

# Q1 2023 Financials

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August 2022





# Legal Disclaimer




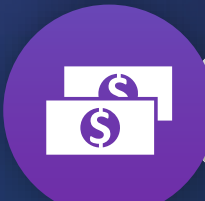
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This presentation includes certain “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding management’s expectations of future financial and operational performance and operational expenditures, expected growth, and business outlook, including our financial guidance for the second quarter and full year of fiscal 2023, statements regarding the impact of the COVID-19 pandemic and related economic conditions on our business and results of operations; statements regarding the impact of the war in Ukraine and related governmental sanctions on our business and results of operations; statements regarding the impact of past and potential future cyber security breaches on our business and results of operations; and statements regarding the size of our market and our positioning for capturing a larger share of our market. These forward-looking statements include, but are not limited to, plans, objectives, expectations and intentions and other statements contained in this press release that are not historical facts and statements identified by words such as “expects,” “anticipates,” “intends,” “plans,” “believes,” “seeks,” “estimates” or words of similar meaning. These forward-looking statements reflect our current views about our plans, intentions, expectations, strategies and prospects, which are based on the information currently available to us and on assumptions we have made. Although we believe that our plans, intentions, expectations, strategies and prospects as reflected in or suggested by those forward-looking statements are reasonable, we can give no assurance that the plans, intentions, expectations or strategies will be attained or achieved. Furthermore, actual results may differ materially from those described in the forward-looking statements and will be affected by a variety of risks and factors that are beyond our control including, without limitation, the effect of the COVID-19 pandemic on our business operations and demand for our products as well as its impact on general economic and financial market conditions, a potential downturn in or instability of general economic conditions including currency fluctuations, our ability to maintain our subscription revenue growth rates in future periods, our ability to service our indebtedness, market adoption of software intelligence solutions for application performance monitoring, digital experience monitoring, infrastructure monitoring, AIOps, business intelligence and analytics and application security, continued spending on and demand for software intelligence solutions, our ability to maintain and acquire new customers, our ability to differentiate our platform from competing products and technologies, our ability to successfully recruit and retain highly-qualified personnel, the price volatility of our common stock, and other risks set forth under the caption “Risk Factors” in our Form 10-K filed on May 26, 2022 and our other SEC filings. We assume no obligation to update any forward-looking statements contained in this document as a result of new information, future events or otherwise.

This presentation includes non-GAAP financial measures which have certain limitations and should not be considered in isolation, or as alternatives to or substitutes for, financial measures determined in accordance with generally accepted accounting principles in the United States (“GAAP”). The non-GAAP measures as defined by the Company may not be comparable to similar non-GAAP measures presented by other companies. The Company’s presentation of such measures, which may include adjustments to exclude unusual or non-recurring items, should not be construed as an inference that its future results will be unaffected by these or other unusual or non-recurring items. A reconciliation of these non-GAAP financial measures to the most directly comparable GAAP financial measures is included in the Appendix to these slides.



# Compelling Financial Profile

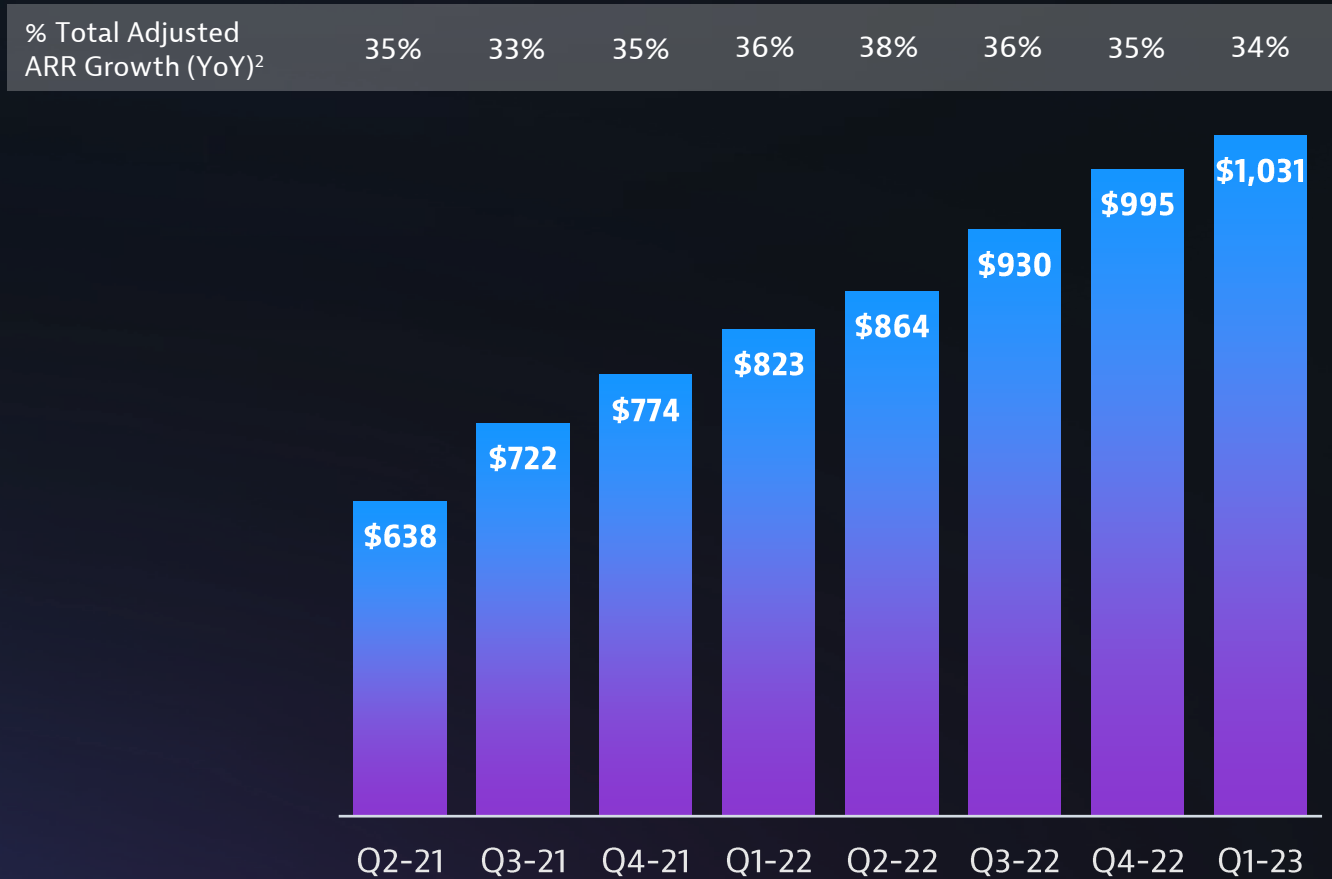
	<b>Rapid ARR growth</b>	<b>\$1,031M</b> Q1-23 ARR <sup>1</sup> , Adjusted ARR <sup>1</sup> up <b>34%</b> YoY CC
	<b>Predictable model</b>	<b>93%</b> Q1-23 subscription revenue, up 32% YoY CC <sup>2</sup> <b>\$267M</b> Q1-23 total revenue, up 32% YoY CC <sup>2</sup>
	<b>Healthy growth dynamics</b>	<b>120%+</b> Dynatrace net expansion rate <sup>1</sup> for <b>17 consecutive quarters</b> <b>135</b> Q1-23 New Logos
	<b>Investing for growth, balancing healthy margins</b>	<b>34%</b> and <b>39%</b> Q1-23 TTM <sup>3</sup> YoY growth in R&D and S&M, respectively <b>29%</b> TTM FCF <sup>1</sup> margin

