PagerDuty

FY 2020

Annual Report & Proxy Statement

PagerDuty

Dear PagerDuty Stockholders,

Fiscal 2020 was a milestone year for PagerDuty. We completed our Initial Public Offering on the New York Stock Exchange in April, and then beat and raised our revenue guidance for four consecutive quarters as we continued to grow rapidly at scale. We made significant progress in the enterprise market while growing efficiently, delivering three consecutive quarters of positive operating cash flow and ending the full year with non-GAAP gross margin of 85.8% and $351 million in cash on the balance sheet. As of January 31, 2020, we now work with nearly 60% of the Fortune 100, and 9 of the Fortune 10 companies, and are gaining recognition as an essential part of these companies' digital transformation journeys.

Our product innovation continued during the year, as we extended our leadership in digital operations management. We made important enhancements to our platform, deepening our use of automation and machine learning. We announced two new capabilities in Intelligent Dashboards and Intelligent Triage, so our customers can significantly reduce the time it takes to resolve incidents, and we launched an industry first feature, Service Directory, which lets companies accelerate their shift to DevOps practices by giving developers complete ownership of the services they create, enabling them to ensure higher quality. We also expanded our platform to include customer service capabilities via integrations with both Salesforce and Zendesk, and now have the largest ecosystem of integrations in our category.

The value our platform provides is evidenced by strong demand for our new products: Modern Incident Response, which orchestrates real-time work across teams; Event Intelligence, which helps teams prevent business impact by automating real-time context into incidents as they unfold; Visibility, which provides situational awareness to responders and executives alike; and Advanced Analytics, which optimizes team health and productivity. Demand has been particularly strong in the enterprise market, where 68 of our top 100 customers subscribed to more than one PagerDuty product.

PagerDuty continues to be an essential partner to developers and IT teams, who trust us to be there when they are on the front line of ensuring that the digital services we rely on in our daily lives are working perfectly. Now more than ever, these teams rely on PagerDuty, and this year we surpassed an important milestone as we grew to over 500,000 users, from over 12,700 organizations.

We are particularly proud of the recognition we've received for over the past year for our company culture and our industry leadership, including awards like the American Business Awards Gold Stevie Winner for Customer Service, Best Places to Work in the Bay Area, Great Place to Work certification, and Parity.org's inaugural Gateway Award for gender equality in leadership.

We achieved strong financial results in our first year as a publicly traded company, with full year fiscal 2020 revenue growing 41% year-over-year to $116.4 million, and best in class non-GAAP operating margin of 85.8%. Our customer retention remains in the high 90th percentile and average revenue per user grew for the third consecutive year.

These results underscore the success of our business model in capitalizing on a set of clear and strong challenges and opportunities in the market that include the need for IT teams to manage the increasing complexity of their digital operations, the growth of cloud adoption, and the fact that digital transformation is becoming a C-level imperative for every business.

These market needs have become even more important as the new realities of the global coronavirus pandemic increase the world's dependency on digital services. While we at PagerDuty have adapted quickly to these new realities, I recognize that for many others it has not been a seamless transition.

I am proud that we funded our social impact arm, PagerDuty.org, this year and have begun a lasting commitment to Time Critical Global Health. We have kicked off several philanthropic initiatives specifically designed to help those on the front line of the fight against COVID-19, including grants to non-profit organizations and making our platform and resources available for free, to those who are most impacted by COVID-19.

As I reflect back on a tremendous year for PagerDuty, I am grateful for the trust and support of all our stakeholders: our customers, our employees, our stockholders, our partners and our community. Although our world is facing a period of uncertainty, I have confidence in our ability to continue to deliver a superior customer experience, an enriching experience for employees, and returns for you, our valued stockholders. I wish you good health and thank you for your continued support.

Sincerely,

Jennifer Tejada
CEO and Chair of the Board of Directors

PagerDuty

Dear Stockholder,

We are pleased to invite you to attend the 2020 Annual Meeting of Stockholders (the “Annual Meeting”) of PagerDuty, Inc. (“PagerDuty” or the “Company”), to be held on Tuesday, June 16, 2020, at 10:00 a.m. Pacific Time. The Annual Meeting will be conducted virtually via live audio webcast. You will be able to vote and submit your questions during the meeting by visiting *www.virtualshareholdermeeting.com/PD2020* (please have your notice or proxy card in hand when you visit the website). You will not be able to attend the Annual Meeting in person.

The attached Notice of Annual Meeting of Stockholders and Proxy Statement contain details of the business to be conducted at the Annual Meeting.

YOUR VOTE IS IMPORTANT. Whether or not you attend the Annual Meeting, it is important that your shares be represented and voted at the meeting. Therefore, we urge you to promptly vote and submit your proxy via the Internet, by phone or by mail.

On behalf of the Company's Board of Directors, thank you for your support of and interest in PagerDuty.

Sincerely,

Jennifer Tejada
CEO and Chair of the Board of Directors

PAGERDUTY, INC.
600 Townsend St., Suite 200
San Francisco, California 94103

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

Time and Date	June 16, 2020 at 10:00 a.m. Pacific Time
Place	The Annual Meeting will be conducted virtually via live audio webcast. You will be able to vote and submit your questions during the meeting by visiting *www.virtualshareholdermeeting.com/PD2020*.
Items of Business	1. To elect the Board of Directors' nominees, Jennifer Tejada and Sameer Dholakia, as Class I directors to hold office until the 2023 Annual Meeting of Stockholders. 2. To ratify the selection of Ernst & Young LLP by the Audit Committee of the Board of Directors as the independent registered public accounting firm of the Company for its fiscal year ending January 31, 2021. 3. To conduct any other business properly brought before the meeting.
Record Date	April 17, 2020 (the "Record Date"). Only stockholders of record at the close of business on the Record Date are entitled to received notice of, and to vote at, the Annual Meeting.

YOUR VOTE IS IMPORTANT. Whether or not you plan to attend the virtual Annual Meeting, we urge you to submit your vote via the Internet, telephone or mail as soon as possible to ensure your shares are represented. For additional instructions for each of these voting options, please refer to the proxy card. Returning the proxy does not deprive you of your right to attend the virtual Annual Meeting and to vote your shares at the Annual Meeting. The Proxy Statement explains proxy voting and the matters to be voted on in more detail.

Important Notice Regarding the Availability of Proxy Materials for the Virtual Annual Meeting to be Held on June 16, 2020. Our proxy materials, including the Proxy Statement and Annual Report to Stockholders, are being made available on or about May 4, 2020 at the following website: *www.proxyvote.com*, as well as on our investor relations webpage at *https://investor.pagerduty.com* in the "Financials" section under "SEC Filings." We are providing access to our proxy materials over the Internet under the rules adopted by the U.S. Securities and Exchange Commission.

By Order of the Board of Directors,

Stacey Giamalis
SVP, General Counsel and Secretary

San Francisco, California
May 4, 2020

Your vote is important. To vote your shares, please follow the instructions in the Notice of Internet Availability or Proxy Materials, which is being mailed to you on or about May 4, 2020.

PAGERDUTY, INC.

PROXY STATEMENT
FOR THE 2020 ANNUAL MEETING OF STOCKHOLDERS

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PAGERDUTY, INC.
600 Townsend St., Suite 200
San Francisco, California 94103

PROXY STATEMENT FOR THE 2020 ANNUAL MEETING OF STOCKHOLDERS

This proxy statement (this "Proxy Statement") and form of proxy are being provided to you in connection with the solicitation of proxies by our Board of Directors (the "Board") for use at our 2020 Annual Meeting of Stockholders (the "Annual Meeting"), and any postponements, adjournments or continuations thereof. The Annual Meeting will be held on June 16, 2020 at 10:00 a.m. Pacific Time, via live audio webcast at *www.virtualshareholdermeeting.com/PD2020*. Stockholders of record as of April 17, 2020 (the "Record Date") are invited to attend the Annual Meeting and are entitled to vote on the proposals described in this Proxy Statement.

The Notice of Internet Availability of Proxy Materials (the "Notice") containing instructions on how to access this Proxy Statement and our Annual Report on Form 10-K for the fiscal year ended January 31, 2020 (the "Annual Report") is first being mailed on or about May 4, 2020 to all stockholders entitled to vote at the Annual Meeting.

QUESTIONS AND ANSWERS ABOUT THESE PROXY MATERIALS AND VOTING

The information provided in the "question and answer" format below addresses certain frequently asked questions but is not intended to be a summary of all matters contained in this Proxy Statement. Please read the entire Proxy Statement carefully before voting your shares.

Why did I receive a notice regarding the availability of proxy materials on the Internet?

Our Board is providing these proxy materials to you in connection with our Board's solicitation of proxies for use at the Annual Meeting, which will take place on June 16, 2020. Stockholders are invited to attend the Annual Meeting and are requested to vote on the proposals described in this Proxy Statement.

All stockholders will have the ability to access the proxy materials via the Internet, including this Proxy Statement and our Annual Report, as filed with the Securities and Exchange Commission (the "SEC") on May 4, 2020. The Notice includes information on how to access the proxy materials, how to submit your vote over the Internet or by phone, or how to request a paper copy of the proxy materials. This Proxy Statement and the Annual Report are available at *www.proxyvote.com*. If you receive a Notice by mail, you will not receive a printed copy of the proxy materials in the mail unless you specifically request these materials.

Who can vote at the annual meeting?

Holders of our common stock at the close of business on April 17, 2020, the record date for the Annual Meeting (the "Record Date"), are entitled to notice of and to vote at the Annual Meeting. Each stockholder is entitled to one vote for each share of our common stock held as of the Record Date. As of the Record Date, there were 78,425,258 shares of common stock outstanding and entitled to vote. Stockholders are not permitted to cumulate votes with respect to the election of directors.

What is the difference between holding shares as a stockholder of record and as a beneficial owner?

Stockholder of Record: Shares Registered in Your Name. If, at the close of business on the Record Date, your shares were registered directly in your name with American Stock Transfer and Trust Company, LLC, our transfer agent, then you are considered the stockholder of record with respect to those shares. As the stockholder of record, you have the right to grant your voting proxy directly to the individuals listed on the proxy card or to vote on your own behalf at the Annual Meeting.

Beneficial Owners: Shares Registered in the Name of a Broker, Bank or Other Nominee. If, at the close of business on the Record Date, your shares were held in a stock brokerage account or by a bank or other nominee on your behalf, then you are considered the beneficial owner of shares held in "street name." As the beneficial owner, you have the right to direct your broker, bank or other nominee how to vote your shares by following the voting instructions your broker, bank or other nominee provides. If you do not provide your broker, bank or other nominee with instructions on how to vote your shares, your broker, bank or other nominee may, in its discretion, vote your shares with respect to routine matters but may not vote your shares with respect to any non-routine matters. For additional information, see "What if I do not specify how my shares are to be voted?" below.

Do I have to do anything in advance if I plan to attend the Annual Meeting?

The Annual Meeting will be a virtual meeting of stockholders, which will be conducted via live audio webcast. You are entitled to participate in the Annual Meeting only if you were a holder of our common stock as of the close of business on the Record Date or if you hold a valid proxy for the Annual Meeting.

You will be able to attend the Annual Meeting and submit your questions during the Annual Meeting by visiting *www.virtualshareholdermeeting.com/PD2020.* You also will be able to vote your shares electronically at the Annual Meeting.

To participate in the Annual Meeting, you will need the control number included on your Notice or proxy card. The live audio webcast will begin promptly at 10:00 a.m. Pacific Time. We encourage you to access the meeting prior to the start time. Online check-in will begin at 9:45 a.m. Pacific Time, and you should allow ample time for the check-in procedures.

How can I get help if I have trouble checking in or listening to the meeting online?

If you encounter any difficulties accessing the virtual meeting during the check-in or meeting time, please call the technical support number that will be posted on the Virtual Shareholder Meeting log-in page.

What am I voting on?

There are two matters scheduled for a vote:

- Election of two Class I directors (Proposal 1); and
- Ratification of selection of Ernst & Young LLP by the Audit Committee of the Board as independent registered public accounting firm of the Company for its fiscal year ending January 31, 2021 (Proposal 2).

What if another matter is properly brought before the meeting?

The Board knows of no other matters that will be presented for consideration at the Annual Meeting. If any other matters are properly brought before the meeting, it is the intention of the persons named in the accompanying proxy to vote on those matters in accordance with their best judgment.

How do I vote and what are the voting deadlines?

Stockholder of Record: Shares Registered in Your Name. If you are a stockholder of record, you can vote in one of the following ways:

- **You may vote via the Internet.** To vote via the Internet, go to *www.proxyvote.com* to complete an electronic proxy card. You will be asked to provide the control number from the proxy card you receive. Your vote must be received by 11:59 p.m. Eastern Time on June 15, 2020 to be counted. If you vote via the Internet, you do not need to return a proxy card by mail.
- **You may vote by telephone.** To vote by telephone, dial 1-800-690-6903 (the call is toll-free in the United States and Canada; toll charges apply to calls from other countries) and follow the recorded instructions. You will be asked to provide the control number from the proxy card. Your vote must be received by 11:59 p.m., Eastern Time, on June 15, 2020 to be counted. If you vote by telephone, you do not need to return a proxy card by mail.
- **You may vote by mail.** To vote by mail using the proxy card (if you requested paper copies of the proxy materials to be mailed to you), you need to complete, date and sign the proxy card and return it promptly by mail in the envelope provided so that it is received no later than June 15, 2020. The persons named in the proxy card will vote the shares you own in accordance with your instructions on the proxy card you mail.
- **You may vote at the Annual Meeting.** To vote at the meeting, following the instructions at *www.virtualshareholdermeeting.com/PD2020* (have your Notice or proxy card in hand when you visit the website).

Beneficial Owners: Shares Registered in the Name of a Broker, Bank or Other Nominee. If you are the beneficial owner of shares held of record by a broker, bank or other nominee, you will receive voting instructions from your broker, bank or other nominee. You must follow the voting instructions provided by your broker, bank or other nominee in order to instruct your broker, bank or other nominee how to vote your shares. The availability of Internet and telephone voting options will depend on the voting process of your broker, bank or other nominee.

Can I change my vote or revoke my proxy?

Stockholder of Record: Shares Registered in Your Name. If you are a stockholder of record, you may revoke your proxy or change your proxy instructions at any time before your proxy is voted at the Annual Meeting by:

- entering a new vote by Internet or telephone;

- signing and returning a new proxy card with a later date;
- delivering a written revocation to our Secretary at PagerDuty, Inc., 600 Townsend St. Suite 200, San Francisco, CA 94103, by 11:59 p.m. Eastern Time, on June 15, 2020; or
- following the instructions at *www.virtualshareholdermeeting.com/PD2020*.

Beneficial Owners: Shares Registered in the Name of a Broker, Bank or Other Nominee. If you are the beneficial owner of your shares, you must contact the broker, bank or other nominee holding your shares and follow their instructions to change your vote or revoke your proxy.

What if I do not specify how my shares are to be voted?

Stockholder of Record: If you are a stockholder of record and do not vote by completing your proxy card, by telephone, through the Internet at the Annual Meeting, your shares will not be voted.

If you return a signed and dated proxy card or otherwise vote without marking voting selections, your shares will be voted, as applicable, "For" the election of the two nominees for director and "For" the ratification of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending January 31, 2020. If any other matter is properly presented at the meeting, your proxyholder (one of the individuals named on your proxy card) will vote your shares using his or her best judgment.

Beneficial Owners: Broker non-votes occur when shares held by a broker for a beneficial owner are not voted either because (i) the broker did not receive voting instructions from the beneficial owner or (ii) the broker lacked discretionary authority to vote the shares. Abstentions represent a stockholder's affirmative choice to decline to vote on a proposal, and occur when shares present at the meeting are marked "abstain." Broker non-votes and abstentions are counted for purposes of determining whether a quorum is present but have no effect on the outcome of matters voted.

A broker has discretionary authority to vote shares held for a beneficial owner on "routine" matters without instructions from the beneficial owner of those shares. On the other hand, absent instructions from the beneficial owner of such shares, a broker is not entitled to vote shares held for a beneficial owner on "non-routine" matters.

Proposal 1, the election of our Class I directors, is a non-routine matter so your broker or nominee may not vote your shares on Proposal 1 without your instructions. Proposal 2, the ratification of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending January 31, 2021, is a routine matter so your broker or nominee may vote your shares on Proposal 2 even in the absence of your instruction.

If you are a beneficial owner of shares held in street name, in order to ensure your shares are voted in the way you would prefer, you must provide voting instructions to your broker, bank or other agent by the deadline provided in the materials you receive from your broker, bank or other agent.

How are votes counted?

Votes will be counted by the inspector of election appointed for the Annual Meeting, who will separately count, for the proposal to elect directors, votes "For" and "Withhold" and broker non-votes; and, with respect to other proposals, votes "For" and "Against," abstentions and, if applicable, broker non-votes. Broker non-votes have no effect and will not be counted towards the vote total for any proposal.

How many votes are needed to approve each proposal?

The following table summarizes the minimum vote needed to approve each proposal and the effect of abstentions and broker non-votes.

Proposal Number	Proposal Description	Vote Required for Approval	Effect of Abstentions	Effect of Broker Non-Votes
1	Election of Directors	Nominees receiving the most "For" votes; withheld votes will have no effect	No effect	No effect
2	Ratification of the selection of Ernst & Young LLP as the Company's independent registered public accounting firm for fiscal ending January 31, 2021.	"For" votes from the holders of a majority of shares present or represented by proxy and entitled to vote on the matter	Against	Not applicable(1)

(1) This proposal is considered to be a “routine” matter under NYSE rules. Accordingly, if you hold your shares in street name and do not provide voting instructions to your broker, bank or other agent that holds your shares, your broker, bank or other agent has discretionary authority under NYSE rules to vote your shares on this proposal.

What is the quorum requirement?

A quorum of stockholders is necessary to hold a valid meeting. A quorum will be present if stockholders holding a majority of the outstanding shares entitled to vote are present virtually during the virtual meeting or represented by proxy. On the record date, there were 78,425,258 shares outstanding and entitled to vote. Thus, the holders of 39,212,630 shares must be present virtually or represented by proxy at the Annual Meeting to have a quorum.

Your shares will be counted towards the quorum only if you submit a valid proxy (or one is submitted on your behalf by your broker, bank or other agent) or if you vote at the Annual Meeting. Abstentions and broker non-votes will be counted towards the quorum requirement. If there is no quorum, the holders of a majority of shares present virtually during the meeting or represented by proxy may adjourn the meeting to another date.

Why a Virtual-Only Online Meeting?

Conducting the Annual Meeting virtually allows for remote participation and increases the opportunity for all stockholders to participate and communicate their views to a much wider audience. Stockholder rights are not affected. Additionally, we use software that verifies the identity of each participating stockholder and ensures during the question and answer portion of the meeting that they are granted the same rights they would have at an in-person meeting.

Our virtual Annual Meeting allows stockholders to submit questions and comments before and during the Annual Meeting. After the Annual Meeting, we will spend up to 15 minutes answering stockholder questions that comply with the rules of conduct for the Annual Meeting; which will be posted on the virtual Annual Meeting web portal. If we receive substantially similar questions, we will group such questions together and provide a single response to avoid repetition.

What does it mean if I receive more than one Notice?

If you receive more than one Notice, your shares may be registered in more than one name or in different accounts. Please follow the voting instructions on the Notices to ensure that all of your shares are voted.

I share an address with another stockholder, and we received only one paper copy of the proxy materials. How may I obtain an additional copy of the proxy materials?

We have adopted an SEC-approved procedure called “householding.” Under this procedure, we will deliver only one copy of our Notice of Internet Availability of Proxy Materials, and for those stockholders that received a paper copy of proxy materials in the mail, one copy of our Annual Report to stockholders and this Proxy Statement, to multiple stockholders who share the same address (if they appear to be members of the same family) unless we have received contrary instructions from an affected stockholder. Stockholders who participate in householding will continue to receive separate proxy cards if they received a paper copy of proxy materials in the mail. This procedure reduces our printing and mailing costs. Upon written or oral request, we will promptly deliver a separate copy of the proxy materials and annual report to any stockholder at a shared address to which we delivered a single copy of any of these documents. To receive a separate copy, or, if you are receiving multiple copies, to request that we only send a single copy of next year’s proxy materials and annual report, you may contact us as follows:

PagerDuty, Inc.
Attention: Secretary
600 Townsend St., Suite 200
San Francisco, CA 94103
(844) 800-3889

Stockholders who hold shares in street name may contact their brokerage firm, bank, broker-dealer or other nominee to request information about householding.

What happens if the Annual Meeting is postponed or adjourned?

Your proxy may be voted at the postponed or adjourned Annual Meeting. You will still be able to change your proxy until it is voted. Any adjournment of the Annual Meeting can be accessed at the same website listed above and you may vote at any postponed or adjourned Annual Meeting using the control number listed in your Notice or proxy card.

How can I find out the results of the voting at the Annual Meeting?

Preliminary voting results will be announced at the Annual Meeting. In addition, final voting results will be published in a current report on Form 8-K that we expect to file within four business days after the Annual Meeting. If final voting results are not available to us in time to file a Form 8-K within four business days after the meeting, we intend to file a Form 8-K to publish preliminary results and, within four business days after the final results are known to us, file an additional Form 8-K to publish the final results.

Who is paying for this proxy solicitation?

We will pay for the entire cost of soliciting proxies. In addition to these proxy materials, our directors and employees may also solicit proxies online, by telephone, or by other means of communication. Directors and employees will not be paid any additional compensation for soliciting proxies. We will also reimburse brokerage firms, banks and other agents for the cost of forwarding proxy materials to beneficial owners.

When are stockholder proposals and director nominations due for next year's annual meeting?

To be considered for inclusion in next year's proxy materials, your proposal must be submitted in writing by January 4, 2021, to our Secretary at 600 Townsend St., Suite 200, San Francisco, California 94103, and you must comply with all applicable requirements of Rule 14a-8 promulgated under the Securities Exchange Act of 1934, as amended, or Exchange Act. Pursuant to our Amended and Restated Bylaws (the "Bylaws"), if you wish to submit a proposal (including a director nomination) at the meeting that is not to be included in next year's proxy materials, you must do so not later than the close of business on March 18, 2021 and no earlier than the close of business on February 16, 2021; provided, however, that if next year's annual meeting is advanced more than 30 days prior to or delayed by more than 30 days after June 16, 2021, your proposal must be submitted not earlier than the close of business on the 120th day prior to such annual meeting and not later than the close of business on the 90th day prior to such annual meeting or the 10th day following the day on which public announcement of such meeting is first made. You are advised to review our Bylaws, which contain additional requirements about advance notice of stockholder proposals and director nominations.

