900
Operating expenses:				
Sales and marketing	323,582	262,372	624,279	501,491
Research and development	126,532	94,651	238,759	180,067
General and administrative	76,456	63,652	139,034	113,690
Total operating expenses	526,570	420,675	1,002,072	795,248
Loss from operations	(41,090)	(22,611)	(60,316)	(33,348)
Interest expense	(1,632)	(1,669)	(3,281)	(3,341)
Interest income and other income (expense), net	1,003	(1,063)	(3,647)	4,974
Loss before provision for income taxes	(41,719)	(25,343)	(67,244)	(31,715)
Provision for income taxes	3,359	158	5,207	2,140
Net loss	$ (45,078)	$ (25,501)	$ (72,451)	$ (33,855)
Net loss per share attributable to common stockholders, basic and diluted	$ (0.22)	$ (0.13)	$ (0.36)	$ (0.17)
Weighted-average number of shares used in computing net loss per share attributable to common stockholders, basic and diluted	200,618	195,996	200,150	195,183
Other comprehensive loss:				
Foreign currency translation loss, net of tax	$ (5,029)	$ (2,058)	$ (16,854)	$ (1,422)
Unrealized losses on investments, net of tax	(369)	(54)	(2,783)	(296)
Other comprehensive loss	(5,398)	(2,112)	(19,637)	(1,718)
Comprehensive loss	$ (50,476)	$ (27,613)	$ (92,088)	$ (35,573)
Stock-based compensation expense included in costs and expenses				
Cost of revenue—subscription	$ 12,994	$ 7,539	$ 23,607	$ 13,557
Cost of revenue—professional services and other	6,478	6,446	11,560	11,980
Sales and marketing	61,218	46,921	108,649	85,057
Research and development	40,978	26,275	73,183	46,737
General and administrative	19,539	12,778	34,931	23,764

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		Additional Paid-In Capital	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount					
Balances at April 30, 2022	199,920	$ 20	$ 1,835,187	$ (1,648)	$ (19,048)	$ (1,465,562)	$ 348,949
Exercise of stock options	540	—	8,689	—	—	—	8,689
Settlement of restricted stock units	705	—	—	—	—	—	—
Tax withholding on net share settlement of restricted stock units	—	—	(21,953)	—	—	—	(21,953)
Repurchases of common stock	(394)	—	—	—	—	(25,007)	(25,007)
Employee stock-based compensation	—	—	146,929	—	—	—	146,929
Net loss	—	—	—	—	—	(45,078)	(45,078)
Other comprehensive loss, net	—	—	—	—	(5,398)	—	(5,398)
Balances at July 31, 2022	200,771	$ 20	$ 1,968,852	$ (1,648)	$ (24,446)	$ (1,535,647)	$ 407,131
Balances at April 30, 2021	194,734	$ 19	$ 1,615,646	$ (1,219)	$ 5,358	$ (1,376,567)	$ 243,237
Settlement of convertible senior notes due in 2023	234	1	(279)	—	—	—	(278)
Exercise of stock options	624	—	5,202	—	—	—	5,202
Settlement of restricted stock units	865	—	—	—	—	—	—
Tax withholding on net share settlement of restricted stock units	—	—	(114,481)	—	—	—	(114,481)
Charitable donation of common stock	10	—	3,000	—	—	—	3,000
Employee stock-based compensation	—	—	102,809	—	—	—	102,809
Net loss	—	—	—	—	—	(25,501)	(25,501)
Other comprehensive loss, net	—	—	—	—	(2,112)	—	(2,112)
Balances at July 31, 2021	196,467	$ 20	$ 1,611,897	$ (1,219)	$ 3,246	$ (1,402,068)	$ 211,876

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

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

(in thousands)	Common Stock		Additional Paid-In Capital	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount					
Balances at January 31, 2022	198,834	$ 20	$ 1,720,013	$ (1,532)	$ (4,809)	$ (1,438,189)	$ 275,503
Exercise of stock options	719	—	10,626	—	—	—	10,626
Settlement of restricted stock units and employee stock purchase plan	1,347	—	—	—	—	—	—
Tax withholding on net share settlement of restricted stock units and employee stock purchase plan	—	—	(47,357)	(116)	—	—	(47,473)
Employee stock purchase plan	265	—	24,151	—	—	—	24,151
Repurchases of common stock	(394)	—	—	—	—	(25,007)	(25,007)
Employee stock-based compensation	—	—	261,419	—	—	—	261,419
Net loss	—	—	—	—	—	(72,451)	(72,451)
Other comprehensive loss, net	—	—	—	—	(19,637)	—	(19,637)
Balances at July 31, 2022	200,771	$ 20	$ 1,968,852	$ (1,648)	$ (24,446)	$ (1,535,647)	$ 407,131
Balances at January 31, 2021	192,807	$ 19	$ 1,702,254	$ (1,048)	$ 4,964	$ (1,380,452)	$ 325,737
Cumulative impact of Accounting Standards Update 2020-06 adoption	—	—	(86,144)	—	—	12,239	(73,905)
Settlement of convertible senior notes due in 2023	586	1	(725)	—	—	—	(724)
Exercise of stock options	1,112	—	11,818	—	—	—	11,818
Settlement of restricted stock units	1,820	—	—	—	—	—	—
Tax withholding on net share settlement of restricted stock units and employee stock purchase plan	—	—	(227,894)	(171)	—	—	(228,065)
Employee stock purchase plan	132	—	23,167	—	—	—	23,167
Charitable donation of common stock	10	—	3,000	—	—	—	3,000
Employee stock-based compensation	—	—	186,421	—	—	—	186,421
Net loss	—	—	—	—	—	(33,855)	(33,855)
Other comprehensive loss, net	—	—	—	—	(1,718)	—	(1,718)
Balances at July 31, 2021	196,467	$ 20	$ 1,611,897	$ (1,219)	$ 3,246	$ (1,402,068)	$ 211,876

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)	Six Months Ended July 31, 2022	Six Months Ended July 31, 2021
Cash flows from operating activities:		
Net loss	$ (72,451)	$ (33,855)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	42,444	40,997
Amortization of deferred contract acquisition and fulfillment costs	89,575	63,476
Amortization of debt discount and transaction costs	2,482	2,593
Non-cash operating lease costs	13,466	13,649
Stock-based compensation expense	251,930	181,095
Deferred income taxes	3,068	(1,250)
Other	8,099	2,439
Changes in operating assets and liabilities:		
Accounts receivable	101,422	38,840
Prepaid expenses and other current assets	(16,028)	(10,367)
Deferred contract acquisition and fulfillment costs	(108,315)	(95,418)
Other assets	(7,255)	(3,856)
Accounts payable	(4,687)	(9,443)
Accrued expenses and other liabilities	2,967	17,022
Accrued compensation	(14,019)	(13,047)
Contract liabilities	41,814	136,624
Operating lease liabilities	(17,347)	(16,233)
Net cash provided by operating activities	317,165	313,266
Cash flows from investing activities:		
Cash paid for acquisition, net of acquired cash	—	(6,388)
Purchases of marketable securities	(296,293)	(185,628)
Sales of marketable securities	—	3,002
Maturities of marketable securities	190,179	113,171
Purchases of strategic and other investments	(2,625)	(500)
Purchases of property and equipment	(37,113)	(28,534)
Net cash used in investing activities	(145,852)	(104,877)
Cash flows from financing activities:		
Repayments of convertible senior notes	(16)	(61,714)
Repurchases of common stock	(25,007)	—
Payment of tax withholding obligation on net RSU settlement and ESPP purchase	(43,857)	(228,575)
Proceeds from exercise of stock options	10,626	11,818
Proceeds from employee stock purchase plan	24,151	23,167
Net cash used in financing activities	(34,103)	(255,304)
Effect of foreign exchange on cash, cash equivalents and restricted cash	(8,040)	(563)
Net increase (decrease) in cash, cash equivalents and restricted cash	129,170	(47,478)
Cash, cash equivalents and restricted cash at beginning of period [1]	509,679	566,336
Cash, cash equivalents and restricted cash at end of period [1]	$ 638,849	$ 518,858

[1] $1.7 million of restricted cash was included in Other assets—noncurrent at July 31, 2022. $0.6 million of restricted cash was included in both Prepaid expenses and other current assets and Other assets—noncurrent at January 31, 2022. $0.3 million of restricted cash was included in Prepaid expenses and other current assets at July 31, 2021, and in Other assets—noncurrent at January 31, 2021.

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

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

(in thousands)	Six Months Ended July 31, 2022	Six Months Ended July 31, 2021
Supplemental disclosure:		
Cash paid for interest	$ 93	$ 223
Cash paid for operating lease liabilities	20,851	20,352
Cash paid for income taxes	4,035	4,310
Non-cash investing and financing activities:		
Property and equipment in accounts payable and accrued expenses and other current liabilities	$ 8,862	$ 7,500
Fair value of shares issued as part of the repayments of convertible senior notes	2	133,288

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, sign, act on and manage 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 U.S. GAAP have been condensed or omitted pursuant to the applicable rules and regulations of the Securities and Exchange Commission ("SEC"). Therefore, these unaudited interim consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes included in our fiscal 2022 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, 2022 was derived from audited financial statements but does not include all disclosures required by U.S. GAAP. The results of operations for the three and six months ended July 31, 2022 are not necessarily indicative of the results to be expected for the year ending January 31, 2023.

Our fiscal year ends on January 31. References to fiscal 2023, for example, are to the fiscal year ending January 31, 2023.

Use of Estimates

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

Significant items subject to such estimates and assumptions made by management include, but are not limited to, the determination of:
- the 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 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 COVID-19 pandemic and related developments have created and may continue to create significant uncertainty in global financial markets, which may decrease technology spending, depress demand for our products 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 or judgments or revise the carrying value of our assets or liabilities, except for certain subleases that resulted in impairment losses of $5.1 million on operating lease right-of-use assets recorded during the year ended January 31, 2022, $3.9 million of which was recognized during the three months ended July 31, 2021. These estimates may change as new events occur and additional information is obtained, which could be 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 fiscal 2022 Annual Report on Form 10-K that have had a material impact on our condensed consolidated financial statements and related notes.

Note 2. Revenue

Subscription revenue is recognized over time and accounted for approximately 97% and 96% of our revenue for the three and six months ended July 31, 2022 and 2021.

Performance Obligations

As of July 31, 2022, the amount of the transaction price allocated to remaining performance obligations for contracts greater than one year was $1.7 billion. We expect to recognize 57% of the transaction price allocated to remaining performance obligations within the 12 months following July 31, 2022 in our condensed consolidated statement of operations and comprehensive loss.

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 fully invoiced to our customers where there remains a performance obligation, typically for our multi-year arrangements. Total contract assets were $9.4 million and $12.6 million as of July 31, 2022 and January 31, 2022. The change in contract assets reflects the difference in timing between the satisfaction of our 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 six months ended July 31, 2022 and 2021, we recognized revenue of $763.1 million and $595.4 million that was included in the corresponding contract liability balance at the beginning of the periods presented.

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

Geographic Information

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

	Three Months Ended July 31,		Six Months Ended July 31,	
(in thousands)	2022	2021	2022	2021
U.S.	$ 468,622	$ 397,882	$ 913,075	$ 766,305
International	153,562	113,962	297,801	214,618
Total revenue	$ 622,184	$ 511,844	$ 1,210,876	$ 980,923

Note 3. Fair Value Measurements

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

(in thousands)	July 31, 2022			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Level 1:				
Cash equivalents[1]				
Money market funds	$ 5,554	$ —	$ —	$ 5,554
Level 2:				
Cash equivalents[1]				
Commercial paper	4,997	—	(3)	4,994
Available-for-sale securities				
Commercial paper	165,351	—	(730)	164,621
Corporate notes and bonds	294,479	28	(3,256)	291,251
Municipal notes and bonds	7,969	—	(38)	7,931
U.S. governmental securities	27,303	—	(329)	26,974
Level 2 total	500,099	28	(4,356)	495,771
Total	$ 505,653	$ 28	$ (4,356)	$ 501,325

(in thousands)	January 31, 2022			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Level 1:				
Cash equivalents[1]				
Money market funds	$ 110,716	$ —	$ —	$ 110,716
Level 2:				
Cash equivalents[1]				
Commercial paper	3,499	—	—	3,499
Available-for-sale securities				
Commercial paper	126,371	1	(175)	126,197
Corporate notes and bonds	243,840	—	(1,296)	242,544
U.S. governmental securities	20,036	—	(76)	19,960
Level 2 total	393,746	1	(1,547)	392,200
Total	$ 504,462	$ 1	$ (1,547)	$ 502,916

[1] Included in “cash and cash equivalents” in our consolidated balance sheets as of July 31, 2022 and January 31, 2022, in addition to cash of $626.6 million and $394.9 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 Level 3 investments is determined based on an income approach using unobservable inputs.

