



Third Quarter Fiscal 2024 Earnings Conference Call

Presenters

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

Q&A Participants

Morgan Stanley – Theo Thun
JP Morgan – Mark Murphy
Evercore – Chirag Ved
Bank of America – Brad Sills
Barclays – Raimo Lenschow
Truist Securities – Terry Tillman
Macquarie – Frederick Havemeyer
Mizuho Securities – Siti Panigrahi
KeyBanc Capital – Michael Turits
Needham – Scott Berg
Wells Fargo – Michael Turrin
TD Cowen – Jared Levine
Wolfe Research – Ethan Bruck

Kelsey Turcotte, Senior Vice President of Investor Relations:

Good afternoon and thank you for joining us today to review UiPath's third quarter fiscal 2024 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's Co-Founder and Co-Chief Executive Officer; Rob Enslin, Co-Chief Executive Officer; and Ashim Gupta, Chief Financial Officer. Rob will start the discussion and then turn the call over to Daniel. After that Ashim will review our results and provide guidance. Then we will open the call for questions.

Our earnings press release and financial supplemental materials are posted on the UiPath Investor Relations website: ir.uipath.com. These materials include GAAP to non-GAAP reconciliations. We will be discussing non-GAAP metrics on today's call.

This afternoon's call includes forward-looking statements about our ability to drive growth and operational efficiency and grow our platform, as well as our financial guidance for the fourth quarter fiscal 2024. 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 Annual Report on Form 10-K for the year ended January 31, 2023, and our subsequent reports filed with the SEC, including our Quarterly Report on Form 10-Q for the period ended October 31, 2023 to be filed with the SEC. Forward looking statements made on this call reflect our views as of today; we undertake no obligation to update them.

I would like to highlight that this webcast is being accompanied by slides. We will post the slides, and a copy of our prepared comments to our investor relations website immediately following the conclusion of this call. In addition, please note that all comparisons are year over year unless otherwise indicated.

Now, I would like to hand the call over to Rob.

Rob Enslin, Co-Chief Executive Officer:

Thank you, Kelsey. Good afternoon, everyone, thanks for joining us.

Our third quarter results underscore the compelling value our end-to-end automation platform delivers for our customers and the strength of our business model.

For the quarter, ARR grew 24% to \$1.378 billion, driven by third quarter net new ARR of \$70 million, while revenue was \$326 million, up 24%.

We continue to deliver growth while driving operational efficiencies across the organization. Non-GAAP operating margin increased more than 600 basis points year over year to 13%. We also delivered non-GAAP adjusted free cash flow of \$44 million.

As many of you know, at the beginning of this fiscal year we pivoted our go-to-market resources towards organizations that have a meaningful runway to invest in enterprise automation over the long-term. This investment has significantly increased our presence in the C-suite and helped raise our profile with partners of all sizes. You could feel our momentum at Forward VI, our annual user conference, where we hosted more than 3,000 guests, including automation practitioners, industry visionaries, and key customer decision makers. We also launched our inaugural UiPath AI10 Awards program, recognizing UiPath customers who embody what it means to be a leader in AI at Work. I left the event super energized about the tangible value our platform is delivering for customers and our leadership position in the market.



FX-adjusted dollar based net retention for the quarter was 123% and we closed a record number of third quarter deals over \$1 million in ARR. Customers with \$1 million or more in ARR grew 31% to 264, while customers with \$100,000 or more in ARR increased to 1,974.

Industry verticalization continues to be a strategic priority for the company with playbooks, marketing events, and enablement to support our teams. We now have 70 solution accelerators available in our marketplace, with IT Service Management Software user provisioning and two-way match invoice processing for Coupa and SAP among some of the most popular downloads.

While we saw broad based strength in net new ARR across industries this quarter, there were a couple of standouts.

The Federal team delivered a record quarter as agencies are increasingly standardizing on our AI-powered Business Automation Platform with a robust set of end-to-end capabilities to enrich employee experience, create mission readiness, and achieve breakthrough outcomes. Customer highlights included Veterans Affairs, Coast Guard, the IRS, and the Department of Homeland Security. We are also working with the United States Department of Agriculture to support their Future of Work initiative, delivering a new era of citizen and employee experiences. Using our full platform, USDA is driving mission impactful enterprise automations across their HR, Finance, and IT departments. The program also features a digital assistant on every USDA employee desktop, driving personal productivity for approximately 100,000 employees.

Momentum continues in financial services and healthcare where automation delivers considerable value. This includes one of our top 25 customers, a large non-profit health system in the US. Taking a deeper look at their automation journey, they are a great example of how customers expand with us over time. Working closely with our account executives and GSIs, their journey started in 2018 with core RPA and, over the last several years, they have expanded to attended automation, Document Understanding, Test Suite, and Process Mining. To date, they have achieved a return on investment of over \$250 million and this quarter, in one of our largest deals in company history, they expanded to the full platform as they work to create a centralized Enterprise Automation Service department with a mandate from their EVP sponsor to deliver automation across their entire enterprise. They are also in the process of developing use cases for Communications Mining and UiPath Apps.

