PagerDuty

Investor presentation

Q3 FY 2024

Period ended October 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 the financial guidance for the second quarter of fiscal 2024 and full year fiscal 2024, 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.

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For further information with respect to PagerDuty, we refer you to our most recent Form 10-K and Form 10-Q 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.

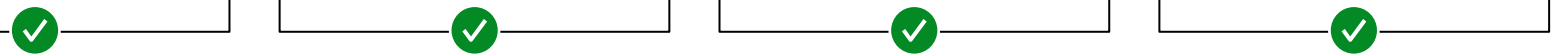


Our core users

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.

PagerDuty overview

Strong scale	Durable revenue growth	Scaled adoption	Non-GAAP profitable
$109m	**15%**	**15,049**	**14%**
Quarter ended October 31, 2023	Revenue growth YoY through Q3’24	Paid customers as of October 31, 2023	Q3’24 Non-GAAP Operating Margin



See appendix for GAAP to non-GAAP reconciliation

PagerDuty Operations maturity model

MANUAL

Issues are identified by customers, not by internal teams.

Issues are first identified by customers—rather than by technology teams—and urgent issues are manually escalated by a central team through the changing of ticket priorities. There are typically only a few mechanisms for reaching experts when escalating unplanned work.

REACTIVE

Always in firefighting mode.

Organizations have some initial technology investments to gain visibility and real-time mobilization as they begin migrating to the cloud and maturing their applications into more complex digital services. Technology teams have started shifting from centralized to distributed technical teams, but lack coordination and/or skill sharing.

RESPONSIVE

Resolving issues as they occur.

Teams have better visibility into customer-impacting issues, using machine learning and automated diagnostics speed up triage of issues, reduce false positives and noise. Development teams begin to take full ownership of microservices.

PROACTIVE

Seamless, coordinated issue management.

Organizations have invested in best practices and developed a culture of continuous learning, improvement, and prevention across the business (including non-technical stakeholders) so that the business can predict the future impact of changes.

PREVENTATIVE

Ahead of issues before they start.

Organizations have some initial technology investments to gain visibility and real-time mobilization as they begin migrating to the cloud and maturing their applications into complex digital services. They have invested in best practices and developed a culture of continuous learning, improvement, and prevention across the business. Teams can predict future impact of changes.

PagerDuty's Operations Cloud: Enabling customers to meet their objectives

Enterprise priorities

- ✓ Grow revenue by increasing innovation velocity
- ✓ Reduce costs to achieve operational efficiency at scale
- ✓ Mitigate the risk of operational failures and poor digital customer experiences

