

Q4 & FY 2023 Financials

May 17, 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 outlook for the first quarter and full year of fiscal 2024, and statements regarding future customer needs, technology, and product innovation. 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 “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; 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 February 1, 2023 and our other SEC filings, including our Annual Report on Form 10-K for the fiscal year ended March 31, 2023, which we plan to file later this month. 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	\$1,247M Q4-23 ARR ¹ , Adjusted ARR ¹ up 29% YoY
	Predictable model	93% Q4-23 subscription revenue mix, up 28% YoY CC ² \$314M Q4-23 total revenue, up 27% YoY CC ² Mid-90s % Dollar-based Gross Retention Rate ¹
	Healthy growth dynamics	179 Q4-23 New Logos, 60%+ landing with 3+ modules 119% Dollar-Based Net Retention Rate ¹
	Investing for growth, balancing healthy margins	32% and 21% YoY growth in FY 2023 R&D and S&M ³ , respectively 29% FY 2023 FCF ^{1,3} margin

1) See Appendix for definitions.

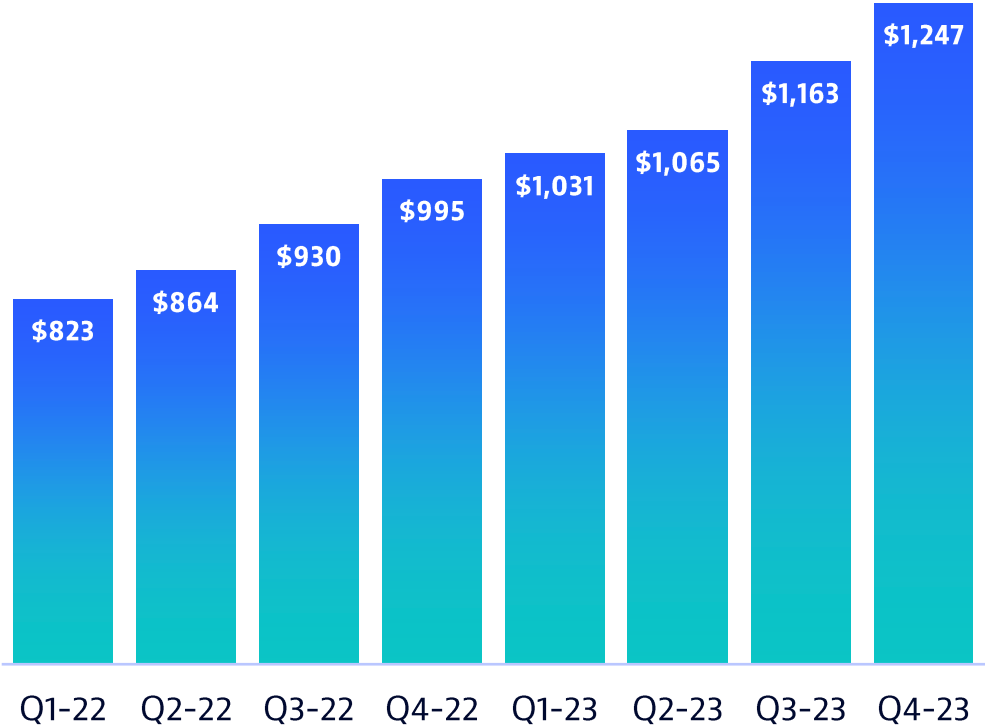
2) Denotes growth when adjusted for constant currency exchange rates. See Appendix.

3) 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) ¹								
% ARR Growth as Reported (YoY)	37%	35%	29%	29%	25%	23%	25%	25%
% Total Adjusted ARR Growth (YoY) ²	36%	38%	36%	35%	34%	33%	29%	29%

