PagerDuty

Investor presentation

Q4 and FY 2024

Period ended January 31, 2024

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 first quarter of fiscal 2025 and full year fiscal 2025, 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, sales cycles, partners, employees, revenue results, cash flow, operations and business, and general political, economic, and business conditions, including those related to bank failures and geopolitical uncertainty; 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 and Form 10-Q.

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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 at https://investor.pagerduty.com.

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

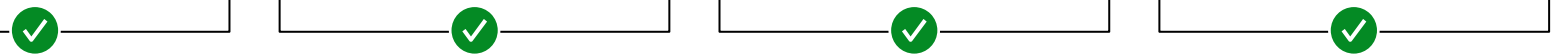
An equitable world where we transform critical work so all teams can delight their customers and build trust.

Mission

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

PagerDuty overview

Strong scale	Durable revenue growth	Scaled adoption	Non-GAAP profitable
$111m	**16%**	**15,039**	**10%**
Quarter ended January 31, 2024	Revenue growth YoY through Q4'24	Paid customers as of January 31, 2024	Q4'24 Non-GAAP Operating Margin



See appendix for GAAP to non-GAAP reconciliation

PagerDuty's Operations Cloud: Addressing customers' critical business priorities

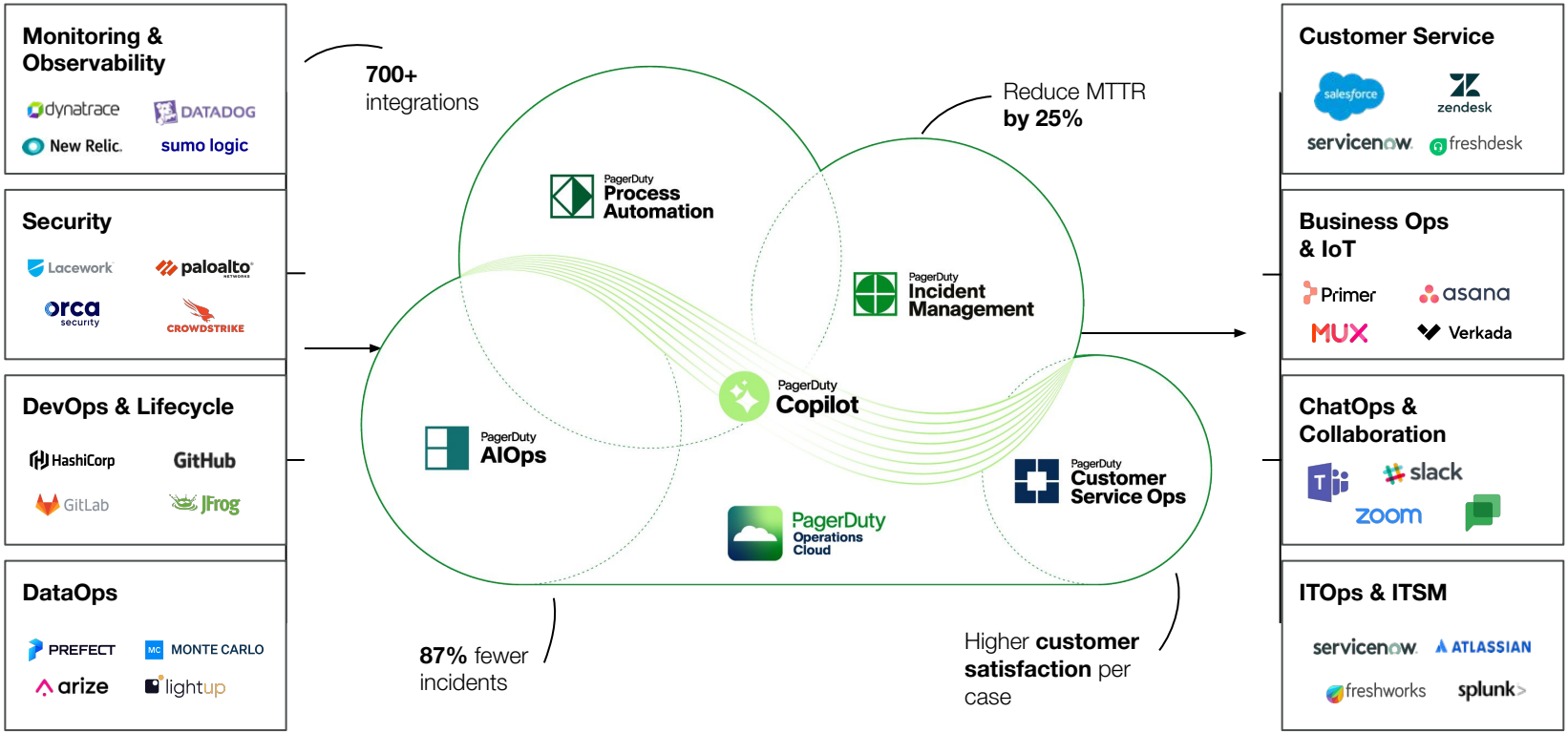
Enterprise priorities

- 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

- Modern operations capabilities enable teams to move faster, create more value, and build a competitive advantage
- AI- and machine learning-powered automation to optimize workflows, consolidate tooling, and embed best practices to significantly improve operational efficiency across the organization.
- Streamlined alerting processes, automated remediation and triage, AI-powered insights from past incidents and correlated events, and supporting compliance to regulatory obligations related to major incidents.

The PagerDuty Operations Cloud



The Operations Cloud product 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: Runbook Automation for Incident Management $708 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

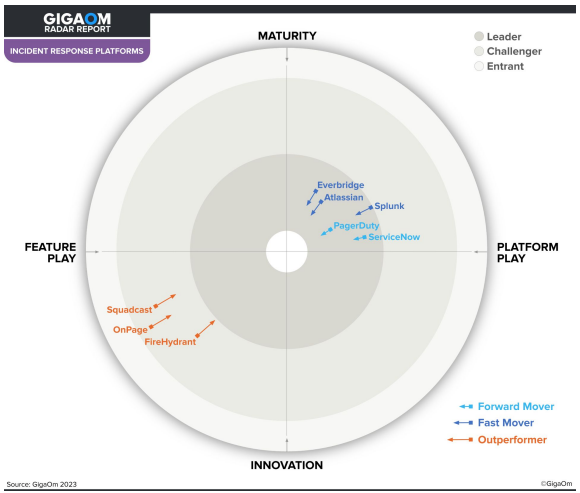
- Professional $252 per user/year
- Business $492 per user/year
- Digital Operations (contact for pricing)

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

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

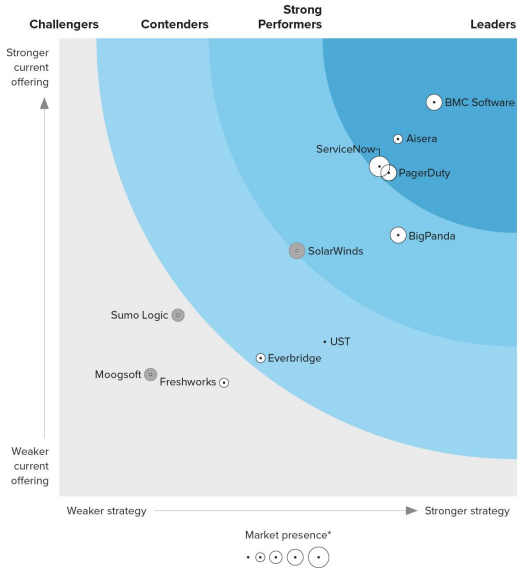
The PagerDuty Operations Cloud is a market leader