Customers standardize on our AI-powered Automation Platform to deliver transformational outcomes that streamline processes, eliminate errors, and operate with the enterprise-quality execution needed to succeed in today's environment. A



great example is Johnson Controls. After starting their automation journey in 2021 with core RPA, they adopted the full UiPath platform as they work to consolidate their automation program to one end-to-end solution. They also plan to leverage our AI capabilities like Document Understanding, Test Suite, and Task Mining to drive automation across their entire business.

Another example is The Department for Work and Pensions, the UK's largest public service department. They have been using core RPA since 2018 to help their most vulnerable citizens improve their quality of life by automating millions of service and support claims each year. Since their first deployment, they have scaled to over 1,000 robots in production and saved 3.1 million hours to date. During the quarter they expanded to the full platform as they look to harness AI and integrate Document Understanding, Process Mining, and Communications Mining into their automation program to improve citizen services, drive operational efficiency, and increase cost saving and capacity creation.

We are also landing new logos which are adopting multiple platform products in their first purchase like Tenable and KIK Consumer Products. In their first phase of deployment KIK intends to leverage unattended robots and Document Understanding to drive efficiency across their finance department, with the long-term goal of scaling automation across their entire enterprise.

Our value-based go-to-market tool, NorthStar, also continues to drive deeper customer conversations as we strategically position the differentiated and actionable benefits of AI-powered automation. A great example is Sobeys, a customer since 2020, where we created a Northstar roadmap to help them maximize the ROI of their automation program. As a result, Sobeys expanded their automation footprint in the quarter to streamline processes in Finance, Merchandising, and Supply Chain and to improve their hiring process in stores. They are also investigating how they may be able to use our platform in their SAP transformation journey.

Turning to our SAP partnership, while in the early stages, we are excited about the collaboration between our teams. I recently joined Scott Russell, SAP Executive Board Member, Customer Success, to co-host their sales leadership meeting and we continue to see success in signing new logos from the partnership like The Arnott's Group. An Australian producer of biscuits and snack food, The Arnott's Group selected the UiPath Platform to optimize business processes and reduce operating costs. Their initial focus will be automating end-to-end sales order and invoice processing. We also announced an expanded partnership with Deloitte, one of SAP's largest and most strategic partners.



Deloitte will embed the UiPath AI-powered Business Automation Platform into their Ascend service delivery platform, powering the next generation of SAP transformations.

These strategic relationships are powerful for our customers, but they also drive increased engagement with GSIs, and our partner ecosystem has never been more invested than they are right now. At Forward VI, we hosted an impactful session for more than 750 partners outlining our streamlined strategy that is designed to accelerate growth and revenue for our partners, while creating solutions that deliver exceptional value to our customers.

Our partners and GSIs are an important element of our go-to-market motion that help us expand our reach to customers in a scalable, efficient, and cost-effective manner. For example, working with Deloitte, an Australian Government agency has built a robust automation program across their finance and HR business lines where they utilize Document Understanding to streamline invoice processing, reduce errors, and enhance data accuracy. To further accelerate their automation program, they adopted Task Mining in the quarter to analyze processes and accelerate scoping activities.

Broadening our technology ecosystem also makes it easier for customers to deploy automations and we recently announced several new strategic partnerships. These include Amazon Bedrock, which enables automation developers and citizen developers to seamlessly integrate Generative AI directly in their UiPath Studio and Studio Web automations, and the availability of the AI-Powered Business Automation Platform on the Google Cloud Marketplace in early 2024.

In summary, third quarter results are another proof point of our commitment to delivering strong top-line growth with expanding profitability and non-GAAP adjusted free cash flow. I want to thank our employees and partners for their support. None of this would be possible without your relentless focus on unlocking value for our customers day in and day out.

With that, I'll turn the call over to Daniel.

Daniel Dines, Co-Founder and Co-Chief Executive Officer:

Thanks, Rob. Good afternoon everyone, thanks for joining us.

The automation market is at an inflection point, and as the market leading tool that enables organizations to derive actionable value from AI, we believe this is a huge opportunity for UiPath.



At Forward VI we introduced our latest platform release, 2023.10, and delivered scores of new capabilities that seamlessly translate the potential of AI into tangible action to drive business outcomes for our customers.

From my perspective one of the most exciting announcements at Forward was UiPath Autopilot, a new set of AI-powered capabilities for developers, testers, analysts, and knowledge workers, designed to enhance the user experience across the UiPath platform. We expect Autopilot, which is based on Generative AI, to bring our unique capabilities in RPA, API automation, Document Understanding, and Specialized AI to the full spectrum of enterprise-grade end-to-end processes automation.

