

PagerDuty

Investor presentation

Q4 FY 2023

Period ended January 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 first quarter of fiscal 2024 and full year 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 and technological and market trends, are forward-looking statements. In some cases, you can identify forward-looking statements by terms such as “can,” “desire,” “able,” “guidance,” “expect,” “extend,” “anticipate,” “should,” “believe,” “hope,” “target,” “project,” “accelerate,” “goals,” “estimate,” “potential,” “predict,” “may,” “will,” “might,” “could,” “intend,” “shall” or the negative of these terms or other similar words or expressions. You should not rely upon forward-looking statements as predictions of future events.

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

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

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

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

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

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

Purpose

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

Vision

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

Mission

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



Our core promise

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



Our core value

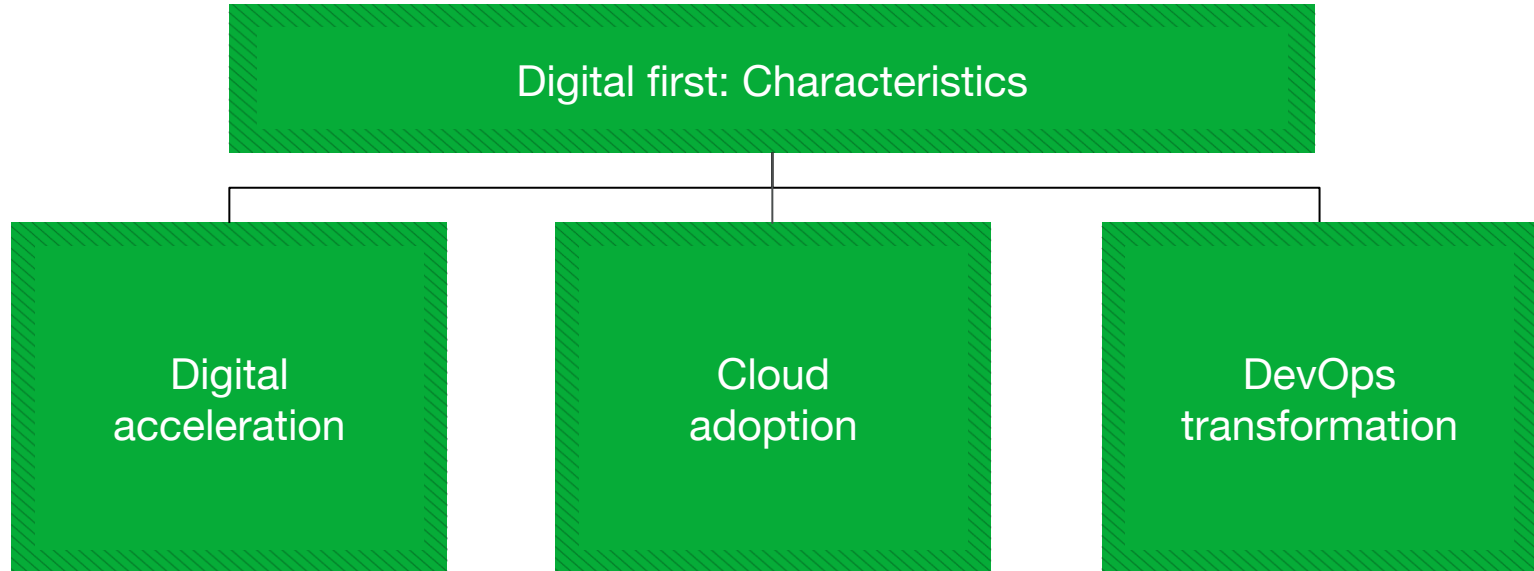
We help those teams spend less time on interrupt work—and more time focused on creating new and better digital experiences.