GigaOm
Incident Response Platforms Radar



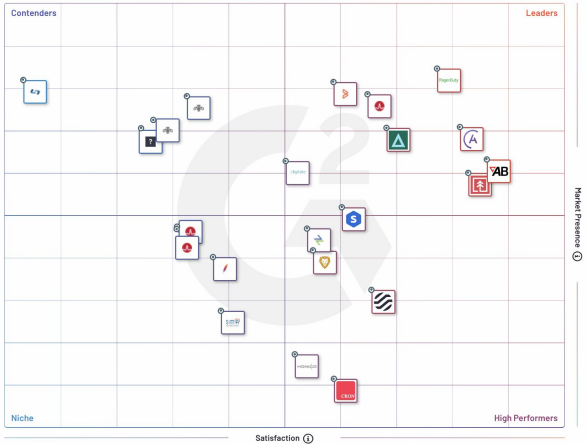
#1 Overall Leader

Forrester Wave
Process-Centric AIOps



Leader

G2
Workload Automation Grid



#1 Overall Leader

Underpenetrated, fragmented market opportunity

75 million users by persona (estimated) in 2022

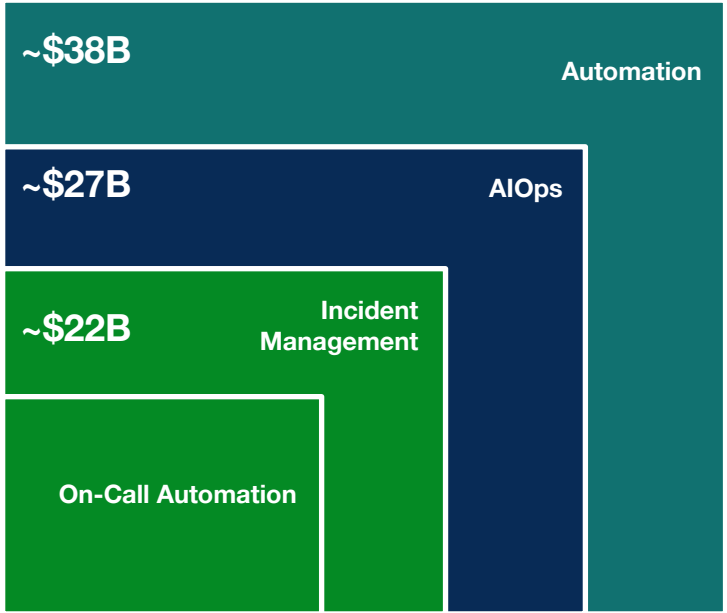
Developers: driven by digital services and software-driven innovation → **25m users**

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 → **21m 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



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 62% of ARR coming from customers with two or more products[1]

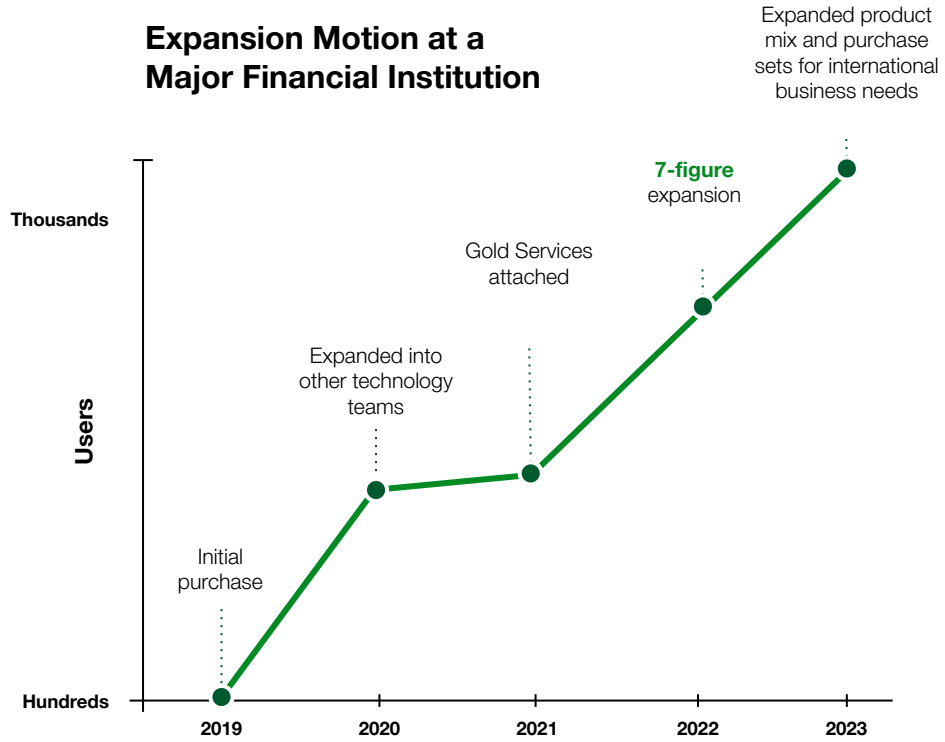
[1] As of FY2024 ended January 31, 2024; See appendix for definitions of operating metrics

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



Momentum in the enterprise segment: Million-dollar ARR customers continue to expand



Operations Cloud traction driving multi-product, multi-year opportunities



Expanding reach within the enterprise with adoption across business units, geographies, and teams



Technology recognized as a value driver for driving innovation and efficiencies - no longer a cost center



Increasing ARR is earned by delivering proven value, fast time to value, and ROI

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
- Named the overall Leader in GigaOm's 2023 Incident Response Platforms Radar Evaluation
- 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 Global Impact

PagerDuty.org

Digital Operations.
Human Moments.

