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UiPath, Inc. (PATH)

Q2 2027 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good day everyone. My name is Megan and I will be your conference operator today. At this time, I would like to welcome you to the UiPath's Second Quarter 2027 Earnings Conference call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. If you would like to ask a question during this time, and if you have joined via the webinar, please use the Raise Hand icon, which can be found at the bottom of your webinar application. [Operator Instructions] In the interest of time, please limit yourself to one question and one follow-up today. Please note that participants will be limited to that.

At this time, I would like to turn the call over to Allise Furlani, Vice President of Investor Relations.

Allise Furlani

Vice President-Investor Relations, UiPath, Inc.

Good afternoon, and thank you for joining us today to review UiPath's second Quarter fiscal 2027 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, Founder and Chief Executive Officer; Ashim Gupta, Chief Operating Officer; and Hitesh Ramani, Chief Financial Officer, to deliver our prepared comments and answer questions. Our earnings press release and financial supplemental materials are posted on the UiPath Investor Relations website. These materials include GAAP to non-GAAP reconciliations. We will be discussing non-GAAP measures on

today's call. This afternoon's call includes forward-looking statements regarding our financial guidance for the third quarter and full fiscal year 2027, and our ability to drive and accelerate future growth and operational efficiency and grow our platform, product offerings and market opportunity.

Actual results may differ materially from these expressed in the forward-looking statements due to many factors, and therefore investors should not place undue reliance on these statements. For discussion of 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, 2026, and our subsequent reports filed with the SEC. Forward-looking statements made on this call reflect our views as of today, and 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 remarks to our Investor Relations website immediately following the conclusion of this call. In addition, please note all comparisons are year-over-year unless otherwise indicated.

Now, I'd like to turn the call over to Daniel.

Daniel Dines

Founder, Chief Executive Officer & Executive Chairman, UiPath, Inc.

Thank you, Allise, and thank you for joining us. We delivered another strong quarter with continued execution. ARR grew 12%. Non-GAAP operating margin expanded to 22%, and we delivered our fourth consecutive quarter of GAAP profitability. Over the past two years, we've been transforming UiPath for the next phase of our growth. We've evolved our platform around business orchestration, agentic, and software testing, significantly improved our go-to-market execution and operating discipline, and re-accelerated the pace of innovation within the company.

We're a stronger company today, and increasingly, customers are looking to UiPath not just to automate individual tasks, but to orchestrate complex, long-running, and exception-heavy business processes and be a critical partner in their AI transformation.

We've talked a lot about how AI is changing software. The bigger question now is how enterprises turn AI into real business value. Customers aren't choosing between AI and deterministic automation. They're choosing the best way to achieve an outcome. AI is exceptional at reasoning, but it's probabilistic and can be expensive at scale. Many enterprise processes don't need reasoning at every step. They need exactness, the same result every time, securely, reliably, and at the lowest possible cost. That's why we give customers the choice of deterministic or tokenless automation alongside AI.

Our approach is simple. Use AI where intelligence creates value and deterministic automation where exactness matters. That gives customers the benefits of AI without paying for AI reasoning at every step, and ultimately, better economics and better ROI at scale. And that's where UiPath is differentiated. We deliver business outcomes by orchestrating end-to-end processes across agents, robots, API systems, and people, using the right technology for each step to deliver the best combination of intelligence, reliability, and cost.

We are also model agnostic, giving customers the freedom to use the AI models and technologies that are best for the work rather than locking them into a single ecosystem. As AI expands what enterprises can automate, we believe that combination of choice, orchestration, and governance becomes even more valuable.

So the opportunity now is to scale what we've built, expanding adoption across our customer base, extending our reach into the business, and continuing to translate our innovation into durable growth. And as we scale, strong execution and connectivity across the company become even more important. That's why Ashim will now focus

exclusively on his role as Chief Operating Officer. Ashim has been one of my closest partners and one of the leaders most responsible for the financial and operational discipline we've built over the past several years. As COO, he will focus exclusively on the day-to-day operations of the company, driving greater discipline and consistency across our go-to-market organization, strengthening execution across functions, and leading key strategic priorities across the business.

With Ashim focusing fully on the operations of the company, we are making a planned leadership transition in finance, with Hitesh Ramani succeeding him as Chief Financial Officer. This is a logical next step and reflects the strength and depth of the leadership team we've built. Hitesh joined us in 2021 as Chief Accounting Officer and has served as Deputy CFO for the past two years, working closely alongside Ashim across the finance organization. He has been a critical partner through every major milestone, including our IPO, and has helped build the financial rigor and discipline we have today.

Given Hitesh's existing responsibilities and deep knowledge of the business, we expect a very smooth transition and significant continuity across the finance organization. With Ashim remaining as COO, he and Hitesh will continue to work closely together in their respective roles.

Together, these changes give us greater focus across operations and finance, with two proven leaders in critical roles as we scale. I am excited to continue working closely with Ashim and Hitesh, and I am confident in the leadership team we have in place and our ability to execute against the opportunity ahead.