1) See Appendix for definitions.  
2) Denotes growth when adjusted for constant currency exchange rates.  
3) Non-GAAP R&D, S&M and FCF are non-GAAP financial measures. See Appendix for reconciliation of GAAP to non-GAAP financial measures.



# Sustainable ARR Growth at CC

Quarterly Total ARR (\$M, as reported)<sup>1</sup>

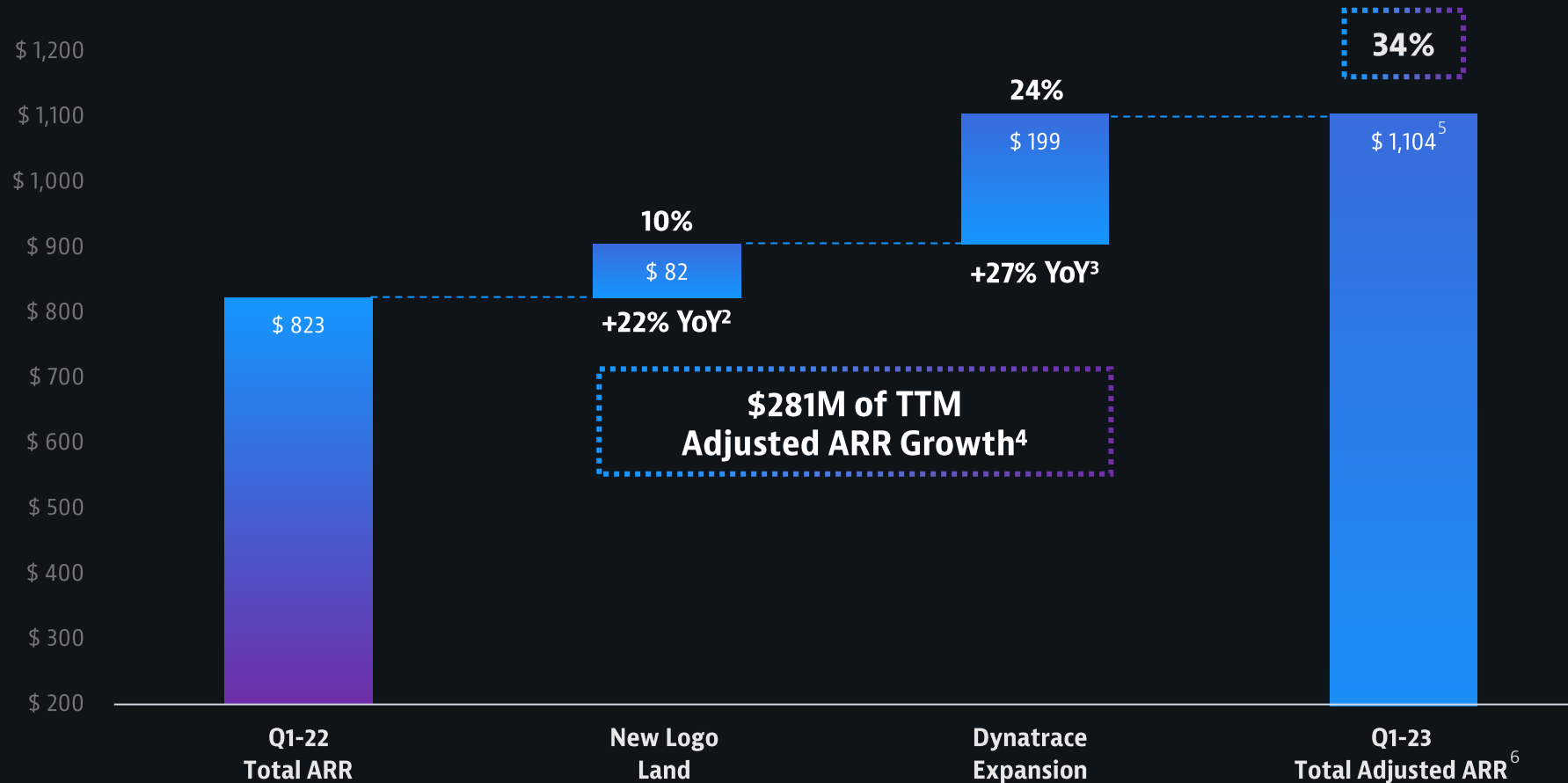


1) Quarterly Total ARR amounts shown in bar graphs are 'As Reported' metrics.  
2) See Appendix for definition.



# Total Adjusted ARR Growth at CC<sup>1</sup>

Q1-23 +\$281M year over year or 34% at CC



1) Values have been rounded and may not add up precisely to the totals

2) Represents total new logo dollars added in the trailing-twelve-month period ending June 30, 2022, compared to the same TTM period a year ago ending June 30, 2021.

