

# Q3 2023 Financials

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February 2023

The background features a blue-to-purple gradient with white geometric patterns of interconnected lines and dots, resembling a network or data structure, located in the top-left and bottom-right corners.

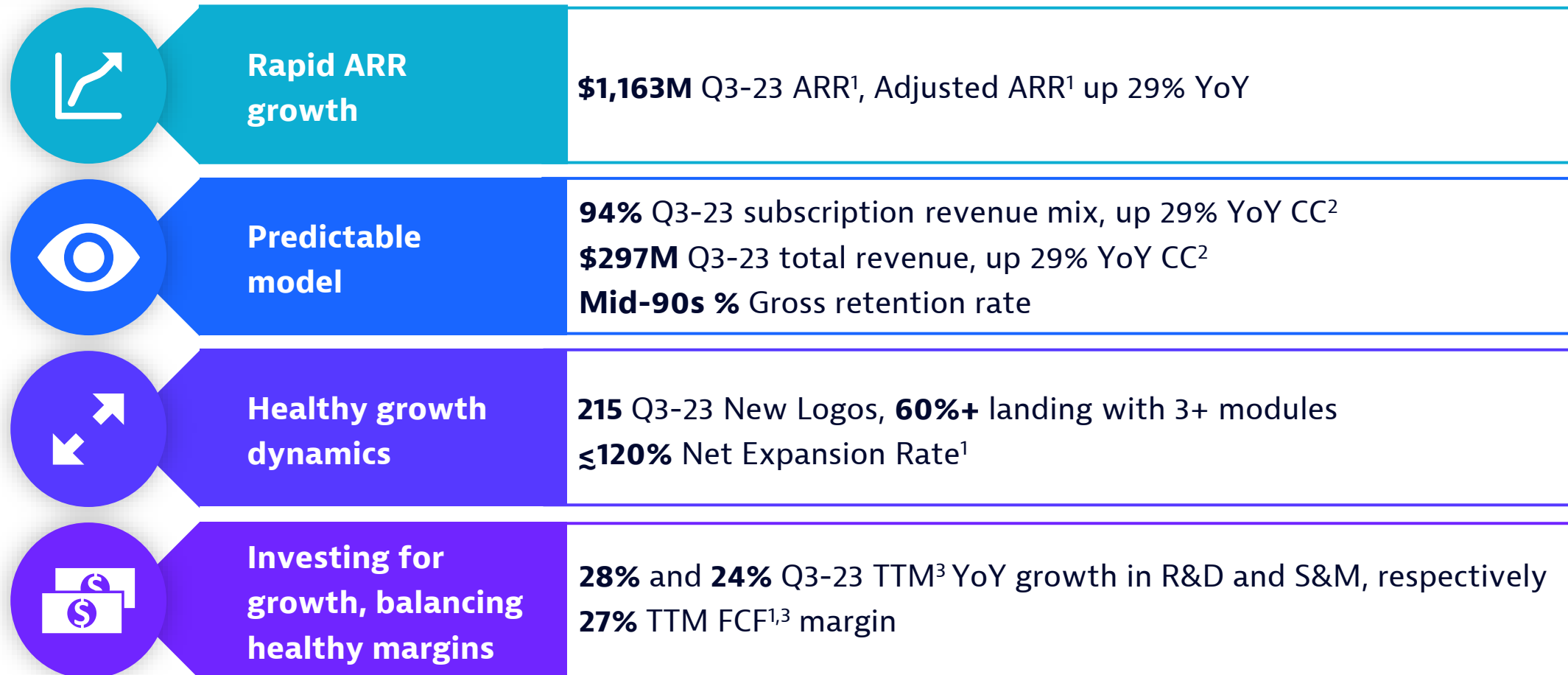
# Legal Disclaimer

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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 fourth fiscal quarter and full year 2023, and statements regarding future customer requirements, product innovation, 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 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”). Dynatrace considers these non-GAAP financial measures to be important because they provide useful indicators of its performance and liquidity measures. These are key measures used by our management and board of directors to understand and evaluate our core operating performance and trends, to prepare and approve our annual budget and to develop short and long-term operational plans. In addition, investors often use similar measures to evaluate the performance of a company. Non-GAAP financial measures are presented for supplemental informational purposes only for understanding the company’s operating performance. The non-GAAP financial measures should not be considered a substitute for financial information presented in accordance with 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



1) See Appendix for definitions.

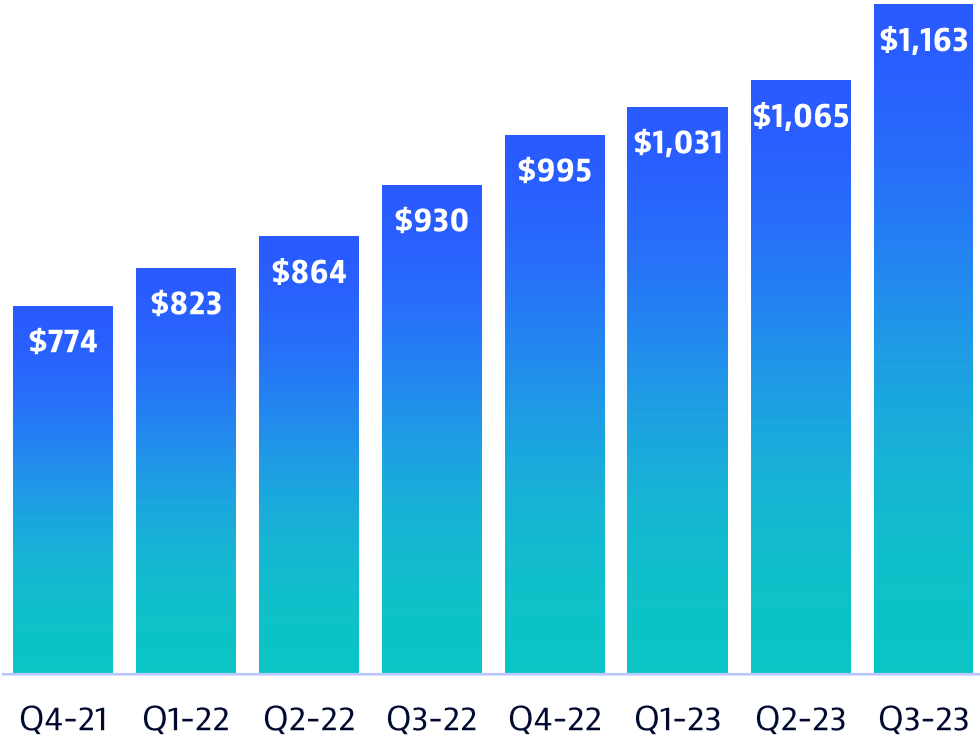
2) Denotes growth when adjusted for constant currency exchange rates. See Appendix.