Autopilot for Studio is intended to help developers across skill levels build automations faster by leveraging natural language descriptions to generate automation workflows. For less technical developers this is a great starter tool, while an advanced developer will benefit from increased productivity. Autopilot for Test will accelerate every phase of the testing lifecycle from generation of tests to surfacing insights from test results. And, finally, as the AI companion for business users, we anticipate that Autopilot for Everyone will help users create and use personalized and intelligent micro automations on the fly.

We also shared exciting announcements around Intelligent Document Processing at Forward, introducing our next-generation experience powered by active learning and Generative AI. Our next-gen IDP permits almost anyone to train Specialized AI models for specific domains and document types, and our internal benchmarking shows that our next-gen IDP experience accelerates model training time by up to 80%—from a week to a day for complex scenarios, or down to minutes for simpler forms.

Document Understanding is driving significant value for customers including a Chicago based public utility. Working with Deloitte, they have created a robust automation program across their organization leveraging our AI products like Document Understanding to automate their meter inspection process where they have achieved over \$12 million and 163,000 hours in savings to date. With c-level sponsorship, during the quarter they expanded their UiPath deployment to incorporate Test Suite into their automation journey with a goal of saving over \$70 million a year.

And, we are humbled by third party recognition of our achievements, including IDC MarketScape: Worldwide Intelligent Document Processing or IDP, 2023-2024 Vendor Assessment where UiPath was named a leader in IDP for our broad market leadership and robust IDP capabilities in UiPath Document Understanding and Communications Mining integrated into our broader enterprise automation platform.



Innovation is a cornerstone of our strategy and we challenge ourselves every day to deliver market leading capabilities with a customer first mindset. I spent a lot of time with our teams in both Bellevue and Romania this quarter and am energized by our cutting edge product roadmap focused on transforming enterprise automation by harnessing the next-generation of AI technologies. Together with our world-class team of engineers I am excited to dedicate more time driving UiPath's innovation agenda as I transition into my new Chief Innovation Officer role this winter.

With that, I will turn it over to Ashim.

Ashim Gupta, Chief Financial Officer:

Thank you, Daniel. And good afternoon everyone.

Unless otherwise indicated I will be discussing results on a non-GAAP basis and all growth rates are year over year.

Turning to the third quarter, ARR totaled \$1.378 billion, an increase of 24%, driven by net new ARR of \$70 million. Excluding the FX tailwind, net new ARR totaled \$69 million.

We ended the quarter with 10,865 customers, including new logos like New Relic, Smile Doctors, Beacon Health System, and MidWestOne Financial Group. As we said last quarter, we continue to see macro headwinds at the lower end of our market and remain focused on acquiring customers with a higher propensity to grow.

Our dollar-based net retention rate for the quarter was 121%. Normalizing for FX, dollar-based net retention rate was 123%. Dollar-based gross retention of 97% continues to be best in class.

Revenue grew to \$326 million, an increase of 24% year-over-year. Normalizing for FX, which was an approximately \$3 million tailwind, revenue grew 23%.

Remaining performance obligations increased to \$995 million, up 31% year-over-year. Normalizing for FX, which was an approximately \$16 million tailwind, RPO grew 29%.

Current RPO increased to \$599 million.

Turning to expenses.

We delivered a third quarter overall gross margin of 87%, and software gross margin was 92%. As the team continues to drive cost discipline, we now expect fiscal year 2024 gross margins to be approximately 86%.



Third quarter operating expenses were \$240 million, highlighting the leverage in our business and our commitment to expense management and operating discipline.

GAAP operating loss of \$56 million included \$96 million of stock-based compensation expense.

Non-GAAP operating income was \$44 million, resulting in a third quarter non-GAAP operating margin of 13%.

Third quarter non-GAAP adjusted free cash flow was \$44 million.

As of October 31, we had \$1.8 billion in cash, cash equivalents, and marketable securities and no debt. Under our \$500 million buy back program, which we announced on September 6th, we repurchased 3.2 million shares of our Class A common stock at an average price of \$16.26 through October 31. Since November 1st, under a 10b5-1 plan, we repurchased an additional 1.7 million shares at an average price of \$17.38 through November 28, 2023.

Now, let me turn to guidance, which assumes the global macroeconomic environment continues to be variable.

For the fiscal fourth quarter 2024, we expect:

- Revenue in the range of \$381 million to \$386 million.
- ARR in the range of \$1.450 billion to \$1.455 billion.
- Non-GAAP operating income to be approximately \$78 million.

And, we expect fourth quarter basic share count to be approximately 567 million shares.

And, finally, we expect fiscal year 2024 non-GAAP adjusted free cash flow of more than \$250 million.

Thank you for joining us today and we look forward to speaking with many of you during the quarter.

With that, I will now turn the call over to the Operator.



Operator:

Thank you. Ladies and gentlemen, at this time, we will be conducting a question-and-answer session. Our first question comes from the line of Keith Weiss with Morgan Stanley. Please proceed with your question.

