

Q1 2024 Financials

August 2, 2023

Legal Disclaimer



This presentation consists of these slides and the associated remarks and comments, which are related and intended to be presented and understood together.





Cautionary Language Concerning Forward-Looking Statements

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 2024. These forward-looking statements include, but are not limited to, plans, objectives, expectations and intentions and other statements contained in this presentation that are not historical facts and statements identified by words such as “will,” “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, our ability to maintain our revenue growth rates in future periods; market adoption of our product offerings; continued demand for, and spending on, our solutions; our ability to innovate and develop solutions that meet customer needs; the ability of our platform and solutions to effectively interoperate with customers’ IT infrastructures; our ability to acquire new customers and retain and expand our relationships with existing customers; our ability to expand our sales and marketing capabilities; our ability to compete; our ability to maintain successful relationships with partners; security breaches, other security incidents and any real or perceived errors, failures, defects or vulnerabilities in our solutions; our ability to protect our intellectual property; our ability to hire and retain necessary qualified employees to grow our business and expand our operations; the effect on our business of the macroeconomic environment, associated global economic conditions and geopolitical disruption; and other risks set forth under the caption “Risk Factors” in our most recent Form 10-Q filed on August 2, 2023 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.

Non-GAAP Financial Measures

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. Reconciliations of non-GAAP financial measures to the most directly comparable GAAP financial measures are included in the Appendix to these slides and also available in our Data Trends Tables on the Investor Relations page on our website.

Compelling Financial Profile

	Rapid ARR growth	\$1,294M Q1-24 ARR ¹ , up 25% YoY CC ²
	Predictable model	95% Q1-24 subscription revenue mix, up 27% YoY CC ² \$333M Q1-24 total revenue, up 25% YoY CC ² Mid-90s % Dollar-based <i>Gross Retention Rate</i> ¹
	Healthy growth dynamics	155 Q1-24 New Logos, up 15% YoY, 60%+ landing with 3+ modules 116% Dollar-Based <i>Net Retention Rate</i> ¹
	Investing for growth, balancing healthy margins	28% and 18% Q1-24 TTM YoY growth in R&D and S&M ³ , respectively 26% TTM Q1-24 Non-GAAP Operating Margin ³ 26% TTM Q1-24 FCF ^{1,3} margin

1) See Appendix for definitions.

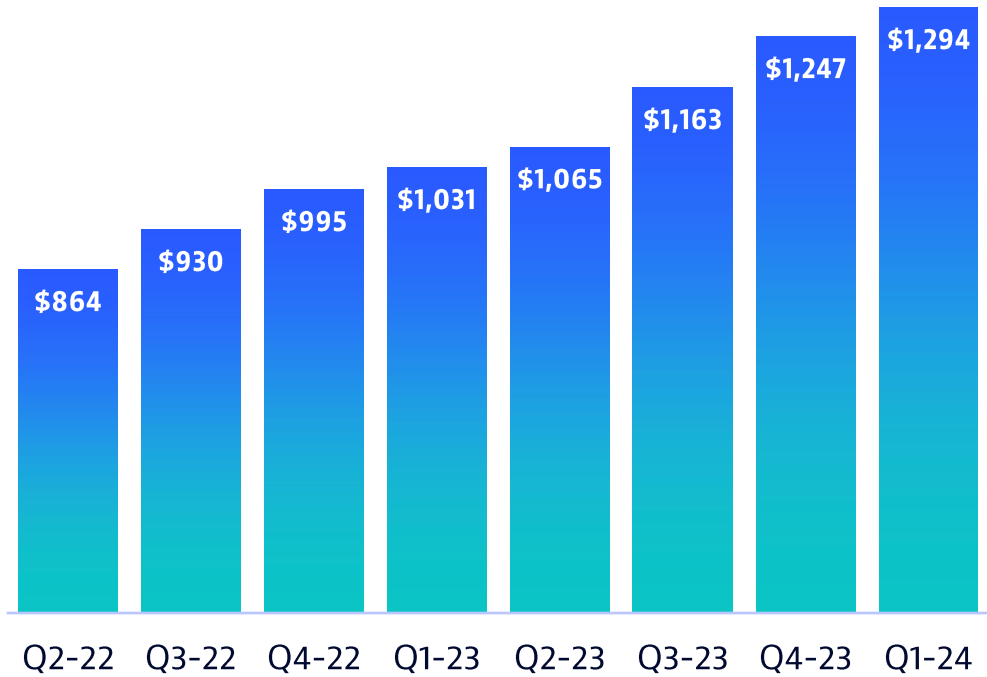
2) Denotes growth when adjusted for constant currency exchange rates. See Appendix for definition.

3) R&D, S&M, Operating Margin, 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) ¹								
% ARR Growth as Reported (YoY)	35%	29%	29%	25%	23%	25%	25%	25%
% ARR Growth CC (YoY) ²	34%	32%	31%	31%	30%	28%	28%	25%
% Total Adjusted ARR Growth (YoY) ²	38%	36%	35%	34%	33%	29%	29%	26%

