PagerDuty

Investor presentation

Q2 FY 2024

Period ended July 31, 2023



Safe harbor

This presentation contains forward-looking statements. All statements other than statements of historical fact contained in this presentation, including statements as to future results of operations and financial position such as growth prospects and future revenue, expected benefits of our offerings, planned products and services, business strategy and plans, objectives of management for future operations of PagerDuty, Inc. (“PagerDuty” or the “Company”), market size and growth opportunities, competitive position, technological and market trends and target operating model, are forward-looking statements. In some cases, you can identify forward-looking statements by terms such as “can,” “desire,” “able,” “guidance,” “expect,” “extend,” “anticipate,” “should,” “believe,” “hope,” “target,” “project,” “accelerate,” “goals,” “estimate,” “potential,” “predict,” “may,” “will,” “might,” “could,” “intend,” “shall” or the negative of these terms or other similar words or expressions. You should not rely upon-forward looking statements as predictions of future events.

The outcome of events described in these forward-looking statements contained in this presentation is subject to known and unknown risks, uncertainties, assumptions and other factors that may cause PagerDuty’s actual results, performance or outcomes to differ materially from those expressed or implied by such forward-looking statements, including: the impact of an economic downturn or recession, rising inflation, significant market volatility in the global economy on our customers, partners, employees and business, and general political, economic, and business conditions, including those related to COVID-19, bank failures and geopolitical uncertainty; the effect of uncertainties related to the COVID-19 pandemic on U.S. and global markets, our business, operations, revenue results, cash flow, operating expenses, demand for our solutions, sales cycles, customer retention and our customers’ businesses; our ability to achieve and maintain future profitability; our ability to attract new customers and retain and sell additional functionality and services to our existing customers; our ability to sustain and manage our growth; our dependence on revenue from a single platform; and our ability to compete effectively in an increasingly competitive market.

The forward-looking statements contained in this presentation are also subject to additional risks, uncertainties, and factors, including those more fully described in PagerDuty’s filings with the Securities and Exchange Commission, including its most recently filed Form 10-K.

Forward-looking statements represent PagerDuty’s management’s beliefs and assumptions only as of the date such statements are made. PagerDuty does not undertake, and expressly disclaims any duty, to update any statements made in this presentation to reflect events or circumstances after the date of this presentation or to reflect new information or the occurrence of unanticipated events, except as required by law.

This presentation also contains estimates and other statistical data made by independent parties and by the Company relating to market size and growth and other industry data. These data involve a number of assumptions and limitations, and you are cautioned not to give undue weight to such estimates. The Company has not independently verified the statistical and other industry data generated by independent parties and contained in this presentation and, accordingly, it cannot guarantee their accuracy or completeness. In addition, projections, assumptions and estimates of its future performance and the future performance of the markets in which the Company competes are necessarily subject to a high degree of uncertainty and risk due to a variety of factors. These and other factors could cause results or outcomes to differ materially from those expressed in the estimates made by the independent parties and by PagerDuty.

This presentation also includes certain non-GAAP financial measures. These non-GAAP financial measures are in addition to, and not as a substitute for or superior to measures of financial performance prepared in accordance with GAAP. There are a number of limitations related to the use of these non-GAAP financial measures versus their nearest GAAP equivalents. For example, other companies may calculate non-GAAP financial measures differently or may use other measures to evaluate their performance, all of which could reduce the usefulness of the Company’s non-GAAP financial measures as tools for comparison. The Company has provided a reconciliation of those measures to the most directly comparable GAAP measures, which is available in the appendix.

For further information with respect to PagerDuty, we refer you to our most recent Form 10-K filed with the SEC and our other filings with the SEC. In addition, we are subject to the information and reporting requirements of the Securities Exchange Act of 1934 and, accordingly, file periodic reports, current reports, proxy statements and other information with the SEC. These periodic reports, current reports, proxy statements and other information are available for review at the SEC’s website at http://www.sec.gov.

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Purpose

We empower teams with the time and efficiency to build the future.

Vision

An equitable world where we transform critical work so all teams can delight their customers and build trust.

Mission

To revolutionize operations and build customer trust by anticipating the unexpected in an unpredictable world.



Our core promise

For Developers, IT Operations, Customer Service, Security, and more teams, we are the best way to manage urgent, mission-critical work—and keep digital services always on.



