PagerDuty

Investor presentation

Q1 2025
Period ended April 30, 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 second 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.

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Purpose

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

Vision

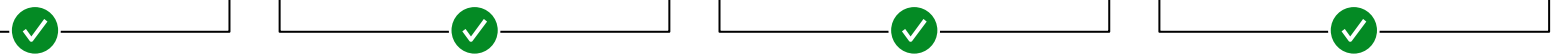
An equitable world where we transform critical work so all teams can delight their customers and build trust.

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	**8%**	**15,120**	**14%**
Revenue for the quarter ended April 30, 2024	Revenue growth YoY through Q1'25	Paid customers as of April 30, 2024	Q1'25 Non-GAAP Operating Margin



See appendix for GAAP to non-GAAP reconciliation

The PagerDuty Operations Cloud: Addressing customers' critical business priorities

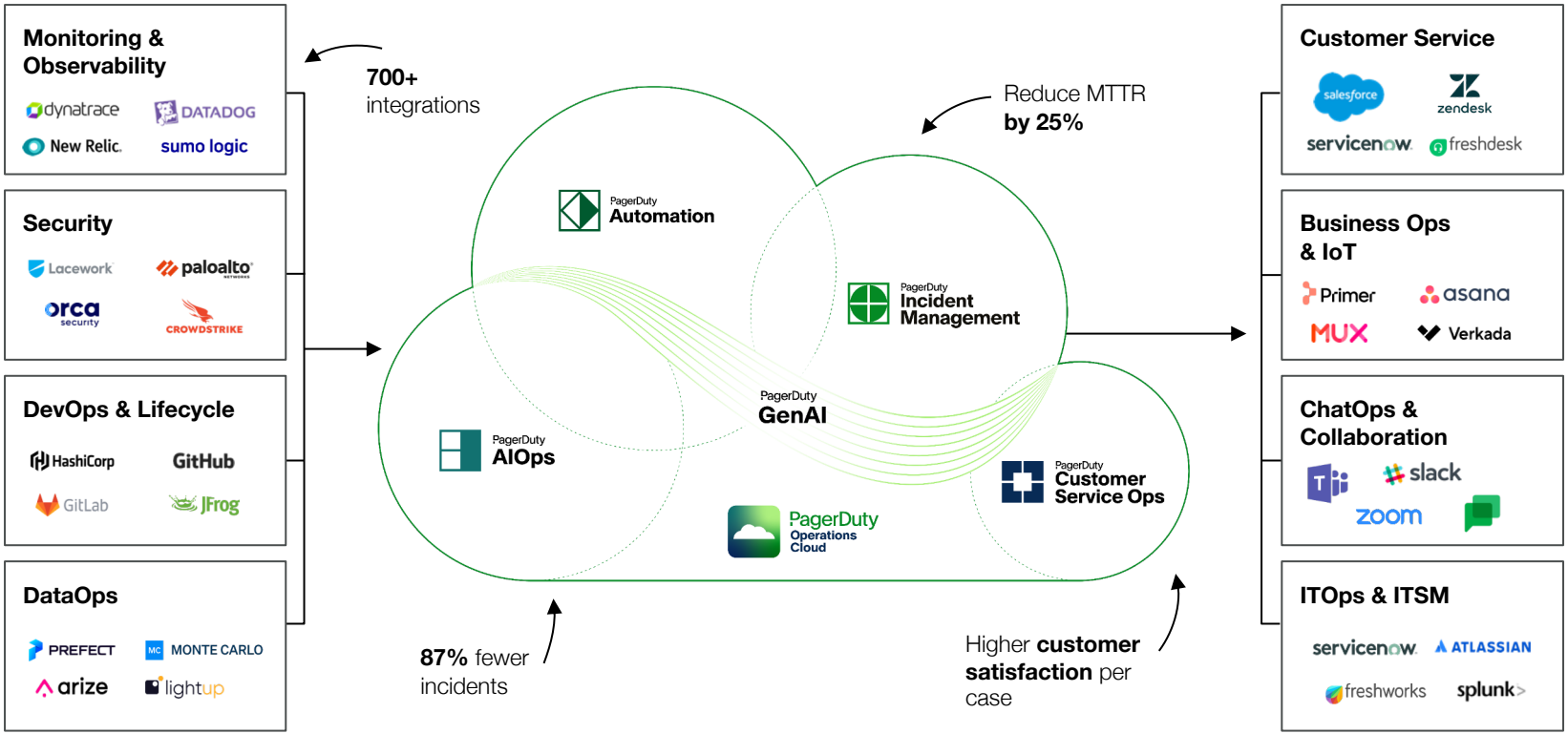
Enterprise priorities

- 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

PagerDuty Incident Management

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

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

PagerDuty AIOps

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

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

PagerDuty Automation

PagerDuty Automation Self-managed (contact for pricing)

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

Operate faster by automating and delegating business and IT processes.