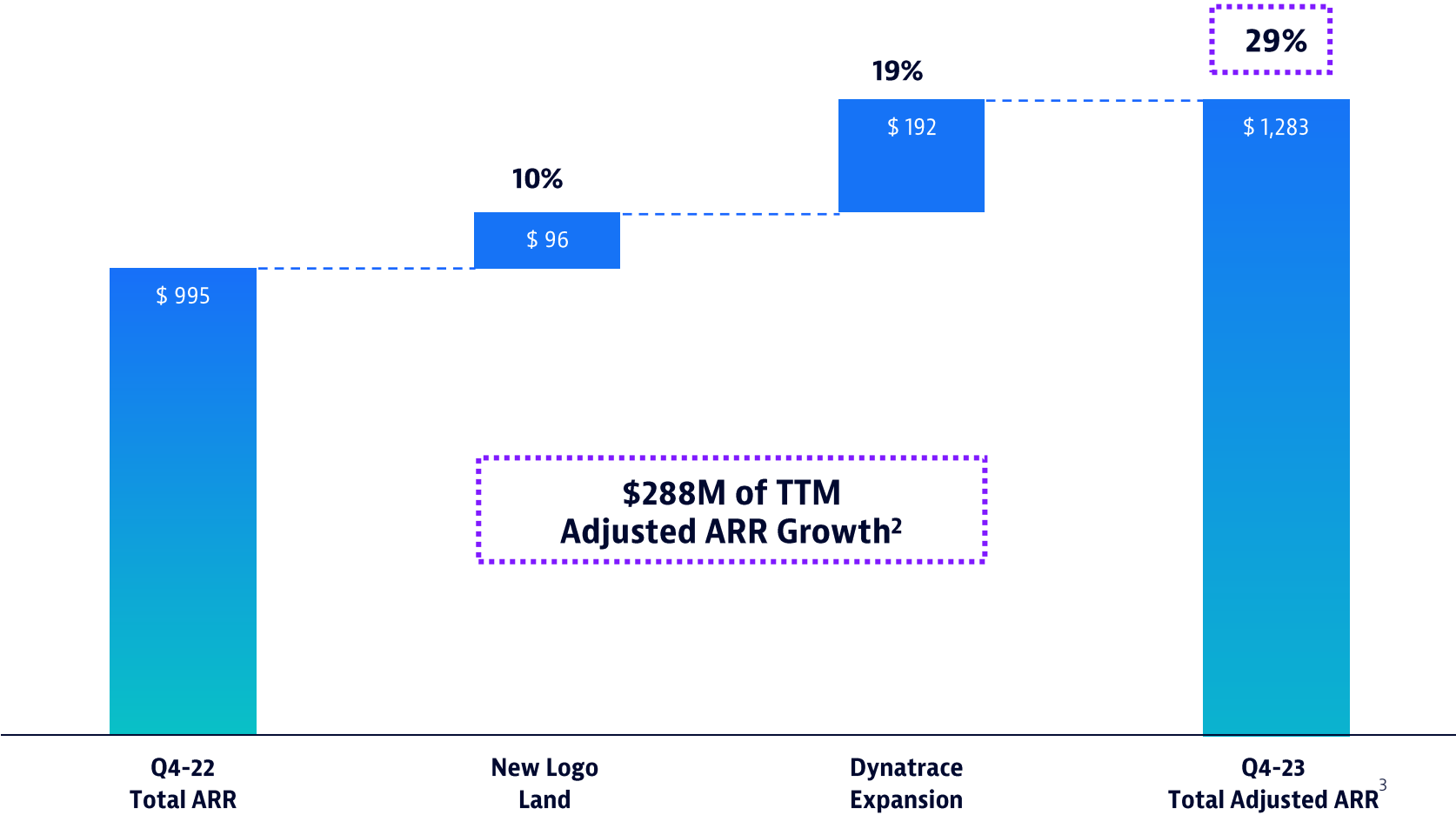


1) Quarterly Total ARR amounts shown in bar graphs are 'As Reported' metrics.
2) See Appendix for definition.