Our core users

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

Digital drives sustained demand



Real time work

Service
ownership

Broad ecosystem

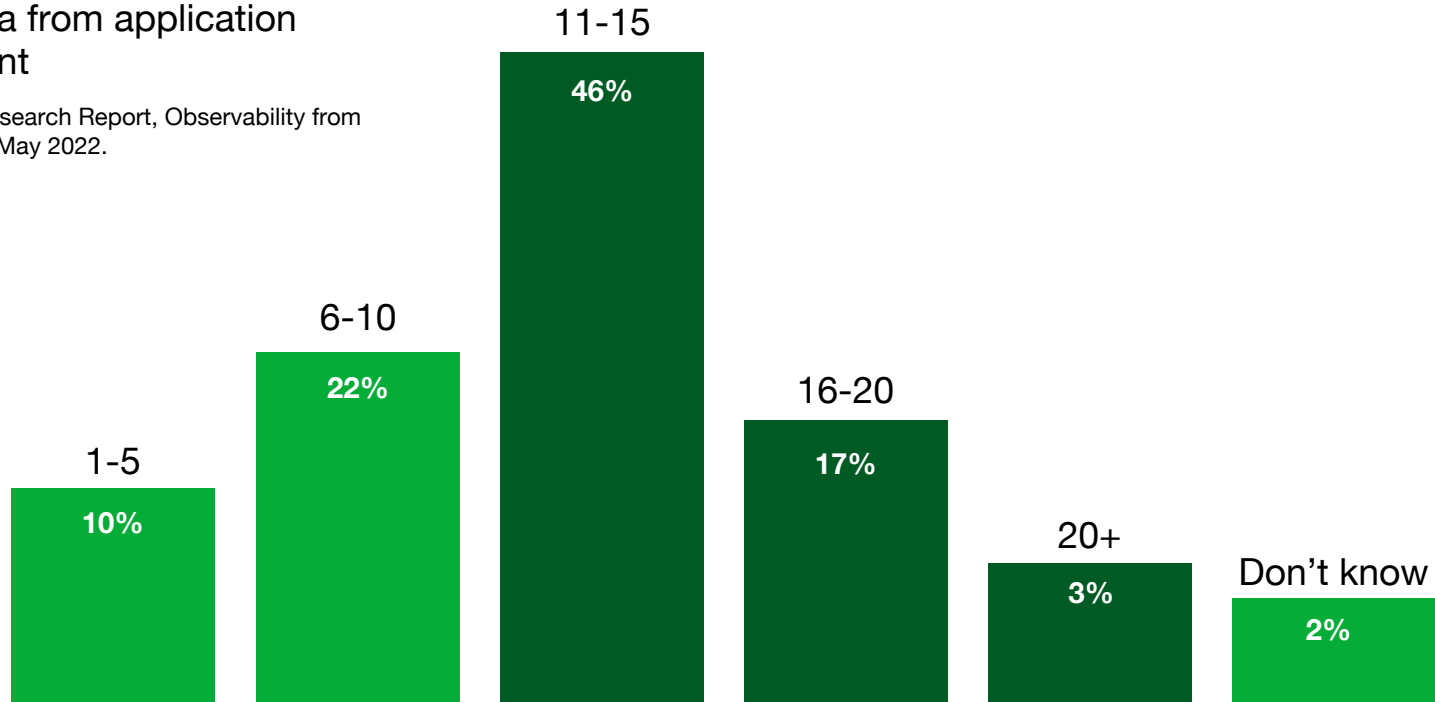
Event Intelligence,
Automation, and Analytics

