



UiPath
Second Quarter 2022 Earnings Conference Call
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Presenters

Daniel Dines, Co-Founder and CEO
Ashim Gupta, CFO
Kelsey Turcotte, Investor Relations

Q&A Participants

Remo Lenshell – Barclays
Keith Weiss – Morgan Stanley
Mark Murphy – JP Morgan
Terry Tillman – Truist Securities
Kirk Materne – Evercore ISI
Michael Charne – Wells Fargo Securities
CT Paragrahi – Missulo
Scott Burg – Needham
Matt Hedberg – RBC Capital Markets
Brian Bergen – Cowen
Steve Enders – KeyBanc
Fred Habermeyer – Macquarie
DJ Hines – Canaccord
Brad Sills – Bank of America Securities
Steve Koenig – SMBC Nikko

Operator

Hello, and welcome to the UiPath second quarter 2022 earnings conference call and webcast. At this time, all participants are in listen only mode. If anyone should require operator assistance, please press “*” “0” on your telephone keypad. A question and answer session will follow the formal presentation. We ask you please ask one question and then return to the queue. As a reminder, this conference is being recorded. It's now my pleasure to turn the call over to Kelsey Turcotte, Investor Relations. Please go ahead.

Kelsey Turcotte

Good afternoon, and thank you for joining us today to review UiPath second quarter fiscal 2022 financial results, which we announced in our earnings press release issued after the close of the market today. On the call with me are Daniel Dines, UiPath co-founder and chief executive officer, and Ashim Gupta, Chief Financial Officer. We will open with prepared remarks followed



by a Q&A session. Our earnings press release and financial supplemental are posted on the UiPath Investor Relations website; ir.uipath.com.

These materials include reconciliations of non-GAAP financial measures to the most directly comparable financial measures calculated in accordance with US GAAP. Unless otherwise specified, we will refer to non-GAAP metrics on today's call. The non-GAAP financial measures provided should not be considered as a substitute for or superior to the measures of financial performance prepared in accordance with U.S. GAAP. They are included as additional clarifying items to aid investors in further understanding the company's second quarter fiscal year 2022 performance in addition to the impact these items and events have on the financial results.

In addition, please note that we define ARR as annualized renewal run rate. This afternoon's call includes forward looking statements about future events, including statements related to our market and future growth opportunities, our planned investments, our vision and the benefits of our product platform, customer behaviors, our customers' potential automation spend the ability of our platform to deliver a return on investment to our customers, and our financial guidance and the assumptions underlying such guidance. Actual results may differ materially from those expressed in the forward looking statements due to many factors, and therefore investors should not place undue reliance on these statements. For a discussion of the material risks and uncertainties that could affect our actual results, please refer to our earnings release and other reports filed with the SEC.

Forward looking statements made on this call reflect our views as of today. We undertake no obligation to update them. Before I turn the call over to Daniel I would like to highlight that this webcast is being accompanied by slides. We will post the slides and the copy of our prepared comments to our Investor Relations website.

Finally, we'd like to invite you to attend Forward IV, our annual user conference. We will be holding this event in person in Las Vegas on October 4th through 6th. To register, please go to the homepage of our Investor Relations website for further information. Now, I would like to hand the call over to Daniel.

Daniel Dines

Thank you, Kelsey. And thank you to everyone for joining us this afternoon. The momentum in our business continued in our second fiscal quarter as ARR increased 60% year over year to 726.5 million driven by record net new ARR of 73.9 million. We believe we have a long term opportunity to drive durable growth and build a company that will transform how organizations compete, employees experience work, and companies interact with their customers. The opportunity for unlock human potential is vast, and we are in the very early stages of the market ahead of us.

This is why we plan to continue to invest across the business. We are hiring the best engineers to deliver market living capabilities across our platform, increasing our sales teams to reach



more customers faster, investing in partner enablement to help our customer scale, and growing our vibrant community ecosystem that has crossed 1.5 million members. These are just a few of the investments that we expect will further widen the competitive mode and sustain our leadership position.

Just a few short years ago, we introduced our first set of capabilities built on our unique combination of UI automation, API Management, and AI based computer vision that addressed the needs of the core RPA market. Back then, our customer count numbered in the hundreds. Since then, we have evolved those capabilities into an end to end platform that covers the full lifecycle of automation, drives fast time to value, and ROI for customers. As of the end of the second quarter, our customer base was more than 9,100 and the number of our customers who are leveraging our platform to accelerate automation is growing quickly.

We have 1,247 customers that accounted for at least \$100,000 in ARR, up 59% from 785 in the second quarter of last year. This includes 118 customers at \$1 million plus in ARR, up 100% from 59. These numbers demonstrate not only the significant demand for automation, but demand for automation at scale.

A great example is Handelsbanken, one of the largest banks in the Nordics, which chose to work with UiPath as a strategic part of their digitalization journey. Our entire platform offering and vision was a key factor in their selection. And they now have plans to utilize Attended Robots, AI, Process Mining, and Task Mining with the goal of automating at least 75 processes within the next year.

Task Mining, which was introduced this past spring, is generating a lot of interest from both new prospects and existing customers. It is a great example of our commitment to innovation and how we can help take the friction out of adoption. With Task Mining, customers can now discover and recommend new automations with the help of AI. And when combined with Process Mining, like Handelsbanken has done, and Automation Hub in the Discovery pillar of our platform, we expect this will accelerate our customers' automation journey and drive adoption across our platform.