Total Adjusted ARR Growth at CC¹

Q4-23 +\$288M year over year or 29% at CC

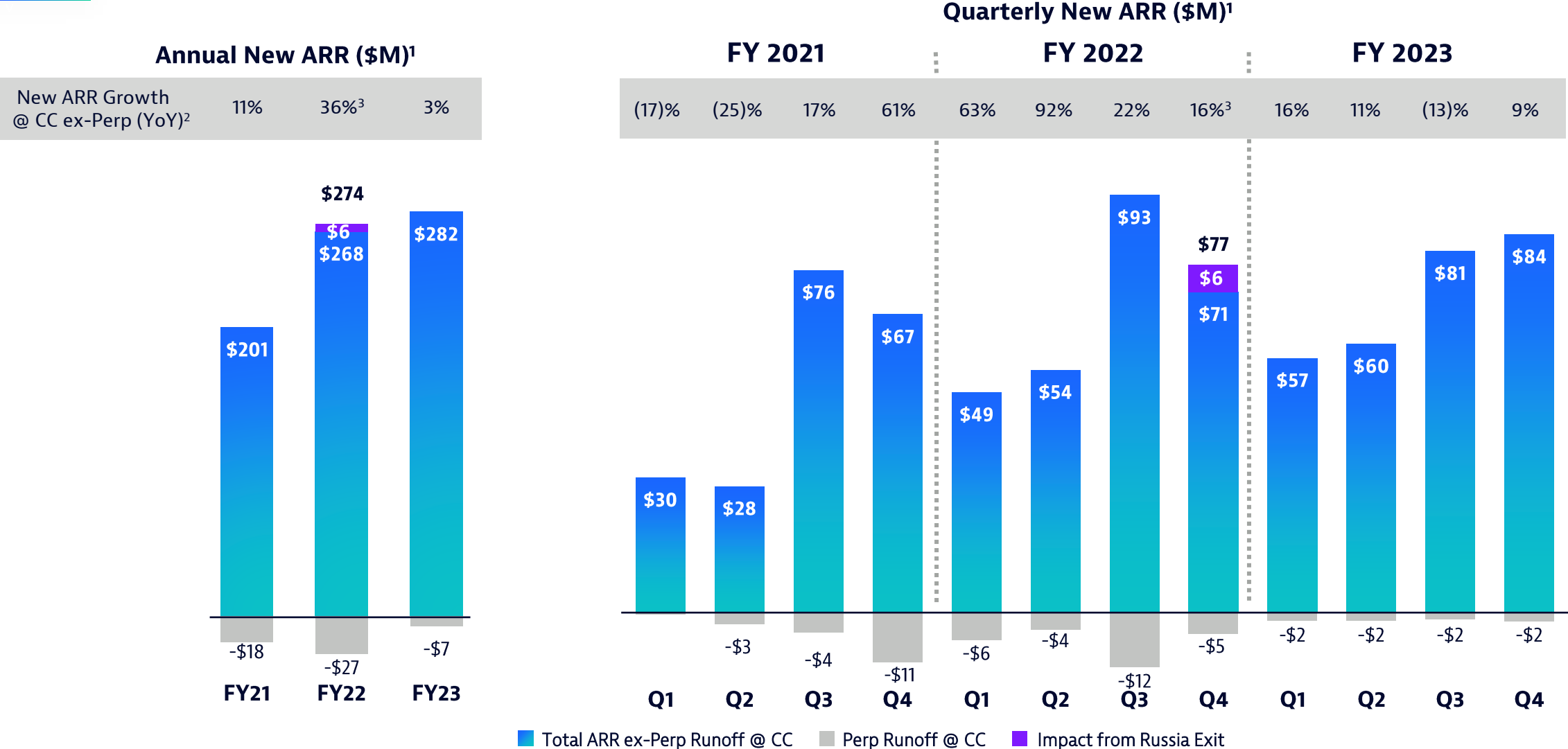


1) Dollars are shown in millions. Values have been rounded and may not add up precisely to the totals.
2) Represents total new logo and net expansion dollars added in the TTM period ended March 31, 2023, compared to as reported Adjusted ARR a year ago ended March 31, 2022.
3) See Appendix for definition.



New ARR Growth

Quarterly ARR Expansion @ CC ex-Perpetual License Runoff



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.

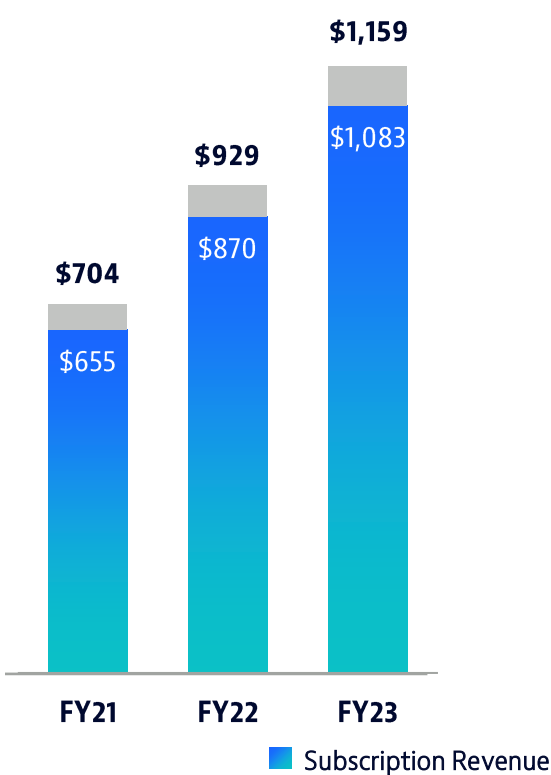
3) FY22 and Q4-22 New ARR growth rates represent total ARR at constant currency excluding the impact of quarterly perpetual license rolloff and the \$6M impact associated with the discontinuation of business in Russia.