Now, turning to our quarterly results. We delivered a strong second quarter, once again beating guidance across the top and bottom line. ARR reached \$1.938 billion, up 12% year-over-year, driven by \$37 million of net new ARR and revenue of \$410 million, up 13% year-over-year.

We grew second quarter non-GAAP operating income to \$89 million, a 22% margin, and up over 400 basis points year-over-year, driven by improved operational efficiency and disciplined execution across the business.

Behind these results, we are seeing the strategy I just described play out with customers. 18 of our top 20 deals this quarter included AI, demonstrating how increasingly central AI has become to our largest customer engagements. Customers are expanding from individual automation use cases into broader end-to-end processes, adopting more of the UiPath platform, and in a number of cases, consolidating automation and AI workloads onto UiPath. And we are seeing this result in larger expansions where AI is attached to the deal. A global insurance provider is a strong example. In a seven-figure expansion, they are modernizing beneficiary claims, expanding their use of IXP, Maestro agents, and robots.

With UiPath Forward Deployed Engineers supporting implementation, Maestro connects document intake, beneficiary analysis, orchestration, exceptions, and human in the loop work into one governed end-to-end process. And because UiPath was already embedded in their ecosystem, they could move quickly on this use case and build on the same foundation as they modernize additional processes across the organization.

In the public sector, the Department of War expanded its partnership with UiPath to support its clean audit initiative across the military services. Building on its deterministic foundation, the Department is adding Autopilot, our IDP solutions, and test automation to automate critical audit and reconciliation work. We are also seeing governance and reliability become real competitive differentiators.

A leading financial institution chose UiPath over other orchestration provider as its single platform for end-to-end processes. Maestro was the only solution able to orchestrate across their homegrown applications while meeting

the governance and compliance requirements at scale. It's already in production on a critical revenue channel process, combining deterministic automation with human in the loop safeguards.

And these aren't isolated examples. Across both new logos and expansions, we are seeing customers standardize on UiPath and consolidate point solutions onto our platform. A leading US regional bank is consolidating its entire automation program onto UiPath using Test Cloud for conversion testing and agentic processes across fraud and compliance to help manage risk through a significant module. One of Canada's largest financial services companies, working with Ashling Partners to migrate its entire automation footprint to UiPath, and plans to use coding agents to power that migration with the goal of lowering maintenance costs and accelerating time to value.

And on the expansion side, a Fortune 200 financial services firm is moving all their automation needs onto UiPath in a multimillion-dollar CIO-driven initiative, while expanding their use of Test Cloud to test the investment management software they deploy to customers. The common thread across these wins is consolidation. As customers think about automation and AI together, we are increasingly seeing them look for one platform that can build, orchestrate, test, and govern the entire process. I am excited about the results we are seeing from coding agents pilots and implementation.

Our initial results from our Forward Deployed Engineers are that coding agents reduce effort by nearly 60%. As we build on this, it has transformational impacts on our customers' time to value and overall TCO. We are seeing the same potential with customers like a leading US energy company. They're using Cursor with UiPath across the entire automation lifecycle, from architecture and development, from testing, code review, and production deployment. The coding agent directly creates UiPath workflows, while our platform keeps the development process governed and standardized. So this isn't just about AI writing code faster, it's about making the entire automation lifecycle faster. And that's an important part of why we believe AI expands the automation market. It doesn't just create new use cases, it lowers the cost and effort required to build them.

Moreover, to speed up the implementation even further, we announced a new developer-friendly workflow automation tool in public preview. It lets developers use coding agents they already work with, like Raw Code, Codex, Cursor, and GitHub Copilot, to both orchestrate business processes and automate manual tasks via API and agents, combining the speed of AI-native development with the governance enterprises need.

Our horizontal platform remains a core strength, giving customers one platform to automate and orchestrate processes across functions, systems, and technologies. And increasingly, we are pairing that horizontal strength with vertical and outcome-oriented solutions that bring us directly to line of businesses buyers around specific business outcomes, while creating a natural entry point for broader platform adoption.

This quarter, we saw strong traction with customers, including a Fortune Global 500 manufacturer, where we are modernizing their accounts payable operations with our Office of the CFO invoice solution, automating roughly 700,000 invoices annually. What won them over is exactly what our approach is built to deliver: 96% document processing accuracy in the proof-of-concept, automated supplier communications, rich operational dashboards, an unexpected 50% reduction in both invoice handling time and support.

And in healthcare, a leading US health system chose our Denials Resolution Solution to automate medical claim denials with their revenue cycle management process. The solution will help automate appeal creation and submission across inpatient and outpatient operations, allowing them to pursue millions of dollars in claims that previously fell below the threshold for manual review, and potentially recover meaningful additional revenue. WorkFusion extends that approach further into financial services. The integration is progressing in line with plan,

and we are encouraged by the customer response and the pipeline that is building. Its purpose-built AI agents for financial crimes and compliance give customers a more complete outcome-oriented offering out of the box.