Another example of a scaling customer is Chipotle, which continues to lead digital transformation in retail and deliver on their vision for Intelligent Restaurants. Chipotle has been a UiPath Automation Cloud customer since 2019 and, in the second quarter, they added Automation Hub and additional unattended robots to help manage and support their growing pipeline of automation opportunities. They are also investigating UiPath Task Mining for automation opportunities in their restaurants.

Not only for Chipotle, but for most of our customers, flexibility of deployment is an important consideration when they are choosing an automation partner. This is where Automation Cloud plays a key role in our end-to-end strategy. It allows customers to manage software robots where they are needed, on premise or in the cloud, through a single web portal delivered as a



service. And we continue to make Automation Cloud even easier to use, recently creating a tool to simplify the process of moving an on-premises Orchestrator to Automation Cloud. This has helped customers such as Dentsu, whose strategic vision is to elevate its employees' potential by integrating automation and AI in both internal processes and client-facing services.

Automation Cloud has grown at an amazing pace from GA in December of 2019 to approximately 2,850 customers in 2021. In fact, more than 45% of our new customers purchased Automation Cloud in the quarter, many of them deploying in a hybrid environment. Because of our ability to support customers across deployment models, we can put customer requirements first every time.

Even with all of this recent innovation, including the spring release of 21.4, which has more customers using it within three months than any release in our history, we are constantly pushing to see what we can achieve next. One of those challenges is addressing unstructured data which, if we can accomplish it, substantially broadens what customers can accomplish with automation and increases our total addressable market.

Right now, we leverage AI and ML across our platform, offering more than 25 pre-built Machine Learning models to help customers automate more quickly. Customers of all sizes see the value in AI and ML and frequently ask us to deliver new functionality in the platform. In the second quarter this led to the introduction of a new ML model to public preview that identifies key elements from text, then classifies them to enhance automation in use cases like email processing. It also led to delivery of a highly requested new feature in Document Understanding. Document Understanding now sends validation tasks to end users via UiPath Action Center and also enables the auto retraining of ML models for continuous learning and accuracy improvements over time.

This is where we see the potential for Semantic Automation. We believe the market will evolve from what is now rules and instructions based, frequently requiring human intervention, to software that follows a process and learns how to emulate humans. Achieving Semantic Automation as we envision it is not going to be easy and it is going to take time, but we have always been at the forefront of automation, and we are excited by the challenge.

Our constant innovation results in broad recognition of our market leadership by practitioners, thought leaders, and industry analysts. It also attracts partners to either join our go-to-market ecosystem or expand the depth of their relationship with us. Investing in partners to promote their success is fundamental to our strategy. Our UiPath Services Network, or USN, was designed to provide our partners with training, certification, and marketing programs. USN recognizes an elite network of service and delivery partners that work with our customers to offer skills on par with our Professional Services team. This quarter, both EY and Cognizant successfully completed the rigorous requirements of USN certification.



Before I turn the call over to Ashim, I want to quickly highlight Automation for Good, one of many initiatives that demonstrate how we put our values into action. We believe in the transformative power of automation to bring out the best in people and the potential of people to bring out the best in our world. By way of example, automation has the power to help neurodiverse individuals find and retain meaningful employment. The unemployment rate for autistic individuals is staggering, with over 80% of individuals unable to find work.

To help address this challenge, UiPath is supporting AutonomyWorks, a company that employs people with autism to deliver business services. You may have seen them on 60 Minutes. By creating software robots designed to make workloads manageable, this allows those with autism the opportunity to flourish in highly skilled roles, and work with cutting-edge automation software. We are proud of this partnership which is just one example of the impact of our efforts around the world.

Finally, we invite you to join our user conference, Forward IV, next month in Las Vegas where you will get to see all of our latest innovations firsthand. We are very excited about the upcoming introduction of 21.10, our newest platform release, which will include multi-cloud, multi-platform capabilities that we believe will further expand our addressable market and leadership position. With that, I'll turn the call over to Ashim to discuss our Q2 performance and guidance in more detail.

Ashim Gupta, Chief Financial Officer:

Thank you, Daniel, and thank you, everyone, for joining us today. Before I get started, please note that all growth rates are year-over-year unless otherwise indicated. I am pleased with our second quarter results, which, yet again, delivered meaningful growth at scale driven by our market leading automation platform that drives fast time to value and tangible benefits.

In fact, in an upcoming IDC White Paper sponsored by UiPath, IDC estimates that the economic benefits driven by UiPath will grow from \$7 billion worldwide in 2021 to \$55 billion in 2025. Of the three benefit vectors, increased revenue, decreased expenses, and increased quality, they expect the benefit from revenue gains will be larger than expense cuts, and job growth from increased revenue to outpace job losses from expense reduction.

We ended the second quarter with ARR of \$726.5 million, up 60%. Net new ARR was \$73.9 million, growing 33%, driven by increased adoption of our core product portfolio, Automation Cloud, as well as new product offerings. We run the business and evaluate our performance based on ARR. This quarter's strong results were driven once again by our world class land and expand go-to-market model.