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)<sup>1</sup>

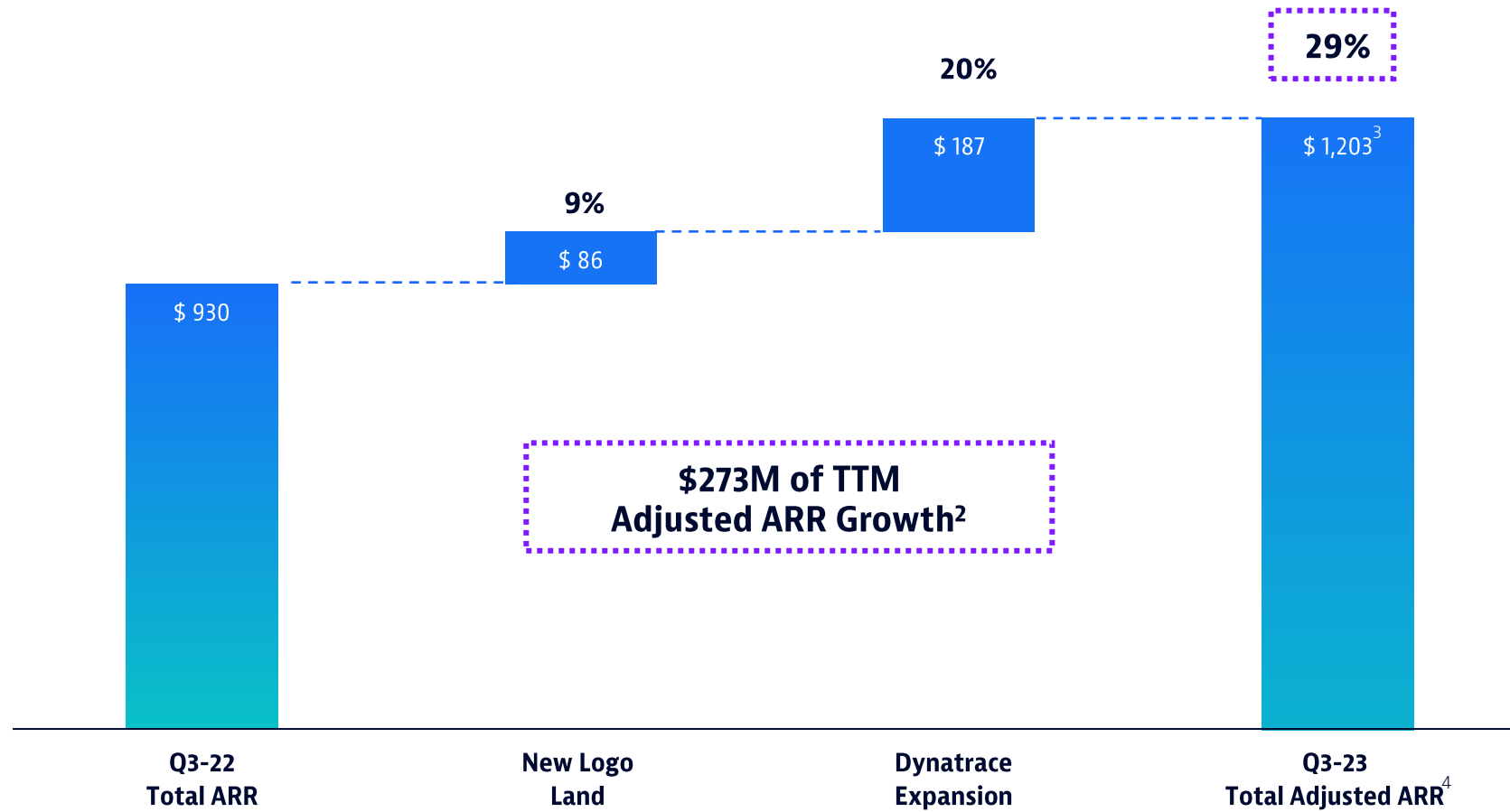
% ARR Growth as Reported (YoY)	35%	37%	35%	29%	29%	25%	23%	25%
% Total Adjusted ARR Growth (YoY) <sup>2</sup>	35%	36%	38%	36%	35%	34%	33%	29%



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>

Q3-23 +\$273M year over year or 29% at CC



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

2) Represents total new logo and net expansion dollars added in the TTM period ending December 31, 2022, compared to as reported Adjusted ARR a year ago ending December 31, 2021.

3) This excludes the \$6M impact associated with the discontinuation of business in Russia offset by the \$4M variance in quarterly FX headwind vs. the TTM FX headwind included in the Appendix.

4) See appendix for definition.