The fair value of our available-for-sale securities as of July 31, 2022, by remaining contractual maturities, were as follows (in thousands):

Due in one year or less	$ 357,539
Due in one to two years	133,238
	$ 490,777

As of July 31, 2022 and January 31, 2022, securities in an unrealized loss position were, individually and in aggregate, not material. An allowance for credit losses was deemed unnecessary for these securities, given the extent of the unrealized loss positions as well as the issuers' high credit ratings and consistent payment history.

We had no liabilities measured at fair value on a recurring basis as of July 31, 2022 and January 31, 2022.

Convertible Senior Notes

We estimated the fair value of the convertible senior notes 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 —noncurrent” on our condensed consolidated balance sheets. Refer to Note 6 for further information.

(in thousands)	July 31, 2022	January 31, 2022
0.5% Convertible Senior Notes due in 2023		
Aggregate principal amount	$ 37,083	$ 37,099
Fair value amount	42,096	65,440
0% Convertible Senior Notes due in 2024		
Aggregate principal amount	$ 690,000	$ 690,000
Fair value amount	635,897	656,363

Note 4. Property and Equipment, Net

Property and equipment consisted of the following:

(in thousands)	July 31, 2022	January 31, 2022
Computer and network equipment	$ 134,851	$ 127,799
Software, including capitalized software development costs	87,615	82,537
Furniture and office equipment	20,763	20,939
Leasehold improvements	79,661	79,811
	322,890	311,086
Less: Accumulated depreciation	(194,941)	(170,261)
	127,949	140,825
Work in progress	58,280	43,839
Total	$ 186,229	$ 184,664

Depreciation and amortization expense associated with property and equipment was $16.1 million and $14.3 million for the three months ended July 31, 2022 and 2021, and $31.8 million and $27.8 million for the six months ended July 31, 2022 and 2021. This included amortization expense related to capitalized internally-developed software costs of $5.5 million and $2.4 million for the three months ended July 31, 2022 and 2021, and $9.8 million and $4.1 million for the six months ended July 31, 2022 and 2021.

For the three months ended July 31, 2022 and 2021, we capitalized $16.6 million and $9.3 million of internally developed software, including $4.9 million and $2.2 million of capitalized stock-based compensation expense in the three months ended July 31, 2022 and 2021. For the six months ended July 31, 2022 and 2021, we capitalized $27.0 million and $17.1 million of internally developed software, including $7.7 million and $4.2 million of capitalized stock-based compensation expense in the six months ended July 31, 2022 and 2021.

Note 5. Deferred Contract Acquisition and Fulfillment Costs

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

(in thousands)	Six Months Ended July 31, 2022	Six Months Ended July 31, 2021
Deferred Contract Acquisition Costs:		
Beginning balance	$ 315,158	$ 262,519
Additions to deferred contract acquisition costs	82,237	83,600
Amortization of deferred contract acquisition costs	(65,309)	(53,250)
Cumulative translation adjustment	(5,064)	(332)
Ending balance	$ 327,022	$ 292,537
Deferred Contract Fulfillment Costs:		
Beginning balance	$ 19,088	$ 12,506
Additions to deferred contract fulfillment costs	26,078	11,731
Amortization of deferred contract fulfillment costs	(24,266)	(10,116)
Cumulative translation adjustment	(849)	—
Ending balance	$ 20,051	$ 14,121

Note 6. Debt

Convertible Senior Notes

In September 2018, we issued $575.0 million in aggregate principal amount of the 0.5% Convertible Senior Notes due in 2023 ("2023 Notes"). The net proceeds from the issuance of the 2023 Notes were $560.8 million after deducting the initial purchasers' discounts and transaction costs. Based upon the reported sales price of our common stock, the 2023 Notes became convertible on August 1, 2020 and continued to be convertible through July 31, 2022

In January 2021, we issued $690.0 million in aggregate principal amount of the 0% Convertible Senior Notes due in 2024 ("2024 Notes," and together with the 2023 Notes, the "Notes"). The net proceeds from the issuance of the 2024 Notes were $677.3 million after deducting the initial purchasers' discounts and transaction costs. As of July 31, 2022, the conversion conditions for the 2024 Notes described in our fiscal 2022 Annual Report on Form 10-K were not met.

Conversions of the 2023 Notes

In the three months ended July 31, 2022, we did not receive conversion notices on our 2023 Notes. Settlements were immaterial during the six months ended July 31, 2022.

The net carrying amounts of the Notes were as follows:

(in thousands)	July 31, 2022	January 31, 2022
2023 Notes:		
Principal	$ 37,083	$ 37,099
Less: unamortized transaction costs	(209)	(303)
Net carrying value of current and noncurrent liability component	$ 36,874	$ 36,796
2024 Notes:		
Principal	$ 690,000	$ 690,000
Less: unamortized transaction costs	(6,197)	(8,309)
Net carrying value of noncurrent liability component	$ 683,803	$ 681,691

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

(in thousands)	Three Months Ended July 31, 2022	Three Months Ended July 31, 2021	Six Months Ended July 31, 2022	Six Months Ended July 31, 2021
Contractual interest expense	$ 46	$ 66	$ 92	$ 102
Amortization of transaction costs	1,103	1,135	2,204	2,316
Total	$ 1,149	$ 1,201	$ 2,296	$ 2,418

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.

The material terms of the capped call transactions were as follows:

(in thousands, except per share amounts)	2023 Notes	2024 Notes
Aggregate cost of capped calls	$ 67,563	$ 31,395
Initial strike price per share [1]	$ 71.50	$ 420.24
Initial cap price per share [1]	$ 110.00	$ 525.30
Shares of our common stock covered by the capped calls [1]	8,042	1,642

[1] Subject to adjustments for certain events, such as merger events and tender offers, and anti-dilution adjustments

Impact on Loss Per Share

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

Upon conversion, there will be no economic dilution from the Notes unless the market price of our common stock exceeds the cap prices listed above in the Capped Calls section, as exercise of the Capped Calls offsets any dilution from the Notes from the conversion price up to the cap price. As of July 31, 2022, the market price of our common stock did not exceed the $110.00 per share cap price associated with the 2023 Notes nor the $525.30 cap price associated with the 2024 Notes; therefore, the Notes would not have caused economic dilution if converted.

Revolving Credit Facility

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

The Credit Facility matures in January 2026 and requires us to comply with customary affirmative and negative covenants. We were in compliance with all covenants as of July 31, 2022. As of July 31, 2022, there were no outstanding borrowings under the Credit Facility. The Credit Facility is subject to customary fees for loan facilities of this type, including ongoing commitment fees at a rate between 0.25% and 0.30% per annum on the daily undrawn balance.

Note 7. Commitments and Contingencies

As of July 31, 2022, we had outstanding unused letters of credit associated with our various operating leases totaling $6.3 million.

We have entered into certain noncancellable contractual arrangements that require future purchases of goods and services. These arrangements primarily relate to cloud infrastructure support and sales and marketing activities. As of July 31, 2022, the future noncancellable minimum payments due under these contractual obligations with a remaining

term of more than one year were as follows:

Fiscal Period:		Amount (in thousands)
2023, remainder	$	21,956
2024		44,951
2025		25,456
2026		11,762
2027		4,899
Thereafter		3,284
Total	$	112,308

In May 2022, the Company entered into an agreement with a public cloud computing service provider. Under the agreement, the minimum commitment is $175.0 million through fiscal 2028. As of July 31, 2022, the remaining commitment was $170.0 million. The remaining commitment is excluded from the table above.

Indemnification

We enter into indemnification provisions under our agreements with customers and other companies in the ordinary course of business, including business partners, contractors and parties performing our research and development. Pursuant to these arrangements, we agree to indemnify and defend the indemnified party for certain claims and related losses suffered or incurred by the indemnified party from actual or threatened third-party claims because of our activities. The duration of these indemnification agreements is generally perpetual. The maximum potential amount of future payments we could be required to make under these indemnification clauses or agreements is not determinable. Historically, we have not incurred material costs to defend lawsuits or settle claims related to these indemnification agreements. As a result, we believe the fair value of these indemnification agreements is not material as of July 31, 2022, and January 31, 2022. 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.

DocuSign, Inc. Securities Litigation and Related Derivative Litigation

On February 8, 2022, a putative securities class action was filed in the U.S. District Court for the Northern District of California, captioned Weston v. DocuSign, Inc., et al., Case No. 3:22-cv-00824, naming DocuSign and certain of our current and former officers as defendants. An amended complaint was filed on July 8, 2022. As amended, the suit purports to allege claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, and Rule 10b-5 promulgated thereunder, based on allegedly false and misleading statements about our business and prospects during the course of the COVID-19 pandemic. As amended, the suit is purportedly brought on behalf of purchasers of our securities between June 4, 2020 and June 9, 2022. Our response to the amended complaint is due on September 16, 2022, and we believe its allegations are devoid of merit.

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

Three putative shareholder derivative cases have been filed containing allegations based on or similar to those in the securities class action. The cases were filed on May 17, 2022, in the U.S. District Court for the District of Delaware, captioned Potteti v. Springer, et al., Case No. 1:22-cv-00652; on May 19, 2022 in the U.S. District Court for the Northern District of California, captioned Lapin v. Springer, et al., Case No. 3:22-cv-02980; and on May 20, 2022, also in the U.S. District Court for the Northern District of California, captioned Votto v. Springer, et al., Case No. 3:22-cv-02987. Each case is allegedly brought on the Company's behalf. The suits name the Company as a nominal defendant and, depending on the particular case, the members of our board of directors or, in certain instances, current or former

officers, as defendants. While the complaints vary, they are based largely on the same allegations as the securities class action suit described above, as well as, in certain instances, alleged insider trading. Collectively, these lawsuits purport to assert claims for, among other things, breach of fiduciary duty, aiding and abetting such breach, corporate waste, unjust enrichment, and under Sections 10(b) and 21D of the Securities Exchange Act of 1934. The Complaints seek to recover unspecified damages and other relief on the Company's behalf. By court order dated July 19, 2022, the two cases in the Northern District of California (Lapin and Votto) have been consolidated and stayed in light of the securities class action and no response to the complaints in the action will be due unless and until the stay is lifted. The Delaware suit (Potteti) was voluntarily dismissed on September 1, 2022.

Note 8. 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").

As of July 31, 2022, 43.6 million shares of our common stock were available for issuance under the 2018 Plan.

Restricted Stock Units

Restricted stock unit ("RSU") activity for the six months ended July 31, 2022 was as follows:

(in thousands, except per share data)	Number of Units	Weighted-Average Grant Date Fair Value
Unvested at January 31, 2022	7,843	$ 146.52
Granted	10,797	79.07
Vested	(2,050)	100.76
Canceled	(1,561)	127.42
Unvested at July 31, 2022	15,029	$ 106.35

As of July 31, 2022, our total unrecognized compensation cost related to RSUs was $1.2 billion. We expect to recognize this expense over the remaining weighted-average period of approximately 3 years.

As of July 31, 2022, we had $47.5 million of unvested RSUs that are subject to market-based vesting conditions.

Stock Options

Option activity for the six months ended July 31, 2022 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, 2022, all vested and exercisable	3,105	$ 16.41	4.45	$ 339,286
Exercised	(719)	14.80		
Canceled/expired	(9)	17.25		
Outstanding at July 31, 2022, all vested and exercisable	2,377	$ 16.89	3.99	$ 111,810

As of July 31, 2022, there was no remaining unrecognized compensation cost related to stock option grants.

