



NEWS RELEASE

# PagerDuty Announces First Quarter Fiscal 2022 Financial Results

2021-06-03

First quarter revenue increased 28% year-over-year to \$64 million  
Over 16,800 companies now using PagerDuty to power their digital transformations  
Customers with annual recurring revenue over \$1,000,000, up 55% year-over-year

SAN FRANCISCO--(BUSINESS WIRE)-- PagerDuty, Inc. (NYSE:PD), a global leader in digital operations management, today announced financial results for the first quarter of fiscal 2022, ended April 30, 2021.

"PagerDuty's business is benefiting from recovery, as both the macro trends and market landscape continue to move in our favor. As communities, industries, and businesses move forward to a post-pandemic world, our platform is essential infrastructure for our customers. Building off a strong close to fiscal 2021, we beat both our top and bottom line guide," said Jennifer Tejada, CEO at PagerDuty. "Year-over-year revenue growth was 28%, with total dollar based net retention of 121% and enterprise dollar based net retention above 125%. Digital operations are now business operations, while digital acceleration, cloud migration, and DevOps transformation are central business strategies which will drive PagerDuty's success going forward."

## First Quarter Fiscal 2022 Financial Highlights

- Revenue: Total revenue was \$63.6 million, up 27.7% year over year.
- Gross Margin: GAAP gross margin was 83.6% compared to 86.0% in the first quarter of fiscal 2021. Non-GAAP gross margin was 85.2% compared to 86.7% in the first quarter of fiscal 2021.
- Operating Loss: GAAP operating loss was \$21.2 million, or GAAP operating margin of negative 33.4%, compared to a \$12.6 million GAAP operating loss, or GAAP operating margin of negative 25.3%, in the first

quarter of fiscal 2021. Non-GAAP operating loss was \$5.6 million, or non-GAAP operating margin of negative 8.8%, compared to a \$4.1 million non-GAAP operating loss, or non-GAAP operating margin of negative 8.3%, in the first quarter of fiscal 2021.

- Net Loss: GAAP net loss was \$22.6 million, compared to \$11.5 million in the first quarter of fiscal 2021. GAAP net loss per share was \$0.27, compared to \$0.15 in the first quarter of fiscal 2021. Non-GAAP net loss was \$6.5 million, compared to \$3.0 million in the first quarter of fiscal 2021. Non-GAAP net loss per share was \$0.08, compared to \$0.04 in the first quarter of fiscal 2021.
- Cash Flow: Net cash provided by operations was \$1.6 million, or 2.5% of revenue, compared to net cash used in operating activities of \$0.2 million, or negative 0.4% of revenue, in the first quarter of fiscal 2021. Free cash flow was negative \$0.4 million, or negative 0.6% of revenue, compared to negative \$2.9 million, or negative 5.8% of revenue, in the first quarter of fiscal 2021.
- Cash and Cash Equivalents and Current Investments were \$557.0 million as of April 30, 2021.

The section titled “Non-GAAP Financial Measures” below contains a description of the non-GAAP financial measures and reconciliations between historical GAAP and non-GAAP information.

## Recent Highlights

- Land and expand: PagerDuty’s go to market engine continues to bring in new customers and expand with current customers—across verticals and use cases—including customer service and SecOps. Expansions in the quarter included: Adevinta; Bell Canada; Glovo; LegalZoom; Nvidia; Retail Business Services; and Vroom.
- Companies on the platform: PagerDuty had over 16,800 companies on its platform as of April 30, 2021. New customers within the quarter included: Drizly; Jaguar Land Rover; Lunchbox; OAG Aviation; Pony.ai; Swissquote Bank; and Truist Financial.
- Platform Integration: PagerDuty is solidifying its place as the central nervous system for its customers’ digital ecosystems with integrations at over 560 partners including deeper integrations with AWS, CrowdStrike, JFrog and Zendesk in the quarter.

## Financial Outlook

For the second quarter of fiscal 2022, PagerDuty currently expects:

- Total revenue of \$64.5 million - \$66.5 million, representing a growth rate of 27% - 31% year over year
- Non-GAAP net loss per share of \$0.16 - \$0.15 assuming approximately 84 million shares

For the full fiscal year 2022, PagerDuty currently expects:

- Total revenue of \$267.0 million - \$272.0 million, representing a growth rate of 25% - 27% year over year

- Non-GAAP net loss per share of \$0.42 - \$0.36 assuming approximately 84 million shares

These statements are forward-looking and actual results may differ materially. Please refer to the Forward-Looking Statements section below for information on the factors that could cause our actual results to differ materially from these forward-looking statements.