New logos included the State of New Mexico, the New York Power Authority, and the University of Washington Medicine. In the second quarter Prospect Medical started their automation journey with broad platform adoption, including Test Suite and Insights. Accuity, selected



UiPath automation cloud and plans to utilize Automation Hub as well as Task Mining among other products to stand up a Citizen Developer Program.

On the expand side, our second quarter dollar based net retention rate of 144% continues to be best in class as customers expand platform adoption, add users, and deploy more software robots. And even with these strong expansion metrics, the opportunity for our install base to grow remains significant as we estimate that we have only captured 3 to 5% of their potential automation spend.

Another way to look at this expansion dynamic is ARR lifetime value, or ARR LTV, and the purchasing frequency of our largest customers. For those of you who are not on the webcast, we have added two slides to our earnings deck for reference.

- First, our customers by annual cohort. These cohorts demonstrate continual year-over-year expansion - with many of them making repeat purchases within the first 12 months. This kind of growth comes from our ability to quickly create value and drive meaningful ROI for our customers.
- Second, our Top 25 customers where we see the momentum driven by automation at scale. This lens on our customer base shows not only the applicability of automation across a diverse set of business verticals, but also the repetitive nature of buying which happens quarter after quarter. For example, a Top 25 customer in the healthcare industry made their initial purchase to automate a handful of use cases in IT. Over time they found additional automation opportunities across IT and shared services, ultimately setting up a Center of Excellence to service numerous federated automation teams around the globe. And while they have tied automation to an enterprise objective of saving more than \$1 billion, they have also expanded their adoption by leveraging automation across subsidiaries, acquisitions, and to drive top-line revenue having adopted capabilities across our platform.
- And, finally, ARR LTV multiples. Among our top customers, ARR expansion has been strong. A theme that carries through to our Top 25 customer cohort, which has grown to approximately 233 times their initial investment. If we expand the ARR LTV analysis to include our top 50 customers, they have an LTV of 90 times. And what I see as the most illustrative of the potential of our customer base, is the LTV for our top 100 customers of 62 times. All of the customers in this Top 100 cohort are included in the 118 customers that account for \$1 million plus in ARR.

To ensure that as many of our customers as possible see these kinds of results, we work side by side with our partners, which now number more than 4,700, to enable and accelerate adoption. Partners also expand our global reach and bring us into strategic, digital transformation programs. A great example of this is Shopify, a recently acquired UiPath customer. Working



with one of our Big Four partners, Shopify selected our automation platform to enable them to deliver an even better experience to their users.

As always, we also look at ways to innovate and, in the second quarter, we signed a strategic partnership with Deloitte to invest in their Smart Factory at Wichita State. This joint ecosystem play is focused on creating the Factory of the Future, and integrating industry leading capabilities like UiPath to re-define how factories operate. This will be a ground-breaking showcase of the benefits of software and physical robot collaboration. We are committed to investing in our partners and helping them scale their UiPath business.

Now, turning to our second quarter, I will be discussing results on a non-GAAP basis, unless otherwise noted. Second quarter revenue increased 40% to \$195.5 million compared to \$139.4 million in the prior year period. Looking at our pipeline, which is strong across geographies, we see the opportunity to move customers to deal structures with annual ramping which we expect will lower overall discounts. This structure creates better ROI for our customers, long-term engagement opportunities for our partners, and will yield better overall margins for UiPath. It is also positive for ARR growth, which is our most important metric, but it can create short-term revenue variability due to the timing of license delivery and GAAP revenue recognition.

The durability of our long-term growth can be seen in remaining performance obligations, or RPO, which were \$519.9 million in the second quarter, an increase of 80% year-over-year. Gross profit margin in the quarter was 86% compared to 90% in the prior year period. Software gross margin of 94% was offset by services gross margin of negative 65%. While we continue to run the services business to be approximately cash flow neutral, we expect the timing of revenue recognition as well as investment in customer adoption through partner enablement to create fluctuations in services gross margin over time.

Operating expenses for the second quarter totaled \$161.0 million. We continue to invest in headcount across our salesforce and customer success teams as well as engineering. GAAP operating loss of \$97.8 million included \$92.6 million of stock-based compensation expense related to our equity program. Non-GAAP operating income was \$6.7 million, compared to a loss of \$7.6 million in the prior year period.

Adjusted free cash flow in the quarter was negative \$3.5 million compared to a positive \$28.1 million in the prior year period as we continue to invest in the business. We ended the quarter with \$1.9 billion in cash, cash equivalents, and marketable securities and no debt.

Turning to our financial outlook. Guidance reflects our confidence in our market leadership, differentiated technology, and focused execution.

For the third quarter fiscal 2022.



- We expect ARR to be in the range of \$796 to \$798 million. As I have emphasized repeatedly, ARR is the key metric for measuring UiPath, and it lays a strong foundation for the company as we scale.
- We expect revenue to be in the range of \$207 to \$209 million. As a reminder, given the variability introduced by ASC 606, we do not focus the business on short-term revenue growth which can be lumpy quarter to quarter and dislocated from ARR and the long-term growth and health of the business.
- And we expect non-GAAP operating loss to be in the range of negative \$30 to negative \$15 million, as we continue to invest in the business while still driving efficient operations.
- For fiscal 2022, we expect ARR to be in the range of \$876 to \$881 million, an increase from prior guidance of \$850 to \$855 million, provided on our fiscal first quarter 2022 earnings call

Before I conclude I'd like to provide a few incremental modeling points. First, we expect sales and marketing spend to increase in the back half of the year. This includes expenses related to our third quarter user conference, Forward, as we start to return to some of our pre-COVID marketing activities.

