UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended March 31, 2021

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from __________ to __________
Commission File Number: 001-36766

New Relic, Inc.
(Exact name of registrant as specified in its charter)

Delaware	26-2017431
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

188 Spear Street, Suite 1000
San Francisco, California 94105
(Address of principal executive offices, including zip code)

(650) 777-7600
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.001 per share	NEWR	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

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Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Small reporting company	☐
Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant on September 30, 2020, based on the closing price of a share of the registrant's common stock on September 30, 2020 as reported by the New York Stock Exchange on such date, was approximately $3.0 billion. Shares of the registrant's common stock held by each executive officer, director and holder of 10% or more of the outstanding common stock (as determined based on public filings) have been excluded in that such persons may be deemed to be affiliates. This calculation does not reflect a determination that certain persons are affiliates of the registrant for any other purpose.

As of May 7, 2021, there were 63,794,212 shares of the registrant's common stock, par value $0.001 per share, outstanding.

Portions of the registrant's Definitive Proxy Statement relating to the Annual Meeting of Stockholders are incorporated by reference into Part III of this Annual Report on Form 10-K where indicated. Such Definitive Proxy Statement will be filed with the Securities and Exchange Commission within 120 days after the end of the registrant's fiscal year ended March 31, 2021.

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Unless the context requires otherwise, the words "New Relic," "we," "Company," "us," and "our" refer to New Relic, Inc. and our subsidiaries. "New Relic," the New Relic logo, and other trademarks or service marks of New Relic that may appear in this Annual Report on Form 10-K are our property. This Annual Report on Form 10-K contains additional trade names, trademarks, and service marks of other companies. We do not intend our use or display of other companies' trade names, trademarks, or service marks to imply a relationship with, or endorsement or sponsorship of us by, these other companies, and all such third-party trade names, trademarks and service marks are the property of their respective owners.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements within the meaning of the federal securities laws, which statements involve substantial risks and uncertainties. Forward-looking statements generally relate to future events or our future financial or operating performance. In some cases, you can identify forward-looking statements because they contain words such as “may,” “will,” “should,” “would,” “shall,” “might,” “expects,” “plans,” “anticipates,” “could,” “intends,” “target,” “projects,” “contemplates,” “believes,” “estimates,” “predicts,” “potential,” or “continue” or the negative of these words or other similar terms or expressions that concern our expectations, strategy, plans, or intentions. Forward-looking statements contained in this Annual Report on Form 10-K include, but are not limited to, statements about:

- the impact of natural disasters and actual or threatened public health emergencies, such as the COVID-19 pandemic;
- our future financial performance, including our revenue, cost of revenue, gross profit, gross margin, operating expenses, ability to generate positive cash flow, and ability to achieve and maintain GAAP (as defined below) and non-GAAP profitability;
- our key operating metrics;
- use and limitations of non-GAAP financial measures;
- the sufficiency of our cash and cash equivalents to meet our working capital, capital expenditure, and liquidity needs;
- our ability to attract and retain customers to use our products, to optimize the pricing for our products, to expand our sales to our customers, and to convince our existing customers to remain on our platform and increase their spend with us;
- our product and pricing strategies and their anticipated impacts on our business and results of operations;
- our growth strategy, including increasing usage within our installed base, addition of new customers, penetration of international markets, and expansion of our platform and capabilities;
- the evolution of technologies affecting our products and markets;
- our ability to innovate and provide a superior user experience and our intentions and strategy with respect thereto;
- our ability to successfully expand in our existing markets and into new markets, including international markets;
- the attraction and retention of key personnel;
- our ability to effectively manage our growth and future expenses;
- our ability to maintain, protect, and enhance our intellectual property rights;
- worldwide economic conditions and their impact on spending; and
- our ability to comply with modified or new laws and regulations applying to our business, including privacy and data security regulations.

We caution you that the foregoing list does not contain all of the forward-looking statements made in this Annual Report on Form 10-K.

You should not rely upon forward-looking statements as predictions of future events. We have based the forward-looking statements contained in this Annual Report on Form 10-K primarily on our current expectations and projections about future events and trends that we believe may affect our business, financial condition, operating results, and prospects. The outcome of the events described in these forward-looking statements is subject to risks, uncertainties, and other factors described in the section titled “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and elsewhere in this Annual Report on Form 10-K. Moreover, we operate in a very competitive and rapidly changing environment. New risks and uncertainties emerge from time to time, and it is not possible for us to predict all risks and uncertainties that could have an impact on the forward-looking statements contained in this Annual Report on Form 10-K. We cannot assure you that the results, events, and circumstances reflected in the forward-looking statements will be achieved or occur, and actual results, events, or circumstances could differ materially from those described in the forward-looking statements.

The forward-looking statements made in this Annual Report on Form 10-K relate only to events as of the date on which the statements are made. We undertake no obligation to update any forward-looking statements made in this Annual Report on Form 10-K to reflect events or circumstances after the date of this Annual Report on Form 10-K or to reflect new information or the occurrence of unanticipated events, except as required by law. We may not actually achieve the plans, intentions, or expectations disclosed in our forward-looking statements and you should not place undue reliance on our forward-looking statements. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures, or investments we may make.

SELECTED RISKS AFFECTING OUR BUSINESS

Investing in our common stock involves a high degree of risk because we are subject to numerous risks and uncertainties that could negatively impact our business, financial condition and results of operations, as more fully described below. These risks and uncertainties include, but are not limited to, the following:

- We have limited experience with respect to determining the optimal prices and pricing strategies for our products.
- The ongoing global coronavirus (COVID-19) pandemic could harm our business and results of operations.
- We have a history of losses and our revenue growth rate could continue to decline over time, and as our costs increase, we may not be able to generate sufficient revenue to achieve and sustain profitability.
- We have a limited operating history, which makes it difficult to evaluate our current business and future prospects and increases the risk of your investment.
- If we are not able to manage our growth and expansion, or if our business does not grow as we expect, our operating results may suffer.
- Our business depends on our customers remaining on our platform and increasing their spend with us.
- If we are not able to develop enhancements to our products, increase adoption and usage of our products, and introduce new products that achieve market acceptance, our business could be harmed.
- If customers do not expand their use of our products beyond the current predominant use cases, our ability to grow our business and operating results may be adversely affected.
- Our quarterly results may fluctuate, and if we fail to meet the expectations of analysts or investors, our stock price and the value of your investment could decline substantially.
- If we fail to adapt and respond effectively to rapidly changing technology, evolving industry standards, and changing customer needs, requirements, or preferences, our products may become less competitive.
- The markets in which we participate are intensely competitive, and if we do not compete effectively, our operating results could be harmed.
- Interruptions or performance problems associated with our technology and infrastructure may adversely affect our business and operating results.
- Our ongoing and planned investments in data center hosting facilities and expenditures on cloud hosting providers are expensive and complex, may result in a negative impact on our cash flows, and may negatively impact our financial results.
- Any failure to protect our intellectual property rights could impair our ability to protect our proprietary technology and our brand.
- Our reliance upon open source software could negatively affect our ability to sell our products and subject us to possible litigation.
- If we lose key members of our management team or are unable to attract and retain executives and employees we need to support our operations and growth, our business may be harmed.
- If we cannot continue to maintain and develop our corporate culture as we grow, we could lose the innovation, teamwork, passion, and focus on execution that we believe contribute to our success.
- Changes in privacy and security laws, regulations, and standards may cause our business to suffer.
- We have incurred substantial indebtedness that may decrease our business flexibility, access to capital, and/or increase our borrowing costs.
- Because our long-term growth strategy involves further expansion of our sales to customers outside the United States, our business will be susceptible to risks associated with international operations.
- We are subject to governmental export and import controls that could impair our ability to compete in international markets or subject us to liability if we violate these controls.

PART I

Item 1. Business

Overview

New Relic delivers the observability platform for engineers to plan, build, deploy and operate more perfect software. We offer a comprehensive suite of products delivered on an open and extensible cloud-based platform that enables organizations to collect, store and analyze massive amounts of data in real time so they can better operate their applications and infrastructure and improve their digital customer experience.

New Relic One is our purpose-built offering for customers to land all of their telemetry data quickly and affordably in one place, and to translate that data into actionable insights. We believe a truly unified front-end that sits on top of a single database helps our users avoid complexity and confusion that would be associated with relying instead upon multiple different but related products.

With our re-launch of the New Relic One platform in July 2020, we transitioned from a collection of related but disparate products, to a broader, more comprehensive observability platform. From a business perspective, we made two significant changes to our model. First, we reduced our number of SKUs from thirteen unique offerings to a cohesive platform supported by three products. We believe this simplification represents tremendous value to our customers who share our vision for observability and see the value of one unified front-end on top of a single database. Second, we also changed our pricing model from upfront subscriptions to a consumption-based pricing model and adjusted our go-to-market motion to drive consumption. Customers only pay us for what they use and our sales team’s interests are better aligned with the interests of the customer.

We now believe our New Relic One platform is positioned as the only true observability platform, which is grounded in three strategic technological pillars:

1. ***We serve all engineers***: New Relic One is used not just by IT operations professionals but by a wide variety of engineers, including application developers, mobile developers, site reliability engineers (“SRE”), network engineers and more. Our mission is to democratize observability and make observability a daily practice for all engineers at every stage of the software lifecycle, and the goal of our strategic product roadmap is to deliver products that support this mission at a sustained pace.

2. ***We support the entire software lifecycle***: New Relic One’s usage is not limited to troubleshooting applications in production environments. Engineers use New Relic One across production and pre-production environments to plan, build and test software before it goes into production. Our ability to ship features and capabilities for the entire software lifecycle increases our platform’s engagement and separates our solutions from other tools that are focused solely on production troubleshooting.

3. ***We deliver observability as a cohesive platform experience***: We view New Relic One as a true observability platform and not a bundle of SKUs with disjointed experiences and disparate pricing models stitched into a user interface. The platform has the flexibility to ingest telemetry from any source and modality (metrics, events, logs, and traces) into a unified Telemetry Data Platform. Engineers act on the collected telemetry via a unified and AI-enabled user interface which converges all observability workflows into one cohesive experience.

These three strategic pillars are reinforced by our consumption-based pricing model. We believe observability should be a critical daily practice for all engineers and that true observability means customers are without blind spots. We found pre-existing pricing models to have the unintended effect of limiting instrumentation and, ultimately, customer visibility into their system performance. With our shift to a consumption-based pricing model and simplified platform offering, we believe we have removed those barriers. We collapsed what had previously been a number of different products priced in individualized ways. Now, to accelerate engagement, adoption, and consumption of our platform, we price based on consumption as measured by the number of users and the amount of data ingested into our system. By removing data silos and standardizing on a single observability platform, customers across the globe can more easily understand end-to-end system health and are better able to achieve business imperatives of speed of innovation, operational excellence, system reliability, and cost management.

We believe our new consumption-based pricing changes the fundamental unit economics of the industry, and with it the nature of the relationship between us as the vendor and our customers. With consumption-based pricing, our success is

directly tied to the value our products deliver to our customers. We believe that as we continue to build and deliver compelling experiences that help customers solve their daily problems, we will continue to attract new customers and our customers will increase the amount of data they send to us, as well as the number of users they have on our platform.

New Relic One is designed for all engineers, which fuels our growth strategy that is oriented towards the broader developer productivity market. To grow within this market, we employ a land-and-expand business model centered on growing our partnership with our customers as they realize incremental value from New Relic One. We drive product awareness, demand, adoption, and activation through self-service, product-led growth strategies. Once activated, customers may increase their consumption of the New Relic One platform as they add more data, users, and use cases. For customers with enterprise scale deployment, we deploy sales-led growth strategies to nurture and ensure long-term customer success for larger customers.

Key Benefits to Our Customers

New Relic One provides the following key benefits:

- ***Fuel innovation and growth***. We empower engineers with data and visibility to support faster software delivery and more experimentation to increase customer satisfaction, revenue and market share. Powered by the insights and visibility of New Relic One, our customers can reduce time to market by building and deploying software faster, improving development efficiency and improving alignment and collaboration across business and technical teams.
- ***Deliver exceptional customer experience***. We enable engineers and organizations to deliver digital customer experiences that drive engagement, conversion, and brand affinity. With New Relic One, our customers can view what their own customers are actually experiencing on their digital platforms to avoid churn, lost revenue and reputational harm.
- ***Enhance operational agility***. We help engineers proactively identify and resolve issues before they impact customers. With New Relic One, our customers have a common platform to adopt and implement DevOps and SRE principles so they can improve incident resolution times, reduce the number of customer-reported incidents, and reduce downtime of the systems they manage.
- ***Drive operational efficiency***. New Relic One helps engineering teams build for scale to realize the benefits of cloud investments and optimize resource consumption. Engineering teams leverage observability to improve the pace of cloud adoption, digital transformation, budget predictability and overall employee productivity.

Our Platform and Key Strengths

With the launch of New Relic One in July 2020, we built upon the foundation of our application performance monitoring (“APM”) offering to deliver what we view as a true observability platform where enterprises large and small can unify all telemetry and observability workflows in a single platform. The motivation for this evolution was to align our roadmap and consumption-based business model to address the needs of our customers. As a result, our platform is no longer a bundle of disjointed SKUs with different pricing models, licenses, and users within the same organization, but a cohesive platform supported by three products:

1. ***Telemetry Data Platform (“TDP”)***. Sitting at the core of New Relic One, Telemetry Data Platform is the single source of truth for all operational data, providing users with the ability to ask and answer questions within milliseconds. Customers have the flexibility to rapidly ingest all telemetry data (metrics, events, logs, and traces) at scale from any source, and analyze it all in one place. Once ingested, customers can query that data in milliseconds, build, customize and share dashboards, and create alerts based on signals that matter the most.

2. ***Full-Stack Observability (“FSO”)***. With all of a customer’s telemetry in one place, New Relic One provides end-to-end observability in one curated, connected experience. Full-Stack Observability collects and correlates data from APM, logs, infrastructure monitoring, client-side monitoring, and distributed tracing to allow users to easily understand, analyze and troubleshoot their entire stack in just a few clicks. With Full-Stack Observability, customers no longer have to juggle siloed tools with varying and often confusing pricing metrics, that have led to selective instrumentation, tool sprawl, and disconnected silos of critical operational data. Full-Stack Observability gives engineers the curated context they need to solve problems across their entire estate—all in one place.

3. ***Applied Intelligence (“AI”)***. Our vision for applied intelligence and machine learning (AI/ML) is to augment engineers' workflows to help them detect, diagnose and resolve problems faster. To achieve this we integrated AI/ML across New Relic One for AI-assisted incident response. With Applied Intelligence, teams can proactively detect and explain anomalies before they become incidents by receiving real-time failure warnings in the incident response tools

in which they already work. Applied Intelligence employs purpose-built machine learning algorithms to reduce alert fatigue so engineers can diagnose and respond to incidents faster by enriching their algorithms with intelligence.

The key strengths of New Relic One are:

- ***End-to-End Observability***. All telemetry data, regardless of its source (whether from proprietary or open source agents, APIs, or exporters) is aggregated in one place and available to query, alert, visualize, and navigate, with meaningful analytics powered by comprehensive AI and machine-learning capabilities.
- ***Faster, Simpler Incident Response***. With our AI-assisted incident response, customers can detect issues proactively, reduce alert noise, identify root causes and take action using two-way integration with widely used incident management systems
- ***Cloud Migration and Adoption***. Through the strength of our platform and our strategic partnerships, we help engineers minimize cloud migration risk while accelerating migration timelines so they can observe systems, measure efficacy, and optimize costs before, during, and after a migration.
- ***Dynamic and On-Demand Scalability***. Our multi-tenant SaaS platform scales dynamically and on-demand to some of the largest environments without penalty or pre-reservation requirements. This means our customers can meet the demands of their peak business days with confidence. This dynamic scalability is available at a straightforward and predictable cost, regardless of the architecture or environment, and without punitive pricing for data granularity.
- ***Spend Predictability, Transparency, and Flexibility***. Our platform's simplified consumption-based pricing model incentivizes users to instrument more of their services, applications, and hosts—and thereby get more value out of their observability platform—while also eliminating unforeseen fees and unpredictable overages. Customers now pay for New Relic One based on their actual consumption of the platform, not unlike how they pay for their cloud providers, and are able to obtain higher degrees of transparency, flexibility and control.
- ***Our Philosophy***. Our mission is to democratize observability by making it a daily practice for all engineers. At the core of our philosophy is an obsession to help teams get past "what" happened and dig deeper to understand "why" their software and systems are behaving as they are. This is increasingly important given the complexity introduced by today's modern architectures, multi-cloud environments, and distributed teams.
- ***Open Source Commitment***. New Relic is making it easier for everyone to instrument everything through our commitment to open standards, open source instrumentation, and the open communities that support them. We have standardized on OpenTelemetry for all collections and most of our agents are open source. We joined the governing board of the Cloud Native Computing Foundation and are in the process of contributing Pixie, a Kubernetes-native in-cluster observability platform, as an open source project. We are also a founding member of Eclipse Adoptium, a leading provider of Java runtimes.
- ***Market Leadership***. Innovation and disruption is in our DNA. We continue to disrupt the industry with our visionary approach to observability. We have been named a leader in the Gartner APM Magic Quadrant for nine consecutive years and in October 2020, we tied for the #1 rating in the Gartner Peer Insights APM "Voice of the Customer."
- ***Platform Extensibility***. In addition to the UIs and workflows provided by Telemetry Data Platform and Full-Stack Observability, customers can use the data they ingest into New Relic One to build custom applications that drive measurable value specific to their business. New Relic One supports custom app development via common open source frameworks, a library of existing applications, and a rich development environment.
- ***Enterprise-grade Security.*** We have developed robust security processes to help protect the confidentiality, integrity and availability of customer data so that users can control how their data is stored and used. We undergo annual audits by third-party services, and our platform and products have also achieved FedRAMP authorization at a moderate impact level.

Our Growth Strategies

We grow using a "land-and-expand" business model with two primary distribution channels, self-serve and sales-led growth. For customers from whom we generate trailing 12-month revenue of $25,000 and below, self-serve tactics allow these customers to adopt platform features via marketing and product-driven sales. As a customer starts to exceed $25,000 in trailing 12-month revenue, we typically transition the customer to a more traditional direct sales model, or, sales-led growth.

We intend to pursue the following growth initiatives:

- ***Acquire new customers via self-serve initiatives***: We believe we have the most competitive product in the industry. We intend to democratize access to it and drive significant awareness, adoption, and growth in new accounts by accelerating our self-service product marketing and sales efforts.
- ***Expand consumption within our installed base***: Our existing customer base across industry verticals and regions represents a sizable captive market to increase users and data by promoting increased platform engagement and addressing new use cases.
- ***Accelerate platform roadmap and ship innovation at high velocity***: We have a proven track record of pioneering innovations in our industry. We intend to build on that reputation and accelerate our roadmap to broaden the platform capabilities and deepen its features so that more engineers can use New Relic and use it more often.
- ***Expand our customer base globally through an increasing emphasis on alliances***: Commercial partner alliances and expansion in international markets presents a significant opportunity to acquire new customers. We intend to increase our investment on both fronts as more businesses across the world accelerate their cloud native journey.

Operations

We host our applications and serve all our customers from data centers and a combination of cloud hosting providers. We utilize third parties to manage the infrastructure at our data centers. In addition, we are continuing to build out services and functionality in the public cloud with a view to migrating our entire platform to the public cloud over time. This strategy provides us flexibility to service customers in new and emerging regions and scale our deployment capabilities. We maintain a formal and comprehensive security program designed to ensure the security and integrity of our data, protect against security threats or data breaches, and prevent unauthorized access to the data of our customers. Our technology uses multi-tenant architecture, enabling all our customers to share the same version of our products and platform capabilities while securely partitioning their data.

Human Capital Management

As of March 31, 2021, we had a total of 2,168 employees, including temporary employees, operating across 14 countries, including 609 employees located outside of the U.S. None of our U.S. employees are represented by a labor union with respect to their employment. Employees in certain of our non-U.S. subsidiaries have the benefits of collective bargaining arrangements at the national level. We consider our relations with our employees to be good and have not experienced interruptions of operations or work stoppages due to labor disagreements.

Culture and Engagement

Our “accountable, bold, authentic, passionate, and connected” core values inform and guide our human capital initiatives and objectives. We screen new hires and measure employee performance against these company values, and regularly measure employee engagement against these values through our surveys and all-hands meetings and AMA (“ask me anything”) sessions. We also use these surveys, meetings, and sessions to collect employee feedback and assess the effectiveness of our culture, our strategy, and various health and well-being programs. We believe our values-driven culture has contributed to our recognition as a great place to work by our employees.

Diversity and Inclusion

We strive to build a diverse workforce, promote equity in our practices, and create inclusive communities for all our employees to thrive. Internally, we offer training for employees around unconscious bias, and other diversity and inclusion-related topics designed to create a culture of belonging. In addition, our Diversity, Equity & Inclusion team works closely with division leaders to review current diversity and inclusion data, identify themes, and create action plans with measurable objectives and key results for their divisions, with the goal of increasing diversity and growing every Relic’s sense of belonging.

We work hard to maintain and enhance our diverse and inclusive environment, creating a workplace where people are highly valued and are empowered to do their best work. Our employee resource groups offer our employees support, mentoring and networking opportunities and help to foster a friendly and diverse workplace.

Compensation and Benefits

New Relic is committed to delivering a comprehensive compensation and benefits program that provides support for all of our employees’ well-being. We provide competitive compensation and benefits to attract and retain talented employees, including offering market-competitive salary, bonuses or sales commissions, and equity. We generally offer full-time

employees equity at the time of hire and through annual equity grants, as well as provide an employee stock purchase plan, to foster a strong sense of ownership and engage our employees in being committed to our long-term success. We ensure that our compensation is fair for all employees, regardless of classifications, such as race and gender. We routinely run a rigorous statistical analysis to ensure compensation is fair, taking into account factors that should impact pay, like role, level, location and performance.

Our full-time employees are eligible to receive, subject to the satisfaction of certain eligibility requirements, our comprehensive benefits package including our medical, dental and vision insurance and life and disability insurance plans. In addition, we provide flexible time off, as well as maintain a tax-qualified 401(k) retirement plan that provides eligible U.S employees with an opportunity to save for retirement on a tax-advantaged basis, including providing a match for employee contributions. In structuring these benefit plans, we seek to provide an aggregate level of benefits that are comparable to those provided by similar companies. While the philosophy around our benefits is the same worldwide, specific benefits vary regionally due to local regulations and preferences.

Training and Development

Ensuring our employees have access to development opportunities and understand how to grow their career at New Relic is a critical part of our talent and engagement practices. As part of our efforts, we invest in a robust training portal for employees, complete with online courses and live training on a variety of topics. To recognize and promote outstanding employees, we perform a comprehensive annual talent review process, through which we empower employees to drive their professional development in a way that also aligns with company objectives and our company values.

COVID-19 Response

To support employee well-being, New Relic established a number of new programs in response to the COVID-19 pandemic and the transition to full-time work from home. Our top priority has been to ensure our employees have the resources they need to care for themselves and their families. We created flexible work schedule options, gave employees a home office stipend, and implemented for a period of time an unlimited time off code for caregiving or mental health responsibilities, provided additional mental health benefits, hosted learning events such as “Building Resilience” and “Parenting During COVID,” in addition to other various employee-led events such as meditations, workouts, experience sharing and virtual performances.

Research and Development

Our research and development organization is responsible for the design, development, and testing of all aspects of the New Relic One Platform suite of products and platform capabilities. We invest heavily in these efforts to continuously improve, innovate, and add new features to our solutions.

We deploy new features, functionality, and technologies through daily and weekly software releases or updates in order to minimize disruption and provide for constant improvement. Our product managers regularly engage with customers, partners, and industry analysts, as well as other stakeholders, in functions such as sales, customer success, marketing, and business development to understand customer needs as well as general trends in our industry. Once product improvements are identified, the development organization works closely together to design, develop, test, and launch a solution.

The majority of our research and development team is based in our Portland, Oregon and San Francisco, California offices, but also has a significant presence in our offices in Barcelona, Spain and Tel Aviv, Israel. To foster rapid innovation, our team is further apportioned into smaller, agile development teams.

As of March 31, 2021, we had 668 employees in our research and development organization.

Sales and Marketing

Our sales and marketing organizations work together closely to drive market awareness, create and manage user and customer leads, provide qualified leads to our sales pipeline, and build customer relationships to drive revenue growth. As of March 31, 2021, we had 947 employees in our sales and marketing organization.

On April 6, 2021, we announced a restructuring plan to realign our cost structure to better reflect significant product and business model innovation over the past 12 months. In furtherance of this strategy shift, we are reallocating some spending from sales and marketing to increase our investment on research and development.

Sales

We sell our products to businesses of all sizes largely through our direct sales organization, with our primary focus on larger accounts. Our direct sales organization is organized by geography and size of customer and is focused on growing the number of accounts and usage within accounts (i.e. providing our customers with a broader set of our product solutions).

Our sales strategy is based on the size of the opportunity and the target user at an organization (e.g., software developers, DevOps engineers, or IT managers).

Marketing

Our marketing strategy focuses on meaningful interactions with practitioners and buyers by targeting software developers, operations professionals, IT leaders, and technology executives across many industries and regions. Additionally, our digital engagement strategy, demand generation, customer programs, events, corporate communications, and product marketing teams focus on building brand, engagement, and demand with our target markets. We utilize both online and offline marketing initiatives, including search engine and email marketing, online banner and video advertising, our website, product demonstrations and trials, blogs, corporate communications, whitepapers, case studies, user events, sponsorships, and webinars. We believe an effective method to market our platform is for users to actively use and explore its capabilities. We encourage free trials of one or more of our products in order to successfully convert those accounts to paid subscriptions.

Seasonality

We have experienced seasonality in our sales and operating results in the past, and will continue to experience seasonality in the future. The first two quarters of each fiscal year usually have lower or potentially negative sequential performance obligations, or backlog, and deferred revenue growth than the third and fourth fiscal quarters, during which we generally benefit from a larger renewal pool and opportunity to upsell existing customers. As a result, over time we have seen stronger sequential revenue results in our fourth and first fiscal quarters as our deferred revenue is recognized. We expect that this seasonality will continue to affect our sales and operating results in the future, as a portion of our overall revenue continues to be derived from our subscription-based contracts that remain in our install base, which can make it difficult to achieve sequential growth in certain financial metrics or could result in sequential declines on a quarterly basis.

With our shift in pricing strategy, we may experience additional variation from the seasonality trends we have seen in the past for revenue, backlog, and deferred revenue. Our shift to a consumption model allows our customers to choose lower up-front commitments and to instead pay for their consumption in excess of their commitments. Should this occur as we expect, it may exhibit downward pressure on our backlog and deferred revenue. Meanwhile, in the event our customers' consumption usage exceeds their up-front commitments in a meaningful amount, we would expect to see a step up in revenue growth.

Customer Support

Our products and platform capabilities are designed to minimize the need for customer support, as users can easily download, install, and deploy our software agents without needing support. We offer a range of customer support options with multiple levels of support. These include free community support, email support, and phone support, up to our customer support organization, which provides dedicated customer success representatives, onsite support, with global capabilities and is available at all hours of the day. Through our training platform, we offer courses to help our customers quickly learn how to effectively use our products as well as implement best practices. Courses are available online, in-person at events, and, as requested by certain customers, on-site. Our training sessions are typically targeted at specific levels of employee seniority and product experience, such as agent essentials or administrator experts, to more effectively tailor training to intended audiences.

Partnerships and Strategic Relationships

We have built marketing relationships with a number of technology companies to help promote and grow our user base and footprint. We also have developed relationships with several cloud providers including Amazon Web Services, Google Cloud Platform, Microsoft Azure, IBM Cloud, Pivotal Cloud Foundry, and others, through which we collaborate to ensure our products and platform capabilities work well on applications running on their clouds. These providers offer access to our products and platform capabilities through links on their websites, refer developers and other potential users to us, and expand our marketing reach. Additionally, a growing number of system integrators, consultants, and value-added resellers are using the New Relic One Platform to help their customers make the resourcing and prioritization decisions necessary for successful cloud migrations and transformation projects.

Competition

We operate in a highly competitive industry that is characterized by constant change and innovation. Our observability platform combines functionality from numerous traditional product categories, and hence we compete in each of these categories with home-grown and open-source technologies, as well as a number of different commercial vendors.

With respect to application performance monitoring, we compete with providers such as AppDynamics, Inc. (an operating division of Cisco Systems, Inc.) and Dynatrace, Inc. With respect to log management, we compete with Elastic NV and Splunk Inc. With respect to infrastructure monitoring, we compete with diversified technology vendors such as International Business Machines Corporation, BMC Software, Inc. and CA, Inc. (a subsidiary of Broadcom, Inc.); with native solutions from cloud providers such as Amazon Web Services, Inc., Microsoft Corporation, and Google LLC; and with independent vendors such as Datadog, Inc.

The principal competitive factors in our market include:

- product and platform features, architecture, reliability, security, performance, effectiveness, and supported environments;
- product extensibility and ability to integrate with other technology infrastructures;
- digital operations expertise;
- ease of use of products and platform capabilities;
- price and total cost of ownership;
- adherence to industry standards and certifications;
- strength of sales and marketing efforts;
- brand awareness and reputation; and
- focus on customer success.

We believe we generally compete favorably with our competitors on the basis of these factors. Many of our competitors have substantially greater financial, technical, and other resources, greater name recognition, larger sales and marketing budgets, broader distribution, and larger and more mature intellectual property portfolios.

Intellectual Property

We rely on federal, state, common law, and international rights, as well as contractual restrictions, to protect our intellectual property. We control access to our proprietary technology and algorithms by entering into confidentiality and invention assignment agreements with our employees and contractors, and confidentiality agreements with third parties.

In addition to these contractual arrangements, we also rely on a combination of trade secrets, copyrights, trademarks, service marks, and domain names to protect our intellectual property. As of March 31, 2021, we had 28 issued patents in the United States and abroad, and 34 patent applications pending in the United States and abroad. We are also the registered holder of a variety of United States and international domain names that include the term New Relic. Our products utilize our "New Relic" trademark as well as our logo and images.

Circumstances outside our control could pose a threat to our intellectual property rights. For example, effective intellectual property protection may not be available in the United States or other countries in which we operate. Also, the efforts we have taken to protect our proprietary rights may not be sufficient or effective. Any significant impairment of our intellectual property rights could harm our business or our ability to compete. Also, protecting our intellectual property rights is costly and time-consuming. Any unauthorized disclosure or use of our intellectual property could make it more expensive to do business and harm our operating results.

Companies in Internet-related industries may own large numbers of patents, copyrights, and trademarks and may frequently request license agreements, threaten litigation, or file suit against us based on allegations of infringement or other violations of intellectual property rights. We have been subject to, and expect to face in the future, allegations that we have infringed the trademarks, copyrights, patents, and other intellectual property rights of third parties, including our competitors and non-practicing entities. As we face increasing competition and as our business grows, we will likely face more claims of infringement.

Government Regulation

Our worldwide business activities are subject to various laws, rules, and regulations of the United States as well as of foreign governments. Compliance with these laws, rules, and regulations has not had, and is not expected to have, a material

effect upon our capital expenditures, results of operations, or competitive position. Nevertheless, compliance with existing or future governmental regulations, including, but not limited to, those pertaining to global trade, business acquisitions, consumer and data protection, and taxes, could have a material impact on our business in subsequent periods. Refer to “Item 1A. Risk Factors” for a discussion of these potential impacts.

Corporate Information

We were formed in Delaware in September 2007 as New Relic Software, LLC. We converted from a Delaware limited liability company to a Delaware corporation and changed our name to New Relic, Inc. in February 2008. Our principal executive offices are located at 188 Spear Street, Suite 1000, San Francisco, California 94105, and our telephone number is (650) 777-7600. Our website is located at www.newrelic.com, and our investor relations website is located at http://ir.newrelic.com/. Information contained on, or that can be accessed through, our website is not incorporated by reference into this Annual Report on Form 10-K and references to our website address in this Annual Report on Form 10-K are intended to be inactive textual references only. We completed our initial public offering in December 2014 and our common stock is listed on the New York Stock Exchange under the symbol “NEWR.”

Available Information

Copies of our Annual Report on Form 10-K, Quarterly Report on Form 10-Q, Current Reports on Form 8-K, and amendments to these reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, or the Exchange Act, are available, free of charge, on our investor relations website as soon as reasonably practicable after we file such material electronically with or furnish it to the Securities and Exchange Commission, or the SEC. The SEC also maintains a website that contains our SEC filings. The address of the site is www.sec.gov. We webcast our earnings calls and certain events we participate in or host with members of the investment community on our investor relations website. Additionally, we provide notifications of news or announcements regarding our financial performance, including SEC filings, investor events, press and earnings releases, and blogs as part of our investor relations website. New Relic has used, and intends to continue to use, our investor relations website, as well as our Twitter account (@newrelic), as means of disclosing material non-public information and for complying with its disclosure obligations under Regulation FD. Further corporate governance information, including our corporate governance guidelines, board committee charters, and code of conduct, is also available on our investor relations website under the subheading “Corporate Governance.” The contents of our website or our Twitter account are not incorporated by reference into this Annual Report on Form 10-K or in any other report or document we file with the SEC, and any references to our website address are intended to be inactive textual references only.

Item 1A. Risk Factors

We have identified the following risks and uncertainties that may have a material adverse effect on our business, financial condition, or results of operations. The risks described below are not the only ones we face. Additional risks not presently known to us or that we currently believe are immaterial may also significantly impair our business operations. Our business could be harmed by any of these risks. The trading price of our common stock could decline due to any of these risks, and you may lose all or part of your investment. In assessing these risks, you should also refer to the other information contained in this Annual Report on Form 10-K, including our consolidated financial statements and accompanying notes.

Risks Related to Our Business and Our Industry

We have limited experience with respect to determining the optimal prices and pricing structures for our products and have employed evolving pricing models, which subject us to challenges that could make it difficult for us to derive value from our customers and may adversely affect our operating results.

We have evolved our pricing models over time and we expect that they will continue to evolve. For example, we have offered a variety of pricing plans based on the particular product purchased by an account, number of servers monitored, number of applications monitored, or number of mobile devices monitored; and we offer access to our products under subscription plans that include service and support for one or more of our products. However, on July 30, 2020, we announced an updated pricing strategy that prices customer spend based upon their consumption; customers may be charged upon their usage in arrears, which we refer to as “Pay as You Go,” or they may commit to a minimum spend over their contracted period in exchange for a discount on their usage pricing, which we refer to as “Annual Pool of Funds.” Consumption under this model is measured by number of users and data ingested into our system, thereby collapsing what had previously been a number of different products priced in individualized ways into a simplified strategy that is intended to drive consumption across our platform.