3) Represents total net expansion dollars added in the TTM period ending June 30, 2022, compared to the same TTM period a year ago ending June 30, 2021.

4) Represents total new logo and net expansion dollars added in the TTM period ending June 30, 2022, compared to as reported Adjusted ARR a year ago ending June 30, 2021.

5) This excludes the \$6M impact associated with the discontinuation of business in Russia offset by the \$3M variance in quarterly FX headwind vs. the TTM FX headwind included in the Appendix.

6) See appendix for definition.



# New ARR Growth

## Quarterly ARR Expansion @ CC ex-Perp

### Annual New ARR (\$M)<sup>1</sup>

New ARR Growth @ CC ex-Perp (YoY) <sup>2</sup>	11%	36% <sup>3</sup>	28% <sup>3</sup>
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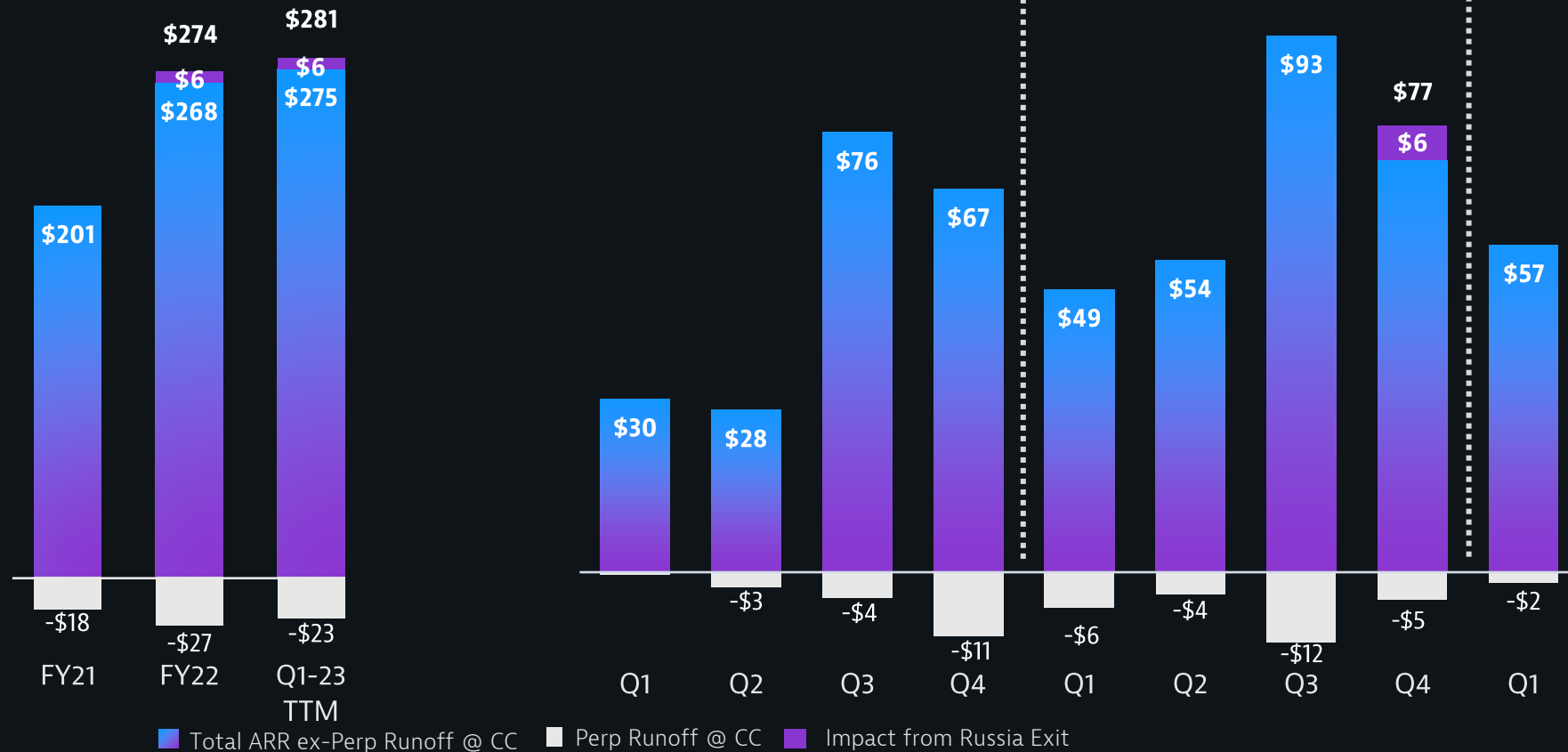
### Quarterly New ARR (\$M)<sup>1</sup>