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, normally through payroll deductions, subject to the terms of the ESPP and applicable law. As of July 31, 2022, 9.7 million shares of our common stock were reserved for issuance under the ESPP.

Compensation expense related to the ESPP was $6.9 million and $4.8 million for the three months ended July 31, 2022 and 2021, and $11.9 million and $9.1 million for the six months ended July 31, 2022 and 2021.

Stock Repurchase Program

In March 2022, our board of directors authorized a stock repurchase program of up to $200.0 million of our outstanding common stock. During the three and six months ended July 31, 2022, we repurchased and cancelled 0.4 million shares of common stock at an average price of $63.52 per share, for an aggregate amount of $25.0 million.

Note 9. 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:

(in thousands, except per share data)	Three Months Ended July 31, 2022	Three Months Ended July 31, 2021	Six Months Ended July 31, 2022	Six Months Ended July 31, 2021
Numerator:				
Net loss attributable to common stockholders	$ (45,078)	$ (25,501)	$ (72,451)	$ (33,855)
Denominator:				
Weighted-average common shares outstanding	200,618	195,996	200,150	195,183
Net loss per share attributable to common stockholders:				
Basic and diluted	$ (0.22)	$ (0.13)	$ (0.36)	$ (0.17)

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

(in thousands)	July 31, 2022	July 31, 2021
RSUs	14,843	9,305
Stock options	2,377	3,686
ESPP	553	158
Convertible senior notes	2,161	2,387
Total antidilutive securities	19,934	15,536

Note 10. Income Taxes

Our tax provision 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. There were no material discrete items in the quarter.

Our income tax provision was $3.4 million and $0.2 million for the three months ended July 31, 2022 and 2021. Our income tax provision was $5.2 million and $2.1 million for the six months ended July 31, 2022 and 2021.

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. consolidated group 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 our 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 July 31, 2022, our gross unrecognized tax benefits totaled $50.0 million, excluding related accrued interest and penalties, of which $13.6 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 July 31, 2022 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 the period January 1, 2016 through January 31, 2021. We are not under examination in any other material jurisdiction. We believe that adequate amounts have been reserved in all jurisdictions.

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our condensed consolidated financial statements and related notes included elsewhere in this Quarterly Report on Form 10-Q and with our audited consolidated financial statements included in our fiscal 2022 Annual Report on Form 10-K. As discussed in the section titled "Note Regarding Forward-Looking Statements," the following discussion and analysis contains forward-looking statements that involve risks and uncertainties, as well as assumptions that, if they never materialize or prove incorrect, could cause our results to differ materially from those expressed or implied by such forward-looking statements. Factors that could cause or contribute to these differences include, but are not limited to, those identified below and those discussed in the section titled "Risk Factors" under Part II, Item 1A in this Quarterly Report on Form 10-Q and in our fiscal 2022 Annual Report on Form 10-K. Our fiscal year ends January 31.

Executive Overview of Second Quarter Results

Overview

DocuSign offers the world's leading electronic signature product, enabling an agreement to be signed electronically on a wide variety of devices, from virtually anywhere in the world, securely. This is the foundation of the DocuSign Agreement Cloud, which allows organizations to do business efficiently and effectively, while providing better experiences for customers and employees.

We offer the world's #1 e-signature product as the core part of our broader software platform that automates and connects 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 DocuSign eSignature and addresses the broader agreement process. As a result, over 1.2 million customers and more than a billion 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. The DocuSign Agreement Cloud integrates with popular business apps, and our functionality can also be embedded using our application programming interfaces ("APIs"). 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 generally 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 97% and 96% of our revenue in the three and six months ended July 31, 2022 and 2021. Our subscription fees include the use of our software platform and access to customer support. Subscriptions generally range from one to three years, and substantially all our multi-year customers pay in annual installments, one year in advance.

We also generate revenue from professional and other non-subscription services, which consists primarily of fees associated with providing new customers deployment and integration services. Other revenue includes amounts derived from sales of on-premises solutions. Professional services and other revenue accounted for the remainder of total revenue in the three and six months ended July 31, 2022 and 2021. 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 platform, which helps drive customer retention and expansion of the use of the DocuSign Agreement Cloud.

We offer subscriptions to our software platform to businesses at all scales, from global enterprise down to local very small businesses ("VSBs") (including professionals, sole proprietorships, nonprofits 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 400 off-the-shelf, prebuilt integrations with the applications that many of our customers already use—including those offered by Google, Microsoft, Oracle, Salesforce, SAP, and Workday—so that they can create, sign, send and manage agreements from directly within these applications. We have a diverse customer base spanning across virtually all industries and around the world with no significant customer concentration. No single customer accounted for more than 10% of total revenue in any of the periods presented.

We focused initially on selling our e-signature solutions to commercial businesses and VSBs, and later expanded our focus to target enterprise customers. The number of our customers with greater than $300,000 in annualized contract value has increased from 714 customers as of July 31, 2021 to 992 customers as of July 31, 2022. 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 and related developments have caused and may continue to cause new, existing and potential customers to experience rapidly changing conditions and disruptions to their businesses. While we experienced a significant increase in paying customers and revenue during the pandemic, we later experienced periods in which the urgency of customer demand slowed. It can be difficult to predict customer demand, especially as our customers' priorities, resources and economic outlook change, along with other shifting market conditions. These shifts have occurred and may in the future occur more quickly than we anticipate. Additionally, due to our subscription-based business model, the full effects of these changes may not be fully reflected in our results of operations until future periods. If the COVID-19 pandemic continues to have a substantial impact on our employees', partners' or customers' productivity or if the abatement of the pandemic results in decreased demand or a more challenging sales environment, our results of operations and overall financial performance may be harmed.

See Risk Factors for further discussion of the potential impact of the COVID-19 pandemic, including the impact to our business, financial condition and results of operations.

Financial Results for the Three and Six Months Ended July 31, 2022 and 2021

	Three Months Ended July 31,		Six Months Ended July 31,	
(in thousands)	2022	2021	2022	2021
Total revenue	$ 622,184	$ 511,844	$ 1,210,876	$ 980,923
Total costs and expenses	663,274	534,455	1,271,192	1,014,271
Total stock-based compensation expense	141,207	99,959	251,930	181,095
Loss from operations	(41,090)	(22,611)	(60,316)	(33,348)
Net loss	(45,078)	(25,501)	(72,451)	(33,855)
Net cash provided by operating activities	120,879	177,669	317,165	313,266
Purchases of property and equipment	(15,404)	(15,938)	(37,113)	(28,534)

Cash, cash equivalents, restricted cash and investments were $1.1 billion as of July 31, 2022.

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 acquiring 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 July 31, 2022, we had a total of over 1.2 million customers, including approximately 191,000 enterprise and commercial customers, compared to over 1 million customers and over 148,000 enterprise and commercial customers as of July 31, 2021. 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 platform. 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, which are companies with between 10 and 249 employees, in each case excluding any enterprise customers. We define VSBs as companies with fewer than 10 employees. 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 platform, 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 platform, 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 platform. Several of our largest enterprise customers have deployed our software platform for hundreds of use cases across their organizations. We believe there is significant expansion opportunity with our customers following their initial adoption of our software platform.

Increasing International Revenue

Our international revenue represented 25% and 22% of our total revenue in the three and six months ended July 31, 2022 and 2021.

We started our international selling efforts in English-speaking common law countries, such as Canada, the UK and Australia, where we were able to leverage our core technologies due to similar approaches to e-signature in these jurisdictions and the U.S. We have since made significant investments to be able to offer our products in select civil law countries. For example, in Europe, we offer Standards-Based Signature (“SBS”) technology tailored for the EU’s electronic Identification, Authentication and Trust Services (“eIDAS”) regulations. SBS supports signatures that involve digital certificates, including those specified in the EU’s eIDAS regulations for advanced and qualified electronic signatures. 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. We have experienced increased demand across multiple regions and are expanding our sales and marketing resources to capitalize on the potential growth of these markets. Additionally, we expect to continue to develop and enhance our strategic partnerships in key international markets as we grow internationally.

Investing for Growth

We believe that our market opportunity is large, and we plan to invest to support further growth. This includes optimizing our go-to-market efforts to focus on attractive growth opportunities and investing in research and development to drive product innovation and meet customer needs at scale. We also continue to assess and evaluate strategic acquisitions and investments. As we focus on infrastructure and technology that best serve our customers across industries, we will prioritize initiatives that accelerate our product capabilities.

We believe these collective activities will lead to continued expansion within our current customers' organizations and attract new customers.

Components of Results of Operations

Revenue

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

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

Overhead Allocation

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

Cost of Revenue

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

Gross Profit and Gross Margin

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

Operating Expenses

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

Sales and Marketing Expense	Sales and marketing expense consists primarily of personnel costs, including sales commissions. These expenses also include expenditures related to advertising, marketing, promotional events and brand awareness activities, as well as allocated overhead costs. We expect sales and marketing expense to continue to increase in absolute dollars as we enhance our product offerings and implement marketing strategies.
Research and Development Expense	Research and development expense consists primarily of personnel costs. These expenses also include non-personnel costs, such as subcontracting, consulting and professional fees for third-party development resources, as well as allocated overhead costs. Our research and development efforts focus on maintaining and enhancing existing functionality and adding new functionality. We expect research and development expense to increase in absolute dollars as we invest in the enhancement of our software platform.
General and Administrative Expense	General and administrative expense consists primarily of employee-related costs for those employees providing administrative services such as legal, human resources, information technology related to internal systems, accounting and finance. These expenses also include certain third-party consulting services, certain facilities costs, allocated overhead costs, and impairment of operating lease right-of-use assets and other lease-related charges. 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 and amortization of debt issuance costs on our Notes.

Interest Income and Other Income (Expense), Net

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

Provision for Income Taxes

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

Discussion of Results of Operations

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

(in thousands, except percentages)	Three Months Ended July 31, 2022	As % of revenue	Three Months Ended July 31, 2021	As % of revenue	Six Months Ended July 31, 2022	As % of revenue	Six Months Ended July 31, 2021	As % of revenue
Revenue:								
Subscription	$ 605,194	97 %	$ 492,758	96 %	$ 1,174,445	97 %	$ 944,693	96 %
Professional services and other	16,990	3	19,086	4	36,431	3	36,230	4
Total revenue	622,184	100	511,844	100	1,210,876	100	980,923	100
Cost of revenue:								
Subscription	107,931	17	84,455	17	213,090	18	162,526	17
Professional services and other	28,773	5	29,325	5	56,030	4	56,497	5
Total cost of revenue	136,704	22	113,780	22	269,120	22	219,023	22
Gross profit	485,480	78	398,064	78	941,756	78	761,900	78
Operating expenses:								
Sales and marketing	323,582	52	262,372	51	624,279	52	501,491	51
Research and development	126,532	20	94,651	18	238,759	20	180,067	18
General and administrative	76,456	13	63,652	13	139,034	11	113,690	12
Total operating expenses	526,570	85	420,675	82	1,002,072	83	795,248	81
Loss from operations	(41,090)	(7)	(22,611)	(4)	(60,316)	(5)	(33,348)	(3)
Interest expense	(1,632)	—	(1,669)	—	(3,281)	—	(3,341)	—
Interest income and other income (expense), net	1,003	—	(1,063)	(1)	(3,647)	(1)	4,974	—
Loss before provision for income taxes	(41,719)	(7)	(25,343)	(5)	(67,244)	(6)	(31,715)	(3)
Provision for income taxes	3,359	—	158	—	5,207	—	2,140	—
Net loss	$ (45,078)	(7)%	$ (25,501)	(5)%	$ (72,451)	(6)%	$ (33,855)	(3)%

The following discussion and analysis is for the three and six months ended July 31, 2022, compared to the same period in 2021, unless otherwise stated.