Second, our guidance includes an assumption that there will be a return to office when possible. We continue to monitor the impact of the Delta variant on our teams worldwide and are actively supporting employees and their families where needed. And finally, we expect basic share count for the third quarter to be approximately 531 million shares outstanding. In summary, the team delivered a strong second quarter reflecting our market leadership and focus on execution. Looking ahead, we have a very strong pipeline, and we expect to continue our momentum in the second half of the year.

In the near term we are excited to host our user conference Forward IV. We invite you to come and speak with our executive team, customers, and partners which include Global Tech Sponsors AWS and Microsoft as well as Diamond Sponsors Accenture, CGI, Cognizant, Deloitte and PwC. This significant partner presence underscores their strong support for UiPath and the industry's largest dedicated automation event. We hope to see you there. We'll now take questions, and I'll turn the call over to the Operator. Operator, please poll for questions.

Operator

Thank you. We'll now be conducting a question and answer session. If you'd like to be placed in the question queue, please press "*" "1" on your telephone keypad. We ask you please ask one question then return to the queue. Once again, that's "*" "1" to be placed into question queue. If you'd like to remove your question from the queue, please press "*" "2." One moment, please, hold the poll for questions. Our first question today is coming from Remo Lenshell (PH) from Barclays Your line is now live.



Remo Lenshell

Hey. Thank you, and congrats from me on a great quarter. One question on the demand signals you're seeing. You obviously delivered really well throughout the pandemic. But now that we're coming out, what do you see in terms of customer appetite to accelerate even further to digital transformation, do more around, you know, the — your RPA offering, process mining offering, et cetera? So — so you know, how do you see this demand? Is it going to be stable for you, or would you kind of think this could accelerate even further? Thank you.

Daniel Dines

Thank you for the question. We always said that COVID was net neutral for us. We've seen some business industries accelerating, worsen, deceleration in other industries. As we are getting hopefully in the last phase of COVID, we see solid demand in — for our technology, for our platform. We are seeing quite a solid pipeline for the second part of the year. And our extended line of products, like process mining and task mining are starting to show really good traction with our customers. Maybe, Ashim, you want to add something.

Ashim Gupta

No, I concur, Remo. Look at — look at the long term demand signals that we see. Daniel talked about the strength of our pipeline. We love our competitive position. The awareness in the market around our platform is higher than ever, as you can see from a lot of the industry reports that have also come out. So we actually feel very positive about the long term demand coming out of COVID.

Operator

Thank you. The next question is coming from Keith Weiss from Morgan Stanley, your line is now live.

Keith Weiss

Excellent. Thank you guys for taking the question. And congrats on the very nice quarter. Ashim, I just wanted to dig in a little bit on — on the guidance. So we — we — you raised the full year guide by about 26 million on — in ARR after beating Q2 by 24 million, and Q3 is about 20 million ahead of where consensus was. So I was just wondering, with that setup, are — are you signaling to us that, like, consensus was a little bit too weak for Q3 and strong for Q4 and you're trying to readjust it, or is there a demand signal in Q4 you're trying to make us aware of? Because implicitly, like, Q4 comes down a little bit in terms of ARR. Thank you.

Ashim Gupta

You know, Keith we can — we can follow up, but the way that I look at it is I really flowed through the beat from third quarter in terms of what we saw as consensus that was through there as we look out. In terms of just the overall demand signal, I would say, you know, everything that we talked about is at the — from the macro trends, we still see in line for the



year, which is a continued healthy best in class dollar based net retention rate, a really steady execution on new logos.

In terms of the specific guidance, really, you know, I — as I look out to third and fourth quarter, I continue to guide based on what I see right in front of me. And our teams are continuing to execute in terms of driving the demand, driving the expansion in the field. And I — I feel like we're set up, you know, to continue to execute well in the second half.

Operator

Thank you. Your next question is coming from Mark Murphy from JPMorgan. Your line is now live.

Mark Murphy

Yes, thank you very much. And I'll add my congrats. So Ashim, you had commented on being an opportunity to move customers. I think you said to contracts with the annual ramping, but I'm not sure if I assimilated that correctly or heard that correctly. Could you just walk us through how those contracts are structured and maybe how quickly the mix might change? Any kind of, you know, any — any way we might play that through a roll that forward into — into our revenue forecast?

Ashim Gupta

Yeah, sure. So when I talk about an annual ramping contract, one of the things that is really positive for us is digital transformation is a long term trend. And what has happened — with the strength of UiPath platform is automation is a staple for the long term requirements for customers to transform the way they work and digital transformation. So what that means is, instead of buying simple annual contracts, what we see a larger demand for is getting larger term commitments from some of our customers. But the way they look at that is, instead of buying 10,000 robots today, they may buy 1000 robots today, 5000, next year, 10,000 in year three, and those — the license deliveries would happen into those years as we go down.