This updated pricing strategy may ultimately result in a higher total cost to our customers generally as data volumes increase over time, or may cause our customers to limit or decrease usage in order to stay within budgeted amounts or lower their costs, making it more difficult for us to compete in our markets or negatively impacting our financial results. We expect this pricing transition may result in a one-time negative impact to annual recurring revenue, or ARR, in certain customer segments and negatively impact our revenue and deferred revenue for each customer at the time of their renewal. For example, customers may decide to take advantage of our new pricing model and choose smaller upfront commitments in favor of spending on actual consumption in excess of committed amounts. Whether our pricing model transition will prove successful is subject to numerous uncertainties, including but not limited to: customer demand, renewal and expansion rates, our ability to further develop and scale infrastructure, the ability of our sales force to successfully execute new sales strategies, tax and accounting implications, pricing, and our costs. In addition, we expect the metrics we use to gauge the status and success of our pricing model transition may continue to evolve over the course of the transition as significant trends emerge. As the overall portion of revenue derived from our subscription model contracts decreases as a result of our new pricing model, subscription-based metrics that rely upon ARR become less relevant as a measure of the performance of our business. Beginning with the first quarter of fiscal 2022, we will retire our traditional subscription-based key operating metrics that rely upon ARR and provide metrics that we believe give better insight into our business that relies primarily upon consumption-based revenue instead.

We do not know whether our current or potential customers or the market in general will accept our pricing model going forward and, if it fails to gain acceptance, our business and results of operations could be harmed. In addition, our evolving pricing models may allow competitors with different pricing models to attract customers unfamiliar or uncomfortable with our pricing models, which would cause us to lose business or modify our pricing models, both of which could adversely affect our revenues and operating margins.

We expect that we will continue to evolve our pricing model, including as a result of global economic conditions; reductions in our customers’ spending levels generally; the introduction of new products and services; the evolution of existing products and services; or changes in how computing infrastructure is broadly consumed. We have introduced and expect to continue to introduce variations to our pricing models and other pricing programs that provide broader usage and cost predictability for our customers. Although we may believe that these pricing changes will drive net new customers, increase customer adoption, and support our transition to a new model, it is possible that they will not and may potentially cause confusion with our customers, which could negatively impact our business, revenue, and other financial results. If we have difficulty determining the appropriate price structure for our products, we may be required from time to time to further revise our pricing structure or reduce our prices, which could adversely affect our business.

The ongoing global coronavirus (COVID-19) pandemic could harm our business and results of operations.

The COVID-19 pandemic continues to impact worldwide economic activity and financial markets and has resulted in authorities implementing numerous measures to contain the virus. In light of the ongoing uncertainty relating to the COVID-19 pandemic and in compliance with shelter-in-place orders and other government executive orders directing that all non-essential businesses close their physical operations, we have taken precautionary measures intended to minimize the risk of the virus to our employees, our customers, and the communities in which we operate, which could negatively impact our business. These measures include temporarily requiring employees to work remotely, suspending all non-essential travel worldwide for our employees, canceling, postponing or holding virtually sponsored events and discouraging employee attendance at industry events and in-person work-related meetings. While we have a distributed workforce and our employees are accustomed to working remotely, our workforce is not normally fully remote and our employees travel frequently to establish and maintain relationships with one another and with our customers, partners and investors. In addition, our management team has, and will likely continue, to spend significant time, attention and resources monitoring the COVID-19 pandemic and seeking to minimize the risk of the virus and manage its effects on our business and workforce.

The extent of the impact of the COVID-19 pandemic on our operational and financial performance will depend on certain developments, including the duration of the pandemic and the successful rollout of vaccines; impact on our customers and our sales cycles; impact on our customer, employee, and industry events; and effect on our vendors, all of which are uncertain and cannot be predicted at this time. In addition, COVID-19 may disrupt the operations of our customers and partners for an indefinite period of time, including as a result of travel restrictions and/or business shutdowns, all of which could negatively impact our business and results of operations, including cash flows.

More generally, the COVID-19 pandemic is adversely affecting economies and financial markets globally, and has led to an economic downturn and increased market volatility, with an uncertain effect on technology spending and demand for our offerings, which may harm our business and results of operations. For example, for the fiscal year ended March 31, 2021, COVID-19 negatively impacted expected spending from new and existing customers and has resulted in a portion of our paid customers choosing to renew with a smaller commitment than previous contracts. We have seen our revenue and deferred revenue for the fiscal year ending March 31, 2021 to be, negatively impacted, in part, by the slowdown in activity associated with the COVID-19 pandemic, but at this point, the extent of the impact to our financial condition or results of operations, including cash flows, is uncertain, particularly as the COVID-19 pandemic continues to persist for an extended period of time. Furthermore, due to our historical reliance on a subscription-based business model, the effect of the COVID-19 pandemic may not be fully reflected in our results of operations until future periods. Meanwhile, our shift to consumption-based pricing contracts, where the revenue we receive is tied to our customers' actual usage of our products, may further exacerbate the uncertainty with respect to the revenue we receive from our customers. To the extent the COVID-19 pandemic adversely affects our business and financial results, it may also have the effect of heightening many of the other risks described in this ''Risk Factors'' section.

We have a history of losses and our revenue growth rate could continue to decline over time. As our costs increase, we may not be able to generate sufficient revenue to achieve and sustain profitability.

We have incurred net losses in each fiscal period since our inception, including net loss attributable to New Relic of $192.6 million, $88.9 million, and $40.9 million in the fiscal years ended March 31, 2021, 2020, and 2019, respectively. At March 31, 2021, we had an accumulated deficit of $587.1 million. We expect to continue to expend substantial financial and other resources on, among other things:

- investments in our research and development team, and the development of new platform offerings, capabilities, features, and functionality;
- expansion of our operations and infrastructure, both domestically and internationally;
- hiring of additional employees; and
- general administration, including legal, accounting, and other expenses related to our growing operations and infrastructure.

These investments may not result in increased revenue or growth of our business. Our revenue growth rate has declined in recent periods and could continue to decline over time. Accordingly, we may not be able to generate sufficient revenue to offset our expected cost increases and to achieve and sustain profitability. If we fail to achieve and sustain profitability, our operating results and business would be harmed.

We have a limited operating history with our current business model, which makes it difficult to evaluate our current business and future prospects and increases the risk of your investment.

We were founded in 2007, launched our first commercial product in 2008, launched our New Relic One platform in 2019, and introduced our updated pricing strategy in July 2020. This limited operating history with our current business model limits our ability to forecast our future operating results and subjects us to a number of uncertainties, including our ability to plan for and model future growth. Our historical revenue growth should not be considered indicative of our future performance. We have encountered and will encounter risks and uncertainties frequently experienced by growing companies in rapidly changing industries, such as determining appropriate investments of our limited resources, market adoption of our existing and future products and platform capabilities, competition from other companies, acquiring and retaining customers, hiring, integrating, training and retaining skilled personnel, developing new products and platform capabilities, determining prices and pricing structures for our products and platform capabilities, unforeseen expenses, and challenges in forecasting accuracy. If our assumptions regarding these risks and uncertainties, which we use to plan our business, are incorrect or change, or if we do not address these risks successfully, our operating and financial results and our business could suffer.

We have experienced significant growth in prior periods and our historical growth rates may not be indicative of our future growth. If we are not able to manage our growth and expansion, or if our business does not grow as we expect, our operating results may suffer.

We have experienced significant growth in our customer adoption and have expanded and intend to continue to significantly expand our operations, including our domestic and international employee headcount. This growth has placed, and will continue to place, significant demands on our management and our operational and financial infrastructure and we may not be able to sustain revenue growth consistent with prior periods, or at all.

To manage our growth effectively, we must continue to improve our operational, financial, and management systems and controls by, among other things:

- effectively attracting, training, integrating, and retaining a large number of new employees, particularly members of our research and development teams and employees and consultants in jurisdictions outside of the United States;
- further improving our key business systems, processes, and information technology infrastructure, including our and third-party hosted data centers and cloud services, to support our business needs;
- enhancing our information, training, and communication systems to ensure that our employees are well-coordinated and can effectively communicate with each other and our customers; and
- improving our internal control over financial reporting and disclosure controls and procedures to ensure timely and accurate reporting of our operational and financial results.

If we fail to manage our expansion, implement and transition to our new systems, implement improvements, or maintain effective internal controls and procedures, our costs and expenses may increase more than we plan and we may lose the ability to increase our customer adoption, enhance our existing solutions, develop new solutions, satisfy our customers, respond to competitive pressures, or otherwise execute our business plan. If we are unable to manage our growth, our operating results likely will be harmed.

Our business depends on our customers remaining on our platform and increasing their spend with us. Any decline in our customer expansions and renewals would harm our future operating results.

Our future success depends in part on our ability to retain and expand our platform usage with our current customers. If our customers do not remain on our platform or increase their spend with us, our revenue may decline, and our operating results may be harmed.

In addition, in order for us to maintain or improve our operating results, it is important that our customers renew their commitments or remain on our platform and increase their spend when the contract term expires. Many of our customers may start their accounts on a free tier and have no obligation to enter into a paid commitment or incur spend above the free tier. Our customers that enter into paid commitments have no obligation to renew after the expiration of the contractual term nor an obligation to remain on our platform and incur additional usage fees. Commitments are most often one year in length, and, our customers may renew for lower commitment amounts or instead use our Pay as You Go model, under which they are billed in arrears for their usage. In the past, some of our customers have elected not to renew their agreements with us, and we cannot accurately predict future net expansion rates. Moreover, certain legacy customers with annual subscriptions entered into prior to our pricing announcement on July 30, 2020 have the right to cancel their agreements prior to the termination of the subscription

term. Additionally, customers may decide to remain within the limitations of our new free-tier or lower-priced offerings. Customers also have canceled or reduced, and may continue to cancel or reduce, their commitments as a result of the impact of the COVID-19 pandemic on their businesses.

Our customer expansions and renewals may decline or fluctuate as a result of a number of factors, including: customer usage, customer satisfaction with our products and platform capabilities and customer support, our prices, including as a result of changes to our pricing strategy, the prices of competing products, mergers and acquisitions affecting our customer base, consolidation of affiliates' multiple accounts into a single account, the effects of global economic conditions, including as a result of the COVID-19 pandemic, or reductions in our customers' spending levels generally.

If we are not able to develop enhancements to our products, increase adoption and usage of our products, and introduce new products and capabilities that achieve market acceptance, our business could be harmed.

Our ability to attract new customers and increase revenue from existing customers depends in large part on our ability to enhance and improve our existing products, increase adoption and usage of our products, and introduce new products and capabilities. The success of any enhancement or new products depends on several factors, including timely completion, competitive pricing, adequate quality testing, introduction, integration with existing technologies and our platform, and market acceptance. Any products that we develop may not be introduced in a timely or cost-effective manner, may contain errors or defects, or may not achieve the broad market acceptance necessary to generate sufficient revenue. If we are unable to successfully enhance our existing products to meet customer requirements, increase adoption and usage of our products, or develop new products, our business and operating results will be harmed.

If customers do not expand their use of our products beyond the current predominant use cases, our ability to grow our business and operating results may be adversely affected.

Most of our customers currently use our products to support application performance management functions, and the majority of our revenue to date has been from our application performance management products. Our ability to grow our business depends in part on our ability to persuade current and future customers to expand their use of our software to additional use cases across our entire platform. If we fail to achieve market acceptance of our software, or if a competitor establishes a more widely adopted solution, our ability to grow our business and financial results will be adversely affected. In addition, as the amount of data stored for a given customer grows, that customer may have to limit or decrease usage in order to stay within budgeted amounts or lower their cost. If their fees grow significantly, customers may react adversely to this pricing model, particularly if they perceive that the value of our software has become eclipsed by such fees or otherwise.

Failure to effectively align our marketing and sales capabilities with our new pricing structure and increase sales efficiency could harm our ability to increase our customer adoption and achieve broader market acceptance of our products.

Our ability to increase our customer adoption and achieve broader market acceptance of our products will depend to a significant extent on our ability to align our marketing and sales capabilities with our new pricing structure and increase sales efficiency. In connection with our restructuring plan, we are realigning our cost structure to better reflect significant product and business model innovation with the expectation that go-to-market operations in our new consumption-based business model will be more efficient, thus requiring less investment, than in our former more traditional subscription model.

The effectiveness of our marketing programs has varied over time and may vary in the future due to competition, and we are continuously making adjustments to increase our emphasis on overall product experience and reorient our sales organization around customer success. All of these efforts have required and will continue to require us to invest significant resources. If we are unable to hire, develop, and retain talented sales personnel, if our sales personnel are unable to achieve desired productivity levels in a reasonable period of time or unable to successfully execute sales strategies in connection with our pricing model changes, or if our sales and marketing programs are not effective, our ability to increase our customer adoption and achieve broader market acceptance of our products could be harmed.

In particular, we may in the future need to adjust our go-to-market cost structure and target metrics, particularly as they relate to how we structure, effect, and compensate our sales teams to become more efficient and effective at selling under the consumption-based business model. Any adjustments in compensation structure could negatively affect the productivity of our sales teams, and there is no assurance that we will be able to successfully implement the adjustments in a timely or cost-effective manner, or that we will be able to realize all or any of the expected benefits from such adjustments.

If we are unable to develop and grow a broad base of high-spend customers, many of which we expect to be large enterprise customers, while mitigating the risks associated with serving such customers, our business, financial position, and results of operations may suffer.

Our growth strategy is dependent, in large part, upon developing and growing a broad base of high-spend customers, many of which we expect to be large enterprise customers. Sales to large customers involve risks that may not be present or that are present to a lesser extent with sales to smaller entities, such as longer sales cycles, more complex customer requirements, substantial upfront sales costs, and less predictability in completing some of our sales. For example, enterprise customers may require considerable time to evaluate and test our applications and those of our competitors prior to making a purchase decision and placing an order. A number of factors influence the length and variability of our sales cycle, including the need to educate potential customers about the uses and benefits of our applications, the discretionary nature of purchasing and budget cycles, and the competitive nature of evaluation and purchasing approval processes. As a result, the length of our sales cycle, from identification of the opportunity to deal closure, may vary significantly from customer to customer, with sales to large enterprises typically taking longer to complete. Moreover, large enterprise customers often begin to deploy our products on a limited basis, but nevertheless demand extensive configuration, integration services, and pricing negotiations, which increase our upfront investment in the sales effort with no guarantee that these customers will deploy our products widely enough across their organization to justify our substantial upfront investment.

In addition, if we are unable to close one or more large individual transactions in a particular period, or if an expected transaction is delayed until a subsequent period, our results of operations for that period, and for any future periods in which revenue from such transaction would otherwise have been recognized, may be harmed.

In addition, our ability to improve our sales of products to large enterprises is dependent on us continuing to attract and retain sales personnel with experience in selling to large organizations. Also, because security breaches with respect to larger, high-profile enterprises are likely to be heavily publicized, there is increased reputational risk associated with serving such customers. If we are unable to continue to increase sales of our products to large enterprise customers while mitigating the risks associated with serving such customers, our business, financial position, and results of operations may suffer.

Our quarterly results may fluctuate, especially as we are transitioning our pricing model, and our recent operating results may not be a good indication of our future performance. If we fail to meet the expectations of analysts or investors, our stock price and the value of your investment could decline substantially.

Our quarterly financial results may fluctuate widely as a result of the risks and uncertainties described in this report, many of which, such as the COVID-19 pandemic, are outside of our control. In addition, given our increasing reliance on consumption to drive revenue, our pricing model transition may give rise to a number of risks reflected in risk factor titled "*We have limited experience with respect to determining the optimal prices and pricing structures for our products and have employed evolving pricing models, which subject us to challenges that could make it difficult for us to derive value from our customers and may adversely affect our operating results*." If our financial results fall below the expectations of investors or any securities analysts who follow our stock, the price of our common stock could decline substantially.

We believe that quarter-to-quarter comparisons of our revenue, operating results, and cash flows may not be meaningful and should not be relied upon as an indication of future performance. If our revenue or operating results fall below the expectations of investors or securities analysts in a particular quarter, or below any guidance we may provide, the price of our common stock could decline.

Because users are able to configure our platform to collect and store confidential, personal or proprietary information, security concerns could result in additional cost and liability to us or inhibit sales of our products.

Our operations involve protection of our intellectual property, along with the storage and transmission and processing of our customers' proprietary data, which customers might choose to have include some personally identifiable information. While we have developed systems and processes to protect the integrity, confidentiality and security of our customers' data, our security measures or those of our third-party service providers could fail and result in unauthorized access to or disclosure, modification, misuse, loss or destruction of such data. Any security breaches, computer malware, computer hacking, cyber-attacks, ransomware, phishing attacks and other social engineering schemes, denial or degradation of service attacks, unauthorized access or use, device theft, and other types of security incidents experienced by us or our third-party services providers, could expose us to a risk of loss of confidential, personal or proprietary information, loss of business, severe reputational damage adversely affecting customer or investor confidence, regulatory investigations and orders, litigation, demands, indemnity obligations, damages for contract breach, penalties for violation of applicable laws or regulations, and significant costs for investigation, remediation and incentives offered to customers or other business partners in an effort to maintain business relationships after a breach and other liabilities.

Cyber-attacks, intrusions and other malicious Internet-based activity including by computer hackers, foreign governments and cyber terrorists, continue to increase generally as the number, intensity and sophistication of attempted attacks and intrusions from around the world have increased. The costs to us to investigate and mitigate network security problems, bugs, viruses, worms, malicious software programs and security vulnerabilities could be significant, and while we have implemented security measures to protect our data security and information technology systems, our efforts to address these problems may not be successful, and these problems could result in unexpected interruptions, delays, cessation of service, negative publicity and other harm to our business and our competitive position. If our products or security measures are perceived as weak or actually compromised as a result of third-party action, employee or customer error, malfeasance, stolen or fraudulently obtained log-in credentials, or otherwise, our customers may curtail or stop using our products, our reputation could be damaged, our business may be harmed, and we could incur significant liability. We may be unable to anticipate or prevent techniques used to obtain unauthorized access or to sabotage systems because they change frequently and generally are not detected until after an incident has occurred. As we increase our customer adoption and our brand becomes more widely known and recognized, we may become more of a target for third parties seeking to compromise our security systems or gain unauthorized access to our customers' data. Additionally, with so many of our employees now working remotely due to the COVID-19 pandemic, we may face an increased risk of attempted security breaches and incidents, such as the recently reported cybersecurity attack on SolarWinds and a large number of its customers. Moreover, if a high-profile security breach occurs with respect to another cloud platform provider, our customers and potential customers may lose trust in the security of cloud platforms generally, which could adversely impact our ability to retain existing customers or attract new ones.

If we are not able to detect and indicate activity on our platform that might be nefarious in nature or design processes or systems to reduce the impact of similar activity at a third-party service provider, our customers could suffer harm. In such cases, we could face exposure to legal claims, particularly if the customer suffered actual harm. We cannot assure you that any limitations of liability provisions in our contracts for a security lapse or breach would be enforceable or adequate or would otherwise protect us from any liabilities or damages with respect to any particular claim. We also cannot be sure that our existing insurance coverage will continue to be available on acceptable terms or will be available in sufficient amounts to cover one or more large claims related to a security breach, or that the insurer will not deny coverage as to any future claim. The successful assertion of one or more large claims against us that exceed available insurance coverage, or the occurrence of changes in our insurance policies, including premium increases or the imposition of large deductible or co-insurance requirements, could have a material adverse effect on our business, including our expansion rates, financial condition, operating results, and reputation.

If we fail to adapt and respond effectively to rapidly changing technology, evolving industry standards, and changing customer needs, requirements, or preferences, our products may become less competitive.

The software industry is subject to rapid technological change, evolving industry standards and practices, and changing customer needs, requirements, and preferences. The success of our business will depend, in part, on our ability to adapt and respond effectively to these changes on a timely basis. If we are unable to develop and sell new products that satisfy our customers and provide enhancements and new features for our existing products and platform capabilities that keep pace with rapid technological and industry change, our revenue and operating results could be adversely affected. Further, the value of our platform to customers increases to the extent they are able to use it for all of their telemetry data. We need to continue to invest in technologies, services, and partnerships that increase the ease with which customers can ingest data into our platform. If new technologies emerge that are able to deliver competitive products and applications at lower prices, more efficiently, more conveniently, or more securely, such technologies could adversely impact our ability to compete.

Our platform must also integrate with a variety of network, hardware, mobile, and software platforms and technologies, and we need to continuously modify and enhance our products and platform capabilities to adapt to changes and innovation in these technologies. If developers widely adopt new software platforms, we would have to develop new versions of our products and platform capabilities to work with those new platforms. This development effort may require significant engineering, marketing, and sales resources, all of which would affect our business and operating results. Any failure of our products and platform capabilities to operate effectively with future infrastructure platforms and technologies could reduce the demand for our products. If we are unable to respond to these changes in a cost-effective manner, our products may become less marketable and less competitive or obsolete, and our operating results may be negatively affected. Similarly, application stores such as those operated by Apple and Google, may change their technical requirements or policies in a manner that adversely impacts the way in which we or our partners or customers collect, use, and share data from users. If the use of our products does not comply with these requirements, customers may not be able to use our products for their intended purposes and our business could be harmed.

We are dependent upon lead generation strategies to drive our sales and revenue. If these marketing strategies fail to continue to generate sales opportunities, our ability to grow our revenue will be adversely affected.

We are dependent upon lead generation strategies to generate sales opportunities. For example, in connection with our pricing changes announced July 30, 2020, we introduced an expanded free tier offering of our product. These strategies may not be successful in continuing to generate sufficient sales opportunities necessary to increase our revenue. To the extent that we are unable to successfully attract and grow paying customers, we will not realize the intended benefits of these marketing strategies and our ability to grow our revenue will be adversely affected.

The markets in which we participate are intensely competitive, and if we do not compete effectively, our operating results could be harmed.

The markets in which we compete are rapidly evolving, significantly fragmented, and highly competitive. Our observability platform combines functionality from numerous traditional product categories, and hence we compete in each of these categories with home-grown and open-source technologies, as well as a number of different vendors.

With respect to application performance monitoring, we compete with providers such as AppDynamics, Inc. (an operating division of Cisco Systems, Inc.) and Dynatrace, Inc. With respect to log management, we compete with Elastic NV and Splunk Inc. With respect to infrastructure monitoring, we compete with diversified technology vendors such as International Business Machines Corporation, BMC Software, Inc. and CA, Inc. (a subsidiary of Broadcom, Inc.); with native solutions from cloud providers such as Amazon Web Services, Inc., Microsoft Corporation, and Google LLC; and with independent vendors such as Datadog, Inc.

Some of our competitors and potential competitors are larger and have greater name recognition, longer operating histories, more established customer relationships, larger budgets, and significantly greater resources than we do, and have the operating flexibility to bundle competing products and services with other software offerings at little or no perceived incremental cost, including offering them at a lower price as part of a larger sale. As a result, our competitors may be able to respond more quickly and effectively than we can to new or changing opportunities, technologies, standards, or customer requirements. In addition, some competitors may offer products or services that address one or a limited number of functions at lower prices or with greater depth than our products. Our current and potential competitors may develop and market new technologies with comparable functionality to our products and platform capabilities, and this could lead to us having to decrease prices in order to remain competitive.

With the introduction of new technologies, the evolution of our products and platform capabilities and new market entrants, we expect competition to intensify in the future. Moreover, as we expand the scope of our solutions, we may face additional competition. Additionally, some potential customers, particularly large organizations, may elect to develop their own internal products. If one or more of our competitors were to merge or partner with another of our competitors or another large diversified technology company, the change in the competitive landscape could also adversely affect our ability to compete effectively. For example, in March 2017, Cisco Systems, Inc. completed its purchase of AppDynamics, Inc., in November 2018, Broadcom Inc. completed its acquisition of CA, Inc., and, in October 2019, Splunk Inc. completed its acquisition of SignalFX, Inc. If we are unable to maintain our current pricing or fail to gain market acceptance of our updated pricing strategy due to the competitive pressures, our margins will be reduced, and our operating results will be negatively affected. In addition, pricing pressures and increased competition generally could result in reduced sales, reduced margins, losses, or the failure of our solutions to achieve or maintain more widespread market acceptance, any of which could harm our business.

Due to our previous subscription-based pricing model and our recent transition to a consumption-based pricing model, we may not have visibility into our financial position and results of operations.

We have historically employed a subscription-based model and for contracts entered into prior to our new pricing model announcement on July 30, 2020, we recognize revenue from customers ratably over the terms of their subscriptions. A portion of the revenue we report in each quarter is derived from the recognition of revenue relating to subscriptions entered into during previous quarters. Consequently, a decline in new or renewed subscriptions in any single quarter may have a small impact on our revenue for that quarter. However, such a decline will negatively affect our revenue in future quarters. Accordingly, the effect of significant downturns in sales and market acceptance of our solutions, and potential changes in our rate of renewals, may not be fully reflected in our results of operations until future periods. As a result, due to this historical reliance on a subscription-based business model, the effects of the COVID-19 pandemic to date were not fully reflected in our results of operations until later periods.

Further, on July 30, 2020, we announced a new pricing model that prices customer spend based upon their consumption. Because our customers now have flexibility in the timing of their consumption, we do not have the same

visibility into the timing of revenue recognition as we would under a subscription-based model. There is a risk that customers will consume our platform at a different pace than we expect, and our actual results may differ from our forecasts. Meanwhile, although we have seen indications of improved market acceptance of our platform and new pricing strategy, due to our historical reliance upon a subscription-based business model, improvement in the market adoption of our products due to this pricing model transition would also not be fully reflected in our results of operations until future periods.

Seasonality may cause fluctuations in our sales and operating results.

We have experienced seasonality in our sales and operating results in the past, and we believe that we will continue to experience seasonality in the future. The first two quarters of each fiscal year usually have lower or potentially negative backlog and sequential deferred revenue growth than the third and fourth fiscal quarters, during which we generally benefit from a larger renewal base and opportunity to up-sell existing customers. We believe that this results from the procurement, budgeting, and deployment cycles of many of our customers, which tend to have a concentration of increased activity in the periods surrounding the change of the Company’s fiscal year. As a result, over time we could potentially see stronger sequential revenue results in our fourth and first fiscal quarters as our deferred revenue is recognized. We expect that this seasonality will continue to affect our sales and operating results in the future, as a portion of our overall revenue continues to be derived from our subscription-based contracts that remain in our install base, which can make it difficult to achieve sequential growth in certain financial metrics or could result in sequential declines on a quarterly basis. However, with our shift in pricing strategy, we may experience additional variation from the seasonality trends we have seen in the past for revenue, backlog, and deferred revenue. Accordingly, historical patterns should not be considered indicative of our future sales activity or performance.

Interruptions or performance problems associated with our technology and infrastructure may adversely affect our business and operating results.

Our continued growth depends in part on the ability of our existing and potential customers to access our products and platform capabilities at any time and within an acceptable amount of time. We have experienced, and may in the future experience, disruptions, outages, and other performance problems due to a variety of factors, including infrastructure changes, introductions of new functionality, human or software errors, capacity constraints due to an overwhelming number of users accessing our products and platform capabilities simultaneously, denial or degradation of service attacks, computer viruses, natural disasters, terrorism, war, telecommunications and electrical failures, cyberattacks or other security related incidents. It may become increasingly difficult to maintain and improve our performance, especially during peak usage times and as our products and platform capabilities become more complex and our user traffic increases. If our products and platform capabilities are unavailable or if our users are unable to access our products and platform capabilities within a reasonable amount of time or at all, our business would be negatively affected. As we expand our business, our customers increasingly rely on our customer support personnel to realize the full benefits that our platform provides, and if we do not help our customers quickly resolve issues and provide effective ongoing support, our ability to maintain and expand our platform usage to existing and new customers could suffer, and our reputation with existing or potential customers could suffer. In addition, to the extent that we do not effectively address capacity constraints, upgrade our systems as needed, and continually develop our technology and network architecture to accommodate actual and anticipated changes in technology, our business and operating results may be adversely affected.

In addition, we currently serve our customers from third-party data centers and a combination of cloud hosting providers. The continuous availability of our products and platform capabilities depends on the operations of our data center facilities, on our cloud hosting providers, on a variety of network service providers, on third-party vendors, and on our own site operations staff. We depend on our third-party providers’ abilities to protect our data center facilities against damage or interruption from natural disasters, power or telecommunications failures, criminal acts, and similar events. If there are any lapses of service, damage to the facilities, or prolonged cloud hosting provider service disruptions or downtime affecting our platform, we could experience lengthy interruptions in our products and platform capabilities as well as delays and additional expenses in arranging new facilities and services. In addition, we are in the process of migrating our entire platform over time from third-party data center hosting facilities to public cloud hosting providers. After we complete this migration, we will rely extensively on these public cloud providers to provide our clients and their users with fast and reliable access to our products. Even with current and planned disaster recovery arrangements, which, to date, have not been tested in an actual crisis, our business could be harmed. Also, in the event of damage or interruption, our insurance policies may not adequately compensate us for any losses that we may incur. These factors in turn could further reduce our revenue, subject us to liability, and cause us to issue credits or cause customers not to renew their commitments or increase their spend with us, any of which could harm our business.

We depend and rely on SaaS technologies and related services from third parties in order to operate critical functions of our business and interruptions or performance problems with these technologies or services may adversely affect our business and operating results.

We depend and rely on software-as-a-service, or SaaS, technologies and related services from third parties in order to operate critical functions of our business, including billing and order management, financial accounting services, and customer relationship management services. If these services become unavailable due to extended outages or interruptions, security vulnerabilities, or cyber-attacks, because they are no longer available on commercially reasonable terms or prices, or due to other unforeseen circumstances, our expenses could increase, our ability to manage these critical functions could be interrupted, and our processes for and ability to manage sales of our products, recognize revenue, and support our customers could be impaired, all of which could adversely affect our business and operating results.

Defects or disruptions in our products and platform capabilities could diminish demand, harm our financial results, and subject us to liability.

Our customers use our products and platform capabilities for important aspects of their businesses, and any errors, defects, or disruptions to our products and platform capabilities or other performance problems with our products and platform capabilities could hurt our brand and reputation and may damage our customers' businesses. We provide regular product updates, which may contain undetected errors when first introduced or released. In the past, we have discovered software errors, failures, vulnerabilities, and bugs in our products and platform capabilities after they have been released and new errors in our existing products and platform capabilities may be detected in the future. Real or perceived errors, failures, or bugs in our products and platform capabilities could result in negative publicity, loss of or delay in market acceptance of our products, loss of competitive position, delay of payment to us, lower renewal rates, or claims by customers for losses sustained by them. In such an event, we may be required, or may choose, for customer relations or other reasons, to expend additional resources in order to help correct the problem. In addition, we may not carry insurance sufficient to compensate us for the losses that may result from claims arising from defects or disruptions in our products and platform capabilities. As a result, we could lose future sales and our reputation, and our brand could be harmed.

Our ongoing and planned investments in data center hosting facilities and expenditures on cloud hosting providers are expensive and complex, may result in a negative impact on our cash flows, and may negatively impact our financial results.

We have made and, until our migration to public cloud hosting providers is complete, we will continue to make substantial investments in our data center hosting facilities to support our growth and provide enhanced levels of products and platform capabilities to our customers. We recently decreased the amount of capital expenditures on hosting equipment for use in our data center hosting facilities as we transition to greater dependence on cloud hosting providers but expect to continue to incur significant expense to operate and maintain our data centers. If we are required to make larger investments in our data center hosting facilities than we anticipated or if costs associated with cloud hosting services utilized to support our growth continue to be greater than originally expected, the negative impact on our operating results would likely exceed our expectations. Furthermore, if we determine to no longer utilize our data centers and related property, and equipment sooner than planned, we may be forced to accelerate expense recognition as a result of the shorter estimated life of such assets. In addition, ongoing or future improvements to our cloud infrastructure may be more expensive than we anticipate, and may not yield the expected savings in operating costs or the expected performance benefits. We may not be able to maintain or achieve cost savings from our investments, which could harm our financial results.

We may need to change our current operations infrastructure in order for us to achieve profitability and scale our operations efficiently, which makes our future prospects even more difficult to evaluate. For example, in order to grow our sales in a financially sustainable manner, we may need to further customize our offering and modify our go-to-market strategy to reduce our operating and customer acquisition costs. If we fail to implement these changes on a timely basis or are unable to implement them effectively, our business may suffer.

Because our long-term growth strategy involves further expansion of our sales to customers outside the United States, our business will be susceptible to risks associated with international operations.

During the fiscal year ended March 31, 2021, we derived approximately 31% of our total revenue from customers outside the United States. A component of our growth strategy involves the further expansion of our operations and customer adoption internationally. Operating in international markets requires significant resources and management attention and subjects us to regulatory, economic, and political risks that are different from those in the United States. We have limited operating experience in international markets, and we cannot assure you that our expansion efforts into international markets will be successful. Our international expansion efforts may not be successful in creating further demand for our products outside of the United States or in effectively selling our products in the international markets we enter. Our current international operations and future initiatives involve a variety of risks, including:

- changes in a specific country's or region's political or economic conditions;
- unexpected changes in regulatory requirements, taxes, or trade laws;
- economic and political uncertainty around the world, including uncertainty regarding U.S foreign and domestic policies;
- regional data security and privacy laws and regulations and the unauthorized use of, or access to, commercial and personal information;
- differing labor regulations where labor laws are generally more advantageous to employees as compared to the United States, including deemed hourly wage and overtime regulations in these locations;
- challenges inherent in efficiently managing an increased number of employees over large geographic distances, including the need to implement appropriate systems, policies, benefits, and compliance programs;
- difficulties in managing a business in new markets with diverse cultures, languages, customs, legal systems, alternative dispute systems, and regulatory systems;
- significant reliance upon, and potential disputes with, local business partners;
- increased travel, real estate, infrastructure, and legal compliance costs associated with international operations;
- currency exchange rate fluctuations and the resulting effect on our revenue and expenses, and the cost and risk of entering into hedging transactions if we chose to do so in the future;
- limitations on our ability to repatriate earnings;
- the impact of public health epidemics on our employees, partners and customers, such as the coronavirus epidemic, currently impacting various regions throughout the world;
- laws and business practices favoring local competitors, or general preferences for local vendors;
- limited or insufficient intellectual property protection;
- exposure to liabilities under anti-corruption, export controls and anti-money laundering laws, including the U.S. Foreign Corrupt Practices Act, and similar laws and regulations in other jurisdictions; and
- adverse tax burdens and foreign exchange controls that could make it difficult to repatriate earnings and cash or create other collection difficulties.

Our limited experience operating our business internationally increases the risk that recent and any potential future expansion efforts will not be successful. If substantial time and resources invested to expand our international operations do not result in a successful outcome, our operating results and business will suffer.

If we lose key members of our management team or are unable to attract and retain executives and employees we need to support our operations and growth, our business may be harmed.

Our success and future growth depend largely upon the continued services of our executive officers and other key employees in the areas of research and development, marketing, sales, services, and general administrative functions. From time to time, there may be changes in our executive management team or other key employees resulting from the hiring or departure of these personnel. Our executive officers and other key employees are employed on an at-will basis, which means that these personnel could terminate their employment with us at any time. Any changes in our senior management team in particular, even in the ordinary course of business, may be disruptive to our business. While we seek to manage these transitions carefully, including by establishing strong processes and procedures and succession planning, such changes may result in a loss of institutional knowledge and cause disruptions to our business. If our senior management team fails to work together effectively or execute our plans and strategies on a timely basis as a result of management turnover or otherwise, our business could be harmed.

