

RATING	PRICE TARGET	CURRENT PRICE	UPSIDE / DOWNSIDE
SELL	USD 39.10	USD 49.83	-21.5%

MARKET CAP	52-WEEK HIGH	52-WEEK LOW	NEXT EARNINGS
~USD 8.30B	USD 55.55	USD 18.73	Dec. 1, 2026 (est.)

P/E (TTM)	EV/EBITDA (TTM)	REVENUE (TTM)	EBIT MARGIN
NM	NM	USD 1.055B	-6.1%

Report Date: September 5, 2026 • Market Data Through: September 4, 2026 • Analyst: Lucas Skomial | Vireo Capital Research

1. INVESTMENT THESIS

We revise GitLab Inc. (NASDAQ: GTLB) to a SELL rating with a USD 39.10 price target versus the latest completed-session share price of USD 49.83 on September 4, 2026. The operating story improved materially in Q2 FY2027: revenue was USD 286.3 million, up 21% year over year; adjusted EPS was USD 0.24; non-GAAP operating income was USD 42.6 million; net ARR growth accelerated to 42%; and management raised FY2027 revenue guidance to USD 1.129-USD 1.133 billion. The issue is now valuation rather than near-term execution.

Our revised model uses the USD 1.131 billion FY2027 revenue-guidance midpoint and reaches roughly USD 1.91 billion of revenue in FY2031E. The long-term margin framework remains unchanged, with GAAP operating margin reaching 18.0% by FY2031E and free cash flow approaching USD 724 million. Those assumptions support a blended intrinsic-value estimate of USD 39.10 per share, but the post-earnings rally has moved the stock approximately 21.5% above our base-case value.

AI is the central strategic opportunity. GitLab Duo Agent Platform extends the company's role beyond code generation by coordinating planning, development, security, testing, and deployment. If AI increases software-development activity, enterprises may place greater value on governance, security, traceability, and deployment controls. That supports a durable mid-teens growth thesis even as GitLab moves beyond its earlier hypergrowth phase.

The valuation gap has widened as the share price rallied. Our updated DCF implies USD 32.54 per share, EV/Revenue USD 52.82, and P/E USD 28.97. Weighting those methods 50%, 35%, and 15% produces the USD 39.10 price target. Against USD 49.83, DCF implies roughly 34.7% downside and the blended framework implies approximately 21.5% downside. We therefore move from HOLD to SELL on valuation while acknowledging that continued AI monetization, ARR strength, and faster margin expansion could justify a higher fair value over time.

BULL CASE vs. BEAR CASE

KEY BULL CASE	KEY BEAR CASE
AI orchestration can deepen GitLab's role across the software lifecycle.	Microsoft / GitHub can bundle AI and pressure pricing or win rates.
42% net ARR growth and record gross bookings strengthen the enterprise-demand signal.	Faster growth deceleration would reduce both multiples and DCF value.
GAAP operating margin is modeled to reach 18.0% by	Persistent SBC dilution could offset improvements in cash

FY2031E.	generation.
Revised FY2031E FCF of about USD 724MM supports long-term value creation.	At USD 49.83, the stock trades about 21.5% above our blended USD 39.10 fair value.

2. COMPANY OVERVIEW

GitLab is an intelligent orchestration platform for DevSecOps that brings software planning, development, security, operations, and deployment into a unified workflow. Customers can use GitLab as self-managed software, a fully managed SaaS offering, or GitLab Dedicated for organizations with more complex security and compliance requirements. The platform is designed to reduce the number of disconnected tools used across the software-development lifecycle and provide one common data and governance layer for developers, security teams, and operations teams.

The revenue model is predominantly recurring. FY2026 subscription revenue was approximately USD 864.7 million, or about 91% of total revenue. Q2 FY2027 provided a stronger latest read-through: revenue increased 21% year over year to USD 286.3 million, net ARR growth accelerated to 42%, and gross bookings reached a record level. The acceleration in net ARR growth is encouraging because it suggests enterprise demand and new annual recurring revenue formation remained healthy even as headline revenue growth normalized.

GitLab's most important recent strategic move is the expansion of GitLab Duo Agent Platform. Rather than positioning AI only as a code-generation feature, GitLab is attempting to orchestrate AI agents across planning, development, security, testing, and deployment. The company also announced a June 2026 restructuring involving an approximately 14% workforce reduction and an exit from 22 countries, with management indicating that most savings would be reinvested into strategic growth initiatives. The combination of AI investment, platform consolidation, and cost discipline will determine whether GitLab can sustain growth while materially improving profitability.