Revenue

(in thousands, except for percentages)	Three Months Ended July 31, 2022	Three Months Ended July 31, 2021	2022 versus 2021	Six Months Ended July 31, 2022	Six Months Ended July 31, 2021	2022 versus 2021
Revenue:						
Subscription	$ 605,194	$ 492,758	23 %	$ 1,174,445	$ 944,693	24 %
Professional services and other	16,990	19,086	(11)%	36,431	36,230	1 %
Total revenue	$ 622,184	$ 511,844	22 %	$ 1,210,876	$ 980,923	23 %

Subscription revenue increased $112.4 million, or 23%, in the three months ended July 31, 2022 and by $229.8 million, or 24%, in the six months ended July 31, 2022. The increase was primarily due to the expansion of existing customers and the addition of new customers. This growth was mainly driven by an increase in sales to our mid-market and enterprise customers through our direct and indirect sales channels. 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 existing customers increase their usage across their organizations while we offer new functionality, attract new customers and fully realize the potential of our acquisitions in our product offerings.

Cost of Revenue and Gross Margin

(in thousands, except for percentages)	Three Months Ended July 31, 2022	Three Months Ended July 31, 2021	2022 versus 2021	Six Months Ended July 31, 2022	Six Months Ended July 31, 2021	2022 versus 2021
Cost of revenue:						
Subscription	$107,931	$84,455	28 %	$213,090	$162,526	31 %
Professional services and other	28,773	29,325	(2) %	56,030	56,497	(1) %
Total cost of revenue	$136,704	$113,780	20 %	$269,120	$219,023	23 %
Gross margin:						
Subscription	82 %	83 %	(1)pts	82 %	83 %	(1)pts
Professional services and other	(69)%	(54)%	(15)pts	(54)%	(56)%	2 pts
Total gross margin	78 %	78 %	— pts	78 %	78 %	— pts

Cost of subscription revenue increased by $23.5 million, or 28%, in the three months ended July 31, 2022 and by $50.6 million, or 31%, in the six months ended July 31, 2022, primarily driven by higher costs to support our growing customer base.

Increases in the three months ended July 31, 2022 primarily consisted of:
- $10.4 million in personnel costs and $5.5 million in stock-based compensation expense driven by higher headcount and annual salary increases; and
- $4.3 million in operating costs to support our platform and the growth in our revenue, including increases in hosting costs, and subscription reseller fees.

Increases in the six months ended July 31, 2022 primarily consisted of:
- $19.9 million in personnel costs and $10.1 million in stock-based compensation expense driven by higher headcount and annual salary increases
- $11.2 million in operating costs to support our platform and the growth in our revenue, including increases in hosting costs, and subscription reseller fees; and
- $6.1 million due to higher information technology costs.

Sales and Marketing

(in thousands, except for percentages)	Three Months Ended July 31, 2022	Three Months Ended July 31, 2021	2022 versus 2021	Six Months Ended July 31, 2022	Six Months Ended July 31, 2021	2022 versus 2021
Sales and marketing	$323,582	$262,372	23 %	$624,279	$501,491	24 %
Percentage of revenue	52 %	51 %		52 %	51 %	

Sales and marketing expenses increased by $61.2 million, or 23%, in the three months ended July 31, 2022 and by $122.8 million, or 24%, in the six months ended July 31, 2022 primarily driven by investments in workforce and technology support to accommodate demand for our products and increased interest in digital transformation of agreements.

Increases in the three months ended July 31, 2022 primarily consisted of:
- $34.4 million in personnel costs and $14.3 million in stock-based compensation expense due to higher headcount, annual salary increases, higher commissions in line with higher sales and higher payroll taxes; and
- $5.2 million due to higher information technology costs.

Increases in the six months ended July 31, 2022 primarily consisted of:
- $69.9 million in personnel costs and $23.6 million in stock-based compensation expense due to higher headcount, annual salary increases, higher commissions in line with higher sales and higher payroll taxes;
- $10.1 million in marketing and advertising expense due to higher spend on online advertising platforms to help capture the continued market interest in our product offering;
- $8.6 million due to higher information technology costs; and
- $5.5 million in travel expenses due to an increase in in-person events.

Research and Development

(in thousands, except for percentages)	Three Months Ended July 31, 2022	Three Months Ended July 31, 2021	2022 versus 2021	Six Months Ended July 31, 2022	Six Months Ended July 31, 2021	2022 versus 2021
Research and development	$126,532	$94,651	34 %	$238,759	$180,067	33 %
Percentage of revenue	20 %	18 %		20 %	18 %	

Research and development expenses increased by $31.9 million, or 34%, in the three months ended July 31, 2022 and by $58.7 million, or 33%, in the six months ended July 31, 2022, primarily due to investments in workforce and technology support to accommodate growth. Personnel costs, stock-based compensation expense, and information technology costs increased $11.9 million, $14.7 million, and $3.3 million in the three months ended July 31, 2022 and $23.1 million, $26.4 million, and $5.9 million in the six months ended July 31, 2022.

General and Administrative

(in thousands, except for percentages)	Three Months Ended July 31, 2022	Three Months Ended July 31, 2021	2022 versus 2021	Six Months Ended July 31, 2022	Six Months Ended July 31, 2021	2022 versus 2021
General and administrative	$76,456	$63,652	20 %	$139,034	$113,690	22 %
Percentage of revenue	13 %	13 %		11 %	12 %	

General and administrative expenses increased by $12.8 million, or 20%, in the three months ended July 31, 2022 and by $25.3 million, or 22%, in the six months ended July 31, 2022, primarily due to investments in workforce and technology support to accommodate growth. Personnel costs, stock-based compensation expense, and information technology costs increased $5.3 million, $5.9 million, and $3.5 million in the three months ended July 31, 2022 and $8.2 million, $10.3 million, and $5.3 million in the six months ended July 31, 2022.

Other Income and Expense

(in thousands, except for percentages)	Three Months Ended July 31, 2022	Three Months Ended July 31, 2021	2022 versus 2021	Six Months Ended July 31, 2022	Six Months Ended July 31, 2021	2022 versus 2021
Interest expense	$1,632	$1,669	(2)%	$3,281	$3,341	(2)%
Percentage of revenue	— %	— %		— %	— %	
Interest income and other income (expense), net	$1,003	$(1,063)	(194)%	$(3,647)	$4,974	(173)%
Percentage of revenue	— %	(1)%		(1)%	— %	

Interest income and other income (expense), net decreased by $8.6 million in the six months ended July 31, 2022, primarily as a result of the increased net foreign currency exchange loss of $4.5 million due to the weakening of the euro and British pound compared to the U.S. dollar, and decreased net gains of $4.8 million on our strategic investments due to adjustments to fair value of certain strategic investments resulting from observable price changes, offset by increased interest income.

Liquidity and Capital Resources

Our principal sources of liquidity were cash, cash equivalents and investments as well as cash generated from operations. As of July 31, 2022, we had $994.7 million in cash and cash equivalents and short-term investments. We also had $133.2 million in long-term investments that provide additional capital resources. We finance our operations primarily through payments by our customers for use of our product offerings and related services and through debt financing.

In September 2018, we issued and sold $575.0 million in aggregate principal amount of 0.5% Convertible Senior Notes due 2023, of which $537.9 million has been settled as of July 31, 2022. In January 2021, we issued and sold $690.0 million in aggregate principal amount of 0% Convertible Senior Notes due 2024.

In January 2021, we entered into a $500.0 million credit facility, which may be increased by an additional $250.0 million subject to customary terms and conditions. The credit facility is available for five years until January 11, 2026, to optimize our capital structure and strengthen our balance sheet. There were no outstanding borrowings under the credit facility as of July 31, 2022.

Further details of these transactions are described in Note 6 to the Condensed Consolidated Financial Statements, included in Part I, Item 1 of this Form 10-Q.

We were in compliance with all debt covenants at July 31, 2022.

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 generated positive cash flows from operations in the recent years, we have generated losses from operations in the past as reflected in our accumulated deficit of $1.5 billion as of July 31, 2022. 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 and 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 $101.4 million in the six months ended July 31, 2022, compared to a decrease of $38.8 million in the six months ended July 31, 2021, which resulted in a $62.6 million increase in cash provided by operating activities year over year. Contract liabilities consist of the unearned portion of billed fees for our subscriptions, which is subsequently recognized as revenue in accordance with our revenue recognition policy. Our contract liabilities increased by $41.8 million in the six months ended July 31, 2022, compared to an increase of $136.6 million in the six months ended July 31, 2021. The year-over-year decrease resulted in a $94.8 million decrease in cash provided by operating activities.

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

Cash Flows

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

(in thousands)	Six Months Ended July 31, 2022	Six Months Ended July 31, 2021
Net cash provided by (used in):		
Operating activities	$ 317,165	$ 313,266
Investing activities	(145,852)	(104,877)
Financing activities	(34,103)	(255,304)
Effect of foreign exchange on cash, cash equivalents and restricted cash	(8,040)	(563)
Net change in cash, cash equivalents and restricted cash	$ 129,170	$ (47,478)

Cash Flows from Operating Activities

Cash provided by operating activities was $317.2 million and $313.3 million for the six months ended July 31, 2022 and 2021. The year-over-year improvement of $3.9 million was primarily the result of higher cash collections, and a higher stock based compensation due to increased headcount, partially offset by higher operating costs to support growth and decreased contract liabilities.

Cash Flows from Investing Activities

For the six months ended July 31, 2022, net cash used in investing activities of $145.9 million was primarily driven by $106.1 million net purchases of marketable securities and $37.1 million purchases of property and equipment as we continued to invest in data center build outs to support our growing operations and capitalized software development projects.

For the six months ended July 31, 2021, cash used in investing activities of $104.9 million was primarily driven by $69.5 million net purchases of marketable securities, $28.5 million in purchases of property and equipment, and $6.4 million cash paid for acquisitions.

Cash Flows from Financing Activities

For the six months ended July 31, 2022, cash used in financing activities was primarily driven by $25.0 million used to repurchase 0.4 million shares of common stock at an average price of $63.52 per share through our stock repurchase program which commenced in the second quarter of fiscal 2023, and $9.1 million payments for tax withholding on share settlements, net of proceeds associated with equity plans.

For the six months ended July 31, 2021, cash used in financing activities was primarily driven by $193.6 million payments for tax withholding on share settlements, net of proceeds associated with equity plans and $61.7 million in repayments of our 2023 Notes.

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 noncancellable contractual commitments that primarily relate to cloud infrastructure support and sales and marketing activities. Refer to Note 6 and Note 7 to the Condensed Consolidated Financial Statements, included in Part I, Item 1 of this Form 10-Q.

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

Critical Accounting Policies and Estimates

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

There have been no material changes to our critical accounting policies and estimates as described in our fiscal 2022 Annual Report on Form 10-K.

Recent Accounting Pronouncements

There have been no accounting pronouncements that are significant or potentially significant to the Company.

Non-GAAP Financial Measures and Other Key Metrics

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

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

Non-GAAP gross profit, non-GAAP gross margin, non-GAAP income from operations, non-GAAP operating margin and non-GAAP net income: We define these non-GAAP financial measures as the respective GAAP measures, excluding expenses related to stock-based compensation, employer payroll tax on employee stock transactions, amortization of acquisition-related intangibles, amortization of debt discount and issuance costs, acquisition-related expenses, fair value adjustments to strategic investments, executive transition costs, lease-related impairment and lease-related charges, and, as applicable, other special items. The amount of employer payroll tax-related items on employee stock transactions is dependent on our stock price and other factors that are beyond our control and do not correlate to the operation of the business. When evaluating the performance of our business and making operating plans, we do not consider these items (for example, when considering the impact of equity award grants, we place a greater emphasis on overall stockholder dilution rather than the accounting charges associated with such grants). We believe it is useful to exclude these expenses in order to better understand the long-term performance of our core business and to facilitate comparison of our results to those of peer companies and over multiple periods. In addition to these exclusions, we subtract an assumed provision for income taxes to calculate non-GAAP net income. We utilize a fixed long-term projected tax rate in our computation of the non-GAAP income tax provision to provide better consistency across the reporting periods. For fiscal 2023, we determined the projected non-GAAP tax rate to be 20% tax rate.