Our core value

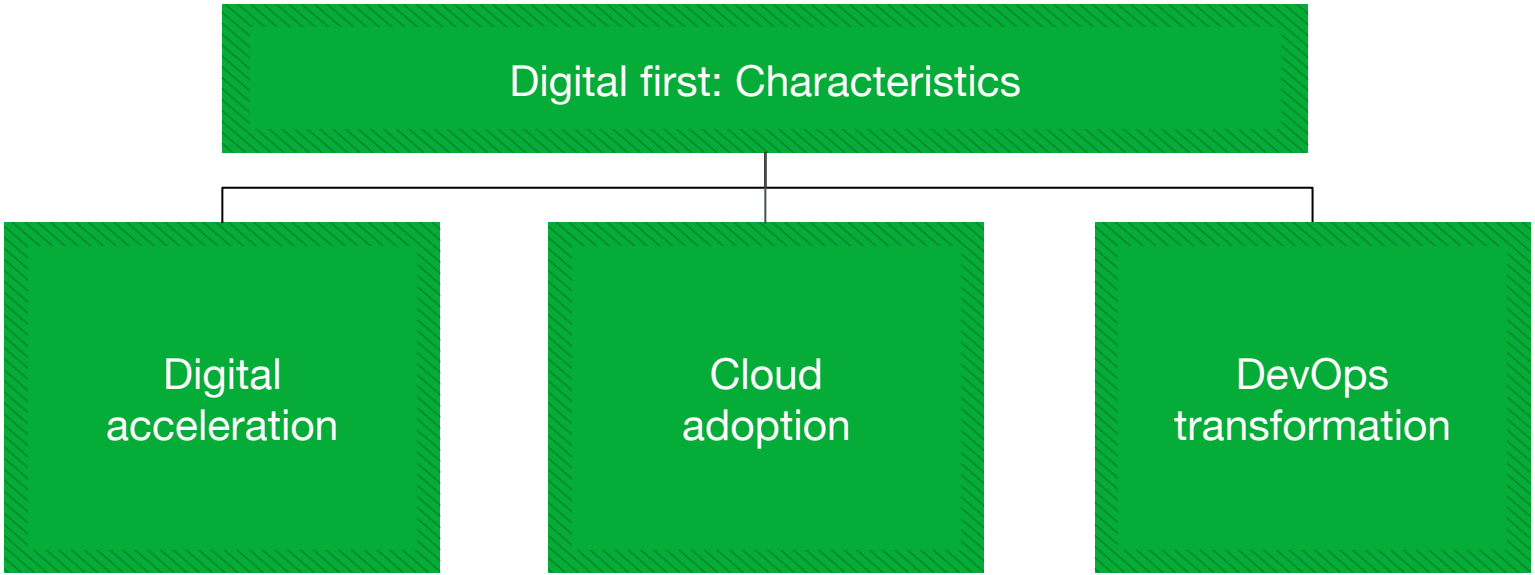
We help those teams spend less time on interrupt work—and more time focused on creating new and better digital experiences.



Our core users

PagerDuty is essential infrastructure for digital operations: integrates with the entire tech stack, uses machine learning to pinpoint issues, and automates action to resolve issues when seconds matter. It delivers immediate value, improves team productivity, and ensures a great digital experiences for end users.

Digital drives sustained demand

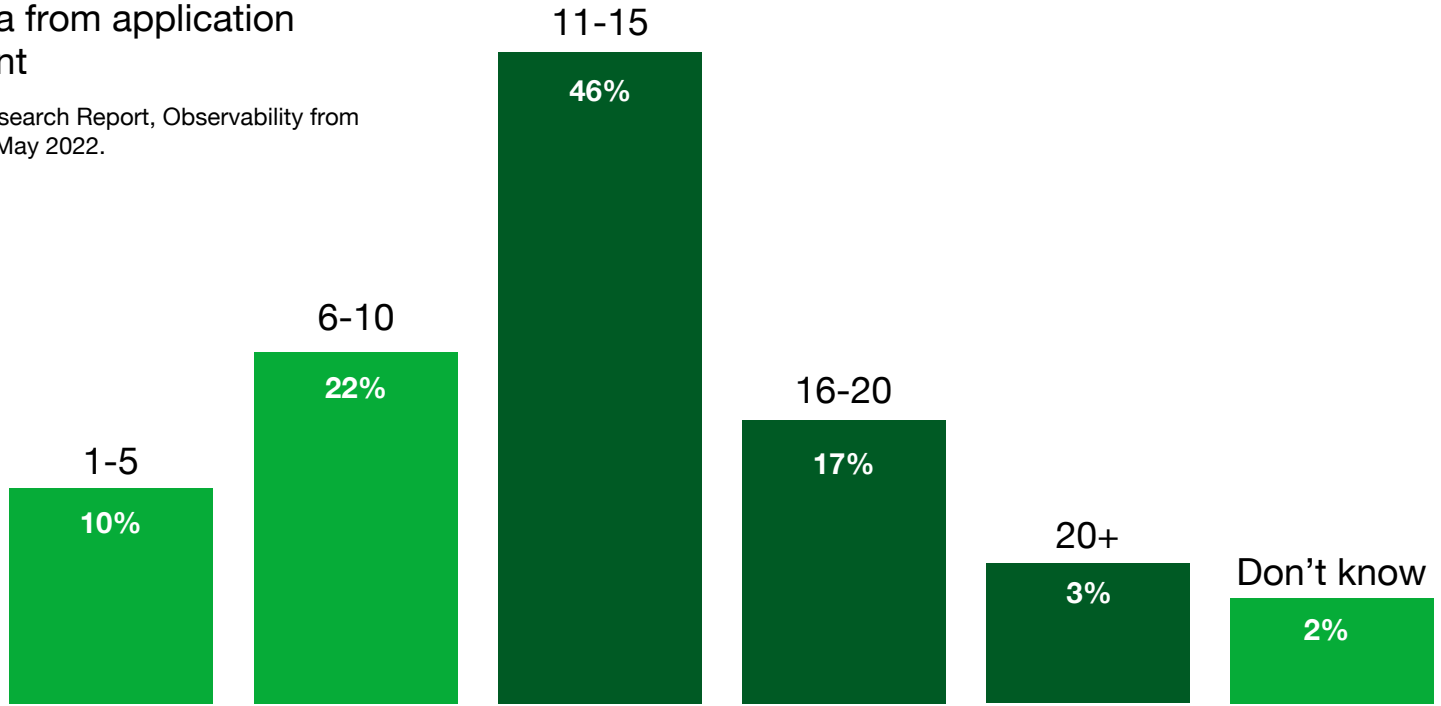


Real time work	Service ownership	Broad ecosystem	Event Intelligence, Automation, and Analytics	Orchestration