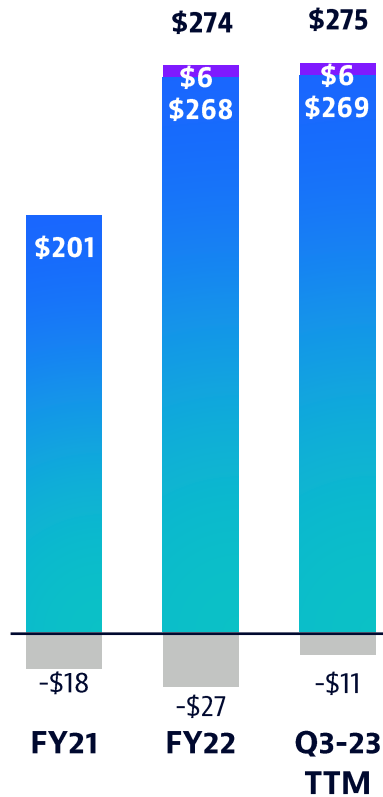


# New ARR Growth

## 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>	4% <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%	11%	(13)%
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■ Total ARR ex-Perp Runoff @ CC ■ Perp Runoff @ CC ■ Impact from Russia Exit

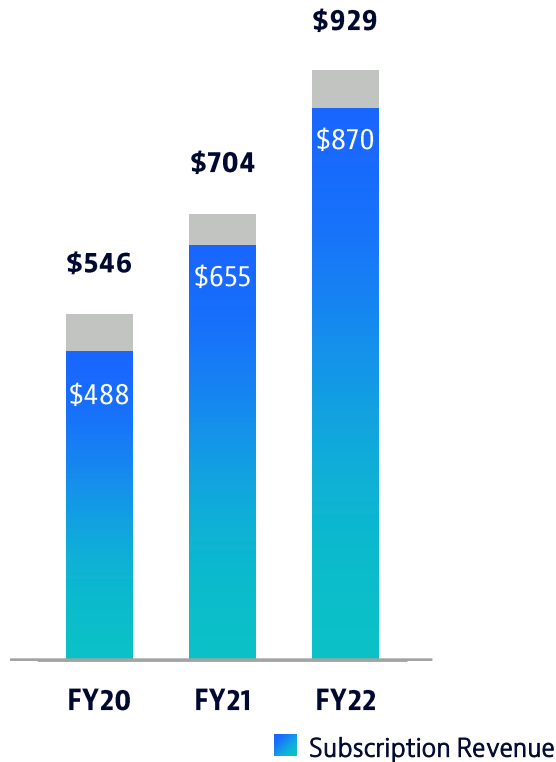
1) Annual and Quarterly New ARR amounts shown in bar graphs represent Total ARR at constant currency excluding the amount of Dynatrace perpetual license ARR at constant currency that had reached the end of its revenue recognition schedule, net of new perpetual ARR signed in the period. See Appendix for 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) Q3-23 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

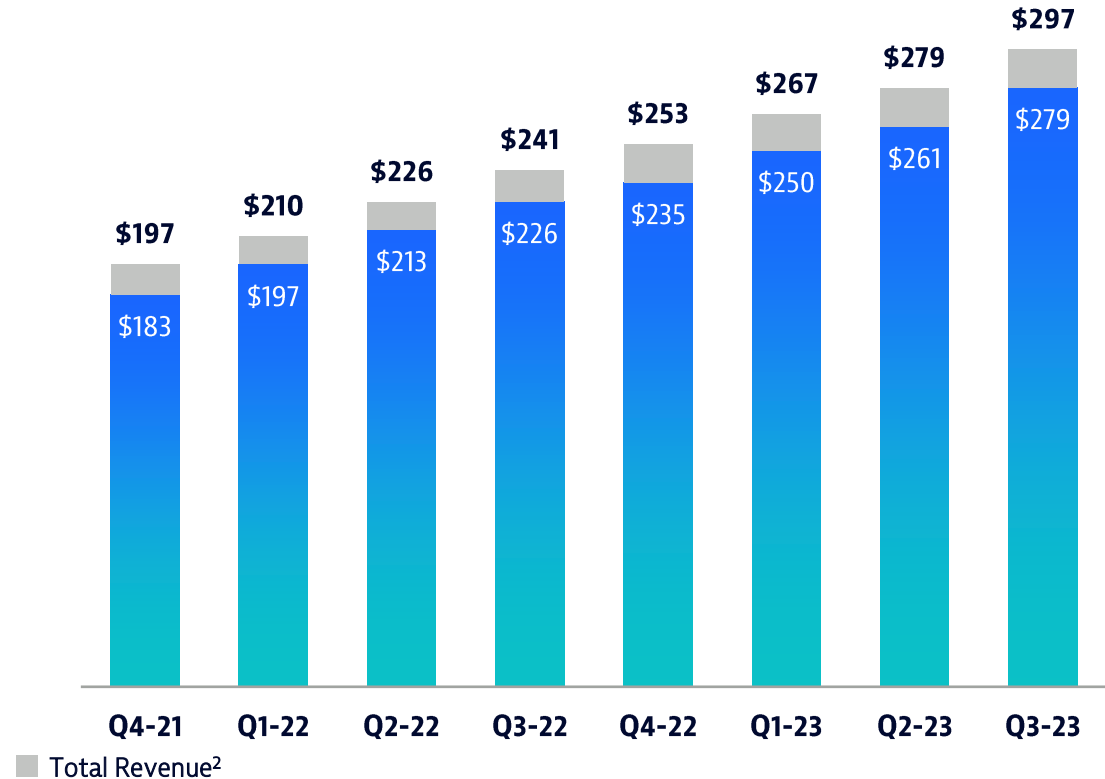
## Annual Revenue (\$M)

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)