#### FY 2021

#### FY 2022

#### FY 2023

(17)%	(25)%	17%	61%	63%	92%	22%	16% <sup>3</sup>	16%
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1) Annual and Quarterly New ARR amounts shown in bar graphs represent Total ARR at constant currency excluding the amount of Dynatrace perpetual license ARR at constant currency that had reached the end of its revenue recognition schedule, net of new perpetual ARR signed in the period. See Appendix for more detail.  
 2) Constant currency growth rates reflect YoY growth when using exchange rates compared to the as reported results from the same quarter in the prior year.  
 3) Q1-23 TTM, FY22 and Q4-22 New ARR growth rates represents total ARR at constant currency excluding the impact of quarterly perpetual license rolloff and the \$6M impact associated with the discontinuation of business in Russia.



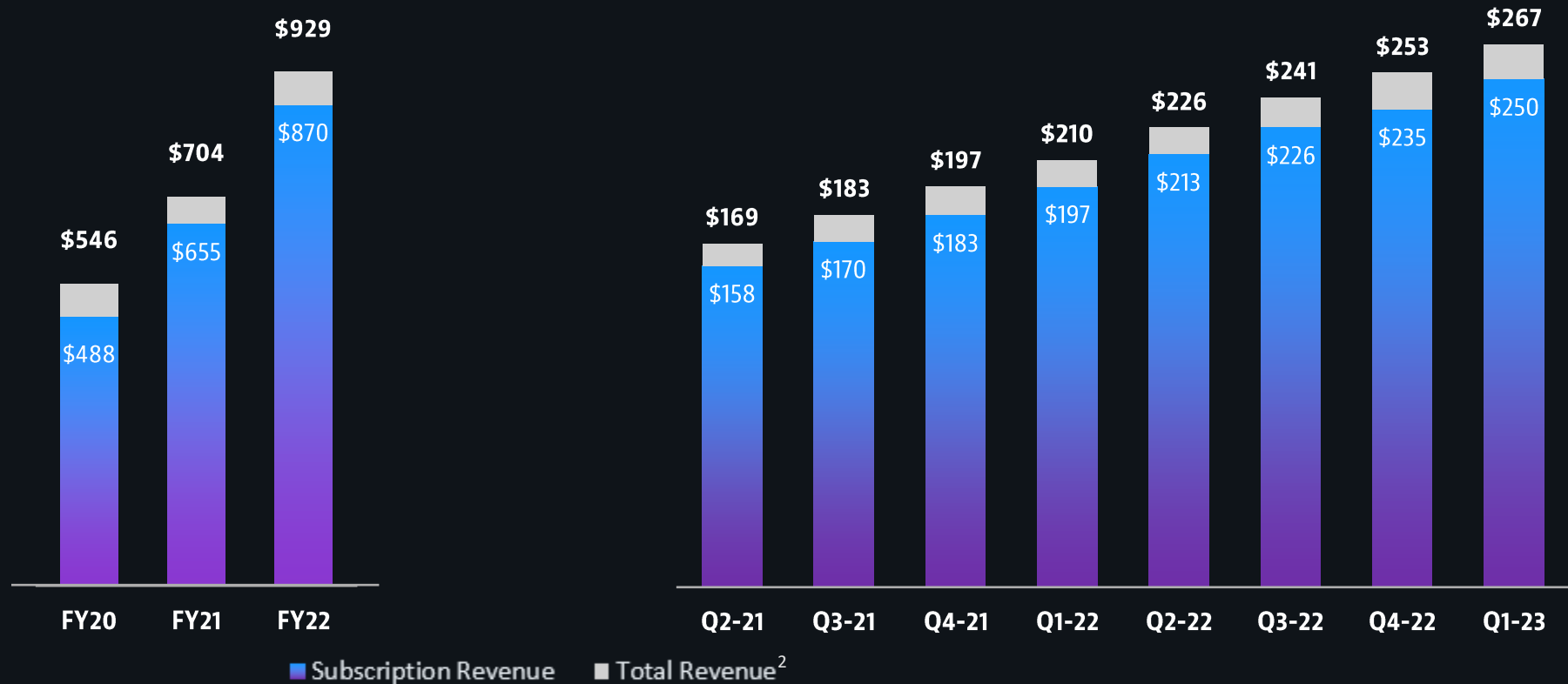
# Subscription & Total Revenue Growth at CC

## Annual Revenue (\$M)

Total Revenue Growth CC (YoY) <sup>1</sup>	29%	28%	32%
Subscription Revenue Growth CC (YoY) <sup>1</sup>	42%	33%	32%