Subscription & Total Revenue Growth at CC



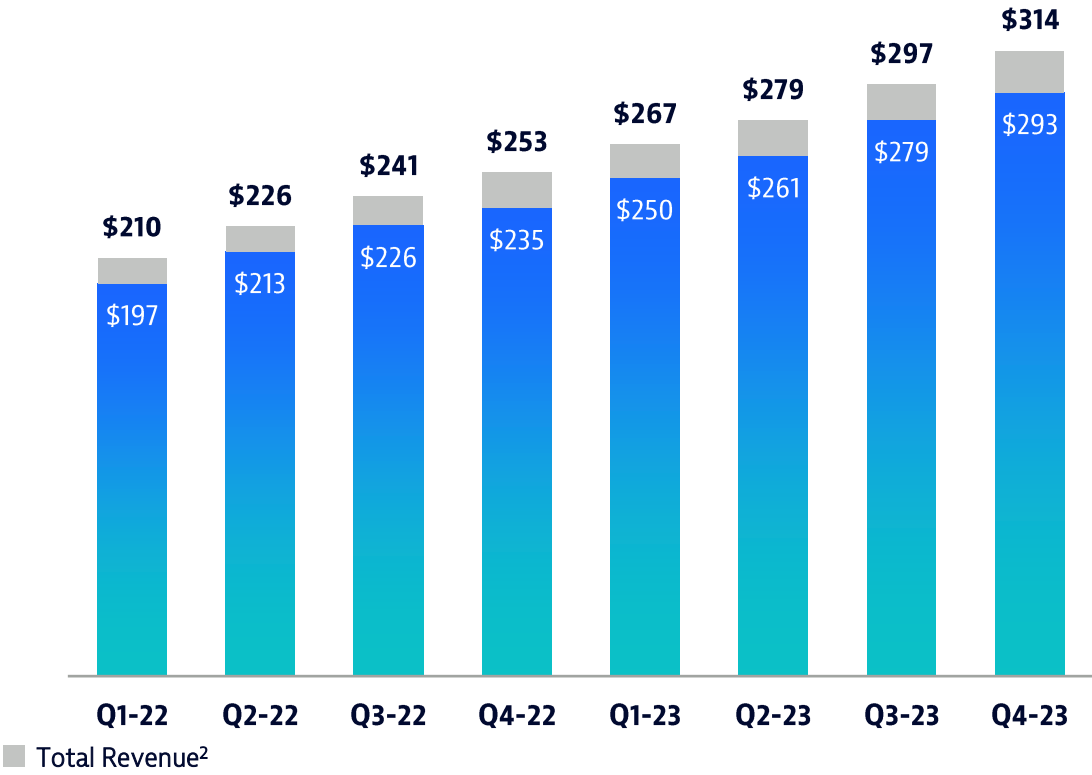
Annual Revenue (\$M)

Total Revenue Growth CC (YoY) ¹	28%	32%	29%
Subscription Revenue Growth CC (YoY) ¹	33%	32%	29%



Quarterly Revenue (\$M)