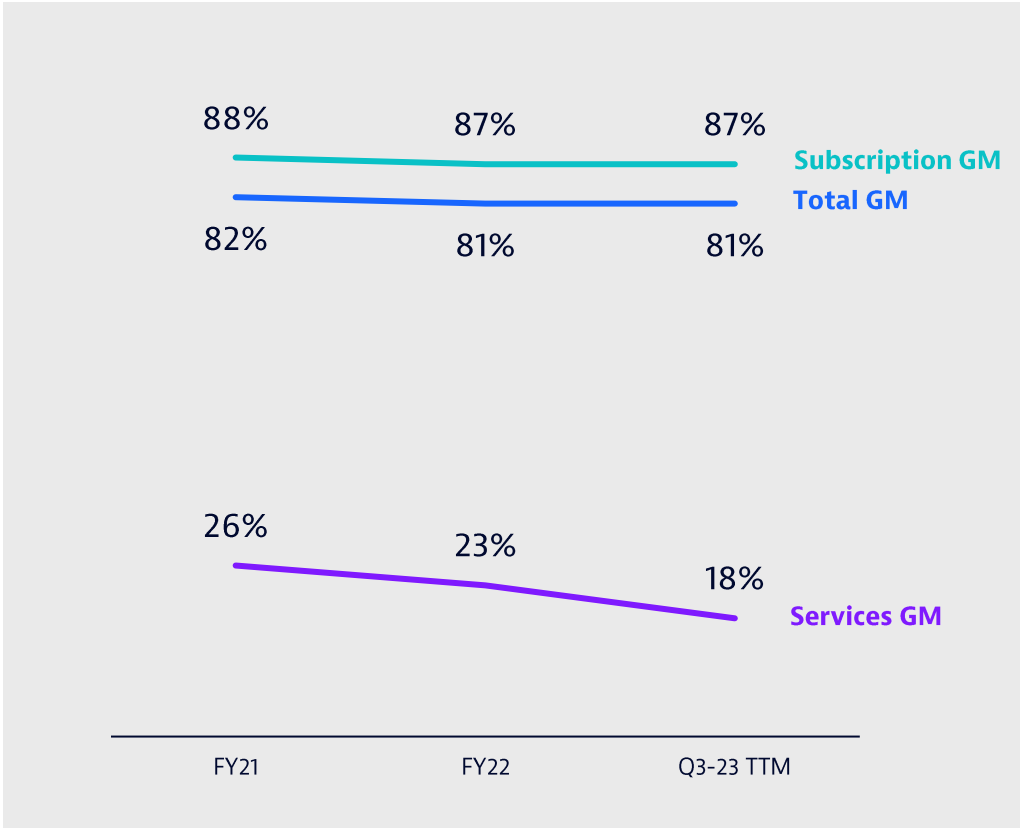
Total Revenue Growth CC (YoY) <sup>1</sup>	27%	29%	33%	33%	31%	32%	30%	29%
Subscription Revenue Growth CC (YoY) <sup>1</sup>	32%	30%	33%	34%	31%	32%	29%	29%



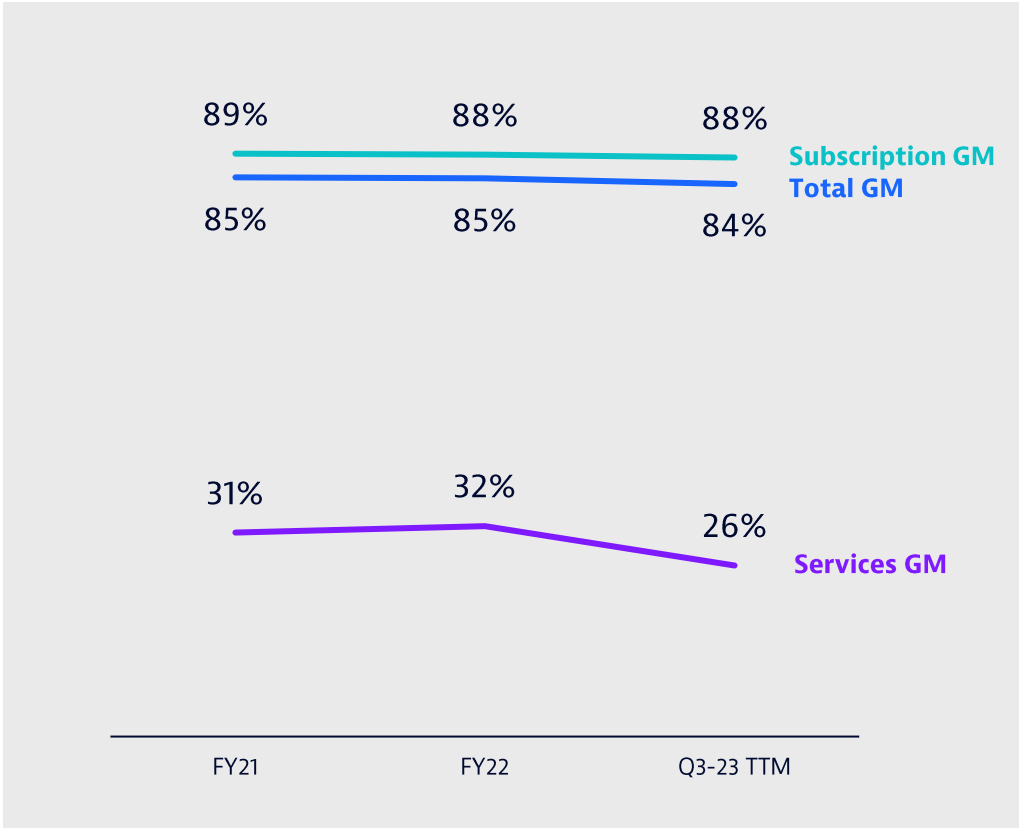
1) Constant currency growth rates reflect YoY growth when using exchange rates from the same quarter in the prior year. See Appendix.  
 2) Total revenue includes subscription, services and license revenue.