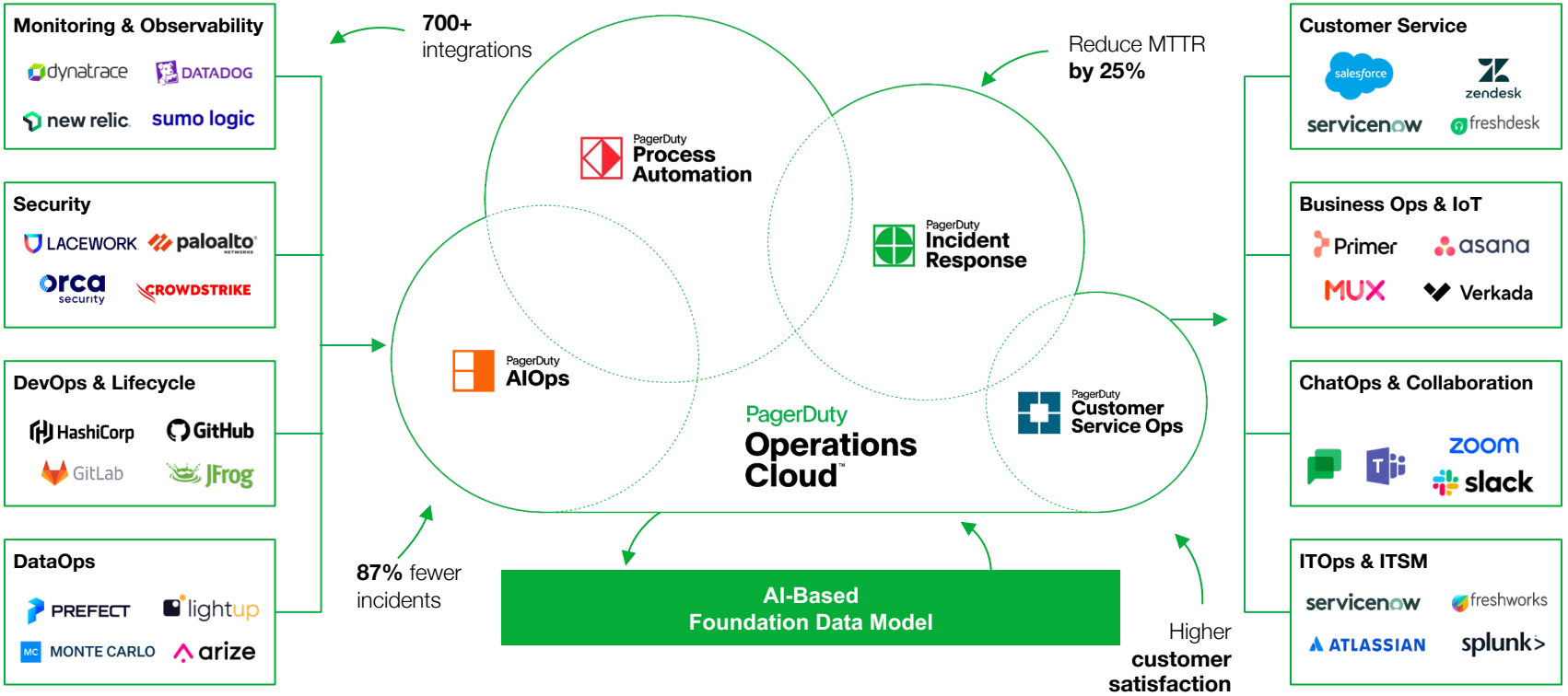
66% have more than 10 observability tools

Total observability tools used to collect data from application environment

Source: ESG Research Report, Observability from Code to Cloud, May 2022.



The PagerDuty Operations Cloud



Q2 innovations - GenAI-supported capabilities

Blog

PagerDuty Gen AI Status Updates

With generative AI integrated into our Status Update feature, teams can save cycles on what to say and to whom–they can generate persona-based status update drafts with just a few clicks. The new capability leverages AI to process all data related to the current incident and auto-generate a summary, offering key insights on events, progress and challenges.