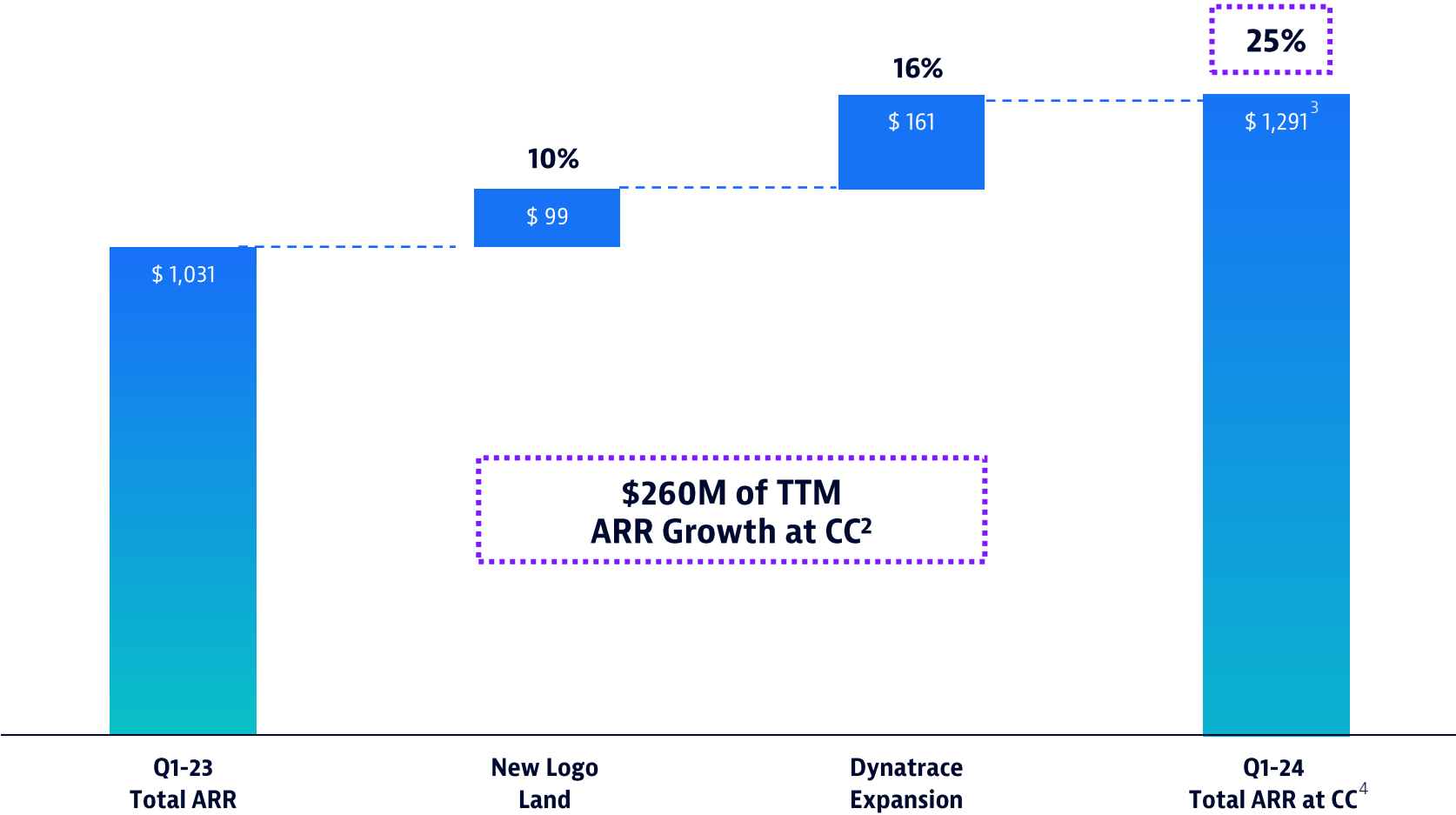


1) Quarterly Total ARR amounts shown in bar graphs are 'As Reported' metrics.
2) See Appendix for definitions.



Total ARR Growth at CC¹

Q1-24 +\$260M year over year or 25% at CC

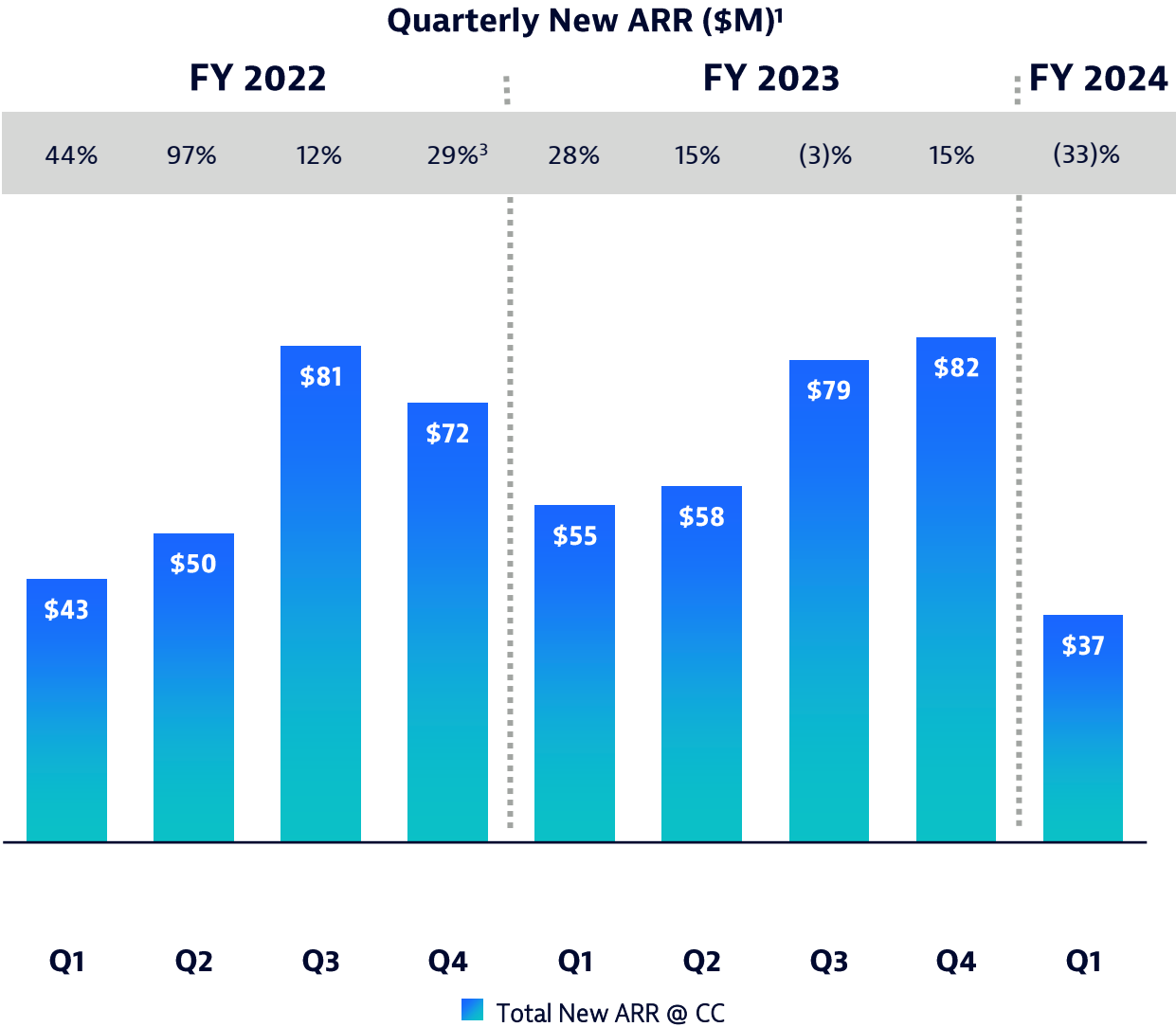
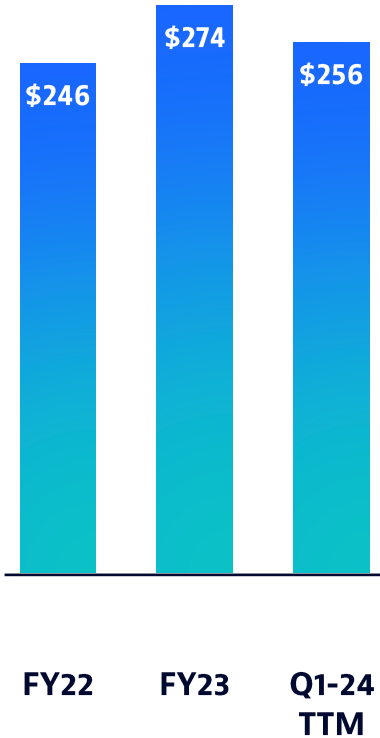