In addition, to execute our growth plan, we must attract and retain highly qualified personnel. Competition for these personnel is intense, especially for engineers experienced in designing and developing software and SaaS, applications and experienced sales professionals. We have from time to time experienced, and we expect to continue to experience, difficulty in hiring and retaining employees with appropriate qualifications. Many of the companies with which we compete for experienced personnel have greater resources than we have. If we hire employees from competitors or other companies, their former employers may attempt to assert that these employees or we have breached their legal obligations, resulting in a diversion of our time and resources. In addition, prospective and existing employees often consider the value of the equity awards they receive in connection with their employment. If the perceived value of our equity awards declines, or experiences significant volatility,

it may adversely affect our ability to recruit and retain key employees. If we fail to attract new personnel or fail to retain and motivate our current personnel, our business and future growth prospects could be adversely affected.

If we fail to enhance our brand, or to do so in a cost-effective manner, our ability to expand our customer adoption will be impaired and our financial condition may suffer.

We believe that our development of the New Relic brand is critical to achieving widespread awareness of our existing and future solutions, and, as a result, is important to attracting new customers and maintaining existing customers. We also believe that the importance of brand recognition will increase as competition in our market increases. Successful promotion of our brand will depend largely on the effectiveness of our marketing efforts, including our ability to do so in a cost-effective manner, and on our ability to provide reliable and useful products at competitive prices. In the past, our efforts to build our brand have involved significant expenses. Brand promotion activities may not yield increased revenue, and even if they do, any increased revenue may not offset the expenses we incur in building our brand.

If we cannot continue to maintain and develop our corporate culture as we grow, we could lose the innovation, teamwork, passion, and focus on execution that we believe contribute to our success, and our business may be harmed.

We believe that our corporate culture has been a critical component to our success. We have invested substantial time and resources in building our team. As we grow and mature as a public company, and as we continue to expand internationally, we may find it difficult to continue to maintain and develop our corporate culture. There have been recent changes in our senior executive management team resulting from the hiring, promotion or departure of these personnel, and we expect to also recruit and hire other senior executives in the future. Such management changes subject us to a number of risks, such as risks pertaining to the creation of new management systems and processes and differences in management style, any of which could adversely impact our corporate culture. In addition, our restructuring plan announced in April 2021 may have adverse consequences on our corporate culture which may result in attrition beyond our planned reduction in workforce, decrease employee morale or further impact our ability to retain highly skilled employees. We may need to continue to adapt our corporate culture and work environments to such changing circumstances. Any failure to preserve our culture could negatively affect our future success, including our ability to recruit and retain personnel and effectively focus on and pursue our corporate objectives.

Acquisitions, strategic investments, partnerships, or alliances could be difficult to identify, pose integration challenges, divert the attention of management, disrupt our business, dilute stockholder value, and adversely affect our operating results and financial condition.

We have in the past and may in the future seek to acquire or invest in businesses, joint ventures, products and platform capabilities, or technologies that we believe could complement or expand our products and platform capabilities, enhance our technical capabilities, or otherwise offer growth opportunities. For example, in the third quarter of fiscal 2021, we acquired Pixie Labs Inc., a company that provides a next generation machine intelligence observability solution for developers using Kubernetes. Any acquisition or investment may divert the attention of management and cause us to incur various expenses in identifying, investigating, and pursuing suitable opportunities, whether or not the transactions are completed, and may result in unforeseen operating difficulties and expenditures. In particular, we may encounter difficulties assimilating or integrating the businesses, technologies, products and platform capabilities, personnel, or operations of the acquired companies, particularly if the key personnel of the acquired company choose not to work for us, their software is not easily adapted to work with our platform, or we have difficulty retaining the customers of any acquired business due to changes in ownership, management, or otherwise. These transactions may also disrupt our business, divert our resources, and require significant management attention that would otherwise be available for development of our existing business. Any such transactions that we are able to complete may not result in any synergies or other benefits we had expected to achieve, which could result in impairment charges that could be substantial. In addition, we may not be able to find and identify desirable acquisition targets or business opportunities or be successful in entering into an agreement with any particular strategic partner. These transactions could also result in dilutive issuances of equity securities or the incurrence of debt, which could adversely affect our operating results. In addition, if the resulting business from such a transaction fails to meet our expectations, our operating results, business, and financial condition may suffer or we may be exposed to unknown risks or liabilities.

We provide service level commitments under some of our customer contracts. If we fail to meet these contractual commitments, we could be obligated to provide credits or refunds for prepaid amounts related to unused portion of our contractual commitments or face contract terminations, which could adversely affect our revenue.

Some of our customer agreements provide service level commitments. If we are unable to meet the stated service level commitments or suffer extended periods of unavailability for our products and platform capabilities, we may be contractually obligated to provide these customers with service credits or refunds for prepaid amounts related to unused portion of our contractual commitments, or we could face contract terminations. Our revenue could be significantly affected if we suffer

unscheduled downtime that exceeds the allowed downtimes under our agreements with our customers. Any extended service outages could adversely affect our reputation, revenue, and operating results.

If third parties, such as customers, partners and third-party software developers fail to maintain interoperability, availability, or privacy compliance controls in the integrations and applications that they provide, our services that rely upon such integrations may have less value to customers, become less marketable, or less competitive, and our brand and financial performance could be harmed.

We provide software that enables customers, partners and third-party software developers to build integrations and applications with our products and extend the functionality of our platform capabilities. This presents certain risks to our business, including:

- customers, partners and third-party developers may not continue developing or supporting the integrations and applications that they provide or they may favor a competitor's or their own competitive offerings over ours;
- we cannot provide any assurance that these integrations and applications meet the same quality standards that we apply to our own development efforts, and, to the extent they contain bugs, defects, or security risks, they may create disruptions in our customers' use of our software or negatively affect our brand;
- we do not currently provide support or warranties related to the functionality, security, and integrity of the data transmission or processing for integrations and applications developed by customers, partners and third-party software developers, and users may seek warranties or be left without support and potentially cease using our products if the developers do not provide warranties or support for their integrations and applications; and
- these customers, partners and third-party software developers may not possess the appropriate intellectual property rights to develop and share their integrations and applications or the legal basis and privacy and security compliance measures to process or control personal data that flows through our systems.

While many of these risks are not within our control to prevent, our brand and financial performance could be harmed if these integrations and applications do not perform to our customers' satisfaction and if that dissatisfaction is attributed to us.

Sales to government entities and highly regulated organizations are subject to a number of challenges and risks.

We may sell to U.S. federal, state, and local, as well as foreign, governmental agency customers, as well as to customers in highly regulated industries such as financial services, telecommunications and healthcare. Sales to such entities are subject to a number of challenges and risks. Selling to such entities can be highly competitive, expensive, and time-consuming, often requiring significant upfront time and expense without any assurance that these efforts will generate a sale. Government contracting requirements may change and in doing so restrict our ability to sell into the government sector until we have attained the revised certification. Government demand and payment for our products are affected by public sector budgetary cycles and funding authorizations, with funding reductions or delays adversely affecting public sector demand for our products.

Further, governmental and highly regulated entities may demand contract terms that differ from our standard arrangements and are less favorable than terms agreed with private sector customers. Such entities may have statutory, contractual, or other legal rights to terminate contracts with us or our partners for convenience or for other reasons. Any such termination may adversely affect our ability to contract with other government customers as well as our reputation, business, financial condition and results of operations.

We have incurred substantial indebtedness that may decrease our business flexibility, access to capital, and/or increase our borrowing costs, and we may still incur substantially more debt, which may adversely affect our operations and financial results.

As of March 31, 2021, we had $500.25 million (undiscounted) principal amount of indebtedness under our 0.50% convertible senior notes due 2023 (the "Notes"). Our indebtedness may:

- limit our ability to borrow additional funds for working capital, capital expenditures, acquisitions, or other general business purposes;
- limit our ability to use our cash flow or obtain additional financing for future working capital, capital expenditures, acquisitions, or other general business purposes;
- require us to use a substantial portion of our cash flow from operations to make debt service payments;
- limit our flexibility to plan for, or react to, changes in our business and industry;
- place us at a competitive disadvantage compared to our less leveraged competitors; and

- increase our vulnerability to the impact of adverse economic and industry conditions.

Further, the indenture governing the Notes does not restrict our ability to incur additional indebtedness and we and our subsidiaries may incur substantial additional indebtedness in the future, subject to the restrictions contained in any future debt instruments existing at the time, some of which may be secured indebtedness.

Servicing our debt will require a significant amount of cash. We may not have sufficient cash flow from our business to pay our substantial debt, and we may not have the ability to raise the funds necessary to settle conversions of the Notes in cash or to repurchase the Notes upon a fundamental change, which could adversely affect our business and results of operations.

Our ability to make scheduled payments of the principal of, to pay interest on, or to refinance our indebtedness, including the amounts payable under the Notes, depends on our future performance, which is subject to economic, financial, competitive, and other factors beyond our control. Our business may not continue to generate cash flow from operations in the future sufficient to service our indebtedness and make necessary capital expenditures. If we are unable to generate such cash flow, we may be required to adopt one or more alternatives, such as selling assets, restructuring debt, or obtaining additional equity capital on terms that may be onerous or highly dilutive. Our ability to refinance our indebtedness will depend on the capital markets and our financial condition at such time. We may not be able to engage in any of these activities or engage in these activities on desirable terms, which could result in a default on our debt obligations.

Further, holders of the Notes will have the right to require us to repurchase all or a portion of their Notes upon the occurrence of a “fundamental change” (as defined in the indenture governing the Notes, or the indenture) before the maturity date at a repurchase price equal to 100% of the principal amount of the Notes to be repurchased, plus accrued and unpaid interest, if any. In addition, upon conversion of the Notes, unless we elect to deliver solely shares of our common stock to settle such conversion (other than paying cash in lieu of delivering any fractional share), we will be required to make cash payments in respect of the Notes being converted. However, we may not have enough available cash or be able to obtain financing at the time we are required to make repurchases of Notes being surrendered or pay cash with respect to Notes being converted.

The conditional conversion feature of the Notes, if triggered, may adversely affect our financial condition and operating results.

In the event the conditional conversion feature of the Notes is triggered, holders of the Notes will be entitled to convert their Notes at any time during specified periods at their option. If one or more holders elect to convert their Notes, unless we elect to satisfy our conversion obligation by delivering solely shares of our common stock (other than paying cash in lieu of delivering any fractional share), we would be required to settle a portion or all of our conversion obligation in cash, which could adversely affect our liquidity. In addition, even if holders of Notes do not elect to convert their Notes, we could be required under applicable accounting rules to reclassify all or a portion of the outstanding principal of the Notes as a current rather than long-term liability, which would result in a material reduction of our net working capital.

The accounting method for convertible debt securities that may be settled in cash, such as the Notes, could have a material effect on our reported financial results.

Under Accounting Standards Codification 470-20, Debt with Conversion and Other Options (“ASC 470-20”), an entity must separately account for the liability and equity components of the convertible debt instruments (such as the Notes) that may be settled entirely or partially in cash upon conversion in a manner that reflects the issuer’s economic interest cost. The effect of ASC 470-20 on the accounting for the Notes is that the equity component is required to be included in the additional paid-in capital section of stockholders’ equity on our consolidated balance sheet at the issuance date and the value of the equity component would be treated as debt discount for purposes of accounting for the debt component of the Notes. As a result, we will be required to record non-cash interest expense through the amortization of the excess of the face amount over the carrying amount of the expected life of the Notes. We will report larger net losses (or lower net income) in our financial results because ASC 470-20 will require interest to include both the amortization of the debt discount and the instrument’s cash coupon interest rate, which could adversely affect our reported or future financial results, the trading price of our common stock and the trading price of the Notes.

In addition, under certain circumstances, convertible debt instruments (such as the Notes) that may be settled entirely or partly in cash may be accounted for utilizing the treasury stock method, the effect of which is that the shares issuable upon conversion of such Notes are not included in the calculation of diluted earnings per share except to the extent that the conversion value of such Notes exceeds their principal amount. Under the treasury stock method, for diluted earnings per share purposes, the transaction is accounted for as if the number of shares of common stock that would be necessary to settle such excess, if we elected to settle such excess in shares, are included in the denominator for purposes of calculating diluted earnings per share. We cannot be sure that the accounting standards in the future will continue to permit the use of the treasury stock

method. If we are unable or otherwise elect not to use the treasury stock method in accounting for the shares issuable upon conversion of the Notes, then our diluted earnings per share could be adversely affected.

The capped call transactions may affect the value of the Notes and our common stock.

In connection with the pricing of the Notes, we entered into capped call transactions with certain financial institutions. The capped call transactions are expected generally to reduce or offset the potential dilution upon conversion of the Notes and/or offset any cash payments we are required to make in excess of the principal amount of converted Notes, as the case may be, with such reduction and/or offset subject to a cap.

In connection with establishing their initial hedges of the capped call transactions, these financial institutions or their respective affiliates likely purchased shares of our common stock and/or entered into various derivative transactions with respect to our common stock concurrently with or shortly after the pricing of the Notes. These financial institutions or their respective affiliates may modify their hedge positions by entering into or unwinding various derivatives with respect to our common stock and/or purchasing or selling our common stock or other securities of ours in secondary market transactions following the pricing of the Notes and prior to the maturity of the Notes (and are likely to do so during any observation period related to a conversion of Notes). This activity could also cause or avoid an increase or a decrease in the market price of our common stock or the Notes.

The potential effect, if any, of these transactions and activities on the price of our common stock or the Notes will depend in part on market conditions and cannot be ascertained at this time. Any of these activities could adversely affect the value of our common stock.

Provisions in the indenture for the Notes may deter or prevent a business combination that may be favorable to our stockholders.

If a fundamental change occurs prior to the maturity date of the Notes, holders of the Notes will have the right, at their option, to require us to repurchase all or a portion of their Notes. In addition, if a “make-whole fundamental change” (as defined in the indenture) occurs prior to the maturity date, we will in some cases be required to increase the conversion rate of the Notes for a holder that elects to convert its Notes in connection with such make-whole fundamental change.

Furthermore, the indenture will prohibit us from engaging in certain mergers or acquisitions unless, among other things, the surviving entity assumes our obligations under the Notes. These and other provisions in the indenture could deter or prevent a third party from acquiring us even when the acquisition may be favorable to our stockholders.

Conversion of the Notes may dilute the ownership interest of existing stockholders, including holders who had previously converted their Notes, or may otherwise depress the price of our common stock.

The conversion of some or all of the Notes will dilute the ownership interests of existing stockholders to the extent we deliver shares of our common stock upon conversion of any of the Notes and the potential dilution is not reduced or offset by the capped call transactions we entered into. The Notes may become in the future convertible at the option of their holders prior to their scheduled terms under certain circumstances. Any sales in the public market of the common stock issuable upon such conversion could adversely affect prevailing market prices of our common stock. In addition, the existence of the Notes may encourage short selling by market participants because the conversion of the Notes could be used to satisfy short positions, or anticipated conversion of the Notes into shares of our common stock could depress the price of our common stock.

Our ability to use our net operating loss carryforwards to offset future taxable income may be subject to certain limitations.

As of our fiscal year ended March 31, 2021, we had U.S. federal and state net operating losses of approximately $707.8 million and $389.0 million, respectively. Other than federal net operating losses arising in tax years beginning after December 31, 2017, the federal and state net operating loss carryforwards will begin to expire, if not utilized, beginning in 2028 and 2022, respectively. These net operating loss carryforwards could expire unused and be unavailable to offset future income tax liabilities. Under the 2017 federal income tax law, as modified by the federal tax law changes enacted in March 2020, federal net operating losses incurred in tax years beginning after December 31, 2017 may be carried forward indefinitely, but, for taxable years beginning after December 31, 2020, the deductibility of such federal net operating losses is limited. In addition, under Section 382 of the Internal Revenue Code of 1986, as amended, and corresponding provisions of state law, if a corporation undergoes an “ownership change,” which is generally defined as a greater than 50% change, by value, in its equity ownership over a three-year period, the corporation’s ability to use its pre-change net operating loss carryforwards and other pre-change tax attributes to offset its post-change income or taxes may be limited. We may experience ownership changes in the future as a result of subsequent shifts in our stock ownership, some of which may be outside of our control. If an ownership change occurs and our ability to use our net operating loss carryforwards is materially limited, it would harm our future

operating results by effectively increasing our future tax obligations. In addition, for state income tax purposes, there may be periods during which the use of net operating losses is suspended or otherwise limited, including a recent California franchise tax law change limiting the usability of California state net operating losses to offset California taxable income in taxable years beginning on or after January 1, 2020 and before January 1, 2023, which could accelerate or permanently increase state taxes owed.

Our effective tax rate may fluctuate, and we may incur obligations in tax jurisdictions in excess of accrued amounts.

We are subject to taxation in numerous U.S. states and territories. As a result, our effective tax rate is derived from a combination of applicable tax rates in the various places that we operate. In preparing our financial statements, we estimate the amount of tax that will become payable in each of such places. Nevertheless, our effective tax rate may be different than experienced in the past due to numerous factors, including passage of the newly enacted federal income tax law, changes in the mix of our profitability from state to state, the results of examinations and audits of our tax filings, our inability to secure or sustain acceptable agreements with tax authorities, changes in accounting for income taxes and changes in tax laws. Any of these factors could cause us to experience an effective tax rate significantly different from previous periods or our current expectations and may result in tax obligations in excess of amounts accrued in our financial statements.

We may face exposure to foreign currency exchange rate fluctuations.

While we have historically transacted in U.S. dollars with substantially all of our customers and vendors, we have transacted in foreign currencies and may transact in foreign currencies in the future. In addition, any international subsidiaries will maintain net assets that are denominated in currencies other than the functional operating currencies of these entities. Accordingly, changes in the value of foreign currencies relative to the U.S. dollar can affect our revenue and operating results due to transactional and translational remeasurement that is reflected in our earnings. As a result of such foreign currency exchange rate fluctuations, it could be more difficult to detect underlying trends in our business and results of operations. In addition, to the extent that fluctuations in currency exchange rates cause our results of operations to differ from our expectations or the expectations of our investors, the trading price of our common stock could be adversely affected. We do not currently maintain a program to hedge transactional exposures in foreign currencies. However, in the future, we may use derivative instruments, such as foreign currency forward and option contracts, to hedge certain exposures to fluctuations in foreign currency exchange rates. The use of such hedging activities may not offset any or more than a portion of the adverse financial effects of unfavorable movements in foreign exchange rates over the limited time the hedges are in place. Moreover, the use of hedging instruments may introduce additional risks if we are unable to structure effective hedges with such instruments.

Risks Related to Laws and Regulations

We are subject to stringent and rapidly changing laws, regulations, industry standards, contractual obligations, and other obligations relating to privacy, data protection, and data security. The actual or perceived failure to comply with such obligations by us, our customers, or third parties with whom we work could harm our reputation, subject us to significant fines and liability, or otherwise adversely affect our business.

We, our customers, and third parties who we work with are subject to numerous evolving and increasingly stringent domestic and foreign laws and other obligations relating to privacy, data protection, and data security that are increasing the cost and complexity of operating our business.

Foreign laws relating to privacy, data protection, and data security are undergoing a period of rapid change and have become more stringent in recent years. For example, the General Data Protection Regulation ("GDPR") took effect in the European Union ("EU") in May 2018 and has also been transposed into national law in the United Kingdom ("UK"). The GDPR subjects noncompliant companies to fines of up to the greater of 20 million Euros or 4% of their global annual revenues, restrictions or prohibitions on processing of personal information, and private litigation. The GDPR requires companies to give detailed disclosures about how they collect, use, and share personal information; contractually commit to data protection measures in contracts with customers and vendors; maintain adequate data security measures; notify regulators and affected individuals of certain data breaches; meet extensive privacy governance and documentation requirements; and honor individuals' data protection rights, including their rights to access, correct, and delete their personal information. The GDPR also requires controllers to conduct data protection impact assessments for certain types of processing and requires processors to assist controllers with such assessments, which may be complex and burdensome to conduct. Laws in EU member states and the UK also impose restrictions on direct marketing communications and the use of cookies and similar technologies online, and a new regulation proposed in the EU called the e-Privacy Regulation may make such restrictions more stringent.

European privacy, data protection, and data security laws, including the GDPR, also generally restrict the transfer of personal information from Europe, including the European Economic Area ("EEA"), the UK, and Switzerland, to the United

States and most other countries unless the parties to the transfer have implemented specific safeguards to protect the transferred personal information. The Court of Justice of the European Union, however, recently invalidated the Privacy Shield framework, one of the primary safeguards used for cross-border data transfers from the EU, and raised questions on the viability of the primary alternative to the Privacy Shield framework, the European Commission's Standard Contractual Clauses ("SCCs"). Authorities in Switzerland have since raised similar questions about the SCCs as a mechanism for complying with Swiss data transfer requirements. At present, there are few, if any, viable alternatives to the SCCs. In addition, the regulation of data transfers between the EU and UK remains subject to post-Brexit uncertainty. For example, pursuant to a post-Brexit trade deal between the UK and the EU, transfers of personal information from the EEA to the UK are not considered restricted transfers under the GDPR for a period of up to six months from January 1, 2021. However, unless the EU Commission makes an adequacy finding with respect to the UK before the end of that period, the UK will be considered a "third country" under the GDPR and transfers of European personal information to the UK will require an adequacy mechanism or an additional safeguard. Further, in November 2020, EU regulators proposed a new set of SCCs, which would impose additional obligations and requirements with respect to the transfer of EU personal data to other jurisdictions. The new SCCs may increase the legal risks and liabilities under the European privacy, data protection, and data security laws. If our efforts to comply with Europe's highly dynamic cross-border data transfer requirements are not successful, we will face increased risk of substantial fines by European regulators and prohibitions on data processing. These requirements may also result in reduced demand for our services from customers subject to the GDPR and require us to increase our data processing capabilities and other operations in Europe at significant expense.

Other jurisdictions are also passing more stringent privacy, data protection and data security laws. For example, Brazil recently enacted the General Data Protection Law (Lei Geral de Proteção de Dados Pessoais) (Law No. 13,709/2018) ("LGPD"), and Japan recently passed amendments to its Act on the Protection of Personal Information ("APPI"). Both laws broadly regulate the processing of personal information in a manner comparable to the GDPR, and violators of the LGPD and APPI face substantial penalties.

Many states have enacted privacy, data protection, and data security laws. For example, the California Consumer Privacy Act ("CCPA"), which took effect on January 1, 2020, gives California residents expanded rights to access and delete their personal information, opt-out of certain personal information sharing, and receive detailed information about how their personal information is used. The CCPA provides for civil penalties for violations, as well as a private right of action for data breaches that is expected to increase data breach litigation. Some observers have noted that the CCPA could mark the beginning of a trend toward more stringent privacy legislation in the United States. California has already adopted a new law, the California Privacy Rights Act of 2020 ("CPRA"), that will substantially expand the CCPA effective January 1, 2023. Aspects of the CCPA and CPRA and their interpretation and enforcement remain uncertain. Virginia has similarly enacted a comprehensive privacy law, the Consumer Data Protection Act, which emulates the CCPA and CPRA in many respects, and proposals for comprehensive privacy and data security legislation are advancing in several other states. A patchwork of differing state privacy and data security laws would increase the cost and complexity of operating our business and increase our exposure to liability.

Like our legal obligations, the demands our customers place on us relating to privacy, data protection, and data security are becoming more stringent. Laws such as the GDPR and CCPA increasingly require companies to impose specific contractual restrictions on their service providers. We are also subject to the terms of our privacy and security policies, representations, certifications, publications, contractual obligations, and other obligations related to privacy, data protection, and data security, including operating rules and standards imposed by industry organizations such as PCI-DSS. Although we endeavor to comply with our obligations, we and the third parties on which we rely may at times fail to do so or may be perceived to have failed to do so. Such failures could subject us to regulatory enforcement action as well as costly legal claims by affected individuals or our customers.

We strive to comply with applicable privacy, data protection, and data security laws and other obligations, but we cannot fully determine the impact that current or future such laws and other obligations may have on our business or operations. Such laws or obligations may be inconsistent from one jurisdiction to another, subject to differing interpretations, and courts or regulators may deem our efforts to comply as insufficient. If we or the third parties we rely on to operate our business and deliver our services fail to comply, or are perceived as failing to comply, with our legal, contractual, or other obligations relating to privacy, data protection, or data security or, or our policies and documentation relating to personal information, we could face governmental enforcement action; litigation with our customers, individuals or others; fines and civil or criminal penalties for us or company officials; obligations to cease offering our services or to substantially modify them in ways that make them less effective in certain jurisdictions; negative publicity and harm to our brand and reputation; and reduced overall demand for our services. Such developments could adversely affect our business, financial condition, and results of operations.

We are subject to governmental export and import controls that could impair our ability to compete in international markets or subject us to liability if we violate these controls.

Our products are subject to U.S. export controls, and we incorporate encryption technology into certain of our products. Governmental regulation of encryption technology and regulation of imports or exports of encryption products, or our failure to obtain required import or export authorization for our products, when applicable, could harm our international sales and adversely affect our revenues. Compliance may also create delays in the introduction of our product releases in international markets, prevent our customers with international operations from deploying our products or, in some cases, prevent the export of our products to some countries altogether. If we fail to comply, we could be subject to both civil and criminal penalties, including substantial fines, possible incarceration for employees and managers for willful violations, and the possible loss of export or import privileges. Any decreased use of our products or limitation on our ability to export or sell our products would likely adversely affect our business, financial condition and results of operations.

We are subject to the tax laws of various jurisdictions, which are subject to unanticipated changes and to interpretation, which could harm our future results.

We are subject to income taxes in the United States and foreign jurisdictions, and our domestic and international tax liabilities are subject to the allocation of expenses in differing jurisdictions. Our effective tax rate could be adversely affected by changes in the mix of earnings and losses in countries with differing statutory tax rates, certain non-deductible expenses as a result of acquisitions, the valuation of deferred tax assets and liabilities, and changes in federal, state, or international tax laws and accounting principles.

For example, U.S. tax legislation enacted in December 2017 represents a significant overhaul of the U.S. federal tax code. This tax legislation significantly reduced the U.S. statutory corporate tax rate and made other changes that could have a favorable impact on our overall U.S. federal tax liability in a given period. That 2017 tax legislation was modified in various respects by additional tax legislation enacted in March 2020. However, the 2017 tax legislation also included a number of provisions, including, but not limited to, the limitation or elimination of various deductions or credits (including for interest expense and for performance-based compensation under Section 162(m)), the imposition of taxes on certain cross-border payments or transfers, the changing of the timing of the recognition of certain income and deductions or their character, and the limitation of recovery of asset basis under certain circumstances, that could significantly and adversely affect our U.S. federal income tax liability in the event we become profitable in the future. The legislation also made significant changes to the tax rules applicable to insurance companies and other entities with which we do business.

Further, each jurisdiction has different rules and regulations governing sales and use, value added, and similar taxes, and these rules and regulations are subject to varying interpretations that change over time. Certain jurisdictions in which we did not collect such taxes may assert that such taxes are applicable, which could result in tax assessments, penalties, and interest, and we may be required to collect such taxes in the future. The U.S. Supreme Court’s decision in South Dakota v. Wayfair, Inc. may increase that risk by increasing states’ ability to assert taxing jurisdiction on out-of-state retailers. In addition, we may be subject to income tax audits by many tax jurisdictions throughout the world, many of which have not established clear guidance on the tax treatment of SaaS-based companies. Any tax assessments, penalties, and interest, or future requirements may adversely affect our results of operations. Moreover, imposition of such taxes on us going forward would effectively increase the cost of our products to our customers and might adversely affect our ability to retain existing customers or to gain new customers in the areas in which such taxes are imposed.

In addition, the application of the tax laws of various jurisdictions, including the United States, to our international business activities is subject to interpretation and depends on our ability to operate our business in a manner consistent with our corporate structure and intercompany arrangements. The taxing authorities of jurisdictions in which we operate may challenge our methodologies for valuing developed technology or intercompany arrangements, including our transfer pricing, or determine that the manner in which we operate our business does not achieve the intended tax consequences. As we operate in numerous taxing jurisdictions, the application of tax laws can also be subject to diverging and sometimes conflicting interpretations by tax authorities of these jurisdictions. For instance, it is not uncommon for taxing authorities in different countries to have conflicting views, with respect to, among other things, the manner in which the arm’s length standard is applied for transfer pricing purposes, or with respect to the valuation of intellectual property.

Risks Related to Our Intellectual Property

We may incur significant costs due to claims for alleged infringement of proprietary rights.

There is considerable patent, copyright, trademark, trade secret, and other intellectual property development activity in our industry. Our success depends in part on not infringing upon the intellectual property rights of others and how we prepare

for and handle claims of infringement. From time to time, our competitors or other third parties may claim that we are infringing upon their intellectual property rights, and we may be found to be infringing upon such rights. We may receive claims that our products, platform capabilities, and underlying technology infringe or violate the claimant's intellectual property rights. In addition, agreements with customers and other third parties may include indemnification provisions under which we agree to indemnify them in the event of claims of infringement of certain proprietary rights. Any claims or litigation, regardless of merit, could cause us to incur significant expenses and, if successfully asserted against us, could require that we pay substantial damages or ongoing royalty payments, prevent us from offering our products and platform capabilities, or require that we comply with other unfavorable terms.

Even if the claims do not result in litigation or are resolved in our favor, these claims, and the time and resources necessary to resolve them, could divert the resources of our management and harm our business and operating results. We expect that the occurrence of infringement claims is likely to grow as the market for our products grows. Accordingly, our exposure to damages resulting from infringement claims could increase and this could further exhaust our financial and management resources.

Any failure to protect our intellectual property rights could impair our ability to protect our proprietary technology and our brand.

Our success depends to a significant degree on our ability to protect our proprietary technology and our brand. We rely on a combination of trademarks, trade secret laws, patent, copyrights, service marks, contractual restrictions, and other intellectual property laws and confidentiality procedures to establish and protect our proprietary rights. However, the steps we take to protect our intellectual property may be inadequate. We will not be able to protect our intellectual property if we are unable to enforce our rights or if we do not detect unauthorized use of our intellectual property. If we fail to protect our intellectual property rights adequately, our competitors may gain access to our technology and our business may be harmed. In addition, defending our intellectual property rights might entail significant expense. Any patents, trademarks, or other intellectual property rights that we obtain may be challenged by others or invalidated through administrative process or litigation. As of March 31, 2021, we had 28 issued patents in the United States and abroad and 34 patent applications pending in the United States and abroad. Despite our issued patents and pending patent applications, we may be unable to maintain or obtain patent protection for our technology. In addition, our existing patents and any patents issued in the future may not provide us with competitive advantages, or may be successfully challenged by third parties. Furthermore, legal standards relating to the validity, enforceability, and scope of protection of intellectual property rights are uncertain. Despite our precautions, it may be possible for unauthorized third parties to copy our products and platform capabilities and use information that we regard as proprietary to create products and services that compete with ours. Effective patent, trademark, copyright, and trade secret protection may not be available to us in every country in which our products are available. The laws of some foreign countries may not be as protective of intellectual property rights as those in the United States, and mechanisms for enforcement of intellectual property rights may be inadequate. As we expand our international activities, our exposure to unauthorized copying and use of our products and platform capabilities and proprietary information will likely increase. Accordingly, despite our efforts, we may be unable to prevent third parties from infringing upon or misappropriating our intellectual property.

We enter into confidentiality and invention assignment agreements with our employees and consultants and enter into confidentiality agreements with other parties. No assurance can be given that these agreements will be effective in controlling access to and distribution of our proprietary information. Further, these agreements may not prevent our competitors from independently developing technologies that are substantially equivalent or superior to our products and platform capabilities.

In order to protect our intellectual property rights, we may be required to spend significant resources to monitor and protect our intellectual property rights. Litigation may be necessary in the future to enforce our intellectual property rights and to protect our trade secrets. Litigation brought to protect and enforce our intellectual property rights could be costly, time-consuming, and distracting to management, and could result in the impairment or loss of portions of our intellectual property. Further, our efforts to enforce our intellectual property rights may be met with defenses, counterclaims, and countersuits attacking the validity and enforceability of our intellectual property rights. Our inability to protect our proprietary technology against unauthorized copying or use, as well as any costly litigation or diversion of our management's attention and resources, could delay further sales or the implementation of our products and platform capabilities, impair the functionality of our products and platform capabilities, delay introductions of new solutions, result in our substituting inferior or more costly technologies into our products, or injure our reputation.

Our reliance upon open source software could negatively affect our ability to sell our products and subject us to possible litigation.

We rely heavily upon open source software for the operation of our products and platform capabilities and expect to continue to do so in the future. In July 2020, we strengthened this commitment when we announced that we are making our agents, integrations, and SDKs available under an open source license, and that we are standardizing our future observability offerings in OpenTelemetry, a Cloud Native Computing Foundation project that is an emerging standard for software instrumentation. As a result of our use of open source software in our offerings, as well as our contributions of code to open source software projects, we may face claims from others claiming ownership of, or seeking to enforce the terms of, incompatible or conflicting licenses or other rights. This may include a demand to release the open source software, derivative works, or our proprietary source code that was developed using such software. These claims could also result in litigation, require us to purchase a costly license, or require us to devote additional research and development resources to change our platform, any of which would have a negative effect on our business and operating results. In addition, if the license terms for the software we utilize change, additional licenses from third parties may be required or we may be forced to reengineer or discontinue our products and platform capabilities or incur additional costs. In addition, open source licensors generally do not provide warranties, support, indemnity, or assurance of title or controls on origin of the software which may lead to greater risks. Likewise, some open source projects have known security and other vulnerabilities and architectural instabilities and are provided on an “as-is” basis which, if not properly addressed, could negatively affect the performance of our product. While we have established processes to help alleviate these risks, we cannot assure that these measures will reduce or completely shield us from these risks. Moreover, we cannot be certain that we have not incorporated software in our products and platform capabilities in a manner that is inconsistent with the terms of the applicable proprietary rights that may govern their use, or our own policies and procedures.

Our continued shift to increase reliance upon open source software will also present increased risk from the standpoint of competition. Because any software source code we contribute to open source projects is publicly available, our ability to protect our intellectual property rights with respect to such software source code may be limited or lost entirely. Anyone may obtain access to the source code for our open source features and then redistribute it (either in a modified or unmodified form), and we may be unable to prevent our competitors or others from using such software source code for competitive purposes, or for commercial or other purposes beyond what we intended. For instance, our recent conversion of the license terms for our agents, integrations and SDKs from our historical proprietary licenses to open source licenses may allow the use of our previous proprietary code with competitor’s platforms. Additionally, we make the source code of our proprietary features publicly available, which may enable others to compete more effectively. Such competition can develop without the degree of overhead and lead time required by traditional proprietary software companies, due to the permissions allowed under open source licensing. It is possible for competitors to develop their own software, including software based on our products, potentially reducing the demand for our services.

Risks Related to Ownership of Our Common Stock

Our stock price has been and will likely continue to be subject to fluctuations, which may be volatile and due to factors beyond our control.