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

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

included in billings. We believe billings 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 (loss) and gross margin:

	Three Months Ended July 31,		Six Months Ended July 31,	
(in thousands)	2022	2021	2022	2021
GAAP gross profit	$485,480	$398,064	$941,756	$761,900
Add: Stock-based compensation	19,472	13,985	35,167	25,537
Add: Amortization of acquisition-related intangibles	2,403	3,328	4,807	6,500
Add: Employer payroll tax on employee stock transactions	530	2,121	1,321	4,895
Add: Lease-related impairment and lease-related charges	265	—	265	—
Non-GAAP gross profit	$508,150	$417,498	$983,316	$798,832
GAAP gross margin	78 %	78 %	78 %	78 %
Non-GAAP adjustments	4 %	4 %	3 %	3 %
Non-GAAP gross margin	82 %	82 %	81 %	81 %
GAAP subscription gross profit	$497,263	$408,303	$961,355	$782,167
Add: Stock-based compensation	12,994	7,539	23,607	13,557
Add: Amortization of acquisition-related intangibles	2,403	3,328	4,807	6,500
Add: Employer payroll tax on employee stock transactions	332	971	840	2,413
Add: Lease-related impairment and lease-related charges	194	—	194	—
Non-GAAP subscription gross profit	$513,186	$420,141	$990,803	$804,637
GAAP subscription gross margin	82 %	83 %	82 %	83 %
Non-GAAP adjustments	3 %	2 %	2 %	2 %
Non-GAAP subscription gross margin	85 %	85 %	84 %	85 %
GAAP professional services and other gross loss	$(11,783)	$(10,239)	$(19,599)	$(20,267)
Add: Stock-based compensation	6,478	6,446	11,560	11,980
Add: Employer payroll tax on employee stock transactions	198	1,150	481	2,482
Add: Lease-related impairment and lease-related charges	71	—	71	—
Non-GAAP professional services and other gross loss	$(5,036)	$(2,643)	$(7,487)	$(5,805)
GAAP professional services and other gross margin	(69)%	(54)%	(54)%	(56)%
Non-GAAP adjustments	39 %	40 %	33 %	40 %
Non-GAAP professional services and other gross margin	(30)%	(14)%	(21)%	(16)%

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

(in thousands)	Three Months Ended July 31, 2022	Three Months Ended July 31, 2021	Six Months Ended July 31, 2022	Six Months Ended July 31, 2021
GAAP loss from operations	$(41,090)	$(22,611)	$(60,316)	$(33,348)
Add: Stock-based compensation	141,207	99,959	251,930	181,095
Add: Amortization of acquisition-related intangibles	5,033	6,661	10,641	13,191
Add: Employer payroll tax on employee stock transactions	3,385	11,585	8,484	27,868
Add: Acquisition-related expenses	—	221	—	387
Add: Executive transition costs	1,804	—	1,804	—
Add: Lease-related impairment and lease-related charges	1,828	3,892	1,828	3,892
Non-GAAP income from operations	$112,167	$99,707	$214,371	$193,085
GAAP operating margin	(7)%	(4)%	(5)%	(3)%
Non-GAAP adjustments	25 %	23 %	23 %	23 %
Non-GAAP operating margin	18 %	19 %	18 %	20 %

Reconciliation of net income (loss):

(in thousands)	Three Months Ended July 31, 2022	Three Months Ended July 31, 2021	Six Months Ended July 31, 2022	Six Months Ended July 31, 2021
GAAP net loss	$ (45,078)	$ (25,501)	$ (72,451)	$ (33,855)
Add: Stock-based compensation	141,207	99,959	251,930	181,095
Add: Amortization of acquisition-related intangibles	5,033	6,661	10,641	13,191
Add: Employer payroll tax on employee stock transactions	3,385	11,585	8,484	27,868
Add: Acquisition-related expenses	—	221	—	387
Add: Amortization of debt discount and issuance costs	1,198	1,274	2,482	2,593
Less: Fair value adjustments to strategic investments	(89)	(151)	(429)	(5,270)
Add: Executive transition costs	1,804	—	1,804	—
Add: Lease-related impairment and lease-related charges	1,828	3,892	1,828	3,892
Add: Income tax effect of non-GAAP adjustments [1]	(19,171)	—	(36,692)	—
Non-GAAP net income	$ 90,117	$ 97,940	$ 167,597	$ 189,901

[1] Represents the income tax adjustment using our estimated non-GAAP tax rate of 20%. Estimating a non-GAAP tax rate of 20%, the income tax effect of non-GAAP adjustments was $19.5 million for the three months ended July 31, 2021, and $36.3 million for the six months ended July 31, 2021.

Computation of free cash flow:

(in thousands)	Three Months Ended July 31, 2022	Three Months Ended July 31, 2021	Six Months Ended July 31, 2022	Six Months Ended July 31, 2021
Net cash provided by operating activities	$ 120,879	$ 177,669	$ 317,165	$ 313,266
Less: Purchases of property and equipment	(15,404)	(15,938)	(37,113)	(28,534)
Non-GAAP free cash flow	$ 105,475	$ 161,731	$ 280,052	$ 284,732
Net cash used in investing activities	$ (83,338)	$ (34,371)	$ (145,852)	$ (104,877)
Net cash used in financing activities	$ (35,453)	$ (142,350)	$ (34,103)	$ (255,304)

Computation of billings:

(in thousands)	Three Months Ended July 31, 2022	Three Months Ended July 31, 2021	Six Months Ended July 31, 2022	Six Months Ended July 31, 2021
Revenue	$ 622,184	$ 511,844	$ 1,210,876	$ 980,923
Add: Contract liabilities and refund liability, end of period	1,094,939	939,826	1,094,939	939,826
Less: Contract liabilities and refund liability, beginning of period	(1,074,460)	(857,969)	(1,049,106)	(800,940)
Add: Contract assets and unbilled accounts receivable, beginning of period	18,756	19,737	18,273	21,021
Less: Contract assets and unbilled accounts receivable, end of period	(13,695)	(18,067)	(13,695)	(18,067)
Non-GAAP billings	$ 647,724	$ 595,371	$ 1,261,287	$ 1,122,763

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

Interest Rate Risk

As of July 31, 2022, we had cash, cash equivalents and investments totaling $1.1 billion, which consisted primarily of bank deposits, money market funds, commercial paper, corporate notes and bonds and U.S. Treasury and government agency securities. Interest-earning instruments carry a degree of interest rate risk. Our investment portfolio is composed of highly rated securities and limits the amount of credit exposure to any one issuer. A hypothetical 100 basis point increase in interest rates would result in an approximate $3.1 million decrease of the fair value of our investment portfolio as of July 31, 2022. 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.

We had no exposure to changes in interest rates from debt obligations at July 31, 2022 as our 2023 Notes and 2024 Notes were issued at fixed rates of 0.5% and 0%. 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 income and other income (expense), 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 Interim Chief Executive Officer (our principal executive officer) and Chief Financial Officer (our principal financial officer), has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the “Exchange Act”)), as of July 31, 2022. Based on such evaluation, our Interim Chief Executive Officer and Chief Financial Officer have concluded that as of July 31, 2022, our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act (a) is recorded, processed, summarized and reported within the time periods specified by Securities and Exchange Commission (“SEC”) rules and forms and (b) is accumulated and communicated to our management, including our Interim Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding any required disclosure.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting identified in management’s evaluation pursuant to Rules 13a-15(d) or 15d-15(d) under the Exchange Act during the second quarter of fiscal 2023 that materially affected or are reasonably likely to materially affect our internal controls 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 have received, and may in the future continue to receive claims from third parties asserting, among other things, infringement of their intellectual property rights. Future litigation may be necessary to defend ourselves, our partners and our customers by determining the scope, enforceability and validity of third-party proprietary rights, or to establish our proprietary rights. The results of any current or future litigation cannot be predicted with certainty, and regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.

DocuSign, Inc. Securities Litigation and Related Derivative Litigation

On February 8, 2022, a putative securities class action was filed in the U.S. District Court for the Northern District of California, captioned Weston v. DocuSign, Inc., et al., Case No. 3:22-cv-00824, naming DocuSign and certain of our current and former officers as defendants. An amended complaint was filed on July 8, 2022. As amended, the suit purports to allege claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, and Rule 10b-5 promulgated thereunder, based on allegedly false and misleading statements about our business and prospects during the course of the COVID-19 pandemic. As amended, the suit is purportedly brought on behalf of purchasers of our securities between June 4, 2020 and June 9, 2022. Our response to the amended complaint is due on September 16, 2022, and we believe its allegations are devoid of merit.

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

Three putative shareholder derivative cases have been filed containing allegations based on or similar to those in the securities class action. The cases were filed on May 17, 2022, in the U.S. District Court for the District of Delaware, captioned Potteti v. Springer, et al., Case No. 1:22-cv-00652; on May 19, 2022 in the U.S. District Court for the Northern District of California, captioned Lapin v. Springer, et al., Case No. 3:22-cv-02980; and on May 20, 2022, also in the U.S. District Court for the Northern District of California, captioned Votto v. Springer, et al., Case No. 3:22-cv-02987. Each case is allegedly brought on the Company's behalf. The suits name the Company as a nominal defendant and, depending on the particular case, the members of our board of directors or, in certain instances, current or former officers, as defendants. While the complaints vary, they are based largely on the same allegations as the securities class action suit described above, as well as, in certain instances, alleged insider trading. Collectively, these lawsuits purport to assert claims for, among other things, breach of fiduciary duty, aiding and abetting such breach, corporate waste, unjust enrichment, and under Sections 10(b) and 21D of the Securities Exchange Act of 1934. The Complaints seek to recover unspecified damages and other relief on the Company's behalf. By court order dated July 19, 2022, the two cases in the Northern District of California (Lapin and Votto) have been consolidated and stayed in light of the securities class action and no response to the complaints in the action will be due unless and until the stay is lifted. The Delaware suit (Potteti) was voluntarily dismissed on September 1, 2022.

ITEM 1A. RISK FACTORS

Risk Factors Summary

Our business is subject to numerous risks and uncertainties, including those highlighted in the section titled "Risk Factors" immediately following this Risk Factors Summary. These summary risks provide an overview of many of the risks we are exposed to in the normal course of our business. As a result, the following summary risks do not contain all the information that may be important to you, and you should read them together with the more detailed discussion of risks set forth following this section under the heading "Risk Factors," and with the other information in this Quarterly Report on Form 10-Q. Additional risks beyond those summary risks discussed below, in "Risk Factors" or elsewhere in this Quarterly Report on Form 10-Q, 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. Consistent with the foregoing, we are exposed to a variety of risks, including the following significant risks:

- We derive a majority of our revenue from our DocuSign eSignature product, and slower or declining adoption of our DocuSign eSignature product, without a corresponding increase in the use of our other products and solutions, could cause our operating results to suffer.
- 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.
- If we are unable to attract new customers and retain and expand sales to existing customers, our revenue growth will be adversely affected.
- 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.
- We have a history of operating losses and may not achieve or sustain profitability in the future.
- We depend on co-located data centers and third-party cloud providers, as well as our own technical operations infrastructure to provide our products and solutions to our customers in a timely manner. Interruptions or delays in performance of our products and solutions could result in customer dissatisfaction, damage to our reputation, loss of customers, limited growth and reduction in revenue.
- Our systems and security measures have 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 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.
- 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.
- If our products and solutions fail to perform properly and if we fail to develop enhancements to resolve any defect or other problems, we could lose customers or become subject to service performance or warranty claims and our market share could decline.
- 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.
- We rely on the performance of highly skilled personnel, including our senior leadership team and other key employees, and failing to attract, integrate or retain such employees could harm our business.
- 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.
- The COVID-19 pandemic has materially affected and may continue to impact how we and our customers are operating our businesses, and the duration and extent to which this will impact our future business, results of operations and financial condition remain uncertain.