PagerDuty has not reconciled its expectations as to non-GAAP net loss per share to GAAP net loss per share because certain items are out of its control or cannot be reasonably predicted. Accordingly, a reconciliation for forward-looking non-GAAP net loss per share is not available without unreasonable effort.

### Conference Call Information:

PagerDuty will host a conference call and live webcast for analysts and investors at 2:00 p.m. Pacific Time on June 3, 2021. This news release with the financial results will be accessible from PagerDuty's website at [investor.pagerduty.com](https://investor.pagerduty.com) prior to the conference call. A live webcast of the conference call will be accessible from the PagerDuty investor relations website at [investor.pagerduty.com](https://investor.pagerduty.com).

### Supplemental Financial and Other Information:

Supplemental financial and other information can be accessed through PagerDuty's investor relations website at [investor.pagerduty.com](https://investor.pagerduty.com). PagerDuty uses the investor relations section on its website as the means of complying with its disclosure obligations under Regulation FD. Accordingly, we recommend that investors should monitor PagerDuty's investor relations website in addition to following PagerDuty's press releases, SEC filings, social media, including PagerDuty's Twitter account ([twitter.com/pagerduty](https://twitter.com/pagerduty)), the Twitter account @jenntejada and Facebook page ([facebook.com/pagerduty](https://facebook.com/pagerduty)), and public conference calls and webcasts.

### Non-GAAP Financial Measures:

This press release and the accompanying tables contain the following non-GAAP financial measures: non-GAAP gross profit, non-GAAP gross margin, non-GAAP operating expenses, non-GAAP operating loss, non-GAAP operating margin, non-GAAP net loss, non-GAAP net loss per share, and free cash flow.

PagerDuty believes that non-GAAP financial measures, when taken collectively, may be helpful to investors because they provide consistency and comparability with past financial performance and can assist in comparisons with other companies, some of which use similar non-GAAP financial measures to supplement their GAAP results. The non-GAAP financial information is presented for supplemental informational purposes only, should not be considered a substitute for financial information presented in accordance with GAAP, and may be different from similarly-titled non-GAAP measures used by other companies.

The principal limitation of these non-GAAP financial measures is that they exclude significant expenses and income that are required by GAAP to be recorded in PagerDuty's financial statements. In addition, they are subject to inherent limitations as they reflect the exercise of judgment by PagerDuty's management about which expenses and income are excluded or included in determining these non-GAAP financial measures. A reconciliation is provided below for each historical non-GAAP financial measure to the most directly comparable financial measure presented in accordance with GAAP.

Specifically, PagerDuty excludes the following from its historical and prospective non-GAAP financial measures, as applicable:

**Share-based Compensation:** PagerDuty utilizes share-based compensation to attract and retain employees. It is principally aimed at aligning their interests with those of its stockholders and at long-term retention, rather than to address operational performance for any particular period. As a result, share-based compensation expenses vary for reasons that are generally unrelated to financial and operational performance in any particular period.

**Employer Taxes Related to Employee Stock Transactions:** PagerDuty views the amount of employer taxes related to its employee stock transactions as an expense that is dependent on its stock price, employee exercise and other award disposition activity, and other factors that are beyond PagerDuty's control. As a result, employer taxes related to employee stock transactions vary for reasons that are generally unrelated to financial and operational performance in any particular period.

**Amortization of Acquired Intangible Assets:** PagerDuty views amortization of acquired intangible assets as items arising from pre-acquisition activities determined at the time of an acquisition. While these intangible assets are evaluated for impairment regularly, amortization of the cost of purchased intangibles is an expense that is not typically affected by operations during any particular period.

**Acquisition-Related Expenses:** PagerDuty views acquisition-related expenses, such as transaction costs and acquisition-related retention payments, as events that are not necessarily reflective of operational performance during a period. In particular, PagerDuty believes the consideration of measures that exclude such expenses can assist in the comparison of operational performance in different periods which may or may not include such expenses.

**Amortization of Debt Issuance Costs:** The imputed interest rate of Convertible Senior Notes (the "Notes") was approximately 1.93%. This is a result of the debt issuance costs, which reduce the carrying value of the convertible debt instruments. The debt issuance costs are amortized as interest expense. The expense for the amortization of debt issuance costs is a non-cash item, and we believe the exclusion of this interest expense will provide for a more

useful comparison of our operational performance in different periods.