The market price of our common stock is subject to wide fluctuations in response to various factors, some of which are beyond our control. Since shares of our common stock were sold in our initial public offering in December 2014 at a price of $23.00 per share, the reported high and low sales prices of our common stock have ranged from $114.78 to $20.39 through March 31, 2021. In addition to the factors discussed in this “Risk Factors” section and elsewhere in this report, factors that could cause fluctuations in the market price of our common stock include the following:

- actual or anticipated fluctuations in our operating results;
- seasonal and end-of-quarter concentration of our transactions and variations in the number and size of transactions that close in a particular quarter;
- the financial projections we may provide to the public, any changes in these projections, or our failure to meet these projections;
- failure of securities analysts to initiate or maintain coverage of our company, changes in financial estimates and publication of other news by any securities analysts who follow our company, or our failure to meet these estimates or the expectations of investors;
- ratings changes by any securities analysts who follow our company;

- announcements by us or our competitors of significant technical innovations, acquisitions, strategic partnerships, joint ventures, or capital commitments;
- changes in operating performance and stock market valuations of other technology companies generally, or those in our industry in particular;
- price and volume fluctuations in the overall stock market from time to time, including as a result of trends in the economy as a whole;
- changes in accounting standards, policies, guidelines, interpretations, or principles;
- actual or anticipated developments in our business or our competitors' businesses or the competitive landscape generally;
- changes in our pricing models and practices or those of our competitors;
- developments or disputes concerning our intellectual property or our products and platform capabilities, or third-party proprietary rights;
- cybersecurity attacks or incidents;
- announced or completed acquisitions of businesses or technologies by us or our competitors;
- new laws or regulations or new interpretations of existing laws, or regulations applicable to our business;
- changes in our board of directors or management;
- announced or completed equity or debt transactions involving our securities;
- sales of shares of our common stock by us, our officers, directors, or other stockholders;
- lawsuits filed or threatened against us; and
- other events or factors, including those resulting from war, incidents of terrorism, public health epidemics, or responses to these events.

In addition, the market for technology stocks and the stock markets in general have experienced extreme price and volume fluctuations. Stock prices of many technology companies have fluctuated in a manner unrelated or disproportionate to the operating performance of those companies. Moreover, fluctuations in our quarterly operating results and the price of our common stock may be particularly pronounced in the current economic environment due to the uncertainty caused by and the unprecedented nature of the COVID-19 pandemic. In the past, stockholders have instituted securities class action litigation following periods of market volatility. If we were to become involved in securities litigation, it could subject us to substantial costs, divert resources and the attention of management from our business, and adversely affect our business, results of operations, financial condition, and cash flows. A decline in the value of our common stock, including as a result of one or more factors set forth above, may result in substantial losses for our stockholders.

Substantial future sales of shares of our common stock could cause the market price of our common stock to decline.

The market price of our common stock could decline as a result of substantial sales of our common stock, particularly sales by our directors, executive officers, and significant stockholders, a large number of shares of our common stock becoming available for sale, or the perception in the market that holders of a large number of shares intend to sell their shares. Further, the Notes may become in the future convertible at the option of their holders prior to their scheduled terms under certain circumstances. Any sales in the public market of the common stock issuable upon such conversion could adversely affect prevailing market prices of our common stock. Additionally, the shares of common stock subject to outstanding options under our equity incentive plans and the shares reserved for future issuance under our equity incentive plans, as well as shares issuable upon vesting of restricted stock awards, will become eligible for sale in the public market in the future, subject to certain legal and contractual limitations. We have also registered shares of common stock that we may issue under our employee equity incentive plans. Accordingly, these shares may be able to be sold freely in the public market upon issuance as permitted by any applicable vesting requirements.

Anti-takeover provisions in our charter documents and under Delaware law could make an acquisition of our company more difficult, limit attempts by our stockholders to replace or remove our current management and limit the market price of our common stock.

Provisions in our amended and restated certificate of incorporation and amended and restated bylaws may have the effect of delaying or preventing a change of control or changes in our management. Our amended and restated certificate of incorporation and amended and restated bylaws include provisions that:

- authorize our board of directors to issue, without further action by the stockholders, shares of undesignated preferred stock with terms, rights, and preferences determined by our board of directors that may be senior to our common stock;
- require that any action to be taken by our stockholders be effected at a duly called annual or special meeting and not by written consent;
- specify that special meetings of our stockholders can be called only by our board of directors, the Chair of our board of directors, or our Chief Executive Officer;
- establish an advance notice procedure for stockholder proposals to be brought before an annual meeting, including proposed nominations of persons for election to our board of directors;
- provide that our board of directors is divided into three classes, with each class serving three-year staggered terms;
- prohibit cumulative voting in the election of directors;
- provide that our directors may be removed only for cause;
- provide that vacancies on our board of directors may be filled only by a majority of directors then in office, even though less than a quorum; and
- require the approval of our board of directors or the holders of at least seventy-five percent (75%) of our outstanding shares of capital stock to amend our bylaws and certain provisions of our certificate of incorporation.

These provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our board of directors, which is responsible for appointing the members of our management. In addition, because we are incorporated in Delaware, we are subject to the provisions of Section 203 of the Delaware General Corporation Law, which generally prohibits a Delaware corporation from engaging in any of a broad range of business combinations with any "interested" stockholder for a period of three years following the date on which the stockholder became an "interested" stockholder. Any delay or prevention of a change of control transaction or changes in our management could cause the market price of our common stock to decline.

Our amended and restated certificate of incorporation provides that the Court of Chancery of the State of Delaware will be the exclusive forum for the adjudication of certain disputes, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers, or employees.

Our amended and restated certificate of incorporation provides that the Court of Chancery of the State of Delaware is the sole and exclusive forum for:

- any derivative action or proceeding brought on our behalf;
- any action asserting a claim of breach of a fiduciary duty owed by any director, officer, or other employee of New Relic to us or our stockholders;
- any action asserting a claim against us or any of our directors, officers, or other employees arising pursuant to any provision of the Delaware General Corporation Law, our amended and restated certificate of incorporation, or our amended and restated bylaws; and
- any action asserting a claim against us or any of our directors, officers, or other employees that is governed by the internal affairs doctrine.

This exclusive-forum provision would not apply to suits brought to enforce a duty or liability created by the Securities Act of 1933, as amended, the Exchange Act or any claim for which the U.S. federal courts have exclusive jurisdiction. This exclusive-forum provision may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers, or other employees, which may discourage lawsuits against us and our directors, officers, and other employees. While the Delaware courts have determined that such choice of forum provision is facially valid, a stockholder may nevertheless seek to bring a claim in a venue other than that designated in the exclusive forum provision. In

such instance, we would expect to vigorously assert the validity and enforceability of the exclusive forum provision of our amended and restated certificate of incorporation. This may require significant additional costs associated with resolving such action in other jurisdictions and there can be no assurance that the provisions will be enforced by a court in those other jurisdictions. If a court were to find this exclusive-forum provision to be inapplicable or unenforceable in an action, we may incur further significant additional costs associated with resolving the dispute in other jurisdictions, all of which could seriously harm our business.

We do not intend to pay dividends on our common stock so any returns will be limited to changes in the value of our common stock.

We have never declared or paid any cash dividends on our common stock. We currently anticipate that we will retain future earnings for the development, operation, and expansion of our business and do not anticipate declaring or paying any cash dividends for the foreseeable future. In addition, our ability to pay cash dividends on our common stock may be prohibited or limited by the terms of any future debt financing arrangements. Any return to stockholders will therefore be limited to the increase, if any, of our stock price, which may never occur.

If securities or industry analysts do not continue to publish research or publish inaccurate or unfavorable research about our business, our stock price and trading volume could decline.

The trading market for our common stock depends in part on the research and reports that securities or industry analysts publish about us or our business. If industry analysts cease coverage of us, the trading price for our common stock would be negatively affected. If one or more of the analysts who cover us downgrade our common stock or publish inaccurate or unfavorable research about our business, our common stock price would likely decline. If one or more of these analysts cease coverage of us or fail to publish reports on us regularly, demand for our common stock could decrease, which might cause our common stock price and trading volume to decline. In addition, independent industry analysts, such as Gartner and Forrester, often provide reviews of our products and platform capabilities, as well as those of our competitors, and perception of our offerings in the marketplace may be significantly influenced by these reviews. Further, with the pricing changes we announced in the second quarter of fiscal 2021, we are transitioning to a consumption-based business model and will be retiring our traditional subscription-based key operating metrics, including ARR, as we conclude fiscal 2021. To the extent that industry analysts continue to emphasize or place value on subscription-based metrics or inaccurately reflect our key performance indicators in future analyst research and reports, our stock price and trading volume would decline. We have no control over what these industry analysts report, and because industry analysts may influence current and potential customers, our brand could be harmed if they do not provide a positive review of our products and platform capabilities or view us as a market leader.

General Risk Factors

Our estimates of market opportunity and forecasts of market growth may prove to be inaccurate, and even if the market in which we compete achieves the forecasted growth, our business could fail to grow at similar rates, if at all.

Market opportunity estimates and growth forecasts are subject to significant uncertainty and are based on assumptions and estimates that may not prove to be accurate, especially in a volatile economic environment. Our estimates and forecasts relating to the size and expected growth of our market may prove to be inaccurate. Even if the market in which we compete meets our size estimates and forecasted growth, our business could fail to grow at similar rates, if at all.

Natural disasters and other events beyond our control could harm our business.

Natural disasters or other catastrophic events may cause damage or disruption to our operations, international commerce, and the global economy, and thus could have a strong negative effect on us. Our business operations are subject to interruption by natural disasters, fire, power shortages, pandemics, including the ongoing COVID-19 pandemic, effects of climate change and other events beyond our control. We rely on our network and third-party infrastructure and enterprise applications, internal technology systems, and our website for our development, marketing, operational support, hosted products, and sales activities. The west coast of the United States contains active earthquake zones and this area has also historically experienced, and is projected to continue to experience, climate-related events including drought and water scarcity, warmer temperatures, wildfires and air quality impacts and power shut-offs associated with wildfire prevention. Although we maintain crisis management and disaster response plans, in the event of a major earthquake, hurricane, or catastrophic event such as fire, power loss, telecommunications failure, cyber-attack, war, or terrorist attack, we may be unable to continue our operations and may endure system interruptions, reputational harm, delays in our product development, lengthy interruptions in service, breaches of data security, and loss of critical data, all of which could have an adverse effect on our future operating results.

Weakened global economic conditions may harm our industry, business, and results of operations.

Our overall performance depends in part on worldwide economic conditions. Global financial developments and downturns seemingly unrelated to us or the information technology industry may harm us. The United States and other key international economies have been impacted in the past by falling demand for a variety of goods and services, restricted credit, poor liquidity, reduced corporate profitability, volatility in credit, equity and foreign exchange markets, bankruptcies, and overall uncertainty with respect to the economy.

Furthermore, the revenue growth and potential profitability of our business depends on demand for software applications and products generally, and application performance monitoring and our other offerings specifically. In addition, our revenue is dependent on the number of users of our products and the degree of adoption of such users with respect to our products and platform capabilities. Historically, during economic downturns there have been reductions in spending on information technology systems as well as pressure for extended billing terms and other financial concessions, which would limit our ability to grow our business and negatively affect our operating results. These conditions affect the rate of information technology spending and could adversely affect our customers' ability or willingness to purchase our products, delay prospective customers' purchasing decisions, reduce the value or duration of their commitments or amount of their spend, or affect renewal rates, all of which could harm our operating results.

The nature of our business requires the application of complex revenue recognition rules. Significant changes in U.S. generally accepted accounting principles, or GAAP, from the adoption of recently issued accounting standards could materially affect our financial position and results of operations.

We prepare our financial statements in accordance with GAAP, which is subject to interpretation or changes by the Financial Accounting Standards Board, or FASB, the SEC, and other various bodies formed to promulgate and interpret appropriate accounting principles. New accounting pronouncements and changes in accounting principles have occurred in the past and are expected to occur in the future, which may have a significant effect on our financial results. Any difficulties in implementation of changes in accounting principles, including the ability to modify our accounting systems, could cause us to fail to meet our financial reporting obligations, which could result in regulatory discipline and harm investors' confidence in us. In addition, certain choices in the method of implementation of any new standard that may be adopted may have an adverse impact on our potential as an acquirer or an acquiree in a business combination.

We may not be able to secure additional financing on favorable terms, or at all, to meet our future capital needs. If additional capital is not available, we may have to delay, reduce, or cease certain investments.

We may in the future require additional capital to operate our business and respond to business opportunities that may arise, including the need to develop new products and platform capabilities or enhance our existing products and platform capabilities, enhance our operating infrastructure, protect our intellectual property, pursue possible acquisitions of complementary businesses and technologies, respond to a decline in the level of adoption or usage of our platform, or other circumstances. We may not be able to timely secure additional debt or equity financing on favorable terms, or at all. Any debt financing obtained by us could involve restrictive covenants relating to financial and operational matters, which may make it more difficult for us to obtain additional capital and to pursue business opportunities, including potential acquisitions, and could require us to use a portion of our cash flows to make debt service payments, which could place us at a competitive disadvantage relative to our less leveraged peers. If we raise additional funds through further issuances of equity, convertible debt securities, or other securities convertible into equity, our existing stockholders could suffer significant dilution in their percentage ownership of our company, and any new equity securities we issue could have rights, preferences, and privileges senior to those of holders of our common stock, including registration rights. If we are unable to obtain adequate financing or financing on terms satisfactory to us when we require it, our ability to support our business and to respond to business challenges could be significantly limited, and our business, operating results, financial condition, and prospects could be harmed.

The requirements of being a public company and a growing and increasingly complex organization may strain our resources, divert management's attention, and affect our ability to attract and retain executive management and qualified board members.

We are subject to the reporting requirements of the Exchange Act, the Sarbanes-Oxley Act, the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, the listing requirements of the New York Stock Exchange, and other applicable securities rules and regulations. Compliance with these rules and regulations increase our legal and financial compliance costs, make some activities more difficult, time-consuming, or costly, and increase demand on our systems and resources.

In addition, changing laws, regulations, and standards relating to corporate governance and public disclosure are creating uncertainty for public companies, increasing legal and financial compliance costs, and making some activities more

time consuming. These laws, regulations, and standards are subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies or as market practices develop. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices.

As a result of disclosure of information in our filings with the SEC, our business and financial condition have become more visible, which we believe may result in threatened or actual litigation, including by competitors and other third parties. If such claims are successful, our business and operating results could be adversely affected, and even if the claims do not result in litigation or are resolved in our favor, these claims, and the time and resources necessary to resolve them, could divert the resources of our management and adversely affect our business and operating results.

From time to time, public companies are subject to campaigns by investors seeking to increase short-term stockholder value through actions such as financial restructuring, increased debt, special dividends, stock repurchases, management changes or sales of assets or the entire company. If stockholders attempt to effect such changes or acquire control over us, responding to such actions would be costly, time-consuming and disruptive, which could adversely affect our results of operations, financial results and the value of our common stock. These factors could also make it more difficult for us to attract and retain qualified employees, executive officers and members of our board of directors.

Item 1B. Unresolved Staff Comments

Not applicable.

Item 2. Properties

Our corporate headquarters is located in San Francisco, California and consists of approximately 73,000 square feet of space under a lease that expires in July 2027.

We do not own any real property and we lease or otherwise rent all of our facilities. We intend to procure additional space as we add employees and expand geographically. We believe our facilities are adequate and suitable for our current needs and that, should it be needed, suitable additional or alternative space will be available to accommodate any such expansion of our operations.

Item 3. Legal Proceedings

From time to time, we may be subject to legal proceedings and claims arising in the ordinary course of our business. We are not presently a party to any legal proceedings that, if determined adversely to us, would individually or taken together have a material adverse effect on our business, results of operations, financial condition or cash flows. We have received, and may in the future continue to receive, claims from third parties asserting, among other things, infringement of their intellectual property rights. Future litigation may be necessary to defend ourselves, our partners and our customers by determining the scope, enforceability and validity of third-party proprietary rights, or to establish our proprietary rights. The results of any current or future litigation cannot be predicted with certainty, and regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources, and other factors.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information for Common Stock

Our common stock is listed on the New York Stock Exchange under the symbol "NEWR."

Holders of Record

As of May 7, 2021, there were 63 holders of record of our common stock. Because many of our shares are held by brokers and other institutions on behalf of stockholders, we are unable to estimate the total number of stockholders represented by these record holders.

Dividend Policy

We have never declared or paid any cash dividend on our capital stock. We currently intend to retain all available funds and any future earnings for use in the operation of our business and do not anticipate paying any dividends on our common stock in the foreseeable future, if at all. Any future determination to declare cash dividends will be made at the discretion of our board of directors, subject to applicable laws, and will depend on a number of factors, including our financial condition, operating results, capital requirements, contractual restrictions, general business conditions, and other factors that our board of directors may deem relevant.

Recent Sales of Unregistered Securities

None.

Proceeds from Registered Securities

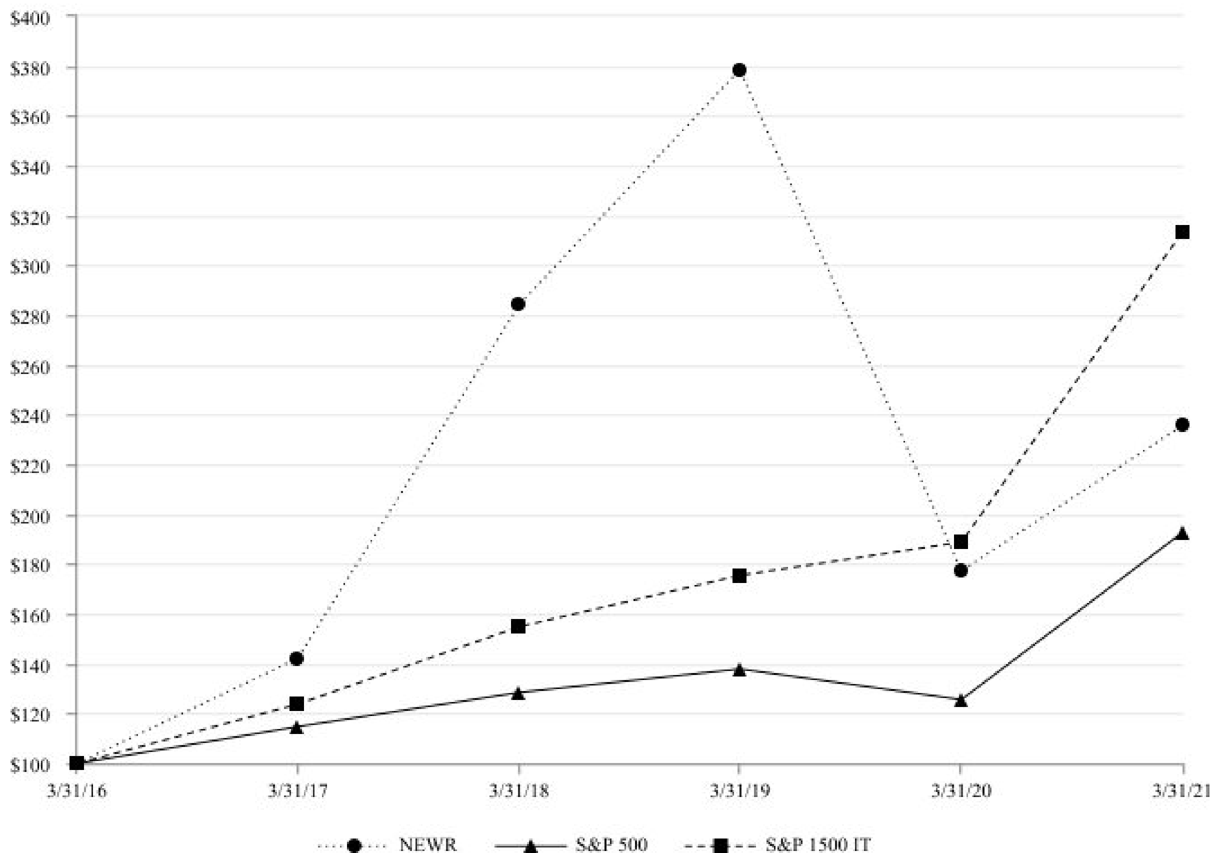
None.

Stock Performance Graph

This performance graph shall not be deemed "soliciting material" or to be "filed" with the SEC for purposes of Section 18 of the Exchange Act, or otherwise subject to the liabilities under that Section, and shall not be deemed to be incorporated by reference into any filing of New Relic, Inc. under the Securities Act.

The following graph compares the cumulative total return to stockholders on our common stock relative to the cumulative total returns of the Standard & Poor's 500 Index, or S&P 500, and the Standard & Poor's Composite 1500 Information Technology Index, or S&P 1500 IT. An investment of $100 (with reinvestment of all dividends) is assumed to have been made in our common stock and in each index on March 31, 2016, and its relative performance is tracked through March 31, 2021. The returns shown are based on historical results and are not intended to suggest future performance.

Comparison of Cumulative Total Return
Among New Relic, Inc., the S&P 500 Index, and the S&P Composite 1500 IT Index



	3/31/16	3/31/17	3/31/18	3/31/19	3/31/20	3/31/21
New Relic, Inc.	$ 100.00	$ 142.14	$ 284.20	$ 378.45	$ 177.30	$ 235.74
S&P 500	$ 100.00	$ 114.71	$ 128.21	$ 137.61	$ 125.48	$ 192.88
S&P Composite 1500 Information Technology	$ 100.00	$ 123.56	$ 154.73	$ 175.39	$ 188.63	$ 313.37

Issuer Purchases of Equity Securities

None.

Item 6. Selected Financial Data

We have derived the selected consolidated statements of operations data for the fiscal years ended March 31, 2021, 2020, and 2019, and the consolidated balance sheet data as of March 31, 2021 and 2020 from our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K. The consolidated statements of operations data for the fiscal years ended March 31, 2018 and 2017 and the consolidated balance sheet data as of March 31, 2019, 2018, and 2017 have been derived from our audited consolidated financial statements not included in this Annual Report on Form 10-K. The selected consolidated financial data below should be read in conjunction with the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes included elsewhere in this report. The selected consolidated financial data in this section are not intended to replace our consolidated financial statements and the related notes, and are qualified in their entirety by the consolidated financial statements and related notes included elsewhere in this report. Our historical results are not necessarily indicative of the results that may be expected for any period in the future.

Financial data for the years ended March 31, 2021, 2020 and 2019 have been adjusted to reflect the adoption of Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*, regarding Accounting Standards Codification Topic 606 ("ASC 606"). In addition to the impact of ASC 606, financial data for the fiscal year ended March 31, 2021 and 2020 includes the impact from the adoption of ASU 2016-02, *Leases*, regarding Accounting Standards Codification Topic 842 ("ASC 842").

	Fiscal Year Ended March 31,				
	2021	2020	2019	2018	2017
	(in thousands, except per share data)				
Consolidated Statements of Operations Data:					
Revenue	$ 667,648	$ 599,510	$ 479,225	$ 355,058	$ 263,479
Cost of revenue (1)	181,564	103,237	77,399	62,725	49,990
Gross profit	486,084	496,273	401,826	292,333	213,489
Operating expenses:					
Research and development (1)	174,851	148,159	104,859	74,332	61,054
Sales and marketing (1)	361,702	334,319	257,066	207,021	168,163
General and administrative (1)	120,931	99,284	73,007	57,788	45,615
Total operating expenses	657,484	581,762	434,932	339,141	274,832
Loss from operations	(171,400)	(85,489)	(33,106)	(46,808)	(61,343)
Other income (expense):					
Interest income	7,888	15,482	13,103	2,190	1,189
Interest expense	(24,901)	(23,695)	(19,679)	(86)	(87)
Other income (expense), net	(1,918)	2,934	(1,377)	343	(572)
Loss before income taxes	(190,331)	(90,768)	(41,059)	(44,361)	(60,813)
Income tax provision	559	211	697	959	264
Net loss	$ (190,890)	$ (90,979)	$ (41,756)	$ (45,320)	$ (61,077)
Net loss and adjustment attributable to redeemable non-controlling interest	$ (1,720)	$ 2,042	$ 863	$ —	$ —
Net loss attributable to New Relic	$ (192,610)	$ (88,937)	$ (40,893)	$ (45,320)	$ (61,077)
Net loss attributable to New Relic per share, basic and diluted (2)	$ (3.15)	$ (1.52)	$ (0.72)	$ (0.83)	$ (1.18)
Weighted-average shares used to compute net loss per share, basic and diluted (2)	61,070	58,601	56,884	54,814	51,715

(1) Includes stock-based compensation expense as follows:

	Fiscal Year Ended March 31,				
	2021	2020	2019	2018	2017
			(in thousands)		
Cost of revenue	$ 5,939	$ 5,303	$ 3,487	$ 2,440	$ 1,847
Research and development	40,964	31,703	17,634	12,176	9,975
Sales and marketing	54,695	43,548	23,253	16,925	13,042
General and administrative	33,545	18,982	11,824	9,057	7,082
Total stock-based compensation expense	$ 135,143	$ 99,536	$ 56,198	$ 40,598	$ 31,946

(2) See notes 1 and 14 of the notes to our consolidated financial statements for a description of how we compute net loss attributable to New Relic per share, basic and diluted.

	As of March 31,				
	2021	2020	2019	2018	2017
			(in thousands)		
Consolidated Balance Sheet Data:					
Cash and cash equivalents	$ 240,821	$ 292,523	$ 234,356	$ 132,479	$ 88,305
Short-term investments	575,254	512,574	510,372	115,441	118,101
Working capital	586,235	623,871	598,974	144,348	121,274
Total assets	1,398,619	1,258,434	1,090,227	443,326	352,269
Deferred revenue	375,268	316,327	271,597	190,282	126,404
Total liabilities	981,255	866,126	737,864	228,222	165,425
Total stockholders’ equity	413,975	390,639	349,630	215,104	186,844

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and related notes appearing elsewhere in this Annual Report on Form 10-K. The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. When reviewing the discussion below, you should keep in mind the substantial risks and uncertainties that could impact our business. In particular, we encourage you to review the risks and uncertainties described in Part I, Item 1A "Risk Factors" included elsewhere in this report. These risks and uncertainties could cause actual results to differ materially from those projected in forward-looking statements contained in this report or implied by past results and trends. Forward-looking statements are statements that attempt to forecast or anticipate future developments in our business, financial condition or results of operations. See the section titled "Special Note Regarding Forward-Looking Statements" in this report. These statements, like all statements in this report, speak only as of their date (unless another date is indicated), and we undertake no obligation to update or revise these statements in light of future developments.

Overview

New Relic delivers the observability platform for engineers to plan, build, deploy and operate more perfect software. We offer a comprehensive suite of products delivered on an open and extensible cloud-based platform that enables organizations to collect, store and analyze massive amounts of data in real time so they can better operate their applications and infrastructure and improve their digital customer experience.

New Relic One is our purpose-built offering for customers to land all of their telemetry data quickly and affordably in one place, and to translate that data into actionable insights. We believe a truly unified front-end that sits on top of a single database helps our users avoid complexity and confusion that would be associated with relying instead upon multiple different but related products.

Our revenue for the fiscal years ended March 31, 2021 and 2020 was $667.6 million and $599.5 million, respectively, representing year-over-year growth of 11%. Although we have experienced substantial revenue growth in historical periods, we have had difficulty maintaining our historical growth rates as our business has scaled, even in the periods where our revenue grew in absolute terms. Meanwhile, we have continued to make significant expenditures and investments, including in personnel-related costs, sales and marketing, infrastructure and operations, and have incurred net losses in each period since our inception, including net losses attributable to New Relic of $192.6 million and $88.9 million for the fiscal years ended March 31, 2021 and 2020, respectively. Our accumulated deficit as of March 31, 2021 was $587.1 million.

Internationally, we currently offer our products in Europe, the Middle East, and Africa, or EMEA; Asia-Pacific, or APAC; and other non-U.S. locations, as determined based on the billing address of our customers, and our revenue from those regions constituted 16%, 9%, and 6%, respectively, of our revenue for the fiscal year ended March 31, 2021, and 16%, 9%, and 5%, respectively, of our revenue for the fiscal year ended March 31, 2020. We believe there is an opportunity to increase our international revenue overall and as a proportion of our revenue, and we are increasingly investing in our international operations and intend to invest in further expanding our footprint in international markets.

Our employee headcount has increased to 2,168 employees as of March 31, 2021 from 2,131 as of March 31, 2020, and we plan to continue to invest aggressively in the growth of our business to take advantage of our market opportunity.

The COVID-19 pandemic continues to affect the U.S. and the world and has resulted in authorities implementing numerous measures to contain the virus. The extent of the impact of the COVID-19 pandemic on our operational and financial performance will continue to depend on certain developments, including the duration of the pandemic; impact on our customers and our sales cycles; impact on our customer, employee, and industry events; impact on our employee recruitment and attrition; and effect on our vendors, all of which remain uncertain and cannot be predicted at this time.

More generally, the COVID-19 pandemic is still adversely affecting economies and financial markets globally, and has led to an economic downturn and increased market volatility, with an uncertain effect upon technology spending and demand for our offerings, which may harm our business and results of operations. For example, for the fiscal year ended March 31, 2021, the COVID-19 pandemic has negatively impacted expected spending from new and existing customers and has resulted in a portion of our paid customers choosing to renew with a smaller commitment than previous contracts. We will continue to actively monitor the situation and have taken and may take further actions that alter our business operations as may be required or recommended by federal, state, or local authorities, or that we determine are in the best interests of our employees, customers, partners, suppliers, and stockholders. We have seen our revenue and deferred revenue to be, in part, negatively impacted by the slowdown in activity associated with the COVID-19 pandemic, but at this point, the extent of any continuing

impact to our financial condition or results of operations, including cash flows, is uncertain, particularly as the COVID-19 pandemic continues to persist for an extended period of time. Furthermore, due to our historical reliance upon a subscription-based business model, the effect of the COVID-19 pandemic may not be fully reflected in our results of operations until future periods. Other factors affecting our performance are discussed below, although we caution you that the COVID-19 pandemic may also further impact these factors.

In addition, on July 30, 2020, we announced an updated pricing strategy that prices customer spend based upon their consumption; customers may be charged upon their usage in arrears, which we refer to as "Pay as You Go," or they may commit to a minimum spend over their contracted period in exchange for a discount on their usage pricing, which we refer to as "Annual Pool of Funds." Consumption under this model is measured by the number of users and data ingested into our system, thereby collapsing what had previously been a number of different products priced in individualized ways into a simplified strategy that is intended to drive consumption across our platform. Although we expect, in the near term, that this transition will have a negative impact on our results of operations and our key operating metrics for the reasons described below, we believe that this pricing model transition will increase customer adoption and allow us to better retain and expand within our paid accounts over the long term, and thereby have a positive impact on sales and marketing productivity. However, due to our historical reliance upon a subscription-based business model, improvement in the market adoption of our products due to this pricing model transition would not be fully reflected in our results of operations until future periods.

On April 6, 2021, we announced to a restructuring plan to realign our cost structure to better reflect significant product and business model innovation over the past 12 months. We expect that go-to-market operations in our new consumption-based business model will be more efficient, thus requiring less investment, than our former more traditional subscription model. In furtherance of this strategy shift, we are reallocating some spending to increase our investment on research and development. We believe these initiatives will better align resources to provide further operating flexibility and position the business for its long-term success.

Factors Affecting Our Performance

Market Adoption of Our Platform. Our success, including our rate of customer expansions and renewals, is dependent on the market adoption of our platform. With the introduction of new technologies, the evolution of our platform and new market entrants, competition has intensified and we expect competition to intensify in the future. We employ a land, expand, and standardize business model centered around offering a platform that is open, connected and programmable. We believe that we have built a highly differentiated platform and we intend to continue to invest in building additional offerings, features and functionality that expand our capabilities and facilitate the extension of our platform to new use cases. We also intend to continue to evaluate strategic acquisitions and investments in businesses and technologies to drive product and market expansion. Our ability to improve market adoption of our platform will also depend on a number of other factors, including the competitiveness and pricing of our products, offerings of our competitors, success of international expansion, and effectiveness of our sales and marketing efforts. With the shift in our pricing strategy, which will now rely primarily upon a per-user license fee and payment based on the quantity of data ingested, we will be more closely tying our revenue to the usage of our platform. Together with our new pricing strategy, we also launched a new, robust free tier and improved self-service capabilities, which we expect to result in a material increase to our marketing opportunities in converting free users into new paying customers.

Retention and Expansion. A key factor in our success is the retention and expansion of our platform usage with our existing customers. In order for us to continue to grow our business, it is important to generate additional revenue from our existing customers, and we intend to do this in several ways. As we improve our existing products and platform capabilities and introduce new products, we believe that the demand for our products will generally grow. We also believe that there is a significant opportunity for us to increase our revenue from sales to our current customers as they become more familiar with our products and adopt our products to address additional business use cases. In addition, we believe the shift in our pricing strategy will allow sales resources to focus energy on helping customers increase their data ingestion and the number of users and use cases.

Key Operating Metrics

The pricing changes announced in the second quarter of fiscal 2021 shifted our business model away from a reliance upon subscription-based revenue to a reliance upon consumption-based revenue.

A key financial indicator when employing a subscription-based model is annual recurring revenue ("ARR"), which is the revenue that we would expect to receive from our customers over the following 12-month period without any increase or reduction in any of the customer's contractual commitments. In a consumption model, customers can pay as they use the product, without any up-front commitment. Therefore, ARR, which is based on commitments, does not capture actual usage,

also known as consumption. We expect a meaningful amount of revenue will be recognized from customers under our Annual Pool of Funds consumption model, where consumption in excess of the committed contractual amount will result in additional revenue. Meanwhile, the Pay as You Go component of the consumption model does not have an up-front commitment at all. In either of these consumption-based engagements, the revenue committed at the outset of a contractual engagement is not necessarily determinative of the revenue we will ultimately receive from the customer. Therefore, as the overall portion of revenue derived from subscription model contracts decreases, the associated subscription-based metrics that rely upon ARR become less relevant as a measure of the performance of the business.

As we begin fiscal 2022, our focus has shifted away from legacy subscription model contracts to new consumption model contracts. As such, we will retire ARR and all of our traditional subscription-based key operating metrics that rely upon ARR beginning with the first quarter of fiscal 2022. In place of ARR and ARR derived metrics, we will provide metrics that we believe provide better insight into our business now that we are entering into contracts that rely primarily upon consumption-based revenue instead.

In the meantime, however, a portion of our overall revenue continues to be derived from our subscription-based contracts that remain in our install base. Therefore, with these caveats, we review the following key metrics to evaluate our business, measure our performance, identify trends affecting our business, formulate business plans, and make key strategic decisions:

Annual Recurring Revenue. Our ARR as of March 31, 2021 was $673.7 million which was a 4.9% increase compared to $642.4 million as of March 31, 2020.

As noted above, we only recognize as ARR the committed contractual amount for customers under the Annual Pool of Funds model; therefore, ARR does not include contracts under the Pay as You Go model. Our pricing transition resulted in downward pressure on ARR through the end of fiscal year 2021 as customers took advantage of our new pricing model, which, in some instances, resulted in the choice of smaller up-front commitments in favor of spending on actual consumption in excess of committed amounts. We believe these pricing model changes, which rely upon a consumption model, will over time result in higher revenue as market adoption of our platform and new pricing model grows.

ARR should be viewed independently of historical revenue as the operating metric is not intended to be a replacement for revenue forecasts.