29%	33%	33%	31%	32%	30%	29%	27%
30%	33%	34%	31%	32%	29%	29%	28%

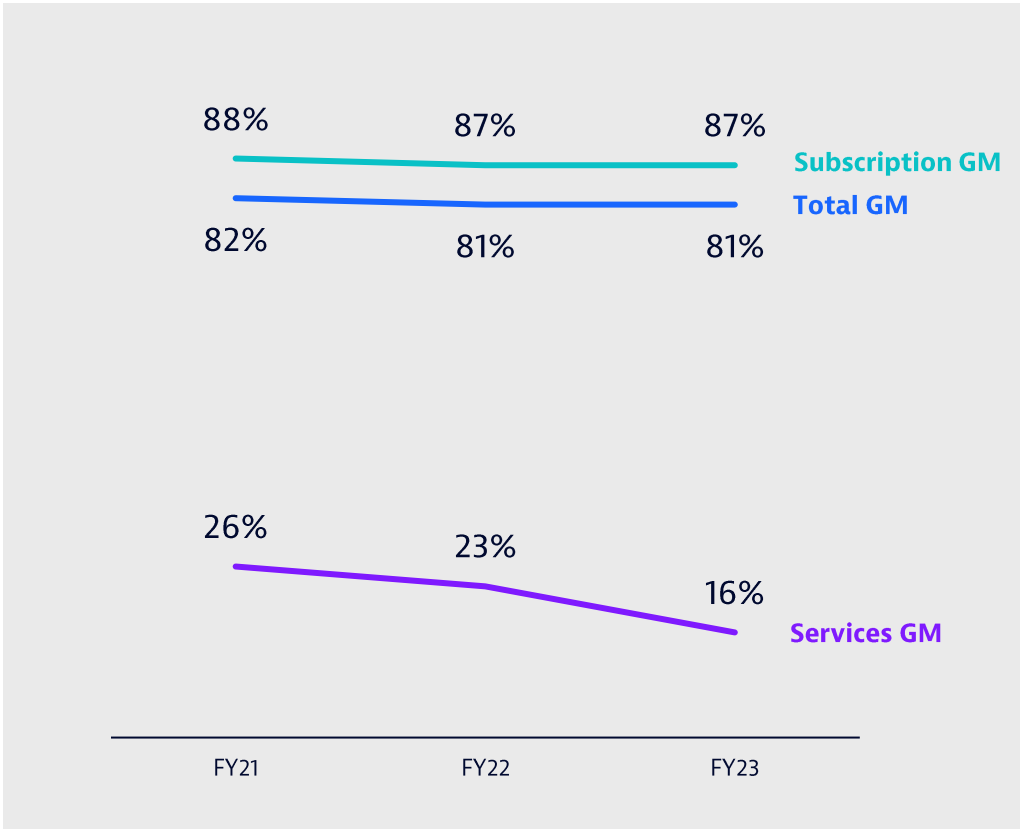


1) Constant currency growth rates reflect YoY growth when using exchange rates from the same quarter in the prior year. See Appendix.
2) Total revenue includes subscription, services and license revenue.