BOARD OF DIRECTORS AND CORPORATE GOVERNANCE

Our business is managed under the direction of our Board of Directors (the "Board"), which currently has eight members. Six of our directors are independent within the meaning of the independence requirements of the New York Stock Exchange (the "NYSE"). Our Board is divided into three classes. Each class consists, as nearly as possible, of one-third of the total number of directors, and each class has a three-year term. Vacancies on the Board may be filled only by persons elected by a majority of the remaining directors. A director elected by the Board to fill a vacancy in a class, including vacancies created by an increase in the number of directors, shall serve for the remainder of the full term of that class and until the director's successor is duly elected and qualified.

There are three directors in the class whose term of office expires in 2020. Each of the nominees listed below is currently a director of the Company. Ethan Kurzweil and John O'Farrell will not be standing for re-election at the Annual Meeting. Immediately prior to the Annual Meeting, Sameer Dholakia will be reclassified as a Class I director and the Board size will be reduced to six members. If elected at the annual meeting, each of these nominees would serve until the 2023 annual meeting and until his or her successor has been duly elected and qualified, or, if sooner, until the director's death, resignation or removal. It is the Company's policy to encourage directors and nominees for director to attend the Annual Meeting.

The following table sets forth information with respect to our directors who we expect to continue in office after the Annual Meeting, including the two nominees for election at the Annual Meeting, as of May 4, 2020:

Name	Age	Director Since
Class I Directors-Nominees for Election at the Current Annual Meeting		
Jennifer Tejada	49	July 2016
Sameer Dholakia	46	December 2019
Class II Directors-Continuing in Office until the 2021 Annual Meeting		
Rathi Murthy	54	March 2019
Alex Solomon	37	November 2010
Class III Directors-Continuing in Office until the 2022 Annual Meeting		
Elena Gomez	50	October 2018
Zachary Nelson	58	June 2018

The following is a brief biography of each nominee and each director whose term will continue after the Annual Meeting.

Nominees for Election for a Three-Year Term Expiring at the 2023 Annual Meeting

Jennifer Tejada. Ms. Tejada has served as our Chief Executive Officer and as a member of our Board since July 2016. From July 2013 to July 2015, Ms. Tejada served as President and Chief Executive Officer at Keynote Systems, Inc., or Keynote Systems, a software company specializing in digital performance analytics and web and mobile testing. Ms. Tejada currently serves on the boards of directors of The Estée Lauder Companies Inc., a multinational manufacturer and marketer of beauty products, and a privately held company. Ms. Tejada holds a B.A. in Business Management and Organizational Behavior from the University of Michigan.

Ms. Tejada was selected to serve on our Board because of the experience and perspective she provides as our Chief Executive Officer, as well as her extensive experience with technology companies.

Sameer Dholakia. Mr. Dholakia has served on our Board since December 2019. Mr. Dholakia has served as the CEO of Twilio SendGrid at Twilio, Inc., a cloud communication platform, since Twilio's acquisition of Sendgrid in February 2019. From 2014 to February 2019, he served as the Chief Executive Officer and a member of the board of directors of SendGrid, Inc., a customer communication platform, and as Chairman of the board from September 2017 to February 2019. Prior to joining SendGrid, Mr. Dholakia served at Citrix Systems, Inc., an enterprise software company, as Group Vice President and General Manager of the Cloud Platforms group from 2011 to 2014 and as the Vice President of Marketing from 2010 to 2011. Mr. Dholakia joined Citrix in 2010 following Citrix's acquisition of VMLogix, Inc., a provider of virtualization management software, where he served as Chief Executive Officer from 2007 to 2010. Mr. Dholakia holds a B.A. in Economics and an M.A. in Organizational Studies from Stanford University and an M.B.A. from Harvard Business School.

Mr. Dholakia was selected to serve on our Board because of his extensive experience working in the technology sector and senior leadership experience at technology companies.

Directors Continuing in Office Until the 2021 Annual Meeting

Rathi Murthy. Ms. Murthy has served on our Board since March 2019. Ms. Murthy has served as Chief Technology Officer of Verizon Media, a division of Verizon Communications, Inc., a telecommunications company, since January 2020. Ms. Murthy served as Chief Technology Officer at Gap Inc., a clothing and accessories retailer, from March 2016 to January 2020. From September 2012 to March 2016, Ms. Murthy served in various roles at American Express Company, a multinational financial services company, including Senior Vice President and Chief Information Officer of Enterprise Growth from January 2015 to March 2016 and Vice President, Technology from September 2012 to January 2015. Ms. Murthy holds a B.S. in Electrical Engineering from Bangalore University and an M.S. in Computer Engineering from Santa Clara University.

Ms. Murthy was selected to serve on our Board because of her extensive experience, including senior leadership experience, in technology at public companies.

Alex Solomon. Mr. Solomon co-founded our company and has served as our Chief Technology Officer since July 2016 and as a member of our Board since November 2010. Mr. Solomon served as our Chief Executive Officer from May 2010 to July 2016. Mr. Solomon holds a B.S.E. from the University of Waterloo.

Mr. Solomon was selected to serve on our Board because of his experience as our co-founder and former Chief Executive Officer.

Directors Continuing in Office Until the 2022 Annual Meeting

Elena Gomez. Ms. Gomez has served on our Board since October 2018. Since May 2016, Ms. Gomez has served as Chief Financial Officer at Zendesk, Inc., a global company that builds software for customer service and engagement. From July 2010 to April 2016, Ms. Gomez served in senior finance roles at salesforce.com, inc., including Senior Vice President Go To Market Distribution from July 2015 to April 2016, Vice President Sales and Support and Marketing Finance from June 2011 to June 2015, and Senior Director Marketing and General and Administrative Finance from July 2010 to June 2011. Prior to that, she held finance roles at Visa Inc., a financial services company, and The Charles Schwab Corporation, a brokerage and banking company. Ms. Gomez currently serves on the board of directors of Smartsheet Inc. and on the board of the Haas School of Business at the University of California, Berkeley. Ms. Gomez holds a B.S. in Business Administration from the Haas School of Business at the University of California, Berkeley.

Ms. Gomez was selected to serve on our Board because of her extensive experience working in the technology sector and senior leadership experience at technology companies and public companies.

Zachary Nelson. Mr. Nelson has served on our Board since June 2018. From July 2002 to June 2017, Mr. Nelson served as Chief Executive Officer at NetSuite Inc., a business management software company that was acquired by Oracle Corporation, a computer technology company, in November 2016. Mr. Nelson holds a B.S. in Biological Sciences and a M.A. in Anthropology from Stanford University.

Mr. Nelson was selected to serve on our Board because of his extensive experience working in the technology sector and senior leadership experience at technology companies.

Director Independence

Our common stock is listed on the New York Stock Exchange ("NYSE"). Under the listing requirements and rules of the NYSE, independent directors must comprise a majority of our board of directors. In addition, the rules of the NYSE require that, subject to specified exceptions, each member of a listed company's audit, compensation and nominating and corporate governance committees be independent. Under the rules of the NYSE, a director will only qualify as an "independent director" if the Board determines that person does not have a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. Compensation committee members must not have a relationship with us that is material to the director's ability to be independent from management in connection with the duties of a compensation committee member. Additionally, audit committee members must also satisfy the independence criteria set forth in Rule 10A-3 under the Exchange Act. To be considered independent for purposes of Rule 10A-3, a member of an audit committee of a listed company may not, other than in his or her capacity as a member of the audit committee, the board of directors or any other board committee accept, directly or indirectly, any consulting, advisory or other compensatory fee from the listed company or any of its subsidiaries or be an affiliated person of the listed company or any of its subsidiaries.

Our Board has undertaken a review of the independence of the directors and considered whether any director has a material relationship with us that could compromise his or her ability to exercise independent judgment in carrying out his or her responsibilities as required by the rules of the NYSE. Based upon information requested from and provided by each director concerning such director's background, employment and affiliations, including family relationships, our board of directors determined that Mmes. Gomez and Murthy and Messrs. Kurzweil, Nelson, O'Farrell and Dholakia, representing six of our eight directors, are "independent directors" as defined under current rules and regulations of the SEC and the listing standards of the NYSE. In making these determinations, our board of directors considered the current and prior relationships that each non-employee director has with our company and all other facts and circumstances that our board of directors deemed relevant in determining their independence, including the beneficial ownership of our capital stock by each non-employee director and the transactions involving them described in "Certain Relationships and Related Party Transactions."

Board Leadership Structure

Jennifer Tejada, our Chief Executive Officer, serves as Chair of our Board and presides over meetings of our Board and carries out such other duties as are customarily carried out by the Chair of a board. Ms. Tejada brings valuable insight to our Board due to the perspective and experience she brings as Chief Executive Officer. Our Board has appointed Mr. O'Farrell to serve as our presiding director. As Mr. O'Farrell is not standing for re-election at the Annual Meeting, the Board has appointed Zachary Nelson to serve as our presiding director following the Annual Meeting. Our presiding director presides over periodic meetings of our independent directors, serves as a liaison between our Chair of the Board and the independent directors, and performs such additional duties as our Board may otherwise determine and delegate.

Role of the Board in Risk Oversight

One of the Board's key functions is informed oversight of the Company's risk management process which risks include, among others, strategic, financial, business and operational, cybersecurity, legal and regulatory compliance, and reputational risks. The Board believes that its current leadership structure facilitates its risk oversight responsibilities. In particular, the Board believes the majority-independent Board and independent Board committees provide a well-functioning and effective balance. Although the Board does not have a standing risk management committee, it administers this oversight function directly through the Audit Committee, the Board as a whole, as well as through its other standing committees that address risks inherent in their respective areas of oversight. In particular, the Board is responsible for monitoring and assessing strategic risk exposure, including a determination of the nature and level of risk appropriate for the Company.

The Audit Committee has the responsibility to consider and discuss our major financial risk exposures and the steps our management has taken to monitor and control these exposures, including guidelines and policies to govern the process by which risk assessment and management is undertaken. Furthermore, the Audit Committee plays a role in overseeing risks associated with cybersecurity, information security and data privacy, and regularly reviews with management the Company's data security programs and assessment, management and mitigation of such risks. The Audit Committee also monitors compliance with legal and regulatory requirements, in addition to oversight of the performance of our internal audit function. The Nominating and Corporate Governance Committee oversees risks related to our overall corporate governance, including Board and committee composition, Board size and structure and director independence, as well as succession planning. The Compensation Committee assesses and monitors whether any of our compensation policies and programs has the potential to encourage excessive risk-taking. Both the Board as a whole and the various standing committees receive periodic reports from executive management, as well as incidental reports as matters may arise. It is the responsibility of the committee chairs to report findings regarding material risk exposures to the Board as appropriate.

Meetings of the Board

Our Board is responsible for the oversight of company management and the strategy of our company and for establishing corporate policies. Our Board and its committees meet throughout the year on a regular schedule, and also hold special meetings and act by written consent from time to time. The Board met nine times during the last fiscal year. Each Board member attended 75% or more of the aggregate number of meetings of the Board and of the committees on which he or she served, held during the portion of the last fiscal year for which he or she was a director or committee member.

We encourage our directors and nominees for director to attend our annual meeting of stockholders.

Committees of the Board

Our Board has established an Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee. From time to time, our Board may establish other committees to facilitate the management of our business. The composition and responsibilities of each of the committees as of May 4, 2020 is described below. Members serve on these committees until their resignation or until otherwise determined by the Board.

Each committee operates under a written charter that satisfies the applicable rules of the SEC and the listing standards of the NYSE. Copies of each charter are posted on our website at *https://investor.pagerduty.com/governance/governance-documents*. The inclusion of our website address in this proxy statement does not include or incorporate by reference the information on our website into this proxy statement.

Name of Director	Audit Committee	Compensation Committee	Nominating and Corporate Governance Committee
Jennifer Tejada			
Sameer Dholakia		Member	Member
Elena Gomez	Chair		
Ethan Kurzweil	Member	Member	
Rathi Murthy	Member		Member
Zachary Nelson		Chair	Member
John O’Farrell	Member	Member	Chair
Alex Solomon			
Total Number of Meetings in Fiscal Year 2020	10	5	4

As Messrs. Kurzweil and O’Farrell are not standing for re-election at the Annual Meeting, immediately following the Annual Meeting the Committees shall be composed as follows:

- *Audit Committee:* Elena Gomez (Chair), Sameer Dholakia and Rathi Murthy
- *Compensation Committee:* Zachary Nelson (Chair), Sameer Dholakia
- *Nominating and Corporate Governance Committee:* Rathi Murthy (Chair), Zachary Nelson

Audit Committee

The Audit Committee oversees the Company’s corporate accounting and financial reporting processes and audits of its financial statements. The principal duties and responsibilities of our Audit Committee include, among other things:

- helping our Board oversee our corporate accounting and financial reporting processes, systems of internal control, and financial statement audits, and the integrity of our financial statements;
- managing the selection, engagement terms, fees, qualifications, independence, and performance of qualified firms to serve as independent registered public accounting firms to audit our financial statements;
- discussing the scope and results of the audit with the independent registered public accounting firms, and reviewing, with management and the independent accountants, our interim and year-end operating results;
- developing and reviewing procedures for employees to submit concerns anonymously about questionable accounting or auditing matters;

- overseeing our risk identification, assessment and management practices, processes and policies in all areas of our business, including financial and accounting;
- overseeing compliance with our Code of Business Conduct and Ethics;
- reviewing and approving related party transactions;
- obtaining and reviewing a report by the independent registered public accounting firms, at least annually, that describes the firm's internal quality-control procedures, any material issues with such procedures, and any steps taken to address such issues when required by applicable law; and
- approving (or, as permitted, pre-approving) all audit and all permissible non-audit services, other than de minimis non-audit services, to be performed by the independent registered public accounting firms.

Each member of our Audit Committee meets the requirements for independence under the listing standards of the NYSE and the applicable rules and regulations of the SEC. Each member of our Audit Committee also meets the financial literacy requirements of the listing standards of the NYSE. In addition, our Board has determined that Ms. Gomez is an audit committee financial expert within the meaning of Item 407(d) of Regulation S-K under the Securities Act of 1933.

Compensation Committee

Our Compensation Committee is responsible for, among other things:

- reviewing and approving, or recommending that our Board approve, the compensatory arrangements of our executive officers and other senior management, as appropriate;
- reviewing and recommending to our Board the compensation of our non-employee directors;
- administering our equity award plans, compensation plans and similar programs;
- evaluating and adopting compensation plans and programs and evaluating and recommending to our Board for approval the modification or termination of our existing plans and programs; and
- reviewing and establishing general policies relating to compensation and benefits of our employees and reviewing our overall compensation strategy.

Each member of our Compensation Committee meets the requirements for independence under the listing standards of the NYSE and the applicable rules and regulations of the SEC. Each member of the compensation committee is also a non-employee director, as defined pursuant to Rule 16b-3 promulgated under the Exchange Act.

Compensation Committee Processes and Procedures

Typically, the Compensation Committee meets quarterly and with greater frequency if necessary. The agenda for each meeting is usually developed by the Chair of the Compensation Committee, in consultation with the Company's Chief People Officer and Compensia, Inc. ("Compensia"). The Compensation Committee meets regularly in executive session. However, from time to time, various members of management and other employees as well as outside advisors or consultants may be invited by the Compensation Committee to make presentations, to provide financial or other background information or advice or to otherwise participate in Compensation Committee meetings. The Chief Executive Officer may not participate in, or be present during, any deliberations or determinations of the Compensation Committee regarding her compensation or individual performance objectives. The charter of the Compensation Committee grants the Compensation Committee full access to all books, records, facilities and personnel of the Company. In addition, under the charter, the Compensation Committee has the authority to obtain, at the expense of the Company, advice and assistance from compensation consultants and internal and external legal, accounting or other advisors and other external resources that the Compensation Committee considers necessary or appropriate in the performance of its duties. The Compensation Committee has direct responsibility for the oversight of the work of any consultants or advisers engaged for the purpose of advising the Committee. In particular, the Compensation Committee has the sole authority to retain, in its sole discretion, compensation consultants to assist in its evaluation of executive and director compensation, including the authority to approve the consultant's reasonable fees and other retention terms. Under the charter, the Compensation Committee may select, or receive advice from, a compensation consultant, legal counsel or other adviser to the Compensation Committee, other than in-house legal counsel and certain other types of advisers, only after taking into consideration six factors, prescribed by the SEC and the NYSE, that bear upon the adviser's independence; however, there is no requirement that any adviser be independent.

During the past fiscal year, after taking into consideration the six factors prescribed by the SEC and the NYSE, the Compensation Committee engaged Compensia as its compensation consultant. The Compensation Committee requested that Compensia:

- assist in evaluating, developing and implementing an executive compensation program in connection with the Company's transition to a public company;
- assist in developing a non-employee director compensation program; and
- develop a comparative group of companies and to perform analyses of competitive performance and compensation levels for that group.

Compensia representatives meet regularly with our Compensation Committee during its regular meetings, including in executive sessions from time to time without any members of management present. Compensia works directly with our Compensation Committee (and not on behalf of management) to assist our Compensation Committee in satisfying its responsibilities and will undertake no projects for management without our Compensation Committee's approval. No work performed by Compensia during fiscal year 2020 raised a conflict of interest.

Under its charter, the Compensation Committee may form, and delegate authority to, subcommittees as appropriate. In fiscal year 2020, the Compensation Committee delegated authority to the Chief Executive Officer to grant, without any further action required by the Compensation Committee, equity awards to employees and consultants who are not officers or directors of the Company or direct-reports to the Chief Executive Officer. The purpose of this delegation of authority is to enhance the flexibility of equity award administration within the Company and to facilitate the timely grant of equity awards to non-executive employees, particularly new employees, within specified limits approved by the Compensation Committee. In particular, under this delegation of authority, the Chief Executive Officer may make awards in an individual amount of up to 100,000 restricted stock units or stock options to purchase up to 200,000 shares or a combination of 150,000 restricted stock units and stock options, subject to an aggregate value limit of $2 million, to eligible employees per fiscal year. Typically, as part of its oversight function, the Compensation Committee will review the list of grants made by the Chief Executive Officer at each regularly scheduled in-person meeting.

The Compensation Committee considers matters related to individual compensation, such as compensation for new executive hires, as well as high-level strategic issues, such as the efficacy of the Company's compensation strategy, potential modifications to that strategy and new trends, plans or approaches to compensation, at various meetings throughout the year. Generally, the Compensation Committee's process comprises two related elements: the determination of compensation levels and the establishment of performance objectives for the current year. For executives other than the Chief Executive Officer, the Compensation Committee solicits and considers evaluations and recommendations submitted to the Committee by the Chief Executive Officer. In the case of the Chief Executive Officer, the evaluation of her performance is conducted by the Compensation Committee, which determines any adjustments to her compensation as well as awards to be granted. For all executives as part of its deliberations, the Compensation Committee may review and consider, as appropriate, materials such as financial reports and projections, operational data, tax and accounting information, tally sheets that set forth the total compensation that may become payable to executives in various hypothetical scenarios, stock ownership information, Company stock performance data, analyses of historical executive compensation levels and current Company-wide compensation levels and recommendations of the Compensation Committee's compensation consultant, including analyses of executive compensation paid at other companies identified by the compensation consultant.

Compensation Committee Interlocks and Insider Participation

Our Compensation Committee is currently comprised of Messrs. Nelson, Dholakia, Kurzweil and O'Farrell, none of whom is or has been an officer or employee of our company. None of our executive officers currently serves, or in the past year has served, as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving on our board of directors or compensation committee.

Nominating and Corporate Governance Committee

Our Nominating and Corporate Governance Committee ("Nominating Committee") is responsible for, among other things:

- identifying and evaluating candidates, including the nomination of incumbent directors for re-election and nominees recommended by stockholders, to serve on our Board;
- reviewing the performance of our Board, including committees of the Board, and management;
- considering and making recommendations to our Board regarding the composition of our Board and its committees;

- instituting plans or programs for the continuing education of directors and orientation of new directors;
- developing and making recommendations to our Board regarding corporate governance guidelines and matters; and
- reviewing plans for succession to the offices of our executive officers and making recommendations to our Board regarding selection of appropriate individuals to succeed to these positions.

Each of the members of our Nominating Committee meets the requirements for independence under the listing standards of the NYSE.

Considerations in Evaluating Director Nominees

Our Nominating Committee uses a variety of methods for identifying and evaluating director potential director candidates. In its evaluation of director candidates, including the current directors eligible for re-election, our nominating and corporate governance committee will consider the current size and composition of our board of directors and the needs of our board of directors and the respective committees of our board of directors. Some of the qualifications that our Nominating Committee considers include, without limitation, experience of particular relevance to us and the board of directors, accomplishments, superior credentials, independence, area of expertise, and the highest ethical and moral standards. Although our board of directors does not maintain a specific policy with respect to board diversity, our board of directors believes that the board should be a diverse body, and the Nominating Committee considers a broad range of backgrounds and experiences. In making determinations regarding nominations of directors, the nominating committee may take into account the benefits of diverse viewpoints. Any search firm retained by our Nominating Committee to find director candidates would be instructed to take into account all of the considerations used by our Nominating Committee. After completing its review and evaluation of director candidates, our Nominating Committee recommends to our full board of directors the director nominees for selection. In fiscal year 2020, the Nominating Committee paid a fee to Heidrick & Struggles to assist in the process of identifying or evaluating director candidates.

Stockholder Recommendations for Nominations to the Board of Directors

Our Nominating Committee will consider candidates for director recommended by stockholders of our Company who are stockholders of record at the time of the submission of the director recommendation and on the record date for the determination of stockholders entitled to vote at the annual meeting, so long as such recommendations comply with our amended and restated certificate of incorporation and amended and restated bylaws and applicable laws, rules and regulations, including those promulgated by the SEC. The Nominating Committee will evaluate such recommendations in accordance with its charter, our amended and restated bylaws, our policies and procedures for director candidates, as well as the regular director nominee criteria described above. This process is designed to ensure that our Board includes members with diverse backgrounds, skills and experience, including appropriate financial and other expertise relevant to our business.

Stockholders who wish to recommend individuals for consideration by the Nominating Committee to become nominees for election to the Board may do so by delivering a written recommendation to the Nominating Committee at the following address: c/o PagerDuty, Inc., 600 Townsend St., Suite 200, San Francisco, CA 94103, Attn: Secretary, no later than the close of business on the 90th day nor earlier than the close of business on the 120th day prior to the first anniversary of the preceding year's annual meeting. Submissions must include the full name and address of the stockholder on whose behalf the submission is made, the number of shares owned beneficially by such stockholder as of the date of the submission, the full name of the proposed nominee, a description of the proposed nominee's business experience for at least the previous five years, complete biographical information, a description of the proposed nominee's qualifications as a director and any additional information required by our Amended and Restated Bylaws. Our Nominating Committee has discretion to decide which individuals to recommend for nomination as directors. Any such submission must be accompanied by the written consent of the proposed nominee to be named as a nominee and to serve as a director if elected.