Number of Paid Business Accounts with ARR over $100,000 and Number of Paid Business Accounts. As a measure of our business, we have occasionally reported paid business accounts, which we define as customers that are identified by a unique account identifier for which we have recognized revenue on the last day of the period indicated. A single organization or customer may have multiple paid business accounts for separate divisions, segments, or subsidiaries. Inherent to the definition of this metric, however, is a focus on an ongoing contractual commitment as of the end of the given period. Therefore, if a customer is not engaged in a financial commitment with us on the last day of the last month of the quarter, that customer is not considered a paid business account. Importantly, in a consumption model, many of our customers, especially our smaller customers, choose not to engage in an up-front financial commitment with us, which means that many of our customers that pay us consistently, but perhaps not regularly, are not captured in our current definition of paid business accounts. As a result, the historical definition we have used for our paid business account metric, which was defined when we were primarily a subscription business, does not capture all of our paying customers.

As of March 31, 2021, we had 12,900 paid business accounts, which is down from 16,300 paid business accounts as of March 31, 2020. We round the number of total paid business accounts that we report as of a particular date down to the nearest hundred. As noted above, our paid business account metric excludes customers that are paying us when they use our products, but have not made a commitment to pay us on a regular basis. Enabling customers to use and pay for our products without a commitment has become the primary engagement model for new and lower-spend customers on our platform.

Importantly, a portion of the decline in total paid business accounts has been the deliberate result of our transition to a self-serve initiative and a consumption-based pricing model. First, we introduced a free tier in July 2020, designed to drive awareness and fill the top of our marketing funnel with qualified leads. One of the by-products of this decision was that a large number of our lower-spend customers qualified for this free tier based on their then-existing usage, and was therefore able to continue use of our platform without further obligation to continue paying us. While the revenue impact associated with offering these lower-spend customers free product may have been minimal, the conversion of these accounts to the free tier had a significant impact on our total paid business account metric. Second, in order to make our go-to-market motion more efficient, many of our lower-spend customers that had previously been covered with our direct-sales model have been given the opportunity to engage instead as part of our self-serve model at the time of their renewal. Because our self-serve model does not

contain a financial commitment to continue paying us, accounts that shift to the self-serve model are no longer counted in our paid business account metric.

Irrespective of pricing model, we continue to believe that the acquisition of larger accounts within our overall customer base, as well as expansion within our existing paid business accounts, are important indicators of our overall business. We have in part historically measured our performance in these areas with reference to our number of paid business accounts with ARR over $100,000. We had 1,048 paid business accounts with ARR over $100,000 as of March 31, 2021, which was a 5.3% increase compared to 995 as of March 31, 2020.

	Mar 31, 2021	Dec 31, 2020	Sep 30, 2020	Jun 30, 2020
Paid Business Accounts > $100,000	1,048	1,051	1,039	1,025

Percentage of ARR from Paid Business Accounts with ARR over $100,000. Historically, paid business accounts with ARR over $100,000 have generally had a materially higher rate of renewal than paid business accounts with ARR less than $100,000. We therefore believe that the percentage of our total ARR that comes from paid business accounts with ARR over $100,000 is a key indicator, as our ability to increase and retain paid business accounts in this category of spend has a significant impact on our overall financial performance and key operating metrics.

Our percentage of ARR from paid business accounts with ARR over $100,000 was 80% as of March 31, 2021, compared to 75% as of March 31, 2020.

	Mar 31, 2021	Dec 31, 2020	Sep 30, 2020	Jun 30, 2020
Percentage of ARR from Paid Business Accounts > $100,000	80 %	79 %	77 %	76 %

Dollar-Based Net Expansion Rate. Our ability to generate revenue is dependent on our ability to maintain and grow our relationships with our existing customers. We have tracked our performance in this area for our subscription-based revenue by measuring our dollar-based net expansion rate. Our dollar-based net expansion rate increases when customers increase their contractual spend amounts. Our dollar-based net expansion rate is reduced when customers decrease or terminate their contractual spend amounts.

Our dollar-based net expansion rate compares the commitments we have secured for recurring revenue from customers from one period to the next, and therefore does not include any reference or adjustments for consumption. We measure our dollar-based net expansion rate on a monthly basis because many of our customers have changed their commitment more frequently than quarterly or annually. To calculate our annual dollar-based net expansion rate, we first establish the base period monthly recurring revenue from all our customers at the end of a month. This represents the revenue we would contractually expect to receive from those customers over the following month, without any increase or reduction in any of their commitments. For contracts entered into under our new pricing model announced on July 30, 2020, we calculate each customer's monthly recurring revenue as their ARR divided by twelve. We then (i) calculate the actual monthly recurring revenue from those same customers at the end of that following month; then (ii) divide that following month's recurring revenue by the base month's recurring revenue to arrive at our monthly net expansion rate; then (iii) calculate a quarterly net expansion rate by compounding the net expansion rates of the three months in the quarter; and then (iv) calculate our annualized net expansion rate by compounding our quarterly net expansion rate over an annual period.

Our annualized dollar-based net expansion rate decreased to 98.7% for the three-month period ended March 31, 2021 from 115.7% for the three-month period ended March 31, 2020. As a metric that is derived from ARR, our pricing transition resulted in downward pressure on our annualized dollar-based net expansion rate through the end of fiscal year 2021 as customers took advantage of our new pricing model, which, in some instances, resulted in the choice of smaller up-front commitments in favor of spending on actual consumption in excess of committed amounts.

	Mar 31, 2021	Dec 31, 2020	Sep 30, 2020	Jun 30, 2020
Annualized Dollar-Based Net Expansion Rate	98.7 %	107.6 %	97.8 %	100.4 %

Key Components of Results of Operations

Revenue

For the period presented, we offer access to our products and/or platform under subscription and usage-based plans that include service and support for one or more of our products. For our paying customers, we offer a variety of pricing plans based on the particular product purchased. Our plans typically have terms of one year, although some of our customers commit for shorter or longer periods.

Most of our revenue comes from contracts that are non-cancellable over the contract term. We had remaining performance obligations, or backlog, in the amount of $726.8 million and $635.2 million as of March 31, 2021 and March 31, 2020, respectively, consisting of both billed and unbilled consideration.

Deferred revenue consists of billings or payments received in advance of revenue being recognized, and can fluctuate with changes in billing frequency and other factors. As a result of our mix of subscription plans and billing frequencies, we do not believe that changes in our deferred revenue in a given period are directly correlated with our revenue growth in that period.

The first two quarters of each fiscal year usually have lower or potentially negative sequential backlog and deferred revenue growth than the third and fourth fiscal quarters, during which we generally benefit from a larger renewal pool and opportunity to upsell existing customers. As a result, over time we have seen stronger sequential revenue results in our fourth and first fiscal quarters as our deferred revenue is recognized. We expect that this seasonality will continue to affect our sales and operating results in the future, as a portion of our overall revenue continues to be derived from our subscription-based contracts that remain in our install base, which can make it difficult to achieve sequential growth in certain financial metrics or could result in sequential declines on a quarterly basis.

With our shift in pricing strategy, we may experience additional variation from the seasonality trends we have seen in the past for revenue, backlog, and deferred revenue. Our shift to a consumption model will allow our customers to choose lower up-front commitments and to instead pay for their consumption in excess of their commitments. Should this occur as we expect, it may exhibit downward pressure on our backlog and deferred revenue. Meanwhile, in the event our customers' consumption usage exceeds their up-front commitments in a meaningful amount, we would expect to see a step up in revenue growth.

In addition, our revenue and deferred revenue in fiscal 2021 have been negatively impacted, in part, by the slowdown in activity associated with the COVID-19 pandemic as well as by our change in pricing strategy announced on July 30, 2020. Due to our historical reliance upon a subscription-based business model, the effects of the COVID-19 pandemic to date were not fully reflected in our results of operations until later periods. Meanwhile, although we have seen indications of improved market acceptance of our platform and new pricing strategy, due to our historical reliance upon a subscription-based business model, improvement in the market adoption of our products due to this pricing model transition would also not be fully reflected in our results of operations until future periods.

Further, in the past, we have experienced end-of-quarter concentration of our transactions and variations in the number and size of transactions that close in a particular quarter. Our transactions vary by quarter, and within each quarter, a significant portion of our transactions typically close in the last two weeks of that quarter. If we are unable to close one or more large individual transactions in a particular period, or if an expected transaction is delayed until a subsequent period, we expect that our results of operations for that period, and for any future periods in which revenue from such transaction would otherwise have been recognized, may be harmed.

Cost of Revenue

Cost of revenue consists of expenses relating to data center operations, hosting-related costs, payment processing fees, depreciation and amortization, consulting costs, and salaries and benefits of operations and global customer support personnel. Salaries and benefits costs associated with our operations and global customer support personnel consist of salaries, benefits, bonuses, and stock-based compensation. We plan to continue increasing the capacity, capability, and reliability of our infrastructure to support the growth of our customer adoption and the number of products we offer, as customer usage continues to grow. Additionally, we are continuing to build out services and functionality in the public cloud with a view to migrating our entire platform over time from third-party data center hosting facilities to public cloud hosting providers. We have decreased the amount of capital expenditures on hosting equipment for use in our data center hosting facilities as we transition to greater dependence on cloud hosting providers. This public cloud migration has resulted and will continue to result in significant increased costs in the short term as we are incurring cloud migration costs as well as costs to maintain our data center operations.

Gross Profit and Margin

Gross profit is revenue less cost of revenue. Gross margin is gross profit expressed as a percentage of revenue. Our gross margin has been, and will continue to be, affected by a number of factors, including the timing and extent of our investments in our operations and global customer support personnel, hosting-related costs, and the amortization of capitalized software. Although we expect our gross margin to fluctuate from period to period as a result of these factors, our recent public cloud migration and, to a lesser extent, our pricing transition, have contributed to lower gross margins and we expect to continue to experience additional downward pressure on margins in the short-term.

Operating Expenses

Personnel costs, which consist of salaries, benefits, bonuses, stock-based compensation and, with regard to sales and marketing expenses, sales commissions, are the most significant component of our operating expenses. We also incur other non-personnel costs such as an allocation of our general overhead expenses.

Research and Development. Research and development expenses consist primarily of personnel costs and an allocation of our general overhead expenses. We continue to focus our research and development efforts on adding new features and products, and increasing the functionality and enhancing the ease of use of our existing products. We capitalize the portion of our software development costs that meets the criteria for capitalization.

We plan to continue to hire employees for our engineering, product management, and design teams to support our research and development efforts. As a result, we expect our research and development expenses to continue to increase in absolute dollars for the foreseeable future. Although our research and development expenses may fluctuate from period to period depending on fluctuations in our revenue and the timing and extent of our research and development expenses.

Sales and Marketing. Sales and marketing expenses consist of personnel costs for our sales, marketing, and business development employees and executives. Commissions are considered incremental and recoverable costs of acquiring customer contracts. These costs are capitalized and amortized on a straight-line basis over the anticipated period of benefit. In future periods, with our shift to a consumption model and shift in pricing strategy, we expect that the majority of commissions will no longer be capitalized and will instead mostly be expensed as incurred. Sales and marketing expenses also include the costs of our marketing and brand awareness programs, including our free tier offering.

We expect that go-to-market operations in our new consumption-based business model will be more efficient, and requires less investment, than in our former more traditional subscription model. In furtherance of this strategy shift, we are reallocating some spending from sales and marketing to increase our investment on research and development. While we expect this to contribute to a decrease in our sales and marketing expenses over time, we expect sales and marketing expenses to continue to be our largest operating expense category for the foreseeable future. While we expect our sales and marketing expenses to decrease as a percentage of our revenue over the long term, our sales and marketing expenses may fluctuate from period to period depending on fluctuations in our revenue and the timing and extent of our sales and marketing expenses.

General and Administrative. General and administrative expenses consist primarily of personnel costs for our administrative, legal, human resources, information technology, finance and accounting employees, and executives. Also included are non-personnel costs, such as legal and other professional fees.

We plan to continue to expand our business both domestically and internationally, and we expect to increase the size of our general and administrative function to support the growth of our business. As a result, we expect our general and administrative expenses to continue to increase in absolute dollars for the foreseeable future. However, we expect our general and administrative expenses to remain flat or decrease modestly as a percentage of our revenue over the long term, although our general and administrative expense may fluctuate from period to period depending on the timing and extent of our general and administrative expenses, such as litigation or accounting costs.

Other Income (Expense)

Other income (expense) consists primarily of interest income, interest expense, foreign exchange gains and losses, and gains on lease modifications.

Results of Operations For Fiscal Years Ended March 31, 2021 and 2020

The following tables summarize our consolidated statements of operations data for the fiscal years ended March 31, 2021 and March 31, 2020 and as a percentage of our revenue for those periods. For a discussion of our consolidated statement of operations data for the fiscal year ended March 31, 2019 and as a percentage of revenue for that period, see "Results of Operations for Fiscal Years Ended March 31, 2019, 2018, and 2017" in Part II, Item 7 of our Annual Report on Form 10-K for the fiscal year ended March 31, 2020, filed with the SEC on May 15, 2020, or our Annual Report. For a discussion of our liquidity and capital resources for the fiscal year ended March 31, 2019, see "Liquidity and Capital Resources" in Part II, Item 7 of our Annual Report. The period to period comparison of results is not necessarily indicative of results for future periods.

	Fiscal Year Ended March 31,	
	2021	2020
	(in thousands)	
Consolidated Statements of Operations Data:		
Revenue	$ 667,648	$ 599,510
Cost of revenue (1)	181,564	103,237
Gross profit	486,084	496,273
Operating expenses:		
Research and development (1)	174,851	148,159
Sales and marketing (1)	361,702	334,319
General and administrative (1)	120,931	99,284
Total operating expenses	657,484	581,762
Loss from operations	(171,400)	(85,489)
Other income (expense):		
Interest income	7,888	15,482
Interest expense	(24,901)	(23,695)
Other income (expense), net	(1,918)	2,934
Loss before income taxes	(190,331)	(90,768)
Income tax provision	559	211
Net loss	$ (190,890)	$ (90,979)
Net loss and adjustment attributable to redeemable non-controlling interest	$ (1,720)	$ 2,042
Net loss attributable to New Relic	$ (192,610)	$ (88,937)

(1) Includes stock-based compensation expense as follows:

	Fiscal Year Ended March 31,	
	2021	2020
	(in thousands)	
Cost of revenue	$ 5,939	$ 5,303
Research and development	40,964	31,703
Sales and marketing	54,695	43,548
General and administrative	33,545	18,982
Total stock-based compensation expense	$ 135,143	$ 99,536

	Fiscal Year Ended March 31,	
	2021	2020
	(as a percentage of revenue)	
Revenue	100 %	100 %
Cost of revenue (1)	27	17
Gross profit	73	83
Operating expenses:		
Research and development (1)	26	25
Sales and marketing (1)	54	56
General and administrative (1)	18	16
Total operating expenses	98	97
Loss from operations	(25)	(14)
Other income (expense):		
Interest income	1	3
Interest expense	(4)	(4)
Other income (expense), net	—	—
Loss before income taxes	(28)	(15)
Income tax provision	—	—
Net loss	(28 %)	(15 %)
Net loss and adjustment attributable to redeemable non-controlling interest	—	—
Net loss attributable to New Relic	(28 %)	(15 %)

(1) Includes stock-based compensation expense as follows:

	Fiscal Year Ended March 31,	
	2021	2020
	(as a percentage of revenue)	
Cost of revenue	1 %	1 %
Research and development	6	6
Sales and marketing	8	7
General and administrative	5	3
Total stock-based compensation expense	20 %	17 %

Revenue

	Fiscal Year Ended March 31,		Change	
	2021	2020	Amount	%
	(dollars in thousands)			
United States	$ 460,944	$ 417,827	$ 43,117	10 %
EMEA	104,184	98,651	5,533	6 %
APAC	62,590	50,831	11,759	23 %
Other	39,930	32,201	7,729	24 %
Total revenue	$ 667,648	$ 599,510	$ 68,138	11 %

Revenue increased $68.1 million, or 11%, in the fiscal year ended March 31, 2021 compared to the fiscal year ended March 31, 2020. The increase was primarily due to an increase in product adoption by existing customers. Our revenue from EMEA increased $5.5 million, or 6%, in the fiscal year ended March 31, 2021 compared to the fiscal year ended March 31, 2020, and our revenue from APAC increased $11.8 million, or 23%, in the fiscal year ended March 31, 2021 compared to the fiscal year ended March 31, 2020, primarily as a result of an increase in product adoption by existing customers in these geographic regions.

Cost of Revenue

	Fiscal Year Ended March 31,		Change	
	2021	2020	Amount	%
	(dollars in thousands)			
Cost of revenue	$ 181,564	$ 103,237	$ 78,327	76 %

Cost of revenue increased $78.3 million, or 76%, in the fiscal year ended March 31, 2021 compared to the fiscal year ended March 31, 2020. The increase was primarily a result of an increase in hosting-related costs of $70.1 million as a result of the additional expenses incurred in connection with our public cloud migration. The remaining increase was due to an increase in depreciation expense and amortization expense of $9.0 million primarily as a result of the addition of site equipment and acquired technology, an increase in other miscellaneous expenses of $0.2 million, and an increase in personnel-related costs of $0.3 million. This was partially offset by a decrease in travel expense of $0.8 million due to global restrictions as a result of the COVID-19 pandemic, and a decrease in payment processing fees of $0.5 million.

Research and Development

	Fiscal Year Ended March 31,		Change	
	2021	2020	Amount	%
	(dollars in thousands)			
Research and development	$ 174,851	$ 148,159	$ 26,692	18 %

Research and development expenses increased $26.7 million, or 18%, in the fiscal year ended March 31, 2021 compared to the fiscal year ended March 31, 2020. The increase was primarily the result of an increase in personnel-related costs of $23.4 million, driven by an increase in headcount and compensation-related expense increases. The remaining increase was due to a $6.6 million increase in software subscription and consulting expenses and $0.7 million increase in facilities and depreciation expenses. This was partially offset by a decrease in travel expenses of $3.8 million due to global travel restrictions as a result of the COVID-19 pandemic.

Sales and Marketing

	Fiscal Year Ended March 31,		Change	
	2021	2020	Amount	%
	(dollars in thousands)			
Sales and marketing	$ 361,702	$ 334,319	$ 27,383	8 %

Sales and marketing expenses increased $27.4 million, or 8%, in the fiscal year ended March 31, 2021 compared to the fiscal year ended March 31, 2020. The increase was primarily a result of an increase in personnel-related costs of $35.9 million, driven by an increase in sales commissions due to revenue growth and compensation-related expense increases. The remaining increase was due to a $3.1 million increase in allocated costs, including facilities, depreciation and costs associated with our free tier offering, a $2.8 million increase in marketing programs, a $1.8 million increase in software subscription and consulting expenses, and a $0.7 million increase in miscellaneous operating expenses. This was partially offset by a decrease in travel expenses of $16.8 million due to global travel restrictions as a result of the COVID-19 pandemic.

General and Administrative

	Fiscal Year Ended March 31,		Change	
	2021	2020	Amount	%
	(dollars in thousands)			
General and administrative	$ 120,931	$ 99,284	$ 21,647	22 %

General and administrative expenses increased $21.6 million, or 22%, in the fiscal year ended March 31, 2021 compared to the fiscal year ended March 31, 2020. The increase was primarily a result of an increase in personnel-related costs of $26.2 million, driven by an increase in headcount and compensation-related expense increases. The remaining increase was due to a $1.3 million increase in software subscription and consulting expenses and a $0.6 million increase in legal and accounting expenses. This was partially offset by a $3.5 million decrease in travel expense due to global travel restrictions as a result of the COVID-19 pandemic, a $2.0 million decrease in allocated costs, including facilities and depreciation, and a $1.0 million decrease in miscellaneous operating expense.

Other Income (Expense)

	Fiscal Year Ended March 31,		Change	
	2021	2020	Amount	%
	(dollars in thousands)			
Other income (expense)	$ (18,931)	$ (5,279)	$ (13,652)	259 %

Other expense increased by $13.7 million, or 259%, in the fiscal year ended March 31, 2021 compared to the fiscal year ended March 31, 2020. The increase was primarily due to a $7.6 million decrease in interest income due to the drop in interest rates and the absence of a $3.0 million lease modification gain recognized in the prior period.

Provision for Income Tax

	Fiscal Year Ended March 31,		Change	
	2021	2020	Amount	%
	(dollars in thousands)			
Income tax provision	$ 559	$ 211	$ 348	165 %

Income tax expense increased $0.3 million, or 165% from $0.2 million in the fiscal year ended March 31, 2020 to $0.5 million in the fiscal year ended March 31, 2021. The increase was mostly due to the increase in U.S. tax expense offset by a decrease in foreign tax expense.

Net Loss and Adjustment Attributable to Redeemable Non-controlling Interest

	Fiscal Year Ended March 31,		Change	
	2021	2020	Amount	%
	(dollars in thousands)			
Net loss and adjustment attributable to redeemable non-controlling interest	$ (1,720)	$ 2,042	$ (3,762)	184 %

Net loss and adjustment attributable to redeemable non-controlling interest decreased by $3.8 million or 184% in the fiscal year ended March 31, 2021 compared to the fiscal year ended March 31, 2020. The decrease is related to the redeemable non-controlling interest's adjustment to estimated redemption value of our joint venture in New Relic K.K. offset by share of associated losses.

Quarterly Results of Operations

The following tables set forth selected unaudited quarterly consolidated statements of operations data for each of the eight fiscal quarters in the period ended March 31, 2021, as well as the percentage that each line item represents of our revenue for each quarter. The information for each of these quarters has been prepared on the same basis as the audited annual consolidated financial statements included elsewhere in this report and, in the opinion of management, includes all adjustments of a normal, recurring nature that are necessary for the fair presentation of the results of operations for these periods in accordance with generally accepted accounting principles in the United States. This data should be read in conjunction with our audited consolidated financial statements and related notes included elsewhere in this report. These quarterly operating results are not necessarily indicative of our operating results for a full fiscal year or any future period.

	Three Months Ended							
	Mar 31, 2021	Dec 31, 2020	Sep 30, 2020	Jun 30, 2020	Mar 31, 2020	Dec 31, 2019	Sep 30, 2019	Jun 30, 2019
	(in thousands, except per share data)							
Revenue	$ 172,669	$ 166,340	$ 166,054	$ 162,585	$ 159,657	$ 153,028	$ 145,815	$ 141,010
Cost of revenue (1)	57,125	45,968	45,198	33,273	28,073	26,402	25,149	23,613
Gross profit	115,544	120,372	120,856	129,312	131,584	126,626	120,666	117,397
Operating expenses:								
Research and development (1)	43,606	45,773	44,628	40,844	41,301	38,387	34,132	34,339
Sales and marketing (1)	94,796	92,392	89,378	85,136	89,608	87,704	80,157	76,850
General and administrative (1)	31,450	30,249	29,798	29,434	28,155	24,751	23,278	23,100
Total operating expenses	169,852	168,414	163,804	155,414	159,064	150,842	137,567	134,289
Loss from operations	(54,308)	(48,042)	(42,948)	(26,102)	(27,480)	(24,216)	(16,901)	(16,892)
Other income (expense):								
Interest income	1,153	1,734	2,220	2,781	3,538	3,793	4,011	4,140
Interest expense	(6,352)	(6,229)	(6,216)	(6,104)	(6,035)	(5,953)	(5,888)	(5,819)
Other income (expense), net	(108)	(811)	(604)	(395)	106	(465)	315	2,978
Loss before income taxes	(59,615)	(53,348)	(47,548)	(29,820)	(29,871)	(26,841)	(18,463)	(15,593)
Income tax provision (benefit)	(717)	564	380	332	(1,307)	894	660	(36)
Net loss	$ (58,898)	$ (53,912)	$ (47,928)	$ (30,152)	$ (28,564)	$ (27,735)	$ (19,123)	$ (15,557)
Net loss and adjustment attributable to redeemable non-controlling interest	$ (2,779)	$ 286	$ 377	$ 396	$ 605	$ 540	$ 509	$ 388
Net loss attributable to New Relic	$ (61,677)	$ (53,626)	$ (47,551)	$ (29,756)	$ (27,959)	$ (27,195)	$ (18,614)	$ (15,169)
Net loss per share attributable to New Relic, basic and diluted (2)	$ (0.98)	$ (0.88)	$ (0.79)	$ (0.50)	$ (0.47)	$ (0.46)	$ (0.32)	$ (0.26)
Weighted-average shares used to compute net loss per share, basic and diluted (2)	62,621	61,209	60,545	59,927	59,351	58,733	58,372	57,944

(1) Includes stock-based compensation expense as follows:

	Three Months Ended							
	Mar 31, 2021	Dec 31, 2020	Sep 30, 2020	Jun 30, 2020	Mar 31, 2020	Dec 31, 2019	Sep 30, 2019	Jun 30, 2019
	(in thousands)							
Cost of revenue	$ 1,343	$ 1,472	$ 1,622	$ 1,502	$ 1,466	$ 1,315	$ 1,300	$ 1,222
Research and development	10,750	10,960	10,450	8,804	8,630	8,611	7,434	7,028
Sales and marketing	11,735	15,115	14,537	13,308	12,866	11,090	10,533	9,059
General and administrative	8,271	8,922	8,758	7,594	6,078	4,934	4,091	3,879
Total stock-based compensation expense	$ 32,099	$ 36,469	$ 35,367	$ 31,208	$ 29,040	$ 25,950	$ 23,358	$ 21,188

(2) See notes 1 and 14 of the notes to our consolidated financial statements for a description of how we compute net loss attributable to New Relic per share, basic and diluted.

	Three Months Ended							
	Mar 31, 2021	Dec 31, 2020	Sep 30, 2020	Jun 30, 2020	Mar 31, 2020	Dec 31, 2019	Sep 30, 2019	Jun 30, 2019
	(as a percentage of revenue)							
Revenue	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %
Cost of revenue (1)	33	28	27	20	18	17	17	17
Gross profit	67	72	73	80	82	83	83	83
Operating expenses:								
Research and development (1)	25	27	27	25	26	25	23	24
Sales and marketing (1)	55	56	54	53	56	57	56	55
General and administrative (1)	18	18	18	18	17	16	16	16
Total operating expenses	98	101	99	96	99	98	95	95
Operating loss	(31)	(29)	(26)	(16)	(17)	(15)	(12)	(12)
Other income (expense):								
Interest income	1	1	1	2	2	2	3	3
Interest expense	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)
Other income (expense), net	—	—	—	—	—	—	—	2
Loss before income taxes	(34)	(32)	(29)	(18)	(19)	(17)	(13)	(11)
Income tax provision (benefit)	—	—	—	—	(1)	1	—	—
Net loss	(34 %)	(32 %)	(29 %)	(18 %)	(18 %)	(18 %)	(13 %)	(11 %)
Net loss and adjustment attributable to redeemable non-controlling interest	(2)	—	—	—	—	—	—	—
Net loss attributable to New Relic	(36 %)	(32 %)	(29 %)	(18 %)	(18 %)	(18 %)	(13 %)	(11 %)

(1) Includes stock-based compensation expense as follows:

	Three Months Ended							
	Mar 31, 2021	Dec 31, 2020	Sep 30, 2020	Jun 30, 2020	Mar 31, 2020	Dec 31, 2019	Sep 30, 2019	Jun 30, 2019
	(as a percentage of revenue)							
Cost of revenue	1 %	1 %	1 %	1 %	1 %	1 %	1 %	1 %
Research and development	6	7	6	5	5	6	5	5
Sales and marketing	7	9	9	8	8	7	7	6
General and administrative	5	5	5	5	4	3	3	3
Total stock-based compensation expense	19 %	22 %	21 %	19 %	18 %	17 %	16 %	15 %

Quarterly Revenue Trends

Our quarterly revenue increased sequentially for each period presented, primarily due to sales of new subscriptions to our products and expanding use of our products by our existing customers. We cannot assure you that this pattern of sequential growth in revenue will continue. In future periods, as our rate of revenue growth declines, seasonality in our revenue may become more apparent. Further, with our pricing strategy change and focus on consumption we may continue to see downward pressure on revenue growth until our customers' consumption usage exceeds their up-front commitments.

Quarterly Gross Margin Trends

Our gross margin decreased during the past fiscal year, due to our public cloud migration which has resulted in significant increased costs in the short term as we are incurring cloud migration costs as well as costs to maintain our data center operations. In future periods, we expect that our gross margin will have additional downward pressure during our public cloud migration, but we will see our gross margin increase when our transition to the public cloud is complete.

Quarterly Expense Trends

Research and development, sales and marketing, and general and administrative expenses generally increased sequentially over the periods as we increased our headcount to support continued investment in our products. The increase in

personnel costs was primarily related to increases in headcount and merit-based compensation increases, along with higher stock-based compensation expense.

Non-GAAP Financial Measures

Non-GAAP Income (Loss) From Operations

To supplement our consolidated financial statements presented in accordance with GAAP, we provide investors with certain non-GAAP financial measures, including non-GAAP income (loss) from operations and non-GAAP net income (loss) attributable to New Relic. We define non-GAAP income (loss) from operations and non-GAAP net income (loss) attributable to New Relic as the respective GAAP balance, adjusted for, as applicable: (1) stock-based compensation expense, (2) lease exit costs and accelerated depreciation, (3) amortization of stock-based compensation capitalized in software development costs, (4) the amortization of purchased intangibles, (5) employer payroll tax expense on equity incentive plans and (6) amortization of debt discount and issuance costs, and in certain periods, (7) the transaction costs related to acquisitions (8) lawsuit litigation cost and other expense, (9) gain or loss from lease modification, and (10) adjustment to redeemable non-controlling interest. We use non-GAAP financial measures, including non-GAAP income (loss) from operations and non-GAAP net income (loss) attributable to New Relic, internally to understand and compare operating results across accounting periods, for internal budgeting and forecasting purposes, for short- and long-term operating plans, and to evaluate our financial performance. In addition, our bonus opportunity for eligible employees and executives is based in part on non-GAAP income (loss) from operations.

We believe these measures are useful to investors, as a supplement to GAAP measures, in evaluating our operational performance. We have provided below a reconciliation of GAAP loss from operations to non-GAAP income (loss) from operations and a reconciliation of GAAP net loss attributable to New Relic to non-GAAP net income (loss) attributable to New Relic. We believe non-GAAP income (loss) from operations and non-GAAP net income (loss) attributable to New Relic are useful to investors and others in assessing our operating performance due to the following factors:

Stock-based compensation expense and amortization of stock-based compensation capitalized in software development costs. We utilize share-based compensation to attract and retain employees. It is principally aimed at aligning their interests with those of our stockholders and at long-term retention, rather than to address operational performance for any particular period. As a result, share-based compensation expenses vary for reasons that are generally unrelated to financial and operational performance in any particular period.

Lease exit costs and accelerated depreciation. In fiscal 2020, we entered into an agreement to exit the lease of our 123 Mission premises in San Francisco, California. In connection with this agreement and subsequent relocation, we accelerated depreciation and other expenses associated with the remaining lease term. We believe it is useful to exclude this depreciation and these other expenses because we do not consider such amounts to be part of the ongoing operation of our business.

Amortization of purchased intangibles and transaction costs related to acquisitions. We view amortization of purchased intangible assets as items arising from pre-acquisition activities determined at the time of an acquisition. While these intangible assets are evaluated for impairment regularly, amortization of the cost of purchased intangibles is an expense that is not typically affected by operations during any particular period. Similarly, we view acquisition-related expenses as events that are not necessarily reflective of operational performance during a period.

Lawsuit litigation cost and other expense. We may from time to time incur charges or benefits related to litigation that are outside of the ordinary course of our business. We believe it is useful to exclude such charges or benefits because we do not consider such amounts to be part of the ongoing operation of our business and because of the singular nature of the claims underlying the matter.

Employer payroll tax expense on equity incentive plans. We exclude employer payroll tax expense on equity incentive plans as these expenses are tied to the exercise or vesting of underlying equity awards and the price of our common stock at the time of vesting or exercise. As a result, these taxes may vary in any particular period independent of the financial and operating performance of our business.

Amortization of debt discount and issuance costs. In May 2018, we issued $500.25 million of our 0.50% convertible senior notes due 2023 (the “Notes”), which bear interest at an annual fixed rate of 0.5%. The effective interest rate of the Notes was 5.74%. This is a result of the debt discount recorded for the conversion feature that is required to be separately accounted for as equity, and debt issuance costs, which reduce the carrying value of the convertible debt instrument. The debt discount is amortized as interest expense together with the issuance costs of the debt. The expense for the amortization of debt discount and debt issuance costs is a non-cash item, and we believe the exclusion of this interest expense will provide for a more useful comparison of our operational performance in different periods.

Gain or loss from lease modification. We may incur a gain or loss from modification related to lease agreements. We believe it is useful to exclude such charges or benefits because we do not consider such amounts to be part of the ongoing operation of our business and because of the singular nature of benefit or charge from such events.

Adjustment to redeemable non-controlling interest. In fiscal year 2021, we made an adjustment to the value of redeemable non-controlling interest in connection with our joint venture in New Relic K.K. We believe it is useful to exclude the adjustment to redeemable non-controlling interest because it may not be indicative of our future operating results and that investors benefit from an understanding of our operating results without giving effect to this adjustment.

Non-GAAP financial measures should not be considered in isolation from, or as a substitute for, financial information prepared in accordance with GAAP. In addition, there are limitations in using non-GAAP financial measures because the non-GAAP financial measures are not prepared in accordance with GAAP and may differ from non-GAAP financial measures used by other companies in our industry and exclude expenses that may have a material impact on our reported financial results.

The following tables present our non-GAAP income (loss) from operations and our non-GAAP net income (loss) attributable to New Relic and reconcile our GAAP loss from operations to non-GAAP income (loss) from operations and our GAAP net loss attributable to New Relic to our non-GAAP net income (loss) attributable to New Relic for the three months ended and fiscal year ended March 31, 2021 and 2020 (in thousands):

	Three Months Ended March 31,		Fiscal Year Ended March 31,	
	2021	2020	2021	2020
GAAP loss from operations	$ (54,308)	$ (27,480)	$ (171,400)	$ (85,489)
Plus: Stock-based compensation expense	32,099	29,040	135,143	99,536
Plus: Lease exit costs and accelerated depreciation	—	—	—	3,641
Plus: Amortization of purchased intangibles	1,676	368	5,505	1,663
Plus: Transaction costs related to acquisitions	—	—	885	251
Plus: Amortization of stock-based compensation capitalized in software development costs	379	182	1,222	835
Plus: Lawsuit litigation cost and other expense	—	10	254	1,531
Plus: Employer payroll tax on employee equity incentive plans	1,680	1,356	3,800	3,042
Non-GAAP income (loss) from operations	$ (18,474)	$ 3,476	$ (24,591)	$ 25,010

	Three Months Ended March 31,		Fiscal Year Ended March 31,	
	2021	2020	2021	2020
GAAP net loss attributable to New Relic	$ (61,677)	$ (27,959)	$ (192,610)	$ (88,937)
Plus: Stock-based compensation expense	32,099	29,040	135,143	99,536
Plus: Lease exit costs and accelerated depreciation	—	—	—	3,641
Plus: Amortization of purchased intangibles	1,676	368	5,505	1,663
Plus: Transaction costs related to acquisitions	—	—	885	251
Plus: Amortization of stock-based compensation capitalized in software development costs	379	182	1,222	835
Plus: Lawsuit litigation cost and other expense	—	10	254	1,531
Plus: Employer payroll tax on employee equity incentive plans	1,680	1,356	3,800	3,042
Plus: Amortization of debt discount and issuance costs	5,704	5,389	22,336	21,107
Plus: Adjustment to redeemable non-controlling interest	3,141	—	3,141	—
Less: Gain on lease modification	—	—	—	(3,006)
Non-GAAP net income (loss) attributable to New Relic	$ (16,998)	$ 8,386	$ (20,324)	$ 39,663

Non-GAAP income (loss) from operations and non-GAAP net income (loss) attributable to New Relic for the periods presented reflects the same trends discussed above in “Results of Operations.” Although we have generated non-GAAP income

from operations and non-GAAP net income attributable to New Relic in past quarters, we expect to remain in a loss position in the near future as we continue to incur additional expenses during our public cloud migration.