And so one of the things that we look at is that — we like that, because that is better ROI for our customers. And I — when we think about the impact of financial metrics, two things. One is remember, we — and I — I repeat this. We — we really drive our company to ARR. From an ARR perspective, there is no impact that is there. Based on — based on the way the contracts are structured, if licensed deliveries happens in the out years, then that does have, you know, that creates variability in revenue because we only can recognize the revenue upon delivery of the license. And so that is kind of a way that I think about it from a modeling perspective of revenue. But again, I stress, ARR, really, there's no impact. And that's how we drive the business.

Operator

Thank you. The next question today is coming from Terry Tillman from Truist Securities. Your line is live.



Terry Tillman

Yeah, thanks, Daniel, Ashim, and Kelsey for taking my question. And congrats on the \$1 million plus deal productivity. I really like seeing that. My question just relates to all the partner activity. There's been lots of press releases from you and your partners in terms of working together. And I think you said you're up to 4700 now. It's a two part question in terms of, are they more helpful, this emerging partner ecosystem with landing customers, or more of the strategic expansion? And where are you with the productivity curve of these partners? Thank you.

Daniel Dines

We are very proud of growing our partner network. We've been able to grow to more than 4,700 partners up from 4,400 last quarter. And the partner network is quite a big focus. It's a — it's a central piece of our growing strategy. It's both for bringing new logos, but also quite a bit in expanding into our existing customers.

Ashim Gupta

And then, just to add on is, in terms of the productivity curve, you know, we see a lot of customers investing. So that is why you see a lot of the USM press releases that we have out there, E&Y (PH), PwC, Cognizant, you know, these just underscore the commitment of our customer of our partners to come up the productivity curve. At the same time relative to the importance of this is going to play for our customers, we look at this as a tremendous opportunity that we'll continue to invest in. And we invest in that directly with our partners, as well as with our organizations to help enable our partners come up the curve and ensure the right service quality to our customers who are really counting on this to meet their ROI needs.

Operator

Thank you. The next question today's coming from Kirk Materne from Evercore ISI. Your line is live.

Kirk Materne from Evercore ISI

Oh, yeah. Thanks very much and congrats on the strong ARR numbers. Daniel, can you just talk about — actually, it follows up on Terry's question around partners. But are — are the partners getting trained up on the full portfolio? I guess, are they starting just with sort of the more basic automation and then moving into process mining? It would seem to me that, you know, having your partners, you know, fully equipped, you know, understanding process mining, you know, the cloud automation technologies, you can help accelerate customer adoption of that. I guess, how influential are there in — in terms of customers taking on the whole platform versus maybe just the — the — the starting automation points? Thanks.

Daniel Dines

Great question. We're — we're looking always to train our partners in the full array of components of our platform. And especially we are seeing really a growth interest in the task



mining technology. The tool was catching up quite well with our customers. And we aim to really make all of them capable of delivering this to the entire network of customers that we are having.

I believe that understanding the entire platform as a whole, it's a — it's a central to how we want to scale up our big customers. This is why we basically invested in all the pillars of delivering automation. You cannot just — if you start only with the core, which traditionally was used to be called RPA, that is just a certain number where you can get into really automating most of the manual repetitive tasks. But bringing all the pieces together, it's — it's what increases the velocity of widespread adoption within our enterprise customers.

Operator

Thank you. Our next question is coming from Michael Charne (PH) from Wells Fargo Securities. Your line is live.

Michael Charne

Hey, there. Good afternoon. Thanks for taking the questions. Appreciate it. I certainly appreciate it, and it's clear the focus on IRR, given the moving pieces. I wanted to hopefully just focus in on the net new number there as well. The ARR growth has been pretty consistent at 60%. That net new number has bounced around a bit more the past few quarters. Just wondering if there's anything you can add to help us move those trends. And maybe if there's any impact on the uptick in automation cloud is having there or anywhere else in the model would be — would be helpful as well. Thank you.

Ashim Gupta

Look, I — you know, I — I look at our incremental ARR, that numbers that we — the net new ARR that we've been posted. I — we're very pleased with it. You know, it reflects the investment. It reflects both the strong dollar base — the impact of the strong dollar based net retention rate as well as the steady execution of new logos. We continue to invest in our sales force. So you know, as we continue to bring up, you know, our — our sales team and — and ramp up additional reps, which we've been doing, you know, I feel very good about the overall trajectory to fulfill the — the pipeline that we have in front of us, which has grown and is very strong.

In terms of automation cloud, you know, I look at cloud overall and I think — I think, you know, that remember that the majority of what we do is in hybrid, meaning they are run it — so from a from a revenue standpoint, from a demand standpoint, while it's a differentiator to win — will win the deal, it doesn't really impact the difference of ARR, right? It's more of an impact on revenue.

And then, when you think about just the cloud metrics, automation cloud has grown to approximately 2,850 customers since its launching in December 2019. Overall, the feedback from our customers is great. They love the investment in the roadmap. So they have choice,



and they have different deployment options, which is a real strength and competitive differentiator for — for us as a company. And it's instrumental as we continue to win deals and we continue to — to gain traction in the market.

Operator

Thank you. Next question today is from Siti Paragrahi from Mizuho (PH). Your line is now live.