Testing is another area where we continue to expand our reach, particularly through our partner ecosystem. We recently expanded our partnership with Cognizant, which will embed UiPath Test Cloud into its testing-as-a-service and many services offerings, helping customers move from manual script-based testing towards agentic testing. Cognizant will also help scale Test Cloud onboarding and adoption through its global delivery model.

Before I close, I am also pleased to welcome Yazdi Bagli to our Board of Directors. Yazdi brings deep technology operations and enterprise transformation experience from Kaiser Permanente, Walmart, and Procter & Gamble, and I am excited for the perspective he will bring to UiPath.

And finally, we are looking forward to seeing many of you in Las Vegas next month. We will kick off with our Investor Day on September 22, where we'll share more on our long-term strategy and product roadmap, followed by FUSION, our annual user conference from September 23 through 25. We have a lot to share, and I hope to see many of you there. Please reach out to our Investor Relations team for more information on our Investor Day.

With that, I will turn the call over to Ashim.

Ashim Gupta

Chief Operating Officer, UiPath, Inc.

Thank you, Daniel, and good afternoon, everyone. I am incredibly proud of what our finance team has accomplished, and I also want to congratulate Hitesh, who has been an incredible partner and leader in our organization. Hitesh and I have worked side by side for many years, and there is no one better prepared to lead our finance organization. As I fully focus on my role as Chief Operating Officer, I'm excited to work closely across the company to drive consistent execution and help scale the business. A big part of that is continuing to strengthen our go-to-market execution. We're spending a lot of time with our sales leaders on account segmentation, making sure we have the right resources and strategy against the right opportunities while working across the leadership team to bring greater connectivity to how we take the breadth of our platform to market.

The same focus extends to how we drive adoption and utilization across our customer base and how we work with our partners. These have been important priorities for us, and we're continuing to strengthen the connection across our field, partners, and customers to drive expansion and make it easier for customers to adopt more of the platform.

We have a strong leadership team, tremendous innovation across the platform, and a significant market opportunity ahead of us. I am excited about what we can accomplish together. In a few minutes, Hitesh will take you through our guidance for the third quarter and the remainder of the year. But first, I'll walk through our results for the second quarter.

Turning to the quarter, unless otherwise indicated, I will be discussing results on a non-GAAP basis, and all growth rates are year-over-year. I also want to note that since we price and sell in local currency, fluctuation in FX rates impacts results. As we go forward, we'll provide the impact of FX for both the incremental impact since our prior guidance and the year-over-year impact.

Second quarter revenue grew to \$410 million, an increase of 13%. Normalizing for the year-over-year FX headwind of approximately \$8 million, revenue grew 16%. This included an incremental \$1 million FX headwind

since the time of guidance and our first quarter earnings call. The year-over-year FX headwind was driven by the Japanese yen, the Romanian leu, and the Indian rupee.

ARR totaled \$1.938 billion, an increase of 12%. This included a \$1 million year-over-year FX tailwind and no incremental impact since we guided our first quarter earnings call. Net new ARR was \$37 million, up from \$31 million in the prior year quarter. The year-over-year FX tailwind was driven by the euro. We ended the quarter with approximately \$1.3 billion in cloud ARR, which includes both hybrid and SaaS, and an increase of more than 19%. We ended the quarter with approximately 10,350 customers, with attrition continuing to be concentrated among our smallest customers. While customers with more than \$30,000 in ARR increased 6% year-over-year.

This quarter, we signed one of our largest new logos in company history, a top Canadian bank looking for a platform that could support their evolution to agentic workflows. We demonstrated that with an agentic proof-of-concept for their third-party demands process, bringing together agents, robots, people, and systems, all orchestrated by Maestro with the governance and compliance required at scale.

This win reflects our customer strategy of adding new enterprise customers with significant expansion potential. And this quarter, we also added logos including Flexsteel, Azul, and Purdue Federal Credit Union. Our strategy is increasingly focused on winning and expanding within the world's largest enterprises, and we're seeing that strategy work. Customers with \$100,000 or more in ARR increased 10% to 2,666, while customers with \$1 million or more in ARR increased 21% to 387.

Our retention metrics also remained strong. Our dollar-based gross retention remained best in class at 97%, and our dollar-based net retention rate was 109%, a 2-point increase year-to-date, demonstrating stabilization across the business. Adjusting for FX, dollar-based net retention rate was 108%.

Turning back to the quarter. Remaining performance obligations increased to \$1.378 billion, up 14%. Normalizing for the FX headwind, which was approximately \$19 million, RPO grew 16%. Current RPO increased to \$901 million, up 14%.

Turning to expenses. We delivered second quarter overall gross margin of 82%, and software gross margin was 90%. Second quarter operating expenses were \$247 million. GAAP operating income was \$32 million, our fourth consecutive quarter of GAAP profitability, up from the prior year GAAP operating loss of \$20 million. GAAP operating income included \$45 million of stock-based compensation expense, compared to \$78 million in the prior year, a decrease of 42%. As a percentage of revenue, stock-based compensation was 11%, down over 1,000 basis points from the prior year. Second quarter non-GAAP operating income was \$89 million, representing a 22% margin, up over 400 basis points year-over-year, and driven by our continued focus on operational efficiency.