Liquidity and Capital Resources

	Fiscal Year Ended March 31,	
	2021	2020
	(in thousands)	
Cash provided by operating activities	$ 69,866	$ 93,419
Cash used in investing activities	(142,857)	(64,629)
Cash provided by financing activities	21,290	26,213
Net increase (decrease) in cash, cash equivalents and restricted cash	$ (51,701)	$ 55,003

To date, we have financed our operations primarily through the issuance of the Notes, private and public equity financings and customer payments. We believe that our existing cash, cash equivalents, and short-term investment balances, together with cash generated from operations, will be sufficient to meet our working capital and capital expenditure requirements for at least the next 12 months.

Our future capital requirements will depend on many factors, including our growth rate, the timing and extent of spending to support research and development efforts, the timing of our public cloud migration and the related decreased spending on capital expenditures, the introduction of new and enhanced products, seasonality of our billing activities, the timing and extent of spending to support our growth strategy, the continued market acceptance of our products, and competitive pressures. We may in the future enter into arrangements to acquire or invest in complementary businesses, services, technologies and intellectual property rights. We may need to raise additional funds from equity or debt securities in order to meet those capital requirements. In the event that additional financing is required from outside sources, we may not be able to raise such financing on terms acceptable to us or at all. If we are unable to raise additional capital when desired, our business, operating results, and financial condition would be adversely affected.

Operating Activities

During the fiscal year ended March 31, 2021, cash provided by operating activities was $69.9 million as a result of a net loss of $190.9 million, adjusted by non-cash charges of $250.4 million and a change of $10.4 million in our operating assets and liabilities. The change in our operating assets and liabilities was primarily the result of a $47.0 million increase in deferred contract acquisition costs due to increased sales, a $27.1 million increase in accounts receivable due to increased sales, and a 1.5 million decrease in lease liabilities. This was partially offset by a $58.9 million increase in deferred revenue as a result of increased sales of subscriptions, a $1.0 million decrease in lease right-of-use assets, an $11.8 million increase in accounts payable, an $18.8 million increase in accrued compensation and benefits and other liabilities due to increased headcount and merit-based compensation increases as well as deferred social security taxes, and a $7.6 million decrease in prepaid expenses and other assets.

During the fiscal year ended March 31, 2020, cash provided by operating activities was $93.4 million as a result of a net loss of $91.0 million, adjusted by non-cash charges of $192.0 million and a change of $7.6 million in our operating assets and liabilities. The change in our operating assets and liabilities was primarily the result of a $39.5 million increase in deferred contract acquisition costs due to increased sales, a $28.4 million increase in accounts receivable due to increased sales, and a 19.4 million decrease in lease liabilities. This was partially offset by a $44.7 million increase in deferred revenue as a result of increased sales of subscriptions, a $21.8 million decrease in lease right-of-use assets, a $7.4 million increase in accounts payable, a $5.0 million increase in accrued compensation and benefits and other liabilities due to increased headcount, and a $0.8 million decrease in prepaid expenses and other assets.

Investing Activities

Cash used in investing activities during the fiscal year ended March 31, 2021 was $142.9 million, primarily as a result of purchases of short-term investments of $405.1 million, purchases of property and equipment of $18.7 million, increases in capitalization of software development costs of $13.5 million, and cash paid for acquisitions of $41.5 million. These were offset by proceeds from the sale and maturity of short-term investments of $336.0 million.

Cash used in investing activities during the fiscal year ended March 31, 2020 was $64.6 million, primarily as a result of purchases of short-term investments of $391.1 million, purchases of property and equipment of $58.2 million, increases in

capitalization of software development costs of $6.6 million, and cash paid for acquisitions of $4.3 million. These were offset by proceeds from the sale and maturity of short-term investments of $395.6 million.

Financing Activities

Cash provided by financing activities during the fiscal year ended March 31, 2021 was $21.3 million, primarily as a result of proceeds from our employee stock purchase plan of $14.4 million and proceeds from exercise of employee stock options of $6.9 million.

Cash provided by financing activities during the fiscal year ended March 31, 2020 was $26.2 million, primarily as a result of proceeds from our employee stock purchase plan of $13.6 million, proceeds from exercise of employee stock options of $11.6 million, and our investment in the redeemable non-controlling interest of $1.0 million.

Contractual Obligations

As of March 31, 2021, our future non-cancelable contractual obligations were as follows:

	Payments due by period				
	Total	Less than 1 year	1 to 3 years	3 to 5 years	After 5 years
			(in thousands)		
Principal amount payable on the Notes (1)	$ 500,250	$ —	$ 500,250	$ —	$ —
Operating lease obligations (2)	84,269	12,187	27,546	23,623	20,913
Purchase obligations (3)	494,577	49,046	200,276	245,255	—
Total	$ 1,079,096	$ 61,233	$ 227,822	$ 268,878	$ 20,913

(1) For additional information regarding the Notes, refer to Note 7 of Notes to Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K.

(2) Consists of future minimum lease payments under non-cancelable operating leases for office space.

(3) Consists of future minimum payments under non-cancelable purchase commitments primarily related to hosting services and software subscriptions.

As of March 31, 2021, we had accrued liabilities related to uncertain tax positions, which are reflected on our consolidated balance sheet. These accrued liabilities are not reflected in the table above, as it is unclear when these liabilities will be paid.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements as defined in Item 303(a)(4)(ii) of Regulation S-K.

Critical Accounting Policies

We prepare our consolidated financial statements in accordance with United States generally accepted accounting principles, or GAAP. In the preparation of these consolidated financial statements, we make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of income and expenses during the reporting period. These estimates are based on information available as of the date of the consolidated financial statements; therefore, actual results could differ from our estimates. To the extent that there are material differences between these estimates and actual results, our financial condition or results of operations would be affected. We base our estimates on past experience and other assumptions that we believe are reasonable under the circumstances, and we evaluate these estimates on an ongoing basis. We refer to accounting estimates of this type as critical accounting policies and estimates.

The critical accounting policies requiring estimates, assumptions, and judgments that we believe have the most significant impact on our consolidated financial statements are described below.

Revenue Recognition

We generate revenue from subscription-based arrangements and usage-based arrangements that allow customers to access our products and/or platform. Our sales agreements have contract terms typically for one year.

We determine revenue recognition through the following steps:

- identification of the contract, or contracts with a customer;
- identification of the performance obligations in the contract;
- determination of the transaction price;
- allocation of the transaction price to the performance obligations in the contract; and
- recognition of revenue, when, or as, we satisfy a performance obligation.

Revenue from subscription-based arrangements is recognized on a ratable basis over the contractual subscription period of the arrangement beginning when or as control of the promised goods or services is transferred to the customer. Deferred revenue consists of billings or payments received in advance of revenue being recognized.

Beginning in the second quarter of fiscal 2021, we started offering usage-based pricing to our customers. Customers have the option to be charged upon their incurred usage in arrears ("Pay as You Go"), or they may commit to a minimum spend over their contracted period ("Annual Pool of Funds"). Revenue related to Pay as You Go contracts are recognized based on the customers' actual usage. Revenue related to Annual Pool of Funds contracts are recognized on a ratable basis over the contract period including an estimate of the usage above the minimum commitment. The estimated usage-based revenues are constrained to the amount we expect to be entitled to receive in exchange for providing access to our platform.

Stock-Based Compensation Expense

We measure and recognize compensation expense related to stock-based transactions, including employee and non-employee director stock options, performance stock units, or PSUs, restricted stock units, or RSUs, restricted stock awards, or RSAs, and the employee stock purchase plan, or ESPP, in our financial statements based on the fair value of the awards granted. We estimate the fair value of each option award on the grant date using the Black-Scholes option-pricing model and a single option award approach. The fair value of RSUs and RSAs is based on the closing price of our common stock as reported on the New York Stock Exchange. We recognize stock-based compensation expense, net of forfeitures, over the requisite service periods of the awards, which is generally four years.

Our use of the Black-Scholes option-pricing model requires the input of subjective assumptions, including the expected term of the option, the expected volatility of the price of our common stock, risk-free interest rates, and the expected dividend yield of our common stock. The assumptions we use in our option-pricing model represent management's best estimates. These estimates involve inherent uncertainties and the application of management's judgment. If factors change and different assumptions are used, our stock-based compensation expense could be materially different in the future.

These assumptions and estimates are as follows:

- *Fair Value of Common Stock.* Since our IPO, we have used the market closing price of our common stock as reported on the New York Stock Exchange.
- *Risk-Free Interest Rate.* We base the risk-free interest rate used in the Black-Scholes option-pricing model on the implied yield available on U.S. Treasury zero-coupon issues with a remaining term equivalent to that of the options for each option group.
- *Expected Term.* We determine the expected term based on the average period the stock options are expected to remain outstanding generally calculated as the midpoint of the stock options vesting term and contractual expiration period.
- *Expected Volatility.* Beginning in April 2020, the expected volatility for options granted is based on historical volatility of our common stock. The expected volatility for options granted prior to April 2020 was based on the historical volatilities of our publicly traded peer group.
- *Dividend Yield.* The expected dividend assumption is based on our current expectations about our anticipated dividend policy. Consequently, we used an expected dividend yield of zero.

In addition to the assumptions used in the Black-Scholes option-pricing model, we must also estimate a forfeiture rate to calculate the stock-based compensation expense for our awards. Our forfeiture rate is based on an analysis of our actual

forfeitures. We will continue to evaluate the appropriateness of the forfeiture rate based on actual forfeiture experience, analysis of employee turnover, and other factors. Quarterly changes in the estimated forfeiture rate can have a significant impact on our stock-based compensation expense as the cumulative effect of adjusting the rate is recognized in the period the forfeiture estimate is changed.

We estimate the fair value of the rights to acquire stock under our ESPP using the Black-Scholes option-pricing formula. Our ESPP typically provides for consecutive six-month offering periods. Prior to February 2017, we used our peer group volatility data in the valuation of ESPP shares. Beginning in February 2017, we started to use our own historical volatility data. We recognize such compensation expense on a straight-line basis over the requisite service period.

In May 2020, we began issuing PSUs to certain executives, which are contingent upon the achievement of pre-determined market and service conditions. The number of shares of common stock to be issued at vesting will range from 0% to 200% of the target number based on our total shareholder return ("TSR") relative to the performance of peer companies for each measurement period, over a one-year, two-year cumulative, and three-year cumulative period. If these market conditions are not met but service conditions are met, the PSUs will not vest; however, any stock-based compensation expense recognized to date will not be reversed. We use a Monte Carlo simulation model to determine the fair value of our PSUs and recognize expense using the accelerated attribution method over the requisite service period.

We will continue to use judgment in evaluating the assumptions related to our stock-based compensation on a prospective basis. As we continue to accumulate additional data related to our common stock, we may have refinements to our estimates, which could materially impact our future stock-based compensation expense.

Business Combinations

We recognize identifiable assets acquired and liabilities assumed at their acquisition date fair value. Goodwill as of the acquisition date is measured as the excess of consideration transferred over the net of the acquisition date fair values of the assets acquired and the liabilities assumed. While we use our best estimates and assumptions as a part of the purchase price allocation process to accurately value assets acquired and liabilities assumed at the acquisition date, our estimates are inherently uncertain and subject to refinement. As a result, during the measurement period, which may be up to one year from the acquisition date, we record adjustments to the assets acquired and liabilities assumed, with the corresponding offset to goodwill to the extent that we identify adjustments to the preliminary purchase price allocation. Upon the conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded to our consolidated statements of operations.

Goodwill and Other Intangible Assets

Goodwill represents the excess of the purchase price of an acquired business over the fair value of the underlying net tangible and intangible assets. Goodwill is evaluated for impairment annually in the third quarter, and whenever events or changes in circumstances indicate the carrying value of goodwill may not be recoverable. Triggering events that may indicate impairment include, but are not limited to, a significant adverse change in customer demand or business climate that could affect the value of goodwill or a significant decrease in expected cash flows.

Intangible assets consist of identifiable intangible assets, primarily developed technology, resulting from our acquisitions. Acquired intangible assets are recorded at cost, net of accumulated amortization. Intangible assets are amortized on a straight-line basis over their estimated useful lives. Long-lived assets, including intangible assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable.

Software Development Costs

We capitalize certain development costs incurred in connection with our internal use software and website. These capitalized costs are primarily related to our software tools that are hosted by us and accessed by our customers on a subscription basis. Costs incurred in the preliminary stages of development are expensed as incurred. Once an application has reached the development stage, internal and external costs, if direct and incremental, are capitalized until the software is substantially complete and ready for its intended use. Capitalization ceases upon completion of all substantial testing. We also capitalize costs related to specific upgrades and enhancements when it is probable the expenditures will result in additional features and functionality. Maintenance costs are expensed as incurred. Internal use software is amortized on a straight-line basis over its estimated useful life, generally three years.

Income Taxes

Deferred tax assets and liabilities are determined based on the differences between financial reporting and the tax bases of assets and liabilities and are measured using the tax rates that will be in effect when the differences are expected to reverse. Future tax benefits are recognized to the extent that realization of such benefits is considered to be more likely than not. A valuation allowance is provided on deferred tax assets if it is determined that it is more likely than not that the deferred tax asset will not be realized. We have considered our future anticipated market growth, historical and forecasted earnings, future taxable income and the mix of earnings in the jurisdictions in which we operate along with prudent, feasible and permissible tax planning strategies in determining the extent to which our deferred tax assets may be realizable. Projections inherently include a level of uncertainty that could result in lower or higher than expected future taxable income. When we determine that the deferred tax assets for which there is currently a valuation allowance would be realized in the future, the related valuation allowance will be reduced and a benefit to operations will be recorded. Conversely, if we were to make a determination that we will not be able to realize a portion of our net deferred tax assets in the future (using the "more likely than not" criteria), we would record an adjustment to our valuation allowance and a charge to operations in the period in which such determination is made.

We use a two-step approach to recognizing and measuring uncertain tax positions. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon ultimate settlement. We consider many factors when evaluating and estimating tax positions and tax benefits, which may require periodic adjustments and which may not accurately forecast actual outcomes. If interest and penalties related to unrecognized tax benefits were incurred, such amounts would be included in our provision for income taxes.

Recent Accounting Pronouncements

See Note 1, *Description of Business and Summary of Significant Accounting Policies*, of our accompanying Notes to Consolidated Financial Statements included in Part II, Item 8.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Foreign Currency Exchange Risk

Our subscription and usage-based agreements are primarily denominated in U.S. dollars. A portion of our operating expenses are incurred outside the United States and are denominated in foreign currencies and subject to fluctuations due to changes in foreign currency exchange rates, particularly changes in the Euro and Japanese Yen. Additionally, fluctuations in foreign currency exchange rates may cause us to recognize transaction gains and losses in our statements of operations. To date, foreign currency transaction gains and losses have not been material to our financial statements, and we have not engaged in any foreign currency hedging transactions. As our international operations grow, we will continue to reassess our approach to managing the risks relating to fluctuations in currency rates. The effect of a hypothetical 10% change in foreign currency exchange rates applicable to our business would not have had a material impact on our historical consolidated financial statements.

Interest Rate Risk

We had cash and cash equivalents of $240.8 million as of March 31, 2021, consisting of bank deposits and money market funds. These interest-earning instruments carry a degree of interest rate risk. To date, fluctuations in our interest income have not been significant. We have an agreement to maintain cash balances at a financial institution of no less than $5.6 million as collateral for several letters of credit in favor of our landlords. The letters of credit carry a fixed interest rate of 1%.

We had short-term investments of $575.3 million as of March 31, 2021, consisting of certificates of deposit, commercial paper, corporate notes and bonds, and U.S. treasury securities. Our investments in marketable securities are made for capital preservation purposes. We do not enter into investments for trading or speculative purposes and have not used any derivative financial instruments to manage our interest rate risk exposure. Due to the short-term nature of these investments, we have not been exposed to, nor do we anticipate being exposed to, material risks due to changes in interest rates.

A hypothetical 10% change in interest rates during any of the periods presented would not have had a material impact on our consolidated financial statements.

In March 2018, we issued $500.25 million aggregate principal amount of the Notes. The fair value of the Notes is subject to interest rate risk, market risk and other factors due to the conversion feature in the Notes. The fair value of the Notes

will generally increase as our common stock price increases and will generally decrease as our common stock price declines. The interest and market value changes affect the fair value of the Notes but do not impact our financial position, cash flows or results of operations due to the fixed nature of the debt obligation. Additionally, we carry the Notes at face value less unamortized discount on our balance sheet, and we present the fair value for required disclosure purposes only.

Item 8. Financial Statements and Supplementary Data

NEW RELIC, INC.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the stockholders and the Board of Directors of New Relic, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of New Relic, Inc. and subsidiaries (the "Company") as of March 31, 2021 and 2020, the related consolidated statements of operations, comprehensive loss, stockholders' equity, and cash flows, for each of the three years in the period ended March 31, 2021, and the related notes collectively referred to as the "financial statements". In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended March 31, 2021, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of March 31, 2021, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated May 14, 2021, expressed an unqualified opinion on the Company's internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Revenue Recognition — Refer to Notes 1 and 4 to the financial statements

Critical Audit Matter Description

The Company generates revenue from subscription-based arrangements that allow customers to access its products. Subscription revenue is recognized on a ratable basis over the contractual subscription period of the arrangement beginning when or as control of the promised goods or services is transferred to the customer. The Company determines revenue recognition through the following steps: (i) identification of the contract, or contracts with a customer, (ii) identification of the performance obligations in the contract, (iii) determination of the transaction price, (iv) allocation of the transaction price to the performance obligations in the contract, and (v) recognition of revenue, when, or as, the Company satisfies a performance obligation. For the fiscal year ended March 31, 2021, the Company's revenue was $667.6 million.

In performing the steps above, management applies significant judgment in evaluating the revenue recognition impact of contractual terms in customer agreements specifically, contractual terms that could result in recognizing material rights or different revenue recognition patterns. Given, these factors, the related audit effort in evaluating management's judgment in determining revenue recognition was extensive and required a high degree of auditor judgment.

How the Critical Audit Matter Was Addressed in the Audit

Our principal audit procedures related to the Company’s revenue recognition included the following, among others:

- We tested the effectiveness of controls related to the revenue recognition process, including controls related to the evaluation of the revenue recognition impact of contractual terms in customer agreements.
- We evaluated management’s significant accounting policies related to revenue recognition for reasonableness and compliance with Generally Accepted Accounting Principles (GAAP).
- We selected a sample of recorded revenue transactions and performed the following procedures:
  - Obtained and read customer source documents and the contract for each selection, including master agreements and related amendments to evaluate if relevant contractual terms have been appropriately considered by management.
  - Evaluated management’s application of their accounting policy and tested revenue recognition for each selection by comparing management’s conclusions to the underlying master agreement and any related amendments.
  - Tested the mathematical accuracy of management’s calculations of revenue and the associated timing of revenue recognized in the financial statements.

/s/ DELOITTE & TOUCHE LLP

San Francisco, California
May 14, 2021

We have served as the Company's auditor since 2012.

NEW RELIC, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands, except par value)

	March 31,	
	2021	2020
Assets		
Current assets:		
Cash and cash equivalents	$ 240,821	$ 292,523
Short-term investments	575,254	512,574
Accounts receivable, net of allowances of $2,633 and $3,636, respectively	174,027	147,361
Prepaid expenses and other current assets	21,944	15,979
Deferred contract acquisition costs	36,210	32,016
Total current assets	1,048,256	1,000,453
Property and equipment, net	91,308	100,294
Restricted cash	5,642	5,641
Goodwill	144,253	45,112
Intangible assets, net	12,986	13,691
Deferred contract acquisition costs, non-current	32,579	28,141
Lease right-of-use assets	57,425	57,777
Other assets, non-current	6,170	7,325
Total assets	$ 1,398,619	$ 1,258,434
Liabilities, redeemable non-controlling interest and stockholders' equity		
Current liabilities:		
Accounts payable	$ 24,171	$ 12,565
Accrued compensation and benefits	37,196	29,054
Other current liabilities	19,174	13,120
Deferred revenue	373,594	313,161
Lease liabilities	7,886	8,682
Total current liabilities	462,021	376,582
Convertible senior notes, net	449,380	427,044
Lease liabilities, non-current	59,924	57,394
Deferred revenue, non-current	1,674	3,166
Other liabilities, non-current	8,256	1,940
Total liabilities	981,255	866,126
Redeemable non-controlling interest	3,389	1,669
Stockholders' equity:		
Common stock, $0.001 par value; 100,000 shares authorized at March 31, 2021 and March 31, 2020; 64,019 shares and 60,098 shares issued at March 31, 2021 and March 31, 2020; and 63,759 shares and 59,838 shares outstanding at March 31, 2021 and March 31, 2020	64	60
Treasury stock—at cost (260 shares)	(263)	(263)
Additional paid-in capital	1,001,309	780,479
Accumulated other comprehensive income (loss)	(19)	4,869
Accumulated deficit	(587,116)	(394,506)
Total stockholders' equity	413,975	390,639
Total liabilities, redeemable non-controlling interest and stockholders' equity	$ 1,398,619	$ 1,258,434

See notes to consolidated financial statements.

NEW RELIC, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)

	Fiscal Year Ended March 31,		
	2021	2020	2019
Revenue	$ 667,648	$ 599,510	$ 479,225
Cost of revenue	181,564	103,237	77,399
Gross profit	486,084	496,273	401,826
Operating expenses:			
Research and development	174,851	148,159	104,859
Sales and marketing	361,702	334,319	257,066
General and administrative	120,931	99,284	73,007
Total operating expenses	657,484	581,762	434,932
Loss from operations	(171,400)	(85,489)	(33,106)
Other income (expense):			
Interest income	7,888	15,482	13,103
Interest expense	(24,901)	(23,695)	(19,679)
Other income (expense), net	(1,918)	2,934	(1,377)
Loss before income taxes	(190,331)	(90,768)	(41,059)
Income tax provision	559	211	697
Net loss	$ (190,890)	$ (90,979)	$ (41,756)
Net loss and adjustment attributable to redeemable non-controlling interest	$ (1,720)	$ 2,042	$ 863
Net loss attributable to New Relic	$ (192,610)	$ (88,937)	$ (40,893)
Net loss attributable to New Relic per share, basic and diluted	$ (3.15)	$ (1.52)	$ (0.72)
Weighted-average shares used to compute net loss per share, basic and diluted	61,070	58,601	56,884

See notes to consolidated financial statements.

NEW RELIC, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(In thousands)

	Fiscal Year Ended March 31,		
	2021	2020	2019
Net loss attributable to New Relic	$ (192,610)	$ (88,937)	$ (40,893)
Other comprehensive income (loss):			
Unrealized gain (loss) on available-for-sale securities, net of tax	(4,888)	4,224	969
Comprehensive loss	$ (197,498)	$ (84,713)	$ (39,924)

See notes to consolidated financial statements.

NEW RELIC, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands)

	Common Stock		Additional Paid-In Capital	Treasury Stock		Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount		Shares	Amount			
Balance at March 31, 2018	56,213	$ 56	$ 521,119	260	$ (263)	$ (324)	$ (305,484)	$ 215,104
Issuance of common stock upon exercise of stock options	822	1	17,383	—	—	—	—	17,384
Issuance of common stock for vested restricted stock units	879	1	—	—	—	—	—	1
Issuance of common stock related to employee stock purchase plan	155	—	11,165	—	—	—	—	11,165
Issuance of common stock related to acquisition of business	297	—	11,896	—	—	—	—	11,896
Stock-based compensation expense	—	—	56,242	—	—	—	—	56,242
Other comprehensive income, net	—	—	—	—	—	969	—	969
Net loss attributable to New Relic	—	—	—	—	—	—	(40,893)	(40,893)
Equity component of convertible senior notes, net of issuance costs	—	—	100,136	—	—	—	—	100,136
Purchase of capped calls	—	—	(63,182)	—	—	—	—	(63,182)
Cumulative effects adjustment for ASU 2014-09 adoption	—	—	—	—	—	—	40,808	40,808
Balance at March 31, 2019	58,366	$ 58	$ 654,759	260	$ (263)	$ 645	$ (305,569)	$ 349,630
Issuance of common stock upon exercise of stock options	502	1	11,631	—	—	—	—	11,632
Issuance of common stock for vested restricted stock units	960	1	(1)	—	—	—	—	—
Issuance of common stock related to employee stock purchase plan	270	—	13,603	—	—	—	—	13,603
Stock-based compensation expense	—	—	100,487	—	—	—	—	100,487
Other comprehensive income, net	—	—	—	—	—	4,224	—	4,224
Net loss attributable to New Relic	—	—	—	—	—	—	(88,937)	(88,937)
Balance at March 31, 2020	60,098	$ 60	$ 780,479	260	$ (263)	$ 4,869	$ (394,506)	$ 390,639
Issuance of common stock upon exercise of stock options	462	—	6,865	—	—	—	—	6,865
Issuance of common stock for vested restricted stock units	1,536	2	(2)	—	—	—	—	—
Issuance of common stock related to employee stock purchase plan	302	—	14,425	—	—	—	—	14,425
Issuance of common stock related to acquisition of business	1,621	2	62,365	—	—	—	—	62,367
Stock-based compensation expense	—	—	137,177	—	—	—	—	137,177
Other comprehensive loss, net	—	—	—	—	—	(4,888)	—	(4,888)
Net loss attributable to New Relic including adjustment to redeemable non-controlling interest	—	—	—	—	—	—	(192,610)	(192,610)
Balance at March 31, 2021	64,019	$ 64	$ 1,001,309	260	$ (263)	$ (19)	$ (587,116)	$ 413,975

See notes to consolidated financial statements.

NEW RELIC, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Fiscal Year Ended March 31,		
	2021	2020	2019
Cash flows from operating activities:			
Net loss attributable to New Relic	$ (192,610)	$ (88,937)	$ (40,893)
Net loss and adjustment attributable to redeemable non-controlling interest (Note 3)	$ 1,720	$ (2,042)	$ (863)
Net loss:	$ (190,890)	$ (90,979)	$ (41,756)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and amortization	89,312	75,743	53,794
Stock-based compensation expense	135,143	99,536	56,198
Amortization of debt discount and issuance costs	22,336	21,107	17,404
Gain on lease modification	—	(3,006)	—
Other	3,610	(1,399)	(1,655)
Changes in operating assets and liabilities, net of acquisition of businesses:			
Accounts receivable, net	(27,084)	(28,425)	(22,557)
Prepaid expenses and other assets	(7,571)	760	(1,814)
Deferred contract acquisition costs	(46,953)	(39,505)	(38,667)
Lease right-of-use assets	959	21,751	—
Accounts payable	11,766	7,436	245
Accrued compensation and benefits and other liabilities	18,778	5,044	11,539
Lease liabilities	1,519	(19,374)	—
Deferred revenue	58,941	44,730	81,559
Deferred rent	—	—	1,227
Net cash provided by operating activities	69,866	93,419	115,517
Cash flows from investing activities:			
Purchases of property and equipment	(18,737)	(58,218)	(43,303)
Cash paid for acquisitions, net of cash acquired	(41,536)	(4,250)	(30,432)
Purchases of short-term investments	(405,054)	(391,079)	(659,428)
Proceeds from sale and maturity of short-term investments	335,964	395,559	267,657
Capitalized software development costs	(13,494)	(6,641)	(5,162)
Net cash used in investing activities	(142,857)	(64,629)	(470,668)
Cash flows from financing activities:			
Investment from redeemable non-controlling interest	—	978	3,596
Proceeds from issuance of convertible senior notes, net of issuance costs paid of $11,582	—	—	488,669
Purchase of capped call related to convertible senior notes	—	—	(63,182)
Proceeds from employee stock purchase plan	14,425	13,603	11,165
Proceeds from exercise of employee stock options	6,865	11,632	17,383
Net cash provided by financing activities	21,290	26,213	457,631
Net increase (decrease) in cash, cash equivalents and restricted cash	(51,701)	55,003	102,480
Cash, cash equivalents and restricted cash at beginning of period	298,164	243,161	140,681
Cash, cash equivalents and restricted cash at end of period	$ 246,463	$ 298,164	$ 243,161
Reconciliation of cash, cash equivalents and restricted cash to condensed consolidated balance sheets:			
Cash and cash equivalents	$ 240,821	$ 292,523	$ 234,356
Restricted cash	5,642	5,641	8,805
Total cash, cash equivalents and restricted cash	$ 246,463	$ 298,164	$ 243,161
Supplemental disclosure of cash flow information:			
Cash paid for interest and income taxes	$ 4,544	$ 4,184	$ 2,062
Noncash investing and financing activities:			
Issuance of common stock for the acquisition of business	$ 62,365	$ —	$ 11,896
Property and equipment purchased but not paid yet	$ 1,776	$ 2,196	$ 7,855
Acquisition holdback	$ —	$ 850	$ 865

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Description of Business and Summary of Significant Accounting Policies

New Relic, Inc. (the "Company" or "New Relic") was incorporated in Delaware on February 20, 2008, when it converted from a Delaware limited liability company called New Relic Software, LLC, which was formed in Delaware in September 2007. The Company delivers the observability platform for engineers to plan, build, deploy and operate more perfect software. New Relic One is the Company's purpose-built offering for customers to land all of their telemetry data quickly and affordably in one place, and to translate that data into actionable insights.

Basis of Presentation and Consolidation—The consolidated financial statements include the accounts of New Relic and its subsidiaries. These consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles, or GAAP. All intercompany balances and transactions have been eliminated in consolidation.

Foreign Currency Translation and Transactions—The functional currency of the Company's foreign subsidiaries is the U.S. dollar. The Company translates all monetary assets and liabilities denominated in foreign currencies into U.S. dollars using the exchange rates in effect at the balance sheet dates and other assets and liabilities using historical exchange rates.

Foreign currency-denominated revenue and expenses have been re-measured using the average exchange rates in effect during each period. Foreign currency re-measurement gains and losses have been included in other income (expense).

Use of Estimates—The preparation of the Company's consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of income and expenses during the reporting period. Significant items subject to such estimates and assumptions include the fair value of share-based awards, fair value of purchased intangible assets and goodwill, fair value of debt and equity components related to the 0.5% convertible senior notes due 2023 (the "Notes"), useful lives of purchased intangible assets, unrecognized tax benefits, expected benefit period for deferred commissions, incremental borrowing rate used for operating lease liabilities, and the capitalization and estimated useful life of the Company's software development costs.

These estimates are based on information available as of the date of the consolidated financial statements; therefore, actual results could differ from management's estimates.

COVID-19—The COVID-19 pandemic has resulted in a global slowdown of economic activity that is expected to continue and which is likely to decrease demand for a broad variety of goods and services, while also disrupting sales channels and marketing activities for an unknown period of time until the disease is contained. The Company's revenue and deferred revenue have been negatively impacted by the slowdown in activity associated with the COVID-19 pandemic for the fiscal year ending March 31, 2021, but at this point, the extent of any continuing impact to the Company's financial condition or results of operations is uncertain, particularly as the COVID-19 pandemic continues to persist for an extended period of time, and as of the date of issuance of these financial statements, management is not aware of any specific event or circumstance that would require an update to estimates and judgments or revising the carrying value of its assets or liabilities. These estimates may change as new events occur and additional information is obtained, and will be recognized in the condensed consolidated financial statements as soon as they become known. Actual results could differ from those estimates and any such differences may be material to the financial statements.

Segments—The Company's chief operating decision maker is the Chief Executive Officer, who reviews financial information presented on a consolidated basis, accompanied by information about revenue by geographic region. Accordingly, the Company has determined that it has a single reportable segment.

Cash and Cash Equivalents—The Company considers all highly liquid investments with an original maturity of three months or less at the date of purchase to be cash and cash equivalents.

Restricted Cash—The Company has an agreement to maintain cash balances at a financial institution as collateral for letters of credit relating to the Company's property leases.

Short-term Investments—Short-term investments consist of money market funds, certificates of deposit, commercial paper, U.S. treasury securities, U.S. agency securities, and corporate debt securities, and are classified as available-for-sale securities. The Company has classified its investments as current based on the nature of the investments and their availability for use in current operations. Available-for-sale securities are carried at fair value with unrealized gains and losses reported as a

component of accumulated other comprehensive income, while realized gains and losses are reported within the statement of operations. The Company reviews its debt securities classified as short-term investments on a regular basis to evaluate whether or not any security has experienced an other-than-temporary decline in fair value. The Company considers factors such as the length of time and extent to which the market value has been less than the cost, the financial position and near-term prospects of the issuer, and the Company's intent to sell, or whether it is more likely than not the Company will be required to sell the investment before recovery of the investment's amortized-cost basis. If the Company determines that an other-than-temporary decline exists in one of these securities, the respective investment would be written down to fair value. For debt securities, the portion of the write-down related to credit loss would be recognized to other income, net in the consolidated statement of operations. Any portion not related to credit loss would be included in accumulated other comprehensive income (loss). The Company did not identify any investments as other-than-temporarily impaired as of March 31, 2021 or March 31, 2020.

Business Combinations—The Company recognizes identifiable assets acquired and liabilities assumed at their acquisition date fair value. Goodwill as of the acquisition date is measured as the excess of consideration transferred over the net of the acquisition date fair values of the assets acquired and the liabilities assumed. While the Company uses its best estimates and assumptions as a part of the purchase price allocation process to accurately value assets acquired and liabilities assumed at the acquisition date, its estimates are inherently uncertain and subject to refinement. As a result, during the measurement period, which may be up to one year from the acquisition date, the Company records adjustments to the assets acquired and liabilities assumed, with the corresponding offset to goodwill to the extent that the Company identifies adjustments to the preliminary purchase price allocation. Upon the conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded to the Company's consolidated statements of operations. There has been no such adjustment as of March 31, 2021.

Property and Equipment—Property and equipment are stated at cost. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. The Company uses an estimated useful life of three years for employee-related computers and software, three years for other office equipment and site-related computer hardware, and five years for furniture. Leasehold improvements are amortized over the shorter of the lease-term or the estimated useful life of the related asset. Down payments for property and equipment are recorded at cost and included in other assets in the accompanying consolidated balance sheet. Once the corresponding property and equipment item has been received, it will be reclassified to property and equipment and depreciated.

Revenue Recognition—The Company generates revenue from subscription-based arrangements and usage-based arrangements that allow customers to access its products and/or platform. The Company determines revenue recognition through the following steps:

- identification of the contract, or contracts with a customer;
- identification of the performance obligations in the contract;
- determination of the transaction price;
- allocation of the transaction price to the performance obligations in the contract; and
- recognition of revenue, when, or as, the Company satisfies a performance obligation.

Revenue from subscription-based arrangements is recognized on a ratable basis over the contractual subscription period of the arrangement beginning when or as control of the promised goods or services is transferred to the customer.