Siti Paragrahi

Thanks for taking my question. I just wanted to ask about adoption of this attended versus un-attend — unattended. But what sort of trends are you seeing and is there the — the mix vary between new deals versus extension deals?

Daniel Dines

We didn't see any major change in the adoption of attendees versus un-attending this quarter. We are roughly seeing the businesses adopting both, which is the big strength of our platform. We are the only platform that can provide best in class unattended and attended robots. And we are continued to invest on this front.

For instance, I am very proud that in this fall we are going to release attended robots for Mac and for Mac users. So we are effectively extending our total addressable market to — from the people that are using we Windows machines in the office to, basically, people that are using Macs, and in the future who will go to all sorts of devices. So we continue to really look to when an external were made in the attended space. While I think it's clear for everyone here that in the other than the space, we've been a clear leader for a long time.

Ashim Gupta

And Siti, just one thing that, you know, I think it's important to emphasize, when you look at the use cases as you think about driving durable growth, use cases like the contact center, you know, that — sometimes we — we put attended with simplicity, really, you need a robust attended offering to solve the complexities and drive the meaningful ROIs for our customers that is there. And that's important, not just for the land, but also for the expand. As people go and take advantage of more use cases, the need for both technologies working in concert is more important than ever for our customers.

Operator

Thank you. Next question today, coming from Scott Berg (PH) from Needham. Your line is now live.

Scott Berg

Hi, everyone, congrats in the good quarter, and thanks for taking my questions. I guess I have one because it's come up, I think, in every investor conversation I've had on you guys this quarter. It's how should we think about the progression of the deployment model moving from your term model to a cloud model over time? You guys obviously highlighted some recent



successes there. But it's probably the number one question I get considering, you know, most of the companies we all cover here do have a phenomenally fast distribution (INAUDIBLE). Thank you.

Ashim Gupta

So when you — when you think about it, you know, I — we've always talked about, you know, a shift that — which we've factored into a lot of the discussions we've had at the IPO time of around 20%, you know, movement to the cloud. So a lot of that is already baked into how we think about the future. We're on that trajectory. I think what we see is, the demand for different cloud components is there.

So when I think 2,850 customers are using automation cloud — that doesn't necessarily mean that doesn't mean they're on a full SaaS offering. That means they're on a hybrid deployment offering, which uses some components that are in the cloud and some that — some that is on prem. And that is not forced — that is not forced by UiPath. We actually respect our customers choices, because they have certain infrastructure requirements, certain security requirements, their own journey to the cloud that we want to be able to support rather than forcing them into our mechanism.

The feedback and the — the other point on the cloud is our execution has been really world class. When you look at what our product and engineering team has done with, you know, with Ted Kummert's leadership, the feedback from the customers has been extraordinary. Customers like Chipotle, Acuity, they're starting their journey with the cloud, right? And so we like the mix that we're seeing. It's in line with what — with what we've talked about, historically. And so far, you know, I'd say we're going to continue to execute to that trend. There's no major deviations that are worth highlighting.

Operator

Thank you. The next question is coming from Matt Hedberg (PH) from RBC Capital Markets. Your line is live.

Matt Hedberg

Great. Thanks for taking my question, guys. Yeah, you know, I wanted to ask about StudioX. I know it's a little early, but can you talk about how, perhaps, that's influencing expansion and — and, you know, what it really means for — from a seat count perspective to be able to expand the opportunity with that — with that offering?

Daniel Dines

(INAUDIBLE) was for us, so perhaps the most successful product launch after our core RPA technology. And it effectively allowed us to go into the citizen development market and could extend quite a bit the people able to deliver our — to deliver automation on the top of our platform. Now, we continue to invest in StudioX as a major tool to foster the community of



citizen developers. We have gone — extended also to be available multiplatform, so you will expect quite a bit of investment from us in the — in the coming few quarters.

It's — right now we are doing really a major advance into multi-cloud and multi-platform and we are launching Linux based robots. We just announced yesterday the public review available. We are launching Mac support. We are gonna launch, early next year, the web based StudioX that will make it even easier to adopt. But overall, we really believe that it's important to have a suite of tools that cater to a large array of options from professional developers to citizen developers and to all business users.

Operator

Thank you. Our next question is coming from Brian Bergin (PH) from Cowen. Your line is now live.

Brian Bergin

Hey, good afternoon. Thank you. I had a follow up question on the incremental ARR from new logos. Can you just comment on the drivers there and how we should be thinking about incremental ARR from new logos within that 2022 outlook? Perhaps, can you comment on average deal size you might be seeing in the pipeline as well?

Ashim Gupta

Yeah. Thanks for the question, Brian. Average deal size to us has been relatively constant. You know, as customers tend to land in similar ways as we speak, even though they may land at different portions of our platform. So we've always talked about that lab — average land size somewhere between 15 and \$25,000, somewhere in there. You know, in terms of the factors that are driving new logos, one is the macro factors. We see more and more awareness that is there. And at the same time, you know, customers who are not familiar with automation still are looking for education.

I — I do think that we're — we're continuing to be in the early phases of this — of this market. So the long term, trend and pipeline we feel really bullish about. In terms of just execution internally, our team has done a great job with the — with the investment that we've made in an inside sales team, both in the Americas as well as in Europe, that is driving really good execution and really great unit across economics in terms of the customer acquisition cost. And that, for us, is — that's for us is something that is very positive. And we're going to continue to invest in those areas as they're generating the return that we expected and continuing to drive momentum there.