Acquisition-Related Income Tax Benefit: PagerDuty views acquisition-related income tax benefits as events that are not necessarily reflective of operational performance during a period. In particular, PagerDuty believes the consideration of measures that exclude such benefits can assist in the comparison of operational performance in different periods which may or may not include such benefits.

PagerDuty defines non-GAAP operating loss as GAAP loss from operations excluding stock-based compensation expense, employer taxes related to employee stock transactions, amortization of acquired intangible assets, and acquisition-related expenses. PagerDuty defines non-GAAP net loss (which is used in calculating non-GAAP net loss per share) as GAAP net loss excluding amortization of debt issuance costs, stock-based compensation expense, employer taxes related to employee stock transactions, amortization of acquired intangible assets, and acquisition-related expenses. There are a number of limitations related to the use of these non-GAAP measures as compared to GAAP operating loss and net loss, including that the non-GAAP measures exclude stock-based compensation expense, which has been, and will continue to be for the foreseeable future, a significant recurring expense in PagerDuty's business and an important part of its compensation strategy.

PagerDuty defines free cash flow as net cash provided by (used in) operating activities, less cash used for purchases of property and equipment and capitalized internal-use software. In addition to the reasons stated above, PagerDuty believes that free cash flow is useful to investors as a liquidity measure because it measures PagerDuty's ability to generate or use cash in excess of its capital investments in property and equipment to strengthen its balance sheet and further invest in its business and potential strategic initiatives. PagerDuty uses free cash flow in conjunction with traditional GAAP measures as part of its overall assessment of its liquidity, including the preparation of PagerDuty's annual operating budget and quarterly forecasts, to evaluate the effectiveness of its business strategies, and to assess its liquidity.

There are a number of limitations related to the use of free cash flow as compared to net cash provided by (used in) operating activities, including that free cash flow includes capital expenditures, the benefits of which are realized in periods subsequent to those when expenditures are made.

PagerDuty encourages investors to review the related GAAP financial measures and the reconciliation of these non-GAAP financial measures to their most directly comparable GAAP financial measures, which it includes in press releases announcing quarterly financial results, including this press release, and not to rely on any single financial measure to evaluate PagerDuty's business.

Please see the reconciliation tables at the end of this release for the reconciliation of GAAP and non-GAAP results.

## Forward-Looking Statements:

This press release contains “forward-looking statements” within the meaning of the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995, including but not limited to, statements regarding our future financial performance and outlook and market positioning. Words such as “expect,” “anticipate,” “should,” “believe,” “hope,” “target,” “project,” “goals,” “estimate,” “potential,” “predict,” “may,” “will,” “might,” “could,” “intend,” “shall” and variations of these terms or the negative of these terms and similar expressions are intended to identify these forward-looking statements. Forward-looking statements are subject to a number of risks and uncertainties, many of which involve factors or circumstances that are beyond our control. Our actual results could differ materially from those stated or implied in forward-looking statements due to a number of factors, including but not limited to, risks detailed in our Annual Report Form 10-K filed with the Securities and Exchange Commission (SEC) on March 19, 2021. Additional information will be made available in our Quarterly Report on Form 10-Q for the quarter ended April 30, 2021 and other filings and reports that we may file from time to time with the SEC. In particular, the following risks and uncertainties, among others, could cause results to differ materially from those expressed or implied by such forward-looking statements: 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 product; our ability to compete effectively in an increasingly competitive market; and general market, political, economic, and business conditions.

Past performance is not necessarily indicative of future results. The forward-looking statements included in this press release represent our views as of the date of this press release. We anticipate that subsequent events and developments will cause our views to change. We undertake no intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. These forward-looking statements should not be relied upon as representing our views as of any date subsequent to the date of this press release.

## About PagerDuty

PagerDuty, Inc. (NYSE:PD) is a leader in digital operations management. In an always-on world, organizations of all sizes trust PagerDuty to help them deliver a perfect digital experience to their customers, every time. Teams use PagerDuty to identify issues and opportunities in real time and bring together the right people to fix problems faster and prevent them in the future. Notable customers include GE, Cisco, Genentech, Electronic Arts, Cox Automotive, Netflix, Shopify, Zoom, DoorDash, Lululemon and more. To learn more and try PagerDuty for free, visit

PagerDuty, Inc.  
Condensed Consolidated Statements of Operations and Comprehensive Loss  
(in thousands, except per share data)  
(unaudited)