# Efficient Model with Best-in-Class Profit Margins

GAAP Gross Profit Margin



Non-GAAP Gross Profit Margin<sup>1</sup>

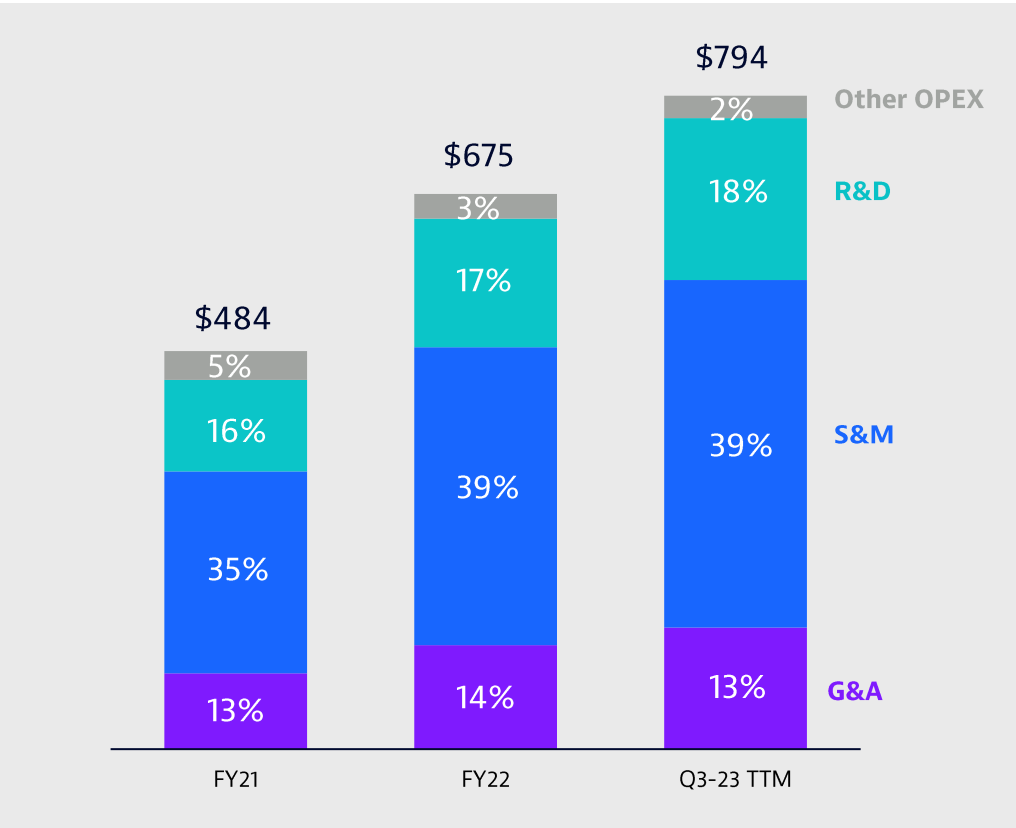


1) These are non-GAAP financial measures. See Appendix to presentation for reconciliation of GAAP to non-GAAP financial measures.