Operator

Thank you. Our next questions today is coming from Michael Turits (PH) from KeyBanc. Your line is now live.

Steve Enders



Hey, great. This is Steve Enders on for — for Michael. I just wanted to ask a little bit around the competitive environment that you're — you're seeing out there. It seems like there's been a lot of — a lot of either M&A in the space and people moving into adjacent — adjacent areas of the automation software market. But have you seen any kind of change in — in the landscape in the past quarter in the past year or so?

Daniel Dines

So we all know this is a big market growing quickly. And automation is a central base of the digital transformation. So obviously, all major players in the cloud and the business application or eyeing our space. We — the — I think the most important movement in this market was done by Salesforce that acquired a small German company. And it played out — we — we kind of expected this. And I think it really made sense for Salesforce.

And what is quite telling is that they added this small RPA company to — to the (INAUDIBLE) suite of products. So Salesforce is seeing a consolidation between Low-Code/No-Code integration and automation. And this is exactly what we have told the market for a long time when they have expanded into this areas for a long time. With this big release in the fall, you should expect really a smooth integration of our Cloud Element acquisition that was done in the beginning of this year.

So we will make a very well-oiled machine around automation with Low-Code/No-Code that we have introduced a year or something ago. And now we're really combining UI automation and API automation in very good integrated package. We believe that our angle towards this consolidated platform is our — our angle that comes from emulating people is really the one is — that is the winning angle.

All these small acquisitions made me think that still the big software players don't understand how difficult it is to build emulation software. This is our bread and butter. We have built it for a long time and, starting from this angle, we — it gives us a tremendous opportunity to extend our reach (PH) to the entire consolidated automation space.

Operator

Thank you. Our next question is coming from Fred Havermeier (PH) from Macquarie. Your live is now live.

Fred Havermeier

Hey, thank you. And a question for Ashim. You know, momentum — ARR is — is clearly your metric for momentum here. And I wanted to ask also about, you know, the mapping of duration and ARR as that flows through the rest of your model, because as I'm looking at this, it really looks like we're seeing less multiyear upfront deals, certainly to your point that you are shifting more towards annual deals across the board. And between that and potentially fewer multiyear annual deals based on what I'm looking at here, it looks like that's having a number of impacts across your model and revenue as well as potentially and deferred revenue that you have on



your balance sheet. So, you know, Ashim, if you could, could you simply walk us through some of those impacts, and then, to the extent that you can, provide a bit of color on some of the duration mix shifts that we're seeing here in this model? Thank you.

Ashim Gupta

Sure. So, first thing to note is, remember, you can look at duration in two ways. There's billing duration and there's contract duration. Billing duration means typically prepaid deals that we have there. And contract duration just means the duration of the contract regardless of payments. The majority of our deals are one year, and we are continue — you know, we continue to emphasize that, as you said, with the emphasis on ARR.

That being said, our contract duration is — is steady. You know, when you adjust for some of the large, you know, some — some unusual that are there, year over year contract duration, you do see towards a trend for us that is, you know, that is — that is shorter, as we put more emphasis on ARR versus history. Billings duration is down, and that is because we've de-emphasized prepaid deals given our cash position and our gross retention rate.

So you know, when your gross retention rate is 98%, you know, we don't feel kind of compelled to trade any type of discount for long for getting the cash in the door, right? Today, we're able to make better and better economic decisions from the position of strength. That being said, this is all going to fluctuate based on the mix of deals. And you know, I talked about it earlier, there is an opportunity to move customers to deal structures with annual ramping, which does provide lower overall discount levels. It's better ROI for our customers as well, as they can really lock in to the — their automation needs that they have today and provides more predictability for themselves as well as their engagement opportunities for — for our partners.

That shift is positive for ARR growth, but it — but like I mentioned earlier to an earlier question, it — it can create short term variability. And if there's any confusion on ramp, remember what I mean is you can buy robots as 100 per year for a three year deal. Or you can buy robots as 100, 200, 300, you know, in a deal, and then the licenses for that additional 100 per year get — gets delivered in subsequent years, which is why there's, you know, why — why that creates variability in terms of revenue recognition. So you know, that — I know that it's not the simple subjects but, you know, happy to address that further in follow ups.

Operator

Thank you. The next question today's coming from DJ Hynes (PH) from Canaccord. Your line is now live.

DJ Hynes

Hey. Thanks, guys. And I'll add my congrats in the quarter. So you guys have talked a lot with us about the synergies between RPA and AI and ML. I'm just curious, like, how do you explain this to prospective customers and how influential would you say it is in deal cycles today? I'm — I'm



trying to get a sense for where we are in terms of tact — tactical deployments versus maybe more strategic adoption, if that makes sense.

Daniel Dines

We have introduced, recently, an overarching concept that we call semantic automation. And this is an umbrella term that define how we are going to approach the next phase of automation that is becoming closer to how human workers perform their jobs. In the early phase of RPA, we were after more repetitive, completely rule based tasks. And our robots never really understood what we were doing — what they were doing there. In this like stage, se aim to bring a lot more knowledge about the task themselves and about the data that these processes are moving from one obligation to the other.