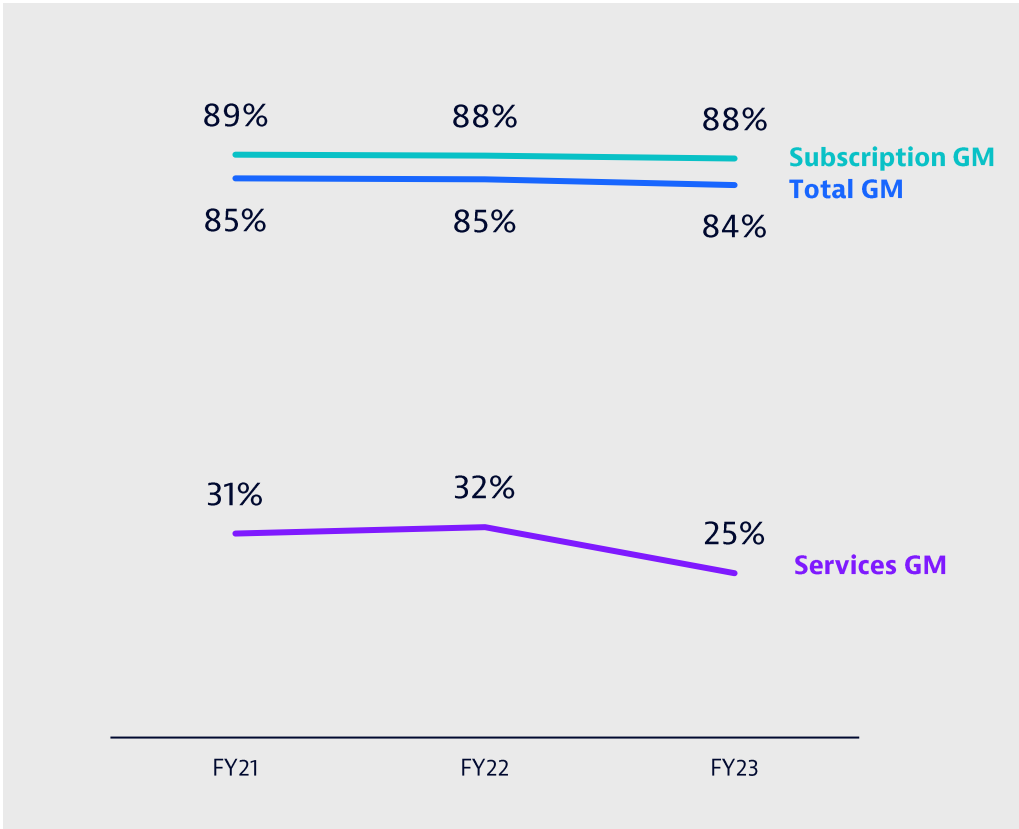


Efficient Model with Best-in-Class Profit Margins

GAAP Gross Profit Margin



Non-GAAP Gross Profit Margin¹

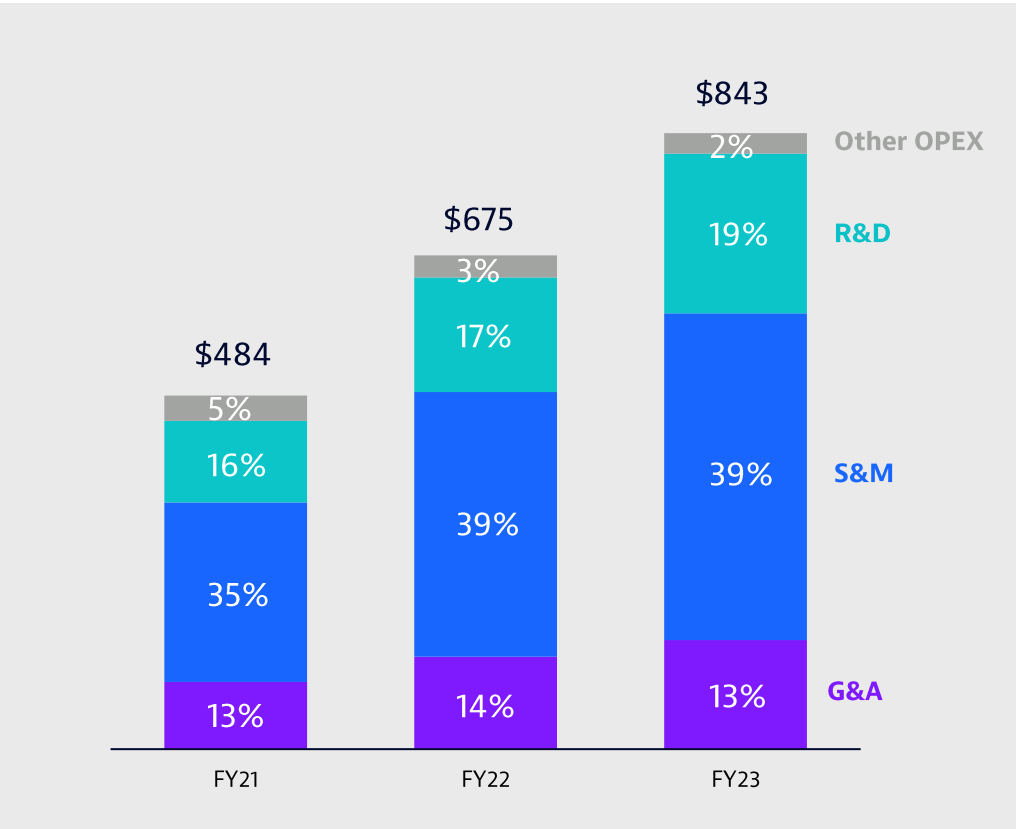


1) These are non-GAAP financial measures. See Appendix to presentation for reconciliation of GAAP to non-GAAP financial measures.