## Quarterly Revenue (\$M)

30%	25%	27%	29%	33%	33%	31%	32%
35%	30%	32%	30%	33%	34%	31%	32%

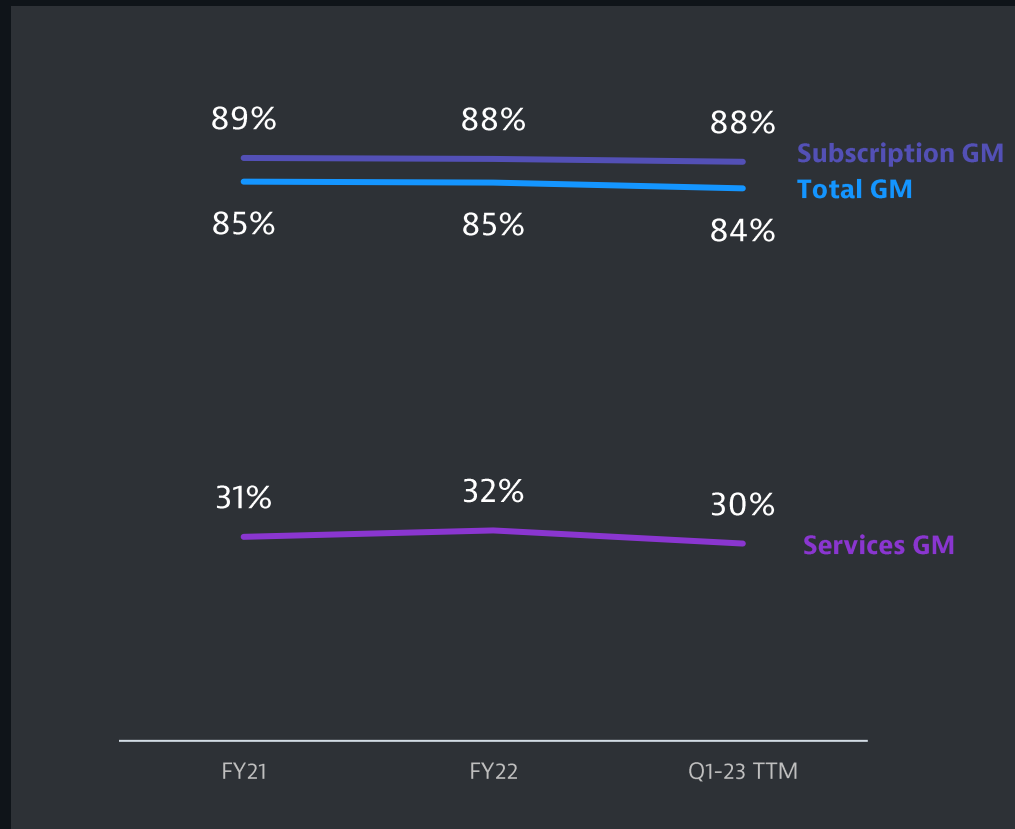


1) Constant currency growth rates reflect YoY growth when using exchange rates from the same quarter in the prior year.  
 2) Total revenue includes subscription, services and license revenue.