So this is a natural evolution that may — marries the world of automation with the world of AI. AI is quintessential into reducing the gap between how robots operate and how people operate. And we are making huge investments. We are making each you should expect from us each quarter from now, incremental progress towards this overarching vision. For instance, this — this release, this major release in October, we'll see the introduction of technology called forms (PH) AI, which is capable of creating nice user interface for us based strictly on the data. So it's making creating for our customers even easier. It's creating this beautiful form that allows interaction between humans and robots. And we will add incrementally more and more of this features that really commend a lot of advanced AI techniques.

Operator

Thank you. Our next question today is coming from Brad Sills from Bank of America Securities. Your line is now live.

Brad Sills

Oh, great. Hey, guys, thanks for taking my question. Just one on the expansion activity. Real healthy here holding in at that 144 net retention level. Wondering what is — what does it take for a customer to kind of maybe cross that threshold? Is there a tipping point where you see, you know, multiple departments, a certain number of robots when you start to really see that acceleration, the expansion into some of those metrics you provided for top 25, top 50, top 100 accounts? And then, how could the — the task miner help potentially accelerate that trend? Thank you so much.

Daniel Dines

Well, our strategy was always to have customers accelerate their automation with the full platform. This is really the best way to quickly achieve meaningful return on investments. Our customers typically start with a handful of use cases to prove out the return and expand when they realize the potential. Accelerating automation and ensuring customer success is truly a combination of technology and partners. Our technology provides a full-fledged automation platform that is really instrumental into the large scale adoptions and clearly increasing the net



retention rate, while our partners are instrumental into making this adoption happening at speed. And I'm sure Ashim has more to add in terms of practical numbers.

Ashim Gupta

Yeah, so you know, when you look at our dollar based net retention, or you're right, Brad, we're very pleased with 144%. And we're very pleased with our — with the percentages of customers greater than 100,000, which is, you know, crossing 124 — 1,247 which is up 50% and million dollar plus customers, you know, growing 100% plus 118 right now.

When you ask about what's the tipping point, I'd say there's a couple things. One is definitely interdepartmental, you know, buying, that's a huge opportunity for us that we continue to see and customers take advantage of. In terms of the dollar base, you know, the reason why we — we really track that \$100,000 mark, that really is what we start thinking about is escape velocity where it shows that automation is a hugely strategic part of a customer's digital transformation journey. It has meaningful presence and investment in, you know, by our customers. And we — we are very happy to see it which drives what, you know, the LTV that I talked about earlier. That's really that escape velocity that gets you to that 62x for the top 100 in terms of expansion versus its original deal. 90 times for our top 50 and 233 times for our top 25. So that's how I think about the tipping point, primarily is use case expansion and department expansion.

Operator

Thank you. Our final question today's is coming from Steve Koenig from SMBC Nikko. Your line is now live.

Steve Koenig

Hi, gentlemen. Hey, thanks for squeezing me. I'll just ask a two-parter here. First one, just to put a little bit of a finer point on an earlier question about IARR from new logos, I was wondering maybe just some color on — on the increment from new logos versus net retention. And are you seeing that new logo contribution turned around from — from last year? I think was down a little bit in the pandemic.

And then just secondly, on the product roadmap, you know, I'd be interested, Daniel, any color from you as we're seeing voice UIs and chatbots proliferate. Kind of, what are the opportunities for RPA here and the — and the integration possibilities, you know, building on what you have today? Thanks very much.

Ashim Gupta

So I'll — I'll start with the — with the first part. So in terms of new logos, you know, we — we see roughly, you know, greater than 500 new logos that — that get added every quarter. We've been seeing that trend, you know, steady, and we feel very good about it for some of the questions discussed earlier. Roughly, I would say \$17 million of our incremental ARR comes from that new logo — new logo detent — the new logo acquisition. And then, one thing that's important is our gross retention rate is 98%. So having a robust new logo without, so to speak, a



leaky, you know, a leaky pod is — really supports why you see such robust growth numbers. And that speaks to the strength of our, you know, of our position and the importance of automation in the market and why we feel so strongly about durable growth. I'll pass it over to Daniel for the second part of the question.

Daniel Dines

Yeah, I would like to make a case here that with this release, these four, we are clearly expanding our market. Linux robots will deliver a faster, more flexible, more efficient, back end automation, while extending on the Mac computers will allow us to really present our offering to a large number of Mac users that are among our customers. That was one of the most requested feature for us. I'm saying this, to us, it's very important to put the technology in the hands of as many customers as possible. And you mentioned the, if I heard correctly, about voice AI. We believe conversational AI is going be a clear part of any big automation platform to us. We regard it as a subspecies of Low-Code/No-Code application development. And we — it's clearly something that we are eyeing on our roadmap.

Operator

Thank you. We've reached the end of our question and answer session. I'd like to turn the floor back over to Daniel for any further or closing comments.

Daniel Dines

I want to thank you all very much for participating in this afternoon's call. I also want to thank the UiPath team for their hard work, our partners for their dedication to our customers, and our shareholders for your ongoing support. We look forward to speaking with many of you throughout the quarter. Thank you.

Operator

Thank you. That does conclude today's teleconference and webinar. You may disconnect your line at this time and have a wonderful day. We thank you for your participation today.