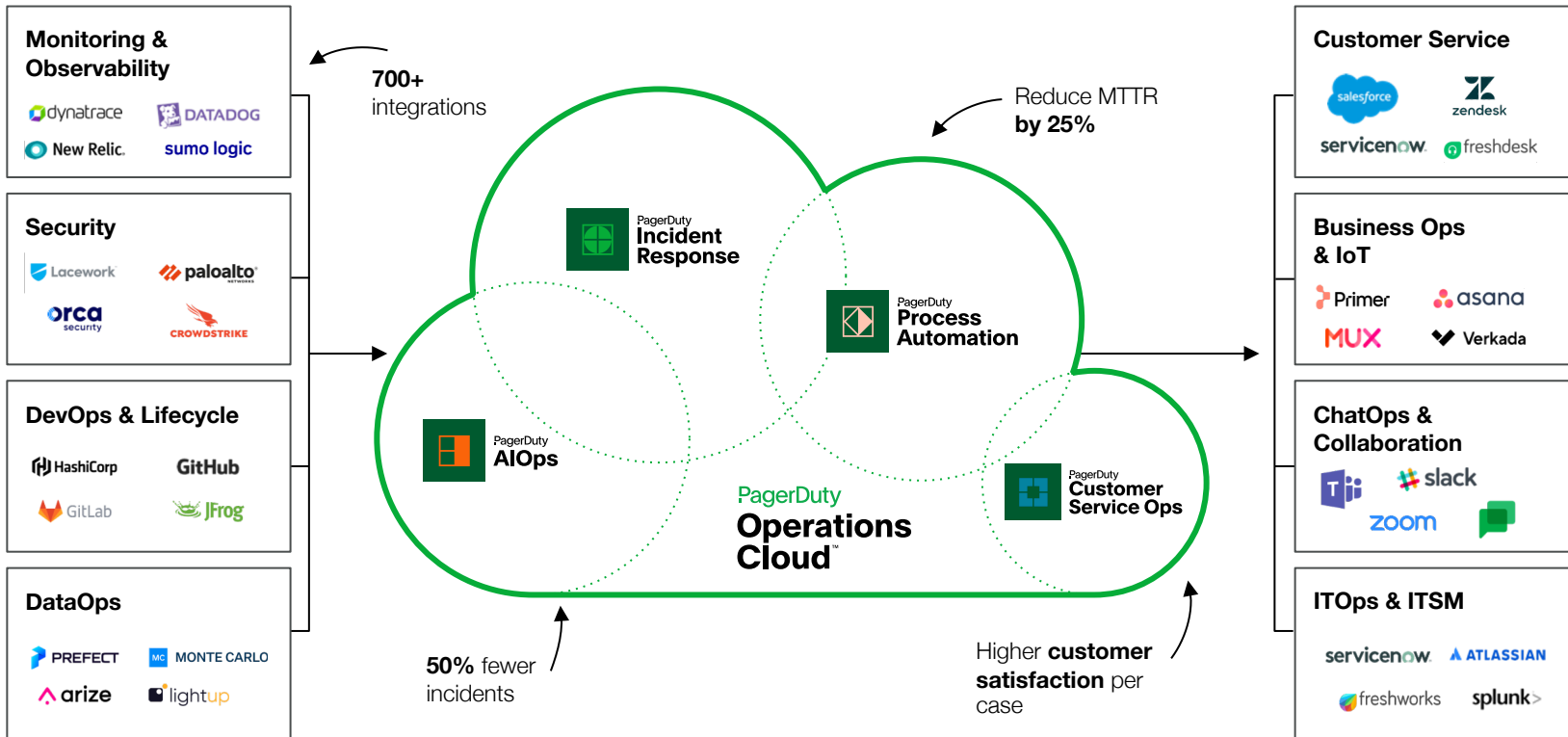
Orchestration

66% have more than 10 observability tools

Total observability tools used to collect data from application environment

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





Recent innovations



PagerDuty Incident Workflows

PagerDuty Incident Workflows empower teams with sophisticated automation capabilities to reduce the manual work required to mobilize responders and keep stakeholders informed.



PagerDuty Status Pages

PagerDuty Status Pages enable brands to proactively inform and assist their customers in all situations by providing visual, real-time insights into an organization's operations.



PagerDuty for Customer Service

With PagerDuty's integrated, real-time customer service operations, teams can see the status of active incidents right from ServiceNow CSM.

Plans for the Digital Operations Journey



PagerDuty
Incident Response

Land: PagerDuty Incident Response

- Free
- Professional \$252 per user/year
- Business \$492 per user/year
- Status Pagers \$1068 per 1000 users/year
- Digital Operations (contact for pricing)

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



PagerDuty
AIOps

Add on: PagerDuty Event Intelligence, \$288 per user/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)