Theo Thun:

Great. Thank you. Theo Thun on for Keith Weiss. Maybe just start off quick question on sort of AI and how you see it fit into the current budget environment. Clearly, budget growth is still somewhat suppressed and you're one of the few companies that's sort of uniquely positioned between traditional automation and Generative AI technologies. Where do you see customers kind of take the dollars from when they're spending on these AI technologies whether that's within the product areas that you offer or more broadly, anything that's kind of coming out of your customer conversations in terms of how spend is getting reallocated in light of AI.

Robert Enslin:

Yeah. Good question. What I would say is that when customers are looking at spending with us and the AI story and AI to automation connection really fits well the way customers want to invest. And in many cases, the investments are coming out of the business case and business value that we produce in NorthStar and are able to show the efficiencies and how to gain so they can invest in innovation. And they see us as an innovation leader today with AI and innovation combined with our AI-powered platform. So I don't feel like it's been taken away from one group to another. I feel it's really driven by the business case. We are able to drive with C-level suites and now we focus on industry solutions and now we've connected those to the buying cycle with customers.

Theo Thun:

Great. That's helpful. And then a quick question on the margin side. It looks like sales and marketing expenses stepped up pretty markedly on a sequential basis. Obviously, you also had your FORWARD conference in the quarter, but anything that you can highlight in terms of where you're investing, are you back to kind of growing your sales force more markedly? And does that kind of continue into next year? Anything that you can share there would be great.



Ashim Gupta:

Yeah. I would just highlight two points. First is we are going to continue to invest in our sales team, especially in our sales capacity, especially as we head into next year. And then the second is, if you recall, we also have the reallocation of our software expenses. So first through third quarter, you'll see sales and marketing versus G&A a little bit lopsided and which will be caught up in the fourth quarter.

Operator:

Our next question comes from the line of Mark Murphy with JPMorgan. Please proceed with your question.

Mark R. Murphy:

Thank you so much and I'll add my congrats. So, Rob, I'm thinking back to the Analyst Day just over a year ago and you had mentioned there that every tech company, of course, has shelfware and that UiPath does as well. If you think about it about a year later, do you sense that customers have worked down any excess inventory they might have had in terms of bots, maybe hitting a level where they might need to replenish and just start moving forward a bit faster as we get into next year? And then I have a quick follow-up.

Robert Enslin:

Yeah. Mark, look, as I said early on, companies deal with shelfware. We feel good that our platform actually helps us move customers from not only bots into the broader platform as they focus on efficiencies. This marketplace that we're dealing with today certainly benefits efficiencies in new business model. So we feel really good that we are able to take customers to the next level with our platform and our C-level activity.

Mark R. Murphy:

Okay. And, Ashim, when we look at it arithmetically, the deceleration in ARR has been moderating, which, of course, is great to see. It looks like it could step down a bit closer to 20% next quarter. But is it possible to entertain the thought of kind of holding a level around 20% for a period of time? Or do you think we should kind of keep that trending down into the teens as we've had it just try to be mindful of the law of large numbers and some of the macro unknowns that are out there.



Ashim Gupta:

Yeah. I would just say, Mark, we're really pleased with our performance and the team's execution. We're focused on closing out a good year end here, and the teams are really focused on that. And we look at our fourth quarter guidance, just putting the right prudence and the right macroeconomic variability included in our guidance. And we'll update as we get closer to next year.

Operator:

Our next question comes from the line of Kirk Materne with Evercore. Please proceed with your question.

Chirag Ved:

Hi. Thanks for taking the question and congratulations on a very strong quarter. This is Chirag on for Kirk. In your prepared remarks, you mentioned that large deals landed extremely strong. Do you have any additional commentary around what you're seeing with these large deals in terms of both new logos and renewals, and how you expect this trend to continue looking ahead to next quarter and next year? Essentially all in all, do you believe that we're close to a more stabilized macro and spending environment, or are you still seeing some broader choppiness out there? Thank you.

Robert Enslin:

Yeah. I mean, look, we feel really good about how our teams are adopting all the changes that we've made and how they're connecting with customers and the relationships we're having with customers. The expansion is really, in many ways, driven through our growth products. With all the AI communication that's happening in the market, it allows us to have meaningful conversations with customers. They see why the platform is relevant. And then, as I said early on, we've been driving NorthStar quite a bit in showing where customers can really look at processes and task and understand how to drive value with the automation platform.

So, folks talk about digital transformation and connect. We believe that AI-powered automation is really helping digital transformation with our customer base and our larger customers. And we're pretty happy with some of the net new companies that we've acquired over the last – the quality of them, New Relic, you look at these kind of – these are good companies that will expand with us over time if we do the right stuff. And so, we feel good about that. We feel good about how our industry focus is helping us change the game in this environment.



Chirag Ved:

All right. Thank you.

Operator:

Our next question comes from the line of Brad Sills with Bank of America. Please proceed with your question.

Brad Sills:

Oh, great. Thank you so much. I wanted to ask a question around some of the departmental expansions you've seen. You talked about industries here. I think banking and public sector sounded good, but are you finding that you're seeing now with the uplift in expansion activity here with NRR that you're getting outside of finance and accounting into IT, HR, some of these other use cases in the departments?