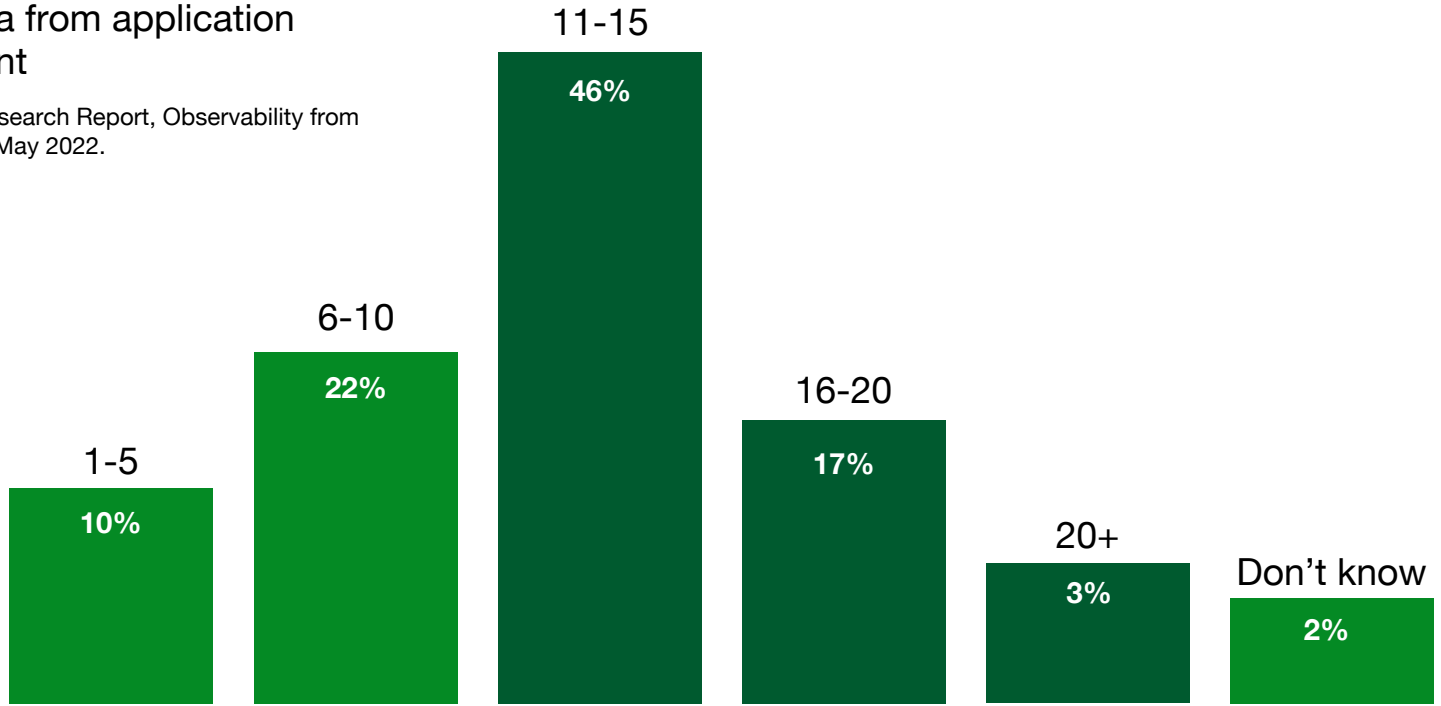
PagerDuty delivers through

- ✓ Modern operations capabilities enable teams to move faster, create more value, and build a competitive advantage
- ✓ Leverage AI, machine learning, and automation to optimize workflows, consolidate tooling, and embed best practices that significantly improve operational efficiency across the organization
- ✓ Technical debt leads to fragility, cyber threats are more frequent, complex and costly, heavier regulation results makes failure more expensive. Operational failures lead to business failure