Beginning in the second quarter of fiscal 2021, the Company started offering usage-based pricing to its customers. Customers have the option to be charged upon their incurred usage in arrears ("Pay as You Go"), or they may commit to a minimum spend over their contracted period ("Annual Pool of Funds"). Revenue related to Pay as You Go contracts are recognized based on the customers' actual usage. Revenue related to Annual Pool of Funds contracts are recognized on a ratable basis over the contract period including an estimate of the usage above the minimum commitment. The estimated usage-based revenues are constrained to the amount the Company expects to be entitled to receive in exchange for providing access to its platform.

Deferred Revenue—Deferred revenue consists of billings or payments received in advance of revenue being recognized. The Company generally invoices its customers monthly, quarterly, or annually. Deferred revenue that will be recognized during the succeeding 12-month period is recorded as current deferred revenue and the remaining portion is recorded as non-current deferred revenue.

Cost of Revenue—Cost of revenue consists of expenses relating to data center operations, hosting-related costs, payment processing fees, depreciation and amortization, consulting costs, and salaries and benefits of operations and global customer support personnel.

Accounts Receivable and Allowance for Doubtful Accounts—Accounts receivable are recorded at the invoiced amount, net of allowances for doubtful accounts. The allowance for doubtful accounts is based on the Company's assessment of the collectability of accounts. The Company regularly reviews the adequacy of the allowance for doubtful accounts by considering the age of each outstanding invoice and the collection history of each customer to determine whether a specific allowance is appropriate. Accounts receivable deemed uncollectable are charged against the allowance for doubtful accounts when identified. For all periods presented, the allowance for doubtful accounts activity was not significant.

Software Development Costs—The Company capitalizes certain development costs incurred in connection with its internal use software and website. These capitalized costs are primarily related to its software tools that are hosted by the Company and accessed by its customers on a subscription basis. Costs incurred in the preliminary stages of development are expensed as incurred. Once an application has reached the development stage, internal and external costs, if direct and incremental, are capitalized until the software is substantially complete and ready for its intended use. Capitalization ceases when the software is released or made available. The Company also capitalizes costs related to specific upgrades and enhancements when it is probable the expenditures will result in additional features and functionality. Maintenance costs are expensed as incurred. Internal use software is amortized on a straight-line basis over its estimated useful life, generally three years.

The Company capitalized $17.6 million, $8.1 million, and $6.0 million in internal use software during the fiscal years ended March 31, 2021, 2020, and 2019, respectively. Included in the capitalized development costs were $4.1 million, $1.5 million, and $0.8 million of stock-based compensation costs for the fiscal years ended March 31, 2021, 2020, and 2019, respectively. Amortization expense totaled $7.0 million, $4.9 million, and $4.1 million during the fiscal years ended March 31, 2021, 2020, and 2019, respectively. The net book value of capitalized internal use software as of March 31, 2021 and 2020, which is recorded in property and equipment on the accompanying consolidated balance sheets, was $23.2 million and $13.5 million, respectively.

The Company also capitalizes qualifying implementation costs incurred in a hosting arrangement that is a service contract based on the existing guidance for internally developed software. In accordance with the guidance, (i) capitalized implementation costs are classified in the same balance sheet line item as the amounts prepaid for the related hosting arrangement; (ii) amortization of capitalized implementation costs are presented in the same income statement line item as the service fees for the related hosting arrangement; and (iii) cash flows related to capitalized implementation costs are presented within the same category of cash flow activity as the cash flows for the related hosting arrangement (i.e. operating activity). The Company tests for impairment whenever events or changes in circumstances occur that could impact the recoverability of these assets.

The Company amortizes capitalized implementation costs over the expected life of the service contract. The Company capitalized $2.1 million and $2.5 million in implementation costs for software hosting arrangements during the fiscal years ended March 31, 2021 and 2020, respectively. Amortization expense totaled $1.2 million and $0.2 million during the fiscal years ended March 31, 2021 and 2020, respectively.

Commissions—The Company capitalizes incremental commissions related to initial contracts and amortizes such costs over the expected period of benefit, which the Company has determined to be three years, because the commissions paid upon renewal are not commensurate with the commissions paid on initial contracts. The Company determined the period of benefit by taking into consideration the length of its customer contracts, their technology lifecycle, and other factors. Amortization expense is recorded in sales and marketing expense within the consolidated statement of operations. The Company expenses incremental commissions related to renewal contracts, as the commission paid on renewals are generally for contract periods of one year or less.

Advertising Expenses—Advertising is expensed as incurred and is included in sales and marketing in the consolidated statements of operations. Advertising expense was $24.5 million, $21.8 million, and $19.3 million for the fiscal years ended March 31, 2021, 2020, and 2019, respectively.

Operating Leases—The Company leases office space under non-cancelable operating leases which expire from 2021 to 2031. All of its office leases are classified as operating leases with lease expense recognized on a straight-line basis over the lease term.

Lease right-of-use assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. As these leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The Company considers information including, but not limited to, the lease term, the Company's credit rating and interest rates of similar debt instruments with comparable credit ratings. The lease right-of-use assets are also increased by any lease prepayments made and reduced by any lease incentives such as tenant improvement allowances. Options to extend the lease term are included in the lease term when it is reasonably certain that the Company will exercise the extension option.

The Company's operating leases typically include nonlease components such as common-area maintenance costs. The Company has elected to include nonlease components with lease payments for the purpose of calculating lease right-of-use assets and liabilities, to the extent that they are fixed. Nonlease components that are not fixed are expensed as incurred as variable lease payments.

Leases with a term of one year or less are not recognized on the Company's consolidated balance sheet.

Impairment of Long-Lived Assets—Long-lived assets, such as property and equipment, acquired intangible assets, and capitalized software development costs subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. If circumstances require a long-lived asset be tested for possible impairment, the Company first compares undiscounted cash flows expected to be generated by the asset to its carrying value. If the carrying value of the long-lived asset is not recoverable on an undiscounted cash flow basis, an impairment is recognized to the extent that the carrying value exceeds its fair value. Fair value is determined through various valuation techniques, including discounted cash flow models, quoted market values, and third-party independent appraisals, as considered necessary. For the fiscal years presented, the Company had not impaired any of its long-lived assets.

Goodwill—Goodwill represents the excess of the purchase price of an acquired business over the fair value of the underlying net tangible and intangible assets. Goodwill is evaluated for impairment annually in the third quarter of the Company's fiscal year, and whenever events or changes in circumstances indicate the carrying value of goodwill may not be recoverable. Triggering events that may indicate impairment include, but are not limited to, a significant adverse change in customer demand or business climate that could affect the value of goodwill or a significant decrease in expected cash flows. Since inception through March 31, 2021, the Company did not have any goodwill impairment.

Intangible Assets—Intangible assets consist of identifiable intangible assets, primarily developed technology, resulting from the Company's acquisitions. Acquired intangible assets are recorded at cost, net of accumulated amortization. Intangible assets are amortized on a straight-line basis over their estimated useful lives.

Stock-Based Compensation—The Company estimates the fair value of share-based awards on the date of grant. The value of the portion of the award that is ultimately expected to vest is recognized as expense over the requisite service periods in the statements of operations. The Company recognizes compensation expense for the majority of its awards over the vesting period of the entire award using the straight-line attribution method. These amounts are reduced by an estimated forfeiture rate. The forfeiture rate is estimated based on actual cancellation experience and is applied to all share-based awards. The rate is estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

The Company selected the Black-Scholes option-pricing model as the method for determining the estimated fair value for stock options and shares pursuant to the Company's 2014 Employee Stock Purchase Plan, or ESPP. The Black-Scholes option-pricing model requires the use of highly subjective and complex assumptions, which determine the fair value of share-based awards, including the option's expected term and the price volatility of the underlying stock.

The Company uses a Monte Carlo simulation model to determine the fair value of its performance stock units, or PSUs, and recognizes expense using the accelerated attribution method over the requisite service period.

The authoritative guidance prohibits the recognition of a deferred tax asset for an excess tax benefit that has not yet been included in the Company's tax return. As a result, the Company will only recognize an excess tax benefit from stock-based compensation in additional paid-in capital in the period in which it is included in the Company's tax return.

Fair Value Measurements—The Company defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities that are required to be recorded at fair value, the Company considers the principal or most advantageous market in which to transact and the market-based risk. The Company applies fair value accounting for all financial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a

recurring basis. The carrying amounts reported in the consolidated financial statements approximate the fair value for cash and cash equivalents, restricted cash, accounts receivable, accounts payable, and accrued liabilities, due to their short-term nature.

Concentration of Risk—Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents, restricted cash, short-term investments, and trade accounts receivable. The Company invests its excess cash in money market funds, certificates of deposit, commercial paper, U.S. treasury securities, U.S. agency securities, and corporate debt securities with major financial institutions. Management believes that the financial institutions that hold the Company's investments are financially sound and, accordingly, are subject to minimal credit risk. There were no customers that represented more than 10% of the Company's accounts receivable balance as of March 31, 2021 and March 31, 2020. In addition, there were no customers that individually exceeded 10% of the Company's revenue during the fiscal years ended March 31, 2021, 2020, and 2019.

Income Taxes—The Company accounts for income taxes using the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in the Company's consolidated financial statements or tax returns. In addition, deferred tax assets are recorded for the future benefit of utilizing net operating losses and research and development credit carryforwards. Valuation allowances are provided when necessary to reduce deferred tax assets to the amount that is more likely than not to be realized. The Company recognizes interest and penalties related to unrecognized tax benefits within the income tax expense line in the consolidated statement of operations

Net Loss Per Share—The Company's basic net loss per share is calculated by dividing the net loss by the weighted-average number of shares of common stock outstanding for the period. The diluted net loss per share is computed by giving effect to all potential dilutive common stock equivalents outstanding for the period. For purposes of this calculation, options to purchase common stock, common stock reserved for issuance, restricted stock units, convertible debt, and shares issuable pursuant to the ESPP are considered common stock equivalents but have been excluded from the calculation of diluted net loss per share as their effect is antidilutive.

Recently Issued Accounting Pronouncements Not Yet Adopted

In August 2020, the Financial Accounting Standards Board ("FASB") issued ASU 2020-06, *Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40)*. This ASU simplifies the accounting for convertible instruments by reducing the number of accounting models for convertible debt instruments and convertible preferred stock. This will result in more convertible debt instruments being accounted for as a single liability instrument and more convertible preferred stock being accounted for as a single equity instrument with no separate accounting for embedded conversion features. The ASU also simplifies the diluted earnings per share ("EPS") calculation in certain areas. This standard will be effective for the Company in the fiscal year beginning April 1, 2022. The Company is currently evaluating the effect the standard will have on its consolidated financial statements.

Recently Adopted Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which amends guidance on reporting credit losses for assets held at amortized cost basis and available-for-sale debt securities. The Company adopted this new standard on April 1, 2020. The adoption of this standard did not have a material impact on its consolidated financial statements.

Under the new standard, the Company assesses credit losses on accounts receivable by taking into consideration past collection experience, credit quality of the customer, age of the receivable balance, current economic conditions, and forecasts that affect the collectability of the reported amount.

With respect to available-for-sale debt securities, the updated guidance requires that credit losses be presented as an allowance rather than as a write-down. Allowance for credit losses is recorded in other income (expense), net on the consolidated statements of operations, limited by the amount that fair value is less than the amortized cost basis. Non-credit related impairment losses are reported as a separate component on the consolidated statements of comprehensive loss.

In January 2017, the FASB issued ASU 2017-04, *Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*, which eliminates Step 2 from the goodwill impairment test. The Company adopted this standard on April 1, 2020. The adoption of this standard did not have a material impact on its consolidated financial statements or disclosures.

In August 2018, the FASB issued ASU 2018-13, *Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement* ("ASU 2018-13"), which amends ASC 820, Fair Value Measurement. ASU 2018-13 modifies the disclosure requirements for fair value measurements by removing, modifying, or adding certain disclosures. The removed and modified disclosures will be adopted on a retrospective basis and the new disclosures will be adopted on a prospective basis. The Company adopted this standard on April 1, 2020. The adoption of this standard did not have a material impact on its consolidated financial statements.

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740)*, which enhances and simplifies various aspects of the income tax accounting guidance, including requirements such as tax basis step-up in goodwill obtained in a transaction that is not a business combination, ownership changes in investments, and interim-period accounting for enacted changes in tax law. The Company adopted this standard on April 1, 2020. The adoption of this standard did not have a material impact on its consolidated financial statements.

2. Business Combination

Pixie Labs Inc.

On December 22, 2020, the Company acquired all of the equity interests in Pixie Labs Inc. ("Pixie Labs"), a company that provides a next-generation machine intelligence observability solution for developers using Kubernetes. The aggregate purchase price of $107.9 million consisted of approximately $45.6 million in cash (of which $15.0 million is being held in escrow for 12 months after the transaction closing date) and 884,269 shares of Company common stock with an aggregate fair value of approximately $62.4 million. The fair value of the consideration transferred was determined based on a $70.53 per share price of the Company's common stock.

The total purchase price was allocated to the developed technology acquired with an estimated useful life of three years, net assets assumed, and a deferred tax liability related to the developed technology. The excess purchase price was recorded as goodwill, as set forth below. Goodwill generated from the acquisition is attributable to expected synergies from future growth and is not deductible for tax purposes.

The following table presents the purchase price allocation related to the acquisition (in thousands):

Cash consideration paid	$	45,558
Fair value of common shares issued		114,310
Total consideration		159,868
Post-business combination compensation expense		(51,943)
Total purchase price		107,925
Net assets assumed		(4,099)
Deferred tax liabilities		115
Developed technology acquired		(4,800)
Goodwill	$	99,141

The acquisition has been accounted for as a business combination. The direct transaction costs of the acquisition have been accounted for separately from the business combination and expensed as incurred. Total direct transaction costs incurred by the Company were $0.9 million, which were included in general and administrative expenses in the Company's consolidated statement of operations for the fiscal year ended March 31, 2021. The Company paid $0.6 million in acquisition-related expenses incurred by Pixie Labs related to Pixie Labs' advisors which were included as part of the purchase consideration. The business combination did not have a material impact on the consolidated financial statements and therefore historical and proforma disclosures have not been presented.

The acquisition also included a holdback arrangement with certain employees of Pixie Labs, totaling approximately 736,469 shares of the Company's common stock, contingent upon their continued employment with the Company. The fair value of these awards, which are subject to the recipients' continued service, was $51.9 million and was excluded from the aggregate purchase price. These awards will be recognized as stock-based compensation expense over the vesting period, which ranges from 18 months to 37 months.

IOPipe,Inc.

On October 31, 2019, the Company acquired certain assets of IOpipe, Inc., a company that provides monitoring tools for serverless applications, for $5.1 million in cash. The Company held back approximately $0.9 million from the aggregate purchase price which has been accrued as a liability. Of the total purchase price, $1.5 million was allocated to acquired technology with an estimated useful life of three years with the excess $3.6 million of the purchase price over the fair value of the intangible assets acquired recorded as goodwill. The acquisition has been accounted for as a business combination under the acquisition method. Goodwill and other intangibles generated from the acquisition are attributable to expected synergies from future growth and potential future monetization opportunities, and are deductible for tax purposes. The business combination did not have a material impact on the consolidated financial statements and therefore historical and proforma disclosures have not been presented.

SignifAI, Inc.

On January 25, 2019, the Company acquired all outstanding stock of SignifAI, Inc. ("SignifAI"), an event intelligence company specializing in artificial intelligence and machine learning. The aggregate purchase price of $36.3 million consisted of $25.1 million in cash and 143,861 shares of Company common stock with an aggregate fair value of approximately $11.9 million. The fair value of the consideration transferred was determined based on an $82.69 per share price of the Company's common stock. The total purchase price was allocated to the developed technology acquired, net liabilities assumed, deferred taxes related to net operating loss carryforwards and a deferred tax liability related to the developed technology. The excess purchase price was recorded as goodwill, as set forth below. The acquisition has been accounted for as a business combination. The business combination did not have a material impact on the Company's consolidated financial statements and therefore historical and proforma disclosures have not been presented.

Per the terms of the merger agreement, all share-based payment awards were accelerated and paid for in cash. The cash consideration paid for unvested share-based payment awards of $0.8 million was recognized as compensation expense separate from the business combination. The acquisition also included a holdback arrangement with certain employees of SignifAI, totaling approximately 152,840 shares of the Company's common stock, contingent upon their continued employment with the Company. The fair value of these awards, which are subject to the recipients' continued service, was $12.6 million and was excluded from the aggregate purchase price. These awards are recognized as stock-based compensation expense over the vesting period, which ranges from of 24 months to 36 months from the closing date of the acquisition.

The following table presents the purchase price allocation related to the acquisition (in thousands):

Cash consideration paid	$	25,119
Fair value of common shares issued		24,535
Total consideration		49,654
Post-business combination compensation expense		(12,639)
Cash paid to settle unvested stock options		(764)
Total purchase price		36,251
Net liabilities assumed		259
Deferred tax liabilities		2,289
Deferred tax assets		(1,721)
Developed technology acquired		(10,900)
Goodwill	$	26,178

CoScale NV

On October 9, 2018, the Company acquired certain assets of CoScale NV ("CoScale"), a public limited liability company organized and existing under the laws of Belgium that provides solutions for monitoring the performance of software container environments for $6.3 million in cash. The Company held back approximately $0.9 million from the aggregate purchase price. Of the total purchase price, $2.9 million was allocated to acquired technology with an estimated useful life of three years, with the excess $3.4 million of the purchase price over the fair value of intangible assets acquired recorded as goodwill. The acquisition has been accounted for as a business combination under the acquisition method. Goodwill and other intangibles generated from the acquisition are attributable to expected synergies from future growth and potential future monetization opportunities, and are deductible for tax purposes. The business combination did not have a material impact on the Company's consolidated financial statements and therefore historical and proforma disclosures have not been presented.

3. Joint Venture

On July 13, 2018, the Company entered into an agreement with Japan Cloud Computing L.P. ("JCC") and M30 LLC (collectively, the Investors) to engage in the investment, organization, management and operation of New Relic K.K., a Japanese subsidiary of the Company that is focused on the sale of the Company's products and services in Japan. On August 21, 2018, the investors initially contributed approximately $3.6 million (396,000,000 Japanese Yen) in exchange for 40% of the outstanding common stock of New Relic K.K. On August 21, 2019, the Company and Investors additionally contributed approximately $1.5 million (156,000,000 Japanese Yen) and approximately $1.0 million (104,000,000 Japanese Yen), respectively, to subscribe to additional shares. As of March 31, 2021, the Company owned approximately 60% of the outstanding common stock in New Relic K.K.

All of the common stock held by the Investors may be callable by the Company or puttable by the Investors upon certain contingent events. Should the call or put option be exercised, the redemption value would be determined based on a prescribed formula derived from the discrete revenues of New Relic K.K. and the Company and may be settled, at the Company's discretion, with Company stock or cash. As a result of the put right available to the redeemable non-controlling interest holders in the future, the redeemable non-controlling interest in New Relic K.K. is classified outside of permanent equity in the Company's consolidated balance sheet as of March 31, 2021, and the balance is reported at the greater of the initial carrying amount adjusted for the redeemable non-controlling interest's share of earnings or losses, or its estimated redemption value. Accordingly, the Company adjusted the redeemable non-controlling interest by $3.1 million at March 31, 2021.

The following table summarizes the activity in the redeemable non-controlling interest for the period indicated below:

	March 31, 2021	March 31, 2020
Balance, beginning of period	$ 1,669	$ 2,733
Investment by redeemable non-controlling interest	—	978
Net loss attributable to redeemable non-controlling interest	(1,421)	(2,042)
Adjustment to redeemable non-controlling interest	3,141	—
Balance, end of period	$ 3,389	$ 1,669

4. Revenue

The Company offers a comprehensive suite of products delivered on its open and extensible cloud-based platform that enable organizations to collect, store and analyze massive amounts of data in real time so they can better operate their applications and infrastructure and improve their digital customer experience. The Company generates revenue from subscription-based arrangements and usage-based arrangements that allow customers to access its products and/or platform.

The Company determines revenue recognition through the following steps: (i) identification of the contract, or contracts with a customer, (ii) identification of the performance obligations in the contract, (iii) determination of the transaction price, (iv) allocation of the transaction price to the performance obligations in the contract, and (v) recognition of revenue, when, or as, the Company satisfies a performance obligation.

Revenue from subscription-based arrangements is recognized on a ratable basis over the contractual subscription period of the arrangement beginning when or as control of the promised goods or services is transferred to the customer.

Beginning in the second quarter of fiscal 2021, the Company started offering usage-based pricing to its customers. Customers have the option to be charged upon their incurred usage in arrears ("Pay as You Go"), or they may commit to a minimum spend over their contracted period ("Annual Pool of Funds"). Revenue related to Pay as You Go contracts are recognized based on the customers' actual usage. Revenue related to Annual Pool of Funds contracts are recognized on a ratable basis over the contract period including an estimate of the usage above the minimum commitment. The estimated usage-based revenues are constrained to the amount the Company expects to be entitled to receive in exchange for providing access to its platform. Deferred revenue consists of billings or payments received in advance of revenue being recognized.

Disaggregation of Revenue

For disaggregated revenue by geography, refer to Note 16—Revenue by Geographic Location.

Contract Balances

In a response to the COVID-19 pandemic, the Company performed additional procedures to evaluate the creditworthiness of its customers and assess collectability of accounts. Using a current expected credit loss model, the Company determined that, while there may be a delay in collections due to the downturn in economic activity, there has not been a material impact to the risk of credit loss on accounts receivables as of March 31, 2021.

The Company receives payments from customers based upon billing cycles. As the Company performs under customer contracts, its right to consideration that is unconditional is considered to be accounts receivable. If the Company's right to consideration for such performance is contingent upon a future event or satisfaction of additional performance obligations, the amount of revenues the Company has recognized in excess of the amount it has billed to the customer is considered to be a contract asset. Contract assets were $2.5 million and $0.1 million as of March 31, 2021 and March 31, 2020, respectively. The Company has no asset impairment charges related to contract assets for the periods presented. Deferred revenue represents considerations received from customers in excess of revenues recognized.

The following table presents the changes to the Company's deferred revenue (in thousands):

	March 31, 2021	March 31, 2020
Deferred revenue, beginning of period	$ 316,327	$ 271,597
Contributions from contract asset	2,446	(171)
Billings	724,143	644,411
Revenue recognized	(667,648)	(599,510)
Deferred revenue, end of period	$ 375,268	$ 316,327

During the fiscal years ended March 31, 2021 and 2020, approximately 47% and 44% of total revenue recognized, respectively, was from the deferred revenue balances at the beginning of each period.

Contract Acquisition Costs

The Company capitalizes certain contract acquisition costs primarily consisting of commissions. The balances of deferred costs to obtain customer contracts were $68.8 million and $60.2 million as of March 31, 2021 and March 31, 2020, respectively. In the fiscal years ended March 31, 2021 and 2020, amortization from amounts capitalized was $38.3 million and $32.7 million, respectively. In the fiscal years ended March 31, 2021 and 2020, amounts expensed as incurred were $14.5 million and $13.3 million, respectively. The Company had no impairment loss in relation to costs capitalized.

Remaining Performance Obligations

The Company's contracts with customers generally include one main performance obligation, which is access to its SaaS-based products and platform. Within the main performance obligation, each service is generally considered a distinct stand-ready obligation that is recognized over the contract term based on the passage of time. As of March 31, 2021, the aggregate unrecognized transaction price of remaining performance obligations was $726.8 million. The Company expects to recognize more than 91% of the balance as revenue in the 24 months following March 31, 2021 and the remainder thereafter. The aggregate balance of remaining performance obligations represents contracted revenue that has not yet been recognized and does not include contract amounts which are cancelable by the customer and amounts associated with optional renewal periods.

5. Fair Value Measurements

The Company reports assets and liabilities recorded at fair value on the Company's consolidated balance sheets based upon the level of judgment associated with inputs used to measure their fair value. The categories are as follows:

Level 1—Inputs are unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2—Inputs are quoted prices for similar assets and liabilities in active markets; quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions (less active markets); or inputs other than quoted prices that are observable for the assets or liabilities, either directly or indirectly through market corroboration, for substantially the full term of the financial instruments.

Level 3—Inputs are unobservable inputs based on the Company's own assumptions used to measure assets and liabilities at fair value. The inputs require significant management judgment or estimation.

The following tables present information about the Company's financial assets measured at fair value on a recurring basis as of March 31, 2021 and 2020 based on the three-tier fair value hierarchy (in thousands):

	Fair Value Measurements as of March 31, 2021			
	Level 1	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents:				
Money market funds	$ 101,626	$ —	$ —	$ 101,626
Short-term investments:				
Certificates of deposit	—	48,099	—	48,099
Commercial paper	—	11,681	—	11,681
Corporate notes and bonds	—	39,873	—	39,873
U.S. treasury securities	475,601	—	—	475,601
Restricted cash:				
Money market funds	5,642	—	—	5,642
Total	$ 582,869	$ 99,653	$ —	$ 682,522
Included in cash and cash equivalents				$ 101,626
Included in short-term investments				$ 575,254
Included in restricted cash				$ 5,642

	Fair Value Measurements as of March 31, 2020			
	Level 1	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents:				
Money market funds	$ 107,663	$ —	$ —	$ 107,663
U.S treasury securities	27,938	—	—	27,938
U.S. government agencies	—	24,999	—	24,999
Short-term investments:				
Certificates of deposit	—	14,986	—	14,986
Commercial paper	—	13,334	—	13,334
Corporate notes and bonds	—	60,319	—	60,319
U.S. treasury securities	422,333	—	—	422,333
U.S. government agencies	—	1,602	—	1,602
Restricted cash:				
Money market funds	5,641	—	—	5,641
Total	$ 563,575	$ 115,240	$ —	$ 678,815
Included in cash and cash equivalents				$ 160,600
Included in short-term investments				$ 512,574
Included in restricted cash				$ 5,641

There were no transfers between fair value measurement levels during the fiscal years ended March 31, 2021 and 2020.

The Company invests in certificates of deposit, commercial paper, corporate debt securities, U.S. treasury securities, and U.S. agency securities, which are classified as available-for-sale securities. The following table presents our available-for-sale securities as of March 31, 2021 (in thousands):

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Short-term investments:				
Certificates of deposit	$ 48,100	$ 18	$ (19)	$ 48,099
Commercial paper	11,676	5	—	11,681
Corporate notes and bonds	39,620	261	(8)	39,873
U.S. treasury securities	474,171	1,575	(145)	475,601
Total available-for-sale investments	$ 573,567	$ 1,859	$ (172)	$ 575,254

The following table presents the Company's available-for-sale securities as of March 31, 2020 (in thousands):

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Cash and cash equivalents:				
U.S. treasury securities	$ 27,923	$ 15	$ —	$ 27,938
U.S. government agencies	24,995	4	—	24,999
Short-term investments:				
Certificates of deposit	15,000	20	(34)	14,986
Commercial paper	13,318	16	—	13,334
Corporate notes and bonds	60,211	221	(113)	60,319
U.S. treasury securities	415,889	6,444	—	422,333
U.S. government agencies	1,600	2	—	1,602
Total available-for-sale investments	$ 558,936	$ 6,722	$ (147)	$ 565,511

As of March 31, 2021 and 2020, securities that were in an unrealized loss position for more than 12 months were not significant. In addition, the Company did not consider any available-for-sale securities to be impaired as of March 31, 2021 or 2020.

The following table classifies the Company's available-for-sale short-term investments by contractual maturities as of March 31, 2021 and 2020 (in thousands):

	March 31, 2021	March 31, 2020
Due within one year	$ 299,032	$ 320,582
Due after one year and within three years	276,222	191,992
Total	$ 575,254	$ 512,574

For certain other financial instruments, including accounts receivable, accounts payable and other current liabilities, the carrying amounts approximate their fair value due to the relatively short maturity of these balances.

Convertible Senior Notes

As of March 31, 2021, the fair value of our 0.50% convertible senior notes due 2023 (the "Notes") was $442.9 million. The fair value was determined based on the quoted price of the Notes in an inactive market on the last trading day of the reporting period and has been classified as Level 2 in the fair value hierarchy.

6. Property and Equipment

Property and equipment, net, consisted of the following (in thousands):

	March 31, 2021	March 31, 2020
Computers, software, and equipment	$ 14,270	$ 13,249
Site operation equipment	87,479	102,316
Furniture and fixtures	5,758	4,802
Leasehold improvements	49,751	39,081
Capitalized software development costs	66,451	50,440
Total property and equipment	223,709	209,888
Less: accumulated depreciation and amortization	(132,401)	(109,594)
Total property and equipment, net	$ 91,308	$ 100,294

Depreciation and amortization expense related to property and equipment during the fiscal years ended March 31, 2021, 2020, and 2019 was $44.3 million, $41.1 million, and $25.9 million, respectively.

7. 0.5% Convertible Senior Notes and Capped Call

In May 2018, the Company issued $500.25 million in aggregate principal amount of Notes in a private offering, including an additional $65.25 million aggregate principal amount of such notes pursuant to the exercise in full of the initial purchasers' over-allotment option. The Notes are the Company's senior unsecured obligations and bear interest at a fixed rate of 0.5% per annum, payable semi-annually in arrears on May 1 and November 1 of each year, commencing on November 1, 2018. The Notes will mature on May 1, 2023, unless earlier converted or repurchased. Each $1,000 principal amount of the Notes will initially be convertible into 9.02 shares of the Company's common stock (the "Conversion Option"), which is equivalent to an initial conversion price of approximately $110.81 per share. The Notes will be convertible at the option of the holders at any time prior to the close of business on the business day immediately preceding November 1, 2022, only under the following circumstances: (1) during any fiscal quarter commencing after the fiscal quarter ending on September 30, 2018 (and only during such fiscal quarter), if the last reported sale price of the Company's common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding fiscal quarter is greater than or equal to 130% of the conversion price on each applicable trading day; (2) during the five business day period after any five consecutive trading day period (the "measurement period") in which the trading price (as defined in the indenture governing the Notes) per $1,000 principal amount of Notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price of our common stock and the conversion rate for the Notes on each such trading day; or (3) upon the occurrence of specified corporate events as set forth in the indenture governing the Notes. On or after November 1, 2022 until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may convert all or any portion of their Notes, in multiples of $1,000 principal amount, at the option of the holder regardless of the foregoing circumstances. Upon conversion, the Company may satisfy its conversion obligation by paying and/or delivering, as the case may be, cash, shares of the Company's common stock or a combination of cash and shares of the Company's common stock, at the Company's election, in the manner and subject to the terms and conditions provided in the indenture governing the Notes. The conversion rate is subject to adjustment under certain circumstances in accordance with the terms of the indenture governing the Notes. In addition, following certain corporate events that occur prior to the maturity date, the Company will increase the conversion rate, in certain circumstances, for a holder who elects to convert its Notes in connection with such a corporate event. During the three and twelve months ended March 31, 2021, the conditions allowing holders of the Notes to convert have not been met. The Notes were therefore not convertible during the twelve months ended March 31, 2021 and were classified as long-term debt for such period.

In accounting for the transaction, the Notes were separated into liability and equity components. The carrying amount of the liability component was calculated by measuring the fair value of a similar debt instrument that does not have an associated conversion feature. The carrying amount of the equity component representing the Conversion Option was $102.5 million and was determined by deducting the fair value of the liability component from the proceeds received upon issuance of the Notes. The equity component was recorded in additional paid-in capital and is not remeasured as long as it continues to meet the conditions for equity classification. The excess of the principal amount of the Notes over the liability component (the "Debt Discount") and the debt issuance costs are amortized to interest expense over the contractual term of the Notes at an effective interest rate of 5.74%. This rate is inclusive of the issuance costs.

In accounting for the debt issuance costs of $11.6 million related to the Notes, the Company allocated the total amount incurred to the liability and equity components using the same proportions as the proceeds of the Notes. Issuance costs

attributable to the liability component were $9.2 million and will be amortized to interest expense using the effective interest method over the contractual term of the Notes. Issuance costs attributable to the equity component were $2.4 million and netted with the equity component in additional paid-in capital.

The net carrying amount of the liability component of the Notes as of March 31, 2021 and 2020 was as follows (in thousands):

	March 31, 2021	March 31, 2020
Principal	$ 500,250	$ 500,250
Unamortized debt discount	(46,378)	(66,894)
Unamortized issuance costs	(4,492)	(6,312)
Net carrying amount	$ 449,380	$ 427,044

Interest expense related to the Notes is as follows (in thousands):

	March 31, 2021	March 31, 2020
Amortization of debt discount	$ 20,516	$ 19,480
Amortization of issuance costs	1,820	1,627
Contractual interest expense	2,501	2,501
Total interest expense	$ 24,837	$ 23,608

In connection with the offering of the Notes, the Company entered into privately negotiated capped call transactions with certain counterparties (the "Capped Calls"). The Capped Calls each have an initial strike price of approximately $110.81 per share, subject to certain adjustments, which correspond to the initial conversion price of the Notes. The Capped Calls have initial cap prices of $173.82 per share, subject to certain adjustments. The Capped Calls cover, subject to anti-dilution adjustments, approximately 4.5 million shares of our common stock. Conditions that cause adjustments to the initial strike price of the Capped Calls mirror conditions that result in corresponding adjustments for the Notes. The Capped Calls are generally intended to reduce potential dilution to holders of the Company's common stock upon any conversion of the Notes and/or offset any cash payments New Relic is required to make in excess of the principal amount of converted Notes, as the case may be, with such reduction and/or offset, as the case may be, subject to a cap based on the cap price. For accounting purposes, the Capped Calls are separate transactions, and not part of the terms of the Notes. As these transactions meet certain accounting criteria, the Capped Calls are recorded in stockholders' equity and are not accounted for as derivatives. The cost of $63.2 million incurred in connection with the Capped Calls was recorded as a reduction to additional paid-in capital. The net impact related to stockholders' equity has been included in additional paid-in capital and was a result of the issuance costs of $2.4 million and the purchase of capped calls noted above in the amount of $63.2 million.

8. Goodwill and Purchased Intangibles Assets

The changes in the carrying amount of goodwill for the twelve months ended March 31, 2021 consist of the following (in thousands):

Goodwill as of March 31, 2020	$ 45,112
Goodwill acquired	99,141
Goodwill as of March 31, 2021	$ 144,253

Purchased intangible assets subject to amortization as of March 31, 2021 consisted of the following (in thousands):

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Developed technology	$ 20,116	$ (7,130)	$ 12,986

Purchased intangible assets subject to amortization as of March 31, 2020 consisted of the following (in thousands):

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Developed technology	$ 15,316	$ (1,625)	$ 13,691

Amortization expense of purchased intangible assets for the fiscal years ended March 31, 2021, 2020, and 2019 was $5.5 million, $1.7 million, and $1.3 million, respectively.