Second quarter non-GAAP adjusted free cash flow was \$31 million, compared to \$45 million in the prior year quarter, driven primarily by the timing of tax-related payments. We ended the quarter with a healthy balance sheet of \$1.4 billion in cash, cash equivalents, and marketable securities, and no debt. During the second quarter, we repurchased 2.4 million shares at an average price of \$9.63.

And now, I would like to hand it over to Hitesh to go through guidance.

Hitesh Ramani

Chief Financial Officer, UiPath, Inc.

Thank you, Ashim, for your partnership and mentorship over the years. I am excited to step into this role and to build on the strong foundation you have put in place. Turning to guidance, our philosophy here is unchanged. We guide to what we see in front of us, and we maintain a prudent outlook. And we are pleased with the team's execution in what continues to be a variable macroeconomic environment.

Before I walk through the specifics of guidance, beginning this quarter, we will provide the impact of FX for both the incremental impact since our prior guidance and the year-over-year impact. As Ashim mentioned earlier, our results reflect movements across several currencies, including the euro, yen, Indian rupee, and Romanian leu.

Turning to guidance. For the third fiscal quarter 2027, we expect revenue in the range of \$440 million to \$445 million. This includes no incremental FX impact since the time of our last guide, and a \$10 million year-over-year FX headwind. ARR in the range of \$1.992 billion to \$1.997 billion. This includes a \$1 million incremental FX headwind since the time of our last guide and a \$4 million year-over-year FX headwind. Non-GAAP operating income of approximately \$100 million and we expect third quarter basic share count to be approximately 523 million shares.

For the fiscal full year 2027, we expect revenue in the range of \$1.789 billion to \$1.794 billion. This includes a \$1 million incremental FX headwind since the time of our last guide and \$20 million year-over-year FX headwind, inclusive of \$2 million headwind that was realized in the first half of the year and an expected headwind of \$18 million in the second half of the year.

ARR in the range of \$2.065 billion to \$2.070 billion. This includes a \$1 million incremental FX headwind since the time of our last guide and a \$5 million year-over-year FX tailwind, inclusive of \$10 million tailwind realized in the first half, partially offset by expected headwinds in the second half of the year. Non-GAAP operating income of approximately \$445 million. And finally, we continue to expect fiscal full year 2027 non-GAAP adjusted free cash flow of approximately \$425 million and a non-GAAP gross margin of approximately 84%.

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, please poll for questions.

QUESTION AND ANSWER SECTION

Operator: We will now move to our question-and-answer session. [Operator Instructions] Our first question will come from Sanjit Singh with Morgan Stanley. Your line is open. Please go ahead.

Sanjit K. Singh
Analyst, Morgan Stanley & Co. LLC

Hi, can you hear me?

Q

Ashim Gupta
Chief Operating Officer, UiPath, Inc.

Loud and clear, Sanjit. Now no.

A

Allise Furlani
Vice President-Investor Relations, UiPath, Inc.

Sanjit, we cannot hear you.

A

Operator: Sanjit, are you there for your question? Sanjit seems to be having some technical difficulties. We will come back to him and go to our next question. Our next question is going to come from Michael Turrin with Wells Fargo. Your line is open. Please ask your question.

Q

Hi, this is [ph] Phil (00:29:26) on for Michael. I have a quick question on the FDEs. It sounds like with coding agents reducing the FDE implementations quite significantly, how much more deployment capacity are you guys getting for FDE, and does that change any of your hiring plans as customer demand scales?

Daniel Dines
Founder, Chief Executive Officer & Executive Chairman, UiPath, Inc.

Yeah. Hi, [ph] Phil (00:29:48). We are in a kind of proving stage at this point to understand how much incremental value we get from coding agents in conjunction with FDEs. Our initial results are very encouraging and if – I believe that we are seeing a positive trajectory. And I think this is not so much about how many FDEs we plan to hire, but it's about how much our customers can accelerate their time to value. And this is an equally important technology for our partners as well as many of our customers to the – use the implementation services provided by our partners. We will keep you up to date. This is a very important focus for us going forward and a big focus of the entire P&E organization is to keep improving the performance of coding agents on our platform.

A

Thank you.

Q

Operator: Your next question will come from Bryan Bergin with TD Cowen. Your line is open. Please go ahead.

Bryan C. Bergin

Analyst, TD Cowen

Hi, guys. Good afternoon. Thanks for the question. And Hitesh, congrats to you on the CFO role.

Q

Hitesh Ramani

Chief Financial Officer, UiPath, Inc.

Thank you.

A

Bryan C. Bergin

Analyst, TD Cowen

Wanted to just get a sense, if you can give us an update on your approach in monetization here on agentic and AI solutions. How is that conversation evolving with clients? And can you also comment on how model costs and tokenomics are influencing kind of the contracting appetite for the broader deals with agentic and deterministic?

Q

Daniel Dines

Founder, Chief Executive Officer & Executive Chairman, UiPath, Inc.