Strong employee commitment to giving back

Nearly 100% participation in volunteering, giving, or employee match points to an actively engaged workforce

Top Bay Area philanthropist

Recognized as one of the top 100 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 Q4	FY24 Q1	FY24 Q2	FY24 Q3	FY24 Q4
Revenue ($m)	$101	$103	$108	$109	$111
Revenue Growth	29%	21%	19%	15%	10%
Non-GAAP Operating Margin	6%	16%	13%	14%	10%
DBNR	120%	116%	114%	110%	107%
Paid Customers	15,244	15,089	15,146	15,049	15,039
Customers >$100K	752	764	773	778	804

See appendix for GAAP to non-GAAP reconciliation; see appendix for definitions of operating metrics

Non-GAAP target operating model

% of Revenue	FY20	FY21	FY22	FY23	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%



See appendix for GAAP to non-GAAP reconciliation



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 January 31		Year Ended January 31		
	2024	2023	2024	2023	2022
Reconciliation of gross profit and gross margin					
GAAP gross profit	$90,759	$82,622	$352,867	$300,359	$233,035
Plus: Stock-based compensation	1,726	1,879	7,586	6,827	3,751
Plus: Employer taxes related to employee stock transactions	61	84	199	163	131
Plus: Amortization of acquired intangible assets	2,354	2,087	8,614	7,401	1,120
Plus: Restructuring costs	—	357	137	357	—
Non-GAAP gross profit	**$94,900**	**$87,029**	**$369,403**	**$315,107**	**$238,037**
GAAP gross margin	82%	82%	82%	81%	83%
Non-GAAP adjustments	3%	4%	4%	4%	2%
Non-GAAP gross margin	**85%**	**86%**	**86%**	**85%**	**85%**
Reconciliation of operating expenses					
GAAP research and development	$35,548	$34,569	$139,769	$134,876	$95,690
Less: Stock-based compensation	(10,798)	(8,946)	(44,800)	(39,012)	(23,764)
Less: Employer taxes related to employee stock transactions	(468)	(383)	(1,398)	(942)	(929)
Less: Acquisition-related expenses	(354)	(5)	(838)	(3,105)	(1,789)
Less: Amortization of acquired intangible assets	(88)	(87)	(350)	(232)	—
Less: Restructuring costs	21	(2,004)	26	(2,004)	—
Non-GAAP research and development	**$23,861**	**$23,144**	**$92,409**	**$89,581**	**$69,208**