Robert Enslin:

Yeah. So, I would say we've seen broad industry activity with manufacturing, with retail, with fashion retail, with grocery, hard goods retail. As we said, we feel really positive about public sector and public sector globally. And we also see a significant amount of activity outside of the finance office, in procurement and in IT organization. So, it's much more broad-based, and we feel really good about where we're focused on that.

Brad Sills:

Great. And then one on the FORWARD conference, if I could, please. If you could just remind us how important that event is for lead management and moving deals through the pipeline. And how do you feel coming out of the conference this year versus years past in terms of momentum? Thank you.

Robert Enslin:

Brad, I've only got two years' experience and what I would tell you, I was super excited to see the quality of customers and the quality of the event and the quality of the discussions that we had. If you look at the companies we have on stage with us and what they are doing with us, these are really transformational. If you look at the partnerships with SAP and Deloitte on stage with us, this was transformational. We spoke about 750 partners that were aligning around the channel strategy. So, we feel good that FORWARD is actually a catalyst event to move UiPath, help our branding,



position us in the C-suite and make a difference. And it certainly does help our pipeline as well.

Operator:

Our next question comes from the line of Raimo Lenschow with Barclays. Please proceed with your question.

Raimo Lenschow:

Thank you. Congrats from me as well. First, like a more – bigger picture question. Like if you think about the different areas of strength that you saw this quarter, like, can you specifically speak a little bit about what you saw on Test, Rob? Because that's what we hear from our checks as one of the areas where, especially in the SAP ecosystem, there seems to be a lot going on there and I'm not quite sure you're getting enough credit. And then I had a follow-up for Ashim, please.

Robert Enslin:

Yeah. So, if I look at the broader picture, if you look at the market today, as I said early on, customers are looking for ways to drive efficiencies, to fund other activity. And there's not a significant amount of new business models that are driving growth. So that really helps us significantly. And obviously, that fits well into where SAP are focused with their transformation objectives, the RISE program, which is an ongoing program. And I believe that we've actually moved the needle significantly with SAP, with the SAP activity between the different sales organizations. And we are involved in many transformation discussions with SAP and our GSI Partners and we will see more of that. This is a key part of that because it has an incredible value proposition which allows customers to drive not necessarily savings, but time benefits. And really, automation of testing is one of the biggest challenges customers have in a big SAP environment. And we feel we do an excellent job helping customers achieve significant test results which obviously help mitigate any risk associated with a go live.

Raimo Lenschow:

Yeah. Okay. Perfect. And one for Ashim, as you think about like it does look like the demand trends are stable and we kind of could potentially look for better times ahead, obviously, you have the best and that's ARR addition for a few quarters now as well. But also you guys have been very disciplined around cost and margins. But at some point, you need to think about lead times or salespeople, et cetera, how do you think about that balance or like getting ready for eventually better times versus where you are at



the moment? What are you seeing in terms of productivity gains or sales et cetera, for example, to kind of drive this going forward? Thank you.

Ashim Gupta:

I mean, I would start with we have a very powerful business model, Raimo, strong gross margins that allows us to invest while still generate cash and margins. And so we have been investing whether that is within our product team as well as our sales team. I mentioned earlier we're investing in our frontline sales team and our sales capacity. And we'll continue to invest in areas where we see the right returns and the right investments. And Rob and the team looks at that on an ongoing basis and we do as a leadership team. At the same time, we also are looking for efficiencies. So together with that, I think we're constantly in investment mode. We feel very positive about our value offering and we feel like we can both drive that investment while still generate cash and margins.

Operator:

Our next question comes from the line of Terry Tillman with Truist. Please proceed with your question.

Terry Tillman:

Yeah. Congrats from me on the quarterly results. First of all, I guess, Rob, maybe the first question is maybe I'm pretty simple here, but NorthStar roadmap seemed like a no brainer. Like how much of your customer base or at least your larger enterprises have you actually unleashed the NorthStar roadmaps on? And the second part of my first question is I'm hearing a lot from you about full platform adoption. Have you done anything with product or packaging to create less inertia to move all-in with the platform? And then I had a follow-up for Ashim.

Robert Enslin:

Sure. Great questions. So, I would say we are doing a lot around pricing and packaging and obviously pricing, packaging and solutions. And it's a constant upgrade, I would say, of that. But you got to be very careful about how you actually bring that into the market. And we're focused on really simplifying SKUs and so making it very simple for customers to purchase and also make it simple for customers to mix and match solution sets with AI units or bots in a way that's very simple so that they can actually expand with less friction. And we're doing significantly more of that. NorthStar is a combination of a great value-based tool that has to be connected to the C-suite. You have to have



sellers that are able to communicate that. And as we enable our organization more and we get more references, we are able to scale more and continue to scale the organization. So there's still plenty of opportunity for us to continue driving that and continue to work on NorthStar with the organization.