Communications with our Board of Directors

Stockholders or interested parties who wish to communicate with our Board or with an individual director may do so by mail to our Board or the individual director, care of our Secretary at 600 Townsend St., Suite 200, San Francisco, CA 94103. The communication should indicate that it contains a stockholder or interested party communication. Our General Counsel or his/her designee, in consultation with appropriate directors as necessary, will review all incoming communications and, if appropriate, all such communications will be forwarded to the director or directors to whom the communications are addressed or, if none are specified, to the Chair of our Board.

Corporate Governance Guidelines and Code of Business Conduct and Ethics

Our Board has adopted Corporate Governance Guidelines. These guidelines address items such as the qualifications and responsibilities of our directors and director candidates and corporate governance policies and standards applicable to us in general. In addition, our Board has adopted a Code of Business Conduct and Ethics that applies to all of our employees, officers and directors, including our chief executive officer, chief financial officer, and other executive and senior financial officers. The full text of our Corporate Governance Guidelines and our Code of Business Conduct and Ethics is posted on our investor relations webpage at *https://investor.pagerduty.com/governance/governance-documents*. We intend to post any amendments to our Code of Business Conduct and Ethics, and any waivers of our Code of Business Conduct and Ethics for directors and executive officers, on the same website. The inclusion of our website address in this proxy statement does not include or incorporate by reference into this proxy statement the information on or accessible through our website.

Director Compensation

The following table sets forth information regarding the compensation earned or paid to our directors during the fiscal year ended January 31, 2020, other than Jennifer Tejada, our Chief Executive Officer, who is also a member of our Board but did not receive any additional compensation for service as a director. The compensation of Ms. Tejada as a named executive officer is set forth below under "Executive Compensation—Summary Compensation Table." The table below includes information regarding the compensation earned or paid to Alex Solomon, our Co-Founder and Chief Technology Officer, who is an employee and a member of our Board.

Name	Fees Earned or Paid in Cash ($)	Option Awards ($)(1)	Stock Awards ($)(1)	All Other Compensation ($)	Total ($)	Options Outstanding (#)(2)	RSUs Outstanding (#)(2)
Sameer Dholakia(3)	10,375	—	449,995	—	460,370		20,116
Elena Gomez	44,340	—	—	—	44,340	244,306	
Ethan Kurzweil	42,324	—	—	—	42,324		
Andrew Miklas(4)	—	—	—	—	—		
Rathi Murthy(5)	39,503	1,817,390	—	—	1,856,893	177,214	
Zachary Nelson	43,534	—	—	—	43,534		
John L. O'Farrell	48,774	—	—	—	48,774		
Alex Solomon(6)	—	—	—	210,303	210,303		

(1) The amounts disclosed represent the aggregate grant date fair value of the stock option granted under our 2010 Stock Plan (the "2010 Plan"), and stock awards granted under our 2019 Equity Incentive Plan (the "2019 Plan"), computed in accordance with ASC Topic 718. Such grant-date fair value does not take into account any estimated forfeitures related to service-vesting conditions. The assumptions used in calculating the grant date fair value of the options and stock awards reported in these columns are set forth in the notes to our audited financial statements included in our Annual Report on Form 10-K for the fiscal year ended January 31, 2020, as filed with the Securities and Exchange Commission on March 19, 2020. These amounts do not reflect the actual economic value that may be realized by the director.

(2) As of January 31, 2020, our non-employee directors held outstanding stock options to purchase the number of shares of common stock and outstanding RSUs set forth in each column. Includes awards for director compensation and non-director compensation.

(3) Mr. Dholakia joined our Board in December 2019, and received the "Initial Grant" described below under "Non-Employee Director Compensation Policy—Equity Compensation".

(4) Mr. Miklas resigned from our Board in March 2019.

(5) Ms. Murthy joined our Board in March 2019, prior to our initial public offering and the adoption of our "Non-Employee Director Compensation Policy" described below. Upon joining the Board, Ms. Murthy was granted an option to purchase 168,881 shares, which vests in equal monthly installments over a three-year period, subject to her continuous service to us through each such date. This award was determined by the Board with reference to data provided by the compensation consultant and was consistent with the awards made to our other independent directors prior to our initial public offering.

(6) In the fiscal year ended January 31, 2020, Mr. Solomon earned a salary of $200,000 and bonus of $10,303, in his role as our Chief Technology Officer. Mr. Solomon did not receive any additional compensation for service as a director.

Non-Employee Director Compensation Policy

In March 2019, our Board approved a director compensation policy for non-employee directors that became effective in connection with our initial public offering ("IPO"). Pursuant to this policy, our non-employee directors receive the following compensation.

Equity Compensation

Any person who is elected or appointed as a non-employee director for the first time will receive an initial award of restricted stock units ("RSUs") having a value of $450,000 on the date of grant (the "Initial Grant"). The Initial Grant will vest in three equal annual installments on the anniversary date on which the non-employee director was appointed to our Board, subject to the director's continuous service to us through each such date.

On the date of each annual meeting of stockholders, each non-employee director who will continue as a non-employee director following such meeting will be granted an annual award of RSUs having a fair market value of $185,000 on the date of grant (the "Annual Grant"). The Annual Grant will fully vest on the earlier of the first anniversary of the grant date or immediately prior to the next annual meeting of stockholders, subject to the director's continuous service to us through each such date. A non-employee director who is elected for the first time six months or less prior to the date of our next annual meeting of stockholders will not be eligible to receive such Annual Grant at the first annual meeting of stockholders following his or her appointment or election.

Cash Compensation

In addition, each non-employee director is entitled to receive the following cash compensation for services on our Board and its committees as follows:

- $35,000 annual cash retainer for service as a Board member and an additional annual cash retainer of $15,000 for service as lead independent director of our Board, if any;
- $20,000 annual cash retainer for service as chair of the audit committee and $10,000 per year for service as a member of the audit committee;
- $15,000 annual cash retainer for service as chair of the compensation committee and $7,500 per year for service as a member of the compensation committee; and
- $8,000 annual cash retainer for service as chair of the nominating and corporate governance committee and $4,000 per year for service as a member of the nominating and corporate governance committee.

The annual cash compensation amounts are payable in equal quarterly installments, in arrears following the end of each quarter in which the service occurred, pro-rated for any partial quarters.

Expenses

We will reimburse each eligible non-employee director for ordinary, necessary and reasonable out-of-pocket travel expenses to cover in-person attendance at and participation in meetings of our Board and any committee of the Board.

PROPOSAL 1
ELECTION OF DIRECTORS

Our Board currently has eight members, and, in accordance with our certificate of incorporation, is divided into three classes with staggered three-year terms. One Class is elected each year at the annual meeting of stockholders for a term of three years. At the Annual Meeting, two Class I directors will be elected for a three-year term to succeed the same class whose term is then expiring. Each director's term continues until the election and qualification of such director's successor, or such director's earlier death, resignation or removal. There are three Class I directors in the class whose term of office expires in 2020: Jennifer Tejada, Ethan Kurzweil and John O'Farrell. Messrs. Kurzweil and O'Farrell will not be standing for re-election. Immediately prior to the Annual Meeting, Mr. Dholakia shall be reclassified as a Class I director and the Board size will be reduced to six members.

Nominees

Our Board has nominated Jennifer Tejada and Sameer Dholakia for election as Class I directors at the Annual Meeting. If elected, each of Ms. Tejada and Mr. Dholakia will serve as Class I directors until the 2023 annual meeting of stockholders or until their successors are elected and qualified, or their earlier death, resignation or removal. Each of the nominees is currently a director of the Company. For information concerning the nominees, see the section titled "Board of Directors and Corporate Governance."

Unless you direct otherwise through your proxy voting instructions, the persons named as proxies will vote all proxies received "FOR" the election of each nominee. If any nominee is unable or unwilling to serve at the time of the Annual Meeting, the persons named as proxies may vote for a substitute nominee chosen by the present Board. In the alternative, the proxies may vote only for the remaining nominee, leaving a vacancy on our Board. Our Board may fill such vacancy at a later date or reduce the size of our Board. Each of the nominees is a current member of our Board and has consented to serve if elected, and we have no reason to believe that any of the nominees will be unwilling or unable to serve if elected as a director.

Vote Required

The election of Class I directors requires a plurality vote of the shares of our common stock present virtually or by proxy at the Annual Meeting and entitled to vote thereon to be approved. Accordingly, the two nominees receiving the highest number of "FOR" votes will be elected. Broker non-votes will have no effect on this proposal.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE ELECTION OF EACH OF THE TWO DIRECTORS NOMINATED BY OUR BOARD OF DIRECTORS AND NAMED IN THIS PROXY STATEMENT AS CLASS I DIRECTORS TO SERVE FOR A THREE-YEAR TERM.

PROPOSAL 2

RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Our Audit Committee has appointed Ernst & Young LLP, as our independent registered public accounting firm to audit our consolidated financial statements for our fiscal year ending January 31, 2021. Ernst & Young LLP has served as our independent registered public accounting firm since 2015.

At the Annual Meeting, stockholders are being asked to ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for our fiscal year ending January 31, 2021. Stockholder ratification of the appointment of Ernst & Young LLP is not required by our bylaws or other applicable legal requirements. However, our Board of Directors is submitting the appointment of Ernst & Young LLP to our stockholders for ratification as a matter of good corporate governance. In the event that this appointment is not ratified by the affirmative vote of a majority of the shares present virtually or by proxy at the Annual Meeting and entitled to vote, such appointment will be reconsidered by our Audit Committee. Even if the appointment is ratified, our Audit Committee, in its sole discretion, may appoint another independent registered public accounting firm at any time during our fiscal year ending January 31, 2021 if our Audit Committee believes that such a change would be in the best interests of the Company and its stockholders. If the appointment is not ratified by our stockholders, the Audit Committee may reconsider whether it should appoint another independent registered public accounting firm. A representative of Ernst & Young LLP is expected to be present at the Annual Meeting, will have an opportunity to make a statement if he or she wishes to do so, and is expected to be available to respond to appropriate questions from stockholders.

Fees Paid to the Independent Registered Public Accounting Firm

The following table presents fees for professional audit services and other services rendered to us by Ernst & Young LLP for our fiscal years ended January 31, 2020 and January 31, 2019.

	2020	2019
Audit Fees(1)	$ 1,470,940	$ 2,940,190
Audit-Related Fees(2)	28,440	—
Tax Fees(3)	20,600	30,900
All Other Fees(4)	6,795	4,775
Total Fees	$ 1,526,775	$ 2,975,865

(1) Audit Fees are for the annual audit and quarterly reviews of the Company's consolidated financial statements, audits required by public company regulation, professional consultations with respect to accounting issues, registration statement filings and issuance of consents and similar matters. This category also includes fees for services incurred in connection with our initial public offering.

(2) Audit-Related Fees are fees for assurance and related services that are reasonably associated to the performance of the audit or review of our consolidated financial statements or internal control over financial reporting and are not included in "Audit Fees." These services primarily include fees for services in connection with the preparation for compliance with Section 404 of the Sarbanes-Oxley Act of 2002 and for procedures in connection with our Service Organizational Control ("SOC") reports.

(3) Tax Fees are billed for tax consulting and compliance.

(4) All Other Fees are fees for products and services other than the services described above.

All fees described above were pre-approved by the Audit Committee.

Pre-Approval Policies and Procedures

The Audit Committee has adopted a policy and procedures for the pre-approval of audit and non-audit services rendered by the Company's independent registered public accounting firm, Ernst & Young LLP. Pre-approval may be given as part of the Audit Committee's approval of the scope of the engagement of the independent auditor or on an individual, explicit, case-by-case basis before the independent auditor is engaged to provide each service. All of the services provided by Ernst & Young LLP for the years ending January 31, 2020 and 2019 described above were pre-approved by the Audit Committee.

The Audit Committee has determined that the rendering of services other than audit services by Ernst & Young LLP is compatible with maintaining the principal accountant's independence.

Vote Required

The ratification of the appointment of Ernst & Young LLP requires the affirmative vote of a majority of the shares of our common stock present virtually or by proxy at the Annual Meeting and entitled to vote thereon. Abstentions will have the effect of a vote against the proposal.

THE BOARD RECOMMENDS A VOTE "FOR" PROPOSAL 2, THE RATIFICATION OF THE APPOINTMENT OF ERNST & YOUNG LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR OUR FISCAL YEAR ENDING JANUARY 31, 2021.

AUDIT COMMITTEE REPORT

The information contained in the following Audit Committee Report shall not be deemed to be soliciting material or to be filed with the Securities and Exchange Commission (the "SEC"), nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that PagerDuty, Inc. specifically incorporates it by reference in such filing.

The Audit Committee serves as the representative of our Board of Directors with respect to its oversight of:

- our accounting and financial reporting processes and the audit of our financial statements;
- the integrity of our financial statements;
- our compliance with legal and regulatory requirements;
- inquiring about significant risks, reviewing our policies for risk assessment and risk management, and assessing the steps management has taken to control these risks; and
- the independent registered public accounting firm's appointment, qualifications and independence.

The Audit Committee also reviews the performance of our independent registered public accounting firm, Ernst & Young LLP, in the annual audit of our financial statements and in assignments unrelated to the audit, and reviews the independent registered public accounting firm's fees.

The Audit Committee is composed of four non-employee directors. Our Board of Directors has determined that each member of the Audit Committee is independent, and that Ms. Gomez qualifies as an "audit committee financial expert" under the SEC rules.

The Audit Committee provides our Board of Directors such information and materials as it may deem necessary to make our Board of Directors aware of financial matters requiring the attention of our Board of Directors. The Audit Committee reviews our financial disclosures and meets privately, outside the presence of our management, with our independent registered public accounting firm. In fulfilling its oversight responsibilities, the audit committee reviewed and discussed the audited financial statements in the Annual Report on Form 10-K for the fiscal year ended January 31, 2020 with management, including a discussion of the quality and substance of the accounting principles, the reasonableness of significant judgments made in connection with the audited financial statements, and the clarity of disclosures in the financial statements. The Audit Committee reports on these meetings to our Board of Directors.

The Audit Committee reviewed and discussed our audited consolidated financial statements with management and Ernst & Young LLP, our independent registered public accounting firm. The Audit Committee has discussed with Ernst & Young LLP the matters required to be discussed by Auditing Standard No. 1301, Communications with Audit Committees, issued by the Public Company Accounting Oversight Board, or the PCAOB.

The Audit Committee received and reviewed the written disclosures and the letter from Ernst & Young LLP required by the applicable requirements of the PCAOB regarding Ernst & Young LLP's communications with the audit committee concerning independence, and discussed with Ernst & Young LLP its independence. In addition, the Audit Committee discussed with Ernst & Young LLP its independence from management and the Company, including matters in the letter from Ernst & Young LLP required by PCAOB Rule 3526, Communication with Audit Committees Concerning Independence, and considered the compatibility of non-audit services with Ernst & Young LLP's independence.

Based on the review and discussions referred to above, the Audit Committee recommended to our Board of Directors that our audited consolidated financial statements be included in the Annual Report on Form 10-K for the fiscal year ended January 31, 2020 for filing with the SEC. The Audit Committee also has selected Ernst & Young LLP as the independent registered public accounting firm for fiscal year 2021. Our Board of Directors recommends that stockholders ratify this selection at the Annual Meeting.

Respectfully submitted by the members of the Audit Committee of the Board of Directors:

Elena Gomez (Chair)	Rathi Murthy
Ethan Kurzweil	John O'Farrell

EXECUTIVE OFFICERS

The following table sets forth information concerning our executive officers as of May 4, 2020. Our executive officers are appointed by, and serve at the discretion of, the Board and each holds office until his or her successor is duly elected and qualified or until his or her earlier resignation or removal. There are no family relationships among any of our directors or executive officers.

Name	Age	Position
Jennifer Tejada	49	Chief Executive Officer and Chair of the Board
Howard Wilson	55	Chief Financial Officer
David Justice	42	Executive Vice President, Chief Revenue Officer
Stacey Giamalis	55	Senior Vice President, Legal, General Counsel, and Secretary

Executive Officers

Jennifer Tejada. Biographical information regarding Ms. Tejada can be found in the table under the section titled "Nominees for Election for a Three-Year Term Expiring at the 2023 Annual Meeting" beginning on page 6 of this Proxy Statement.

Howard Wilson. Mr. Wilson has served as our Chief Financial Officer since September 2018 and served as our acting Chief Financial Officer from December 2017 to September 2018. Mr. Wilson also served as our Chief Commercial Officer from January 2017 to September 2018. From August 2016 to June 2018, Mr. Wilson served as an Executive Consultant and Leadership Advisor at The BluePrint Lab, a consulting company. From April 2015 to July 2016, Mr. Wilson served as General Manager, Digital Experience Management at Dynatrace, LLC, an application performance management software company. From October 2013 to December 2015, Mr. Wilson served as Chief Commercial Officer and Executive Vice President at Keynote Systems. Mr. Wilson holds a B.Sc. in Information Systems and Psychology from the University of South Africa.

David Justice. Mr. Justice has served as our Executive Vice President, Chief Revenue Officer since December 2019. From May 2018 to December 2019, Mr. Justice served as Executive Vice President, North America Enterprise Sales of salesforce.com, inc., a global enterprise software company. From July 2000 to April 2018, Mr. Justice served in various roles at Cisco Systems, Inc., a multinational IT, networking, and cybersecurity solutions company, including Senior Vice President, Global Security and Enterprise Networking from June 2016 to April 2018 and Vice President, Worldwide Software and Enterprise Networking Sales from November 2014 to May 2016. Mr. Justice holds a B.A. in Political Science from the University of Washington.

Stacey Giamalis. Ms. Giamalis has served as our Senior Vice President, Legal, General Counsel and Secretary since April 2018. From October 2013 to May 2017, Ms. Giamalis served as Chief Legal Officer at Apigee Corporation, a provider of a software platform for application programming interfaces that was acquired by Google Inc., a multinational technology company that specializes in internet-related services and products, in November 2016. Ms. Giamalis holds a B.A. in Psychology from the University of California, Davis and a J.D. from the University of California, Berkeley, Boalt Hall.

EXECUTIVE COMPENSATION

We became a public company in April 2019, and we are an "emerging growth company" under applicable federal securities laws and therefore permitted to take advantage of certain reduced public company reporting requirements. As an emerging growth company, we provide in this proxy statement the scaled disclosure permitted under the Jumpstart Our Business Startups Act of 2012, or the JOBS Act, including certain executive compensation disclosures required of a "smaller reporting company," as that term is defined in Rule 12b-2 promulgated under the Exchange Act. In addition, as an emerging growth company, we are not required to conduct votes seeking approval, on an advisory basis, of the compensation of our named executive officers or the frequency with which such votes must be conducted. We will remain an emerging growth company until the earliest of (i) the last day of the fiscal year following the fifth anniversary of the completion of our initial public offering ("IPO"), (ii) the last day of the first fiscal year in which our annual gross revenue is $1.07 billion or more, (iii) the date on which we have, during the previous rolling three-year period, issued more than $1 billion in non-convertible debt securities or (iv) the date on which we are deemed to be a "large accelerated filer" as defined in the Exchange Act.

Named Executive Officers

Our named executive officers for fiscal year 2020, which consist of our Chief Executive Officer and the two other most highly compensated executive officers for the fiscal year ended January 31, 2020 (the "Named Executive Officers"), are:

- Jennifer Tejada, our Chief Executive Officer;
- Howard Wilson, our Chief Financial Officer; and
- David Justice, our Executive Vice President, Chief Revenue Officer.

Processes and Procedures for Compensation Decisions

Our Compensation Committee is primarily responsible for establishing and reviewing our general compensation strategy. In addition, the Compensation Committee oversees our compensation and benefit plans and policies, administers our equity incentive plans and reviews and approves annually all compensation decisions relating to all of our executive officers, including our Chief Executive Officer. The Compensation Committee considers recommendations from our Chief Executive Officer regarding the compensation of our executive officers other than herself. Under its charter, our Compensation Committee has the right to retain or obtain the advice of compensation consultants, independent legal counsel and other advisers. During fiscal year 2020, the Compensation Committee retained Compensia, a national compensation consultant, to serve as its independent compensation consultant and to conduct market research and analysis on its various executive positions, to assist the committee in developing appropriate incentive plans for our executives on an annual basis, to provide the committee with advice and ongoing recommendations regarding material executive compensation decisions, and to review compensation proposals of management. Compensia reports directly to our Compensation Committee and does not provide any non-compensation related services to the Company.

Our Compensation Committee has reviewed the independence of Compensia, employing the independence factors specified in the NYSE listing standards and the SEC's rules and regulations. Based on this assessment, the Compensation Committee determined that the engagement of Compensia does not raise any conflicts of interest or similar concerns.

Summary Compensation Table

The following table sets forth information concerning the compensation of our Named Executive Officers during the fiscal years ended January 31, 2019 and 2020:

Name	Fiscal Year	Salary ($)	Bonus ($)[1]	Options Awards ($)[2]	Stock Awards ($)[2]	Non-Equity Incentive Plan Compensation ($)[3]	All Other Compensation ($)[4]	Total ($)
Jennifer Tejada Chief Executive Officer	2020	414,166	—	8,566,174	—	62,114	23,337	9,065,791
	2019	361,667	—	3,883,658	—	226,234		4,471,559
Howard Wilson Chief Financial Officer	2020	357,145	—	2,315,182	—	46,295	11,030	2,729,652
	2019	330,849	—	1,207,083	—	196,696		1,734,628
David Justice[5] Executive Vice President, Chief Revenue Officer	2020	43,750	29,167	440,306	5,215,551	—	794	5,729,568

(1) The amount reported for Mr. Justice reflects a portion of the non-recoverable draw against commissions for the fiscal year ended January 31, 2020 pursuant to the terms of his offer letter.
(2) The amounts reported represent the aggregate grant date fair value of the option awards and/or stock awards granted to the Named Executive Officer in the fiscal years ended January 31, 2019 and 2020, calculated in accordance with FASB ASC Topic 718. Such aggregate grant date fair value does not take into account any estimated forfeitures related to service-vesting conditions. The assumptions used in calculating the grant date fair value of the option awards and stock awards reported in this column are set forth in the notes to our audited financial statements included in our Annual Report on Form 10-K for the fiscal year ended January 31, 2020, as filed with the Securities and Exchange Commission on March 19, 2020. The amounts reported in this column reflect the accounting cost for these option awards and stock awards, and do not correspond to the actual economic value that may be received by the Named Executive Officers upon vesting of the awards.
(3) The amounts reported represent the Named Executive Officer's total cash incentive bonuses earned for the fiscal year ended January 31, 2019 and 2020, as described below under "—Non-Equity Incentive Plan Compensation—Cash Bonus Incentive Plan."
(4) The amounts reported include (i) car services and related tax gross-up of $22,598 for Ms. Tejada, (ii) matching 401(k) contributions of $2,119 and $292 for each of Messrs. Wilson and Justice, (iii) amounts paid on behalf of Ms. Tejada and Messrs. Wilson and Justice for parking and (iv) amounts paid on behalf of Ms. Tejada and Messrs. Wilson and Justice for basic life insurance.
(5) Mr. Justice joined us in December 2019.