Yeah. We continue to see an increased appetite from our customers to get a platform that combines, I would say, intelligence with exactness. And our platform, it's best in the world in process orchestration, in task automation, in document processing. And we are quite agnostic in supporting the best agentic frameworks in the world, like LangChain, and Claude Agent SDK, and Codex Harness, and some others. And we are model-agnostic. And I think this combination, it's extremely appealing to our customers. We provide basically the rails for running the business while they can choose the flavor of intelligence that they have to deliver.

A

Bryan C. Bergin

Analyst, TD Cowen

Okay. Thank you. And then my follow-up, just maybe can you speak to the improvement of net new ARR in 2Q? Obviously, trying to just distill how much is coming from AI-related products. Any way you can help break that down between contribution from penetration of new agentic AI offering deployments into your existing clients versus perhaps landing kind of newer clients with the full suite here? Certainly encouraging to hear the stat on that top 20 largest deals you gave us. But then sticking with net new ARR, just any caveats as we look to the implied second half that you've guided to?

Q

Ashim Gupta

Chief Operating Officer, UiPath, Inc.

Yeah, I'll turn it over to Hitesh to answer on guidance. Look, we're right now reporting ARR product periodically as we talk about, Bryan, but the stats that you talk about, they're encouraging. I think there is more encouragement when we listen to our customer calls and our sales team, the executive touch points that we're having. The reality is they are making the deals have higher ROI, which leads to larger deal values. And what is also encouraging is we're really attacking larger, more complex problems. And I think as the world kind of continues to change, that increases our stickiness, and so it really has a twofold area, giving us more upfront, but making us more strategic within the customer. And we're really pleased with the progress just across the platform and our ability to deliver that. Hitesh, if you want to talk about guidance for it.

A

Hitesh Ramani

Chief Financial Officer, UiPath, Inc.

A

Yeah, sure, Ashim. I mean as I mentioned, our philosophy as it relates to guidance has remained unchanged. We guide to what we see in front of us. Also, we take a prudent approach. With regards to platform, as Ashim mentioned, the platform positioning is resonating extremely well with our customers. I myself met with three of our customers this past week, and every single conversation is resonating very well. As we also mentioned, in 18 of our top 20 deals included AI this past quarter. We are making this equation into account as we think about our guidance for not only Q3, but also [indiscernible] (00:34:59).

Bryan C. Bergin

Analyst, TD Cowen

Thank you.

Operator: Your next question will come from Scott Berg with Needham & Company. Your line is open. Please go ahead.

Scott Berg

Analyst, Needham & Co. LLC

Hi, everyone. Nice quarter. Thanks for taking my questions. Daniel, I wanted to start on go-to-market and some of the sales successes you seem to be having. You've talked a lot the last couple of quarters about improved execution there, but it seems to be meeting an end market that is also seeing some improved demand. Where do you think you are in that cycle? Are you back now on a sales execution kind of level that you want to be 100%, or do you still feel like you have a little ways to go to hit your stride properly?

Daniel Dines

Founder, Chief Executive Officer & Executive Chairman, UiPath, Inc.

Yeah. I think Berg it's – I think we are working right now on both ends of the spectrum. I think on the product side, we are making the most innovative steps that I think we ever made in our product. And we are ready to announce at our big FUSION event, basically our new doctrine about how we are seeing the adoption of AI and orchestration and automation across of an enterprise. And on the sales side, I think, given the market dynamic, I think we have started to understand a bit more how our customers think about the AI adoption.

I think in a way among our existing customers, we are seeing a reduced confusion, if I can say, about AI. And they understood, I think it's a better understanding on when it's best to use AI, when it's best to use automation, and how they coexist with each other, which I cannot say so much about customers at large. We – it's most – when we go after new logos, it might be a bit of a different conversation. Overall, we are also seeing an increased appetite in the market for outcome-based deals, which – it's an interesting area for us. I think at this point, it's just – they are just scattered and really across the globe. But it might become a much bigger trend, but we are watching closely to understand how we play on these both ends.

Scott Berg

Analyst, Needham & Co. LLC

Understood. Helpful there. And then Ashim, as I look at your net revenue retention metrics, they've been incredibly stable the last six quarters. But maybe you'll cover this in your Analyst Day coming up, but how do we think about net revenue retention over the interim period here? You have a lot more to sell. Sounds like the demand environment's certainly improving a little bit for you all. My guess is customer expansions start to come back versus maybe what we've seen a couple of years ago, but can that number be back above 110% for any extended period of time, or is this high 100% range, 108%, 109% the right way to think about NRR for the near-term?

Ashim Gupta

Chief Operating Officer, UiPath, Inc.

A

No, I mean look, that's what we're planning for. And I think the progress we've made has actually been really phenomenal. We ended last year at 106%, so we are up 3 points already, as we move to that goal. So I would say the trajectory is upward in a stable way, which I think is really good versus kind of up and down. And so we feel very good about it, to your point. We have more products that we are scaling into our customers, as Daniel mentioned, as I mentioned, I think the sales execution continues to improve.