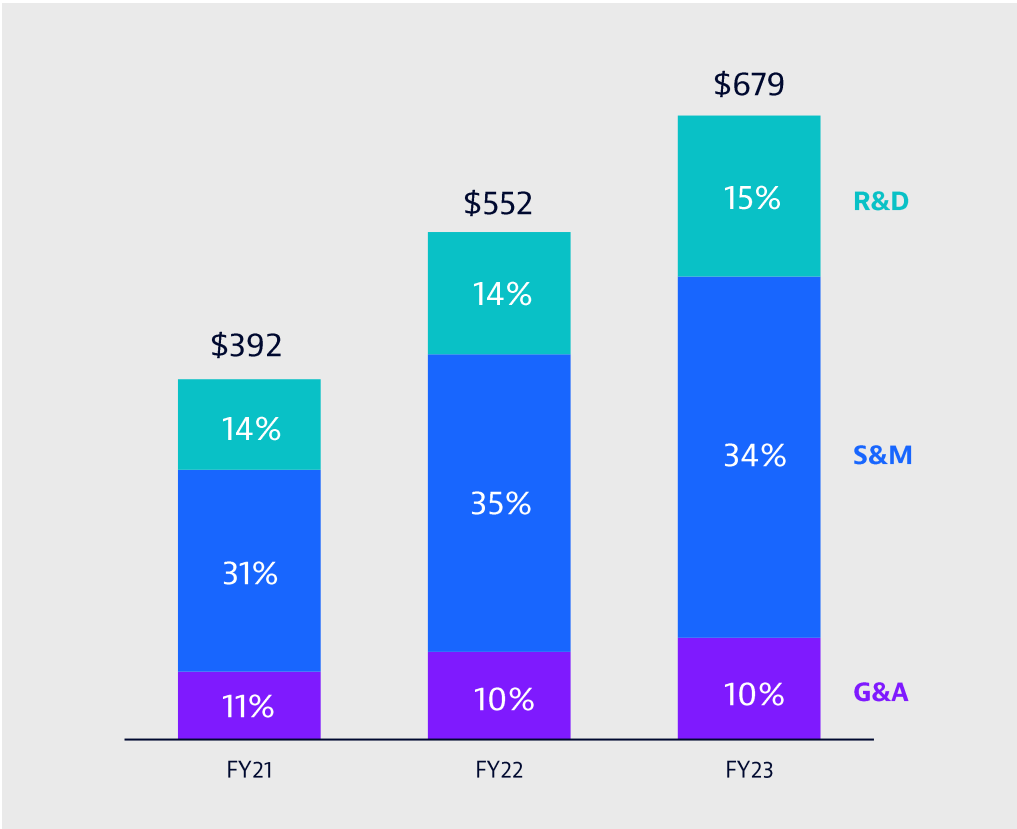


Efficient Model with Best-in-Class Operating Margins

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



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

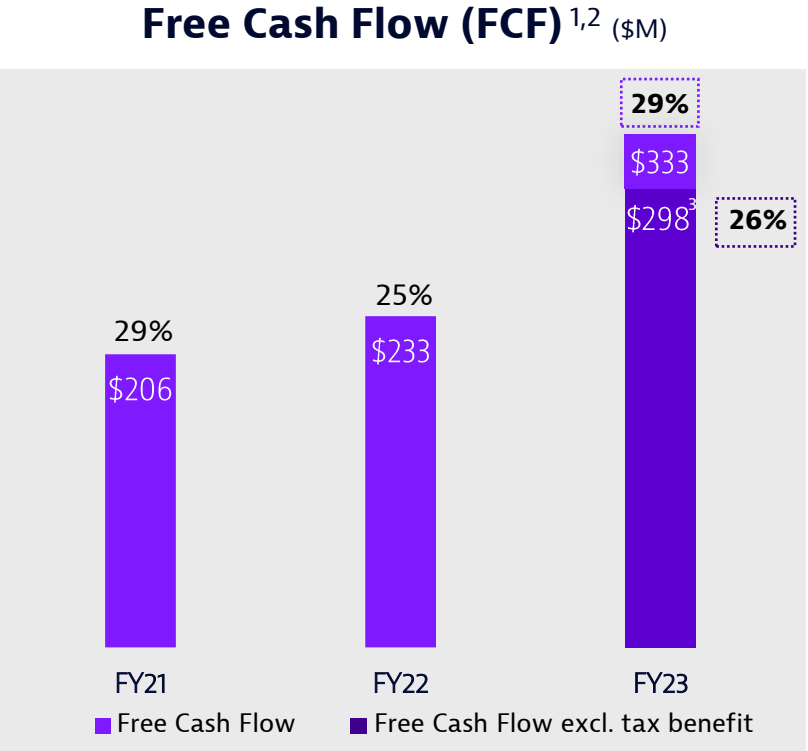
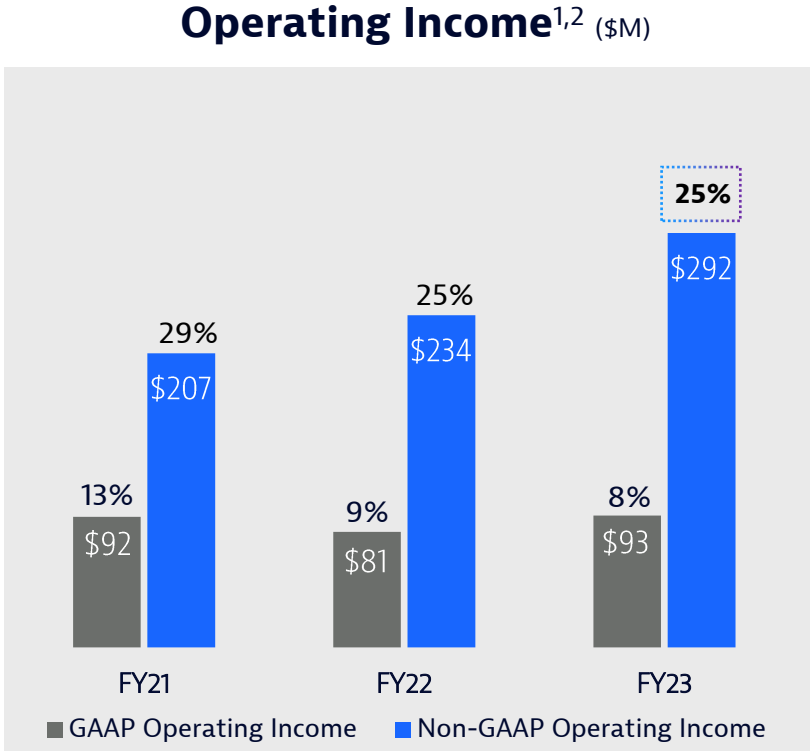


FY22 & FY23 Non-GAAP OPEX reflects increased investments in S&M and R&D

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



Proven Profitable Business Model



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

FY22 & FY23 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, representing FY23 FCF margin is 26%.