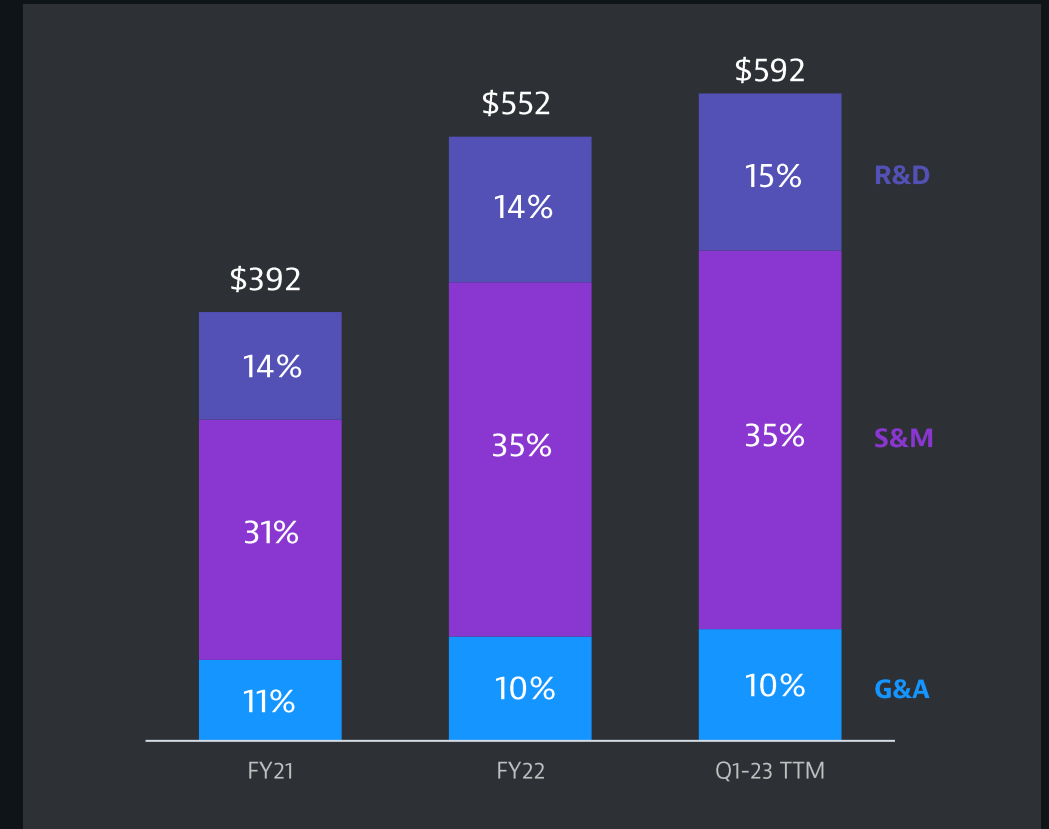


# Efficient Model with Best-in-Class Margins<sup>1</sup>

### Non-GAAP Gross Profit Margin



### Non-GAAP OPEX \$'s & as % of Revenue (\$M)



FY22 & Q1-23 TTM Non-GAAP OPEX reflects increased investments in S&M and R&D

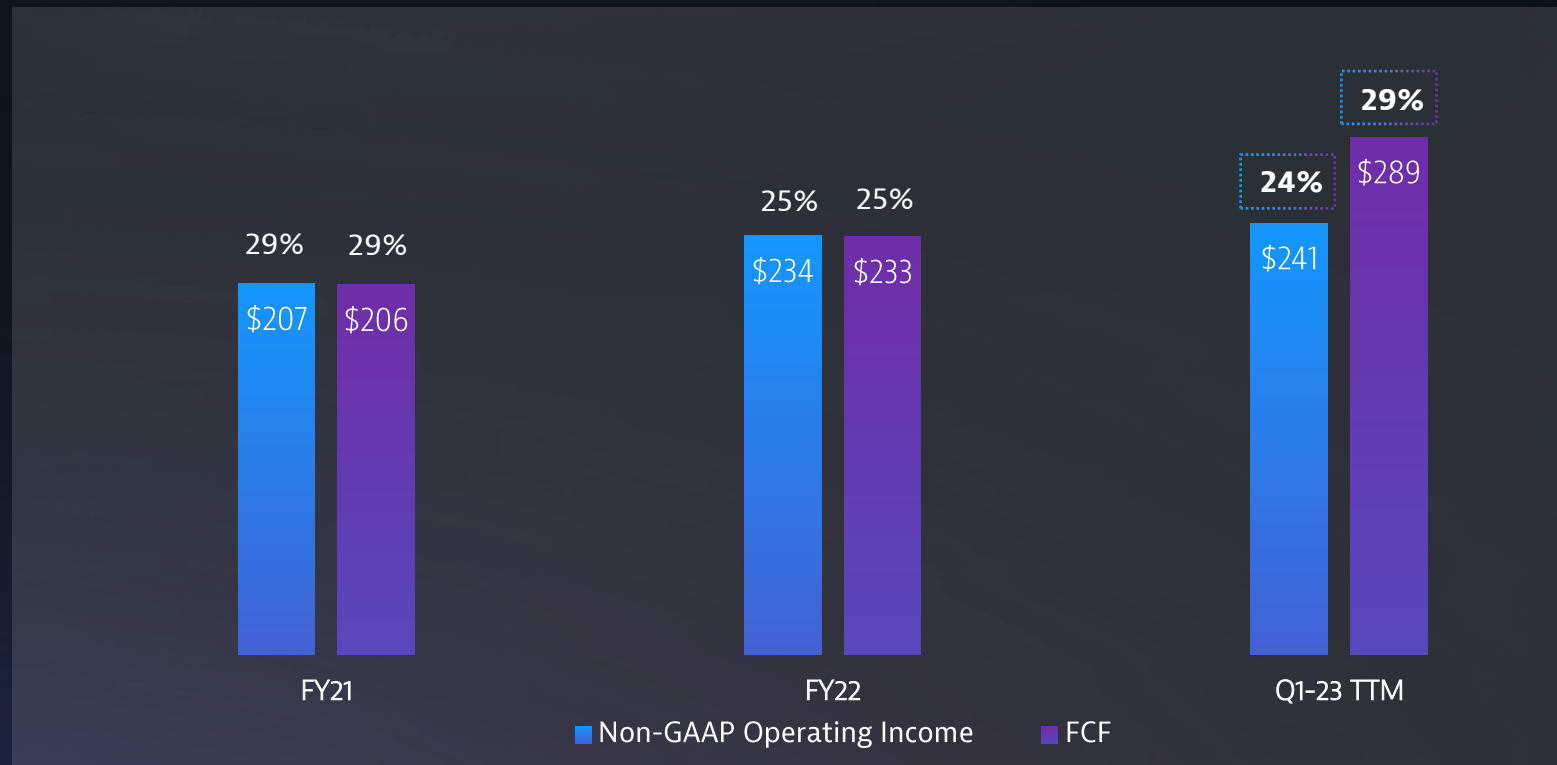
1) These are non-GAAP financial measures. See Appendix to presentation for reconciliation of GAAP to non-GAAP financial measures.





# Proven Profitable Business Model

## Non-GAAP Operating Income and Free Cash Flow (FCF) <sup>1,2</sup> (\$M)



FY21 Non-GAAP Op Inc and FCF driven by COVID-related cost savings.

FY22 & Q1-23 TTM driven by increased investments in S&M and R&D.

1) These are non-GAAP financial measures. See Appendix to presentation for reconciliation of GAAP to non-GAAP financial measures.  
2) As reported dollars and percent of revenue.



# FY23 Guidance Summary

Since March 31, 2022, Dynatrace has seen an incremental strengthening of the U.S. dollar resulting in a foreign exchange ("FX") headwind in fiscal 2023. Total FY23 FX impact on a constant currency basis is expected to be approximately \$40 million on ARR, up from prior quarter expectations of \$20 million. Total FY23 FX impact is expected to be approximately \$47 million on Revenue, up from prior quarter expectations of \$33 million.

Growth rates for Adjusted ARR, Total revenue, and Subscription revenue are presented in constant currency in the table below to provide better visibility into the underlying growth of the business.