And frankly, our focus on consumption is also very critical in that discussion and the standing. So we actually feel very good about that trajectory. We'll talk about it more. We obviously don't do long-term forecasting around these key metrics, but the trend is positive. I would also note, the movement upwards and stability is happening at higher and higher scales, which speaks to the expansion on a dollar basis expanding. And so that's kind of the color that I would give here.

Scott Berg

Analyst, Needham & Co. LLC

Q

Understood. Thanks for taking my questions.

Operator: Your next question will come from Sanjit Singh with Morgan Stanley. Your line is open. Please go ahead.

Sanjit K. Singh

Analyst, Morgan Stanley & Co. LLC

Q

Yeah, thank you for taking the question. A two-parter, maybe one for Ashim. As we look to the federal business, in Q3, just their fiscal year end is coming up at the end of September. Just thoughts on the federal pipeline opportunity, how that's shaking up?

And then, a question for Daniel. I think you have been talking about what sort of playbooks and use cases are resonating right now. I think you have called out software testing as something that's particularly resonating. Has there been other sort of use cases, whether it's sort of industry-specific or cross-industry specific use cases that have started to resonate in Q2?

Ashim Gupta

Chief Operating Officer, UiPath, Inc.

A

Yeah. So look, I think our federal business is doing a really exceptional job. Joe Perino is the leader there. I think him and the team has really impressed us and the entire team just with how close they are getting to the customers and the agencies, partnering with incredible partners that are doing transformative work, in the Department of War, in many of the agencies well beyond it. And applying and learning some of the areas that we have in our healthcare business to some of the healthcare processes within the government. All of those things are shaping up very nice with the pipeline. And the work that we have done in terms of getting close to understanding and influencing kind of the environment there has been really phenomenal. So we're actually very pleased with the trajectory of the federal business.

Daniel Dines

Founder, Chief Executive Officer & Executive Chairman, UiPath, Inc.

A

Yeah, and on the use cases, we are very excited here about our use case sellings and our vertical solutions approaches. So besides tests, we are seeing increased demand around revenue cycle management and, of course, on financial crimes where we see good pipeline creation, but also Office of the CFO is a place where we are traditionally extremely strong, and also we launched recently our solution in financial services for loan originating. So overall, this is becoming a big area of focus for us as we believe that the vertical selling, solution selling has the capability of pulling our entire platform. And we – traditionally, our business model was a lot on land and expand, and this really help us to continue that motion.

Sanjit K. Singh

Analyst, Morgan Stanley & Co. LLC

Appreciate the thoughts, Daniel. Thank you.

Operator: Your next question will come from Jacob Zerbib with William Blair. Your line is open. Please go ahead.

Jacob Zerbib

Analyst, William Blair & Co. LLC

Hi, how are you? This is Jacob. I am for Pat McIlwee, and thank you for taking my question. You spoke a little bit about less confusion around AI in the market, which is great to see. Can you talk a little bit about how your sales team is adapting to this new environment, and particularly as it relates to large new customer lands?

Daniel Dines

Founder, Chief Executive Officer & Executive Chairman, UiPath, Inc.

I think we are doing a lot of education in the market of what is basically the seam between where AI is best and where exact execution is best. And we – as I said in the previous answer, we are kind of changing our sales approach to be much more use case based selling. We are starting this trend in our US business couple of years ago. We perfected it here, and we plan to roll it more across our entire GTM organization.

Jacob Zerbib

Analyst, William Blair & Co. LLC

Got it. Thank you.

Operator: Your next question will come from Raimo Lenschow with Barclays. Your line is open. Please go ahead.

Raimo Lenschow

Analyst, Barclays Capital, Inc.

Perfect. Thank you. And Ashim, all the best. First of all, and then two questions. Daniel, the one thing that came up – is coming up here today, and that's probably why we have share reaction here after hour market is that it looks like there is a new AI model coming out from one of the big frontier guys that apparently is like so much better in kind of doing jobs or doing workflow. And I don't want you to specifically answer that, but like in your conversations with clients and with customers, like how do you think about that? Obviously, AI is going to get better, but you guys are more in the deterministic world. How do you think about the workflows you guys are doing versus the workflows you kind of want to share or AI should be doing? I know it's a bit of a fundamental question again, but it's just coming up again, and so it would be good to go through that again. And then I have one follow-up for Ashim.

Daniel Dines

Founder, Chief Executive Officer & Executive Chairman, UiPath, Inc.

A

Look, I had many discussions with our customers across the last few months. I think if you look at AI is getting more powerful with the day, obviously. But there is an interesting limitation of AI, which I want to point it to, which is the AI cannot learn on the job. Like when you hire an employee, you expect that you don't give them manual. This is how our business run. No company is able to have this manual. And an employee learns by reading some documentation, but learning from other people, being in meetings, talking to customers, it's a continuous learning. So they get transformed by this experience.

That's not true for AI. It's the same model you apply to all enterprises, in every question you ask AI, you basically have to provide the entire modus operandi of your enterprise. So that's – if you think of this limitation, it's becoming clearly that enterprises will have to create what I call a map of work, where you will have to describe in a very specific way how the enterprise work. And you will have to also put as much effort as possible into building the framework that gives your rails in how the business operate.