Terry Tillman:

That's great. Thank you for that, Rob. And I guess, Ashim, in terms of all the work on the go-to-market side this year, is there potentially a further drift in NRR, could it actually improve from here? I mean, it's already best-in-class, but I'm just kind of curious how you could see NRR trends potentially with more of the harvesting of all this work on the go-to-market side? Thank you.

Ashim Gupta:

I just say we continue to be pleased with where we are and how we're executing. And we're going to look forward to closing out fourth quarter and we'll provide more updates next year.

Operator:

Great. Our next question comes from the line of Fred Havemeyer with Macquarie. Please proceed with your question.

Frederick Havemeyer:

Hey. Thank you very much. And I'd also like to congratulate you on a very strong quarter. I wanted to focus once again on Generative AI. But firstly, looking at your products to see it being integrated throughout your portfolio in your suite, I'm looking forward to really seeing what you can do there. But I wanted to take, I guess, a bigger picture look at the longer term outlook of the market considering some of the impressive results we've seen with autonomous agents using, for example, like GPT-4 blending, vision, text, et cetera. I'm curious considering that UiPath has really been one of the original autonomous agent companies with your attended and unattended RPA, how do you think about the market evolution over time with agent-based or agent-like functionality being built using Generative AI now?

Daniel Dines:

Well, I think that the direction in the market that we are seeing right now around autonomous agents prove a bit our approach that's always said that AI plus automation is the thing that drives the biggest outcomes for our customer. Actually, this is what we



have seen. A lot of our customers after a little bit of a pause around how AI is going to help me with my automation, they realize that they need powerful automation platform in order to harvest the power of AI. And going forward and on a longer term basis, UiPath are one of the best positions to build the next generation foundational model that understand the processes, tasks, screens and documents, the type of multi-modal that is built-in in order to drive automation. So to me, it's clear that the world is going into that direction. And again, we are really in a very good position to take advantage of it.

Frederick Havemeyer:

Thank you for that. I'm looking forward to having Intern as a Service to be able to help out autonomously in everything. I hope also related to the topic here of Generative AI, I've consistently heard feedback about the difficulty of organizing one's own data within an enterprise in a way that's useful. And so I'm curious what you're hearing from your customers about how they're beginning to and attempting to approach their own Generative AI strategies and whether UiPath Automation Platform is really able to help customers more holistically across the board with Generative AI.

Daniel Dines:

Yeah. Actually, this is one of the major use cases where automation is used right now in order to fine train customer LMs or were even specialized AI. And it's frankly one of the hot discussion points with our partners around the world. We had interesting discussions in Japan and in the US with companies like Accenture or Deloitte that are very interested into how they can leverage automation to cleanse the data and to accelerate custom training of LLMs and specialized AI.

Operator:

Our next question comes from the line of Siti Panigrahi with Mizuho. Please proceed with your question.

Siti Panigrahi:

Thank you. So it's good to see this net new ARR bounce back. So are you speaking to your customer, what do you think the enterprise spending trend would be next year in terms of your priority for automation spending?



Robert Enslin:

Yeah. I mean, we've looked at different analysts and different markets. And many analysts would tell you that they see cloud or cloud and data and cyber and automation as the key trends in terms of spending next year. But I would caution and say customers are, as I said earlier on, are very thoughtful in how they want to spend, where they want to spend and how they're going to fund it, which benefits us and benefits us in a way that we actually approach customers. I don't see a significant change in net spending. I do think that customers are going to look to see how AI and AI automation and Gen AI can help them drive more efficiency and deeper levels of efficiency in the organization and look at different models when it comes to customers and our customers, how they communicate with customers, how they drive customer journeys as well. And we are focused on helping our customers with that approach in a deep way. Also connecting meaningful inputs and outputs in companies around document and social communication emails into this process in order to drive real process orchestration at a different level.

Siti Panigrahi:

Thank you. And, Ashim, a follow-up, if I capture your total customer count, it seems like it does come down this quarter. But you guys also had a pretty good on your enterprise segment spending. So wondering like was there any anything different you saw in different segments like small versus mid to large segment?

Ashim Gupta:

Yeah. Look, we're very pleased with how our enterprise segment is performing. The macroeconomic variability that we've talked about has had a more pronounced impact on the lower end of the market with smaller businesses and that's where we see the majority of our churned customers which Rob mentioned also earlier. Overall, I think our strategy remains consistent. We're focused on the quality of customers, and we define quality as customers with a high propensity to buy. And we like the way the teams are executing against that strategy.

Siti Panigrahi:

Great. Thanks for the color.

Operator:

Our next question comes from the line of Michael Turits with KeyBanc. Please proceed with your question.



Michael Turits:

Hey, guys. Congrats on solid execution. So two questions. One, where are we in terms of the shortening of the deployment time for the average spot? It seems like it has already improved. And does the rollout of Autopilot help shorten that time even further? And then I have a follow-up for Ashim. Thanks.