Based on information available, as of August 3, 2022, Dynatrace is issuing guidance for the second quarter Fiscal 2023 and full year Fiscal 2023 as follows:

(in millions, except per share data)	Current FY 2023 Guidance	Prior FY 2023 Guidance	Change at Midpoint
<b>Total ARR</b>	<b>\$1,213 – \$1,226</b>	<b>\$1,250 – \$1,265</b>	<b>\$(38)</b>
As reported	22% – 23%	26% – 27%	-400 bps
Constant currency	26% – 27%	28% – 29%	-200 bps
Adjusted ARR growth	27% – 28%	29% – 30%	-200 bps
<b>Total revenue</b>	<b>\$1,125 – \$1,136</b>	<b>\$1,142 – \$1,158</b>	<b>\$(20)</b>
As reported	21% – 22%	23% – 25%	-250 bps
Constant currency	26% – 27%	27% – 28%	-100 bps
<b>Subscription revenue</b>	<b>\$1,053 – \$1,062</b>	<b>\$1,071 – \$1,086</b>	<b>\$(21)</b>
As reported	21% – 22%	23% – 25%	-250 bps
Constant currency	26% – 27%	27% – 28%	-100 bps
<b>Non-GAAP operating income</b>	<b>\$252 – \$261</b>	<b>\$257 – \$266</b>	<b>\$(5)</b>
Non-GAAP Operating Margin	22.5% – 23%	22.5% – 23%	0 bps
<b>Non-GAAP net income</b>	<b>\$214.5 – \$223</b>	<b>\$216 – \$225</b>	<b>\$(2)</b>
<b>Non-GAAP net income per diluted share</b>	<b>\$0.73 – \$0.76</b>	<b>\$0.74 – \$0.77</b>	<b>\$(0.01)</b>
<b>Diluted weighted average shares outstanding</b>	<b>292 – 294</b>	<b>292 – 294</b>	<b>-</b>
<b>Free cash flow<sup>1</sup></b>	<b>\$310 – \$325</b>	<b>\$330 – \$345</b>	<b>\$(20)</b>
Free cash flow margin	27.5% – 28.5%	29% – 30%	-150 bps

(in millions, except per share data)	Q2 Fiscal 2023 Guidance
<b>Total revenue</b>	<b>\$272 – \$275</b>
As reported	20% – 21%
Constant currency	26% – 28%
<b>Subscription revenue</b>	<b>\$255 – \$257</b>
As reported	20% – 21%
Constant currency	26% – 27%
<b>Non-GAAP operating income</b>	<b>\$62 – \$64.5</b>
Non-GAAP Operating Margin	23% – 23.5%
<b>Non-GAAP net income</b>	<b>\$52.5 – \$55</b>
<b>Non-GAAP net income per diluted share</b>	<b>\$0.18 – \$0.19</b>
<b>Diluted weighted average shares outstanding</b>	<b>292 – 293</b>

All growth rates are compared to the second quarter and full year of fiscal 2022 unless otherwise noted.

1) See Appendix for definition.

# Definitions & Non-GAAP Reconciliations

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# Appendix - Definitions

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1. **Annual Recurring Revenue "ARR"** is defined as the daily revenue of all subscription agreements that are actively generating revenue as of the last day of the reporting period multiplied by 365. We exclude from our calculation of Total ARR any revenues derived from month-to-month agreements and/or product usage overage billings.
2. **Adjusted ARR** is defined as ARR excluding the impact of foreign exchange rate fluctuations that occurred over the trailing twelve-month period. This calculation also excludes the headwind associated with the Dynatrace® perpetual license ARR that rolled off in the trailing twelve-month period.
3. **Adjusted ARR Growth** is defined as year-over-year growth in Adjusted ARR divided by ARR as reported.
4. **Dynatrace® Net Expansion Rate** is defined as the Dynatrace® ARR at the end of a reporting period for the cohort of Dynatrace® accounts as of one year prior to the date of calculation, divided by the Dynatrace® ARR one year prior to the date of calculation for that same cohort. This calculation excludes the benefit of Dynatrace® ARR resulting from the conversion of Classic products to the Dynatrace® platform. Effective the first quarter of fiscal year 2023, we began to exclude the headwind associated with the Dynatrace perpetual license ARR given diminishing impact of perpetual license ARR. We believe that eliminating the perpetual license headwind will result in a Net Expansion Rate metric that better reflects Dynatrace's ability to expand existing customer relationships.
5. **Unlevered Free Cash Flow** is defined as net cash provided by (used in) operating activities and adjusted to exclude cash paid for interest (net of tax), non-recurring restructuring and acquisition related costs, along with costs associated with one-time offerings and filings, less cash used in investing activities for acquisition of property and equipment. However, given our debt obligations, unlevered free cash flow does not represent residual cash flow available for discretionary expenses.
6. **Free Cash Flow** is defined as net cash provided by (used in) operating activities less capital expenditures.