3. INDUSTRY AND COMPETITIVE LANDSCAPE

This analysis does not introduce a separately researched total-addressable-market estimate beyond the information already contained in the source project. Instead, the industry view is anchored to the operating evidence in GitLab's model: continued enterprise expansion, recurring subscription revenue, and growing demand for software-development security, governance, and automation. The key structural tailwind is the increasing use of AI in software development. More AI-generated code can increase software velocity, but it can also increase the need for testing, security, governance, traceability, and deployment controls.

Competition remains intense. Microsoft / GitHub is the clearest strategic threat because GitHub has broad developer mindshare and Microsoft can bundle GitHub Copilot with a wider enterprise software ecosystem. Atlassian competes for workflow and platform-consolidation budgets; JFrog is strong in software supply-chain and artifact-management infrastructure; and Harness competes in CI/CD and software-delivery automation. GitLab's differentiation is the breadth of a single platform, but the market can remain fragmented when customers prefer best-of-breed tools or when a larger ecosystem vendor can price aggressively.

The peer set highlights the valuation dispersion across software infrastructure. Microsoft trades at a lower EV/Revenue multiple but with far higher profitability, while Atlassian and Dynatrace combine recurring software revenue with positive EBITDA. JFrog, Datadog, and Cloudflare trade at materially higher revenue multiples, reflecting faster growth expectations but also greater valuation sensitivity. GitLab's 5.5x FY2031E EV/Revenue exit assumption therefore sits below several faster-growth software peers and is intended as a normalized long-term multiple rather than a direct application of today's peer median.

COMPARABLE COMPANY ANALYSIS

Company	Ticker	Mkt Cap (\$B)	EV (\$B)	Rev (\$B)	EV/Rev	EV/EBITDA	P/E (Fwd)	Rev Growth
GitLab Inc.	GTLB	8.30	7.05	1.055	6.68x	NM	54.95x	23.0%
Microsoft / GitHub	MSFT	3,710.00	3,760.00	331.840	11.33x	19.42x	25.82x	17.8%
Atlassian	TEAM	47.99	47.98	6.570	7.30x	110.44x	35.91x	26.0%
JFrog	FROG	10.80	9.99	0.600	16.65x	NM	91.49x	26.4%
Datadog	DDOG	76.30	72.59	3.970	18.28x	924.86x	81.13x	31.5%
Dynatrace	DT	15.00	14.00	2.100	6.67x	49.81x	25.39x	17.9%
Cloudflare	NET	99.32	98.68	2.512	39.28x	NM	188.73x	33.5%

4. FINANCIAL ANALYSIS

GitLab's historical financial profile shows rapid scale combined with a clear normalization in growth. Revenue increased from USD 424.3 million in FY2023 to USD 955.2 million in FY2026, while year-over-year growth slowed from 68.0% to 25.8% over that period. Gross margin remained structurally high, ranging from approximately 87% to 90%. That margin profile is a major advantage because incremental revenue can create meaningful earnings leverage if operating expenses grow more slowly than revenue.

Operating profitability has improved substantially. GAAP operating margin moved from roughly (49.8)% in FY2023 to (7.4)% in FY2026. The model continues to assume GitLab crosses into positive GAAP operating income in FY2027E with a 2.5% margin and reaches 18.0% by FY2031E. Importantly, Q2 FY2027 non-GAAP operating income was USD 42.6 million versus a USD 31.2 million estimate, and full-year non-GAAP operating income guidance was raised to USD 148-USD 152 million. Because management's guidance is non-GAAP, the DCF does not directly replace the GAAP margin assumptions with that figure; instead, the earnings beat strengthens confidence in the operating-leverage thesis.

Cash flow is already stronger than GAAP earnings. FY2026 operating cash flow reached approximately USD 232.9 million and the model shows free cash flow of about USD 222.0 million. Using the revised revenue path while holding the model's FCF-margin assumptions broadly unchanged, forecast FCF increases to approximately USD 378 million in FY2027E and USD 432 million in FY2028E. Stock-based compensation remains an important issue for per-share value, even as higher revenue and improving margins support cash generation.

The balance sheet remains a source of flexibility. GitLab reports approximately USD 1.26 billion of cash and short-term investments and no conventional debt in the model. Current public-market data show TTM revenue of roughly USD 1.055 billion, a TTM EBIT margin of about (6.1)%, and approximately USD 286 million of levered free cash flow. The combination of recurring revenue, a net-cash balance sheet, and improving cash generation gives the company capacity to fund AI investment and repurchases, but it also raises the standard the current valuation must clear.