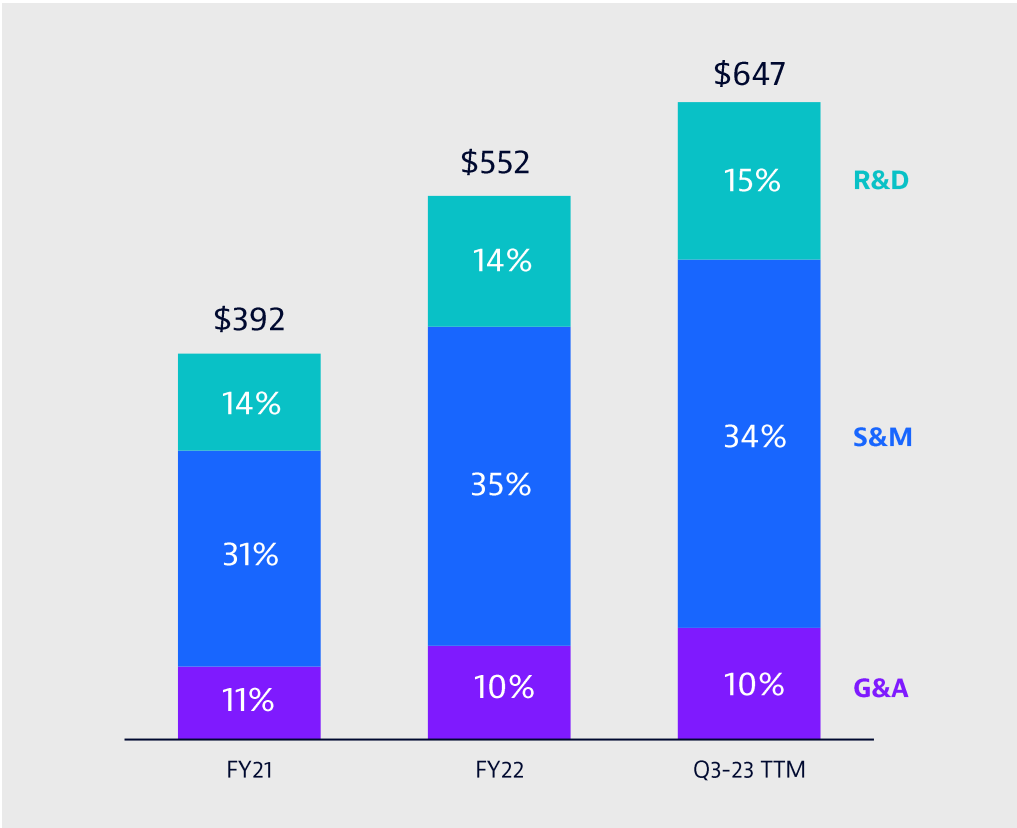


# Efficient Model with Best-in-Class Operating Margins

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



Non-GAAP OPEX \$'s & as % of Revenue (\$M)<sup>1</sup>

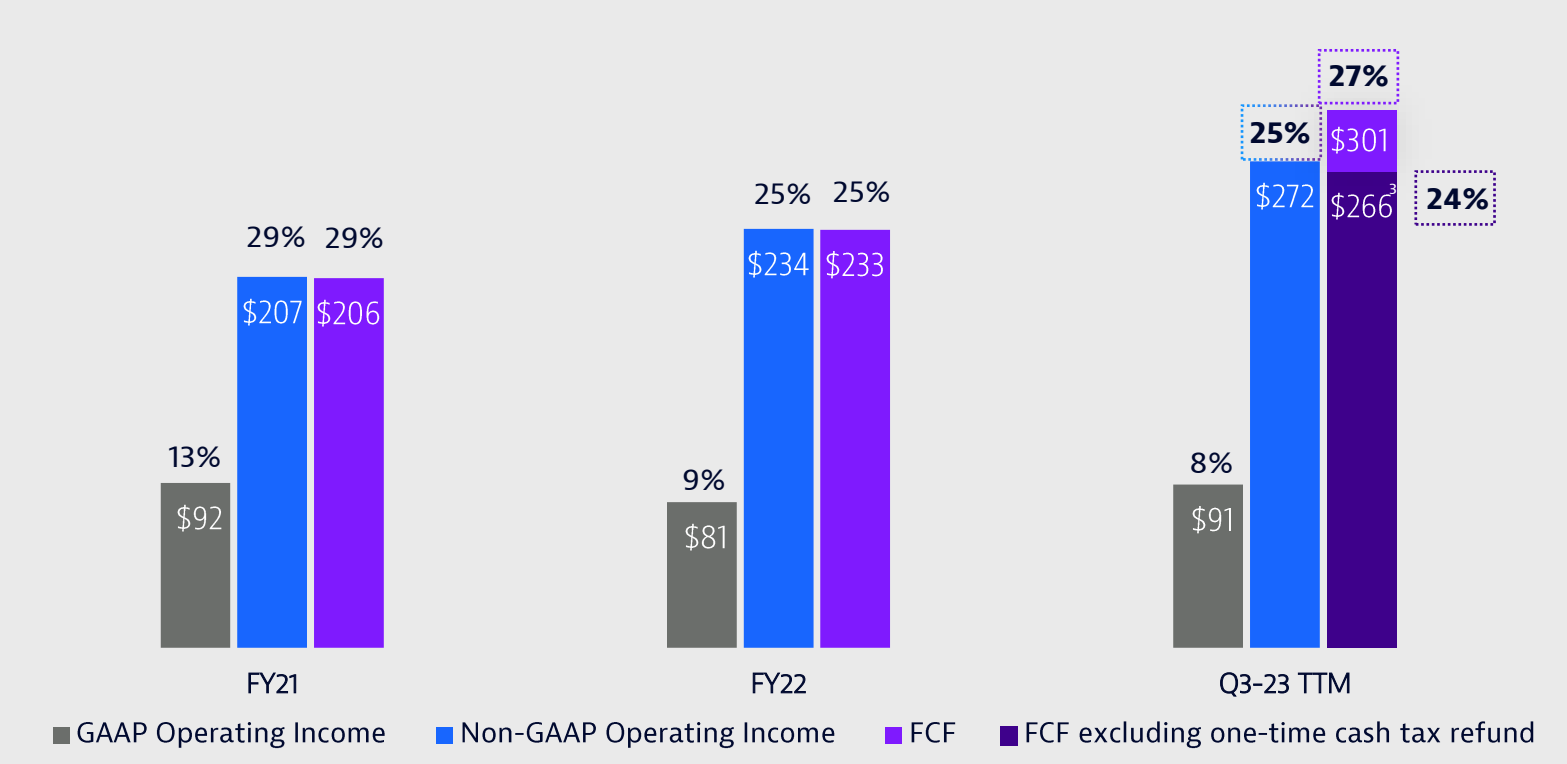


FY22 & Q3-23 TTM Non-GAAP OPEX reflects increased investments in S&M and R&D

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

# Proven Profitable Business Model

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 & Q3-23 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.  
 3) Excludes the non-recurring \$35 million cash tax benefit received in Q1-23. The tax neutral Q3-23 TTM FCF percent of revenue is 24%.

# 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 \$30 million on ARR, down from prior quarter expectations of approximately \$60 million. Total FY23 FX impact is expected to be approximately \$45 million on Revenue, down from prior quarter expectations of approximately \$60 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 February 1, 2023, Dynatrace is issuing guidance for the fourth quarter Fiscal 2023 and updating guidance for 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>\$1,216 - \$1,221</b>	<b>\$1,164 - \$1,172</b>	<b>\$51</b>
As reported	22% - 23%	17% - 18%	500 bps
Constant currency	25%	23% - 24%	200 bps
Adjusted ARR growth	26%	24%	200 bps
<b>Total revenue</b>	<b>\$1,148 - \$1,151</b>	<b>\$1,119 - \$1,126</b>	<b>\$27</b>
As reported	24%	20% - 21%	300 bps
Constant currency	28% - 28.5%	27%	150 bps
<b>Subscription revenue</b>	<b>\$1,075 - \$1,077</b>	<b>\$1,047 - \$1,052</b>	<b>\$27</b>
As reported	24%	20% - 21%	300 bps
Constant currency	28% - 28.5%	27%	150 bps
<b>Non-GAAP operating income</b>	<b>\$285 - \$287</b>	<b>\$273 - \$279</b>	<b>\$10</b>
Non-GAAP Operating Margin	25%	24.5%	50 bps
<b>Non-GAAP net income</b>	<b>\$255 - \$257</b>	<b>\$237.5 - \$242.5</b>	<b>\$16</b>
<b>Non-GAAP net income per diluted share</b>	<b>\$0.87 - \$0.88</b>	<b>\$0.81 - \$0.83</b>	<b>\$0.06</b>
<b>Diluted weighted average shares outstanding</b>	<b>292 - 293</b>	<b>292 - 293</b>	<b>-</b>
<b>Free cash flow<sup>1</sup></b>	<b>\$315 - \$321</b>	<b>\$308 - \$321</b>	<b>\$4</b>
Free cash flow margin	27.5% - 28%	27.5% - 28.5%	-25 bps