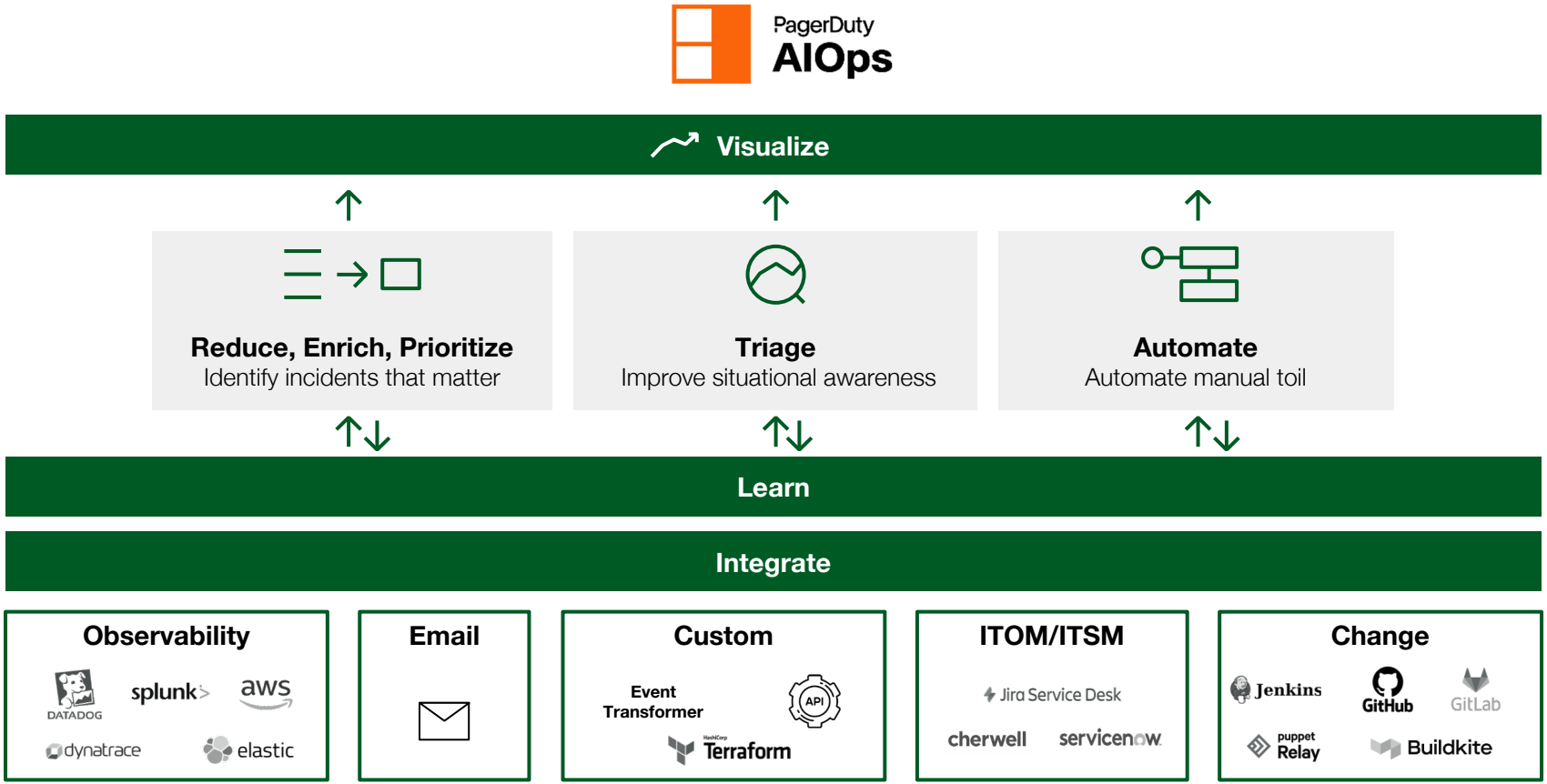
PagerDuty GenAI Post Mortems

Once an incident is resolved, the user can elect to generate a postmortem review, triggering the real-time, time-consuming collection of all available data. A detailed report that highlights key findings, root causes and areas of improvement. PagerDuty generates a list of recommended action items tailored to prevent similar issues from occurring in the future.

PagerDuty GenAI Process Automation Job Creation

PagerDuty has built a co-author for your automation needs. It's like having an extra developer on your team whom you can task with researching how to do what you want to do and then create the automation for you.

How we do it


PagerDuty
AIOps
Visualize
Reduce, Enrich, Prioritize
Identify incidents that matter
Triage
Improve situational awareness
Automate
Automate manual toil
Learn
Integrate
Observability
DATADOG
splunk>
aws
dynatrace
elastic
Email
Custom
Event
Transformer
API
Terraform
ITOM/ITSM
Jira Service Desk
cherwell
servicenow
Change
Jenkins
GitHub
GitLab
puppet
Relay
Buildkite

PagerDuty helps Hyland free up time to focus on innovation

Challenges

- Struggled to get actionable information to the right responders
- Triage and cross-team escalations were inconsistent and ineffective
- Needed to improve developer morale while driving faster resolution for its nearly 20,000 customers

Solution

- PagerDuty AIOps' Global Event Orchestration uses a powerful decision engine to get the right information to the right responders
- PagerDuty AIOps Event Enrichment ensures information is easy to understand by normalizing information for responders

Results

- 3x less time configuring events, event configuration, and event routing
- Reduced manual processes and toil
- More meaningful notifications that were immediately actionable for the response team
- Faster resolution times

About

Hyland is an American multinational corporation headquartered in Westlake, OH. Its enterprise information platform, OnBase, centralizes business content in one secure location.

"PagerDuty Event Orchestration allows our teams to cut down on manual work by connecting real-time event processing with intelligent automation."

