DocuSign Management Talks Agreement Cloud, Cross-Selling, and More

Description

Shares of **DocuSign** (NASDAQ: DOCU) soared earlier this month, following the company's fiscal second-quarter update. The Street's optimistic response to the tech company's quarterly update wasn't surprising: Revenue growth accelerated as the company benefited from continued leadership in its core e-signature product and as DocuSign's nascent Agreement Cloud offering saw promising customer adoption.

Total revenue for the period jumped 41% year over year to $235.6 million. This was an acceleration from 37% revenue growth in the prior quarter. In addition, DocuSign lifted the midpoint of its outlook for full-year revenue by $29.5 million.

To get a better understanding of what's driving the company's growth, here are three key quotes from management during DocuSign's fiscal second-quarter earnings call.

DocuSign's SpringCM acquisition is paying off

Just over a year ago, DocuSign closed its acquisition of SpringCM, a leading cloud-based document generation and contract lifecycle management (CLM) company. DocuSign's goal with the acquisition was to help accelerate the agreement process — "all the way from preparing to signing, acting-on, and managing agreements," the company said in a press release about the acquisition.

It hasn't taken long for DocuSign to execute on this vision. Earlier this year, it rolled out DocuSign Agreement Cloud, an umbrella for its suite of over a dozen products and hundreds of integrations with the purpose of streamlining agreement processes. The SpringCM CLM product is built into this Agreement Cloud — and it's paying off nicely for DocuSign.

"This quarter we saw particularly strong progress from the CLM product that came via our acquisition of SpringCM," said DocuSign CEO Daniel Springer in the company's second-quarter earnings call. Indeed, DocuSign's CFO said sales of CLM products to both new and existing customers played a material role in the company's accelerated revenue growth.

Cross-selling opportunities

DocuSign management is excited about its increased cross-selling opportunities thanks to the CLM products in its Agreement Cloud.

Giving a few customer examples, Springer said one cloud payroll services company expanded its core signature usage while adopting implementation of DocuSign's CLM. Another example included "a consumer credit reporting agency previously [who] had a small eSignature footprint…"

Springer continued: "This quarter they added a companywide deployment of CLM, which in turn may lead to further eSignature opportunities throughout their business. This is a great example of how our land and expand motion can take multiple paths."

Could DocuSign's net dollar retention increase?

DocuSign's net dollar retention rate, a measure of the change in a customer's spending over a year, crept higher in fiscal Q2. The metric was 113% during the quarter, up from 12% in the prior quarter. DocuSign CFO Michael Sheridan indicated the rate could even move a bit higher thanks to the company's expanded product offerings.

"In terms of the dollar net retention," Sheridan said, "obviously having more products available to the sales force to bring to the installed base is a good thing when it comes to both mitigating churn, but also expanding the footprint that we have [within our customers]."

He added that the company's historical range of 112% to 119% for the metric is still the way investors should frame their expectations for it. But he also said that the company's increased product offerings could help the metric move up within this range.

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