1) Dollars are shown in millions. Values have been rounded and may not add up precisely to the totals.
2) Represents total new logo and net expansion dollars added in the TTM period ended June 30, 2023, compared to as reported ARR a year ago ended June 30, 2022.
3) This includes a \$3.5M variance in the TTM FX tailwind vs. the quarterly FX tailwind included in the Appendix.
4) See Appendix for definition.

New ARR Growth

Quarterly ARR Expansion @ CC

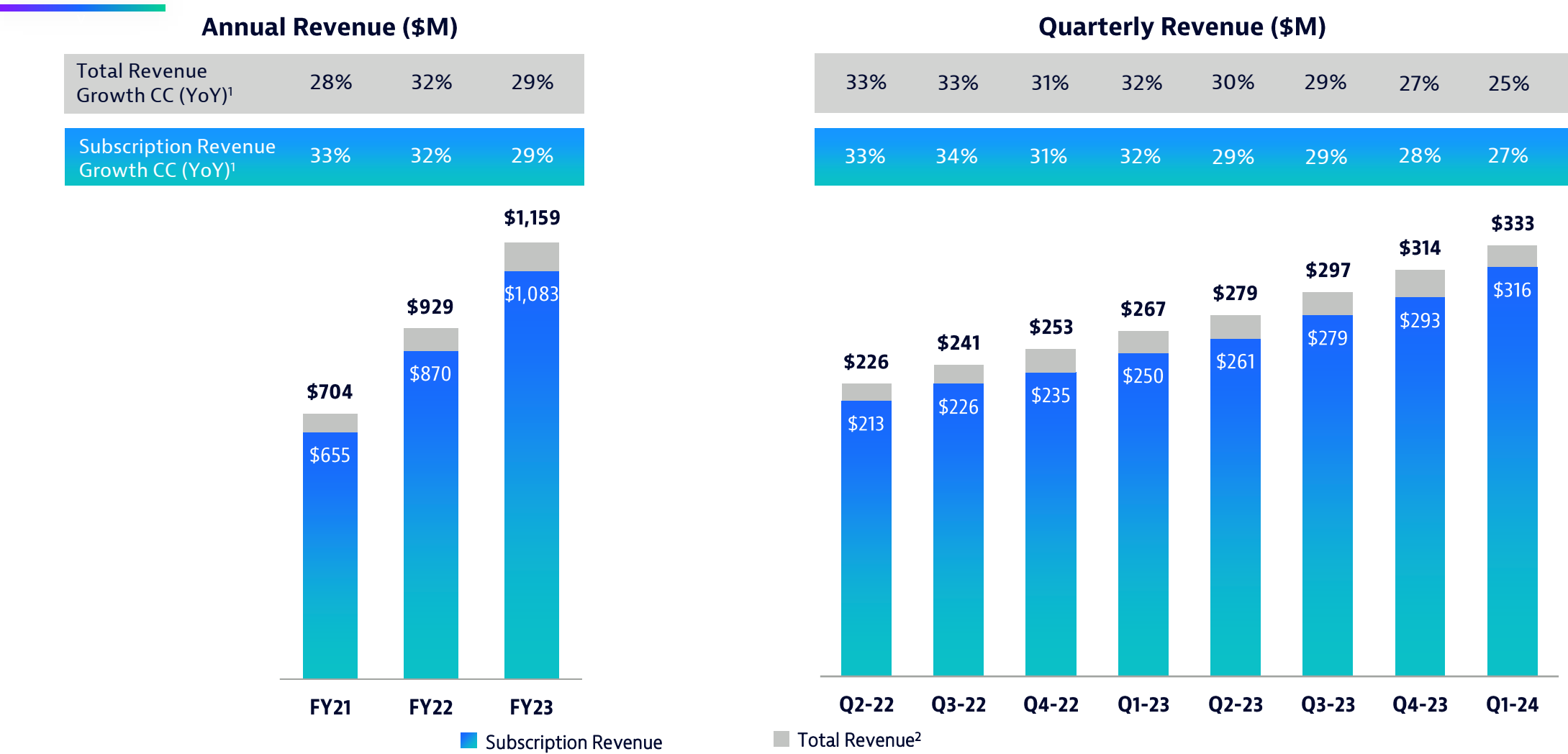
Annual New ARR (\$M) ¹			
New ARR Growth @ CC (YoY) ²	35% ³	11%	(1)%