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 January 31		Year Ended January 31		
	2024	2023	2024	2023	2022
GAAP sales and marketing	$53,614	$52,621	$196,769	$195,622	$161,624
Less: Stock-based compensation	(7,983)	(7,271)	(30,345)	(29,804)	(19,012)
Less: Employer taxes related to employee stock transactions	(330)	(424)	(919)	(892)	(765)
Less: Amortization of acquired intangible assets	(629)	(610)	(2,459)	(2,546)	(2,380)
Less: Restructuring costs	—	(2,200)	49	(2,200)	—
Non-GAAP sales and marketing	**$44,672**	**$42,116**	**$163,095**	**$160,180**	**$139,467**
GAAP general and administrative	$35,028	$21,922	$112,575	$99,238	$77,432
Less: Stock-based compensation	(11,735)	(5,333)	(44,421)	(34,264)	(23,506)
Less: Employer taxes related to employee stock transactions	(324)	(449)	(982)	(1,099)	(1,192)
Less: Acquisition-related expenses	(432)	—	(962)	(1,454)	(319)
Less: Amortization of acquired intangible assets	(22)	(22)	(87)	(58)	—
Less: Restructuring costs	(7,164)	(474)	(8,615)	(474)	—
Non-GAAP general and administrative	**$15,351**	**$15,644**	**$57,508**	**$61,889**	**$52,415**
Reconciliation of operating loss and operating margin					
GAAP operating loss	$(33,431)	$(26,490)	$(96,246)	$(129,377)	$(101,711)
Plus: Stock-based compensation	32,242	23,429	127,152	109,907	70,033
Plus: Employer taxes related to employee stock transactions	1,183	1,340	3,498	3,096	3,017
Plus: Amortization of acquired intangible assets	3,093	2,806	11,510	10,237	3,500
Plus: Acquisition-related expenses	786	5	1,800	4,559	2,108
Less: Restructuring costs	7,143	5,035	8,677	5,035	—
Non-GAAP operating income (loss)	**$11,016**	**$6,125**	**$56,391**	**$3,457**	**$(23,053)**
GAAP operating margin	(30)%	(26%)	(22)%	(35)%	(36)%
Non-GAAP adjustments	40%	32%	36%	36%	28%
Non-GAAP operating margin	**10%**	**6%**	**13.1%**	**1%**	**(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 January 31		Year Ended January 31		
	2024	2023	2024	2023	2022
Reconciliation of net loss attributable to PagerDuty, Inc.					
GAAP net loss attributable to PagerDuty, Inc. common stockholders	$(30,632)	$(24,562)	$(81,757)	$(128,423)	$(107,455)
Plus: Stock-based compensation	32,242	23,429	127,152	109,907	70,033
Plus: Employer taxes related to employee stock transactions	1,183	1,340	3,498	3,096	3,017
Plus: Amortization of debt discount and issuance costs[1]	622	463	2,078	1,839	1,805
Plus: Amortization of acquired intangible assets	3,093	2,806	11,510	10,237	3,500
Plus: Acquisition-related expenses	786	5	1,800	4,559	2,108
Plus: Restructuring costs	7,143	5,035	8,677	5,035	—
Plus: Gain on debt extinguishment	271	—	(3,699)	—	—
Plus: Adjustment attributable to redeemable non-controlling interest	2,480	—	6,568	—	—
Plus: Income tax effect of non-GAAP adjustments	(1,353)	(1,226)	(3,273)	(2,556)	—
Non-GAAP net income (loss) attributable to PagerDuty, Inc. common stockholders	**$15,835**	**$7,290**	**$72,554**	**$3,694**	**$(26,992)**
Reconciliation of net income (loss) per share, basic					
GAAP net loss per share, basic, attributable to PagerDuty, Inc. common stockholders	$(0.33)	$(0.27)	$(0.89)	$(1.45)	$(1.27)
Non-GAAP adjustments to net loss attributable to PagerDuty, Inc. common stockholders	0.50	0.35	1.68	1.49	0.95
Non-GAAP net income (loss) per share, basic, attributable to PagerDuty, Inc.[1] common stockholders	$0.17	$0.08	$0.79	$0.04	$(0.32)
Reconciliation of net income (loss) per share, diluted					
GAAP net loss per share, diluted, attributable to PagerDuty, Inc. common stockholders	$(0.33)	$0.27	$(0.89)	$(1.45)	$(1.27)
Non-GAAP adjustments to net loss attributable to PagerDuty, Inc. common stockholders	0.50	0.35	1.63	1.52	0.95
Non-GAAP net income (loss) per share, diluted, attributable to PagerDuty, Inc.[1] common stockholders	$0.17	$0.08	$0.74	$0.04	$(0.32)
Weighted-average shares used in calculating net income (loss) per share					
Basic	92,168	90,269	92,341	88,721	84,514
Diluted	95,192	101,747	100,941	100,862	84,514

(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 January 31		Year Ended January 31		
	2024	2023	2024	2023	2022
Net cash provided by (used in) operating activities	$22,155	$17,572	$71,974	$16,980	$(6,021)
Less:					
Purchases of property and equipment	(971)	(882)	(2,164)	(4,637)	(3,457)
Capitalization of internal-use software costs	(1,572)	(1,111)	(5,384)	(3,836)	(3,353)
Free cash flow	**$19,612**	**$15,579**	**$64,426**	**$8,507**	**$(12,831)**
Net cash (used in) provided by investing activities	$(37,400)	$(5,893)	$(30,525)	$(86,165)	$17,376
Net cash provided by (used in) financing activities	$(2,061)	$(329)	$51,600	$(6,413)	$(736)
Free cash flow margin	18%	15%	15%	2%	(5)%

Note: Certain figures may not sum due to rounding.

Appendix

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

66% of organizations 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.