	Three Months Ended April 30,	
	2021	2020
Revenue	\$ 63,591	\$ 49,786
Cost of revenue <sup>(1)</sup>	10,418	6,963
Gross profit	53,173	42,823
Operating expenses:		
Research and development <sup>(1)</sup>	20,599	15,014
Sales and marketing <sup>(1)</sup>	37,234	26,736
General and administrative <sup>(1)</sup>	16,578	13,673
Total operating expenses	74,411	55,423
Loss from operations	(21,238)	(12,600)
Interest income	818	1,353
Interest expense	(1,317)	—
Other (expense) income, net	(616)	19
Loss before provision for income taxes	(22,353)	(11,228)
Provision for income taxes	(205)	(231)
Net loss	\$ (22,558)	\$ (11,459)
Other comprehensive (loss) income		
Unrealized loss (gain) on investments	(204)	642
Total comprehensive loss	\$ (22,762)	\$ (10,817)
Net loss per share, basic and diluted	\$ (0.27)	\$ (0.15)
Weighted-average shares used in calculating net loss per share, basic and diluted	82,915	77,770

(1) Includes stock-based compensation expense as follows:

	Three Months Ended April 30,	
	2021	2020
Cost of revenue	\$ 676	\$ 344
Research and development	4,440	2,183
Sales and marketing	3,954	2,285
General and administrative	4,542	3,496
Total	\$ 13,612	\$ 8,308

PagerDuty, Inc.  
Condensed Consolidated Balance Sheets  
(in thousands)  
(unaudited)

	As of April 30, 2021 (unaudited)	As of January 31, 2021
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 326,033	\$ 339,166
Investments	230,932	221,112
Accounts receivable, net of allowance for doubtful accounts of \$1,072 and \$1,188 as of April 30, 2021 and January 31, 2021, respectively	37,572	55,119
Deferred contract costs, current	12,870	12,330

Prepaid expenses and other current assets	12,287	10,587
Total current assets	619,694	638,314
Property and equipment, net	13,501	12,639
Deferred contract costs, non-current	19,199	19,257
Lease right-of-use assets	23,594	24,691
Goodwill	72,126	72,126
Intangible assets, net	25,758	26,633
Other assets	1,483	1,783
Total assets	<u>\$ 775,355</u>	<u>\$ 795,443</u>
<b>Liabilities and stockholders' equity</b>		
Current liabilities:		
Accounts payable	\$ 4,150	\$ 5,747
Accrued expenses and other current liabilities	11,676	9,627
Accrued compensation	23,961	28,372
Deferred revenue, current	120,085	123,686
Lease liabilities, current	5,390	5,262
Total current liabilities	165,262	172,694
Convertible senior notes, net	279,703	217,528
Deferred revenue, non-current	5,971	6,286
Lease liabilities, non-current	25,278	26,542
Other liabilities	5,085	5,666
Total liabilities	481,299	428,716
Stockholders' equity:		
Common stock	—	—
Additional paid-in-capital	557,843	614,494
Accumulated other comprehensive income	139	343
Accumulated deficit	(263,926)	(248,110)
Total stockholders' equity	294,056	366,727
Total liabilities and stockholders' equity	<u>\$ 775,355</u>	<u>\$ 795,443</u>

PagerDuty, Inc.  
Condensed Consolidated Statements of Cash Flows  
(in thousands)  
(unaudited)

	Three Months Ended April 30,	
	2021	2020
<b>Cash flows from operating activities</b>		
Net loss	\$ (22,558)	\$ (11,459)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,972	1,023
Amortization of deferred contract costs	3,250	2,440
Amortization of debt issuance costs	438	—
Stock-based compensation	13,612	8,308
Non-cash lease expense	1,097	1,089
Other	803	743
Changes in operating assets and liabilities:		
Accounts receivable	17,365	(8)
Deferred contract costs	(3,732)	(2,856)
Prepaid expenses and other assets	(1,573)	(2,919)
Accounts payable	(1,564)	(1,049)
Accrued expenses and other liabilities	1,932	619
Accrued compensation	(4,411)	1,000
Deferred revenue	(3,916)	3,877
Lease liabilities	(1,136)	(993)
Net cash provided by (used in) operating activities	<u>1,579</u>	<u>(185)</u>
<b>Cash flows from investing activities</b>		
Purchases of property and equipment	(927)	(2,713)
Capitalization of internal-use software costs	(1,002)	—
Payments related to a business acquisition	(160)	—
Proceeds from maturities of held-to-maturity of investments	—	15,000
Purchases of available-for-sale investments	(77,531)	(32,130)
Proceeds from maturities of available-for-sale investments	67,004	30,565
Proceeds from sales of available-for-sale investments	—	3,096
Net cash (used in) provided by investing activities	<u>(12,616)</u>	<u>13,818</u>
<b>Cash flows from financing activities</b>		
Proceeds from issuance of common stock upon exercise of stock options	2,834	1,844
Employee payroll taxes paid related to net share settlement of restricted stock units	(4,930)	(46)
Net cash (used in) provided by financing activities	<u>(2,096)</u>	<u>1,798</u>
Net increase in cash, cash equivalents, and restricted cash	(13,133)	15,431
Cash, cash equivalents, and restricted cash at beginning of period	339,166	124,024
Cash, cash equivalents, and restricted cash at end of period	<u>\$ 326,033</u>	<u>\$ 139,455</u>