Outstanding Equity Awards as of January 31, 2020

The following table presents the outstanding equity incentive plan awards held by each of our Named Executive Officers as of January 31, 2020.

	Option Awards[(1)]					Stock Awards[(1)]	
Name	Grant Date	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($) (2)
Jennifer Tejada Chief Executive Officer	3/8/2019[(3)]	814,000	—	14.52	3/7/2029	—	—
	7/10/2018[(4)]	713,084	26,916	7.43	7/9/2028	—	—
	7/22/2016[(5)]	2,983,009	—	2.00	7/21/2026	—	—
Howard Wilson Chief Financial Officer	3/8/2019[(6)]	220,000	—	14.52	3/7/2029	—	—
	7/10/2018[(7)]	203,084	26,916	7.43	7/9/2028	—	—
	12/30/2016[(8)]	583,624	—	2.00	12/29/2026	—	—
David Justice Executive Vice President, Chief Revenue Officer	1/2/2020[(9)]	—	42,496	23.34	1/1/2030	214,279	4,996,986

(1) All option and stock awards listed in this table were granted pursuant to the 2010 Plan or the 2019 Plan and are subject to acceleration of vesting as described in "—Employment Agreements with our Named Executive Officers " or "—Potential Payments upon Termination or Change of Control" below.
(2) This column represents the market value of the shares of our common stock underlying the stock awards as of January 31, 2020, based on the closing price of our common stock, as reported on the New York Stock Exchange, of $23.32 per share on January 31, 2020.
(3) All shares subject to the stock option first became exercisable on the grant date, subject to our right to repurchase unvested shares in the event Ms. Tejada's employment terminates. The option vests as follows: (a) for 407,000 shares of 814,000 shares, 25% of the shares subject to option (a) shall vest on March 8, 2020 and 1/48th per month thereafter and (b) for 407,000 shares of 814,000 shares, 25% of the shares subject to option (b) shall vest on March 8, 2021 and 1/48th per month thereafter, subject to her continuous service through each such date. Out of the unexercised options exercisable, no shares subject to the options were vested as of January 31, 2020.
(4) A portion of the option covering 26,916 shares is intended to qualify as an incentive stock option for federal tax purposes, and the remaining option to purchase 713,084 shares is a nonstatutory stock option. The option becomes exercisable as follows: (a) 13,458 shares subject to the incentive stock option first become exercisable on January 1 in each of 2021 and 2022; and (b) all of the 713,084 shares subject to the nonstatutory stock option first become exercisable on the grant date, subject to our right to repurchase unvested shares in the event Ms. Tejada's employment terminates. 12/48th of the total shares subject to the option vests on the 12-month anniversary of the vesting commencement date of July 10, 2018 and 1/48th of the total shares subject to the option vests on the same day of each month thereafter, subject to her continuous service to us through each such date. Out of the unexercised options exercisable, 277,500 shares subject to the options were vested as of January 31, 2020.
(5) A portion of the option covering 250,000 shares is intended to qualify as an incentive stock option for federal tax purposes, and the remaining option to purchase 3,638,426 shares is a nonstatutory stock option. The option becomes exercisable as follows: (a) 50,000 shares subject to the incentive stock option first become exercisable on the grant date and an additional 50,000 shares subject to the incentive stock option first become exercisable on January 1 in each of 2017, 2018, 2019, and 2020; and (b) all of the 3,638,426 shares subject to the nonstatutory stock option first become exercisable on the grant date, subject to our right to repurchase unvested shares in the event Ms. Tejada's employment terminates. 12/48th of the total shares subject to the option vests on the 12-month anniversary of the vesting commencement date of July 22, 2016 and 1/48th of the total shares subject to the option vests on the same day of each month thereafter, subject to her continuous service to us through each such date. Out of the unexercised options exercisable, 2,496,955 shares subject to the options were vested as of January 31, 2020.

(6) All shares subject to the stock option first became exercisable on the grant date, subject to our right to repurchase unvested shares in the event Mr. Wilson's employment terminates. The option vests as follows: (a) for 110,000 shares of 220,000 shares, 25% of the shares subject to option (a) shall vest on March 8, 2020 and 1/48th per month thereafter and (b) for 110,000 shares of 220,000 (6) shares, 25% of the shares subject to option (b) shall vest on March 8, 2021 and 1/48th per month thereafter subject to his continuous service through each such date. Out of the unexercised options exercisable, no shares subject to the options were vested as of January 31, 2020.

(7) A portion of the option covering 26,916 shares is intended to qualify as an incentive stock option for federal tax purposes, and the remaining portion of the option covering 203,084 shares is a nonstatutory stock option. The option becomes exercisable as follows: (a) 13,458 shares subject to the incentive stock option first become exercisable on January 1 in each of 2021 and 2022; and (b) all of the 203,084 shares subject to the nonstatutory stock option first become exercisable on the grant date, subject to our right to repurchase unvested shares in the event Mr. Wilson's employment terminates. 12/48th of the total shares subject to the option vests on the 12-month anniversary of the vesting commencement date of July 10, 2018 and 1/48th of the total shares subject to the option vests on the same day of each month thereafter, subject to his continuous service to us through each such date. Out of the unexercised options exercisable, 86,250 shares subject to the options were vested as of January 31, 2020.

(8) A portion of the option covering 250,000 shares is intended to qualify as an incentive stock option for federal tax purposes, and the remaining portion of the option covering 372,148 shares is a nonstatutory stock option. The option becomes exercisable as follows: (a) 50,000 shares subject to the incentive stock option first become exercisable on the grant date and an additional 50,000 shares subject to the incentive stock option first become exercisable on January 1 in each of 2017, 2018, 2019, and 2020; and (b) all of the 372,148 shares subject to the nonstatutory stock option first become exercisable on the grant date, subject to our right to repurchase unvested shares in the event Mr. Wilson's employment terminates. 12/48th of the total shares subject to the option vests on the 12-month anniversary of the vesting commencement date of December 23, 2016 and 1/48th of the total shares subject to the option vests on the same day of each month thereafter, subject to continuous service to us through each such date. Out of the unexercised options exercisable, 440,688 shares subject to the options were vested as of January 31, 2020.

(9) The shares underlying the options shall vest and become exercisable and the shares underlying the stock award shall vest in accordance with the following schedule: 25% one year from the date of grant and the remaining shall vest in 1/12 quarterly installments thereafter, subject to Mr. Justice's continuous service through each such date.

Employment Agreements with our Named Executive Officers

Below are descriptions of our employment agreements with our Named Executive Officers. The agreements generally provide for at-will employment and set forth the Named Executive Officer's initial base salary, target annual bonus opportunity, eligibility for employee benefits, and severance benefits upon a qualifying termination of employment. Furthermore, each of our named executive officers has executed a form of our standard proprietary information and inventions assignment agreement. The key terms of the employment agreements with our Named Executive Officers are described below.

Jennifer Tejada

We entered into an amended and restated offer letter with Jennifer Tejada, our Chief Executive Officer, which sets forth the terms and conditions of her employment with us. The amended and restated offer letter has no specific term and provides for at-will employment. The amended and restated offer letter supersedes all existing agreements and understandings Ms. Tejada may have concerning her employment relationship with us. The amended and restated offer letter referenced Ms. Tejada's then current annual base salary of $420,000 and target annual bonus opportunity of $260,000. Ms. Tejada's current annual base salary is $450,000 and her current target annual bonus opportunity is $450,000. Ms. Tejada is eligible to participate in benefit plans and arrangements made available to all of our full-time employees, subject to the terms of such plans.

The amended and restated offer letter reaffirms that, on July 22, 2016, Ms. Tejada was granted a time-based vesting option to purchase shares of our common stock, which represented the right to purchase 6.25% of our issued and outstanding securities on a fully diluted basis as of the grant date. Pursuant to the terms of the amended and restated offer letter, if Ms. Tejada's equity awards subject to time-based vesting and granted prior to a change in control transaction (as defined in her amended and restated offer letter) are not assumed, substituted, continued or cancelled for consideration in connection with the change in control transaction, 100% of the then-unvested shares subject to such equity awards will vest immediately prior to the change in control transaction.

Under Ms. Tejada's amended and restated offer letter, if Ms. Tejada's employment is terminated other than for "cause," she resigns for "good reason," or her employment terminates due to her death or "disability" (such terms as defined in her amended and restated offer letter), in each case, during the period from three months before until 18 months following a "change in control transaction" (such period for the purposes of Ms. Tejada's amended and restated offer letter, the "change in control transaction period"), Ms. Tejada will be eligible to receive the following severance benefits (less applicable tax withholdings): (i) a lump sum cash amount equal to 18 months of her then-current annual base salary, plus an additional $12,000; (ii) 100% accelerated vesting and exercisability, as applicable, of all of her outstanding equity awards subject to time-based vesting and granted prior to a change in control transaction; (iii) a lump sum cash amount equal to a prorated amount of her target annual bonus opportunity; and (iv) payment or reimbursement of premiums to continue group health coverage under COBRA (as defined below) for 18 months.

Further, under Ms. Tejada's amended and restated offer letter, if Ms. Tejada's employment is terminated other than for cause, she resigns for good reason, or her employment terminates due to her death or disability any time other than during the change in control transaction period, Ms. Tejada will be eligible to receive the following severance benefits (less applicable tax withholding): (i) a lump sum cash amount equal to 12 months of her then-current annual base salary, plus an additional $12,000; (ii) accelerated vesting and exercisability, as applicable, of each of her outstanding equity awards subject to time-based vesting with respect to a number of shares equal to 50% of the number of shares originally subject to the equity award; (iii) a lump sum cash amount equal to a prorated amount of her target annual bonus opportunity; and (iv) payment or reimbursement of the premiums to continue group health coverage under COBRA for 12 months.

To receive the severance benefits above upon a qualifying termination, Ms. Tejada must timely (i) resign from our board of directors, (ii) sign and not revoke a general release of claims in our favor, and (iii) return all of our property in her possession.

If any of the payments provided for under Ms. Tejada's amended and restated offer letter or otherwise payable to Ms. Tejada would constitute "parachute payments" within the meaning of Section 280G of the Internal Revenue Code and would be subject to the related excise tax under Section 4999 of the Internal Revenue Code, then she will be entitled to receive either full payment of benefits or such lesser amount which would result in no portion of the benefits being subject to the excise tax, whichever results in the greater amount of after-tax benefits to her. Ms. Tejada's amended and restated offer letter does not require us to provide any tax gross-up payments to her.

Howard Wilson

We have entered into a confirmatory employment agreement with Howard Wilson, our Chief Financial Officer. The confirmatory employment agreement has no specific term and provides for at-will employment. Mr. Wilson's current annual base salary is $400,000 and his current target annual bonus opportunity is $280,000. Mr. Wilson is eligible to participate in benefit plans and arrangements made available to all our full-time employees. Mr. Wilson also is eligible to receive severance benefits upon certain qualifying terminations of his employment, as more fully described below under "—Potential Payments upon Termination or Change of Control."

David Justice

We have entered into an offer letter with David Justice, our Executive Vice President, Chief Revenue Officer. The offer letter has no specific term and provides for at-will employment. Mr. Justice's current annual base salary is $350,000 and his current target sales commission opportunity is $350,000. The offer letter provides for a $87,500 non-recoverable draw for the first three months of employment, representing target sales commission for such period. Mr. Justice is eligible to participate in benefit plans and arrangements made available to all our full-time employees. Mr. Justice also is eligible to receive severance benefits upon certain qualifying terminations of her employment, as more fully described below under "—Potential Payments upon Termination or Change of Control."

Potential Payments upon Termination or Change of Control

We maintain an Executive Severance and Change in Control Policy, or the policy, for Mr. Wilson, Mr. Justice and certain other executives (other than Ms. Tejada) and key employees, or participants. Under the policy, if we terminate the employment of Mr. Wilson or Mr. Justice other than for "cause," or he or she resigns for "good reason" (such terms as defined in the policy), in each case, during the period from three months before until 12 months following a "change in control" (as defined in the policy and such period for the purposes of the policy, the "change in control period"), Mr. Wilson or Mr. Justice, as applicable, will be eligible to receive the following severance benefits (less applicable tax withholdings): (i) a lump sum cash amount equal to 12 months of his then-current annual base salary; (ii) a lump sum cash amount equal to a prorated amount of his target annual bonus opportunity; (iii) continuation of health plan benefits for him and his eligible dependents at no cost under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended, or COBRA, for up to 12 months, and (iv) 100% of his then outstanding and unvested equity awards that are subject to time-based vesting will fully vest and, as applicable, be exercisable.

Further, under the policy, if Mr. Wilson or Mr. Justice is terminated other than for cause any time other than during the change in control period, he or she will be eligible to receive the following severance benefits (less applicable tax withholding): (i) a lump sum cash amount equal to six months of his then-current annual base salary and (ii) continuation of health plan benefits for him and his eligible dependents at no cost under COBRA for up to six months.

To receive the severance benefits above upon a qualifying termination, Mr. Wilson or Mr. Justice, as applicable, must sign and not revoke a general release of claims in our favor by the deadline set forth in the policy.

If any of the payments provided for under the policy or otherwise payable to Mr. Wilson or Mr. Justice would constitute "parachute payments" within the meaning of Section 280G of the Internal Revenue Code and would be subject to the related excise tax under Section 4999 of the Internal Revenue Code, then he or she will be entitled to receive either full payment of benefits or such lesser amount which would result in no portion of the benefits being subject to the excise tax, whichever results in the greater amount of after-tax benefits to him. The policy does not require us to provide any tax gross-up payments to Mr. Wilson or Mr. Justice or any other participant.

The policy will remain in effect for three years from the date of the completion of our initial public offering, which occurred on April 15, 2019, except if on the date the policy is set to expire we have entered into an agreement that would cause a change in control to occur, then the policy will remain in effect until the consummation of the transaction constituting a change in control.

Ms. Tejada is not eligible to participate in the policy and is only eligible to receive potential termination or change of control payments pursuant to her amended and restated employment agreement, as described in "—Employment Agreements with our Named Executive Officers—Jennifer Tejada".

Non-Equity Incentive Plan Compensation

Cash Incentive Bonus Plan

In March 2019, we approved the Cash Incentive Bonus Plan for our executive leadership team. Each participant is eligible to receive cash bonuses based on the achievement of performance goals determined in the sole discretion of the Compensation Committee of our Board, or such other committee as our Board may appoint from time to time. Each participant's target award may be a percentage of a participant's annual base salary as of the beginning or end of a performance period or a fixed dollar amount. In addition, to be eligible to earn a bonus under the Cash Incentive Bonus Plan, a participant must remain continually employed by, and in good standing with, us through the applicable bonus payment date.

For fiscal year 2020, each participant in the bonus program under the Cash Incentive Bonus Plan was eligible to receive a cash bonus based on the achievement of certain annual recurring revenue and operating income goals and individual objectives, as determined in the sole discretion of our Compensation Committee. In addition, to be eligible to earn a bonus for fiscal year 2020, a participant had to remain continually employed by, and in good standing with, us through the applicable bonus payment date. Ms. Tejada, our Chief Executive Officer, and Mr. Wilson, our Chief Financial Officer, participated in our program for fiscal year 2020. For fiscal year 2020, Ms. Tejada and Mr. Wilson received cash bonuses totaling $62,114 and $46,295, respectively.

Sales Compensation Plan

As our Executive Vice President, Chief Revenue Officer, Mr. Justice is eligible for incentive compensation under our Sales Compensation Plan, or the Sales Plan. Participating employees in the Sales Plan are eligible to receive pre-determined cash compensation for achieving specified performance goals during the relevant fiscal year. Because Mr. Justice joined the Company in December 2019, he did not participate in the fiscal year 2020 Sales Plan. Mr. Justice will participate in the fiscal year 2021 Sales Plan and be eligible to receive commissions thereunder.

Employee Benefit and Stock Plans

2019 Equity Incentive Plan

Our board of directors adopted and our stockholders approved our 2019 Equity Incentive Plan, or the 2019 Plan, in March 2019. The 2019 Plan became effective in connection with our IPO. The 2019 Plan provides for the grant of incentive stock options, or ISOs, nonstatutory stock options, or NSOs, stock appreciation rights, restricted stock awards, restricted stock unit awards, performance-based stock awards, and other stock awards, or collectively, stock awards. ISOs may be granted only to our employees, including our officers, and the employees of our affiliates. All other awards may be granted to our employees, including our officers, our non-employee directors, and consultants, and the employees and consultants of our affiliates.

Plan Administration. Our board of directors, or a duly authorized committee of our board of directors, will administer the 2019 Plan. Our board of directors may also delegate to one or more of our officers the authority to (1) designate employees (other than officers) to receive specified stock awards, and (2) determine the number of shares subject to such stock awards. Under the 2019 Plan, our board of directors has the authority to determine and amend the terms of awards, including (but not limited to) the recipients; the exercise, purchase, or strike price of stock awards, if any; the number of shares subject to each stock award; the fair market value of a share of our common stock; the vesting schedule applicable to the awards, together with any vesting acceleration; and the form of consideration, if any, payable upon exercise or settlement of the award. In addition, our board of directors also generally has the authority to effect, with the consent of any adversely affected participant, the reduction of the exercise, purchase, or strike price of any outstanding award; the cancellation of any outstanding stock award and the grant in substitution therefor of other awards, cash, or other consideration; or any other action that is treated as a repricing under generally accepted accounting principles.

Non-Employee Director Limitation. The maximum number of shares of common stock subject to awards granted under the 2019 Plan or otherwise during any one calendar year to any non-employee director, taken together with any cash fees paid by us to the non-employee director during that year for service on our board of directors, will not exceed $750,000 in total value (calculating the value of the awards based on the grant date fair value for financial reporting purposes), or, with respect to the calendar year in which a non-employee director is first appointed or elected to our board of directors, $1,000,000.

Stock Options. ISOs and NSOs are granted pursuant to stock option agreements adopted by the plan administrator. The plan administrator determines the exercise price for stock options, within the terms and conditions of the 2019 Plan, provided that the exercise price of a stock option generally cannot be less than 100% of the fair market value of our common stock on the date of grant. Options granted under the 2019 Plan vest at the rate specified in the stock option agreement as determined by the plan administrator. The maximum number of shares of our common stock that may be issued upon the exercise of ISOs under the 2019 Plan is equal to three times the aggregate number of shares initially reserved under the 2019 Plan.

Restricted Stock Unit Awards. Restricted stock unit awards are granted pursuant to restricted stock unit award agreements adopted by the plan administrator. Restricted stock unit awards may be granted in consideration for any form of legal consideration that may be acceptable to our board of directors and permissible under applicable law. A restricted stock unit award may be settled by cash, delivery of stock, a combination of cash and stock as deemed appropriate by the plan administrator, or in any other form of consideration set forth in the restricted stock unit award agreement. Additionally, dividend equivalents may be credited in respect of shares covered by a restricted stock unit award. Except as otherwise provided in the applicable award agreement, restricted stock units that have not vested will be forfeited once the participant's continuous service ends for any reason.

Corporate Transactions. The 2019 Plan provides that in the event of certain specified significant corporate transactions including: (1) a sale of all or substantially all of our assets, (2) the sale or disposition of more than 50% of our outstanding securities, (3) the consummation of a merger or consolidation where we do not survive the transaction, and (4) the consummation of a merger or consolidation where we do survive the transaction but the shares of our common stock outstanding prior to such transaction are converted or exchanged into other property by virtue of the transaction, each outstanding award will be treated as the plan administrator determines unless otherwise provided in an award agreement or other written agreement between us and the award holder. The administrator may take one of the following actions with respect to such awards:

- arrange for the assumption, continuation, or substitution of a stock award by a successor corporation;
- arrange for the assignment of any reacquisition or repurchase rights held by us to a successor corporation;
- accelerate the vesting, in whole or in part, of the stock award and provide for its termination prior to the transaction;
- arrange for the lapse, in whole or in part, of any reacquisition or repurchase rights held by us;
- cancel or arrange for the cancellation of the stock award before the transaction in exchange for a cash payment or no payment, as determined by our board of directors; or
- make a payment, in the form determined by our board of directors, equal to the excess, if any, of the value of the property the participant would have received on exercise of the awards before the transaction over any exercise price payable by the participant in connection with the exercise, multiplied by the number of shares subject to the stock award. Any escrow, holdback, earnout, or similar provisions in the definitive agreement for the transaction may apply to such payment to the holder of a stock award to the same extent and in the same manner as such provisions apply to holders of our common stock.

The plan administrator is not obligated to treat all stock awards or portions of stock awards, even those that are of the same type, in the same manner in the event of a corporate transaction.

In the event of a change in control, awards granted under the 2019 Plan will not receive automatic acceleration of vesting and/or exercisability, although this treatment may be provided for in an award agreement or in any other written agreement between us and the participant. Under the 2019 Plan, a change in control generally will be deemed to occur in the event: (1) the acquisition by any a person or company of more than 50% of the combined voting power of our then outstanding stock; (2) a merger, consolidation, or similar transaction in which our stockholders immediately before the transaction do not own, directly or indirectly, more than 50% of the combined outstanding voting power of the surviving entity or the parent of the surviving entity; (3) a sale, lease, exclusive license, or other disposition of all or substantially all of our assets other than to an entity more than 50% of the combined voting power of which is owned by our stockholders; or (4) an unapproved change in the majority of our board of directors.

2019 Employee Stock Purchase Plan

Our board of directors adopted and our stockholders approved our 2019 Employee Stock Purchase Plan, or the ESPP, in March 2019. The ESPP became effective in connection with our IPO.

The purpose of the ESPP is to secure the services of new employees, to retain the services of existing employees, and to provide incentives for such individuals to exert maximum efforts toward our success and that of our affiliates. The ESPP is intended to qualify as an "employee stock purchase plan" within the meaning of Section 423 of the Code for U.S. employees. In addition, the ESPP authorizes grants of purchase rights that do not comply with Section 423 of the Code under a separate non-423 component. In particular, where such purchase rights are granted to employees who are employed or located outside the United States, our board of directors may adopt rules that are beyond the scope of Section 423 of the Code.

Administration. Our board of directors has delegated its authority to administer the ESPP to our compensation committee. The ESPP is implemented through a series of offerings under which eligible employees are granted purchase rights to purchase shares of our common stock on specified dates during such offerings. Under the ESPP, we may specify offerings with durations of not more than 27 months and may specify shorter purchase periods within each offering. Each offering will have one or more purchase dates on which shares of our common stock will be purchased for employees participating in the offering. An offering under the ESPP may be terminated under certain circumstances.