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

Why PagerDuty wins – fast time to value

Technology



Integrations



AI / Machine Learning



Automation

Customer focus



24/7 availability



Enterprise Scale



Easy setup

Driving value for customers

795%

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

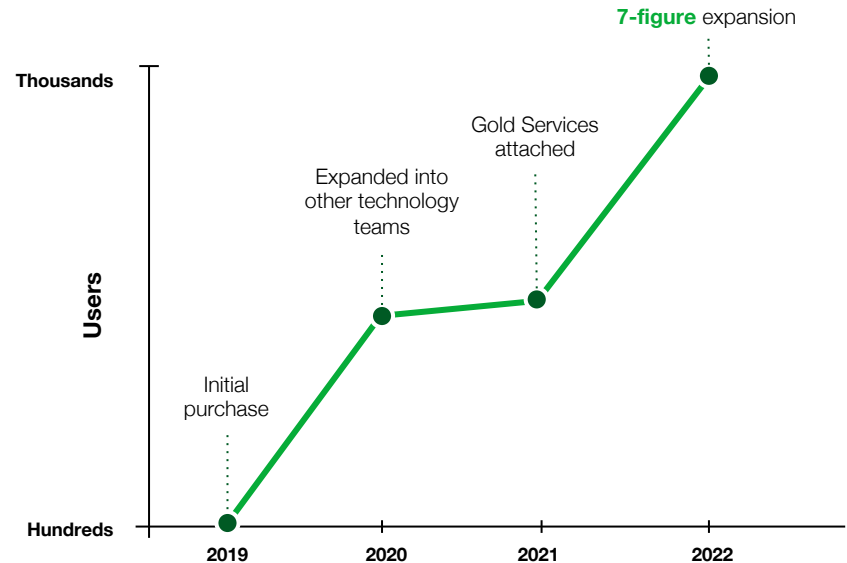
Innovation driven land-and-expand model

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

Expansion Motion at a Major Financial Institution



Underpenetrated, fragmented market opportunity

75 million users by persona (estimated) in 2022

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

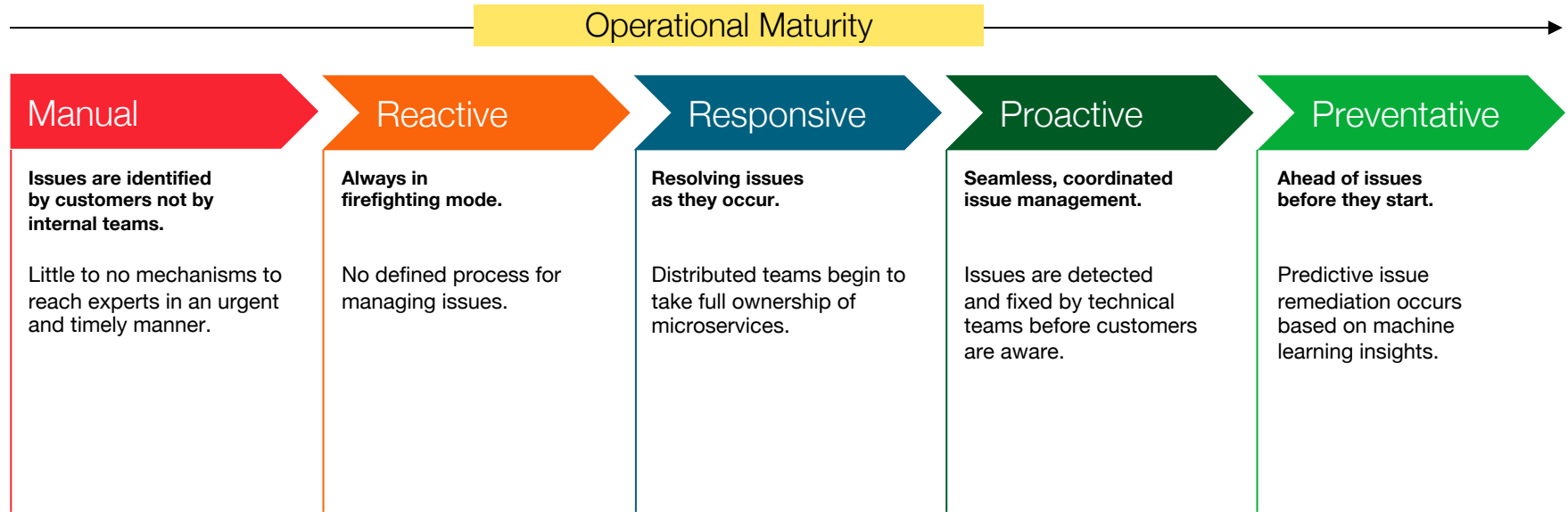
Infrastructure and Operations: undergoing modernization with Digital, Cloud adoption, and DevOps → **21m users**

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

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

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

Enterprises are early in Digital Operations Maturity



Focus on environmental, social and governance

PagerDuty.org

PagerDuty.org works with mission-driven organizations to advance justice and health by mobilizing our product, funds, people, and voice.