Risk Factors

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

Risks Related to Our Business and Industry

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 or cause our financial results to fluctuate include the following:

- fluctuations in demand for, or pricing of, our products and solutions, including due to the COVID-19 pandemic, competition, and differing levels of demand for our products as our customers' priorities, resources, financial conditions and economic outlook change;
- our ability to attract new customers;
- our ability to renew our subscriptions with, and expand sales of our products and solutions to, our existing customers;
- timing of revenue recognition;
- customer delays in purchasing decisions in anticipation of new products or product enhancements by us or our competitors;
- changes in customers' budgets and in the timing of their budget cycles and purchasing decisions, including cost-cutting measures or other effects of 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;
- rising inflation and our ability to control costs, including our operating expenses;
- our ability to continue operating remotely and to adapt to hybrid work arrangements combining remote and in-office work;
- the timing of costs related to our go-to-market strategy including expansion of our sales capacity and marketing;
- potential accelerations of prepaid expenses and deferred costs;
- the amount and timing of non-cash expenses, including stock-based compensation, impairments and other non-cash charges;
- the amount and timing of costs associated with recruiting, training and integrating new employees, and retaining existing employees;
- the time and costs related to litigation, including securities litigation;
- issues relating to acquisitions and partnerships with third parties;
- general economic, market and industry conditions, including resulting from regional or global conflicts and as a result of inflation or rising interest rates;
- the impact of new accounting pronouncements;
- changes in laws and regulations that affect our business;
- significant security breaches of, technical difficulties with, or interruptions to, the delivery and use of our products and solutions; and
- awareness of our brand on a global basis.

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

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

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

- any decline in demand for our DocuSign eSignature product;
- the failure of our DocuSign eSignature product to maintain market acceptance;
- the market for electronic signatures failing to grow, or growing more slowly than we expect;
- new products and technologies from our competitors that replace or represent an improvement over, our DocuSign eSignature product;

- new technological innovations or standards that our DocuSign eSignature product does not address;
- changes in regulations;
- sensitivity to our current or future pricing;
- our inability to release enhanced versions of our DocuSign eSignature product on a timely basis; and
- macro- and micro-economic effects of the COVID-19 pandemic or other public health crises.

If we experience a material decline in sales of subscriptions to our DocuSign eSignature product, 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 DocuSign eSignature product, which is the core part of our broader DocuSign 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. We have also expanded and intend to continue to expand our sales efforts internationally, where many countries may have less familiarity with and acceptance of e-signature products. It is difficult to predict customer demand for our products and solutions, customer retention and expansion rates, the size and growth rate of the market for agreement automation, the entry of competitive products or the success of existing competitive products. We expect that we will continue to need intensive sales efforts to educate prospective customers, particularly enterprise and commercial customers and international customers, about the uses and benefits of our products and solutions. The size and growth of our addressable market depends on a number of factors, including our customers' desire to differentiate themselves through e-signature products 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 and global market 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 compete or are perceived to compete with our products and solutions, our ability to attract new customers could be impaired. This may be especially challenging where organizations have already invested significantly in an existing solution. If our pricing is not competitive or we cannot attract new customers and subsequently maintain and expand those customer relationships, our business and operating results may be harmed.

Our ability to increase our revenue also depends on our ability to expand the sales of our products and solutions to, and renew subscriptions with, existing customers and their organizations. Our existing customers, especially our enterprise customers, must increase their use of our products and solutions by purchasing new products, additional subscriptions and our enhanced products and solutions. If our efforts to expand sales to our existing customers are not successful, our business, operating results and financial condition may suffer.

Moreover, a majority of our subscription contracts are for one year. Our customers have no obligation to renew their subscriptions and we cannot guarantee that our customers will renew their subscriptions with us for a similar or greater contract period or on the same or more favorable terms. Our renewal and expansion rates may decline or fluctuate as a result of a number of factors, including customer spending levels, customer dissatisfaction, decreases in the number of users with our customers, changes in the type and size of our customers, pricing, competitive conditions, customer attrition and general economic and global market conditions, including as a result of the 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 and face competition from different companies depending on the product or solution. For example, our primary global e-signature competitor is currently Adobe Sign. We also face competition from a select number of vendors that focus on specific industries, geographies or

product areas such as contract lifecycle management and advanced contract analytics. As we attempt to sell access to our products and solutions to new customers with existing products and solutions (or cross-sell additional products and solutions to existing customers), we must convince them that our products and solutions are superior to the solutions that their organizations have used in the past.

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

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 $72.5 million and $33.9 million in the six months ended July 31, 2022 and 2021, and as of July 31, 2022, we had an accumulated deficit of $1.5 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. 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 depend on co-located data centers and third-party cloud providers, as well as our own technical operations infrastructure, to provide our products and solutions to our customers in a timely manner. Interruptions or delays in performance of our products and solutions could result in customer dissatisfaction, damage to our reputation, loss of customers, limited growth and reduction in revenue.

We currently serve our customers from third-party data center hosting facilities. 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, regional or global conflicts, 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, our disaster recovery planning may not account for all eventualities and our business could be harmed.

In addition to third-party data centers and cloud providers, we also rely on our own technical operations infrastructure to support and serve our rapidly growing customer base. We must maintain sufficient excess capacity in our operations infrastructure to ensure that our products and solutions are accessible within an acceptable load time. Design and mechanical errors, spikes in usage volume and failure to follow system protocols and procedures could cause our systems to fail, resulting in interruptions in our products and solutions. Any interruptions or delays in our service, whether or not caused by our products, whether as a result of third-party error, our own error, natural disasters and the effects of climate change, operational disruptions related to the COVID-19 pandemic or other public health crises, or security breaches, whether accidental or willful, could harm our relationships with customers and cause our revenue to decrease and/or our expenses to increase. Also, in the event of damage or interruption, our insurance policies may not adequately compensate us for any losses that we may incur. These factors in turn could further reduce our revenue, subject us to liability and cause us to issue credits or cause customers to fail to renew their subscriptions, any of which could adversely affect our business.

Our systems and security measures have been, and may in the future be, compromised or subject to data breaches, cyberattacks, or other malicious activity.

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), ransomware, phishing and many other techniques. If bad actors gain improper access to our systems or databases or those of our partners and other third parties who have access to our data, they may be able to steal, publish, delete, copy, unlawfully or fraudulently use or modify data, including personal information and/or blackmail us to pay a ransom. A security breach could result in monetary and other losses for us or our customers, identity theft for our customers, the inability to expand our business, additional scrutiny, restrictions, fines or penalties from regulatory or governmental authorities, loss of customers and customer confidence in our services, on-going regulatory oversight, assessments and audits, exposure to civil litigation, a breach of our contracts with third parties, all of which could harm our business, financial condition, and operating results. Also, our reputation could suffer irreparable harm, causing our current and prospective clients to decline to use our solutions in the future. Further, we could be forced to expend significant financial and operational resources in response to a security breach, including repairing system damage, increasing security protection costs, investigating and remediating any information security vulnerabilities, complying with data breach notification obligations and applicable laws, and defending against and resolving legal and regulatory claims, all of which could divert resources and the attention of our management and key personnel away from our business operations and materially and adversely affect our business, financial condition, and operating results.

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. In these cases, upon detection, we took prompt action to prevent any additional unauthorized access, put further security controls in place and worked with law enforcement agencies. 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.

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 unauthorized access to, or misuse, loss or destruction of, our and our customers' data.

Moreover, our employees, service providers and third parties work more frequently on a remote or hybrid arrangement basis, which may involve relying on less secure systems and may increase the risk of cybersecurity related incidents. We cannot guarantee these private work environments and electronic connections to our work environment have the same robust security measures deployed in our physical offices. 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 or litigation.

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. 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. 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.

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. 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, operating results and financial condition.

A network or data security incident against us, whether actual, alleged, or perceived, may result in our products and solutions not being perceived as secure. This could 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.

Any actual, alleged or perceived security breach in our systems or networks, or any other actual, alleged or perceived data security incident we suffer, could result in damage to our reputation, negative publicity, loss of customers and sales, loss of competitive advantages over our competitors, increased costs to remedy any problems and otherwise respond to any incident, regulatory investigations and enforcement actions, costly litigation, and other liability.

Our agreements with third parties, including customers, contain contractual commitments we are required to adhere to related to information security and data privacy compliance. If we experience an incident that triggers a breach of such contractual commitments, we could be exposed to significant liability or cancellation of service under these agreements. The damages payable to the counterparty as well as the impact to our service could be substantial and create substantial costs and loss of business.

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. Security breaches may result in increased costs for such insurance. 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.

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

We receive, store and process personal information and other data from and about customers, our employees, partners and service providers. In addition, customers use our products and solutions to obtain and store personal information, health information (including protected health information) and personal financial information. Our handling of data is thus subject to a variety of laws and regulations, 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.

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

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

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

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

We spend substantial amounts of time and money to research, develop and enhance our existing products, add new offerings, incorporate additional functionality, and solve new use cases to meet our customers' rapidly evolving demands. Maintaining adequate research and development resources, such as the appropriate personnel and development technology, to meet the demands of our customers and potential customers is essential to our business. If we are unable to develop products and solutions internally due to a lack of research and development resources, we may be forced to rely on acquisitions to expand into certain markets or technologies, which can be costly. When we develop or acquire new or enhanced products and solutions, we typically incur expenses and expend resources upfront to develop, market, promote and sell them. 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.

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 timely meet demand;
- 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.

If the release of our new and enhanced products and solutions do not meet customer needs or if our customers do not accept them, 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.

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

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

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

- the effectiveness of our sales force;
- the discretionary nature of purchasing and budget cycles and decisions;
- the obstacles placed by customers' procurement process;
- economic conditions and other factors impacting customer budgets;
- the customer's integration complexity;
- the customer's familiarity with e-signature and agreement automation processes;
- the complexity of contracts with certain large business customers;
- customer evaluation of competing products during the purchasing process;
- the competitive market for our products and services; 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 $1.5 billion in the year ended January 31, 2021 to $2.1 billion in the fiscal year ended January 31, 2022. We expect that, in the future, as our revenue increases, our revenue growth rate will decline as the scale of our business increases.

While we experienced an increase in paying customers and revenue due to the pandemic, there is no assurance that we will experience a continued increase in paying customers or that new or existing customers will utilize our products at similar levels when businesses return to more normalized, hybrid or in-person work environments. Additionally, future revenue growth rates may fail to meet the expectations of investors or securities analysts, particularly if measured against periods of accelerated revenue growth such as those experienced during the earlier phases of the COVID-19 pandemic and the resulting increased adoption of remote work and reduced seasonality experienced during such periods.

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

- price our products and solutions effectively so that we are able to attract and retain customers;
- attract new customers, increase our existing customers' use of our products and solutions and provide our customers with excellent customer support;
- expand our DocuSign Agreement Cloud offerings for our customers;
- continue to introduce our products and solutions to new markets outside of the U.S.;
- mitigate and effectively manage the varying impacts of the COVID-19 pandemic, including its effect on the pace of the digital transformation of business and the costs of monitoring and complying with evolving governmental mandates and removal or weakening of these mandates;
- hire, retain, train, and integrate our employee base including our sales force, research and development teams and key employees;
- successfully identify and develop, acquire or invest in businesses, products or technologies that we believe could complement or expand our products and solutions; and
- increase global awareness of our brand.

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

- sales, including a significant expansion of our global sales organization and investment in training and sales enablement;
- marketing to expand brand awareness both in the U.S. and internationally;
- our technology infrastructure, including information technology systems, systems architecture, management tools, scalability, availability, performance and security, as well as disaster recovery measures;
- product development and innovation;
- acquisitions or strategic investments;
- international expansion; and
- general administration, including legal and accounting expenses.

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

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

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 acquisition and investment activities, which could divert the attention of management, disrupt our business, dilute stockholder value and adversely affect our operating results and financial condition.

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

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

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

In addition, a failure to successfully integrate the operations, personnel or technologies of an acquired business could impact our ability to realize the full benefits of such an acquisition. Our limited experience acquiring companies

increases these risks. If we are unable to achieve the anticipated strategic benefits of an acquisition or if the integration or the anticipated financial and strategic benefits, including any anticipated cost savings, revenue opportunities or operational synergies, of such an acquisition are not realized as rapidly as or to the extent anticipated by us, our business, operating results and financial condition could suffer.