Payroll Deductions. Generally, all regular employees, including executive officers, employed by us or by any of our designated affiliates, may participate in the ESPP and may contribute, normally through payroll deductions, up to 15% of their earnings (as defined in the ESPP) for the purchase of our common stock under the ESPP. Unless otherwise determined by our board of directors, common stock will be purchased for the accounts of employees participating in the ESPP at a price per share that is at least the lesser of (1) 85% of the fair market value of a share of our common stock on the first date of an offering, or (2) 85% of the fair market value of a share of our common stock on the date of purchase.

Corporate Transactions. The ESPP provides that in the event of certain specified significant corporate transactions including: (1) a sale of all or substantially all of our assets, (2) the sale or disposition of more than 50% of our outstanding securities, (3) the consummation of a merger or consolidation where we do not survive the transaction, and (4) the consummation of a merger or consolidation where we do survive the transaction but the shares of our common stock outstanding prior to such transaction are converted or exchanged into other property by virtue of the transaction, a successor corporation may assume, continue or substitute each outstanding purchase right. If the successor corporation does not assume, continue, or substitute for the outstanding purchase rights, the offering in progress will be shortened and a new exercise date will be set. The participants' purchase rights will be exercised on the new exercise date and such purchase rights will terminate immediately thereafter.

2010 Stock Plan

Our board of directors adopted and our stockholders approved our 2010 Stock Plan, or the 2010 Plan, in September 2010. The 2010 Plan has been periodically amended, most recently in July 2018. The 2010 Plan provides for the grant of ISOs to our employees, any parent or certain of our subsidiary companies, and for the grant of NSOs and restricted shares to such employees, our directors, and to consultants engaged by us or any of our subsidiary companies. The 2010 Plan was terminated in connection with our IPO, and all outstanding awards granted under the 2010 Plan remain subject to the terms of the 2010 Plan.

Plan Administration. Our board of directors (referred to as the plan administrator for purposes of the 2010 Plan) administers and interprets the provisions of the 2010 Plan. Under the 2010 Plan, the plan administrator has the authority to, among other things, accelerate the vesting of awards and institute and determine the terms of an option exchange program under which outstanding stock options are exchanged for stock options with a lower exercise price or restricted stock or are amended to decrease the exercise price as a result of a decline in the fair market value of our common stock.

Stock Options and Restricted Shares. Stock options and restricted shares granted under the 2010 Plan generally have terms similar to those described above with respect to stock options and restricted shares granted under the 2019 Plan.

Corporate Transactions. In the event of a sale of all or substantially all of our assets or a merger, consolidation, or other capital reorganization or business combination of us with or into another corporation, entity, or person, each outstanding option shall either be assumed or an equivalent option or right shall be substituted or terminated in exchange for a payment of cash or other property with respect to vested options, and such payment will be equal to the difference between the exercise price and the fair market value of the portion of the optioned stock. In the event the option is not assumed, substituted, or exchanged, then each such stock option shall terminate upon the consummation of the foregoing corporate transaction.

401(k) Plan

We maintain a tax-qualified defined contribution retirement plan under Section 401(k) of the Internal Revenue Code that provides eligible U.S. employees with an opportunity to save for retirement on a tax advantaged basis. Eligible employees may defer eligible compensation on a pre-tax and/or post-tax basis, up to the statutory annual limits on contributions under the Code. Employee contributions are allocated to each participant's individual account and are then invested in selected investment alternatives according to the participant's directions. Participants are immediately and fully vested in their contributions. The 401(k) plan is intended to be qualified under Section 401(a) of the Code with the 401(k) plan's related trust intended to be tax exempt under Section 501(a) of the Code. As a tax-qualified retirement plan, contributions to the 401(k) plan and earnings on those contributions are not taxable to the employees until distributed from the 401(k) plan. Our 401(k) plan provides for discretionary matching of employee contributions. Beginning in the fiscal year ended January 31, 2020, and effective July 1, 2020, the Company implemented an employer matching contribution of one percent (1%) of each participant's employee contributions of at least one percent (1%) of eligible compensation during the period as defined in the 401(k) Plan.

Equity Compensation Plan Information

The following table provides information as of January 31, 2020 with respect to the shares of our common stock that may be issued under our existing equity compensation plans.

Plan Category	(a) Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	(b) Weighted Average Exercise Price of Outstanding Options, Warrants and Rights[1]	(c) Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
Equity compensation plans approved by stockholders[2]	14,498,045	$7.37	16,229,681
Equity compensation plans not approved by stockholders	—	—	—
Total	**14,498,045**	**$7.37**	**16,229,681**

(1) The weighted-average exercise price is calculated based solely on outstanding stock options. It does not reflect the shares that will be issued in connection with the settlement of restricted stock units, since restricted stock units have no exercise price.

(2) Includes our 2010 Plan, 2019 Plan and our ESPP. The shares of common stock underlying any awards that are forfeited, cancelled, held back upon exercise or settlement of an award to satisfy the exercise price or tax withholding, reacquired by us prior to vesting, satisfied without the issuance of stock, expire or are otherwise terminated, other than by exercise, under the 2010 Plan and the 2019 Plan will be added back to the shares of common stock available for issuance under the 2019 Plan. The Company no longer makes grants under the 2010 Plan. Our 2019 Plan provides that the number of shares reserved and available for issuance under the plan will automatically increase each February 1, beginning on February 1, 2020, by 5% of the outstanding number of shares of our common stock on the immediately preceding January 31 or such lesser number of shares as determined by our compensation committee. Our ESPP provides that the number of shares reserved and available for issuance will automatically increase each February 1, beginning on February 1, 2020, by the lesser of 1,850,000 shares of our common stock, 1% of the outstanding number of shares of our common stock on the immediately preceding January 31, or such lesser number of shares as determined by our compensation committee. On February 1, 2020, the number of shares available for issuance under our 2019 Plan and our ESPP increased by 3,889,583 shares and 777,916 shares, respectively, pursuant to these provisions. These increases are not reflected in the table above.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information regarding the ownership of the Company's common stock as of March 31, 2020 by: (i) each director and nominee for director; (ii) each of the executive officers named in the Summary Compensation Table; (iii) all executive officers and directors of the Company as a group; and (iv) all those known by the Company to be beneficial owners of more than five percent of its common stock.

We have based percentage ownership of our common stock on 77,934,149 shares of our common stock outstanding as of March 31, 2020.

Unless otherwise indicated, the address of each beneficial owner listed below is c/o PagerDuty, Inc., 600 Townsend St., Suite 200, San Francisco, CA 94103.

	Common Stock	
Name of Beneficial Owner	**Number**	**Percentage**
5% Stockholders		
T. Rowe Price Associates, Inc.(1)	9,302,474	11.9 %
Entities affiliated with Bessemer Venture Partners(2)	5,311,946	6.8 %
Entities affiliated with Accel(3)	4,829,323	6.2 %
Baskar Puvanathasan(4)	4,328,689	5.6 %
Named Executive Officers and Directors		
Jennifer Tejada(5)	4,892,426	5.9 %
Howard Wilson(6)	1,033,264	1.3 %
David Justice	—	*
Sameer Dholakia	—	*
Elena Gomez(7)	244,306	*
Ethan Kurzweil(8)	16,007	*
Rathi Murthy(9)	177,214	*
Zachary Nelson(10)	301,625	*
John O'Farrell(11)	17,597	*
Alex Solomon (12)	4,109,319	5 %
All directors and executive officers as a group(13) (11 persons)	11,211,758	12.6 %

* Represents beneficial ownership of less than 1%.

(1) Based upon the information provided by T. Rowe Price Associates, Inc. ("T. Rowe Price") in a Schedule 13G filed on February 14, 2020. According to the filing, T. Rowe Price has sole voting power with respect to 2,004,470 shares of common stock, sole dispositive power over 7,298,277 shares of common stock and no shared voting or dispositive power. The principal business address of T. Rowe Price is 100 E. Pratt Street, Baltimore, MD 21202.

(2) Consists of (i) 2,900,323 shares held of record by Bessemer Venture Partners VIII Institutional L.P., or Bessemer Institutional, and (ii) 2,411,623 shares held of record by Bessemer Venture Partners VIII L.P, or Bessemer VIII, and together with Bessemer Institutional, the Bessemer Entities. Each of Deer VIII & Co. L.P., or Deer VIII L.P., the general partner of the Bessemer Entities, and Deer VIII & Co. Ltd., or Deer VIII Ltd., the general partner of Deer VIII L.P., has voting and dispositive power over the shares held by the Bessemer Entities. J. Edmund Colloton, David J. Cowan, Byron B. Deeter, Robert P. Goodman, Jeremy S. Levine and Robert M. Stavis are the directors of Deer VIII Ltd. Investment and voting decisions with respect to the shares held by the Bessemer Entities are made by the directors of Deer VIII Ltd. acting as an investment committee. The address for each of these entities is c/o Bessemer Venture Partners, 1865 Palmer Avenue, Suite 104, Larchmont, New York 10538. Ethan Kurzweil disclaims beneficial ownership of the securities held by the Bessemer Entities, except to the extent of his pecuniary interest, if any, in such securities by virtue of his interest in Deer VIII L.P., and his indirect limited partnership interest in the Bessemer Entities.

(3) Based upon the information provided by entities affiliated with Accel Partners in a Schedule 13G filed on February 14, 2020. According to the filing, consists of (a) 1,234 shares held directly by Accel XI L.P. ("A11"), Accel XI Associates L.L.C. ("A11A"), the general partner of A11, may be deemed to have sole power to vote these shares; (b) 93 shares held directly by Accel XI Strategic Partners L.P. ("A11SP"), A11A, the general partner of A11SP, may be deemed to have sole power to vote these shares; (c) 1,327 shares held by Accel XI Associates L.L.C., of which 1,234 are directly owned by A11 and 93 are directly owned by A11SP. A11A, the general partner of A11 and A11SP, may be deemed to have sole power to vote these shares; (d) 131 shares held directly by Accel Investors 2013 L.L.C. ("AI13"); (e) 1,339 shares held directly by Accel Growth Fund L.P. ("AGF"), Accel Growth Fund Associates L.L.C. ("AGFA"), the general partner of AGF, may be deemed to have sole power to vote these shares; (f) 26 shares held directly by Accel Growth Fund Strategic Partners L.P. ("AGFSP"), AGFA, the general partner of AGFSP, may be deemed to have sole power to vote these shares; (g) 1,365 shares held by Accel Growth Fund Associates L.L.C., 1,339 are directly owned by AGF and 26 are directly owned by AGFSP, AGFA, the general partner of AGF and AGFSP, may be deemed to have sole power to vote these shares; (h) 93 shares held directly by Accel Growth Fund Investors 2011 L.L.C. ("AGFI11"); 4,580,053 shares held by Accel Growth Fund IV L.P. ("AGF4"), Accel Growth Fund IV Associates L.L.C. ("AGF4A"), the general partner of AGF4, may be deemed to have sole power to vote these shares; (i) 26,057 shares held by Accel Growth Fund IV Strategic Partners L.P. ("AGF4SP"), AGF4A, the general partner of AGF4SP, may be deemed to have sole power to vote these shares; and (j) 219,063 shares held directly by Accel Growth Fund Investors 2016 L.L.C. ("AGFI16"). The principal business address of Accel Partners is 500 University Avenue, Palo Alto, CA 94301.

(4) Based upon the information provided by Baskar Puvanathasan in a Schedule 13G filed on January 31, 2020. According to the filing, 4,328,689 shares are held directly by Anjaneya Holdings Inc. (the "Corporation"). Mr. Puvanathasan, as sole director of the Corporation has sole voting and dispositive power.
(5) Consists of (i) 355,417 shares held indirectly by the Jennifer Tejada, as Trustee of the Langford Island Trust, and (ii) 4,510,053 shares subject to options exercisable within 60 days of March 31, 2020, of which 3,278,865 are vested as of such date.
(6) Consists of 1,006,348 shares subject to options exercisable within 60 days of March 31, 2020, of which 630,033 are vested as of such date.
(7) Consists of 244,306 shares subject to options exercisable within 60 days of March 31, 2020, of which 193,409 are vested as of such date.
(8) Consists 16,007 shares held indirectly by the KurzTrust. Mr. Kurzweil is a partner at Bessemer Venture Partners.
(9) Consists of 177,214 shares subject to options exercisable within 60 days of March 31, 2020, of which 74,009 are vested as of such date.
(10) Consists of 301,625 shares held of record by Mr. Nelson, of which 37,703 shares may be repurchased by us at the original purchase price as of March 31, 2020 if Mr. Nelson does not satisfy certain vesting requirements.
(11) Consists of 17,597 shares held indirectly by the O'Farrell Principe Living Trust ua 4-30-1999 for which Mr. O'Farrell is a trustee.
(12) Consists of (a) 3,687,819 shares held directly by Mr. Solomon; and (ii) 421,500 shares are held indirectly by the Alex Solomon, as Trustee of the A. Solomon GRAT dated April 3, 2019.
(13) Consists of (i) 4,799,965 shares owned by our current executive officers and directors, of which 37,703 may be repurchased by us at the original purchase price as of March 31, 2020, and (ii) 6,358,321 shares subject to options exercisable within 60 days of March 31, 2020, of which 4,382,992 shares are vested as of such date.

DELINQUENT SECTION 16(A) REPORTS

Section 16(a) of the Exchange Act requires the Company's directors and executive officers, and persons who own more than ten percent of a registered class of the Company's equity securities, to file with the SEC initial reports of ownership and reports of changes in ownership of common stock and other equity securities of the Company. Officers, directors and greater than ten percent stockholders are required by SEC regulation to furnish the Company with copies of all Section 16(a) forms they file.

To the Company's knowledge, based solely on our review of the copies of such forms furnished to us and written representations from these officers and directors, we believe that all Section 16(a) filing requirements were met during the year ended January 31, 2020, other than one late Form 4 filed by Mr. Justice.

TRANSACTIONS WITH RELATED PERSONS AND INDEMNIFICATION

Related Person Transactions Policy and Procedures

We maintain a written related person transaction policy that sets forth our procedures for the identification, review, consideration and approval or ratification of related person transactions. For purposes of our policy only, a related person transaction is a transaction, arrangement or relationship, or any series of similar transactions, arrangements or relationships, in which we and any related person are, were or will be participants and in which the amount involved exceeds $120,000. Transactions involving compensation for services provided to us as an employee or director are not considered related party transactions under this policy. A transaction, arrangement or relationship in which a related person's participation is solely due to such related person's position as a director of an entity that is participating in such transaction, arrangement or relationship would not be considered a related party transaction under this policy. A related person is any executive officer, director or beneficial owner of more than 5% of any class of our voting securities, including any of their immediate family members and any entity owned or controlled by such persons.

Under the policy, if a transaction has been identified as a related person transaction, including any transaction that was not a related person transaction when originally consummated or any transaction that was not initially identified as a related person transaction prior to consummation, our management must present information regarding the related person transaction to the Audit Committee, or, if Audit Committee approval would be inappropriate, to another independent body of the Board, for review, consideration and approval or ratification. The presentation must include a description of, among other things: all of the parties to the transaction; the material facts of the proposed transaction; the interests, direct and indirect, of the related persons; the purpose of the transaction; the benefits to us of the transaction; whether the transaction is on terms that are comparable to the terms available to or from, as the case may be, an unrelated third party or to or from employees generally; and management's recommendation with respect to the proposed transaction. Under the policy, we will collect information that we deem reasonably necessary from each director, executive officer and, to the extent feasible, significant stockholder to enable us to identify any existing or potential related person transactions and to effectuate the terms of the policy.

In addition, under our Code of Conduct, our employees and directors have an affirmative responsibility to disclose any transaction or relationship that reasonably could be expected to give rise to a conflict of interest.

In considering related-person transactions, the Audit Committee, or other independent body of the Board, will take into account the relevant available facts and circumstances including, but not limited to:

- the risks, costs and benefits to the Company;
- the impact on a director's independence in the event the related person is a director, immediate family member of a director or an entity with which a director is affiliated;
- the terms of the transaction;
- the availability of other sources for comparable services or products; and
- the terms available to or from, as the case may be, unrelated third parties or to or from employees generally.

The policy requires that, in determining whether to approve, ratify or reject a related-person transaction, the Audit Committee, or other independent body of the Board, must consider, in light of known circumstances, whether the transaction is in, or is not inconsistent with, our best interests and those of our stockholders, as the Audit Committee, or other independent body of the Board, determines in the good faith exercise of its discretion.

Certain Related-Person Transactions

The following is a summary of transactions since February 1, 2019, to which we have been a participant in which the amount involved exceeded or will exceed $120,000, and in which any of our directors, executive officers or holders of more than five percent of our capital stock, or any member of the immediate family of the foregoing persons, had or will have a direct or indirect material interest, other than compensation arrangements which are described in the sections titled "Executive Compensation" and "Director Compensation—Non-Employee Director Compensation."

Transactions with Zendesk, Inc.

We entered into a master service agreement with Zendesk, Inc., or Zendesk, in October 2015. Pursuant to the agreement, we recognized revenue from Zendesk of approximately $349,000 in fiscal year 2020. In addition, pursuant to Zendesk's standard customer terms, we had expenditures of $139,000 with Zendesk in fiscal year 2020. Elena Gomez, a member of our board of directors, is the Chief Financial Officer of Zendesk.

Transactions with Twilio Inc.

We entered into a master service agreement with Twilio Inc., or Twilio, in September 2015, and with SendGrid, Inc., which is now wholly owned by Twilio, in May 2016. Pursuant to these agreements, we recognized revenue from the Twilio entities of approximately $490,000 in fiscal year 2020. In addition, pursuant to customer agreements we entered into with the Twilio entities in 2018, we had expenditures of $968,000 with the Twilio entities in fiscal year 2020. Sameer Dholakia, a member of our board of directors since December 2019, is CEO of Twilio SendGrid at Twilio.

Transactions with Gap Inc.

We entered into a master service agreement with Gap Inc., or Gap, in June 2017. Pursuant to the agreement, we recognized revenue from Gap of approximately $980,000 in fiscal year 2020. Rathi Murthy, a member of our board of directors, was the Senior Vice President and Chief Technology Officer of Gap until January 2020.

Equity Grants to Directors and Executive Officers

We have granted options and RSUs to certain of our directors and executive officers. For more information regarding the stock awards granted to our directors and Named Executive Officers, see "Security Ownership of Certain Beneficial Owners and Management."

Employment Agreements

We have entered into offer letter agreements with certain of our executive officers. For more information regarding these agreements with our Named Executive Officers, see "Employment, Severance and Change in Control Agreements."

Indemnification Agreements

Our amended and restated certificate of incorporation contains provisions that limit the liability of our current and former directors for monetary damages to the fullest extent permitted by Delaware law. Delaware law provides that directors of a corporation will not be personally liable for monetary damages for any breach of fiduciary duties as directors, except liability for:

- any breach of the director's duty of loyalty to the corporation or its stockholders;
- any act or omission not in good faith or that involves intentional misconduct or a knowing violation of law;
- unlawful payments of dividends or unlawful stock repurchases or redemptions as provided in Section 174 of the Delaware General Corporation Law; or
- any transaction from which the director derived an improper personal benefit

This limitation of liability does not apply to liabilities arising under federal securities laws and does not affect the availability of equitable remedies such as injunctive relief or rescission.

Our amended and restated certificate of incorporation provides that we are authorized to indemnify our directors and officers to the fullest extent permitted by Delaware law. Our amended and restated bylaws provide that we are required to indemnify our directors and executive officers to the fullest extent permitted by Delaware law. Our amended and restated bylaws also provide that, upon satisfaction of certain conditions, we are required to advance expenses incurred by a director or executive officer in advance of the final disposition of any action or proceeding, and permit us to secure insurance on behalf of any officer, director, employee or other agent for any liability arising out of his or her actions in that capacity regardless of whether we would otherwise be permitted to indemnify him or her under the provisions of Delaware law. Our amended and restated bylaws also provide our board of directors with discretion to indemnify our other officers and employees when determined appropriate by our board of directors. We have entered and expect to continue to enter into agreements to indemnify our directors, executive officers and other employees as determined by the board of directors. With certain exceptions, these agreements provide for indemnification for related expenses (including, among other things, attorneys' fees), judgments, fines and settlement amounts incurred by any of these individuals in any action or proceeding. We believe that these provisions and agreements are necessary to attract and retain qualified persons as directors and officers. We also maintain customary directors' and officers' liability insurance.

The limitation of liability and indemnification provisions in our amended and restated certificate of incorporation and amended and restated bylaws may discourage stockholders from bringing a lawsuit against our directors for breach of their fiduciary duty. They may also reduce the likelihood of derivative litigation against our directors and officers, even though an action, if successful, might benefit us and other stockholders. Further, a stockholder's investment may be adversely affected to the extent that we pay the costs of settlement and damage awards against directors and officers as required by these indemnification provisions. At present, there is no pending litigation or proceeding involving any of our directors, officers or employees for which indemnification is sought, and we are not aware of any threatened litigation that may result in claims for indemnification.

HOUSEHOLDING OF PROXY MATERIALS

The SEC has adopted rules that permit companies and intermediaries (e.g., brokers) to satisfy the delivery requirements for Notices of Internet Availability of Proxy Materials or other Annual Meeting materials with respect to two or more stockholders sharing the same address by delivering a single Notice of Internet Availability of Proxy Materials or other Annual Meeting materials addressed to those stockholders. This process, which is commonly referred to as "householding," potentially means extra convenience for stockholders and cost savings for companies.

This year, a number of brokers with account holders who are PagerDuty stockholders will be "householding" the Company's proxy materials. A single Notice of Internet Availability of Proxy Materials will be delivered to multiple stockholders sharing an address unless contrary instructions have been received from the affected stockholders. Once you have received notice from your broker that they will be "householding" communications to your address, "householding" will continue until you are notified otherwise or until you revoke your consent. If, at any time, you no longer wish to participate in "householding" and would prefer to receive a separate Notice of Internet Availability of Proxy Materials, please notify your broker or PagerDuty. Direct your written request to PagerDuty, Inc., Investor Relations, 600 Townsend St., Suite 200, San Francisco, California 94103. Stockholders who currently receive multiple copies of the Notices of Internet Availability of Proxy Materials at their addresses and would like to request "householding" of their communications should contact their brokers.

OTHER MATTERS

The Board knows of no other matters that will be presented for consideration at the Annual Meeting. If any other matters are properly brought before the meeting, it is the intention of the persons named in the accompanying proxy to vote on such matters in accordance with their best judgment.

