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# Dynatrace Acknowledges Shareholder Letter and Highlights Continued Value Creation

BOSTON--(BUSINESS WIRE)-- Dynatrace (NYSE: DT), the leading AI-powered observability platform, today issued the following statement in response to the press release and related letter issued by Starboard Value LP (“Starboard”).

Dynatrace’s Board of Directors and management team are committed to acting in the best interests of the company and its shareholders. Dynatrace regularly engages with shareholders and values their input toward the common goal of enhancing value. To that end, members of Dynatrace have met with Starboard recently for introductory meetings and will continue to engage with them to better understand their views about our business and evaluate their ideas.

The Dynatrace Board and management team have a proven record of delivering balanced growth, profitability, and free cash flow reflecting strong execution against our strategic plan to drive sustainable, long-term value.

- We delivered three consecutive quarters of 16% ARR growth through the third quarter of fiscal 2026 on a constant currency basis.
- For the third quarter of fiscal 2026 compared to the same period four years prior, we doubled revenue to an annualized run rate of over \$2 billion and we expanded non-GAAP operating margins by over 400 basis points.
- Our operating margin profile is well above our peer group and software companies of similar size and scale. For the third quarter of fiscal 2026, we reported a non-GAAP operating margin of 29% and a pre-tax free cash flow margin of 30%, each on a trailing 12-month basis.

We continue to make strong progress against our strategic priorities. Dynatrace today benefits from a strong recurring subscription revenue stream, and we are confident that our go-to-market strategy will enable us to fully realize the value potential in our markets.

The Dynatrace platform combines broad and deep observability, continuous runtime application security, and advanced agentic AI operations to deliver answers and intelligent automation across IT operations, development, security, business, and executive teams. This unified approach enables organizations to optimize their rapidly evolving AI, cloud, and IT operations, accelerate secure software delivery, and improve digital performance.

As we invest in our long-term growth opportunities, we are cognizant of the importance of balance in our capital allocation priorities. We initiated a share repurchase program in May 2024 for \$500 million and completed the program in February 2026. We announced a new \$1 billion share repurchase program in February 2026, doubling the size of the prior authorization. Our Board and management team will continue to leverage Dynatrace’s

strong balance sheet and cash flow generation capacity to demonstrate conviction in the company's ability to deliver long-term value to its shareholders.

We will continue to review our strategic opportunities and capital allocation with a priority of driving sustainable returns. We look forward to continuing our dialogue with Starboard and our other shareholders as we execute on our strategic plan.

## **Non-GAAP Financial Measures**

In addition to disclosing financial measures prepared in accordance with GAAP, this press release contains certain non-GAAP financial measures as defined by Regulation G, including non-GAAP operating margin and pre-tax free cash flow margin. We also use or discuss non-GAAP financial measures in conference calls, slide presentations and webcasts. For additional information, see the appendix to this press release.

## **About Dynatrace**

Dynatrace is advancing observability for today's digital businesses, helping to transform the complexity of modern digital ecosystems into powerful business assets. By leveraging AI-powered insights, Dynatrace enables organizations to analyze, automate, and innovate faster to drive their business forward. Learn more at [www.dynatrace.com](http://www.dynatrace.com).

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## **Cautionary Language Concerning Forward-Looking Statements**

*This press release includes certain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding the company's plans to continue its dialogue with Starboard and other shareholders, the Board's and management team's plans to continue leveraging Dynatrace's strong balance sheet and cash flow generation capacity to demonstrate conviction in the company's ability to deliver long-term value to its shareholders, and the company's plans to continue reviewing strategic opportunities and capital allocation with a priority of driving sustainable returns. 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 "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 the risks set forth under the caption "Risk Factors" in our Annual Report on Form 10-K, subsequent Quarterly Reports on Form 10-Q, 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.*

## APPENDIX

### Non-GAAP Financial Measures

We use non-GAAP financial measures for financial and operational decision-making purposes, and as a means to evaluate period-to-period comparisons and liquidity. We believe that these non-GAAP financial measures provide useful information about our operating results, enhance the overall understanding of past financial performance and allow for greater transparency with respect to metrics used by our management in its financial and operational decision-making.

The presentation of the non-GAAP financial measures is not intended to be considered in isolation or as a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP. Our non-GAAP financial measures may not provide information that is directly comparable to similarly titled metrics provided by other companies.

Non-GAAP financial measures used in this press release are defined below. For reconciliations of non-GAAP financial measures used in this press release to their most directly comparable GAAP measures, please see the company's third quarter fiscal year 2026 earnings presentation dated February 9, 2026 and the separate disclosure posted today on the company's website, both of which are available at [ir.dynatrace.com/financial-information/financial-results](http://ir.dynatrace.com/financial-information/financial-results).

#### Definitions - Non-GAAP and Other Metrics

**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 ARR any revenues derived from month-to-month agreements and/or product usage overage billings.

**Constant Currency** amounts for ARR 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.

**Non-GAAP Income from Operations** is defined as GAAP income from operations adjusted for the following items: share-based compensation; employer payroll taxes on employee stock transactions; amortization of intangibles; transaction, restructuring and other non-recurring or unusual items that may arise from time to time. The related Non-GAAP Operating Margin is non-GAAP income from operations expressed as a percentage of total revenue.

**Free Cash Flow** is defined as the net cash provided by or used in operating activities less capital expenditures, reflected as purchase of property and equipment and capitalized software additions in our financial statements. Pre-Tax Free Cash Flow is defined as Free Cash Flow adjusted for cash paid for or received from taxes. Pre-Tax Free Cash Flow

margin is Pre-Tax Free Cash Flow expressed as a percentage of total revenue.

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