PagerDuty Customer Service Ops

PagerDuty for Customer Service

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

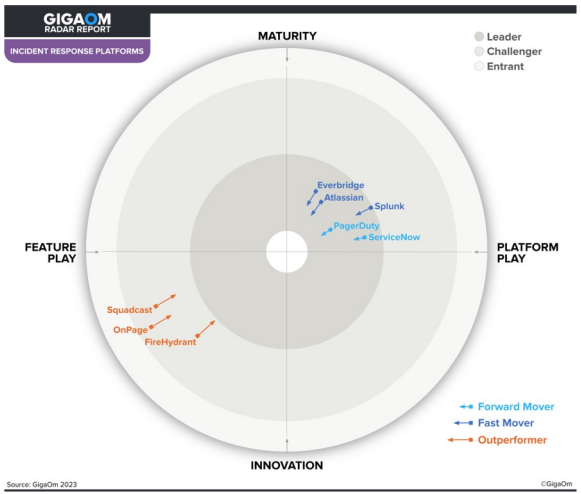
Empower Customer Service teams to proactively solve customer issues, faster.

Add ons

PagerDuty AIOPs: consumption pricing, starting at $4,788/year | **Jeli:** (contact for pricing) | **Runbook Automation for Incident Management:** $708 per user/year
Stakeholder License: $1,800 per 50 stakeholders per year | **Status Pages:** $1,068 per 1,000 subscribers/year

The PagerDuty Operations Cloud is a market leader

GigaOm
Incident Response Platforms Radar



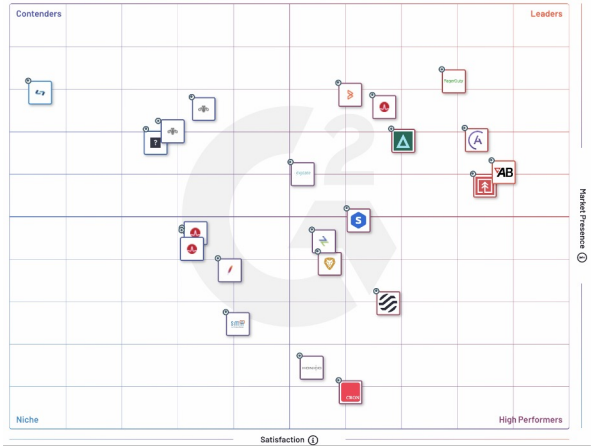
#1 Overall Leader

Forrester Wave
Process-Centric AIOps



Leader

G2
Workload Automation Grid



#1 Overall Leader

Underpenetrated, fragmented market opportunity

80 million users by persona (estimated) in 2023

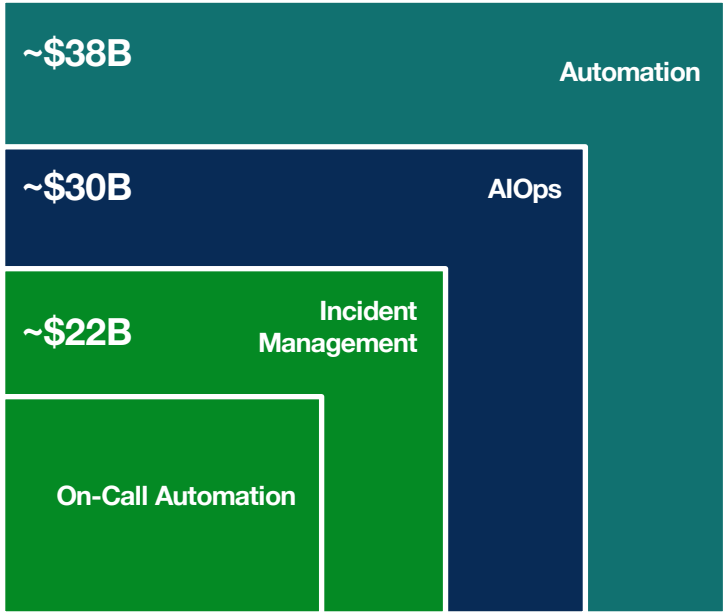
Developers: driven by digital services and software-driven innovation → **29m users**

Infrastructure and Operations: undergoing modernization with Digital, Cloud adoption, and DevOps → **22m 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



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 80 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