In my opinion, everything that can be done by automation and orchestration should be done by that, because it's exact, it's reliable, it's tokenless, it costs less. And then AI is basically surrounding into this enterprise framework. In a way, you can look at our platform like an enterprise harness that can control and give AI all the information required to run an enterprise. But all the customers I talk to, they want these workflows to sit on their property, not on the model's property. And all this manual that I am talking is their property, it's not model's company's properties. So to me, that is really the best combination into having the enterprise framework that provides orchestration, automation, and that is the harness around the model. That would provide the best optionality for an enterprise.

Raimo Lenschow

Analyst, Barclays Capital, Inc.

Q

Yeah. Okay. Okay. Perfect. Yeah, makes sense. And then Ashim, if I think about ARR and the subscription revenue you were reporting, there is obviously a – there is a relationship. Last couple of years, revenue growth kind of run ahead of like what we've seen on ARR growth. Like how do you think about that relationship, especially going forward, as we think about going from here? And all the best. Thank you.

Ashim Gupta

Chief Operating Officer, UiPath, Inc.

A

Thanks, Raimo. I am still here, but I appreciate everything, and I am super excited to partner with Hitesh and Daniel. Look Raimo, remember, like we have the 606 accounting phenomenon that is there. And so as we sell more of our total platform upfront, there is more – it changes the mix of licenses and kind of the cloud-based software is particularly in some of the bundling of our platform. We'll get into more of that at Investor Day, so to speak. There is still a minor SaaS headwind that hits there, but depending on the mix of the deals and where we're selling more platform, that can result in a mix shift between kind of the subscription service revenue and the license revenue. That's really what it is. And so when you look at overall ARR, as we point to a net new ARR, we're actually pleased with the acceleration we are now seeing, right?

And as I just want to emphasize that for everybody between 606 and beyond, last year, we were really going down year-over-year. First half of this year, we were kind of – like first quarter, we were pretty well stable, and you can see the results there for second quarter in terms of the acceleration, that really shows you what we feel is the better reflection of the business and its trajectory today.

Operator: Your next question will come from Terry Tillman with Truist Securities. Your line is open. Please go ahead.

Terry Tillman

Analyst, Truist Securities, Inc.

Yeah. Can you all hear me okay?

Hitesh Ramani

Chief Financial Officer, UiPath, Inc.

Yes, Terry.

Terry Tillman

Analyst, Truist Securities, Inc.

Yeah. Hitesh, congrats to you on this expanded role as CFO. Two questions. The first question is just on the 18 of the top 20 deals, including some sort of AI product attached. I am curious, though, is it pretty similar in terms of that initial landing or impact, and was outcome-based monetization involved in any of those? And then I had a follow-up for Ashim.

Hitesh Ramani

Chief Financial Officer, UiPath, Inc.

Yeah. I mean, again, the 18 of the top 20 deals which included AI is basically how we are seeing an excitement towards the platform from our customers. That's what we're seeing that, we see whenever AI is part of, or the platform is part of the deal composition, the deal is naturally much larger than what we would have seen otherwise. And so that trajectory is there.

Terry Tillman

Analyst, Truist Securities, Inc.

Okay. All right. Thanks for that, Hitesh.

Ashim Gupta

Chief Operating Officer, UiPath, Inc.

Any other question for me? Yeah. Perfect.

Terry Tillman

Analyst, Truist Securities, Inc.

Yeah, absolutely I did. I've got the harder one for you, Ashim. I am kidding. Talking about strengthening execution and leading strategic priorities, I assume you've got a whole slew of things that are more kind of low-hanging fruit, near-term things, and then maybe as you all end the year and you continue to evolve products, maybe there are some bigger things into next year. Anything at all you could share early on, on some excitement in areas you see where you could have a quick impact? Thank you.

Ashim Gupta

Chief Operating Officer, UiPath, Inc.

Yeah, I think we're already having quick impact. Look I think especially kind of in terms of getting off to a fast start post-sale, I've seen a really remarkable execution and turnaround from our teams. Those turnaround times are now happening pre-deal closure, where our teams are moving faster on the delivery area.

The second piece is just the coordination between our partners, our services team, and our FDE team as we go through complex implementations. I feel like those are areas where, while we can always improve, we're seeing some of the low-hanging – the low hanging fruit getting addressed there. And I will tell you, I'm just super excited by the delivery and the connectivity that we see with the product team. Raghu Malpani, our CTO, is incredibly field-oriented, and so that connection between product and delivery and go-to-market, I think it's something that as it continues to strengthen, really gives us a right to win as we take on larger, more complex problems for our customer.

Terry Tillman

Analyst, Truist Securities, Inc.

Got it. Thank you.

Q

Operator: Your next question will come from Vinod with Evercore. Your line is open. Please go ahead.