By Order of the Board of Directors

Jennifer Tejada
Chief Executive Officer

May 4, 2020

We have filed our Annual Report on Form 10-K for the fiscal year ended January 31, 2020 with the SEC. It is available free of charge at the SEC's web site at www.sec.gov. Our Annual Report and this Proxy Statement are posted on our website at https://investor.pagerduty.com and are available from the SEC at its website at www.sec.gov. **A copy of the Company's Annual Report to the Securities and Exchange Commission on Form 10-K for the fiscal year ended January 31, 2020 is available without charge upon written request to: Secretary, PagerDuty, Inc., 600 Townsend St., Suite 200, San Francisco, California 94103.**

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 AND EXCHANGE ACT OF 1934**

For the annual period ended January 31, 2020

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: 001-38856

PAGERDUTY, INC.
(Exact name of registrant as specified in its charter)

Delaware	**27-2793871**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

600 Townsend St., Suite 200
San Francisco, CA 94103
(844) 800-3889
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

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, $0.000005 par value	**PD**	**New York Stock Exchange**

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

Indicate by a 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 Section 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 every Interactive Data File required to be submitted 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, or a smaller reporting company. See 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	☒	Smaller 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 7(a)(2)(B) of the Securities Act. ☐

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 common stock held by non-affiliates of the Registrant, computed by reference to the price at which the common stock was last sold on July 31, 2019, the last business day of the Registrant's most recently completed second fiscal quarter, as reported on the New York Stock Exchange, was approximately $1.6 billion. Shares of the registrant's common stock held by each executive officer, director and holder of 5% or more of the outstanding common stock have been excluded as 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 March 17, 2020, there were approximately 77,821,401 shares of the registrant's common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Information required in response to Part III of Form 10-K (Items 10, 11, 12, 13 and 14) is hereby incorporated by reference to portions of the Registrant's Proxy Statement for the Annual Meeting of Stockholders to be held in 2020. The Proxy Statement will be filed by the Registrant with the Securities and Exchange Commission no later than 120 days after the end of the Registrant's fiscal year ended January 31, 2020.

PAGERDUTY, INC.

FORM 10-K

For the Year Ended January 31, 2020

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K, or this Form 10-K, contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act, which statements involve substantial risk and uncertainties. All statements contained in this report other than statements of historical fact, including statements regarding our future operating results and financial position, our business strategy and plans, market growth and trends, and our objectives for future operations, are forward-looking statements. The words "believe," "may," "will," "estimate," "continue," "anticipate," "intend," "expect," "could," "would," "project," "plan," "potentially," "likely," and similar expressions are intended to identify forward-looking statements.

Forward-looking statement contained in this Form 10-K include, but are not limited to, statements about our expectations regarding:

- trends in key business metrics, including number of customers and dollar-based net retention rate, and non-GAAP financial measures and their usefulness in evaluating our business;
- trends in revenue, cost of revenue, and gross margin;
- trends in operating expenses, including research and development, sales and marketing, and general and administrative expense, and expectations regarding these expenses as a percentage of revenue;
- our existing cash and cash equivalents and cash provided by sales of our subscriptions being sufficient to support working capital and capital expenditures for at least the next 12 months;
- our efforts to maintain proper and effective internal controls;
- our ability to expand our operations and increase adoption of our platform internationally;
- our ability to stay abreast of new or modified laws and regulations that currently apply or become applicable to our business both in the United States and internationally;
- the increased expenses and administrative workload associated with being a public company; and
- other statements regarding our future operations, financial condition, and prospects and business strategies.

Such forward-looking statements are based on our expectations as of the date of this filing and are subject to a number of risks, uncertainties and assumptions, including but not limited to, risks detailed in the "Risk Factors" section of this Form 10-K. Readers are urged to carefully review and consider the various disclosures made in this Form 10-K and in other documents we file from time to time with the Securities and Exchange Commission, or the SEC, that disclose risks and uncertainties that may affect our business. Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for us to predict all risks, nor can we assess the effect of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties, and assumptions, the future events and trends discussed in this Form 10-K may not occur, and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

You should not rely on forward-looking statements as predictions of future events. The events and circumstances reflected in the forward-looking statements may not be achieved or may not occur. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, performance, or achievements. In addition, the forward-looking statements in this Form 10-K are made as of the date of this filing, and we do not undertake, and expressly disclaim any duty, to update any of these forward-looking statements for any reason after the date of this Form 10-K or to conform these statements to actual results or revised expectations.

PART I.

Item 1. Business

Overview

Our mission is to connect teams to real-time opportunity and elevate work to the outcomes that matter.

We act as the central nervous system for the digital enterprise. We collect machine generated data from virtually any software-enabled system or device, combine it with human response data, correlating and interpreting this data to understand issues and opportunities that need to be addressed in real-time. Using machine learning and automation, we bring together the right people with the right information so they can resolve issues and act on opportunities in minutes and seconds, not hours.

Companies across every industry are undergoing digital transformation in response to their customers' growing expectations for great digital experiences. Executing on the promise of digital transformation is becoming more challenging as companies' digital operations become more complex, growing to comprise hundreds or thousands of interrelated systems, both in the cloud and on-premise, that are core to the business's ability to function and serve its customers. Consumers want to have food delivered to their home from the restaurant of their choice within an hour, stream a movie on an iPhone while waiting in line at the airport, or do their holiday shopping from the couch with a few clicks. Delivering a great digital experience, free from slowdowns and outages, is a strategic imperative for every business. Anything less than a perfect experience can result in lost revenue, customer churn, reduced productivity, and reputational damage.

We embrace the DevOps movement by breaking down silos between developers and operators, enabling a culture of accountability and collaboration through our products. We created our product to focus on software developers, who are the owners and architects of the digital experience and transformation. To drive trials and earn trust within the developer community, we designed our products to be easy to find, adopt, use, and demonstrate immediate value. We embrace agile methodology and the DevOps culture of empathy, autonomy, trust, and continuous innovation. Through this mindset, we seek to improve the lives of our users by designing our product from the ground up for real-time, business critical work. We do this by providing smarter workflows, improved automation, collaboration tools, and continuous learning through advanced analytics.

Since our founding in 2009, we have expanded our capabilities from a single product focused on on-call management to a real-time operations platform, which also includes event intelligence, incident response, business visibility, and advanced analytics. We have invested in developing the scalability, reliability, and security of our platform, allowing us to address the needs of even the largest and most demanding enterprise customers. We have spent years building deep product integrations to our platform, and our ecosystem contains over 350 integrations to enable our customers to gather and correlate digital signals from virtually any software-enabled system or device, and allow them to connect with popular collaboration tools and business applications.

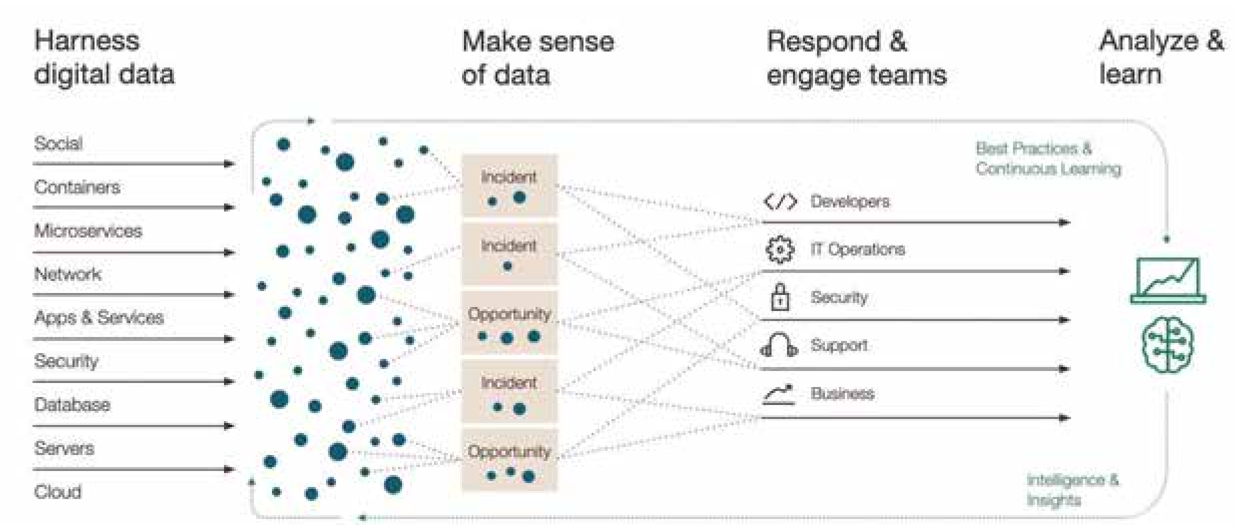
As of January 31, 2020, we have over 12,000 customers — ranging from the most disruptive startups to established Fortune 100 companies across every industry including software and technology, telecommunications, retail, travel and hospitality, media and entertainment, and financial services. Our customers use our products across a broad range of teams including Engineering, IT Operations, Security, and Customer Service.

We generate revenue primarily through sales of subscriptions to our software. We offer a range of pricing plans aligned with our customers' needs and the sophistication of their digital operations. We have a land-and-expand business model that leads to viral adoption of our products and subsequent expansion. Our online self-service model is the primary mechanism for landing new customers and enabling teams to get started without assistance. We complement our self-service model with a high-velocity inside sales team focused on the midmarket and small and medium business, and a field sales team focused on enterprise customers. These teams drive expansion to additional users, additional teams, and new use cases, as well as upsell premium functionality.

Our business has experienced rapid growth since our inception. For the fiscal years ended January 31, 2020 and 2019, our revenue was $166.4 million and $117.8 million, respectively. We continue to invest in our business and had a net loss of $50.3 million and $40.7 million, for the fiscal years ended January 31, 2020 and 2019, respectively.

How Our Platform Works

Our platform sits on top of a company's technology systems, taking in data and applying automation and machine learning to dynamically orchestrate the actions of small teams of experts who work together in real-time to immediately fix problems in the moments that matter and prevent them from happening again. The graphic below illustrates how our platform works.



Harness Data

We provide customers with the ability to easily connect our platform with their applications, infrastructure, and workflows with the support of self-service tools, including developer guides, interactive Application Programming Interface (API) documentation, and community forums. In addition, we can connect to applications without a pre-built integration, via email or API, to easily send data to our platform. We also provide customers with the ability to gather and store information about their response, technical services, business services, and operations and business metrics.

Make Sense of Data

We apply machine learning to data collected by our platform to help our customers identify incidents from the billions of digital signals they collect each day. We do this by automatically converting data from virtually any software-enabled system or device into a common format and applying machine-learning algorithms to find patterns and correlations across that data in real time. Our approach helps us aggregate related signals into an incident that teams can act on. We provide teams with visibility into similar incidents and human context, based on data related to past actions that we have collected over time, enabling them to accelerate time to resolution. We also provide technology leaders, technical responders, and business owners a shared, real-time view into the business impact of an incident.

Respond and Engage Teams

Once an incident or potential incident is identified, we enable customers to orchestrate the responsible team members across developers, IT, security, support, and other business functions, and to keep stakeholders, such as executives, informed. We use automation to engage the appropriate individuals and teams that address incidents. We provide teams with rich contextual information about an incident to ensure that they have the right data to take the right action in real time and minimize adverse effects on their customers. We provide our platform within the tools that teams work in, promoting a "work where you are" environment. We engage teams using their preferred communication channels, with notifications via email, SMS, voice, and push notifications. We provide rich mobile capabilities so teams can respond to incidents anytime and anywhere.

Analyze and Learn

We apply analytics, best practices, and benchmarking on the data that we collect to provide our customers with insights. We provide prescriptive dashboards that deliver visibility into the long-term impact of operations on teams, customers, and the business. Through in-depth post-incident analysis, we empower teams to learn from historical actions and drive better outcomes. We dynamically prompt our customers when similar incidents take place to provide relevant learnings in real time. With benchmarking data, customers can understand how they are performing relative to their peer group and multiple internal teams, understand the risk of burn-out, and gain actionable insights to improve the maturity of their digital operations.

Technology Differentiators of Our Platform

We have invested aggressively in research and development to build innovative products that deliver value to our customers. Our cloud-native platform is differentiated based on a broad range of attributes:

- **Built for real time.** Our platform collects data, interprets digital signals, orchestrates a response, and provides insights — all in real time. There is no concept of queued tickets or queued work in our platform. Relevant signals trigger incidents, which lead to immediate orchestration of the right teams to execute a targeted response.

- **Nearly 11 years' and more than 12,000 customers' worth of data.** As pioneers in digital operations management with over 12,000 customers, we have a rich repository of machine-generated data and human response data. We mine our data from every incident and leverage it across our platform. Our robust data set has allowed us to build advanced machine-learning capabilities, provide richer contextual insights to teams, and share in-depth analytics, benchmarking, and best practices with our customers. We combine machine and human response data with business metrics to provide users visibility into the real-time business impact of incidents.

- **Over 350 integrations across the technology ecosystem.** We have invested extensively in an ecosystem that includes over 350 integrations, allowing us to harness data from software-enabled systems and devices. We have deep integrations to a range of widely-used technologies, such as AWS, Datadog, HashiCorp, New Relic, and Splunk, and bi-directional integrations into Atlassian, Microsoft VSTS, Salesforce, ServiceNow, and Slack. Our integrations support a broad range of use cases including developers, IT, security, support, and other business functions. We provide capabilities through which our users can easily build integrations themselves and connect our products with other third-party technologies.

- **Breadth of functionality.** We provide our customers with a complete platform that spans end-to-end digital operations management needs: harness digital data, make sense of data, respond and engage teams, and analyze and learn from a team's actions. We have continued to extend our core capabilities around on-call management and modern incident response to include event intelligence, business visibility, and analytics. We have embedded machine learning, automation, insights, and best practices across our products to help our customers realize value quickly.

- **Proactive.** We are leading a shift from efficient response to proactive and predictive action to help teams prevent incidents from occurring.

- **Secure, resilient, and scalable.** Our customers depend on us for their digital operations needs. When their systems fail, we need to be operational. We have built multiple redundancies into our infrastructure including two cloud providers, three communications network providers, and two DNS providers. We run entirely in production, with no maintenance windows, so our customers can rely on always-on delivery. We have delivered 99.99% uptime to our customers over the past 24 months.

Security is a critical requirement, and we have adopted governance, access control, and vulnerability testing to support the needs of our most sophisticated customers.

- **Designed for the user.** Our software is easy to adopt and use. We provide a simple, self-service onboarding experience so teams can be up and running in minutes. Our products are mobile-first and include intuitive navigation for all functionality. Customers can easily extend our platform across teams and multiple use cases within an organization.

- **Technology agnostic.** We are agnostic to our customer's technology stack and provide them the choice to use best-of-breed technologies that meet their needs. We are flexible, modular, and open in our approach to building our platform. Our open technology and broad range of integrations ensures that we can effectively co-exist with our customer's technology.

Our Growth Strategies

- **Land new customers across enterprises of all sizes.** We will continue to target new customers by leveraging our trusted brand and highly efficient go-to-market strategy that combines self-serve viral adoption with a focused direct sales effort. We will continue to build on our partner ecosystem to drive awareness of our products. We will continue to target our potential customers with community building and marketing programs that include digital campaigns, our annual user and regional conferences, broader industry events, customer marketing activities, and user meet-ups.

- **Expand usage within our existing customer base across developers and IT user groups.** Developers and IT professionals often make an initial purchase of our platform for a small number of users and then expand users over time. We will continue to work with customers to demonstrate how additional users can help accelerate organizational benefits. We see significant growth opportunities within the developer, IT, security, and customer support communities and estimate that we have penetrated less than 1% within this group of professionals. We intend to increase our inside and field sales teams, as well as our customer success efforts, to continue to drive adoption across our existing customers.

- **Introduce new products and functionality.** Our ability to develop innovative capabilities and introduce new products has been integral to our success and we will continue to invest in our platform to deliver greater value to our customers. We will continue to make investments in research and development to bolster our existing products, increase the reach of our integrations, and innovate on our platform, particularly around event intelligence, business visibility, analytics, and the application ecosystem. Our expanding portfolio of products provides us additional opportunities to upsell and cross-sell into our customer base.

- **Grow our international presence.** We have a large and global customer base that is passionate about our product. We intend to build on our success to date and grow our sales outside North America. The self-service, low friction nature of our offering allows us to easily expand our reach into other regions where we see significant opportunity. We intend to grow our presence in international markets in order to accelerate new customer acquisition and existing customer expansion overseas, particularly throughout EMEA, Asia Pacific, and Japan. Our international operations generated 22% of our revenue in the fiscal year ended January 31, 2020.

- **Expand use cases across all teams and business stakeholders.** We believe that there is a large opportunity for organizations to expand adoption beyond developer and IT to additional use cases such as customer service, security, business operations, and industrial operations. We intend to enable and encourage our customer base to further promote the extensibility of our products to address additional use cases. We will continue to invest in our product and ecosystem to build rich capabilities to support expansion of use cases.

Our Market Opportunity

Every business across every industry is undergoing digital transformation. We believe our platform addresses every team member who is associated with the development, delivery, and operations of the digital experience. Our platform has demonstrated core use cases across developers, IT, security, and customer support. We estimate there are approximately 85 million users in the developer, IT, security, and customer support segments, comprised of:

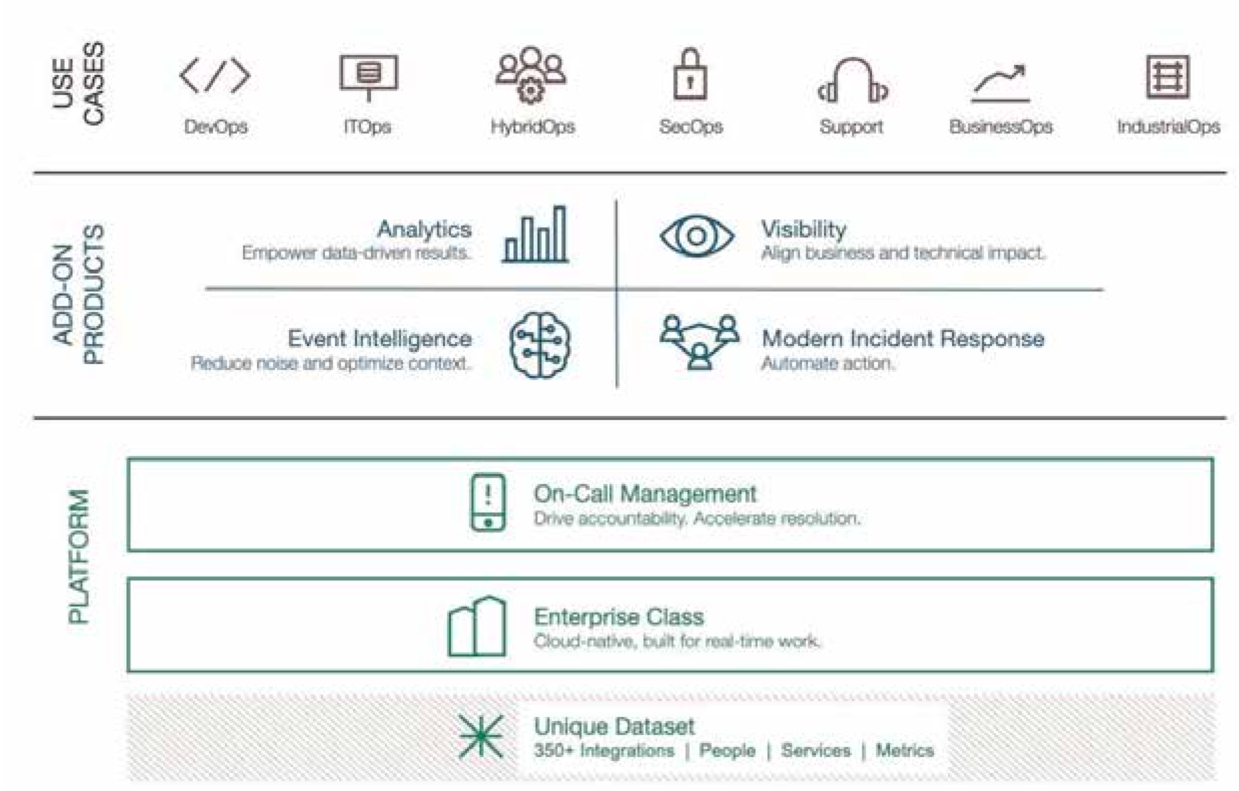
- 22.3 million global software developers
- 18 million information and communications technology skilled workers
- 43.7 million customer support and success workers (applying U.S. Bureau of Labor Statistics data on a global basis)
- 1.2 million security operations workers (applying U.S. Bureau of Labor Statistics data on a global basis)

We estimate our total addressable market is over $25 billion. To calculate our total addressable market, we multiply our estimate of 85 million potential users by our average revenue per user for the financial year ended January 31, 2020. We currently have less than 1% penetration within these markets. In addition to our core use cases, we are seeing our customers use our platform across their business operations and industrial operations. We cannot assure you that the average revenue per user that we achieved for the fiscal year ended January 31, 2020 can be realized across our total addressable market of potential users.

Delivering on our promise of digital transformation is a top priority for companies as they fight to stay relevant to their customers. We believe spending on application development, IT operations, security, and customer service will increasingly shift toward processes that enable digital transformation, including digital operations management.

PagerDuty Platform for Real-Time Operations

The PagerDuty platform empowers teams to take action in real time by combining machine-generated data with human response data. Our platform provides comprehensive capabilities across on-call management, event intelligence, incident response, business visibility, and advanced analytics to address broader digital operations management requirements.



PagerDuty On-Call Management

PagerDuty On-Call Management provides teams with the ability to effectively automate the process of identifying, triaging, managing incidents, and orchestrating the response. Key capabilities include self-service scheduling, incident management, dynamic notifications across channels, and automated escalations. We provide mobile apps for iOS and Android which make it easy for teams to take action. The mobile app supports the ability to view schedules, add responders, escalate, and deploy custom actions.

PagerDuty Modern Incident Response

PagerDuty Modern Incident Response builds on On-Call Management by adding the automation, collaboration, and best practice tools to enable rapid response across multiple team members. Modern Incident response includes workflow automation through response plays, collaboration tools, business-wide stakeholder communications, and post mortems. Response plays automate the engagement of cross-functional teams in real time and automates diagnostic or remedial actions while enabling teams to be proactive. Modern Incident Response supports best practice post mortem analysis and provides bi-directional integration with information technology service management tools like ServiceNow. For example, the immediate resolution of an incident in PagerDuty could automatically create a ticket in ServiceNow for follow-up activity, such as ordering a new server.

PagerDuty Event Intelligence

PagerDuty Event Intelligence applies machine learning to correlate and automate the identification of incidents from billions of events. Event Intelligence groups related events into a single incident, performs advanced suppression to prevent notification of non-actionable events, and continuously learns from similar incidents to provide teams better context and insight. Our Event Intelligence capabilities allow teams to reduce manual work and be more productive.

PagerDuty Visibility

PagerDuty Visibility provides IT leaders, technical responders, and business owners a shared, real-time view into operational health and business impact as an incident is occurring. It combines business services, technical services, and business metrics to surface relevant insights in real time. Visibility includes the ability to map business and technical services, providing a holistic view into how incidents impact both business and technical performance in real time. Visibility allows teams to easily understand key performance metrics through business and operational health dashboards.