(in millions, except per share data)	Q4 Fiscal 2023 Guidance
<b>Total revenue</b>	<b>\$304 - \$307</b>
As reported	20% - 22%
Constant currency	24% - 25%
<b>Subscription revenue</b>	<b>\$285 - \$287</b>
As reported	21% - 22%
Constant currency	24% - 25%
<b>Non-GAAP operating income</b>	<b>\$71.5 - \$73.5</b>
Non-GAAP Operating Margin	24%
<b>Non-GAAP net income</b>	<b>\$65 - \$67</b>
<b>Non-GAAP net income per diluted share</b>	<b>\$0.22 - \$0.23</b>
<b>Diluted weighted average shares outstanding</b>	<b>293 - 294</b>

All growth rates are compared to the fourth quarter and full year of fiscal 2022 unless otherwise noted.  
\*Changes in our guidance for full year ARR and Revenue metrics are rounded to the nearest 50 bps.

Reconciliation of non-GAAP operating income, non-GAAP net income, non-GAAP net income per diluted share and free cash flow guidance to the most directly comparable GAAP measures is not available without unreasonable efforts on a forward-looking basis due to the high variability, complexity and low visibility with respect to the charges excluded from these non-GAAP measures; in particular, the measures and effects of share-based compensation expense, employer taxes and tax deductions specific to equity compensation awards that are directly impacted by future hiring, turnover and retention needs, as well as unpredictable fluctuations in our stock price. We expect the variability of the above charges to have a significant, and potentially unpredictable, impact on our future GAAP financial results.



# **Definitions & Non-GAAP Reconciliations**

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# Appendix - Definitions

- 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. We present Dynatrace® net expansion rate on a constant currency basis to provide a framework for assessing how our business performed excluding the effects of foreign currency rate fluctuations.
- 5) **Dynatrace customers** are defined as accounts, as identified by a unique account identifier, that generate at least \$10,000 of Dynatrace® ARR as of the reporting date. In infrequent cases, a single large organization may comprise multiple customer accounts when there are distinct divisions, departments or subsidiaries that operate and make purchasing decisions independently from the parent organization. In cases where multiple customer accounts exist under a single organization, each customer account is counted separately based on a mutually exclusive accounting of ARR.
- 6) **Free Cash Flow** is defined as net cash provided by (used in) operating activities less capital expenditures.
- 7) **Constant Currency** amounts for Revenue and Annual Recurring Revenue are presented to provide a framework for assessing how our underlying businesses performed excluding the effect of foreign currency rate fluctuations. To present this information, current and comparative prior period results for entities reporting in currencies other than United States dollars are converted into United States dollars using the average exchange rates from the comparative period rather than the actual exchange rates in effect during the respective periods. All growth comparisons relate to the corresponding period in the last fiscal year. Dynatrace provides this non-GAAP financial information to aid investors in better understanding our performance.

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

	FY21			
(\$ in millions)	Q1-21	Q2-21	Q3-21	Q4-21
<b>Year-over-Year</b>				
<b>ARR (As Reported)</b>	<b>\$601</b>	<b>\$638</b>	<b>\$722</b>	<b>\$774</b>
Year-over-Year increase	37%	35%	35%	35%
TTM FX headwind/(tailwind) <sup>2</sup>	<u>8</u>	<u>(9)</u>	<u>(18)</u>	<u>(19)</u>
<b>ARR - Constant Currency</b>	<b>609</b>	<b>629</b>	<b>704</b>	<b>755</b>
Year-over-Year ARR Increase - Constant Currency <sup>3</sup>	39%	33%	32%	32%
TTM Perpetual License Rolloff - Constant Currency <sup>4</sup>	<u>4</u>	<u>7</u>	<u>8</u>	<u>18</u>
<b>ARR Excluding TTM Perp License Rolloff - Constant Currency</b>	<b>613</b>	<b>635</b>	<b>711</b>	<b>773</b>
Year-over-Year ARR Growth ex-Perp - Constant Currency	39%	35%	33%	35%
	Q1-21	Q2-21	Q3-21	Q4-21
<b>Quarter-over-Quarter</b>				
<b>ARR (As Reported)</b>	<b>\$601</b>	<b>\$638</b>	<b>\$722</b>	<b>\$774</b>
Net New ARR (As Reported) <sup>5</sup>	29	37	84	52
Discontinuation of business in Russia <sup>6</sup>				
Quarterly FX headwind/(tailwind) <sup>7</sup>	<u>1</u>	<u>(11)</u>	<u>(12)</u>	<u>3</u>
<b>Net New ARR - Constant Currency</b>	<b>30</b>	<b>26</b>	<b>72</b>	<b>56</b>
Quarterly Perpetual License Rolloff - Constant Currency <sup>8</sup>	<u>0</u>	<u>3</u>	<u>4</u>	<u>11</u>
<b>Net New ARR Excluding Perpetual License Rolloff - Constant Currency</b>	<b>30</b>	<b>28</b>	<b>76</b>	<b>67</b>
Year-over-Year ARR Growth ex-Perp - Constant Currency	(17)%	(25)%	17%	61%