Vinod Srinivasaraghavan

Analyst, Evercore Group LLC

Hi, everyone. Thank you for taking my question. You mentioned improved sales execution. Can you talk about some of the specific factors that are driving the improvement? And then are there any changes to how you're compensating reps to incentivize them to getting customers to try out more of your AI products? Thank you.

Q

Ashim Gupta

Chief Operating Officer, UiPath, Inc.

Yeah. I think the first thing is it's really like the team on the ground. Like we have incredible leaders across what I would say our market units, like US financial services, US healthcare, public sector, our manufacturing, and what we call summit, like our industrial and manufacturing enterprises, and really globally. And many of them have been in seat for a good period of time. And so I think it really starts upfront with their focus, right? It's less about Daniel, myself, and top-level leadership, but really the expertise that is being deployed on the field. And just the message around customer first and trying to continue to cut the bureaucracy that we have over the last two years, and we still can do more, to be super clear on that.

A

So I think that's one. The second piece is I do think like the cross-functional connectivity between product, sales, marketing, like I think that is continuing to strengthen. It's very fast-paced, so how do we enable our sales teams faster and more thoroughly with better content? Those are areas of focus for us that are being driven really by a number of leaders across the company.

And in terms of compensation, we of course use sales comp as a tool to drive it. The reality is, in a lot of customers, there is a pull towards a broader platform. And frankly, combining probabilistic with deterministic automation really gives – is a part of what we have. As we launch new products, we of course, try to do incentives, whether that's SPIFFs or uplifts on quota retirements. We do that selectively, and we're really pleased with the results. But we have to continue to do that as the environment and our product portfolio moves.

Vinod Srinivasaraghavan

Analyst, Evercore Group LLC

Thank you.

Q

Operator: Your next question will come from Sanika Merchant with RBC Capital. Your line is open. Please go ahead.

Sanika Merchant

Analyst, RBC Capital Markets LLC

Hey, guys. This is Sanika on for Matt Hedberg from RBC. Thanks so much for taking the question, and congrats on the quarter. You've talked about the positive traction you're seeing on your agentic offerings. Can you talk through how you're thinking about pricing for the company's agentic offerings over time, especially as customer adoption of these offerings starts to scale? Thanks.

Daniel Dines

Founder, Chief Executive Officer & Executive Chairman, UiPath, Inc.

Yeah. I think we are still experiencing with different pricing model on our agentic. We introduced recently a transaction-based pricing that it's all-inclusive in our process orchestration of all the necessary calls that one has to do to complete a transaction. I would say that probably we are going more towards outcome-based pricing that would be inclusive of the tokens required to complete a transaction.

Sanika Merchant

Analyst, RBC Capital Markets LLC

Got it. Super helpful. Thank you. And just as a follow-up, you have talked about ARR acceleration and also talked about reaching the \$2 billion ARR milestone. What would you say are the most important factors that could drive you to the higher end of your FY 2027 ARR expectations? And are there any puts or takes you would call out that we should keep in mind? Thanks.

Hitesh Ramani

Chief Financial Officer, UiPath, Inc.

Yeah. I mean again, as I mentioned earlier, we are seeing significant alignment with our customers, and the platform story is resonating extremely well with our customers, especially the combination of deterministic and agentic which is helping us expand the deal size. And so that is one of the key things which we are excited about, and that is something which is baked into our guidance, as we think about Q3 and Q4.

Sanika Merchant

Analyst, RBC Capital Markets LLC

Thanks, guys. Congrats.

Hitesh Ramani

Chief Financial Officer, UiPath, Inc.

Thank you.

Operator: Your next question will come from Keith Bachman with BMO Capital Markets. Your line is open. Please go ahead.

Jonathan Stein

Analyst, BMO Capital Markets Corp.

Hi. This is Jonathan on for Keith. Thanks for taking my question. Daniel, I wanted to direct this to you. You've talked a lot about governance and orchestration as customers are moving AI initiatives into production. So I

wanted to ask, as you are engaging with customers today, where are you seeing the greatest urgency? And do those discussions tend to start with governance and control requirements or with broader orchestration initiatives? Thanks.

Daniel Dines

Founder, Chief Executive Officer & Executive Chairman, UiPath, Inc.

A

I would say that there is an increased appetite of our customers to get the breadth of our platform. I think, in a way, our platform aligns very well with the Gartner Magic Quadrant that is called Business Orchestration and Automation Technologies. So don't think necessarily that it is customers are waking up or thinking, I want to buy orchestration but I think definitely our customers are waking up thinking, what is the best platform that can help me get the outcomes, run the processes faster, with less human errors, and bringing the AI, but in a way that preserve my intellectual property? I think this combination of factors is what drives the platform at this point.

Jonathan Stein

Analyst, BMO Capital Markets Corp.

Q

Great. Thank you.

Operator: This concludes our Q&A session. I would now like to turn the call back over to management for closing remarks.

Daniel Dines

Founder, Chief Executive Officer & Executive Chairman, UiPath, Inc.

Thank you so much for all the questions. And we are looking forward to seeing as many of you during the next few months, and especially at our FUSION event in Vegas. Thank you.

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