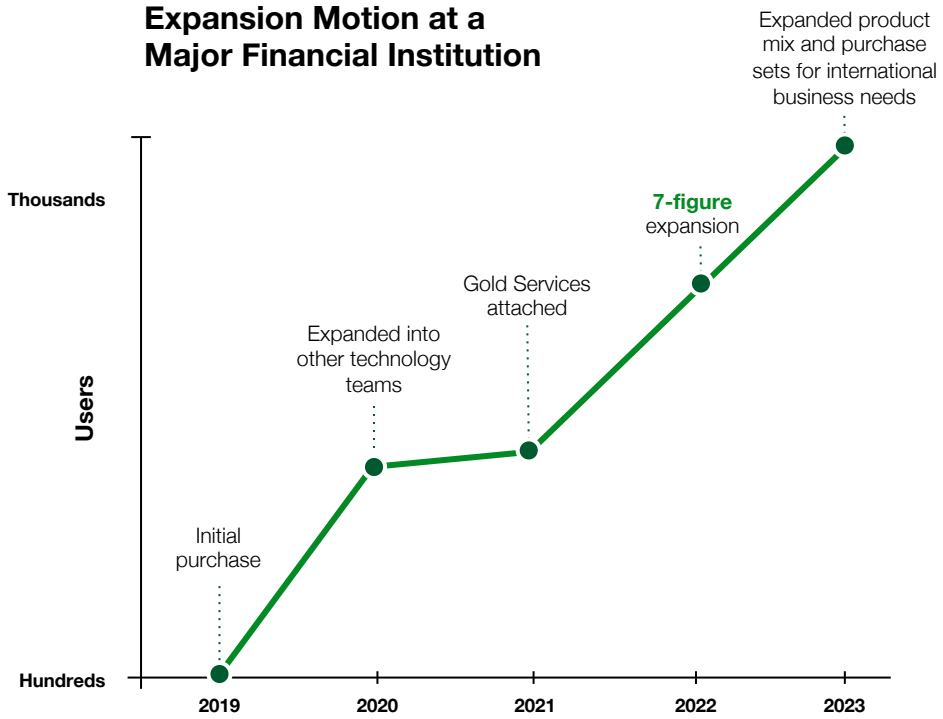


Innovation-driven land-and-expand model

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

PagerDuty

FY24 Impact Report



Focus on Global Impact

Financials

Select operating metrics

	FY24 Q1	FY24 Q2	FY24 Q3	FY24 Q4	FY25 Q1
Revenue ($m)	$103	$108	$109	$111	$111
Revenue Growth	21%	19%	15%	10%	8%
Non-GAAP Operating Margin	16%	13%	14%	10%	14%
DBNR	116%	114%	110%	107%	106%
Paid Customers	15,089	15,146	15,049	15,039	15,120
Customers >$100K	764	773	778	804	811