1) Annual and Quarterly New ARR amounts shown in bar graphs represent Total ARR at constant currency.
 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) FY22 and Q4-22 New ARR growth rates represent total ARR at constant currency excluding the \$6M impact associated with the discontinuation of business in Russia.

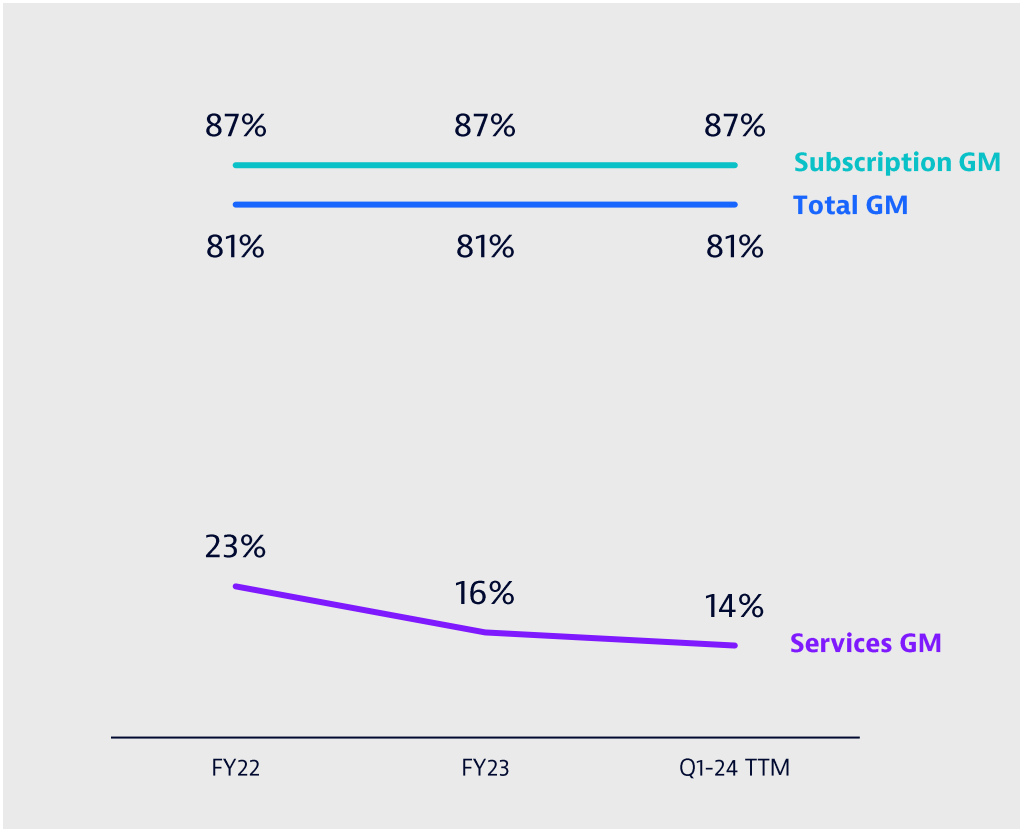


Subscription & Total Revenue Growth at CC