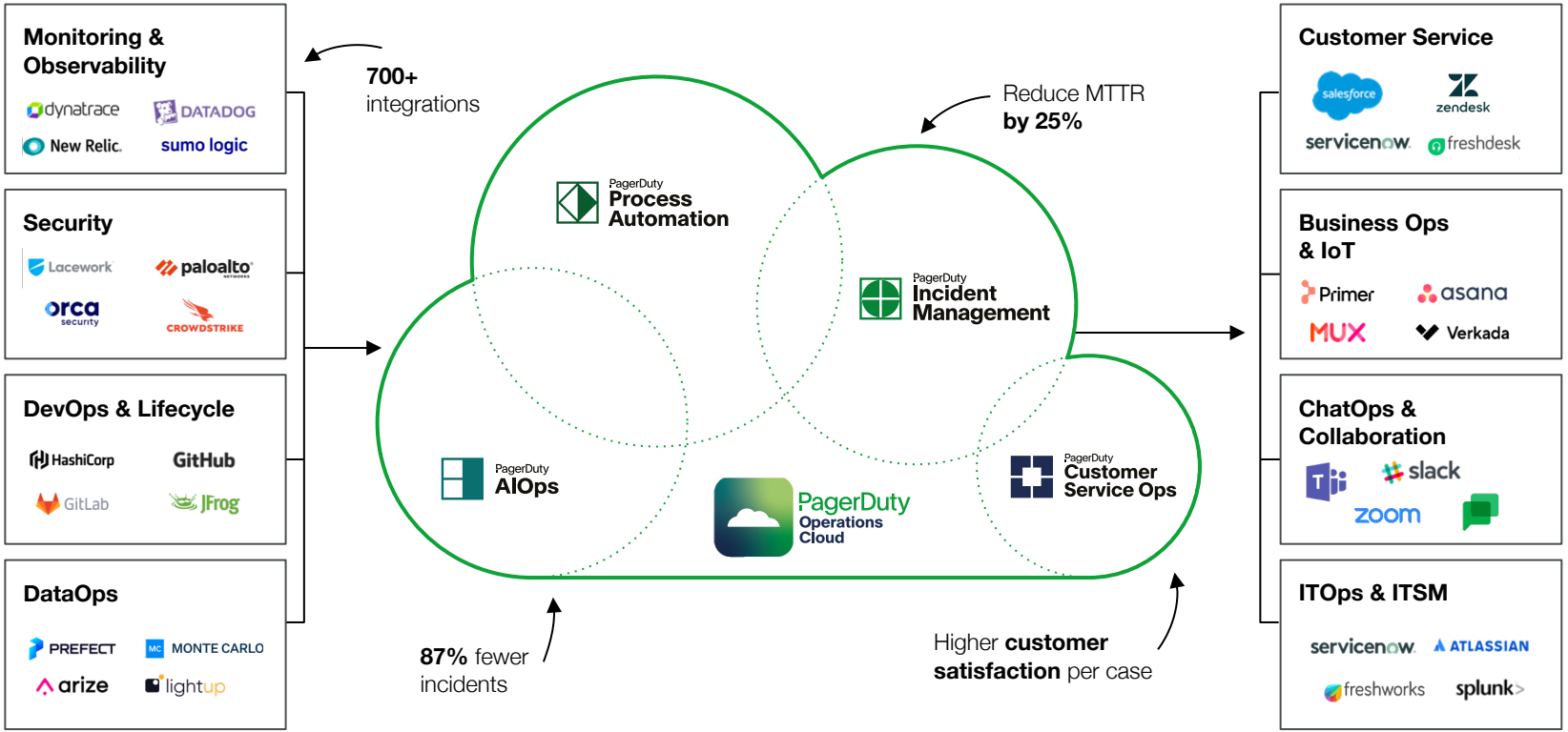
66% have more than 10 observability tools

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



The Operations Cloud pillars

PagerDuty Incident Management

Land: PagerDuty Incident Management

- 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.

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, HashiCorp Terraform

ITOM/ITSM
Jira Service Desk, cherwell, servicenow

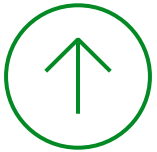
Change
Jenkins, GitHub, GitLab, puppet Relay, Buildkite

Complete the lifecycle with PagerDuty Incident Management



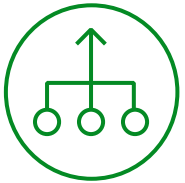
Streamlined process for faster resolution

Leveraging automation enhances individuals' capabilities and elevates their proficiency to handle incidents.



Mitigate revenue and reputational risk

The proactive approach of keeping communication with key stakeholders in the loop and up-to-date regarding the latest incident.



Consolidate, simplify and save

Reduces operating costs and eases team workloads by reducing tool clutter complexity and tech debt.

PagerDuty Operations Cloud fall launch: GenAI-supported capabilities

Blog

PagerDuty Global Alert Grouping

Reduces interruptions by grouping event data across all your services for teams to gain a better understanding of the incident scope when you need to coordinate with other teams to quickly resolve issues.