# Total ARR Expansion Trends<sup>1</sup>

	FY21				FY22				FY23	
(\$ in millions)	Q1-21	Q2-21	Q3-21	Q4-21	Q1-22	Q2-22	Q3-22	Q4-22	Q1-23	TTM
<b>Year-over-Year</b>										
<b>ARR (As Reported)</b>	<b>\$601</b>	<b>\$638</b>	<b>\$722</b>	<b>\$774</b>	<b>\$823</b>	<b>\$864</b>	<b>\$930</b>	<b>\$995</b>	<b>\$1,031</b>	
Year-over-Year increase	37%	35%	35%	35%	37%	35%	29%	29%	25%	
TTM FX headwind/(tailwind) <sup>2</sup>	8	(9)	(18)	(19)	(30)	(8)	21	20	47	
<b>ARR - Constant Currency</b>	<b>609</b>	<b>629</b>	<b>704</b>	<b>755</b>	<b>794</b>	<b>856</b>	<b>951</b>	<b>1,014</b>	<b>1,078</b>	
Year-over-Year ARR Increase - Constant Currency <sup>3</sup>	39%	33%	32%	32%	32%	34%	32%	31%	31%	
TTM Perpetual License Rolloff - Constant Currency <sup>4</sup>	4	7	8	18	24	25	34	27	23	
<b>ARR Excluding TTM Perp License Rolloff - Constant Currency</b>	<b>613</b>	<b>635</b>	<b>711</b>	<b>773</b>	<b>817</b>	<b>881</b>	<b>985</b>	<b>1,041</b>	<b>1,102</b>	
Year-over-Year ARR Growth ex-Perp - Constant Currency	39%	35%	33%	35%	36%	38%	36%	35%	34%	
<b>Quarter-over-Quarter</b>										
<b>ARR (As Reported)</b>	<b>\$601</b>	<b>\$638</b>	<b>\$722</b>	<b>\$774</b>	<b>\$823</b>	<b>\$864</b>	<b>\$930</b>	<b>\$995</b>	<b>\$1,031</b>	
Net New ARR (As Reported) <sup>5</sup>	29	37	84	52	49	41	66	65	36	208
Discontinuation of business in Russia <sup>6</sup>								6		6
Quarterly FX headwind/(tailwind) <sup>7</sup>	1	(11)	(12)	3	(6)	10	15	1	19	44
<b>Net New ARR - Constant Currency</b>	<b>30</b>	<b>26</b>	<b>72</b>	<b>56</b>	<b>43</b>	<b>50</b>	<b>81</b>	<b>72</b>	<b>55</b>	<b>258</b>
Quarterly Perpetual License Rolloff - Constant Currency <sup>8</sup>	0	3	4	11	6	4	12	5	2	23
<b>Net New ARR Excluding Perpetual License Rolloff - Constant Currency</b>	<b>30</b>	<b>28</b>	<b>76</b>	<b>67</b>	<b>49</b>	<b>54</b>	<b>93</b>	<b>77</b>	<b>57</b>	<b>281</b>
Year-over-Year ARR Growth ex-Perp - Constant Currency	(17)%	(25)%	17%	61%	63%	92%	22%	16%	16%	28%

1) Values have been rounded and may not add up precisely to the totals.  
2) Year-over-year FX headwind/(tailwind) using exchange rates from the same quarter in the prior year.  
3) Represents the year-over-year growth rate excluding the FX headwind/(tailwind).  
4) Represents the cumulative trailing-twelve-month amount of Dynatrace perpetual license ARR that had reached the end of its revenue recognition schedule.  
5) Defined as the quarterly increase/(decrease) in the current quarter as reported ARR compared to the previous quarters as reported ARR.  
6) Quarterly FX impact using exchange rates at the time of discontinuation.  
7) Quarterly FX impact using exchange rates from the prior quarter.  
8) Represents the quarterly amount of Dynatrace perpetual license ARR that had reached the end of its revenue recognition schedule in constant currency, net of new perpetual license ARR signed in the quarter.



# Non-GAAP Operating Income Reconciliation<sup>1</sup>

(\$ in millions)	FY22						Q1-23 TTM					
	GAAP	Stock-Based Comp.	Employer Payroll Tax on Employee Stock trans.	Amort of Other Intangibles	Restructuring & Other	Non-GAAP	GAAP	Stock-Based Comp.	Employer Payroll Tax on Employee Stock trans.	Amort. of Other Intangibles	Restructuring & Other	Non-GAAP
Cost of Revenues	173	(13)	(1)	(16)	-	143	186	(14)	(1)	(16)	-	155
<b>Gross Profit</b>	<b>\$757</b>	<b>\$13</b>	<b>\$1</b>	<b>\$16</b>	-	<b>\$786</b>	<b>\$801</b>	<b>\$14</b>	<b>\$1</b>	<b>\$16</b>	-	<b>\$832</b>
<i>Gross Margin</i>	81%					85%	81%					84%
Research and Development	156	(21)	(2)	-	-	133	170	(25)	(2)	-	-	144
Sales and Marketing	362	(36)	(2)	-	-	324	387	(38)	(2)	-	-	346
General and Administrative	127	(29)	(1)	-	(1)	95	136	(32)	(1)	-	(1)	102
Amortization of other intangibles	30	-	-	(30)	-	-	29	-	-	(29)	-	-
Restructuring and other	-	-	-	-	-	-	-	-	-	-	-	-
<b>Operating Income (loss)<sup>1</sup></b>	<b>\$81</b>	<b>\$100</b>	<b>\$6</b>	<b>\$46</b>	<b>\$1</b>	<b>\$234</b>	<b>\$79</b>	<b>\$109</b>	<b>\$6</b>	<b>\$45</b>	<b>\$2</b>	<b>\$241</b>
<i>Operating Margin</i>	9%					25%	8%					24%

<sup>1)</sup> Values have been rounded and may not add up precisely to the totals.



# uFCF & FCF Reconciliation<sup>1</sup>

(\$ in millions)	FY22	Q1-23 TTM
<b>Free Cash Flow</b>		
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 251</b>	<b>\$ 311</b>
PP&E	(18)	(22)
<b>Total FCF</b>	<b>\$ 233</b>	<b>\$ 289</b>
<b>FCF % of Revenue</b>	<b>25%</b>	<b>29%</b>
<b>Unlevered Free Cash Flow</b>		
Cash paid for interest expense	8	8
Discrete tax items	(7)	(6)
Transaction, restructuring, and other	1	2
<b>Total uFCF</b>	<b>\$236</b>	<b>\$293</b>
Interest Tax Adjustment	(2)	(2)
<b>uFCF (After tax adjustment)</b>	<b>\$ 234</b>	<b>\$ 291</b>
<b>uFCF % of Revenue</b>	<b>25%</b>	<b>29%</b>

1) Values have been rounded and may not add up precisely to the totals.