PagerDuty Analytics

PagerDuty Analytics allows technology and business leaders to understand the impact of operations and align all stakeholders on how to invest for better business outcomes. It combines machine and response data with business metrics to provide organizations insight into their digital operations performance, the impact on customers and employees, and the cost to their business. It uses our platform's repository of data to surface relevant insights by applying best practices and providing pre-built dashboards to the user. Customers can use this data to inform, manage, and improve operations and people.

Our Technology

Our platform is built on a modern modular technology stack that is scalable, resilient and secure. The key characteristics of our platform include:

Open and Extensible Technology Platform

Our cloud-native products are built on a common core platform that allows us to both rapidly develop new features and to expose APIs for our customers to use. We strive to make these APIs as full-featured as possible. This allows us to build native integrations with other software products to make our offering more comprehensive out-of-the-box. For needs that go beyond our core offering and native extensions, we also offer a broad set of APIs that allow our customers the ability to build their own applications on top of our extensible platform.

Scalable and Reliable Infrastructure

Our platform was designed from the ground up for scalability and reliability to address the requirements for the most demanding and innovative organizations. Scalability can take multiple forms — growth from new customers signing up to use the platform and existing customers expanding their use of PagerDuty, as well as spikes in traffic from large-scale incidents.

Since our infrastructure is cloud-native, we are able to provision new capacity rapidly in order to accommodate growth. We are built to be an "always on" service with redundancy and security designed into our platform. We update software without downtime, with gates to validate expected behavior and quickly roll back if those expectations are not met. We rely on multiple third-party providers for critical infrastructure functionality; if one service is not responsive, we can automatically reroute to another.

Enterprise-grade Security

Security is a mission-critical requirement and concern for every organization. Our customers frequently use our platform to store and manage highly sensitive or proprietary information. Our approach to security includes data governance as well as ongoing testing for potential security issues. We have robust access controls in our production environment with access to data strictly assigned, monitored, and audited. To ensure our controls remain up to date, we undergo continuous third-party testing for vulnerabilities within our software architecture.

Our Customers

Our platform and go-to-market strategy are designed to enable organizations of all sizes and maturity levels to benefit from our platform. We provide our products through a highly modular approach that gives customers the flexibility to adopt products that fit the needs of their teams and organizations at any stage of operations maturity or size.

As of January 31, 2020, we had a global customer base of over 12,000 customers of all sizes across a broad variety of industries, including more than one-third of the Fortune 500. No single customer represented 10% or more of our revenue for the fiscal year ended January 31, 2020.

Customer Success

We are committed to the success of our customers. We demonstrate our commitment by offering a comprehensive set of self-service and hands-on support services to help our customers get the most value from our products. Our self-service capabilities include:

- **Knowledge Base.** A comprehensive online repository for information around technical documentation, integration guides, and training videos.
- **Community Forum.** An online forum for our customers to ask questions and get answers from the broader community.
- **Best Practice Insights.** Our best practices around key topics such as incident response training are open sourced and accessible to everyone.

We provide hands-on support services to our customers through a variety of offerings:

- **PagerDuty University.** In-depth courses on our products, technology, and best practices through in person training.
- **Premium Support.** 24/7 premium support to our customers with associated service level agreements.
- **Customer Success Management.** Access to experts for onboarding and adoption of our platform. For large deployments, customers have access to designated success managers. These managers are the direct point of contact for customers for their support and success needs.

Research and Development

Our research and development team consists of our user experience, product management, and engineering teams and technical operations. These groups are responsible for the design, development, testing, and delivery of new technologies and features for our platform. They are also responsible for scaling our platform and maintaining our cloud infrastructure. We invest substantial resources in research and development to drive core technology innovation and bring new products to market. We are early adopters and thought leaders in agile development, DevOps culture, and site reliability engineering, empowering our engineers with full-service ownership of their code in production, leading to high-quality software. Our distributed research and development efforts enable us to attract the best talent across our multiple locations, including San Francisco, Atlanta, Seattle, Toronto, London, and Sydney.

Sales

We employ a highly efficient go-to-market strategy that combines viral adoption through word of mouth, user-centric content marketing, and grass roots brand development with a high-velocity inside sales model that drives both the initial land of new customers and the subsequent expansion into broader use cases, increased users, and premium functionality. We also target senior IT and business operations management at companies from midmarket to the largest enterprises through inside and field sales strategies to pursue larger-scale deployments.

Our global sales teams focus on both new customer acquisition and up-selling and cross-selling additional products to our existing customers. Our sales teams are organized by geography, consisting of the Americas, EMEA, Asia Pacific, and Japan, as well as by target organization size.

Marketing

We focus our marketing efforts on the strength of our product innovation, the value we provide and our domain expertise. Our model is driven by a land and expand approach. We employ a highly efficient digital marketing strategy that drives the majority of our new customer acquisition. We use a combination of digital and field marketing tactics to drive expansion by increasing users, new product adoption, and broader or new use cases.

Our marketing team focuses on brand building, awareness, and demand generation through campaigns that leverage our content, technical resources, thought leadership, and customer stories. We rely on multiple marketing and sales automation tools to efficiently market to, and automatically identify qualified individuals using product and industry specific criteria.

We use diverse marketing tactics to engage with prospective customers including email marketing, event marketing, digital advertising, social media, public relations, and community initiatives. We also host and present at regional, national, and global events, including our PagerDuty Summit, to engage both customers and prospects, deliver product training, share best practices, and foster community. Our technical leaders and evangelists frequently speak as subject matter experts at market-leading developer events like DevOps Days.

Competition

The market for digital operations management is nascent, fragmented, and constantly evolving. We primarily compete against in-house solutions, manual processes, and software providers that may compete against certain components of our offering. Our primary competitors include OpsGenie (acquired by Atlassian) and VictorOps (acquired by Splunk).

We compete on the basis of a number of factors, including:

- platform functionality;
- breadth of offering and integrations;
- performance, security, scalability, and reliability;
- real-time response capabilities;
- brand recognition, reputation, and customer satisfaction;
- ease of implementation, and;
- total cost of ownership.

We believe that we compete favorably with respect to all of these factors and that we are well positioned as a leader in the category of digital operations management.

Intellectual Property

We rely on a combination of trade secrets, patents, copyrights, and trademarks, as well as contractual protections, to establish and protect our intellectual property rights. While we had ten issued patents and six patent applications pending examination in the United States as of January 31, 2020 that are scheduled to expire between 2033 and 2038, and we actively seek patent protection covering inventions originating from our company, we do not believe that we are materially dependent on any one or more of our patents. We pursue the registration of domain names, trademarks, and service marks in the United States and in various jurisdictions outside the United States.

We control access to and use of our proprietary technology and other confidential information through the use of internal and external controls, including contractual protections with employees, contractors, customers, and partners, and our software is protected by U.S. and international intellectual property laws. We require our employees, consultants, and other third parties to enter into confidentiality and proprietary rights agreements and control access to software, documentation, and other proprietary information. Our policy is to require employees and independent contractors to sign agreements assigning to us any inventions, trade secrets, works of authorship, developments, and other processes generated by them on our behalf and agreeing to protect our confidential information. In addition, we generally enter into confidentiality agreements with our vendors and customers.

Although we rely on intellectual property rights, including trade secrets, patents, copyrights, and trademarks, as well as contractual protections to establish and protect our proprietary rights, we believe that factors such as the technological and creative skills of our personnel, creation of new modules, features and functionality, and frequent enhancements to our platform are more essential to establishing and maintaining our technology leadership position.

Regulatory

We are subject to a number of U.S. federal and state and foreign laws and regulations that involve matters central to our business. These laws and regulations may involve privacy, data protection, intellectual property, competition, consumer protection, export taxation, or other subjects. Many of the laws and regulations to which we are subject are still evolving and being tested in courts and could be interpreted in ways that could harm our business. In addition, the application and interpretation of these laws and regulations often are uncertain, particularly in the new and rapidly evolving industry in which we operate. Because global laws and regulations have continued to develop and evolve rapidly, it is possible that we may not be, or may not have been, compliant with each such applicable law or regulation. For a discussion of risks related to these various areas of government regulation, see "Risk Factors- We are subject to governmental regulation and other legal obligations, particularly those related to privacy, data protection and information security, and our actual or perceived failure to comply with such obligations could harm our business, by resulting in litigation, fines, penalties or adverse publicity and reputational damage that may negatively affect the value of our business and decrease the price of our common stock. Compliance with such laws could also result in additional costs and liabilities to us or inhibit sales of our solutions."

Geographic Information

For a description of our revenue and long-lived assets by geographic location, see Note 10, "Geographic Information" of the Notes to our Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K.

Our Culture and Employees

Our corporate culture is a critical component of our success and we will continue taking steps to help foster innovation, teamwork, diversity, and inclusion. We promote an environment that values the democratization of ideas and the adoption of a DevOps culture internally, resulting in a mindset that is empowering our team to be more innovative, productive, and collaborative.

- 50% of our executive leadership team is composed of women and approximately 44% of management roles are held by women.
- The strength of our culture is key to attracting and retaining the best talent, as demonstrated by our high employee retention rates, and, as of January 31, 2020 a Glassdoor rating of 4.7 out of 5 and 100% approval rating of our chief executive officer.

As of January 31, 2020, we had 669 employees. None of our employees are represented by a labor union with respect to his or her employment. We have not experienced any work stoppages and we consider our relations with our employees to be good.

Social Responsibility and Community Initiatives

We launched PagerDuty.org in 2017 to ensure a sustainable contribution to the communities in which we live, work, and service by integrating social responsibility and impact into our business. The program leverages technology, people, and community to help nonprofit organizations empower their teams to respond in real time and positively impact their communities.

We joined Pledge 1% with the commitment to donate 1% of equity, 1% of product and 1% of employee time to social responsibility initiatives. The pledge strengthens our social responsibility initiatives through inclusion efforts with community partners, empowering volunteerism, and support for nonprofits. In June 2018, we fulfilled our equity pledge by issuing a warrant to purchase shares of our common stock to the Tides Foundation. PagerDuty.org, along with the Tides Foundation, focuses on Time-Sensitive Global Health and vibrant and equitable local communities, with inaugural grants to Medic Mobile and VillageReach. We provide discounted pricing to nonprofits and social enterprises to ensure they can access PagerDuty's platform for digital operations.

Our effort continues through our support for inclusion across the company and the wider technology industry. We have partnered with some of the most promising organizations like Hackbright Academy, Upwardly Global, the Bridge School and Code2020 to improve diversity in our industry and beyond by creating access, offering sponsorship, program advocacy, career coaching, and recruitment opportunities.

Item 1A. Risk Factors

Our business involves significant risks, some of which are described below. You should carefully consider the following risks, together with all of the other information in this Annual Report on Form 10-K, including our consolidated financial statements and the related notes included elsewhere in this Annual Report on Form 10-K. Any of the following risks could have an adverse effect on our business, results of operations, financial condition or prospects, and could cause the trading price of our common stock to decline. Our business, results of operations, financial condition or prospects could also be harmed by risks and uncertainties not currently known to us or that we currently do not believe are material.

Risks Related to Our Business and Industry

We have a history of operating losses and may not achieve or sustain profitability in the future.

We were incorporated in 2010 and have experienced net losses and negative cash flows from operations since inception. We generated a net loss of $50.3 million, $40.7 million, and $38.1 million for the fiscal years ended January 31, 2020, 2019, and 2018 respectively, and as of January 31, 2020, we had an accumulated deficit of $179.2 million. While we have experienced significant revenue growth in recent periods, we are not certain whether or when we will obtain a high enough volume of sales to sustain or increase our growth or achieve or maintain profitability in the future. We also expect our costs and expenses to increase in future periods, which could negatively affect our future operating results if our revenue does not increase. In particular, we intend to continue to expend significant funds to further develop our platform, including by introducing new products and functionality, and to expand our inside and field sales teams and customer success team to drive new customer adoption, expand use cases and integrations, and support international expansion. We also face increased compliance costs associated with growth, the expansion of our customer base, and being a public company. Our efforts to grow our business may be costlier than we expect, and we may not be able to increase our revenue enough to offset our increased operating expenses. We may incur significant losses in the future for a number of reasons, including the other risks described herein, and unforeseen expenses, difficulties, complications and delays, and other unknown events. If we are unable to achieve and sustain profitability, the value of our business and common stock may significantly decrease.

We operate in an emerging and evolving market, which may develop more slowly or differently than we expect. If our market does not grow as we expect, or if we cannot expand our platform to meet the demands of this market, our revenue may decline, fail to grow or fail to grow significantly, and we may incur additional operating losses.

The market for real-time operations solutions, particularly enterprise-grade solutions, is in an early stage of development, and it is uncertain whether this market will develop, and even if it does develop, how rapidly it will develop, how much it will grow, or whether our platform will be widely adopted. Our success will depend, to a substantial extent, on the widespread adoption of our platform as an alternative to existing solutions or adoption by customers that are not using any such solutions at all. Some organizations may be reluctant or unwilling to use our platform for a number of reasons, including concerns about additional costs, uncertainty regarding the reliability and security of cloud-based offerings, or lack of awareness of the benefits of our platform. Our ability to expand sales of our platform depends on several factors, including potential customer awareness of our platform; the timely completion, introduction, and market acceptance of enhancements to our platform or new products that we may introduce; our ability to attract, retain, and effectively train inside and field sales personnel; our ability to develop or maintain integrations with partners; the effectiveness of our marketing programs; the costs of our platform; and the success of our competitors. If we are unsuccessful in developing and marketing our platform, or if organizations do not perceive or value the benefits of our platform as an alternative to legacy systems, the market for our platform might not continue to develop or might develop more slowly than we expect, either of which would harm our growth prospects and operating results.

If we are unable to attract new customers, our revenue growth will be adversely affected.

To increase our revenue, we must continue to attract new customers and increase sales to new customers. As our market matures, product and service offerings evolve, and competitors introduce lower cost or differentiated products or services that are perceived to compete with our platform, our ability to sell subscriptions for our products could be impaired. Similarly, our subscription sales could be adversely affected if customers or users within these organizations perceive that features incorporated into competitive products reduce the need for our products or if they prefer to purchase other products that are bundled with solutions offered by other companies, including our partners, that operate in adjacent markets and compete with our products. As a result of these and other factors, we may be unable to attract new customers, which could have an adverse effect on our business, revenue, gross margins, and other operating results, and accordingly, on the trading price of our common stock.

If we are unable to retain our current customers or sell additional functionality and services to them, our revenue growth will be adversely affected.

To increase our revenue, in addition to selling to new customers, we must retain existing customers and convince them to expand their use of our platform across their organizations — in terms of increasing the number of users, subscribing for additional functionality, and broadening the user base across multiple departments and business units. Our ability to retain our customers and increase the amount of their subscriptions could be impaired for a variety of reasons, including customer reaction to changes in the pricing of our products or the other risks described herein. As a result, we may be unable to renew our subscriptions with existing customers or attract new business from existing customers, which would have an adverse effect on our business, revenue, gross margins, and other operating results, and accordingly, on the trading price of our common stock.

Our ability to sell additional functionality to our existing customers may require more sophisticated and costly sales efforts, especially as we target larger enterprises and more senior management who make these purchasing decisions. Similarly, the rate at which our customers purchase additional products from us depends on a number of factors, including general economic conditions and the pricing of additional product functionality. If our efforts to sell additional functionality to our customers are not successful, our business and growth prospects would suffer.

Our customers have no obligation to renew their subscriptions for our products after the expiration of their subscription period. Our subscriptions with our customers are typically one year in duration but can range from monthly to multi-year. In order for us to maintain or improve our results of operations, it is important that our customers renew their subscriptions with us on the same or more favorable terms. We cannot accurately predict renewal or expansion rates given the diversity of our customer base, in terms of size, industry, and geography. Our renewal and expansion rates may decline or fluctuate as a result of a number of factors, including customer spending levels, customer dissatisfaction with our products, decreases in the number of users at our customers, changes in the type and size of our customers, pricing changes, competitive conditions, the acquisition of our customers by other companies, and general economic conditions. For example, we experienced decreases in our renewal and expansion rates in 2016, as compared to 2015, following an increase in subscription prices in 2015. If our customers do not renew their subscriptions for our products, or if they reduce their subscription amounts at the time of renewal, our revenue and other results of operations will decline and our business will suffer. If our renewal or expansion rates fall significantly below the expectations of the public market, securities analysts, or investors, the trading price of our common stock would likely decline.

Our recent rapid growth may not be indicative of our future growth, and if we continue to grow rapidly, we may not be able to manage our growth effectively. Our rapid growth also makes it difficult to evaluate our future prospects and may increase the risk that we will not be successful.

Our revenue was $166.4 million, $117.8 million, and $79.6 million for the fiscal years ended January 31, 2020, 2019, and 2018, respectively. Although we have recently experienced significant growth in our revenue, even if our revenue continues to increase, we expect that our revenue growth rate will decline in the future as a result of a variety of factors, including the maturation of our business. Overall growth of our revenue depends on a number of factors, including our ability to:

- price our real-time operations platform effectively so that we are able to attract new customers and expand sales to our existing customers;
- expand the functionality and use cases for the products we offer on our platform;
- maintain the rates at which customers purchase and renew subscriptions to our platform;
- provide our customers with customer support that meets their needs;
- continue to introduce our products to new markets outside of the United States;
- successfully identify and acquire or invest in businesses, products, or technologies that we believe could complement or expand our platform; and

- increase awareness of our brand on a global basis and successfully compete with other companies.

We may not successfully accomplish any of these objectives, which makes it difficult for us to forecast our future operating results. If the assumptions that we use to plan our business are incorrect or change in reaction to changes in our market, or if we are unable to maintain consistent revenue or revenue growth, our stock price could be volatile, and it may be difficult to achieve and maintain profitability. You should not rely on our revenue for any prior quarterly or annual periods as any indication of our future revenue or revenue growth.

In addition, we expect to continue to expend substantial financial and other resources on:

- sales and marketing, including a significant expansion of our sales organization, particularly in the United States;
- our technology infrastructure, including systems architecture, scalability, availability, performance, and security;
- product development, including investments in our product development team and the development of new products and new functionality for our platform;
- acquisitions or strategic investments;
- international expansion; and
- general administration, including increased legal and accounting expenses associated with being a public company.

These investments may not result in increased revenue growth in our business. If we are unable to increase our revenue at a rate sufficient to offset the expected increase in our costs, our business, financial position, and results of operations will be harmed, and we may not be able to achieve or maintain profitability over the long term. Additionally, we may encounter unforeseen operating expenses, difficulties, complications, delays, and other unknown factors that may result in losses in future periods. If our revenue growth does not meet our expectations in future periods, our financial performance may be harmed, and we may not achieve or maintain profitability in the future.

We derive substantially all of our revenue from a single product.

Sales of subscriptions to our On-Call Management product account for substantially all of our revenue. We expect these subscriptions to account for a large portion of our revenue for the foreseeable future. As a result, our operating results could suffer due to:

- any decline in demand for our On-Call Management product;
- the failure of our broader platform and other products to achieve market acceptance;
- the market for real-time operations platforms not continuing to grow, or growing more slowly than we expect;
- the introduction of products and technologies that serve as a replacement or substitute for, or represent an improvement over, our platform and products;
- technological innovations or new standards that our platform and products do not address;
- sensitivity to current or future prices offered by us or our competitors; and
- our inability to release enhanced versions of our platform and products on a timely basis.

Our inability to renew or increase sales of subscriptions to our platform or market and sell additional products and functionality, or a decline in prices of our platform subscription levels, would harm our business and operating results more seriously than if we derived significant revenue from a variety of products. In addition, if the market for our platform and products grows more slowly than anticipated, or if demand for our real-time operations platform does not grow as quickly as anticipated, whether as a result of competition, pricing sensitivities, product obsolescence, technological change, unfavorable economic conditions, uncertain geopolitical environment, budgetary constraints of our customers, or other factors, our business, results of operations, and financial condition would be adversely affected.

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

The market for real-time operations solutions, particularly enterprise-grade solutions, is highly fragmented, competitive, and constantly evolving. We face substantial competition from in-house solutions, open source software, manual processes, and software providers that may compete against certain components of our offering, as well as established and emerging software providers. With the introduction of new technologies and market entrants, we expect that the competitive environment will remain intense going forward. Some of our actual and potential competitors have been acquired by other larger enterprises and have made or may make acquisitions or may enter into partnerships or other strategic relationships that may provide more comprehensive offerings than they individually had offered or achieve greater economies of scale than us. For example, companies that compete with certain components of our offerings include Atlassian through its acquisition of OpsGenie, Splunk through its acquisition of VictorOps, and parts of ServiceNow's product suite. In addition, new entrants not currently considered to be competitors may enter the market through product development, acquisitions, partnerships, or strategic relationships. As we look to market and sell our platform to potential customers with existing internal solutions, we must convince their internal stakeholders that our platform is superior to their current solutions.

We compete on the basis of a number of factors, including:

- platform functionality;
- breadth of offering and integrations;
- performance, security, scalability, and reliability;
- real-time response capabilities;
- brand recognition, reputation, and customer satisfaction;
- ease of implementation and use; and
- total cost of ownership.

Our competitors vary in size and in the breadth and scope of the products and services offered. Many of our competitors and potential competitors have greater name recognition, longer operating histories, more established customer relationships and installed customer bases, larger marketing budgets, and greater resources than we do. Further, other potential competitors not currently offering competitive solutions may expand their product offerings to compete with our platform, or our current and potential competitors may establish cooperative relationships among themselves or with third parties that may further enhance their resources and product and services offerings in our addressable market. Our competitors may be able to respond more quickly and effectively than we can to new or changing opportunities, technologies, standards, and customer requirements. An existing competitor or new entrant could introduce new technology that reduces demand for our platform. In addition to product and technology competition, we face pricing competition. Some of our competitors offer their solutions at a lower price, which has resulted in pricing pressures. Some of our larger competitors, such as Atlassian and Splunk, have the operating flexibility to bundle competing solutions with other offerings, including offering them at a lower price or for no additional cost to customers as part of a larger sale of other products.

In addition, because of the characteristics of open-source software, there may be fewer technology barriers to entry in the open-source market by new competitors. One of the characteristics of open-source software is that, subject to specified restrictions, anyone may modify and redistribute the existing open-source software and use it to compete in the marketplace. Such competition can develop with a smaller degree of overhead and lead time than required by traditional proprietary software companies. New open-source-based platform technologies and standards are consistently being developed and can gain popularity quickly. Improvements in open source could cause customers to replace software purchased from us with their internally-developed, integrated and maintained open-source software. It is possible for competitors with greater resources than ours to develop their own in-house solution and make it available on an open-source basis to organizations that would otherwise be potential customers of ours, potentially reducing the demand for our products and putting price pressure on our offerings.

For all of these reasons, we may not be able to compete successfully against our current or future competitors, and this competition could result in the failure of our platform to continue to achieve or maintain market acceptance, any of which would harm our business, results of operations, and financial condition.