90% of Our Employees

cite social impact as making them proud to work at PagerDuty (top Net Promoter Score for the company, second consecutive year)

95% of Duttonians

volunteered or gave financially in FY23 (3% YoY increase)

**EcoVadis
Silver Rating**

Renewed Silver rating for 2023.

Ranked 81st percentile in first
S&P Global Corporate
Sustainability Assessment

Top 100 Bay Area Corporate Philanthropists

As recognized by SF Business Times for 2022


Financials

Select operating metrics

	FY22 Q4	FY23 Q1	FY23 Q2	FY23 Q3	FY23 Q4
Revenue	\$79	\$85	\$90	\$94	\$101
Revenue Growth	32%	34%	34%	31%	29%
Non-GAAP Operating Margin	(3%)	(3%)	(4%)	3%	6%
DBNR	124%	126%	124%	123%	120%
Paid Customers	14,865	15,040	15,174	15,265	15,244
Customers >\$100K	594	655	689	710	752

Non-GAAP target operating model

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





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

PagerDuty

Appendix





Definitions

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

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

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

Reconciliation

PagerDuty, Inc.

Reconciliation of GAAP to Non-GAAP Data

(in thousands, except percentages and per share data) (unaudited)

	Three Months Ended January 31		Year Ended January 31		
	2023	2022	2023	2022	2021
Reconciliation of gross profit and gross margin					
GAAP gross profit	\$82,622	\$64,581	\$300,359	\$233,035	\$182,870
Plus: Stock-based compensation	1,879	1,191	6,827	3,751	1,702
Plus: Employer taxes related to employee stock transactions	84	53	163	131	54
Plus: Amortization of acquired intangible assets	2,087	280	7,401	1,120	373
Plus: Restructuring costs	357	—	357	—	—
Non-GAAP gross profit	\$87,029	\$66,105	\$315,107	\$238,037	\$184,999
GAAP gross margin	82%	82%	81%	83%	86%
Non-GAAP adjustments	4%	2%	4%	2%	1%
Non-GAAP gross margin	86%	84%	85%	85%	87%
Reconciliation of operating expenses					
GAAP research and development	\$34,569	\$27,628	\$134,876	\$95,690	\$64,566
Less: Stock-based compensation	(8,946)	(7,534)	(39,012)	(23,764)	(11,095)
Less: Employer taxes related to employee stock transactions	(383)	(311)	(942)	(929)	(411)
Less: Acquisition-related expenses	(5)	(441)	(3,105)	(1,789)	(614)
Less: Amortization of acquired intangible assets	(87)	—	(232)	—	—
Less: Restructuring costs	(2,004)	—	(2,004)	—	—
Non-GAAP research and development	\$23,144	\$19,342	\$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 January 31		Year Ended January 31		
	2023	2022	2023	2022	2021
GAAP sales and marketing	\$52,621	\$43,400	\$195,622	\$161,624	\$122,155
Less: Stock-based compensation	(7,271)	(6,051)	(29,804)	(19,012)	(14,733)
Less: Employer taxes related to employee stock transactions	(424)	(232)	(892)	(765)	(596)
Less: Amortization of acquired intangible assets	(610)	(595)	(2,546)	(2,380)	(794)
Less: Restructuring costs	(2,200)	—	(2,200)	—	—
Non-GAAP sales and marketing	\$42,116	\$36,522	\$160,180	\$139,467	\$106,032
GAAP general and administrative	\$21,922	\$20,752	\$99,238	\$77,432	\$62,431
Less: Stock-based compensation	(5,333)	(7,391)	(34,264)	(23,506)	(15,701)
Less: Employer taxes related to employee stock transactions	(449)	(335)	(1,099)	(1,192)	(548)
Less: Acquisition-related expenses	—	(311)	(1,454)	(319)	(1,823)
Less: Amortization of acquired intangible assets	(22)	—	(58)	—	—