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

We sell to U.S. federal, state and local, as well as foreign, government agencies and public sector customers, as well as to customers in highly regulated industries such as financial services, pharmaceuticals, insurance, healthcare and life sciences. Sales to such entities are subject to a number of challenges and risks, including those related to the COVID-19 pandemic and our status as a service provider to U.S. state and federal governmental agencies. Selling to such entities can be highly competitive, expensive and time-consuming, often requiring significant upfront time and expense without any assurance that these efforts will generate a sale. These longer sale cycles make the timing of future revenue from these entities difficult to predict. Further, government 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, and funding reductions or delays, including as a result of the COVID-19 pandemic, may adversely affect public sector demand for our products and solutions.

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

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

Different pricing structures apply to our Agreement Cloud products. For DocuSign eSignature, we price our subscriptions based on the functionality required by our customers and the quantity of Envelopes provisioned. We expect that we may need to change our pricing or pricing structures from time to time, including in connection with the launch of new or enhanced offerings for automating the agreement process or in response to competitive pressures. As new or existing competitors introduce new competitive products or reduce their prices, we may be unable to attract new customers or retain existing customers based on our historical pricing. As we expand internationally, we must also determine the appropriate price to enable us to compete effectively in non-U.S. markets. Moreover, mid- to large-size enterprises may demand substantial price discounts as part of the negotiation of sales contracts. As a result, we may be required or choose to reduce our prices or otherwise change our pricing model, which could adversely affect our business, operating results and financial condition.

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

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

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

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

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

For example, we are in the process of implementing a new enterprise resource planning, or ERP system, which is designed to accurately maintain our financial records, enhance the flow of financial information, improve data management, and provide timely information to our management team. ERP system implementations are complex projects that require significant investment of capital and human resources, the reengineering of many business processes and the attention of many employees who would otherwise be focused on other aspects of our business. As the implementation continues, we may experience delays, increased costs, and other difficulties. We may also experience difficulties, which could disrupt our operations, the management of our finances and the reporting of our financial results. Our failure to improve our systems and processes or complete such system implementations or enhancements on a timely basis, or their failure to operate in the intended manner, could harm our business, financial condition, and operating results. Additionally, if we do not effectively implement the ERP system as planned or the ERP system does not operate as intended, the effectiveness of our internal control over financial reporting could be adversely affected.

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

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

If we fail to 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. Additionally, as the scale of our partnership efforts increases with our growth, the successful implementation of these relationships may become more time-consuming, difficult and costly to realize, which could negatively impact our business performance or our brand reputation.

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

Our products and solutions seamlessly integrate with hundreds of other software applications, including 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 continuing to maintain and scale these partnerships or establishing partnerships with additional providers as we grow. In the future, third-party providers of complementary technology offerings and software integrations may decline to enter into, or may later terminate, relationships with us; change their features or platforms; restrict our access to their applications and platforms; alter the terms governing use of and access to their applications and APIs; or implement other changes that could functionally limit or terminate our ability to use these third-party technology offerings and software integrations with our platform, any of which could negatively impact our offerings and harm our business.

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

Our operating results may vary based on the impact of changes in our industry or the global economy on us and our existing and prospective customers. The revenue growth and potential profitability of our business depend on demand for our products and solutions. Current or future economic and global market uncertainties or downturns could adversely affect our business and operating results. Economic uncertainty and associated macroeconomic conditions make it difficult for our customers and us to accurately forecast and plan future business activities, and could cause our customers to slow spending on our products. Negative conditions in the general economy both in the U.S. and abroad, including conditions resulting from changes in interest rates, gross domestic product growth, financial and credit market fluctuations, inflation, political turmoil, natural catastrophes and the effects of climate change, regional and global conflicts and terrorist attacks on the U.S., Europe, the Asia Pacific region or elsewhere, could cause a decrease in business investments, including spending on information technology, and negatively affect the growth of our business. 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 fund our operations through payments by our customers for use of our product offerings and related services. In addition, as of July 31, 2022, we had outstanding $37.1 million aggregate principal amount of the 2023 Notes, $690.0 million aggregate principal amount of the 2024 Notes and available borrowing capacity of $500.0 million under our credit facility. We cannot be certain when or if our operations will generate sufficient cash to fund our ongoing operations or the growth of our business.

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, in the event that we incur additional

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

We have 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 July 31, 2022, we had $37.1 million principal amount of indebtedness outstanding under our 2023 Notes, $690.0 million principal amount of indebtedness outstanding under our 2024 Notes and available borrowing capacity of $500.0 million under our credit facility. 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.

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

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

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

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

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

create products and solutions that compete with ours. Some license provisions protecting against unauthorized use, copying, transfer and disclosure of our products may be unenforceable under the laws of jurisdictions outside the U.S. To the extent we expand our international activities, our exposure to unauthorized copying and use of our products and proprietary information may increase.

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

In order to protect our intellectual property rights, we may be required to spend significant resources to monitor and protect and enforce these rights, including through litigation. Litigation brought to protect and enforce our intellectual property rights could be costly, time consuming and distracting to management and could result in the impairment or loss of portions of our intellectual property. Furthermore, our efforts to enforce our intellectual property rights may be met with defenses, counterclaims and countersuits attacking the validity and enforceability of our intellectual property rights. Our inability to protect our proprietary technology against unauthorized copying or use, as well as any costly litigation or diversion of our management's attention and resources, could delay further sales or the implementation of our products and solutions, impair the functionality of our products and solutions, delay introductions of new solutions, result in our substituting inferior or more costly technologies into our products and solutions or injure our reputation. We will not be able to protect our intellectual property if we are unable to enforce our rights or if we do not detect unauthorized use of our intellectual property. Moreover, policing unauthorized use of our technologies, trade secrets and intellectual property may be difficult, expensive and time-consuming, particularly in foreign countries where the laws may not be as protective of intellectual property rights as those in the U.S. and where mechanisms for enforcement of intellectual property rights may be 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 may be subject to legal proceedings and litigation for a variety of claims, including labor and employment issues, intellectual property disputes, securities law violations, derivative litigation and other matters, which may be costly and may subject us to significant liability and increased costs of doing business. Our business may suffer if it is alleged or determined that our technology infringes the intellectual property rights of others or if the cost and time-commitment of litigation diverts resources from our other business activities.

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

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

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

Regardless of the merits or ultimate outcome of any claims that have been or may be brought against us or that we may bring against others, lawsuits are time-consuming and expensive to resolve, divert management's time and attention, and could harm our reputation. Although we carry general liability and other forms of insurance, our insurance may not

cover potential claims that arise or may not be adequate to indemnify us for all liability that may be imposed. We may also determine that the most cost-effective way to resolve a dispute is to enter into a settlement agreement. Litigation is inherently unpredictable and we cannot predict the timing, nature, controversy or outcome of lawsuits or assure you that the results of any of these actions will not have an adverse effect on our business, operating results or financial condition.

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

Our success and future growth depend upon the continued services of highly skilled personnel, including our management team and other key employees. Changes in our management team resulting from the hiring or departure of executives and key employees from time to time could disrupt our business. In the last 12 months, there have been significant changes to our senior leadership team. For example, in June 2022, Dan Springer, our President and Chief Executive Officer, and Scott Olrich, our Chief Operating Officer, resigned from the Company, and in June 2022, Mary Agnes ("Maggie") Wilderotter, our director and Board Chair, was appointed as our interim President and Chief Executive Officer. There have been several other transitions in our senior leadership team in recent months.

These changes, and any future significant leadership changes or senior management transitions, such as the hiring of a permanent chief executive officer, involve inherent risk. Any failure to find a timely and suitable replacement, or to ensure an effective transition, could hinder our strategic planning, business execution and future performance. In addition, executive leadership transition periods can be disruptive and may result in a loss of personnel with deep institutional or technical knowledge, or result in changes to business strategy or objectives, and has the potential to negatively impact our operations and relationships with employees and customers due to increased or unanticipated expenses, operational inefficiencies, uncertainty regarding changes in strategy, decreased employee morale and productivity, and increased turnover.

Our future success, and our ability to achieve our operational and business objectives, depends in large part on the successful recruitment, integration and continued service of senior management and other key personnel. In particular, we are highly dependent on the services of our senior management team, many of whom are essential to the development of our technology, platform, future vision, and strategic direction. Our senior management and key employees are employed on an at-will basis, meaning that we may terminate their employment at any time, with or without cause, and they may resign at any time, with or without cause. If we lose one or more of our senior management or other key employees and are unable to find adequate replacements, or if we fail to attract, integrate, retain and motivate members of our senior management team and key employees or otherwise fail to retain a significant portion of our workforce, our business could be harmed.

We also are dependent on the continued service of our existing software engineers because of the complexity of our products and solutions. In particular, we compete with many other companies for software developers with high levels of experience and skilled sales and operations professionals in an increasingly tight U.S. labor market. We also require skilled product development, marketing, sales, finance and operations professionals, and we may not be successful in attracting and retaining the professionals we need, particularly in our principal U.S. locations in the San Francisco Bay Area and Seattle. 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. To remain competitive, we may experience increased compensation-related expenses.

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

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

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

Our agreements with some customers and other third parties include indemnification provisions under which we agree to indemnify them for losses suffered or incurred as a result of claims of intellectual property infringement, data protection, damages caused by us to property or persons, or other liabilities relating to or arising from our offerings, solutions or other contractual obligations. Some of these indemnity 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 Electronic Signatures in Global and National Commerce Act ("ESIGN Act") and eIDAS. Any warranty or indemnification claim brought by our customers could result in damage to our reputation and harm our business and operating results.

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, 2022, 2021 and 2020 total revenue generated from customers outside the U.S. was 23%, 20% and 18% of our total revenue. As of July 31, 2022, we have offices in 12 countries and approximately 32% of our full-time employees were located outside of the U.S. We are continuing to adapt to and develop strategies to address international markets but there is no guarantee that such efforts will have the desired effect. We expect that our international activities will continue to grow as we continue to pursue opportunities in existing and new international markets, which will require significant management attention and financial resources.

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

- changes in a specific country's or region's political or economic conditions, including the pace of the digital transformation of business in that country or region;
- exposure to regional or global 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 U.S. policy initiatives;
- unexpected changes in laws and regulatory requirements, including but not limited to, taxes or trade laws;
- more stringent regulations relating to privacy and data security and the unauthorized use of, or access to, commercial and personal information, particularly in Europe;
- differing labor regulations, especially in Europe, where labor laws are generally more advantageous to employees as compared to the U.S., including deemed hourly wage and overtime regulations in these locations;
- challenges inherent in efficiently managing an increased number of employees;
- difficulties in managing a business in new markets with diverse cultures, languages, 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;
- limitations on our ability to reinvest earnings from operations in one country to fund the capital needs of our operations in other countries;
- laws and business practices favoring local competitors or general preferences for local vendors;
- limited or insufficient intellectual property protection or difficulties enforcing our intellectual property;
- regional or global conflicts, including sanctions or other laws and regulations prohibiting or limiting operations in certain jurisdictions;
- political instability or terrorist activities;
- exposure to liabilities under anti-corruption and anti-money laundering laws, including the U.S. Foreign Corrupt Practices Act of 1977, as amended ("FCPA"), the U.S. domestic bribery statute contained in 18 U.S.C. § 201, the U.S. Travel Act, the U.K. Bribery Act, and similar laws and regulations in other jurisdictions; 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 credit facility provides our lenders with a first-priority lien against substantially all of our assets, and contains financial covenants and other restrictions on our actions, which could limit our operational flexibility and otherwise adversely affect our financial condition.

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

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

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

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

Risks Related to Governmental Regulation including Taxation

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.

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 or shareholder litigation.

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

We are subject to 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.

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

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

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

- Additionally, the FTC and many state attorney generals are interpreting federal and state consumer protection laws as imposing standards for the online collection, use, dissemination, and security of data. For example, California has enacted the California Consumer Privacy Act (the “CCPA”) and later the California Privacy Rights Act (the “CPRA”) which will take effect on January 1, 2023 and supersede the CCPA. The CPRA and the CCPA may lead other states to pass comparable legislation, with potentially greater penalties, and more rigorous compliance requirements relevant to our business.