Daniel Dines:

Yeah. This is always one of our major product focus on how can we shorten the adoption curve for our customers. And we are already seeing with our Autopilot family that is in private review some really results with the initial set of few hundreds of customers that are testing the product. So, yeah, I would say that this is going to be a significant driver for adoption and both for advanced developers that they will get really increase of productivity, to also citizen developers that will get started faster.

And also I would like to mention that training our specialized Document Understanding and Communications Mining models using Gen AI, it has already proven, this is actually in production already, and it's been proven to accelerate the deployment quite a bit.

Michael Turits:

Thanks, Daniel. And then, Ashim, on the NRR, it's great to see it having stabilized on an as reported basis, but they do go down another 2 points as it did last quarter on an FX-adjusted basis. So what are the puts and takes there? You're actually getting slightly easier comps. So, what's pulling that down at this point? And what are the things that are working and trying to actually increase in NRR?

Ashim Gupta:

Yeah. I mean, I look at our dollar-based net retention adjusted for FX, it's 123%, which in our scale we're very pleased with and continues to be in a best-in-class territory. There'll always be a little bit of a law of large numbers and, of course, every quarter's deal mix will change. But overall, we're really pleased with the strategy. I think we've had several marquee deals in the quarter. The penetration and the sale of the platform, as Rob mentioned, we continue to make really good progress on, and we see very good strong performance in the enterprise segment, particularly in North America. A lot of the whatever headwinds we do see, we see more pronounced in the lower end of the market. But overall, our strategy is on customers with the higher propensity to buy. We feel like we're executing against that strategy and we're seeing that results in the deal quality and the customer quality in the quarter.



Operator:

Our next question comes from the line of Scott Berg with Needham & Company. Please proceed with your questions.

Scott Berg:

Hi, everyone. Nice quarter here. Thanks for taking my questions. Your net new ARR is up year-over-year for the first time, I believe, since fourth quarter fiscal 2022. So it's a nice change there on the positive side. I think most of the questions have been on your execution within the quarter, but how about commentary from the demand into the market. Are you seeing any changes around your customers or the environment? More mid-market and enterprise, because you mentioned the down market a couple of different times and the macro impact there. But are you seeing any sort of positive change upward in demand from whether it's existing customers or net new?

Robert Enslin:

Yeah. I mean, I do definitely see positive demand, positive conversations in the market. We feel like we have a significant seat at the table with AI, OpenAI and ChatGPT kind of discussion that's been taking place, and plus having the platform has allowed us to have C-level conversations. So, we have customers now that are really calling us to actually have discussions where they've been using core RPA since 2018, 2019, and they feel like there's an opportunity to expand it. They're not getting as much value as I believe they could get out of it. And those conversations are taking place, and we're able to actually showcase proof points on how to do this. So, yeah, it's definitely more positive and definitely feel good about the discussion on how we can help customers and how we are more relevant to the business discussion.

Scott Berg:

Got it. Helpful. And then, Ashim, your current RPO metrics growth rate accelerated pretty meaningfully quarter-over-quarter. Was there any onetime anomalies, I don't know, early renewals or something that impacted that abnormally in the quarter? Or was that a pretty clean calculation metric? Thank you.

Ashim Gupta:

No major abnormalities like early renewals, et cetera. I think I've mentioned we had several marquee deals in the quarter and a record number of deals above \$1 million for our third quarter. So, it's execution and really good deal quality that's driving that metric.



Operator:

Our next question comes from the line of Michael Turrin with Wells Fargo. Please proceed with your questions.

Michael Turrin:

Hey. Great. Thanks for taking the question. Two-part, I'll just ask upfront. Rob, given investments you mentioned in reaching the C-suite, wondering if you can provide us with your perspective around how enterprise customers are approaching IT budget growth into next year and automation as a part of that. And then, as a second part for Ashim, can you comment on the visibility you have into 4Q forecast currently and any swing factors for us to consider in terms of potential upside there? Thank you.

Robert Enslin:

Yeah. Michael, I'll take it and I'll let Ashim go later. Because we're having these conversations in the boardroom, customer conversations much more at a C-level suite, we're much earlier in the budget cycles than we've previously been., and we're actually much more important in the budget cycles than I believe we've been previously. And I think there's a couple of really key points that stand out, right?

Our industry, how we drove an industry and how we made ourselves relevant in particular industries and the value proposition there. I do believe that the global systems integrators and how they've come along in support of us, the messaging around SAP has driven well, and the platform proof points around DU and I'd announced a customer that had \$250 million savings in my earnings script, this is what's really allowing us to participate.

And so, we feel like we are meaningful part of where the budgets are going next year. I think everybody is looking at how tight their budgets are and trying to find out how to move from one pocket to another pocket on the innovation side. And we are definitely on the innovation side of customers' thinking. And then I'll hand it over to Ashim.

Ashim Gupta:

Yeah. So, just in terms of our guidance, we've factored in the macroeconomic variability that we've talked about, and it includes the current view of our deal mix. And we look at just executing. The teams are focused on executing good into year-end, close to the year, and that's what we're focused on. That's what I would comment on that.