PagerDuty GenAI Post Mortems

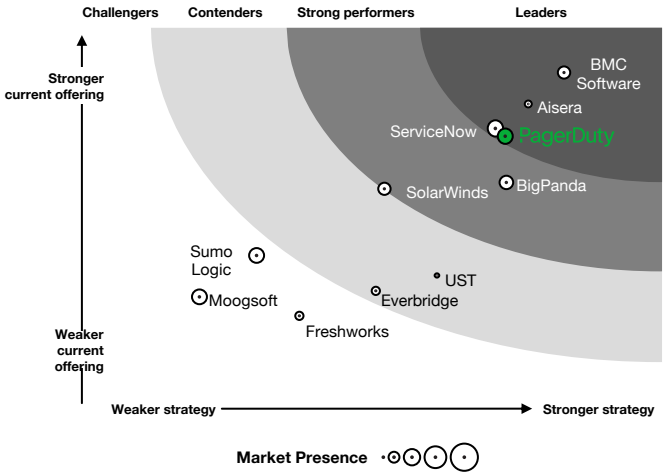
PagerDuty automatically creates a draft postmortem using GenAI to empower teams to focus on continuous learning and process improvements for faster resolutions that improve operational efficiency and reduce costs.

PagerDuty GenAI Status Updates

Removes manual work and reduces headcount associated with stakeholder management during incident response to keep teams focused on resolution. With AI-Generated Status Updates, drafting the message only takes one click, making it easier for a responder to review, edit and send custom updates to keep internal stakeholders and executives in the loop.

Recognized as an industry leader

Leading the FORRESTER® competitive landscape[1]



Gartner® recognized product leadership

9

Hype Cycle™ Report Recognitions

Across AIOps, Automated Incident Response, Infrastructure Orchestration, Service Operations, Site Reliability Engineering, SLIs/SLOs, SLO Management, SOAP, and Swarming Support[2]

Source: [1] Forrester Wave Process Centric AI for IT Operations (AIOps) Q2 2023; [2] Various Gartner Hype Cycle reports including for Monitoring and Observability, Compute, Infrastructure Platforms, Data Center Infrastructure Technologies, I&O Automation, ITSM, Site Reliability Engineering, Cloud Computing, IT Management Intelligence, Infrastructure Strategy, Operating Models, Agile and DevOps (July 2023)

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%
3-year ROI

77%
Reduced time to troubleshoot issues

2 months
To payback

74%
Reduction in unplanned downtime

85%
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

Underpenetrated, fragmented market opportunity

75 million users by persona (estimated) in 2022

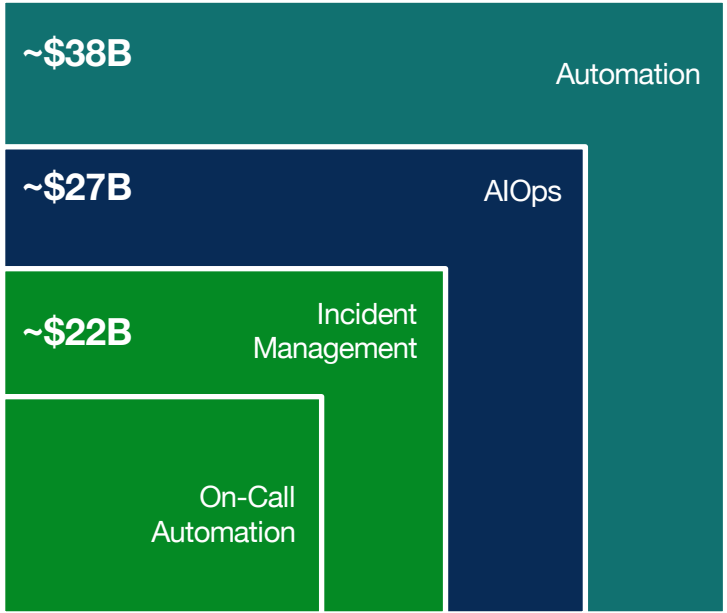
Developers: driven by digital services and software-driven innovation → **25m users**

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**

$38B Total Addressable Market



PagerDuty

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

Note: To calculate our total addressable market, we multiply our estimate of 75 million potential users by our applicable product average revenue per user. We believe that we have approximately 1% penetration worldwide within these markets.