Less: Restructuring costs	(474)	—	(474)	—	—
Non-GAAP general and administrative	\$15,644	\$12,715	\$61,889	\$52,415	\$44,359
Reconciliation of operating loss and operating margin					
GAAP operating loss	\$(26,490)	\$(27,199)	\$(129,377)	\$(101,711)	\$(66,282)
Plus: Stock-based compensation	23,429	22,167	109,907	70,033	43,231
Plus: Employer taxes related to employee stock transactions	1,340	931	3,096	3,017	1,609
Plus: Amortization of acquired intangible assets	2,806	875	10,237	3,500	1,167
Plus: Acquisition-related expenses	5	752	4,559	2,108	2,437
Less: Restructuring costs	5,035	—	5,035	—	—
Non-GAAP operating income/(loss)	\$6,125	\$(2,474)	\$3,457	\$(23,053)	\$(17,838)
GAAP operating margin	(26)%	(35)%	(35)%	(36)%	(31)%
Non-GAAP adjustments	32%	32%	36%	28%	23%
Non-GAAP operating margin	6%	(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 January 31		Year Ended January 31		
	2023	2022	2023	2022	2021
Reconciliation of net loss					
GAAP net loss attributable to PagerDuty, Inc.	\$(24,562)	\$(28,895)	\$(128,423)	\$(107,455)	\$(68,903)
Plus: Stock-based compensation	23,429	22,167	109,907	70,033	43,231
Plus: Employer taxes related to employee stock transactions	1,340	931	3,096	3,017	1,609
Plus: Amortization of debt discount and issuance costs ⁽¹⁾	463	455	1,839	1,805	7,808
Plus: Amortization of acquired intangible assets	2,806	875	10,237	3,500	1,167
Plus: Acquisition-related expenses	5	752	4,559	2,108	2,437
Plus: Restructuring costs	5,035	—	5,035	—	—
Plus: Income tax effect of non-GAAP adjustments	(1,226)	—	(2,556)	—	(5,017)
Non-GAAP net income (loss) attributable to PagerDuty, Inc.	\$7,290	\$(3,715)	\$3,694	\$(26,992)	\$(17,668)
Reconciliation of net income (loss) per share, basic					
GAAP net loss per share, basic, attributable to PagerDuty, Inc.	\$(0.27)	\$(0.34)	\$(1.45)	\$(1.27)	\$(0.87)
Non-GAAP adjustments to net loss attributable to PagerDuty, Inc.	0.35	0.30	1.49	0.95	0.65
Non-GAAP net income (loss) per share, basic, attributable to PagerDuty, Inc. ⁽¹⁾	\$0.08	\$(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.	\$(0.27)	\$(0.34)	\$(1.45)	\$(1.27)	\$(0.87)
Non-GAAP adjustments to net loss attributable to PagerDuty, Inc.	0.35	0.30	1.52	0.95	0.65
Non-GAAP net income (loss) per share, diluted, attributable to PagerDuty, Inc. ⁽¹⁾	\$0.08	\$(0.04)	\$0.07	\$(0.32)	\$(0.22)
Weighted-average shares used in calculating net income (loss) per share					
Basic	90,269	86,101	88,721	84,514	79,614
Diluted	101,747	86,101	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 for after-tax interest expense savings related to our convertible notes for the three months ended October 31, 2022.

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		
	2023	2022	2023	2022	2021
Net cash provided (used in) by operating activities	\$17,572	\$1,345	\$16,980	\$(6,021)	\$10,095
Less:					
Purchases of property and equipment	(882)	(2,081)	(4,637)	(3,457)	(4,038)
Capitalization of internal-use software costs	(1,111)	(652)	(3,836)	(3,353)	(810)
Free cash flow	\$15,579	\$(1,388)	\$8,507	\$(12,831)	\$5,247
Net cash (used in) provided by investing activities	\$(5,893)	\$(11,775)	\$(86,165)	\$17,376	\$(49,320)
Net cash (used in) provided by financing activities	\$(329)	\$477	\$(6,413)	\$(736)	\$254,367
Free cash flow margin	15%	(2)%	2%	(5)%	3%

Note: Certain figures may not sum due to rounding.