Hyland
creator of OnBase®

The Operations Cloud Journey

PagerDuty Incident Response

Land: PagerDuty Incident Response

- Free
- Professional $252 per user/year
- Business $492 per user/year
- Digital Operations (contact for pricing)

Deliver always on digital services by mobilizing the right response when seconds matter.

PagerDuty AIOps

Add on: PagerDuty AIOPs: consumption pricing, starting at $4,788/year

Add on: PagerDuty Automation Actions, $240 per user/year

Reduce noise, identify root causes, and automate incident resolution in real time.

PagerDuty Process Automation

Land: PagerDuty Process Automation Self-managed (contact for pricing)

Land: PagerDuty Runbook Automation SaaS, $1,500 per user/year

Operate faster by automating and delegating business and IT processes.

PagerDuty Customer Service Ops

Land: PagerDuty for Customer Service

- Professional $252 per user/year
- Business $492 per user/year
- Digital Operations (contact for pricing)

Add on: Status Pages $1,068 per 1,000 subscribers/year

Empower Customer Service teams to proactively solve customer issues, faster.

Why PagerDuty wins – fast time to value

Technology



Integrations



AI / Machine Learning



Automation

Customer focus



24/7 availability



Enterprise Scale



Easy setup

Driving value for customers

795%	77%	2 months	74%	85%
3-year ROI	Reduced time to troubleshoot issues	To payback	Reduction in unplanned downtime	Reduced time to identify troubleshooting issues

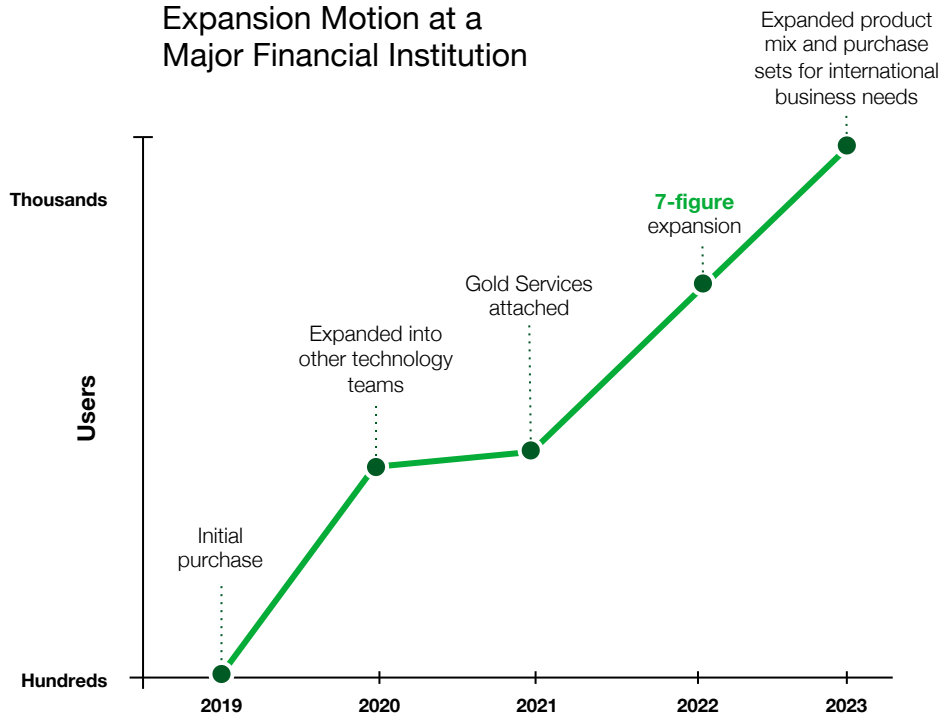
Source: IDC Business Value Research, sponsored by PagerDuty, "PagerDuty Helps Organizations Optimize Their Digital Operations Management to Create Better Value," January 2021

Innovation driven land-and-expand model

A leading financial services organization relies on PagerDuty to increase workforce efficiency, critical application uptime, and operating leverage.

Value captured includes, reduced toil and improved customer experience through greater app reliability.

- **2019:** Initial purchase for a group delivering applications for high value clients
- **2020:** Additional purchases = > $1M in ARR
- **2021:** Added gold services
- **2022:** Additional 7-figure deal
- **2023:** Expanded product mix and purchase sets for international business needs



Underpenetrated, fragmented market opportunity

75 million users by persona (estimated) in 2022

Developers: driven by digital services and software-driven innovation → **25m users**