Go-to-market model aligns to customer opportunity



Strong upsell motion with 58% of ARR coming from customers with two or more products[1]

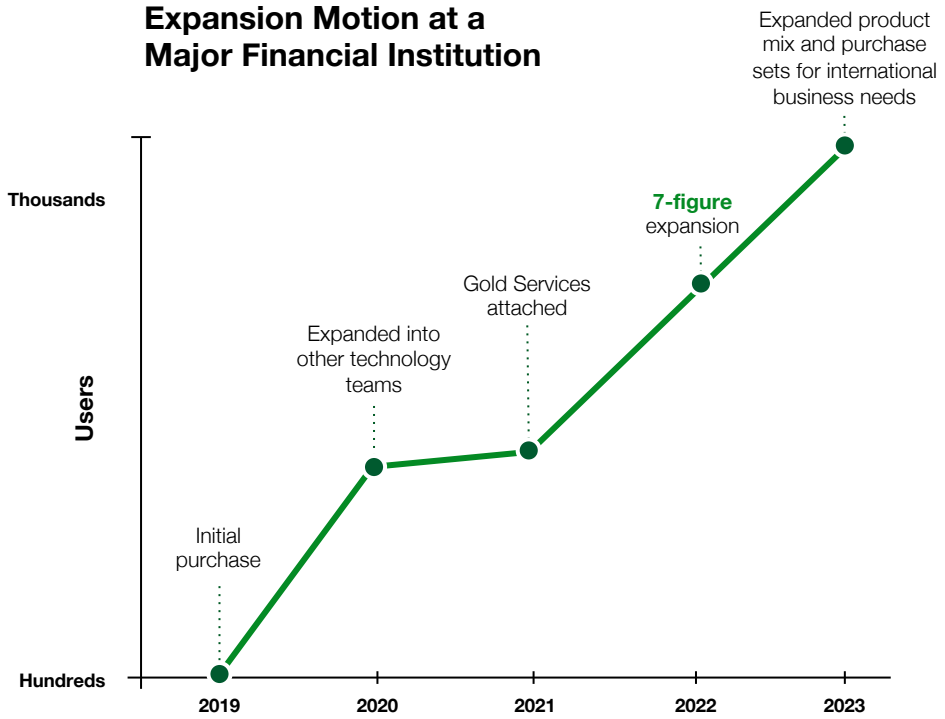
[1] As of FY2023 ended January 31, 2023; See appendix for definitions of operating metrics

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



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®

Recent key accomplishments

Product innovation

- Released PagerDuty Process AutomationSM as part of the PagerDuty Operations Cloud to enable organizations to orchestrate automation across secure cloud and data center environments
- Introduced PagerDuty AIOps to address large-scale event correlation, compression, and automation needs of ITOps, Command Centers, NOCs, and SRE teams with built-in automation and event remediation
- Launched several new capabilities across the PagerDuty Operations Cloud℠: Workflow Automation for Salesforce Service Cloud and Zendesk, and the release of PagerDuty Private Status Pages
- PagerDuty Operations Cloud Fall 2023 release includes event orchestration, runbook automation and updates around its recently announced generative AI (GenAI) use cases, helping organizations cut operating costs, accelerate innovation, and mitigate risk of operational failures.

Accolades

- Named a Leader in The Forrester WaveTM: Process-Centric AI For IT Operations (AIOps), Q2 2023 report
- Achieved FedRAMP® “In Process” milestone bringing value to government agencies and enterprises
- Recognized again as the Fortune Best Workplaces in the Bay Area for Small and Medium Companies

Focus on environmental, social and governance

PagerDuty.org

Digital Operations.
Human Moments.

Strong employee commitment to giving back

85% volunteer participation points to an actively engaged workforce

Top bay area philanthropist

Recognized as one of the top 100 (#59) corporate philanthropies in the Bay Area for the second consecutive year, by the San Francisco Business Times

A Leader in the Workplace

A 2023 Top 50 Inspiring Workplaces in North America

Fortune's Best Workplaces in the Bay Area

Fortune's Best Workplaces for Millennials

Financials

Select operating metrics

	FY23 Q3	FY23 Q4	FY24 Q1	FY24 Q2	FY24 Q3
Revenue	$94	$101	$103	$108	$109
Revenue Growth	31%	29%	21%	19%	15%
Non-GAAP Operating Margin	3%	6%	16%	13%	14%
DBNR	123%	120%	116%	114%	110%
Paid Customers	15,265	15,244	15,089	15,146	15,049
Customers >$100K	710	752	764	773	778