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

	Three Months Ended April 30,	
	2021	2020
<b>Reconciliation of gross profit and gross margin</b>		
GAAP gross profit	\$ 53,173	\$ 42,823
Plus: Share-based compensation	676	344
Plus: Employer taxes related to employee stock transactions	26	1
Plus: Amortization of acquired intangible assets	280	—
Non-GAAP gross profit	<u>\$ 54,155</u>	<u>\$ 43,168</u>
GAAP gross margin	83.6%	86.0%
Non-GAAP adjustments	1.6%	0.7%
Non-GAAP gross margin	<u>85.2%</u>	<u>86.7%</u>
<b>Reconciliation of operating expenses</b>		
GAAP research and development	\$ 20,599	\$ 15,014
Less: Share-based compensation	(4,440)	(2,183)
Less: Employer taxes related to employee stock transactions	(198)	(45)
Less: Acquisition-related expenses	(449)	—
Non-GAAP research and development	<u>\$ 15,512</u>	<u>\$ 12,786</u>
GAAP sales and marketing	\$ 37,234	\$ 26,736
Less: Share-based compensation	(3,954)	(2,285)
Less: Employer taxes related to employee stock transactions	(201)	(78)
Less: Amortization of acquired intangible assets	(595)	—
Non-GAAP sales and marketing	<u>\$ 32,484</u>	<u>\$ 24,373</u>
GAAP general and administrative	\$ 16,578	\$ 13,673
Less: Share-based compensation	(4,542)	(3,496)
Less: Employer taxes related to employee stock transactions	(256)	(26)
Less: Acquisition-related expenses	(10)	—
Non-GAAP general and administrative	<u>\$ 11,770</u>	<u>\$ 10,151</u>
<b>Reconciliation of operating loss and operating margin</b>		
GAAP operating loss	\$ (21,238)	\$ (12,600)
Plus: Share-based compensation	13,612	8,308
Plus: Employer taxes related to employee stock transactions	681	150
Plus: Amortization of acquired intangible assets	875	—
Plus: Acquisition-related expenses	459	—
Non-GAAP operating loss	<u>\$ (5,611)</u>	<u>\$ (4,142)</u>
GAAP operating margin	(33.4)%	(25.3)%
Non-GAAP adjustments	24.6%	17.0%
Non-GAAP operating margin	<u>(8.8)%</u>	<u>(8.3)%</u>
<b>Reconciliation of net loss</b>		
GAAP net loss	\$ (22,558)	\$ (11,459)
Plus: Share-based compensation	13,612	8,308
Plus: Employer taxes related to employee stock transactions	681	150
Plus: Amortization of debt issuance costs	438	—
Plus: Amortization of acquired intangible assets	875	—
Plus: Acquisition-related expenses	459	—
Non-GAAP net loss	<u>\$ (6,493)</u>	<u>\$ (3,001)</u>
<b>Reconciliation of net loss per share, basic and diluted</b>		
GAAP net loss per share, basic and diluted	\$ (0.27)	\$ (0.15)
Non-GAAP adjustments to net loss	0.19	0.11
Non-GAAP net loss per share, basic and diluted	<u>\$ (0.08)</u>	<u>\$ (0.04)</u>
Weighted-average shares used in calculating net loss per share, basic and diluted	82,915	77,770

Note: Certain figures may not sum due to rounding.

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

Free Cash Flow

	Three Months Ended April 30,	
	2021	2020
Net cash provided by (used in) operating activities	\$ 1,579	\$ (185)
Less:		
Purchases of property and equipment	(927)	(2,713)
Capitalization of internal-use software costs	(1,002)	—
Free cash flow	<u>\$ (350)</u>	<u>\$ (2,898)</u>
Net cash (used in) provided by investing activities	\$ (12,616)	\$ 13,818
Net cash (used in) provided by financing activities	\$ (2,096)	\$ 1,798
Free cash flow margin	(0.6)%	(5.8)%

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