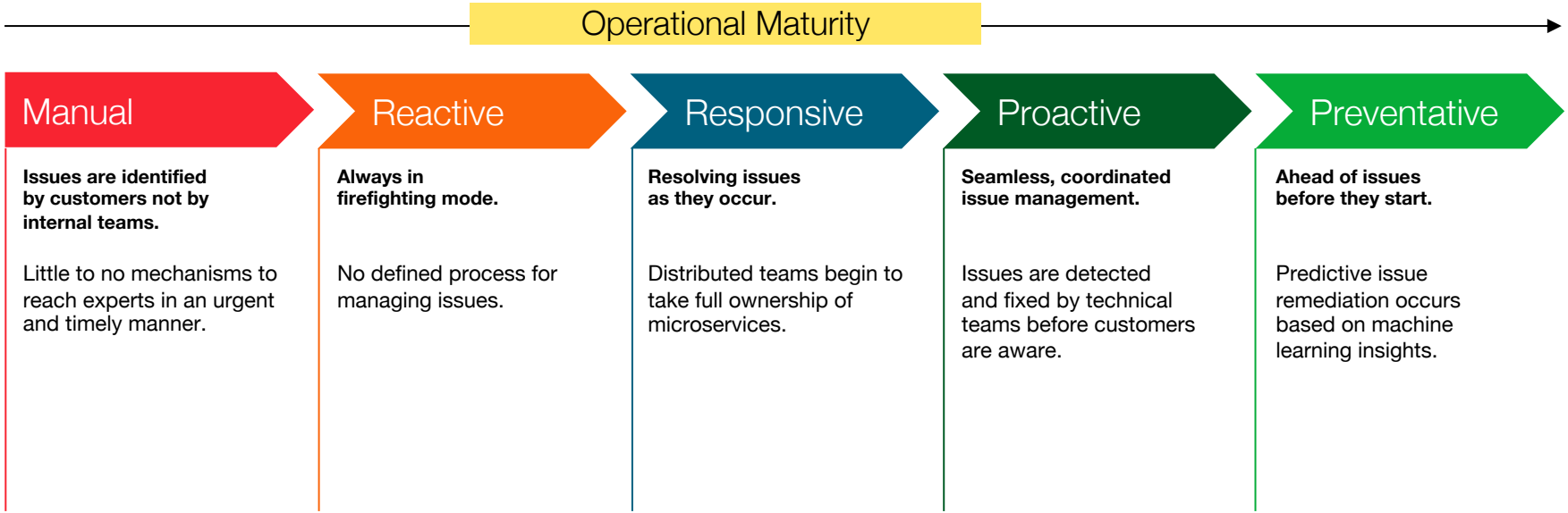
Infrastructure and Operations: undergoing modernization with Digital, Cloud adoption, and DevOps → **21m users**

Customer Service: push for improving cost-efficiency and productivity through self-service and automation → **27m users**

SecOps: a relatively small, but influential population (i.e. protect all technology / data, employees, customers and stakeholders for a business) → **2m users**

Sources: IDC Worldwide Developer Forecast: 2022 to 2027; WW Info / Comm. Technology Employment Forecast, 2020-2023: Covid-19 Impact on Demand for Skills, Bureau of Labor Statistics (2)
Source: CapIQ

Enterprises are early in Digital Operations Maturity



Focus on environmental, social and governance

PagerDuty.org

PagerDuty.org empowers mission-driven teams to build a more equitable world and sustainable future.

Reached 350 Impact Customers

representing **$1.5M ARR**, driven by a 135% YoY increase in Impact Pricing applications and a 150% YoY increase in new logos

80% Employee Volunteerism in Q2

demonstrating a committed and actively engaged workforce

Increasing Customer Interest in ESG

represented by YoY increase in ESG scorecard supplier requests

SAN FRANCISCO BUSINESS TIMES

Recognized as a Top Bay Area Philanthropist

by the San Francisco Business Times: PagerDuty is named one of the top 100 corporate philanthropists for a second consecutive year

Financials

Select operating metrics

	FY23 Q2	FY23 Q3	FY23 Q4	FY24 Q1	FY24 Q2
Revenue	$90	$94	$101	$103	$108
Revenue Growth	34%	31%	29%	21%	19%
Non-GAAP Operating Margin	(4%)	3%	6%	16%	13%
DBNR	124%	123%	120%	116%	114%
Paid Customers	15,174	15,265	15,244	15,089	15,146
Customers >$100K	689	710	752	764	773

Non-GAAP target operating model

% of Revenue	FY20	FY21	FY22	FY23	Q2 FY24	Target
Gross Margin	86%	87%	85%	85%	86%	85%
Sales & Marketing	53%	50%	50%	43%	38%	35%
Research & Development	26%	25%	25%	24%	22%	20%
General & Administrative	24%	21%	19%	17%	13%	10%
Operating Margin	(17%)	(8%)	(8%)	1%	13%	20%