FINANCIAL SUMMARY

Metric	FY2023A	FY2024A	FY2025A	FY2026A	FY2027E	FY2028E
Revenue (USD B)	0.424	0.580	0.759	0.955	1.131	1.306
YoY Growth %	68.0%	36.7%	30.9%	25.8%	18.4%	15.5%
Gross Profit (USD B)	0.373	0.520	0.674	0.834	1.001	1.163
Gross Margin %	87.8%	89.7%	88.8%	87.4%	88.5%	89.0%
EBITDA (USD B)	-0.206	-0.181	-0.132	-0.059	0.042	0.107
EBITDA Margin %	-48.5%	-31.2%	-17.3%	-6.2%	3.7%	8.2%
EBIT (USD B)	-0.211	-0.187	-0.143	-0.070	0.028	0.091
Net Income (USD B)	-0.182	-0.430	-0.009	-0.059	0.061	0.113
EPS (Diluted, USD)	-1.16	-2.84	-0.04	-0.37	0.38	0.68
FCF (USD B)	-0.083	0.033	-0.068	0.222	0.378	0.432
Net Debt / (Cash) (USD B)	-0.935	-1.036	-0.992	-1.260	-1.633	-2.059

Source: Company filings / prior model historicals. FY2027E-FY2028E revised using Q2 FY2027 revenue guidance supplied by the analyst; other forecast assumptions remain Vireo Capital Research estimates.

5. VALUATION

We use a blended valuation because GitLab sits between two stages of the software-company lifecycle: revenue growth remains important, but the business is also beginning to produce positive GAAP operating income and substantial free cash flow. DCF receives the highest weight at 50% because it directly reflects our five-year operating assumptions. EV/Revenue receives 35% because revenue remains the most stable operating anchor, while P/E receives 15% as earnings become more relevant in the outer forecast years.

The DCF uses a 10.0% WACC and 3.0% terminal growth rate. With FY2027E revenue at the USD 1.131 billion guidance midpoint, unlevered FCF increases from approximately USD 97.0 million in FY2027E to USD 344.8 million in FY2031E. The model produces enterprise value of approximately USD 3.888 billion and equity value of USD 5.148 billion, resulting in a DCF value of USD 32.54 per share. Against the September 4 closing price of USD 49.83, the DCF implies approximately 34.7% downside.

The relative methods remain more mixed. Applying a 5.5x FY2031E EV/Revenue exit multiple produces USD 52.82 per share, modestly above the current market price, while the 25.0x FY2031E P/E method produces USD 28.97. Weighting DCF, EV/Revenue, and P/E at 50%, 35%, and 15% yields a USD 39.10 price target. Because the current share price has risen to USD 49.83, the same intrinsic-value framework now implies approximately 21.5% downside rather than the single-digit downside shown before the post-earnings rally.

PRICE TARGET DERIVATION

Methodology	Weight	Implied Price	Key Assumptions
DCF (5-Year)	50%	USD 32.54	10.0% WACC; 3.0% terminal growth
EV/Revenue	35%	USD 52.82	5.5x FY2031E exit EV/Revenue multiple
P/E	15%	USD 28.97	25.0x FY2031E diluted EPS (~USD 1.87)
BLENDED PRICE TARGET	100%	USD 39.10	-21.5% downside from current price

6. CATALYSTS

Duo Agent Platform monetization is the most important strategic catalyst. Higher AI-agent usage could expand ARPU, increase platform engagement, and strengthen GitLab's position as the governance and orchestration layer around AI-assisted software development. Evidence that AI increases platform-level spending rather than only feature usage would support both revenue durability and a higher valuation multiple.

Enterprise expansion is the clearest operating catalyst. Q2 FY2027 net ARR growth accelerated to 42% with record gross bookings, providing a stronger leading indicator than the prior quarter's revenue data alone. Continued ARR formation, healthy enterprise demand, and successful conversion of bookings into recognized revenue would support the revised FY2027 guidance and the model's mid-teens long-term growth path. Faster-than-modeled operating leverage would also have an outsized effect on valuation because DCF value is highly sensitive to terminal cash flow.

Capital returns provide an additional per-share catalyst. GitLab authorized a USD 400 million repurchase program in FY2026 and repurchased shares in Q1 FY2027. Repurchases can partially offset dilution from stock-based compensation. The June 2026 restructuring is another potential catalyst if cost savings improve efficiency without weakening product development or go-to-market execution.