	FY22			
(\$ in millions)	Q1-22	Q2-22	Q3-22	Q4-22
<b>Year-over-Year</b>				
<b>ARR (As Reported)</b>	<b>\$823</b>	<b>\$864</b>	<b>\$930</b>	<b>\$995</b>
Year-over-Year increase	37%	35%	29%	29%
TTM FX headwind/(tailwind) <sup>2</sup>	<u>(30)</u>	<u>(8)</u>	<u>21</u>	<u>20</u>
<b>ARR - Constant Currency</b>	<b>794</b>	<b>856</b>	<b>951</b>	<b>1,014</b>
Year-over-Year ARR Increase - Constant Currency <sup>3</sup>	32%	34%	32%	31%
TTM Perpetual License Rolloff - Constant Currency <sup>4</sup>	<u>24</u>	<u>25</u>	<u>34</u>	<u>27</u>
<b>ARR Excluding TTM Perp License Rolloff - Constant Currency</b>	<b>817</b>	<b>881</b>	<b>985</b>	<b>1,041</b>
Year-over-Year ARR Growth ex-Perp - Constant Currency	36%	38%	36%	35%
	Q1-22	Q2-22	Q3-22	Q4-22
<b>Quarter-over-Quarter</b>				
<b>ARR (As Reported)</b>	<b>\$823</b>	<b>\$864</b>	<b>\$930</b>	<b>\$995</b>
Net New ARR (As Reported) <sup>5</sup>	49	41	66	65
Discontinuation of business in Russia <sup>6</sup>				
Quarterly FX headwind/(tailwind) <sup>7</sup>	<u>(6)</u>	<u>10</u>	<u>15</u>	<u>1</u>
<b>Net New ARR - Constant Currency</b>	<b>43</b>	<b>50</b>	<b>81</b>	<b>72</b>
Quarterly Perpetual License Rolloff - Constant Currency <sup>8</sup>	<u>6</u>	<u>4</u>	<u>12</u>	<u>5</u>
<b>Net New ARR Excluding Perpetual License Rolloff - Constant Currency</b>	<b>49</b>	<b>54</b>	<b>93</b>	<b>77</b>
Year-over-Year ARR Growth ex-Perp - Constant Currency	63%	92%	22%	16%

	FY23			TTM
(\$ in millions)	Q1-23	Q2-23	Q3-23	
<b>Year-over-Year</b>				
<b>ARR (As Reported)</b>	<b>\$1,031</b>	<b>\$1,065</b>	<b>\$1,163</b>	
Year-over-Year increase	25%	23%	25%	
TTM FX headwind/(tailwind) <sup>2</sup>	<u>47</u>	<u>61</u>	<u>29</u>	
<b>ARR - Constant Currency</b>	<b>1,078</b>	<b>1,126</b>	<b>1,191</b>	
Year-over-Year ARR Increase - Constant Currency <sup>3</sup>	31%	30%	28%	
TTM Perpetual License Rolloff - Constant Currency <sup>4</sup>	<u>23</u>	<u>21</u>	<u>11</u>	
<b>ARR Excluding TTM Perp License Rolloff - Constant Currency</b>	<b>1,102</b>	<b>1,148</b>	<b>1,203</b>	
Year-over-Year ARR Growth ex-Perp - Constant Currency	34%	33%	29%	
	Q1-23	Q2-23	Q3-23	TTM
<b>Quarter-over-Quarter</b>				
<b>ARR (As Reported)</b>	<b>\$1,031</b>	<b>\$1,065</b>	<b>\$1,163</b>	
Net New ARR (As Reported) <sup>5</sup>	36	34	98	233
Discontinuation of business in Russia <sup>6</sup>				6
Quarterly FX headwind/(tailwind) <sup>7</sup>	<u>19</u>	<u>24</u>	<u>(19)</u>	<u>25</u>
<b>Net New ARR - Constant Currency</b>	<b>55</b>	<b>58</b>	<b>79</b>	<b>264</b>
Quarterly Perpetual License Rolloff - Constant Currency <sup>8</sup>	<u>2</u>	<u>2</u>	<u>2</u>	<u>11</u>
<b>Net New ARR Excluding Perpetual License Rolloff - Constant Currency</b>	<b>57</b>	<b>60</b>	<b>81</b>	<b>275</b>
Year-over-Year ARR Growth ex-Perp - Constant Currency	16%	11%	-13%	4%

- 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					Non-GAAP
	GAAP	Stock-Based Comp.	Employer Payroll Tax on Employee Stock trans.	Amort of Other Intangibles	Restructuring & Other	
Cost of Revenues	173	(13)	(1)	(16)	-	143
<b>Gross Profit</b>	<b>\$757</b>	<b>\$13</b>	<b>\$1</b>	<b>\$16</b>	-	<b>\$786</b>
<i>Gross Margin</i>	81%					85%
Research and Development	156	(21)	(2)	-	-	133
Sales and Marketing	362	(36)	(2)	-	-	324
General and Administrative	127	(29)	(1)	-	(1)	95
Amortization of other intangibles	30	-	-	(30)	-	-
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>
<i>Operating Margin</i>	9%					25%

(\$ in millions)	Q3-23 TTM					Non-GAAP
	GAAP	Stock-Based Comp.	Employer Payroll Tax on Employee Stock trans.	Amort. of Other Intangibles	Restructuring & Other	
Cost of Revenues	211	(17)	(1)	(16)	-	178
<b>Gross Profit</b>	<b>\$885</b>	<b>\$17</b>	<b>\$1</b>	<b>\$16</b>	-	<b>\$919</b>
<i>Gross Margin</i>	81%					84%
Research and Development	197	(35)	(2)	-	-	160
Sales and Marketing	423	(47)	(2)	-	-	374
General and Administrative	148	(34)	(1)	-	(1)	113
Amortization of other intangibles	27	-	-	(27)	-	-
Restructuring and other	-	-	-	-	-	-
<b>Operating Income (loss)<sup>1</sup></b>	<b>\$91</b>	<b>\$132</b>	<b>\$4</b>	<b>\$43</b>	<b>\$1</b>	<b>\$272</b>
<i>Operating Margin</i>	8%					25%

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

# FCF Reconciliation<sup>1</sup>

(\$ in millions)	FY22	Q3-23 TTM
<b>Free Cash Flow</b>		
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 251</b>	<b>\$ 323</b>
PP&E	(18)	(22)
<b>Total FCF</b>	<b>\$ 233</b>	<b>\$ 301</b>
<b>FCF % of Revenue</b>	<b>25%</b>	<b>27%</b>

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





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