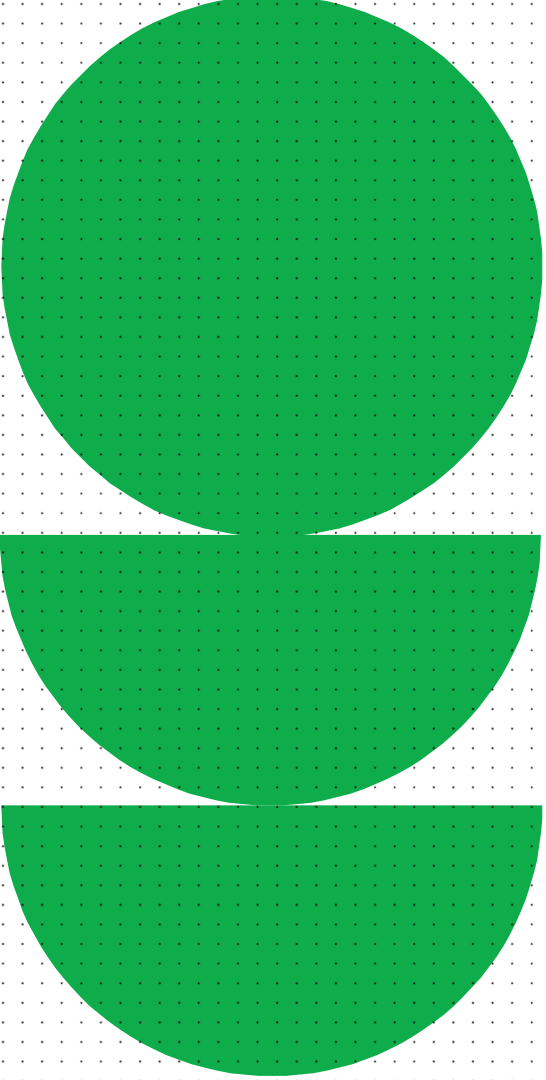


Our mission at PagerDuty is to revolutionize operations and build customer trust by anticipating the unexpected in an unpredictable world.

PagerDuty

Appendix





Definitions

Annual recurring revenue (ARR) - Annualized recurring value of all active contracts at the end of a reporting period.

Customer - A separate legal entity, such as a company or an educational or government institution, that has an active subscription with us or one of our partners to access our platform. In situations where an organization has multiple subsidiaries or divisions, we treat the parent entity as the customer instead of treating each subsidiary or division as a separate customer.

Dollar-Based Net Retention (DBNR) - Calculated as of a period end starting with the ARR from the cohort of all customers as of 12 months prior to such period end. Next, we calculate the ARR from these same customers as of the current period end. Period ARR includes any expansion and is net of downgrades or churn over the last 12 months but excludes ARR from new customers in the current period. We then divide the total Current Period ARR by the total Prior Period ARR to arrive at the dollar-based net retention rate.

Reconciliation

PagerDuty, Inc.
Reconciliation of GAAP to Non-GAAP Data
(in thousands, except percentages and per share data) (unaudited)

	Three Months Ended July 31		Year Ended January 31		
	2023	2022	2023	2022	2021
Reconciliation of gross profit and gross margin					
GAAP gross profit	$87,783	$71,886	$300,359	$233,035	$182,870
Plus: Stock-based compensation	2,164	1,787	6,827	3,751	1,702
Plus: Employer taxes related to employee stock transactions	45	34	163	131	54
Plus: Amortization of acquired intangible assets	2,086	2,156	7,401	1,120	373
Plus: Restructuring costs	—	—	357	—	—
Non-GAAP gross profit	**$92,078**	**$75,863**	**$315,107**	**$238,037**	**$184,999**
GAAP gross margin	82%	80%	81%	83%	86%
Non-GAAP adjustments	4%	4%	4%	2%	1%
Non-GAAP gross margin	**86%**	**84%**	**85%**	**85%**	**87%**
Reconciliation of operating expenses					
GAAP research and development	$36,441	$34,014	$134,876	$95,690	$64,566
Less: Stock-based compensation	(12,773)	(10,567)	(39,012)	(23,764)	(11,095)
Less: Employer taxes related to employee stock transactions	(203)	(176)	(942)	(929)	(411)
Less: Acquisition-related expenses	(162)	(891)	(3,105)	(1,789)	(614)
Less: Amortization of acquired intangible assets	(87)	(116)	(232)	—	—
Less: Restructuring costs	2	—	(2,004)	—	—
Non-GAAP research and development	**$23,218**	**$22,264**	**$89,581**	**$69,208**	**$52,446**

Note: Certain figures may not sum due to rounding.

Reconciliation con’t

PagerDuty, Inc.
Reconciliation of GAAP to Non-GAAP Data
(in thousands, except percentages and per share data) (unaudited)

	Three Months Ended July 31		Year Ended January 31		
	2023	2022	2023	2022	2021
GAAP sales and marketing	$49,724	$50,331	$195,622	$161,624	$122,155
Less: Stock-based compensation	(8,317)	(8,148)	(29,804)	(19,012)	(14,733)
Less: Employer taxes related to employee stock transactions	(283)	(145)	(892)	(765)	(596)
Less: Amortization of acquired intangible assets	(610)	(660)	(2,546)	(2,380)	(794)
Less: Restructuring costs	(56)	—	(2,200)	—	—
Non-GAAP sales and marketing	**$40,458**	**$41,378**	**$160,180**	**$139,467**	**$106,032**
GAAP general and administrative	$27,791	$25,429	$99,238	$77,432	$62,431
Less: Stock-based compensation	(12,283)	(9,623)	(34,264)	(23,506)	(15,701)
Less: Employer taxes related to employee stock transactions	(172)	(166)	(1,099)	(1,192)	(548)
Less: Acquisition-related expenses	—	(8)	(1,454)	(319)	(1,823)
Less: Amortization of acquired intangible assets	(22)	(29)	(58)	—	—
Less: Restructuring costs	(1,204)	—	(474)	—	—
Non-GAAP general and administrative	**$14,110**	**$15,603**	**$61,889**	**$52,415**	**$44,359**
Reconciliation of operating loss and operating margin					
GAAP operating loss	$(26,173)	$(37,888)	$(129,377)	$(101,711)	$(66,282)
Plus: Stock-based compensation	35,537	30,125	109,907	70,033	43,231
Plus: Employer taxes related to employee stock transactions	703	521	3,096	3,017	1,609
Plus: Amortization of acquired intangible assets	2,805	2,961	10,237	3,500	1,167
Plus: Acquisition-related expenses	162	899	4,559	2,108	2,437
Less: Restructuring costs	1,258	—	5,035	—	—
Non-GAAP operating income (loss)	**$14,292**	**$(3,382)**	**$3,457**	**$(23,053)**	**$(17,838)**
GAAP operating margin	(24)%	(42)%	(35)%	(36)%	(31)%
Non-GAAP adjustments	38%	38%	36%	28%	23%
Non-GAAP operating margin	**13%**	**(4)%**	**1%**	**(8)%**	**(8)%**