Non-GAAP target operating model

% of Revenue	FY20	FY21	FY22	FY23	Q3 FY24	Target
Gross Margin	86%	87%	85%	85%	86%	85%
Sales & Marketing	53%	50%	50%	43%	38%	35%
Research & Development	26%	25%	25%	24%	21%	20%
General & Administrative	24%	21%	19%	17%	13%	10%
Operating Margin	(17%)	(8%)	(8%)	1%	14%	20%





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

Investment highlights

Real-time leading operations cloud platform	Comprehensive product offerings to optimize operating efficiency and offer tangible ROI
Significant market opportunity	Customer-driven demand across business operations and industrial operations
Expansive enterprise adoption	Strong enterprise demand with opportunity to further expand across the operations cloud platform
Consistent innovation and execution	Expanding competitive advantage through product offerings and focused execution amidst macro environment
Aiming to achieve durable profitable growth	Solid revenue growth with significant operating margin expansion

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 October 31		Year Ended January 31		
	2023	**2022**	**2023**	**2022**	**2021**
Reconciliation of gross profit and gross margin					
GAAP gross profit	$89,015	$76,196	$300,359	$233,035	$182,870
Plus: Stock-based compensation	1,820	1,937	6,827	3,751	1,702
Plus: Employer taxes related to employee stock transactions	21	38	163	131	54
Plus: Amortization of acquired intangible assets	2,087	1,949	7,401	1,120	373
Plus: Restructuring costs	—	—	357	—	—
Non-GAAP gross profit	**$92,943**	**$80,120**	**$315,107**	**$238,037**	**$184,999**
GAAP gross margin	82%	81%	81%	83%	86%
Non-GAAP adjustments	4%	4%	4%	2%	1%
Non-GAAP gross margin	**86%**	**85%**	**85%**	**85%**	**87%**
Reconciliation of operating expenses					
GAAP research and development	$34,272	$35,004	$134,876	$95,690	$64,566
Less: Stock-based compensation	(11,128)	(10,824)	(39,012)	(23,764)	(11,095)
Less: Employer taxes related to employee stock transactions	(210)	(202)	(942)	(929)	(411)
Less: Acquisition-related expenses	(161)	(738)	(3,105)	(1,789)	(614)
Less: Amortization of acquired intangible assets	(88)	(29)	(232)	—	—
Less: Restructuring costs	—	—	(2,004)	—	—
Non-GAAP research and development	**$22,685**	**$23,211**	**$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 October 31		Year Ended January 31		
	2023	**2022**	**2023**	**2022**	**2021**
GAAP sales and marketing	$49,630	$47,118	$195,622	$161,624	$122,155
Less: Stock-based compensation	(8,094)	(8,004)	(29,804)	(19,012)	(14,733)
Less: Employer taxes related to employee stock transactions	(39)	(148)	(892)	(765)	(596)
Less: Amortization of acquired intangible assets	(610)	(643)	(2,546)	(2,380)	(794)
Less: Restructuring costs	1	—	(2,200)	—	—
Non-GAAP sales and marketing	**$40,888**	**$38,323**	**$160,180**	**$139,467**	**$106,032**
GAAP general and administrative	$25,955	$25,616	$99,238	$77,432	$62,431
Less: Stock-based compensation	(10,786)	(10,679)	(34,264)	(23,506)	(15,701)
Less: Employer taxes related to employee stock transactions	(145)	(195)	(1,099)	(1,192)	(548)
Less: Acquisition-related expenses	(530)	(164)	(1,454)	(319)	(1,823)
Less: Amortization of acquired intangible assets	(21)	(7)	(58)	—	—
Less: Restructuring costs	(133)	—	(474)	—	—
Non-GAAP general and administrative	**$14,340**	**$15,571**	**$61,889**	**$52,415**	**$44,359**