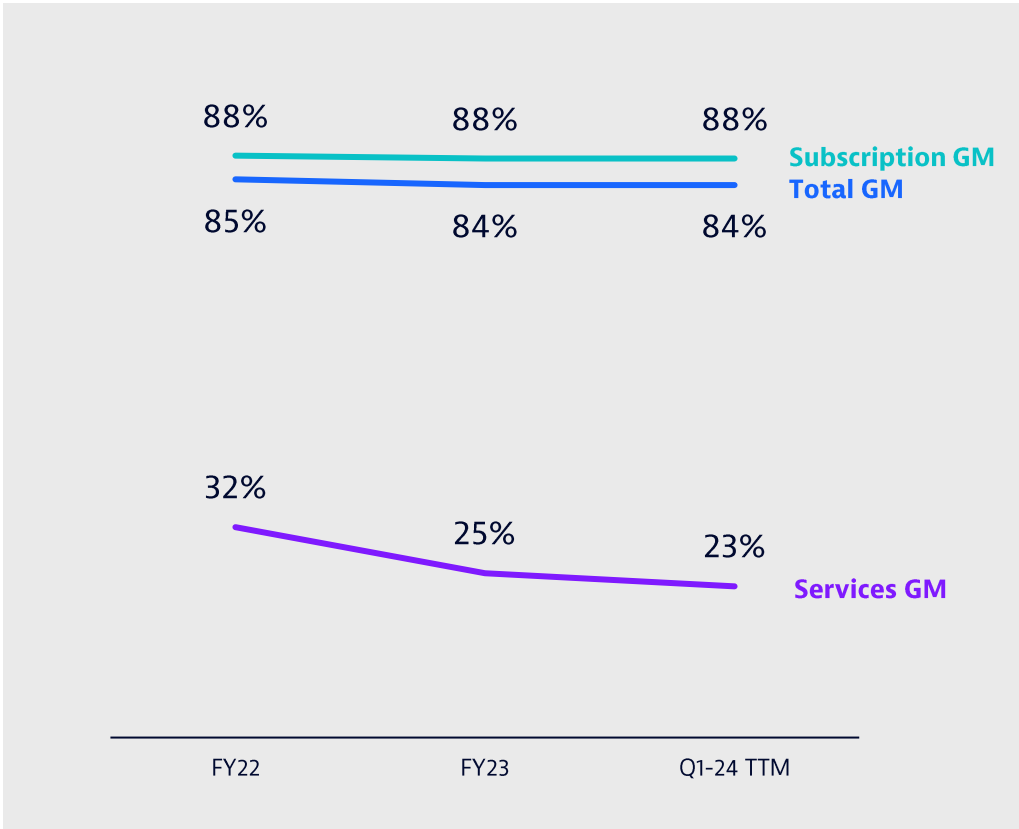


Efficient Model with Best-in-Class Gross Margins¹

GAAP Gross Profit Margin



Non-GAAP Gross Profit Margin²

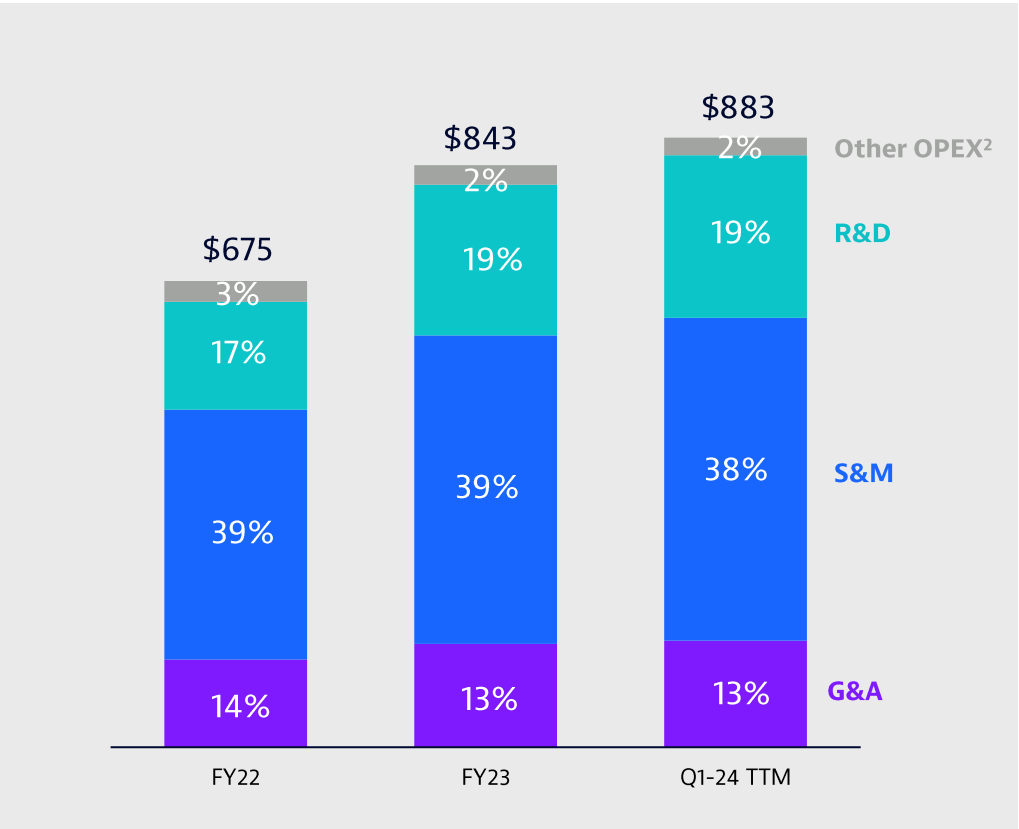


1) Our reference to "best-in-class" is in relation to other public companies that focus on observability.
2) These are non-GAAP financial measures. See Appendix for reconciliations of GAAP to non-GAAP financial measures.