Operator:

Our next question comes from the line of Bryan Bergin with TD Cowen. Please proceed with your question.

Jared Levine:

It's actually Jared on for Bryan tonight. In terms of the competitive environment, any changes from what you're seeing from Microsoft, ServiceNow or Automation Anywhere?

Robert Enslin:

Yeah. If I look at ServiceNow, we don't see them in many opportunities. What I will tell you, our ServiceNow connector it is the most popular, downloaded connector to UiPath. And we continue to partner with them and our partnership with Microsoft around Copilot and our Autopilot. The discussions we're having with them continues to be robust and we are very happy with where we're going with Microsoft and that partnership. And therefore, a lot of the traditional RPA vendors, I feel that we've broadened our skill sets and what we're offering we don't see them that often anymore.

Jared Levine:

Got it. And then do you have any data points on how the new bundled pricing packages is increasing revenue uplift per client or anything around revenue uplift from the reduction of SKUs as part of the sales refresh?

Robert Enslin:

I don't have specific that we can point to now. I mean, we're looking at the results. It's probably a little bit too early for us to kind of come out with where we are on that. But we do feel good that the early signs of I would just simply say easier for customers to understand, easier for them to move. They definitely like how they're able to use our AI units across multiple products and interchange them as they think of new use cases to advance their business as well.

Operator:

Our next question comes from the line of Alex Zukin with Wolfe Research. Please proceed with your question.



Ethan Bruck:

Hey, guys. This is Ethan Bruck on for Alex Zukin and thanks for taking the question and congrats on the next result. I guess, Rob, this one might be for you. Just if we were to like unpack a little bit like more color, just some stuff you saw in the quarter in terms of just either like certain verticals where we saw – I know you mentioned around like the variable demand, but just kind of comparing some of the macro maybe by vertical basis if something got improved or little more – were more steady versus the last few quarters you've seen. And then just a bit on renewal behavior in terms of what it's like more buying more licenses, more products are just kind of how is the kind of renewal conversation in 3Q compared to what we saw at the beginning of the year?

Robert Enslin:

Yeah. Look, the last quarter was a very strong quarter for public sector for our federal business actually in the UK and in the United States. And that was really because the federal businesses are looking at the platform in a unique way and we offer some really incredible capabilities around Document Understanding, connecting that to attended automation, focusing on how citizens can improve. So we've seen us make a remarkable move in public sector. That also is based on talent and the talent we brought into that environment and how we've driven that talent. And now, we actually have some really good industry-based activity in public sector, in revenue services, in DoD, in customs, in USDA that actually can really help all of that public sector activity globally.

When you look at traditional markets like when you look at the more traditional markets, telcos, CPG companies, manufacturing, retail companies, they're all driving efficiencies and driving efficiencies in retail. It's how fast can I open up stores, how fast can I get employees on, how do I my price points are valid and my price points are real and I don't have any price point issues between stores and so on. And actually, automation really drives some significantly capabilities in that where we play a significant role. If you look at capital-intensive telcos, it's all about efficiencies and how can I get competitive efficiencies because my markets are mature. And the only way I actually get growth is by competing my competition and moving subscribers from one provider to another provider. And in that space, we're playing pretty well.

So it's variable in which industries are you're in. It's variable in terms of how they see growth and where they're investing. But there's one common theme across the board and that's efficiencies. With renewals, it gives us an opportunity to drive the platform, to drive the platform earlier, to actually start having the discussions with customers many months or many quarters earlier in terms of why move to the platform, here is the value, let's work on NorthStar with you. Let's get into office. We've got an SAP



transformation. We can help you with that as well. Let us bring one of our big global SIs to showcase the transformation, and that really helps drive a different cadence with renewals. It's not just about renewing what you've already got, it's about renewing what you want to do in the future and how you want to add more business value in the future. And I think we're incredibly good at that right now.

Ethan Bruck:

That's super clear. And then just, Ashim, as a quick one for you, the incremental margins in the quarter, they're really good. They've been really good all year. I guess just, if you remind us, just some of the puts and takes we should keep in mind around how to think about the margin profile and kind of the in the out years. Thanks again.

Ashim Gupta:

Look, I would refer you back to our Investor Day pitch last year where we talked about just our long-term operating model there. We're really pleased with the execution on the margin front. We've been ahead of that curve in terms of just execution and we feel really good about our ability to operate with discipline and efficiency while still investing in growth for the company.

Operator:

That is all the time we have for questions. I'd like to turn the call back to management for closing remarks.

Robert Enslin:

Yeah, I just want to say thank you. Thank you to all you for all your support. It's great to have you all on the call today. Happy holidays to you and your family. May you enjoy a great time. Ho, ho, ho.

Operator:

Ladies and gentlemen, this does conclude today's teleconference. Thank you for your participation. You may disconnect your lines at this time and have a wonderful day.