Note: Certain figures may not sum due to rounding.

Reconciliation con't

PagerDuty, Inc.
Reconciliation of GAAP to Non-GAAP Data
(in thousands, except percentages and per share data) (unaudited)

	Three Months Ended April 30		Year Ended January 31		
	2023	2022	2023	2022	2021
Reconciliation of net loss attributable to PagerDuty, Inc.					
GAAP net loss attributable to PagerDuty, Inc. common stockholders	$(23,782)	$(38,499)	$(128,423)	$(107,455)	$(68,903)
Plus: Stock-based compensation	35,537	30,125	109,907	70,033	43,231
Plus: Employer taxes related to employee stock transactions	703	521	3,096	3,017	1,609
Plus: Amortization of debt discount and issuance costs[1]	478	468	1,839	1,805	7,808
Plus: Amortization of acquired intangible assets	2,805	2,961	10,237	3,500	1,167
Plus: Acquisition-related expenses	162	899	4,559	2,108	2,437
Plus: Restructuring costs	1,258	—	5,035	—	—
Plus: Adjustment attributable to redeemable non-controlling interest	1,729	—	—	—	—
Plus: Income tax effect of non-GAAP adjustments	(662)	—	(2,556)	—	(5,017)
Non-GAAP net income (loss) attributable to PagerDuty, Inc. common stockholders	**$18,228**	**$(3,525)**	**$3,694**	**$(26,992)**	**$(17,668)**
Reconciliation of net income (loss) per share, basic					
GAAP net loss per share, basic, attributable to PagerDuty, Inc. common stockholders	$(0.26)	$(0.44)	$(1.45)	$(1.27)	$(0.87)
Non-GAAP adjustments to net loss attributable to PagerDuty, Inc. common stockholders	0.46	0.40	1.49	0.95	0.65
Non-GAAP net income (loss) per share, basic, attributable to PagerDuty, Inc.[1] common stockholders	$0.20	$(0.04)	$0.04	$(0.32)	$(0.22)
Reconciliation of net income (loss) per share, diluted					
GAAP net loss per share, diluted, attributable to PagerDuty, Inc. common stockholders	$(0.26)	$(0.44)	$(1.45)	$(1.27)	$(0.87)
Non-GAAP adjustments to net loss attributable to PagerDuty, Inc. common stockholders	0.45	0.40	1.52	0.95	0.65
Non-GAAP net income (loss) per share, diluted, attributable to PagerDuty, Inc.[1] common stockholders	$0.19	$(0.04)	$0.07	$(0.32)	$(0.22)
Weighted-average shares used in calculating net income (loss) per share					
Basic	92,542	88,153	88,721	84,514	79,614
Diluted	103,235	88,153	100,862	84,514	79,614

(1) During the first quarter of fiscal 2022, the Company early adopted ASU 2020-06 which resulted in the elimination of amortization of debt discount on the convertible senior notes from February 1, 2021. In line with ASU 2020-06, the company uses the if-converted method to calculate the non-GAAP net income per diluted share attributable to PagerDuty, Inc. related to the convertible notes. Approximately 7.2 million shares related to the convertible notes were therefore included in the non-GAAP diluted share number, while the numerator used to compute this measure was increased by $0.9 million and $3.6 million for after-tax interest expense savings related to our convertible notes for the three months ended Apr 30, 2023 and the year ended January 31, 2023, respectively.

Note: Certain figures may not sum due to rounding.

Reconciliation con’t

PagerDuty, Inc.
Reconciliation of GAAP to Non-GAAP Data
(in thousands, except percentages and per share data) (unaudited)

Free Cash Flow

	Three Months Ended April 30		Year Ended January 31		
	2023	**2022**	**2023**	**2022**	**2021**
Net cash provided by (used in) operating activities	$10,750	$2,841	$16,980	$(6,021)	$10,095
Less:					
Purchases of property and equipment	(713)	(862)	(4,637)	(3,457)	(4,038)
Capitalization of internal-use software costs	(1,299)	(965)	(3,836)	(3,353)	(810)
Free cash flow	**$8,738**	**$1,014**	**$8,507**	**$(12,831)**	**$5,247**
Net cash (used in) provided by investing activities	$(12,575)	$(2,695)	$(86,165)	$17,376	$(49,320)
Net cash provided by (used in) financing activities	$3,573	$4,465	$(6,413)	$(736)	$254,367
Free cash flow margin	8%	1%	2%	(5)%	3%

Note: Certain figures may not sum due to rounding.