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	Q1'FY25	Target
Gross Margin	86%	87%	85%	85%	86%	86%	85%
Sales & Marketing	53%	50%	50%	43%	38%	36%	35%
Research & Development	26%	25%	25%	24%	22%	23%	20%
General & Administrative	24%	21%	19%	17%	13%	14%	10%
Operating Margin	(17%)	(8%)	(8%)	1%	13%	14%	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 April 30,		Year Ended January 31		
	2024	2023	2024	2023	2022
Reconciliation of gross profit and gross margin					
GAAP gross profit	$91,829	$85,310	$352,867	$300,359	$233,035
Plus: Stock-based compensation	1,756	1,876	7,586	6,827	3,751
Plus: Employer taxes related to employee stock transactions	44	72	199	163	131
Plus: Amortization of acquired intangible assets	2,407	2,087	8,614	7,401	1,120
Plus: Restructuring costs	—	137	137	357	—
Non-GAAP gross profit	**$96,036**	**$89,482**	**$369,403**	**$315,107**	**$238,037**
GAAP gross margin	83%	83%	82%	81%	83%
Non-GAAP adjustments	4%	4%	4%	4%	2%
Non-GAAP gross margin	**86%**	**87%**	**86%**	**85%**	**85%**
Reconciliation of operating expenses					
GAAP research and development	$37,523	$33,508	$139,769	$134,876	$95,690
Less: Stock-based compensation	(11,222)	(10,101)	(44,800)	(39,012)	(23,764)
Less: Employer taxes related to employee stock transactions	(282)	(517)	(1,398)	(942)	(929)
Less: Acquisition-related expenses	(295)	(161)	(838)	(3,105)	(1,789)
Less: Amortization of acquired intangible assets	(87)	(87)	(350)	(232)	—
Less: Restructuring costs	—	3	26	(2,004)	—
Non-GAAP research and development	**$25,637**	**$22,645**	**$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 April 30		Year Ended January 31		
	2024	**2023**	**2024**	**2023**	**2022**
GAAP sales and marketing	$48,499	$43,801	$196,769	$195,622	$161,624
Less: Stock-based compensation	(7,947)	(5,951)	(30,345)	(29,804)	(19,012)
Less: Employer taxes related to employee stock transactions	(190)	(267)	(919)	(892)	(765)
Less: Amortization of acquired intangible assets	(632)	(610)	(2,459)	(2,546)	(2,380)
Less: Restructuring costs	—	104	49	(2,200)	—
Non-GAAP sales and marketing	**$39,730**	**$37,077**	**$163,095**	**$160,180**	**$139,467**
GAAP general and administrative	$27,540	$23,801	$112,575	$99,238	$77,432
Less: Stock-based compensation	(12,015)	(9,617)	(44,421)	(34,264)	(23,506)
Less: Employer taxes related to employee stock transactions	(187)	(341)	(982)	(1,099)	(1,192)
Less: Acquisition-related expenses	32	—	(962)	(1,454)	(319)
Less: Amortization of acquired intangible assets	(22)	(22)	(87)	(58)	—
Less: Restructuring costs	(8)	(114)	(8,615)	(474)	—
Non-GAAP general and administrative	**$15,340**	**$13,707**	**$57,508**	**$61,889**	**$52,415**
Reconciliation of operating loss and operating margin					
GAAP operating loss	$(21,733)	$(15,800)	$(96,246)	$(129,377)	$(101,711)
Plus: Stock-based compensation	32,940	27,545	127,152	109,907	70,033
Plus: Employer taxes related to employee stock transactions	703	1,197	3,498	3,096	3,017
Plus: Amortization of acquired intangible assets	3,148	2,806	11,510	10,237	3,500
Plus: Acquisition-related expenses	263	161	1,800	4,559	2,108
Less: Restructuring costs	8	144	8,677	5,035	—
Non-GAAP operating income (loss)	**$15,329**	**$16,053**	**$56,391**	**$3,457**	**$(23,053)**
GAAP operating margin	(20)%	(15%)	(22)%	(35)%	(36)%
Non-GAAP adjustments	33%	31%	35%	36%	28%
Non-GAAP operating margin	**14%**	**16%**	**13%**	**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 April 30		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	$(24,056)	$(12,218)	$(81,757)	$(128,423)	$(107,455)
Plus: Stock-based compensation	32,940	27,545	127,152	109,907	70,033
Plus: Employer taxes related to employee stock transactions	703	1,197	3,498	3,096	3,017
Plus: Amortization of debt discount and issuance costs	608	455	2,078	1,839	1,805
Plus: Amortization of acquired intangible assets	3,148	2,806	11,510	10,237	3,500
Plus: Acquisition-related expenses	263	161	1,800	4,559	2,108
Plus: Restructuring costs	8	144	8,677	5,035	—
Plus: Gain on debt extinguishment	—	—	(3,699)	—	—
Plus: Adjustment attributable to redeemable non-controlling interest	6,917	—	6,568	—	—
Plus: Income tax effect of non-GAAP adjustments	(4,526)	(792)	(3,273)	(2,556)	—
Non-GAAP net income (loss) attributable to PagerDuty, Inc. common stockholders	**$16,005**	**$19,298**	**$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	$(0.26)	$(0.13)	$(0.89)	$(1.45)	$(1.27)
Non-GAAP adjustments to net loss attributable to PagerDuty, Inc. common stockholders	0.43	0.34	1.68	1.49	0.95
Non-GAAP net income (loss) per share, basic, attributable to PagerDuty, Inc.[1] common stockholders	$0.17	$0.21	$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	$(0.26)	($0.13)	$(0.89)	$(1.45)	$(1.27)
Non-GAAP adjustments to net loss attributable to PagerDuty, Inc. common stockholders	0.43	0.33	1.63	1.49	0.95
Non-GAAP net income (loss) per share, diluted, attributable to PagerDuty, Inc.[1] common stockholders	$0.17	$0.20	$0.74	$0.07	$(0.32)
Weighted-average shares used in calculating net income (loss) per share					
Basic	92,876	91,522	92,341	88,721	84,514
Diluted	96,104	103,431	100,941	100,862	84,514

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		
	2024	2023	2024	2023	2022
Net cash provided by (used in) operating activities	$28,647	$22,152	$71,974	$16,980	$(6,021)
Less:					
Purchases of property and equipment	(457)	(235)	(2,164)	(4,637)	(3,457)
Capitalization of internal-use software costs	(1,092)	(1,072)	(5,384)	(3,836)	(3,353)
Free cash flow	**$27,098**	**$20,845**	**$64,426**	**$8,507**	**$(12,831)**
Net cash (used in) provided by investing activities	$(2,821)	$8,563	$(30,525)	$(86,165)	$17,376
Net cash provided by (used in) financing activities	$(6,261)	$(4,069)	$51,600	$(6,413)	$(736)
Free cash flow margin	24%	20%	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.