Reconciliation of operating loss and operating margin					
GAAP operating loss	$(20,842)	$(32,542)	$(129,377)	$(101,711)	$(66,282)
Plus: Stock-based compensation	31,828	31,444	109,907	70,033	43,231
Plus: Employer taxes related to employee stock transactions	415	583	3,096	3,017	1,609
Plus: Amortization of acquired intangible assets	2,806	2,628	10,237	3,500	1,167
Plus: Acquisition-related expenses	691	902	4,559	2,108	2,437
Less: Restructuring costs	132	—	5,035	—	—
Non-GAAP operating income (loss)	**$15,030**	**$(3,015)**	**$3,457**	**$(23,053)**	**$(17,838)**
GAAP operating margin	(19)%	(35%)	(35)%	(36)%	(31)%
Non-GAAP adjustments	33%	38%	36%	28%	23%
Non-GAAP operating margin	**14%**	**(3)%**	**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 October 31		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	$(15,125)	$(32,542)	$(128,423)	$(107,455)	$(68,903)
Plus: Stock-based compensation	31,828	31,444	109,907	70,033	43,231
Plus: Employer taxes related to employee stock transactions	415	583	3,096	3,017	1,609
Plus: Amortization of debt discount and issuance costs[1]	523	461	1,839	1,805	7,808
Plus: Amortization of acquired intangible assets	2,806	2,628	10,237	3,500	1,167
Plus: Acquisition-related expenses	691	902	4,559	2,108	2,437
Plus: Restructuring costs	132	—	5,035	—	—
Plus: Gain on debt extinguishment	(3,970)	—	—	—	—
Plus: Adjustment attributable to redeemable non-controlling interest	2,359	—	—	—	—
Plus: Income tax effect of non-GAAP adjustments	(466)	—	(2,556)	—	(5,017)
Non-GAAP net income (loss) attributable to PagerDuty, Inc. common stockholders	**$19,193**	**$3,476**	**$3,694**	**$(26,992)**	**$(17,668)**
Reconciliation of net income (loss) per share, basic					
GAAP net loss per share, basic, attributable to PagerDuty, Inc. common stockholders	$(0.16)	$(0.36)	$(1.45)	$(1.27)	$(0.87)
Non-GAAP adjustments to net loss attributable to PagerDuty, Inc. common stockholders	0.37	0.40	1.49	0.95	0.65
Non-GAAP net income (loss) per share, basic, attributable to PagerDuty, Inc.[1] common stockholders	$0.21	$(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	$(0.16)	$(0.36)	$(1.45)	$(1.27)	$(0.87)
Non-GAAP adjustments to net loss attributable to PagerDuty, Inc. common stockholders	0.36	0.40	1.52	0.95	0.65
Non-GAAP net income (loss) per share, diluted, attributable to PagerDuty, Inc.[1] common stockholders	$0.20	$(0.04)	$0.07	$(0.32)	$(0.22)
Weighted-average shares used in calculating net income (loss) per share					
Basic	93,104	89,285	88,721	84,514	79,614
Diluted	102,053	100,941	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 October 31		Year Ended January 31		
	2023	2022	2023	2022	2021
Net cash provided by (used in) operating activities	$16,917	$(448)	$16,980	$(6,021)	$10,095
Less:					
Purchases of property and equipment	(245)	(815)	(4,637)	(3,457)	(4,038)
Capitalization of internal-use software costs	(1,441)	(988)	(3,836)	(3,353)	(810)
Free cash flow	**$15,231**	**$(2,251)**	**$8,507**	**$(12,831)**	**$5,247**
Net cash (used in) provided by investing activities	$10,887	$(7,220)	$(86,165)	$17,376	$(49,320)
Net cash provided by (used in) financing activities	$54,157	$(7,965)	$(6,413)	$(736)	$254,367
Free cash flow margin	14%	(2)%	2%	(5)%	3%

Note: Certain figures may not sum due to rounding.