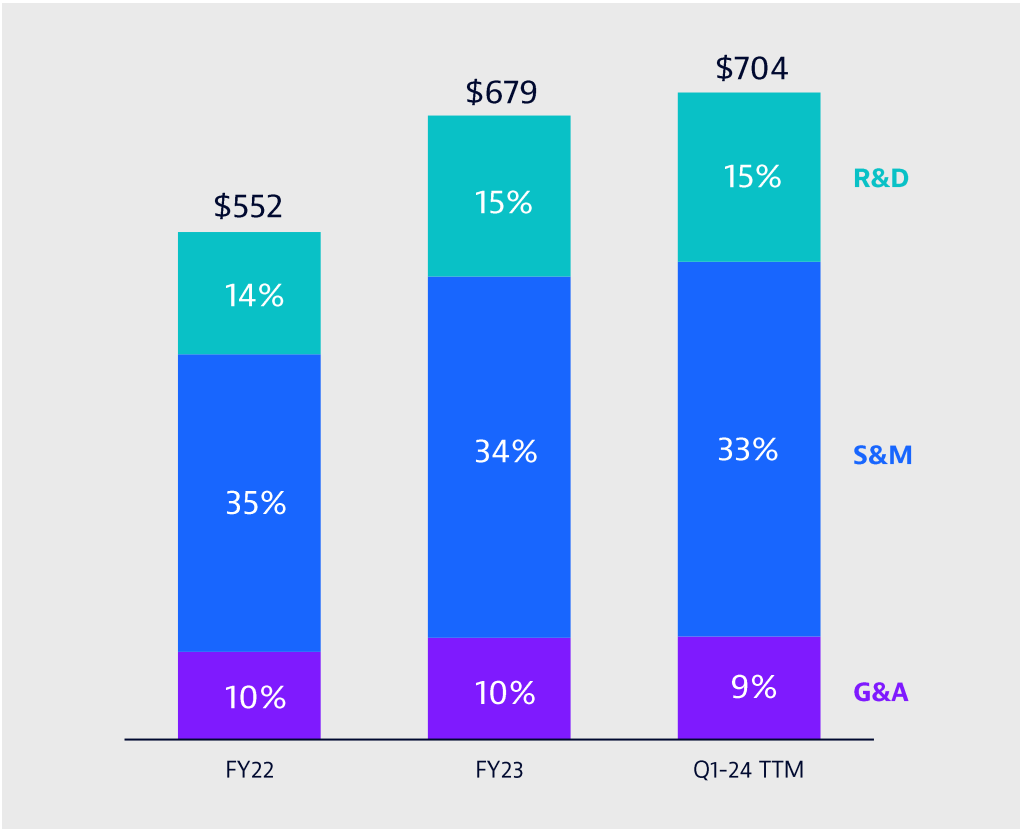


Powerfully Efficient Operating Model

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



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



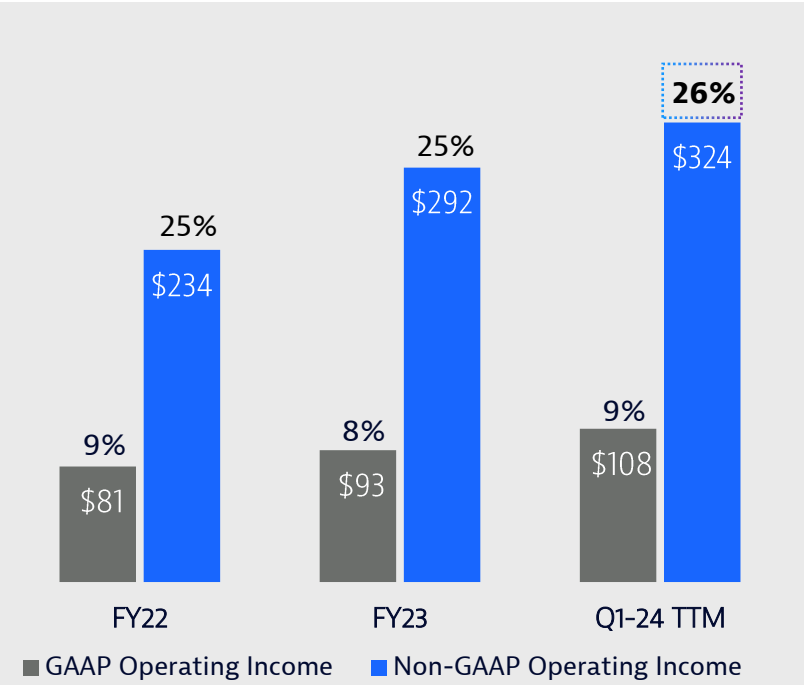
FY23 and Q1-24 TTM Non-GAAP OPEX reflects increased investments in R&D.

1) These are non-GAAP financial measures. See Appendix for reconciliations of GAAP to non-GAAP financial measures.
2) Other OpEx includes amortization of other intangibles and restructuring and other exoenses.

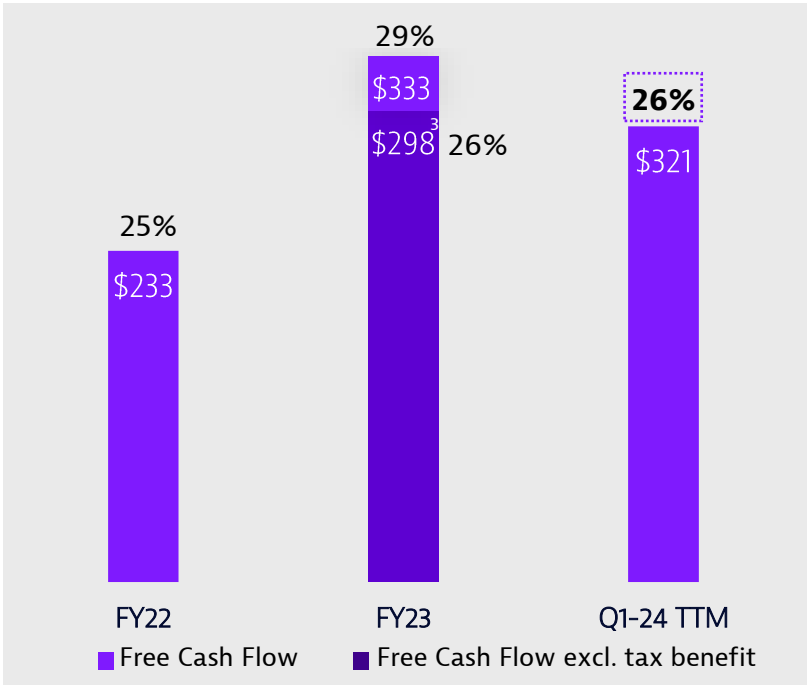
Proven Profitable Business Model



Operating Income^{1,2} (\$M)



Free Cash Flow (FCF)^{1,2} (\$M)



1) These are non-GAAP financial measures. See Appendix for reconciliations 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, representing FY23 FCF margin of 26%.



FY24 Guidance Summary

Based on information available as of August 2, 2023, Dynatrace is issuing guidance for the second quarter and full year fiscal 2024 in the table below. This guidance is based on foreign exchange rates as of June 30, 2023. The total foreign exchange tailwind for fiscal 2024 is now expected to be approximately \$11 million on ARR and \$15 million on revenue, compared to prior guidance that reflected total foreign exchange tailwind of approximately \$10 million on ARR and \$13 million on revenue. Growth rates for ARR, Total revenue, and Subscription revenue are presented in constant currency to provide better visibility into the underlying growth of the business.