7. RISKS TO OUR THESIS

Microsoft / GitHub competition is the largest strategic risk. GitHub has broad developer distribution and can combine Copilot with Microsoft's wider enterprise ecosystem, potentially pressuring GitLab's pricing, win rates, or ability to consolidate software-development budgets. AI commoditization is related: if value shifts primarily toward model providers and coding assistants, GitLab may capture less of the economics than our platform-orchestration thesis assumes.

Growth deceleration is the largest financial risk. The revised model now assumes approximately 18.4% FY2027E revenue growth, consistent with the midpoint of management's raised USD 1.129-USD 1.133 billion guidance, before growth slows to 15.5% in FY2028E and 12.5% by FY2031E. If the Q2 ARR and bookings strength does not convert into durable revenue, both the revenue multiple and DCF terminal value could come under pressure. Margin execution remains equally important.

Stock-based compensation, restructuring execution, and valuation sensitivity create additional downside. Persistent dilution can reduce per-share value even when cash flow improves, while the workforce reduction could create execution or retention issues if cost actions go too far. The sharp post-Q2 rally is itself a valuation risk: the stock closed at USD 49.83 on September 4, near the upper end of its USD 18.73-USD 55.55 52-week range, leaving less room for execution mistakes relative to our USD 39.10 base-case value.

8. ESG NOTE

The most relevant ESG factor for GitLab is data security, privacy, and governance because the platform sits inside customers' software-development workflows and increasingly coordinates AI-assisted activity. The investment relevance is direct: GitLab's strategic differentiation depends partly on its ability to provide enterprise governance, policy controls, traceability, and security across code

creation and deployment. Strong governance can support enterprise adoption as organizations become more cautious about how AI agents access code, credentials, and development environments. Conversely, a major security or privacy failure could damage trust, slow enterprise wins, and weaken the platform-consolidation thesis. This report does not assign a separate ESG valuation premium or discount; the factor is incorporated qualitatively through assumptions around enterprise adoption, retention, and competitive positioning.

9. MANAGEMENT AND OWNERSHIP

GitLab is led by CEO Bill Staples, who joined as chief executive in December 2024 after serving as CEO of New Relic and holding senior leadership roles at Microsoft and Adobe. CFO Jessica Ross joined in January 2026 after serving as CFO of Frontdoor and previously holding senior finance roles at Salesforce and Stitch Fix. Co-founder Sid Sijbrandij serves as Executive Chair after transitioning from the CEO role in December 2024. For the investment thesis, management's key priorities are balancing AI investment and enterprise growth with operating leverage, capital returns, and lower dilution.

Current public ownership data indicate approximately 11.2% insider ownership and 82.8% institutional ownership. The latest reported short-interest settlement available is August 14, 2026, when approximately 10.2% of public float was sold short. GitLab does not currently pay a dividend, while its share-repurchase authorization can partially offset stock-based compensation dilution.

MANAGEMENT TEAM

Name	Role	Background
Bill Staples	Chief Executive Officer	CEO since December 2024; former CEO of New Relic with prior senior leadership roles at Microsoft and Adobe; nearly 30 years of developer-platform experience.
Jessica Ross	Chief Financial Officer	CFO since January 2026; previously CFO of Frontdoor and held senior finance roles at Salesforce and Stitch Fix; more than 25 years of finance and operating experience.
Sid Sijbrandij	Co-founder & Executive Chair	GitLab co-founder and former CEO; transitioned to Executive Chair in December 2024 and remains a major insider shareholder and board leader.

Insider Ownership: 11.2% | Institutional Ownership: 82.8% | Short Interest: 10.2% of float (Aug. 14, 2026) | Dividend Yield: None

10. CONCLUSION

GitLab's Q2 FY2027 results strengthened the business case. Revenue, adjusted EPS, non-GAAP operating income, net ARR growth, gross bookings, and full-year guidance all moved in the right direction. Our revised model therefore maintains a stronger FY2027 starting point and a long-term path to approximately USD 1.91 billion of FY2031E revenue and roughly USD 724 million of free cash flow.

The market has repriced faster than our intrinsic-value estimate. GitLab closed at USD 49.83 on September 4, 2026, while our blended valuation remains USD 39.10 per share. The DCF value is USD 32.54, EV/Revenue USD 52.82, and P/E USD 28.97. The resulting 21.5% blended downside makes the risk/reward unattractive at the current price despite improving fundamentals. We therefore conclude with a SELL rating and a USD 39.10 price target.

ANALYST CERTIFICATION

I, Lucas Skomial, certify that the views expressed in this report accurately reflect my personal views about GitLab Inc. and its securities. I have not received and will not receive direct or indirect compensation related to the specific recommendations expressed herein. This report represents my independent analysis based on publicly available information.

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