Estimated future amortization expense as of March 31, 2021 is as follows (in thousands):

Fiscal Years Ending March 31,	Estimated Future Amortization Expense	
2022	$	6,219
2023		5,567
2024		1,200
	$	12,986

9. Other Current Liabilities

Other current liabilities consisted of the following (in thousands):

	As of March 31,			
	2021		2020	
Accrued liabilities	$	4,050	$	4,615
Accrued tax liabilities		1,042		2,940
Other		14,082		5,565
Total other current liabilities	$	19,174	$	13,120

10. Leases

The following table presents information about leases on the consolidated balance sheet (in thousands):

	March 31, 2021		March 31, 2020	
Assets				
Lease right-of-use-assets	$	57,425	$	57,777
Liabilities				
Lease liabilities	$	7,886	$	8,682
Lease liabilities, non-current		59,924		57,394
Total operating lease liabilities	$	67,810	$	66,076

As of March 31, 2021, the weighted average remaining lease term was 6.2 years and the weighted average discount rate was 6.9%.

The following table presents information about leases on its consolidated statement of operations (in thousands):

	Fiscal Year Ended March 31,			
	2021		2020	
Operating lease expense	$	13,870	$	14,220
Short-term lease expense		843		1,074
Variable lease expense		2,581		2,682

Rent expense for operating leases, net of sublease income, was $14.5 million for the fiscal year ended March 31, 2019.

The following table presents supplemental cash flow information about the Company's leases (in thousands):

	Fiscal Year Ended March 31,			
	2021		2020	
Cash paid for amounts included in the measurement of lease liabilities	$	15,666	$	11,372
Operating lease assets obtained in exchange for new lease liabilities (1)		8,525		(9,211)

(1) Includes the impact of new leases as well as remeasurements and modifications to existing leases.

As of March 31, 2021, remaining maturities of lease liabilities were as follows (in thousands):

Fiscal Years Ending March 31,		Operating Leases
2022	$	12,187
2023		14,228
2024		13,318
2025		11,712
2026		11,911
Thereafter		20,913
Total operating lease payments	$	84,269
Less imputed interest		(16,459)
Total operating lease liabilities	$	67,810

11. Commitments and Contingencies

Purchase Commitments—As of March 31, 2021 and 2020, the Company had purchase commitments of $494.6 million and $64.7 million, respectively, primarily related to data center, cloud and hosting services.

In September 2020, the Company entered into an agreement with a public cloud hosting provider, under which it now has a total five-year minimum commitment of $500.0 million, which has been included in the commitment balance as of March 31, 2021 above.

Other Contingencies—In the normal course of business, the Company may agree to indemnify third parties with whom it enters into contractual relationships, including customers, lessors, and parties to other transactions with the Company, with respect to certain matters. The Company has agreed, under certain conditions, to hold these third parties harmless against specified losses, such as those arising from a breach of representations or covenants, other third-party claims that the Company's products when used for their intended purposes infringe the intellectual property rights of such other third parties, or other claims made against certain parties. To date, the Company has not incurred any costs as a result of such obligations and has not accrued any liabilities related to such obligations in the consolidated financial statements. In addition, the Company indemnifies its officers, directors, and certain key employees while they are serving in good faith in their respective capacities. The Company does not currently believe there is a reasonable possibility that a loss may have been incurred under these indemnification obligations. To date, there have been no claims under any such indemnification provisions.

12. Common Stock and Stockholders' Equity

Common stock reserved for issuance—The Company had reserved shares of common stock for future issuance pursuant to equity plans as follows (in thousands):

	As of March 31,	
	2021	2020
Common stock options outstanding	2,718	2,850
RSUs and PSUs outstanding	3,405	3,100
Available for future stock option, RSU, and PSU grants	12,281	11,460
Available for future employee stock purchase plan awards	2,702	2,504
	21,106	19,914

Employee Stock Purchase Plan—The Company's board of directors adopted, and the Company's stockholders approved, the Company's 2014 Employee Stock Purchase Plan ("ESPP"), which became effective in December 2014. The ESPP initially reserved and authorized the issuance of up to 1,000,000 shares of common stock. The ESPP provides that the number of shares reserved and available for issuance under the ESPP automatically increases each April, beginning on April 1, 2015, by the lesser of 500,000 shares, 1% of the number of the Company's common stock shares issued and outstanding on the immediately preceding March 31, or such lesser number of shares as determined by the Company's board of directors. For the fiscal years ended March 31, 2021, 2020, and 2019, 0.3 million shares, 0.3 million shares, and 0.2 million shares of common stock were purchased under the ESPP, respectively, and a total of $5.5 million, $5.3 million, and $3.6 million of stock-based

compensation expense was recorded, respectively. As of March 31, 2021, 2,701,577 shares of common stock were available for issuance under the ESPP.

2008 Equity Incentive Plan—The Company's board of directors adopted, and the Company's stockholders approved, the 2008 Equity Incentive Plan, or the 2008 Plan, in February 2008. The 2008 Plan was terminated in connection with the Company's initial public offering ("IPO"), and accordingly, no shares are available for future issuance under this plan. The 2008 Plan continues to govern outstanding awards granted thereunder.

2014 Equity Incentive Plan—The Company's board of directors adopted, and the Company's stockholders approved, the Company's 2014 Equity Incentive Plan (the "2014 Plan"), which became effective in December 2014. The 2014 Plan serves as the successor to the Company's 2008 Plan. The 2014 Plan initially reserved and authorized the issuance of 5,000,000 shares of the Company's common stock. Additionally, shares not issued or subject to outstanding grants under the 2008 Plan upon its termination became available under the 2014 Plan, resulting in a total of 5,184,878 available shares under the 2014 Plan as of the effective date of the 2014 Plan. Pursuant to the terms of the 2014 Plan, any shares subject to outstanding stock options or other stock awards under the 2008 Plan that (i) expire or terminate for any reason prior to exercise or settlement, (ii) are forfeited because of the failure to meet a contingency or condition required to vest such shares or otherwise return to the Company or (iii) are reacquired, withheld (or not issued) to satisfy a tax withholding obligation in connection with an award or to satisfy the purchase price or exercise price of a stock award will become available for issuance pursuant to awards granted under the 2014 Plan. The 2014 Plan provides that the number of shares reserved and available for issuance under the plan automatically increases each April 1, beginning on April 1, 2015, by 5% of the outstanding number of shares of the Company's common stock shares issued and outstanding on the immediately preceding March 31, or such lesser number of shares as determined by the Company's board of directors. As of March 31, 2021, there were 12,280,588 shares available for issuance under the 2014 Plan.

The following table summarizes the Company's stock option, restricted stock unit ("RSU"), and performance unit ("PSU") award activities for the fiscal year ended March 31, 2021 (in thousands, except exercise price, contractual term and fair value information):

	Options Outstanding				RSUs and PSUs Outstanding			
	Number of Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value	Number of Shares	Weighted-Average Grant Date Fair Value	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Outstanding—April 1, 2020	2,850	$ 44.52	6.4	$ 43,576	3,100	$ 74.20	2.7	$ 143,346
Stock options granted	716	62.50						
RSUs and PSUs granted (1)					3,030	64.28		
Stock options exercised	(462)	14.86		20,641				
RSUs and PSUs vested					(1,536)	69.67		
Stock options canceled/forfeited	(386)	70.88						
RSUs and PSUs canceled/forfeited					(1,189)	70.29		
Outstanding - March 31, 2021	2,718	$ 50.55	6.2	$ 48,064	3,405	$ 68.78	2.8	$ 209,343
Options vested and expected to vest - March 31, 2021	2,700	$ 50.46	6.1	$ 48,025				
Options vested and exercisable - March 31, 2021	1,780	$ 40.36	4.9	$ 47,426				
RSUs and PSUs expected to vest - March 31, 2021					3,216	$ 68.79		$ 197,727

(1) The above table includes 111,965 performance unit awards and does not include any time-based restricted stock issued as consideration for an acquisition which are further detailed in the table below.

PSUs granted under the 2014 Plan are contingent upon the achievement of pre-determined market and service conditions. The number of shares of common stock to be issued at vesting will range from 0% to 200% of the target number based on the Company's total shareholder return ("TSR") relative to the performance of peer companies for each measurement period, over a one-year, two-year cumulative, and three-year cumulative period. If these market conditions are not met but service conditions are met, the PSUs will not vest; however, any stock-based compensation expense recognized to date will not be reversed. As of March 31, 2021, no PSUs were vested.

The weighted-average grant-date fair value of options granted during the fiscal years ended March 31, 2021, 2020, and 2019 was $26.51, $30.67, and $42.37, respectively. Intrinsic value of options exercised during the fiscal years ended March 31,

2021, 2020, and 2019 was $20.6 million, $23.8 million, and $62.5 million, respectively. The total fair value of RSUs vested during the fiscal years ended March 31, 2021, 2020, and 2019 was $107.1 million, $63.3 million, and $38.2 million, respectively.

Aggregate intrinsic value for options, RSUs, and PSUs outstanding represents the difference between the closing stock price of the Company's common stock and the exercise price of outstanding, in-the-money awards. The Company's closing stock price as reported on the New York Stock Exchange as of March 31, 2021, the last trading day of fiscal 2021, was $61.48.

The following table summarizes the time-based restricted stock issued as consideration for an acquisition during the fiscal years ended March 31, 2021, 2020, and 2019:

Fiscal Years Ending March 31,	Number of Shares of Time-Based Restricted Stock Granted as Consideration for Acquisitions
2019	152,840 (1)
2020	—
2021	736,469 (2)

(1) These shares were issued in connection with the SignifAI acquisition, which included a holdback arrangement with certain employees of SignifAI. These shares are subject to the recipients' continued service and will be recognized as stock-based compensation expense over the vesting periods, which range from 24 months to 36 months from the closing date of the acquisition.

(2) These shares were issued in connection with the Pixie Labs acquisition, which included a holdback arrangement with certain employees of Pixie Labs. These shares are subject to the recipients' continued service and will be recognized as stock-based compensation expense over the vesting periods, which range from 18 months to 37 months from the closing date of the acquisition.

Employee Stock Options and ESPP Valuation—The Company estimates the fair value of stock options and ESPP shares on the date of grant using the Black-Scholes option-pricing model. Each of the Black-Scholes inputs is subjective and generally requires significant judgments to determine. The assumptions used to estimate the fair value of stock options granted and ESPP shares to be issued during the fiscal years ended March 31, 2021, 2020, and 2019 were as follows:

Stock Options:

	Fiscal Year Ended March 31,		
	2021	2020	2019
Expected term (years)	6	6	6
Expected volatility	44 - 46%	41 - 42%	41 - 42%
Risk-free interest rate	0.34 - 0.76%	1.45 - 3.06%	2.27 - 3.06%
Dividend yield	—	—	—

ESPP:

	Fiscal Year Ended March 31,		
	2021	2020	2019
Expected term (years)	0.5	0.5	0.5
Expected volatility	55 - 76%	33 - 60%	37 - 53%
Risk-free interest rate	0.06 - 0.12%	1.56 - 1.86%	2.23 - 2.50%
Dividend yield	—	—	—

Risk-Free Interest Rate

The Company bases the risk-free interest rate used in the Black-Scholes option-pricing model on the implied yield available on U.S. Treasury zero-coupon issues with an equivalent expected term of the options for each option group.

Expected Term

The Company determines the expected term based on the average period the stock options are expected to remain outstanding generally calculated as the midpoint of the stock options vesting term and contractual expiration period. The Company estimates the expected term for ESPP shares using the purchase period of 6 months.

Expected Volatility

Beginning in April 2020, the expected volatility for options granted is based on the historical volatility of the Company's common stock. The expected volatility for options granted prior to April 2020 was based on the historical volatilities of our publicly traded peer group. The Company uses historical volatility data when valuing ESPP shares.

Dividend Yield

The expected dividend assumption is based on the Company's current expectations about its anticipated dividend policy.

Stock-Based Compensation Expense—Aggregate stock-based compensation expense for employees and nonemployees was $135.1 million, $99.5 million, and $56.2 million for the fiscal years ended March 31, 2021, 2020, and 2019, respectively. Cost of revenue, research and development, sales and marketing, and general and administrative expenses were as follows (in thousands):

	Fiscal Year Ended March 31,		
	2021	2020	2019
Cost of revenue	$ 5,939	$ 5,303	$ 3,487
Research and development	40,964	31,703	17,634
Sales and marketing	54,695	43,548	23,253
General and administrative	33,545	18,982	11,824
Total stock-based compensation expense	$ 135,143	$ 99,536	$ 56,198

As of March 31, 2021, unrecognized stock-based compensation cost related to outstanding unvested stock options was $25.4 million, which is expected to be recognized over a weighted-average period of approximately 2.6 years. As of March 31, 2021, unrecognized stock-based compensation cost related to outstanding unvested stock awards was $249.8 million, which is expected to be recognized over a weighted-average period of approximately 2.8 years. As of March 31, 2021 unrecognized stock-based compensation cost related to PSUs was $4.9 million, which is expected to be recognized over a weighted-average period of approximately 2.0 years.

13. Income Taxes

The components of income (loss) before income taxes were as follows (in thousands):

	Fiscal Year Ended March 31,		
	2021	2020	2019
Domestic	$ (193,262)	$ (93,687)	$ (46,838)
Foreign	2,931	2,919	5,779
Total	$ (190,331)	$ (90,768)	$ (41,059)

The components of the provision for income taxes were as follows (in thousands):

	Fiscal Year Ended March 31,		
	2021	2020	2019
Current Provision:			
Federal	$ —	$ (1,177)	$ (269)
State	(9)	34	32
Foreign	685	1,632	1,742
Total current provision	676	489	1,505
Deferred Provision:			
Federal	35	—	(568)
State	(96)	—	—
Foreign	(56)	(278)	(240)
Total deferred provision	(117)	(278)	(808)
Total income tax provision	$ 559	$ 211	$ 697

The items accounting for the difference between income taxes computed at the federal statutory rate and the provision for income taxes consisted of the following:

	Fiscal Year Ended March 31,		
	2021	2020	2019
Federal statutory rate	21.0 %	21.0 %	21.0 %
Effect of:			
State taxes, net of federal benefits	3.0	3.0	5.0
Stock-based compensation	(1.5)	(0.4)	35.2
Research and development credits, net of ASC 740-10	2.4	5.1	8.7
Permanent items	(2.4)	(4.0)	(3.9)
Foreign taxes	0.2	0.4	(0.3)
Business combination	—	—	1.4
Intraperiod allocation	—	1.5	—
Other	0.7	0.7	0.7
Valuation allowance	(23.7)	(27.5)	(69.5)
Effective tax rate	(0.3)%	(0.2)%	(1.7)%

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The following table presents the significant components of the Company’s deferred tax assets and liabilities for the periods presented (in thousands):

	As of March 31,	
	2021	2020
Deferred tax assets:		
Accrued expenses	$ 3,429	$ 2,400
Depreciation and amortization	3,518	395
Net operating loss and other attribute carryforwards	178,535	139,765
Stock based compensation	14,987	12,353
Research and development credits	25,932	21,101
Lease liability	15,208	14,830
Other	378	451
Gross deferred tax assets	241,987	191,295
Valuation allowance	(198,794)	(151,281)
Total deferred tax assets	43,193	40,014
Deferred tax liabilities:		
Prepaids	(3,949)	(2,474)
Intangibles	(1,923)	(1,989)
Capitalized research and development	(4,405)	(2,739)
Deferred contract acquisition costs	(15,520)	(13,499)
Convertible debt	(3,991)	(5,810)
Right of use asset	(12,748)	(12,847)
Total deferred tax liabilities	(42,536)	(39,358)
Total net deferred tax assets/(liabilities)	$ 657	$ 656

The Company accounts for deferred taxes under ASC 740, *Income Taxes*, which requires a reduction of the carrying amounts of deferred tax assets by a valuation allowance if, based on available evidence, it is more likely than not that such assets will not be realized. Accordingly, the need to establish valuation allowances for deferred tax assets is assessed periodically based on the ASC 740 more-likely-than-not realization threshold. This assessment considers matters such as future reversals of existing taxable temporary differences, projected future taxable income, tax-planning strategies and results of recent operations. The evaluation of the recoverability of the deferred tax assets requires that we weigh all positive and negative evidence to reach a conclusion that it is more likely than not that all or some portion of the deferred tax assets will not be realized. The weight given to the evidence is commensurate with the extent to which it can be objectively verified. Based upon the weight of available evidence, which includes the Company’s historical operating performance and the U.S. and Japan cumulative net losses in all prior periods, the Company has provided a valuation allowance against its U.S. and Japan deferred

tax assets. Overall, the valuation allowance increased by $47.5 million and $24.5 million for the years ended March 31, 2021 and 2020, respectively.

As of March 31, 2021, the Company has U.S. federal and state net operating losses of approximately $707.8 million and $389.0 million, respectively, which expire beginning in the years 2028 and 2020. Of the $707.8 million federal net operating losses, $286.6 million are carried forward indefinitely but are limited to 80 % of taxable income. The remaining $421.2 million begin to expire in 2028. As of March 31, 2021, the Company also has Federal, California and Oregon research and development credits of $28.6 million, $5.2 million, and $2.0 million, respectively. The federal tax credit carryforwards will expire beginning in 2028 if not utilized. The California credit carryforwards do not expire. The Oregon tax credit carryforwards began to expire in 2020.

Utilization of the net operating loss carryforwards may be subject to a substantial annual limitation due to the ownership change limitations provided by the Code, and similar state provisions. The annual limitation may result in the expiration of net operating losses and credits before utilization.

Section 382 of the Code (“Section 382”) ownership change generally occurs if one or more stockholders or groups of stockholders who own at least 5% of the Company’s stock increase their ownership by more than 50 percentage points over their lowest ownership percentage within a rolling three-year period. Similar rules may apply under state tax laws. The Company did experience one or more ownership changes in financial periods ending on or before March 31, 2021. In this regard, the Company has determined that based on the timing of the ownership changes and the corresponding Section 382 limitations, none of its net operating losses or other tax attributes are subject to such limitation.

The Company has adopted authoritative guidance which prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of uncertain tax positions taken or expected to be taken in the Company’s income tax return, and also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition.

The Company had unrecognized tax benefits of $12.2 million, $10.3 million, and $8.0 million as of March 31, 2021, 2020, and 2019. As of March 31, 2021, if recognized, the unrecognized tax benefit of $11.8 million would not affect income tax expense before consideration of any valuation allowance. The Company does not expect the unrecognized tax benefits to change significantly over the next 12 months.

Balance at March 31, 2018	$	6,736
Additions based on tax positions taken during the current period		1,566
Reductions based on tax positions taken during the prior period		(305)
Balance at March 31, 2019		7,997
Additions based on tax positions taken during the current period		2,183
Additions based on tax positions taken during the prior period		687
Reductions based on tax positions taken during the prior period		(529)
Balance at March 31, 2020		10,338
Additions based on tax positions taken during the current period		2,667
Additions based on tax positions taken during the prior period		703
Reductions based on tax positions taken during the prior period		(1,549)
Balance at March 31, 2021	$	12,159

The Company recognizes interest and penalties related to unrecognized tax benefits within the income tax expense line in the consolidated statement of operations. Accrued interest and penalties have not been material for the fiscal years ended March 31, 2021, 2020, and 2019.

The Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) was enacted by the United States on March 27, 2020. The CARES Act provides various tax provisions and other stimulus measures, including temporary changes regarding the prior and future utilization of net operating losses, technical corrections to prior tax legislation for tax depreciation of certain qualified improvement property, temporary suspension of certain payment requirements for the employer portion of Social Security taxes, and emergency lending programs. The Company has evaluated the impact of the CARES Act on its consolidated financial statements and has found that it has no material impact on income taxes as of March 31, 2021. The Company will monitor the impact of the CARES Act on an ongoing basis.

14. Net Loss Per Share

As the Company had net losses for the fiscal years ended March 31, 2021, 2020, and 2019, all potential common shares were determined to be anti-dilutive.

Additionally, the 4.5 million shares underlying the conversion option in the Notes are not considered in the calculation of diluted net loss per share as the effect would be anti-dilutive. The Notes were not convertible as of March 31, 2021. The Company expects to settle the principal amount of the Notes in cash and therefore will use the treasury stock method for calculating any potential dilutive effect of the conversion spread on diluted net income per share, if applicable.

The following table sets forth the computation of net loss per share, basic and diluted (in thousands, except per share amounts):

	Fiscal Year Ended March 31,		
	2021	2020	2019
Numerator:			
Net loss attributable to New Relic	$ (192,610)	$ (88,937)	$ (40,893)
Denominator:			
Weighted average shares used to compute net loss per share, basic and diluted	61,070	58,601	56,884
Net loss attributable to New Relic per share—basic and diluted	$ (3.15)	$ (1.52)	$ (0.72)

The following outstanding options, unvested shares, and ESPP shares were excluded (as common stock equivalents) from the computation of diluted net loss per common share for the periods presented as their effect would have been antidilutive (in thousands):

	As of March 31,		
	2021	2020	2019
Options to purchase common stock	2,718	2,850	2,751
RSUs and PSUs	3,405	3,100	2,419
ESPP shares	48	69	29
	6,171	6,019	5,199

15. Employee Benefit Plan

The Company has established a 401(k) tax-deferred savings plan (the "401(k) Plan"), which permits participants to make contributions by salary deduction pursuant to Section 401(k) of the Code. The Company is responsible for administrative costs of the 401(k) Plan and may, at its discretion, make matching contributions to the 401(k) Plan. For the fiscal years ended March 31, 2021, 2020, and 2019, the Company made contributions of $8.3 million, $7.7 million, and $6.3 million to the 401(k) Plan, respectively.

16. Revenue by Geographic Location

The following table shows the Company's revenue by geographic areas, as determined based on the billing address of its customers (in thousands):

	Fiscal Year Ended March 31,		
	2021	2020	2019
United States	$ 460,944	$ 417,827	$ 327,341
EMEA	104,184	98,651	87,596
APAC	62,590	50,831	38,466
Other	39,930	32,201	25,822
Total revenue	$ 667,648	$ 599,510	$ 479,225

Substantially all of the Company's long-lived assets were attributable to operations in the United States as of March 31, 2021 and 2020.

17. Related Party Transactions

Certain members of the Company's board of directors serve on the board of directors of and/or are executive officers of, and, in some cases, are investors in, companies that are customers or vendors of the Company. Revenue from sales to these companies of an aggregate of $1.7 million, $1.0 million, and $0.2 million was recognized for the fiscal years ended March 31, 2021, 2020, and 2019, respectively. There was not a significant amount of accounts receivable due from these companies as of March 31, 2021 or March 31, 2020. An aggregate of $0.0 million, $1.4 million, and $1.3 million in expenses related to purchases from these companies was recorded during the fiscal years ended March 31, 2021, 2020, and 2019, respectively. There was an aggregate of $0.0 million and $0.1 million in accounts payable to these companies as of March 31, 2021 and 2020, respectively.

18. Subsequent Event

On April 6, 2021, the Company announced a restructuring plan to realign its cost structure to better reflect significant product and business model innovation over the past 12 months. As a result of the restructuring plan, the Company expects to incur aggregate charges of approximately $13 million to $16 million for employee terminations and other costs associated with the restructuring plan. Most of these charges are expected to be cash expenditures and recognized in the first quarter of fiscal 2022.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this Annual Report on Form 10-K.

Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of March 31, 2021, our disclosure controls and procedures were effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) of the Exchange Act. Our management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Our internal over control over financial reporting includes policies and procedures that provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with GAAP. Based on this evaluation, management concluded that our internal control over financial reporting was effective as of March 31, 2021. Our independent registered public accounting firm, Deloitte & Touche LLP, has issued an audit report with respect to our internal control over financial reporting, which appears in Part II, Item 8 of this Annual Report on Form 10-K.

Limitations on the Effectiveness of Controls

In designing and evaluating the disclosure controls and procedures and internal control over financial reporting, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures and internal control over financial reporting must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the quarter ended March 31, 2021 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the stockholders and the Board of Directors of New Relic, Inc.

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of New Relic, Inc. and subsidiaries (the "Company") as of March 31, 2021, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of March 31, 2021, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended March 31, 2021, of the Company and our report dated May 14, 2021, expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ DELOITTE & TOUCHE LLP

May 14, 2021

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information called for by this item will be set forth under the captions "Election of Directors," "Information Regarding the Board of Directors and Corporate Governance," "Delinquent Section 16(a) Reports," "Report of the Audit Committee of the Board of Directors," "Information Regarding Committees of the Board of Directors" and "Executive Officers" in our Definitive Proxy Statement for the 2021 Annual Meeting of Stockholders to be filed with the SEC within 120 days of the fiscal year ended March 31, 2021, or our Proxy Statement, and is incorporated herein by reference.

Item 11. Executive Compensation

The information called for by this item will be set forth under the captions "Executive Compensation," "Director Compensation," "Information Regarding Committees of the Board of Directors" and "Information Regarding the Board of Directors and Corporate Governance" in our Proxy Statement and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information called for by this item will be set forth under the captions "Security Ownership of Certain Beneficial Owners and Management" and "Equity Compensation Plan Information" in our Proxy Statement and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information called for by this item will be set forth under the captions "Transactions with Related Persons" and "Information Regarding the Board of Directors and Corporate Governance" in our Proxy Statement and is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services

The information called for by this item will be set forth under the caption "Ratification of Selection of Independent Registered Public Accounting Firm" in our Proxy Statement and is incorporated herein by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules

The following documents are filed as part of this Annual Report on Form 10-K:

(1) Consolidated Financial Statements

Our Consolidated Financial Statements are listed in the "Index to Consolidated Financial Statements" under Part II, Item 8 of this Annual Report on Form 10-K.

(2) Financial Statement Schedules

All financial statement schedules have been omitted because they are not required, not applicable, not present in amounts sufficient to require submission of the schedule, or the required information is shown in our Consolidated Financial Statements or Notes thereto.

(3) Exhibits

The exhibits listed in the accompanying Exhibit Index are filed, furnished or incorporated by reference as part of this Annual Report on Form 10-K.

Exhibit Index

Exhibit No.	Description of Exhibit	Incorporated by Reference				Filed Herewith
		Form	File No.	Exhibit	File Date	
3.1	Amended and Restated Certificate of Incorporation of the Registrant.	10-K	001-36766	3.1	May 28, 2015	
3.2	Amended and Restated Bylaws of the Registrant.	S-1	333-200078	3.4	November 10, 2014	
4.1	Form of common stock certificate of the Registrant.	S-1/A	333-200078	4.1	December 1, 2014	
4.2	Indenture, dated as of May 18, 2018, by and between New Relic, Inc. and U.S. Bank National Association, as Trustee.	8-K	001-36766	4.1	May 18, 2018	
4.3	Form of Global Note, representing New Relic, Inc.'s 0.50% Convertible Senior Notes due 2023.	8-K	001-36766	4.2	May 18, 2018	
4.4	Description of Capital Stock.	10-K	001-36766	4.5	May 15, 2019	
10.1+	Form of Indemnification Agreement between the Registrant and each of its directors and executive officers.	S-1/A	333-200078	10.1	December 1, 2014	
10.2+	2008 Equity Incentive Plan, as amended, and related form agreements.	10-Q	001-36766	10.1	February 13, 2015	
10.3+	2014 Equity Incentive Plan and related form agreements.	10-Q	001-36766	10.1	November 6, 2019	
10.4+	2014 Employee Stock Purchase Plan.	S-8	333-201024	99.3	December 17, 2014	
10.5	Form of Performance Unit Award Grant Notice under the 2014 Equity Incentive Plan, and related form agreements.	10-Q	001-36766	10.2+	August 5, 2020	
10.6+	Offer Letter between the Registrant and Michael Christenson, dated as of September 15, 2019.	10-Q	001-36766	10.3	November 6, 2019	
10.7+	Offer Letter between the Registrant and Mark Sachleben, dated as of February 4, 2008.	S-1	333-200078	10.8	November 10, 2014	
10.8+	Offer Letter between the Registrant and William Staples, dated as of November 22, 2019.	10-Q	001-36766	10.1	February 5, 2020	
10.9+	Amended Terms of Employment Agreement between the Registrant and Michael Christenson, dated as of January 5, 2021.					X
10.10a	Office Lease by and between the Registrant and 188 Spear Street LLC, dated as of July 13, 2012, as amended.	S-1	333-200078	10.11	November 10, 2014	
10.10b	Fourth Amendment to Lease by and between the Registrant and 188 Spear Street LLC, dated as of November 1, 2017.	10-Q	001-36766	10.2	November 8, 2017	
10.10c	Fifth Amendment to Lease by and between the Registrant and 188 Spear Street LLC, dated as of December 29, 2017.	10-Q	001-36766	10.1	February 6, 2018	
10.10d	Letter Agreement to Fourth Amendment to Lease by and between the Registrant and 188 Spear Street LLC, dated as of May 5, 2020.	10-Q	001-36766	10.1	August 5, 2020	
10.11a+	Form of Change in Control and Severance Agreement.	S-1/A	333-200078	10.12	December 1, 2014	
10.11b+	Form of Extension to Change in Control and Severance Agreement.	10-Q	001-36766	10.1	February 5, 2021	

Exhibit No.	Description of Exhibit	Incorporated by Reference				Filed Herewith
		Form	File No.	Exhibit	File Date	
10.12	Form of Confirmation for Capped Call Transactions.	8-K	001-36766	10.1	May 18, 2018	
10.13+	New Relic, Inc. Non-Employee Director Compensation Policy, as amended.	8-K	001-36766	99.1	August 23, 2018	
21.1	List of subsidiaries of Registrant.	S-1	333-200078	21.1	November 10, 2014	
23.1	Consent of Deloitte & Touche LLP, independent registered public accounting firm.					X
24.1	Power of Attorney (included on the signature page of this report).					X
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
32.1(1)	Certification of Principal Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X
101.INS	XBRL Instance Document					X
101.SCH	XBRL Taxonomy Extension Schema Document					X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document					X
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document					X
101.LAB	XBRL Taxonomy Extension Label Linkbase Document					X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document					X
104	Cover Page Interactive Data File - the cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.					

\+ Indicates a management contract or compensatory plan or arrangement.

(1) The certifications attached as Exhibit 32.1 accompany this Annual Report on Form 10-K pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and shall not be deemed “filed” by the Registrant for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or the Exchange Act, and are not to be incorporated by reference into any of the Registrant’s filings under the Securities Act, irrespective of any general incorporation language contained in any such filing.

Item 16. Form 10-K Summary

Not provided.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this Annual Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized.

New Relic, Inc.

Date: May 14, 2021

By: /s/ Mark Sachleben

Mark Sachleben
Chief Financial Officer
(Principal Financial and Accounting Officer
and Duly Authorized Signatory)

POWER OF ATTORNEY

Each person whose signature appears below constitutes and appoints Lewis Cirne and Mark Sachleben, and each of them, as his or her true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his substitutes, may lawfully do or cause to be done by virtue thereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed below by the following persons on behalf of the registrant in the capacities and on the dates indicated.

Name	Title	Date
/s/ Lewis Cirne **Lewis Cirne**	Chief Executive Officer and Director (Principal Executive Officer)	May 14, 2021
/s/ Mark Sachleben **Mark Sachleben**	Chief Financial Officer (Principal Financial and Accounting Officer)	May 14, 2021
/s/ Hope Cochran **Hope Cochran**	Board Chair and Director	May 14, 2021
/s/ Caroline Watteeuw Carlisle **Caroline Watteeuw Carlisle**	Director	May 14, 2021
/s/ Michael Christenson **Michael Christenson**	Director	May 14, 2021
/s/ Anne DelSanto **Anne DelSanto**	Director	May 14, 2021
/s/ David Henshall **David Henshall**	Director	May 14, 2021
/s/ Adam Messinger **Adam Messinger**	Director	May 14, 2021
/s/ Dan Scholnick **Dan Scholnick**	Director	May 14, 2021
/s/ James Tolonen **James Tolonen**	Director	May 14, 2021

January 5, 2021

Amended Terms of Employment

Mike Christenson

Dear Mike:

After giving effect to your resignation as President of New Relic, Inc. ("***Company***") effective January 5, 2021 and as Chief Operating Officer of the Company as of March 31, 2021, we are pleased to offer you a new role that provides for uninterrupted, continued employment with the Company on the following amended terms to your employment offer letter dated September 9, 2019 ("***2019 Agreement***"), which would become effective April 1, 2021 ("***Effective Date***"):

- Paragraph 1 of the 2019 Agreement would instead state: "Your employment shall be with the Company in the position of Advisor. You will report to the CEO and perform such duties as directed by the CEO."

- Paragraph 3 of the 2019 Agreement would instead state: "In consideration for your services to the Company, you will receive compensation of $4,166.67 twice a month (equivalent to an annual salary of $100,000), subject to applicable state and federal withholdings and deductions. Your position is classified as exempt from overtime and your salary compensates you for all hours of work." As discussed, your new compensation removes the bonus opportunity offered in the 2019 Agreement.

Your new role as an Advisor will be a meaningful executive role where you will continue to provide services to the Company at a level at least equal to 50% of your prior level of service as President and Chief Operating Officer.

All other terms and conditions of your employment remain the same, in accordance with your 2019 Agreement, as amended by this letter.

- This amendment does not impact the agreements signed in conjunction with your 2019 Agreement, including your Change in Control and Severance Agreement, Arbitration Agreement, and Proprietary Information and Inventions Agreement.

- This amendment does not impact your equity rights in the Company's 2014 Equity Incentive Plan or the Employee Stock Purchase Plan, or your rights under any benefit plan of the Company offered to employees in roles similar to the one offered here.

- Your status as an at-will employee is not changed.

We value your contributions to the Company and are hopeful that you will accept this offer.

Very truly yours,

/s/ Kristy Friedrichs
Kristy Friedrichs
Chief People Officer

/s/ Mark Sachleben
Mark Sachleben
Chief Financial Officer

Acceptance

/s/ Mike Christenson
Mike Christenson

5 January 2021
Date Signed

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 333-238278, 333-231475, 333-224883, 333-218094, 333-211648, 333-204512 and 333-201024 on Form S-8 of our reports dated May 14, 2021, relating to the consolidated financial statements of New Relic, Inc., and the effectiveness of New Relic Inc's internal control over financial reporting, appearing in this Annual Report on Form 10-K of New Relic, Inc. for the year ended March 31, 2021.

/s/ DELOITTE & TOUCHE LLP

May 14, 2021

Exhibit 31.1

CERTIFICATION OF PERIODIC REPORT UNDER SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Lewis Cirne, certify that:

1. I have reviewed this Annual Report on Form 10-K of New Relic, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 14, 2021

By: /s/ Lewis Cirne
Lewis Cirne
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF PERIODIC REPORT UNDER SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Mark Sachleben, certify that:

1. I have reviewed this Annual Report on Form 10-K of New Relic, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 14, 2021

By: /s/ Mark Sachleben

Mark Sachleben
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

CERTIFICATIONS OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Lewis Cirne, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Annual Report on Form 10-K of New Relic, Inc. for the fiscal year ended March 31, 2021 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Annual Report on Form 10-K fairly presents, in all material respects, the financial condition and results of operations of New Relic, Inc.

Date:	May 14, 2021	By:	/s/ Lewis Cirne
			Lewis Cirne
			Chief Executive Officer

I, Mark Sachleben, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Annual Report on Form 10-K of New Relic, Inc. for the fiscal year ended March 31, 2021 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Annual Report on Form 10-K fairly presents, in all material respects, the financial condition and results of operations of New Relic, Inc.

Date:	May 14, 2021	By:	/s/ Mark Sachleben
			Mark Sachleben
			Chief Financial Officer

This certification accompanies the Form 10-K to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of New Relic, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-K), irrespective of any general incorporation language contained in such filing.