(in millions, except per share data)	Current FY 2024 Guidance	Prior FY 2024 Guidance	Change at Midpoint
Total ARR	\$1,475 - \$1,490	\$1,475 - \$1,490	-
As reported	18% - 20%	18% - 20%	-
Constant currency	18% - 19%	18% - 19%	-
Total revenue	\$1,400 - \$1,415	\$1,388 - \$1,406	\$11
As reported	21% - 22%	20% - 21%	100 bps
Constant currency	20% - 21%	19% - 20%	100 bps
Subscription revenue	\$1,326 - \$1,341	\$1,311 - \$1,327	\$15
As reported	22% - 24%	21% - 22%	150 bps
Constant currency	21% - 22%	20% - 21%	100 bps
Non-GAAP operating income	\$357 - \$367	\$348 - \$358	\$9
Non-GAAP Operating Margin	25.5% - 26%	25% - 25.5%	50 bps
Non-GAAP net income	\$309 - \$320	\$295 - \$307	\$14
Non-GAAP net income per diluted share	\$1.03 - \$1.06	\$0.98 - \$1.02	\$0.05
Diluted weighted average shares outstanding	300 - 301	300 - 301	-
Free cash flow¹	\$303 - \$312	\$303 - \$312	-
Free cash flow margin	22%	22%	-

(in millions, except per share data)	Q2 Fiscal 2024 Guidance
Total revenue	\$343 - \$346
As reported	23% - 24%
Constant currency	21% - 22%
Subscription revenue	\$325 - \$328
As reported	25% - 26%
Constant currency	22% - 23%
Non-GAAP operating income	\$90 - \$93
Non-GAAP Operating Margin	26% - 27%
Non-GAAP net income	\$77 - \$81
Non-GAAP net income per diluted share	\$0.26 - \$0.27
Diluted weighted average shares outstanding	298 - 299

All growth rates are compared to the second quarter and full year of fiscal 2023 unless otherwise noted. Reconciliations 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 are 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



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) **Constant Currency (CC)** amounts for ARR, Total Revenue and Subscription Revenue are presented to provide a framework for assessing how our underlying businesses performed excluding the effect of foreign exchange 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.
- 5) **Dollar-Based Gross Retention Rate** is defined as the ARR from all customers as of one year prior, less contraction and customer churn, divided by the total ARR from one year prior. This metric reflects the percentage of ARR from all customers as of the year prior that has been retained.
- 6) **Dollar-Based Net Retention 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. Our dollar-based net retention rate reflects customer renewals, expansion, contraction and churn, and 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 results in a dollar-based net retention rate metric that better reflects Dynatrace's ability to expand existing customer relationships. Dollar-based net retention rate is presented on a constant currency basis.
- 7) **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.
- 8) **Free Cash Flow** is defined as net cash provided by (used in) operating activities less capital expenditures.

Total ARR Expansion Trends¹

	FY22			
(\$ in millions)	Q1-22	Q2-22	Q3-22	Q4-22
Year-over-Year				
ARR (As Reported)	\$823	\$864	\$930	\$995
<i>Year-over-Year increase</i>	37%	35%	29%	29%
TTM FX headwind/(tailwind) ²	(30)	(8)	21	20
ARR - Constant Currency	794	856	951	1,014
<i>Year-over-Year ARR Increase - Constant Currency³</i>	32%	34%	32%	31%
TTM Perpetual License Rolloff - Constant Currency ⁴	24	25	34	27
ARR Excluding TTM Perp License Rolloff - Constant Currency	817	881	985	1,041
<i>Year-over-Year ARR Growth ex-Perp - Constant Currency</i>	36%	38%	36%	35%
	Q1-22	Q2-22	Q3-22	Q4-22
Quarter-over-Quarter				
ARR (As Reported)	\$823	\$864	\$930	\$995
Net New ARR (As Reported) ⁵	49	41	66	65
Discontinuation of business in Russia ⁶				6
Quarterly FX headwind/(tailwind) ⁷	(6)	10	15	1
Net New ARR - Constant Currency	43	50	81	72
<i>Year-over-Year Net New ARR Growth - Constant Currency⁸</i>	44%	97%	12%	29%
Quarterly Perpetual License Rolloff - Constant Currency ⁹	6	4	12	5
Net New ARR Excluding Perpetual License Rolloff - Constant Currency	49	54	93	77
<i>Year-over-Year Net New ARR Growth ex-Perp - Constant Currency</i>	63%	92%	22%	16%

	FY23			
	Q1-23	Q2-23	Q3-23	Q4-23
ARR (As Reported)	\$1,031	\$1,065	\$1,163	\$1,247
<i>Year-over-Year increase</i>	25%	23%	25%	25%
TTM FX headwind/(tailwind) ²	47	61	29	29
ARR - Constant Currency	1,078	1,126	1,191	1,276
<i>Year-over-Year ARR Increase - Constant Currency³</i>	31%	30%	28%	28%
TTM Perpetual License Rolloff - Constant Currency ⁴	23	21	11	8
ARR Excluding TTM Perp License Rolloff - Constant Currency	1,102	1,148	1,203	1,283
<i>Year-over-Year ARR Growth ex-Perp - Constant Currency</i>	34%	33%	29%	29%
	Q1-23	Q2-23	Q3-23	Q4-23
ARR (As Reported)	\$1,031	\$1,065	\$1,163	\$1,247
Net New ARR (As Reported) ⁵	36	34	98	84
Discontinuation of business in Russia ⁶				
Quarterly FX headwind/(tailwind) ⁷	19	24	(19)	(2)
Net New ARR - Constant Currency	55	58	79	82
<i>Year-over-Year Net New ARR Growth - Constant Currency⁸</i>	28%	15%	-3%	15%
Quarterly Perpetual License Rolloff - Constant Currency ⁹	2	2	2	2
Net New ARR Excluding Perpetual License Rolloff - Constant Currency	57	60	81	84
<i>Year-over-Year Net New ARR Growth ex-Perp - Constant Currency</i>	16%	11%	-13%	9%