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

Internationally, many countries have established their own data privacy and security legal framework with which we, our customers and partners may need to comply. For example, in Europe, the General Data Protection Regulation (the

“GDPR”) contains robust obligations on data controllers and processors and fulsome documentation requirements for data protection compliance programs by companies. As a result of our presence in Europe and the United Kingdom (“UK”) and our products and services being offered in the EU and the UK, we are subject to the GDPR, UK GDPR, the UK Data Protection Act 2018, and other similar regional European data protection regulations, all of which impose stringent data protection and cybersecurity requirements, and could increase the risk of non-compliance and the costs of providing our services in a compliant manner. A breach of the GDPR, UK GDPR or other such data protection regulations, could result in regulatory investigations, reputational damage, fines and sanctions, orders to cease or change our processing of our data, enforcement notices, or assessment notices (for a compulsory audit). Such penalties are in addition to any civil litigation claims by customers and data subjects. We may also face civil claims including representative actions and other class action-type litigation (where individuals have suffered harm), potentially amounting to significant compensation or damages liabilities, as well as associated costs, diversion of internal resources, and reputational harm. The GDPR in particular imposes strict rules on the transfer of personal data out of the EU to a “third country,” including the U.S. 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.

Legal developments in Europe also create complexity and uncertainty regarding transfers of personal data from the EU and the UK to the U.S. Notable recent developments include the invalidation of the EU-U.S. Privacy Shield Framework (“Privacy Shield”) on July 16, 2020, under which personal data could be transferred from the European Economic Area (“EEA”) to U.S. entities who had self-certified under the Privacy Shield scheme prior to invalidation. To safeguard data transfers from the EEA to other jurisdictions, including the U.S., we currently utilize respective Binding Corporate Rules and standard contractual contracts as the approved data transfer mechanisms by the EU Commission for corresponding applicable data transfer activity. The EU Commission has also published revised standard contractual clauses for data transfers from the EEA: the revised clauses must be used for relevant new data transfers from September 27, 2021; existing standard contractual clauses arrangements must be migrated to the revised clauses by December 27, 2022.

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

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 certifications under the FedRAMP in the U.S. 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.

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

We operate globally and are subject to taxes in the U.S. and numerous other jurisdictions throughout the world, and the tax regimes we are subject to or operate under, including income and non-income taxes, are unsettled and may be subject to significant change. Changes in tax laws (including provisions of the recently enacted federal tax legislation titled the Inflation Reduction Act), regulations, or rulings, changes in interpretations of existing laws and regulations, or changes in accounting principles could negatively and materially affect our financial position and results of operations.

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

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

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

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

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

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

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

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

We are subject to the FCPA, the U.S. domestic bribery statute contained in 18 U.S.C. § 201, the U.S. Travel Act, the U.K. Bribery Act, and other anti-bribery and anti-money laundering laws in the countries in which we conduct activities. As we increase our international sales and business and sales to the public sector, 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. Any 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, 2022, we had accumulated net operating loss carryforwards and research tax credits in our federal, state and foreign jurisdictions with varying expiration dates.

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

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 COVID-19 pandemic, including its effects on customer demand for our solutions and the pace of the digital transformation of business and hybrid work arrangements;
- 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;

- the consummation, and the anticipated benefits, of our stock repurchase program;
- 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 U.S.;
- terrorist attacks, natural disasters and the effects of climate change, regional and global conflicts, sanctions, laws and regulations that prohibit or limit operations in certain jurisdictions, public health crises (such as the COVID-19 pandemic) or other such events impacting countries where we have operations; and
- general economic, regulatory and market conditions, including inflation and interest rate fluctuations.

In addition, broad market and industry fluctuations, as well as general economic, political, regulatory and market conditions, may negatively impact the market price of our common stock. In the past, companies that have experienced volatility in the market price of their securities have been subject to securities class action litigation. We have been subject to and may be in the future subject to 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 also provide eligible employees with the opportunity to purchase shares of our common stock at a discounted price per share through our ESPP and 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. 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 U.S.. 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 U.S. 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.

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.

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

Servicing our debt requires a significant amount of cash, and we may not have sufficient cash flow or cash on hand to pay our debt, 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.

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, any borrowings including under our credit facility 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.

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 respective indentures governing the Notes) at a repurchase price equal to 100% of the principal amount of the Notes to be repurchased, plus accrued and unpaid regular or special interest, if any, to, but excluding, the fundamental change repurchase date. In addition, if a make-whole fundamental change (as defined in the respective indentures for the Notes) occurs prior to the respective maturity dates 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 credit facility prohibits us from making any cash payments on the conversion or repurchase of the Notes if an event of default exists under the credit facility or if, after giving effect to such conversion or repurchase (and any additional indebtedness incurred in connection with such conversion or a repurchase), we would not be in pro forma compliance with our financial covenants under the credit facility. Further, 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.

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

The conditional conversion feature of the 2023 Notes entitles (and equivalent features of the 2024 Notes may in future entitle) holders of the Notes to convert them at any time during specified periods at their option. When 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.

General Risk Factors

The COVID-19 pandemic has materially affected and may continue to impact how we and our customers are operating our businesses, and the duration and extent to which this will impact our future business, results of operations and financial condition remain uncertain.

The pandemic has materially affected and may continue to impact how we and our customers are operating our businesses, and the duration and extent to which this will impact our future results remain uncertain.

During the pandemic, we experienced periods characterized by exceptionally high revenue growth, as customers rapidly shifted to remote, web-enabled operations and digital agreements. We later experienced periods in which the urgency of customer demand slowed. It can be difficult to predict customer demand, especially as their priorities, resources and economic outlook change, along with other shifting market conditions. These shifts have occurred and may in the future occur more quickly than we anticipate. If we are unable to respond quickly to rapidly changing market conditions and shifts in customer behavior, our business and results of operation could be harmed, and the trading price of our common stock could be adversely affected.

During the pandemic, we have taken a number of precautionary measures to ensure the health and safety of our employees, partners and customers, including shifting to hybrid work arrangements, imposing work-related travel restrictions for our employees and shifting customer, partner and investor events to virtual-only formats. We continue to assess the efficacy and continuation of these measures based on evolving conditions and applicable laws and regulations. There can be no assurance that these measures will be effective, or that we can adopt or continue them without adversely affecting our business operations and financial condition. Changes in our operations in response to the pandemic may result in inefficiencies or delays that cannot be fully mitigated through succession planning, remote or hybrid work arrangements or teleconferencing technologies. These mitigation efforts may also lead to inefficiencies of our employees, operational and cybersecurity risks and other circumstances which could have an adverse impact to our results of operations and financial condition.

Finally, the effects of the COVID-19 pandemic, or the easing of COVID-19-related restrictions, also may heighten other risks, including significant volatility in global markets and the trading price of our common stock. The full impact of the pandemic on our business will continue to depend on future developments, including but not limited to, the emergence of new coronavirus variants, the actions undertaken to contain the virus or mitigate its impacts and the easing or removal of such actions, vaccine efficacy against COVID-19 variants, current or future travel restrictions and the related impact to the global economic environment, all of which could evolve and are difficult to predict. Additionally, due to our subscription-based business model, the full effects of these changes may not be fully reflected in our results of operations until future periods. If the COVID-19 pandemic continues to have a substantial impact on our employees, partners or customers or if the abatement of the pandemic results in decreased demand or a more challenging sales environment, our business, results of operations and financial condition may be harmed. To the extent that the pandemic harms our business and results of operations, many of the other risks described in this “Risk Factors” section will be exacerbated.

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

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

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

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

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

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

The following table summarizes our stock repurchases during the three months ended July 31, 2022:

Period	Total Number of Shares Purchased [1]	Average Price Paid Per Share [2]	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (in thousands)
June 1 - June 30	213,882	$63.19	213,882	$186,486
July 1 - July 31	179,682	$63.97	179,682	$174,992
Total	393,564		393,564	$174,992

(1) In March 2022, our board of directors authorized and approved a stock repurchase program of up to $200.0 million of our outstanding common stock. Repurchases of our common stock may be effected from time to time, either on the open market, block trades, in privately negotiated transactions, and other transactions in accordance with applicable securities laws. The program does not obligate the Company to repurchase any specific number of shares and may be discontinued at any time. The program has no expiration date and will continue until otherwise suspended, terminated, or modified at any time for any reason by our board of directors. See Note 8 "Stockholders' Equity and Equity Incentive Plans" of this Quarterly Report on Form 10-Q for additional information related to stock repurchases.

(2) Average price paid per share includes costs associated with the repurchases.

ITEMS 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
3.1	Amended and Restated Certificate of Incorporation.	8-K	001-38465	3.1	May 1, 2018
3.2	Amended and Restated Bylaws.	8-K	001-38465	3.1	March 10, 2022
10.1#	Offer Letter, dated June 17, 2022, by and between Mary Agnes Wilderotter and the Registrant.	8-K	001-38465	10.1	June 22, 2022
10.2#	Amendment to Amended and Restated Executive Severance and Change in Control Agreement, dated June 21, 2022, by and between Cynthia Gaylor and the Registrant.	8-K	001-38465	10.2	June 22, 2022
10.3#	Amendment to Executive Severance and Change in Control Agreement, dated June 21, 2022, by and between James Shaughnessy and the Registrant.	8-K	001-38465	10.3	June 22, 2022
10.4#	Amendment to Executive Severance and Change in Control Agreement, dated June 21, 2022, by and between Stephen Shute and the Registrant.	8-K	001-38465	10.4	June 22, 2022
10.5#	Separation Agreement and General Release of Claims, dated July 28, 2022, by and between Scott Olrich and the Registrant.	8-K	001-38465	10.1	July 29, 2022
10.6#	Offer Letter, dated as of May 19, 2022, by and between Inhi Cho Suh and the Registrant.	8-K	001-38465	10.1	September 8, 2022
10.7#	Executive Severance and Change in Control Agreement, dated as of July 5, 2022, by and between Inhi Cho Suh and the Registrant.	8-K	001-38465	10.2	September 8, 2022
10.8#	Amendment to Executive Severance and Change in Control Agreement, dated as of July 5, 2022, by and between Inhi Cho Suh and the Registrant.	8-K	001-38465	10.3	September 8, 2022
31.1	Certification of the Chief Executive Officer pursuant to Exchange Act Rule 13a-14 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.			Filed herewith	
31.2	Certification of the Chief Financial Officer pursuant to Exchange Act Rule 13a-14 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.			Filed herewith	
32.1*	Certification of the Chief Executive Officer and the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.			Filed herewith	
101.INS	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document).				
101.SCH	Inline XBRL Taxonomy Extension Schema Document.				
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.				
101.DEF	Inline XBRL Taxonomy Definition Linkbase Document.				

101.LAB	Inline XBRL Taxonomy Extension Labels Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

# Indicates management contract or compensatory plan, contract or agreement

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

SIGNATURES

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

Date: September 8, 2022

DOCUSIGN, INC.

By: /s/ Mary Agnes Wilderotter
Mary Agnes Wilderotter
Interim Chief Executive Officer
(Principal Executive Officer)

By: /s/ Cynthia Gaylor
Cynthia Gaylor
Chief Financial Officer
(Principal Accounting and Financial Officer)

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

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

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

I, Mary Agnes Wilderotter, certify that:

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

Date: September 8, 2022

By: /s/ Mary Agnes Wilderotter
Mary Agnes Wilderotter
Interim 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, Cynthia Gaylor, certify that:

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

Date: September 8, 2022

By: /s/ Cynthia Gaylor

Cynthia Gaylor
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, Mary Agnes Wilderotter, the Chief Executive Officer of DocuSign, Inc., certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of DocuSign, Inc. for the fiscal quarter ended July 31, 2022 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of DocuSign, Inc.

Date: September 8, 2022

By: /s/ Mary Agnes Wilderotter
Mary Agnes Wilderotter
Interim Chief Executive Officer
(Principal Executive Officer)

I, Cynthia Gaylor, the Chief Financial Officer of DocuSign, Inc., certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of DocuSign, Inc. for the fiscal quarter ended July 31, 2022 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of DocuSign, Inc.

Date: September 8, 2022

By: /s/ Cynthia Gaylor
Cynthia Gaylor
Chief Financial Officer
(Principal Accounting and Financial Officer)