FY24 Guidance Summary

Based on information available as of May 17, 2023, Dynatrace is issuing guidance for the first quarter and full year fiscal 2024 in the table below. This guidance is based on foreign exchange rates as of April 30, 2023. The total foreign exchange tailwind for fiscal 2024 is expected to be 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)	FY 2024 Guidance
Total ARR	\$1,475 - \$1,490
As reported	18% - 20%
Constant currency	18% - 19%
Total revenue	\$1,388 - \$1,406
As reported	20% - 21%
Constant currency	19% - 20%
Subscription revenue	\$1,311 - \$1,327
As reported	21% - 22%
Constant currency	20% - 21%
Non-GAAP operating income	\$348 - \$358
Non-GAAP Operating Margin	25% - 25.5%
Non-GAAP net income	\$295 - \$307
Non-GAAP net income per diluted share	\$0.98 - \$1.02
Diluted weighted average shares outstanding	300 - 301
Free cash flow¹	\$303 - \$312
Free cash flow margin	22%

(in millions, except per share data)	Q1 Fiscal 2024 Guidance
Total revenue	\$325 - \$328
As reported	22% - 23%
Constant currency	22% - 23%
Subscription revenue	\$306 - \$309
As reported	23% - 24%
Constant currency	23% - 24%
Non-GAAP operating income	\$76.5 - \$78.5
Non-GAAP Operating Margin	23.5% - 24%
Non-GAAP net income	\$64 - \$66
Non-GAAP net income per diluted share	\$0.22
Diluted weighted average shares outstanding	296 - 297

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

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



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 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.
- 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

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

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

	FY23				
	Q1-23	Q2-23	Q3-23	Q4-23	TTM
ARR (As Reported)	\$1,031	\$1,065	\$1,163	\$1,247	
Year-over-Year increase	25%	23%	25%	25%	
TTM FX headwind/(tailwind) ²	<u>47</u>	<u>61</u>	<u>29</u>	<u>29</u>	
ARR - Constant Currency	1,078	1,126	1,191	1,276	
Year-over-Year ARR Increase - Constant Currency ³	31%	30%	28%	28%	
TTM Perpetual License Rolloff - Constant Currency ⁴	<u>23</u>	<u>21</u>	<u>11</u>	<u>8</u>	
ARR Excluding TTM Perp License Rolloff - Constant Currency	1,102	1,148	1,203	1,283	
Year-over-Year ARR Growth ex-Perp - Constant Currency	34%	33%	29%	29%	
	Q1-23	Q2-23	Q3-23	Q4-23	TTM
ARR (As Reported)	\$1,031	\$1,065	\$1,163	\$1,247	
Net New ARR (As Reported) ⁵	36	34	98	84	252
Discontinuation of business in Russia ⁶					-
Quarterly FX headwind/(tailwind) ⁷	<u>19</u>	<u>24</u>	<u>(19)</u>	<u>(2)</u>	23
Net New ARR - Constant Currency	55	58	79	82	274
Quarterly Perpetual License Rolloff - Constant Currency ⁸	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	7
Net New ARR Excluding Perpetual License Rolloff - Constant Currency	57	60	81	84	282
Year-over-Year ARR Growth ex-Perp - Constant Currency	16%	11%	-13%	9%	3%

- 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 Subscription and Services Gross Margin Reconciliation¹

	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>

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

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

Non-GAAP Operating Income Reconciliation¹

	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%

	FY23					
	GAAP	Stock-Based Comp.	Employer Payroll Tax on Employee Stock trans.	Amort. of Other Intangibles	Restructuring & Other	Non-GAAP
	223	(18)	(1)	(16)	-	188
	\$936	\$18	\$1	\$16	-	\$971
	81%					84%
	218	(41)	(2)	-	-	175
	448	(51)	(2)	-	(1)	393
	150	(36)	(1)	-	(2)	111
	26	-	-	(26)	-	-
	2	-	-	-	(2)	-
	\$93	\$147	\$6	\$42	\$4	\$292
	8%					25%

1) Values have been rounded and may not add up precisely to the totals. For periods prior to Fiscal 2022, please refer to the Data Trends table located on our Investor Relations website

FCF Reconciliation¹



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

1) Values have been rounded and may not add up precisely to the totals. For periods prior to Fiscal 2022, please refer to the Data Trends table located on our Investor Relations website