	FY24
	Q1-24
ARR (As Reported)	\$1,294
<i>Year-over-Year increase</i>	25%
TTM FX headwind/(tailwind) ²	(3)
ARR - Constant Currency	1,291
<i>Year-over-Year ARR Increase - Constant Currency³</i>	25%
TTM Perpetual License Rolloff - Constant Currency ⁴	6
ARR Excluding TTM Perp License Rolloff - Constant Currency	1,297
<i>Year-over-Year ARR Growth ex-Perp - Constant Currency</i>	26%
	Q1-24
ARR (As Reported)	\$1,294
Net New ARR (As Reported) ⁵	47
Discontinuation of business in Russia ⁶	
Quarterly FX headwind/(tailwind) ⁷	(10)
Net New ARR - Constant Currency	37
<i>Year-over-Year Net New ARR Growth - Constant Currency⁸</i>	-33%
Quarterly Perpetual License Rolloff - Constant Currency ⁹	1
Net New ARR Excluding Perpetual License Rolloff - Constant Currency	38
<i>Year-over-Year Net New ARR Growth ex-Perp - Constant Currency</i>	-34%

	TTM
ARR (As Reported)	
Net New ARR (As Reported) ⁵	263
Discontinuation of business in Russia ⁶	-
Quarterly FX headwind/(tailwind) ⁷	(6)
Net New ARR - Constant Currency	256
<i>Year-over-Year Net New ARR Growth - Constant Currency⁸</i>	-1%
Quarterly Perpetual License Rolloff - Constant Currency ⁹	6
Net New ARR Excluding Perpetual License Rolloff - Constant Currency	263
<i>Year-over-Year Net New ARR Growth ex-Perp - Constant Currency</i>	-7%

- 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) Defined as net new ARR in constant currency compared to the year-ago period net new ARR in constant currency.
9) 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 Subscription and Services Gross Margin Reconciliation¹

	FY23					
(\$ in millions)	GAAP	Stock-Based Comp.	Employer Payroll Tax on Employee Stock trans.	Amort. of Other Intangibles	Restructuring & Other	Non-GAAP
Subscription Cost of Revenue	144	(12)	-	-	-	132
Subscription Gross Profit	\$939	\$12	-	-	-	\$952
<i>Subscription Gross Margin</i>	<i>87%</i>					<i>88%</i>
Services Cost of Revenue	63	(6)	-	-	-	56
Services Gross Profit	\$12	\$6	-	-	-	\$19
<i>Services Gross Margin</i>	<i>16%</i>					<i>25%</i>

	Q1-24 TTM					
	GAAP	Stock-Based Comp.	Employer Payroll Tax on Employee Stock trans.	Amort. of Other Intangibles	Restructuring & Other	Non-GAAP
	155	(14)	(1)	-	-	140
	\$995	\$14	1	-	-	\$1,011
	<i>87%</i>					<i>88%</i>
	63	(6)	-	-	-	57
	\$11	\$6	-	-	-	\$17
	<i>14%</i>					<i>23%</i>

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

Non-GAAP Subscription and Services Gross Margin Reconciliation (cont.)¹

FY22						
(\$ in millions)	GAAP	Stock-Based Comp.	Employer Payroll Tax on Employee Stock trans.	Amort of Other Intangibles	Restructuring & Other	Non-GAAP
Subscription Cost of Revenue	112	(8)	(1)	-	-	103
Subscription Gross Profit	\$759	\$8	\$1	-	-	\$767
<i>Subscription Gross Margin</i>	<i>87%</i>					<i>88%</i>
Services Cost of Revenue	46	(5)	-	-	-	40
Services Gross Profit	\$13	\$5	-	-	-	\$19
<i>Services Gross Margin</i>	<i>23%</i>					<i>32%</i>

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



Non-GAAP Operating Income Reconciliation¹

	FY23					
(\$ in millions)	GAAP	Stock-Based Comp.	Employer Payroll Tax on Employee Stock trans.	Amort. of Other Intangibles	Restructuring & Other	Non-GAAP
Cost of Revenues	223	(18)	(1)	(16)	-	188
Gross Profit	\$936	\$18	\$1	\$16	-	\$971
<i>Gross Margin</i>	81%					84%
Research and Development	218	(41)	(2)	-	-	175
Sales and Marketing	448	(51)	(2)	-	(1)	393
General and Administrative	150	(36)	(1)	-	(2)	111
Amortization of other intangibles	26	-	-	(26)	-	-
Restructuring and other	2	-	-	-	(2)	-
Operating Income¹	\$93	\$147	\$6	\$42	\$4	\$292
<i>Operating Margin</i>	8%					25%

	Q1-24 TTM					
	GAAP	Stock-Based Comp.	Employer Payroll Tax on Employee Stock trans.	Amort. of Other Intangibles	Restructuring & Other	Non-GAAP
	233	(20)	(1)	(16)	-	196
	991	20	1	16	-	1,028
	81%					84%
	235	(47)	(3)	-	-	184
	467	(55)	(3)	-	(1)	408
	154	(36)	(2)		(5)	112
	25	-	-	(25)	-	-
	-	-	-	-	-	-
	108	159	10	41	6	324
	9%					26%

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

Non-GAAP Operating Income Reconciliation (cont.)¹

FY22						
(\$ in millions)	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
Gross Profit	\$757	\$13	\$1	\$16	-	\$786
<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	-	-	-	-	-	-
Operating Income¹	\$81	\$100	\$6	\$46	\$1	\$234
<i>Operating Margin</i>	9%					25%

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



FCF Reconciliation¹



(\$ in millions)	FY22	FY23	Q1-24 TTM
Free Cash Flow			
Net Cash Provided by Operating Activities	\$ 251	\$ 355	\$ 346
PP&E	(18)	(22)	(25)
Total FCF	\$ 233	\$ 333	\$ 321
FCF % of Revenue	25%	29%	26%

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