The nature of our business exposes us to inherent liability risks.

Our platform and related products, including our Event Intelligence, Modern Incident Response, Visibility, and Analytics products, are designed to provide quick, reliable alerts and to communicate information frequently during critical business events, such as information relevant to mitigating the damaging effects of system problems. Due to the nature of such products, we are potentially exposed to greater risks of liability for solution or system failures than may be inherent in other businesses. Although substantially all of our subscription agreements contain provisions limiting our liability to our customers, we cannot assure you that these limitations will be enforced nor that the costs of any litigation related to actual or alleged omissions or failures would not have a material adverse effect on us even if we prevail. Further, certain of our insurance policies and the laws of some states may limit or prohibit insurance coverage for punitive or certain other types of damages or liability arising from gross negligence, and we cannot assure you that we are adequately insured against the risks that we face.

We expect fluctuations in our financial results, making it difficult to project future results, and if we fail to meet the expectations of securities analysts or investors with respect to our operating results, our stock price and the value of your investment could decline.

Our operating results have fluctuated in the past and are expected to fluctuate in the future due to a variety of factors, many of which are outside of our control. As a result, our past results may not be indicative of our future performance. In addition to the other risks described herein, factors that may affect our operating results include the following:

- fluctuations in demand for or pricing of our platform;
- our ability to attract new customers;
- our ability to retain our existing customers;
- customer expansion rates;
- the pricing and quantity of subscriptions renewed;
- the timing of our customer purchases;
- fluctuations or delays in purchasing decisions in anticipation of new products or product enhancements by us or our competitors;
- changes in customers' budgets and in the timing of their budget cycles and purchasing decisions;
- potential and existing customers choosing our competitors' products or developing their own solutions in-house;
- our ability to control costs, including our operating expenses;
- the amount and timing of payment for operating expenses, particularly research and development and sales and marketing expenses, including commissions;

- the amount and timing of non-cash expenses, including stock-based compensation, goodwill impairments, and other non-cash charges;
- the amount and timing of costs associated with recruiting, training, and integrating new employees and retaining and motivating existing employees;
- the effects of acquisitions and their integration;
- general economic conditions, both domestically and internationally, as well as economic conditions specifically affecting industries in which our customers participate;
- health epidemics or pandemics, such as the coronavirus outbreak (COVID-19), influenza and other highly communicable diseases or viruses;
- the impact of new accounting pronouncements;
- changes in the competitive dynamics of our market, including consolidation among competitors or customers;
- significant security breaches of, technical difficulties with, or interruptions to, the delivery and use of our platform; and
- awareness of our brand and our reputation in our target markets.

Any of these and other factors, or the cumulative effect of some of these factors, may cause our results of operations to vary significantly. In addition, we expect to incur significant additional expenses due to the increased costs of operating as a public company. If our annual results of operations fall below the expectations of investors and securities analysts who follow our stock, the price of our common stock could decline substantially, and we could face costly lawsuits, including securities class action suits.

Because we recognize revenue from subscriptions over the term of the relevant agreement, downturns or upturns in sales are not immediately reflected in full in our operating results.

We recognize revenue over the term of our subscription agreement, and our subscriptions are typically one year in duration but can range from monthly to multi-year. As a result, much of our revenue is generated from subscriptions entered into during previous periods. Consequently, a decline in demand for our platform or a decline in new or renewed subscriptions in any one quarter may not significantly reduce our revenue for that quarter but could negatively affect our revenue in future quarters. Our revenue recognition model also makes it difficult for us to rapidly increase our revenue through the sale of additional subscriptions in any period, as revenue from customers is recognized over the applicable term of their subscriptions.

Seasonality may cause fluctuations in our sales and operating results.

The first fiscal quarter of each year is usually our lowest billings and bookings quarter. In fact, billings and bookings during our first fiscal quarter are typically lower than the prior fourth fiscal quarter. We believe that this results from the procurement, budgeting, and deployment cycles of many of our customers, particularly our enterprise customers. We expect that this seasonality will continue to affect our billings, bookings, and other operating results in the future as we continue to target larger enterprise customers.

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

The market in which we compete is relatively new and subject to rapid technological change, evolving industry standards, and changing regulations, as well as 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 were unable to continue enhancing and evolving our real-time operations platform or delivering new products that keep pace with rapid technological and regulatory change, or if new technologies emerge that are able to deliver competitive value at lower prices, more efficiently, more conveniently, more reliably or more securely than our products, our business, results of operations, and financial condition would be adversely affected.

If we fail to maintain and enhance our brand, our ability to expand our customer base will be impaired and our business, results of operations, and financial condition may suffer.

We believe that maintaining and enhancing the PagerDuty brand is important to support the marketing and sale of our existing and future products to new customers and expand sales of our platform to existing customers. We also believe that the importance of brand recognition will increase as competition in our market increases. Successfully maintaining and enhancing our brand will depend largely on the effectiveness of our marketing efforts, our ability to provide reliable products that continue to meet the needs of our customers at competitive prices, our ability to maintain our customers' trust, our ability to continue to develop new functionality and use cases, and our ability to successfully differentiate our platform and products from competitive products and services. Additionally, the performance of our partners may affect our brand and reputation if customers do not have a positive experience with our partners' services. Our brand promotion activities may not generate customer awareness or yield increased revenue, and even if they do, any increased revenue may not offset the expenses we incur in building our brand. If we fail to successfully promote and maintain our brand, our business could suffer.

Failure to effectively develop and expand our marketing and sales capabilities could harm our ability to increase our customer base and achieve broader market acceptance of our products.

Our ability to increase our customer base and achieve broader market acceptance of our real-time operations platform will depend to a significant extent on our ability to expand our marketing and sales organizations. We plan to continue expanding our direct sales force and partners, both domestically and internationally. We also plan to dedicate significant resources to sales and marketing programs, including online advertising. The effectiveness of our online advertising has varied over time and may vary in the future due to competition for key search terms, changes in search engine use, and changes in the search algorithms used by major search engines. All of these efforts will require us to invest significant financial and other resources. Our business and operating results will be harmed if our sales and marketing efforts do not generate significant increases in revenue. We may not achieve anticipated revenue growth from expanding our sales force if we are unable to hire, develop, integrate, and retain talented and effective sales personnel, if our new and existing sales personnel, on the whole, are unable to achieve desired productivity levels in a reasonable period of time, or if our sales and marketing programs are not effective.

If we are unable to enhance and improve our platform or develop new functionality or use cases, our revenue may not grow.

Our ability to increase sales will depend in large part on our ability to enhance and improve our platform, introduce new functionality in a timely manner, and develop new use cases for our platform. Any new functionality that we develop or acquire needs to be introduced in a timely and cost-effective manner in order to achieve the broad market acceptance necessary to generate significant revenue. If we are unable to enhance our platform or develop new functionality to keep pace with rapid technological and regulatory change, our business, results of operations, and financial condition could be adversely affected.

If our products fail to perform properly due to defects or similar problems, and if we fail to develop enhancements to resolve any defect or other problems, we could lose customers, become subject to service performance or warranty claims, or incur other significant costs.

Our operations are dependent upon our ability to prevent system interruption. Our platform for real-time operations is built on a modern modular technology stack that is inherently complex and may contain material defects or errors, which may cause disruptions in availability or other performance problems. We have from time to time experienced service outages and found defects in our platform. We may experience additional outages or discover additional defects in the future that could result in data unavailability or unauthorized access to, or loss or corruption of, our customers' data. We may not be able to detect and correct defects or errors before implementing our platform. Consequently, we or our customers may discover defects or errors after our platform has been deployed.

The occurrence of any defects, errors, disruptions in service, or other performance problems with our software, whether in connection with day-to-day operations, upgrades, or otherwise, could result in:

- loss of customers;
- lost or delayed market acceptance and sales of our products;
- delays in payment to us by customers;
- injury to our reputation and brand;
- legal claims, including warranty and service level agreement claims, against us; or
- diversion of our resources, including through increased service and warranty expenses or financial concessions, and increased insurance costs.

The costs incurred in correcting any material defects or errors in our software or other performance problems may be substantial and could adversely affect our business, operating results, and financial condition.

As we continue to pursue sales to new and existing enterprise customers, our sales cycle, forecasting processes, and deployment processes may become more unpredictable and require greater time and expense.

While we rely predominantly on self-service purchases to establish new customer relationships, our inside and field sales teams target expansion opportunities with existing enterprise customers. Sales to new and existing enterprises involve risks that may not be present or that are present to a lesser extent with sales to smaller organizations. As we seek to increase our sales to enterprise customers, we face more complex customer requirements, substantial upfront sales costs, less predictability, and, in some cases, longer sales cycles than we do with smaller customers. With enterprises, the decision to subscribe to our platform frequently may require the approval of multiple management personnel and more technical personnel than would be typical of a smaller organization, and accordingly, sales to enterprises may require us to invest more time educating these potential customers. Purchases by larger enterprises are also frequently subject to budget constraints and unplanned administrative, processing, and other delays, which means we may not be able to come to agreement on the subscription terms with enterprises. Our ability to successfully sell our platform to larger enterprises is also dependent upon the effectiveness of our sales force, including new sales personnel, who currently represent the majority of our sales force. In addition, if we are unable to increase sales of our platform to larger enterprise customers while mitigating the risks associated with serving such customers, our business, financial position, and operating results may be adversely affected.

If we cannot maintain our company culture as we grow, our success and our business may be harmed.

We believe our culture has been a key contributor to our success to date and that the critical nature of the platform that we provide promotes a sense of greater purpose and fulfillment in our employees. Any failure to preserve our culture could negatively affect our ability to retain and recruit personnel, which is critical to our growth, and to effectively focus on and pursue our corporate objectives. As we grow and develop the infrastructure of a public company, we may find it difficult to maintain these important aspects of our culture. If we fail to maintain our company culture, our business and competitive position may be adversely affected.

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.

Several members of our executive management team either joined us recently or have taken on a new role in the organization. These changes in our executive management team may be disruptive to our business. Our success and future growth depend upon the continued services of our management team and other key employees. From time to time, there may be changes in our management team resulting from the hiring or departure of executives and key employees, which could disrupt our business. Our senior management and key employees are employed on an at-will basis. We currently do not have “key person” insurance on any of our employees. Certain of our key employees have been with us for a long period of time and have fully vested stock options or other long-term equity incentives that may become valuable and may be sold in the public markets, generating significant proceeds, which may reduce their motivation to continue to work for us. The loss of one or more of our senior management, particularly Jennifer Tejada, our Chief Executive Officer, or other key employees could harm our business, and we may not be able to find adequate replacements. We cannot ensure that we will be able to retain the services of any members of our senior management or other key employees, that we have adequate succession plans in place or that we would be able to timely replace members of our senior management or other key employees should any of them depart.

The failure to attract and retain additional qualified personnel and any restrictions on the movement of personnel could prevent us from executing our business strategy and growth plans.

To execute our business strategy, we must attract and retain highly qualified personnel. Competition for executive officers, software developers, sales personnel, and other key employees in our industry is intense and increasing. In particular, we compete with many other companies for software developers with high levels of experience in designing, developing, and managing cloud-based software, as well as for skilled sales and operations professionals. While the market for such personnel is particularly competitive in Silicon Valley, it is also competitive in other markets where we maintain operations, including Canada. The current regulatory environment related to immigration may increase the likelihood that immigration laws may be modified to further limit the availability of H1-B and other visas. If a new or revised visa program is implemented, it may impact our ability to recruit, hire, retain or effectively collaborate with qualified skilled personnel, including in Canada, which could adversely impact our business, operating results and financial condition. Many of the companies with which we compete for experienced personnel have greater resources than we do and can frequently offer such personnel substantially greater compensation than we can offer. In addition, we may fail to identify, attract, and retain talented employees who support our corporate culture that we believe fosters innovation, teamwork, diversity, and inclusion, and which we believe is critical to our success. If we fail to identify, attract, develop, and integrate new personnel, or fail to retain and motivate our current personnel, our growth prospects would be severely harmed.

The 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, including those we have generated ourselves, are subject to significant uncertainty and are based on assumptions and estimates that may not prove to be accurate. The variables that go into the calculation of our market opportunity are subject to change over time, and there is no guarantee that any particular number or percentage of addressable users or companies covered by our market opportunity estimates will purchase our products at all or generate any particular level of revenue for us. Any expansion in our market depends on a number of factors, including the cost, performance, and perceived value associated with our platform and those of our competitors. Even if the market in which we compete meets the size estimates and growth forecasted, our business could fail to grow at similar rates, if at all. Our growth is subject to many factors, including our success in implementing our business strategy, which is subject to many risks and uncertainties. Accordingly, the forecasts of market growth should not be taken as indicative of our future growth.

Our security measures have on occasion in the past been, and may in the future be, compromised. If our, our customers', or our third-party providers' security measures are compromised, or unauthorized access to the data of our customers or their employees, customers, or other constituents is otherwise obtained, our platform may be perceived as not being secure, our customers may be harmed and may curtail or cease their use of our platform, our reputation and business would be damaged, we may incur significant liabilities, and the value of our business and common stock may decrease.

Our operations involve the storage and transmission of data of our customers and their employees and customers, including personally identifiable information such as contact information and physical location. Security incidents, whether as a result of third-party action, employee or customer error, technology impairment or failure, malfeasance, or criminal activity, could result in unauthorized access to, or loss or unauthorized disclosure of, this information, litigation, indemnity obligations, and other possible liabilities, as well as negative publicity, which would damage our reputation and business, impair our sales, and harm our customers.

Cyber incidents and malicious internet-based activity continue to increase generally, and providers of cloud-based services have frequently been targeted by such attacks. These cybersecurity challenges, including threats to our own IT infrastructure or those of our customers or third-party providers, may take a variety of forms ranging from malware, phishing, ransomware, man-in-the-middle attacks, session hijacking, denial-of-service, password attacks, viruses, worms and other malicious software programs or cybersecurity attacks to "mega breaches" targeted against cloud-based services and other hosted software, which could be initiated by individual or groups of hackers or sophisticated cyber criminals. A cybersecurity incident or breach could result in disclosure of confidential information and intellectual property, or cause production downtimes and compromised data. For example, in 2015, a database containing certain of our user information was compromised by a hacker who bypassed several layers of authentication. We may be unable to anticipate or prevent techniques used to obtain unauthorized access or to sabotage systems because they change frequently and often are not detected until after an incident has occurred. As we increase our customer base and our brand becomes more widely known and recognized, third parties may increasingly seek to compromise our security controls or gain unauthorized access to our sensitive corporate information or our customers' data.

Many governments have enacted laws requiring companies to notify individuals of data security incidents or unauthorized transfers involving certain types of personal data. In addition, some of our customers contractually require notification by us of any data security incident. Accordingly, security incidents experienced by our competitors, by our customers, or by us may lead to public disclosures, which may lead to widespread negative publicity. Any security compromise in our industry, whether actual or perceived, could harm our reputation, erode customer confidence in the effectiveness of our security measures, negatively affect our ability to attract new customers, cause existing customers to elect not to renew their subscriptions, and subject us to third-party lawsuits, regulatory fines, or other action or liability, which could materially and adversely affect our business, results of operations, and financial condition.

While we maintain general liability insurance coverage and coverage for errors or omissions, we cannot assure you that such coverage would be adequate or would otherwise protect us from liabilities or damages with respect to claims alleging compromises of customer data or that such coverage will continue to be available to us on acceptable terms or at all.

We make numerous statements in our privacy policies and terms of service, through our certifications to privacy standards and in our marketing materials, providing assurances about the security of our platform, including detailed descriptions of the security measures we employ. Should any of these statements be untrue or become untrue, even through circumstances beyond our reasonable control, we may face claims of misrepresentation or deceptiveness by the U.S. Federal Trade Commission, state and foreign regulators, and private litigants.

We rely upon free trials of our products and other inbound lead-generation strategies to drive our sales and revenue. If these strategies fail to continue to generate sales opportunities or trial users do not convert into paying customers, our business and results of operations would be harmed.

We rely upon our marketing strategy of offering 14-day free trials of our products and other inbound, lead-generation strategies to generate sales opportunities. Most of our customers start with the free version of our products. These strategies may not be successful in continuing to generate sufficient sales opportunities necessary to increase our revenue. Many early users never convert from the trial version of a product to a paid version of such product. Further, we often depend on individuals within an organization who initiate the trial versions of our products being able to convince decision makers within their organization to convert to a paid version. Many of these organizations have complex and multi-layered purchasing requirements. To the extent that these users do not become, or are unable to convince others to become, paying customers, we will not realize the intended benefits of this marketing strategy, and our ability to grow our revenue will be adversely affected.

Interruptions or delays in performance of our service could result in customer dissatisfaction, damage to our reputation, loss of customers, limited growth, and reduction in revenue.

We currently serve our customers from third-party data centers, including those operated by AWS and Microsoft Azure. Our customers need to be able to access our platform at any time, without interruption or degradation of performance. In some cases, third-party cloud providers run their own platforms that we access, and we are, therefore, vulnerable to their service interruptions. We therefore depend on our third-party cloud providers' ability to protect their data centers against damage or interruption from natural disasters, power or telecommunications failures, criminal acts, and similar events. In the event that our data center arrangements are terminated, or if there are any lapses of service or damage to a data center, we could experience lengthy interruptions in our service as well as delays and additional expenses in arranging new facilities and services. Even with current and planned disaster recovery arrangements, including the existence of redundant data centers that become active during certain lapses of service or damage at a primary data center, our reputation and business could be harmed.

Design and mechanical errors, spikes in usage volume, and failure to follow system protocols and procedures could cause our IT systems and infrastructure to fail, resulting in interruptions in our real-time operations platform. We have from time to time in the past experienced service disruptions, and we cannot assure you that we will not experience interruptions or delays in our service in the future. Any interruptions or delays in our service, whether or not caused by our products, third-parties, natural disasters, or security breaches, could harm our relationships with customers and cause our revenue to decrease or our expenses to increase. 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 to fail to renew their subscriptions, any of which could adversely affect our business.

If we do not or cannot maintain the compatibility of our platform with third-party applications that our customers use in their businesses, our revenue and growth prospects will decline.

The functionality and popularity of our platform depend, in part, on our ability to integrate our platform with third-party applications, tools and software. These third-parties may change the features of their technologies, restrict our access to their applications, tools or other software or alter the terms governing their use in a manner that is adverse to our business and our ability to market and sell our real-time operations platform. Such third parties could also develop features and functionality that limit or prevent our ability to use these third-party technologies in conjunction with our platform, which would negatively affect adoption of our platform and harm our business. If we fail to integrate our platform with third-party applications, tools or other software that our customers use, use publicly available APIs for our integrations, or expose APIs for our customers to use, we may not be able to offer the functionality that our customers require, which would negatively affect our results of operations and growth prospects.

The success of our business depends on our customers' continued and unimpeded internet access.

Our customers must have internet access in order to use our platform. Some internet service providers may take measures that affect their customers' ability to use our platform, such as degrading the quality of the data packets we transmit over their lines, giving those packets lower priority, giving other packets higher priority than ours, blocking our packets entirely, or attempting to charge their customers more for using our platform.

In December 2010, the Federal Communications Commission, or the FCC, adopted net neutrality rules barring internet service providers from blocking or slowing down access to online content, protecting services like ours from such interference. Recently, the FCC voted in favor of repealing the net neutrality rules, and it is currently uncertain how the U.S. Congress will respond to this decision. To the extent internet service providers attempt to interfere with our services, extract fees from us to make our platform available, or otherwise engage in discriminatory practices, our business could be adversely impacted. Within such a regulatory environment, we could experience discriminatory or anti-competitive practices that could impede our domestic and international growth, cause us to incur additional expense, or otherwise negatively affect our business.

We provide service-level commitments under our subscription agreements. If we fail to meet these contractual commitments, we could be obligated to provide credits for future service or face subscription termination with refunds of prepaid amounts, which would lower our revenue and harm our business, results of operations, and financial condition.

All of our subscription agreements contain service-level commitments. If we are unable to meet the stated service-level commitments, including failure to meet the uptime and delivery requirements under our customer subscription agreements, we may be contractually obligated to provide these customers with service credits which could significantly affect our revenue in the periods in which the uptime or delivery failure occurs and the credits are applied. We could also face subscription terminations, which could significantly affect both our current and future revenue. Any service-level failures could also damage our reputation, which could also adversely affect our business and results of operations.

If we fail to offer high-quality support, our business and reputation could suffer.

Our customers rely on our customer support personnel to resolve issues and realize the full benefits that our platform provides. High-quality support is also important for the renewal and expansion of our subscriptions with existing customers. The importance of our support function will increase as we expand our business and pursue new customers. If we do not help our customers quickly resolve issues and provide effective ongoing support, our ability to maintain and expand our subscriptions to existing and new customers could suffer, and our reputation with existing or potential customers would be harmed.

We may not be able to scale our business quickly enough to meet our customers' growing needs, and if we are not able to grow efficiently, our operating results could be harmed.

As usage of our real-time operations platform grows and as the breadth of the use cases for our products expands, we will need to devote additional resources to improving and maintaining our infrastructure and integrating with third-party applications. In addition, we will need to appropriately scale our internal business systems and our services organization, including customer support and professional services, to serve our growing customer base.

Any failure of or delay in these efforts could result in impaired system performance and reduced customer satisfaction, resulting in decreased sales to new customers, lower subscription renewal rates by existing customers, the issuance of service credits, or requested refunds, which would hurt our revenue growth and our reputation. Even if we are successful in these efforts, they will be expensive and complex, and require the dedication of significant management time and attention. We could also face inefficiencies or service disruptions as a result of our efforts to scale our internal infrastructure. We cannot be sure that the expansion and improvements to our internal infrastructure will be effectively implemented on a timely basis, if at all, and such failures would adversely affect our business, results of operations, and financial condition.

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

We may in the future seek to acquire or invest in businesses, products, or technologies that we believe could complement or expand our platform, enhance our technical capabilities, or otherwise offer growth opportunities. The pursuit of potential acquisitions may divert the attention of management and cause us to incur various expenses in identifying, investigating, and pursuing suitable acquisitions, whether or not such acquisitions are completed. In addition, we have only limited experience in acquiring other businesses, and we may not successfully identify desirable acquisition targets, or if we acquire additional businesses, we may not be able to integrate them effectively following the acquisition. Acquisitions could also result in dilutive issuances of equity securities or the incurrence of debt, as well as unfavorable accounting treatment and exposure to claims and disputes by third parties, including intellectual property claims. We also may not generate sufficient financial returns to offset the costs and expenses related to any acquisitions. In addition, if an acquired business fails to meet our expectations, our business, operating results, and financial condition may suffer.

The recent global coronavirus outbreak could harm our business and results of operations.

In January 2020, the World Health Organization declared coronavirus (COVID-19) a Public Health Emergency of International Concern. This contagious disease outbreak, which has continued to spread to additional countries, and any related adverse public health developments, could adversely affect workforces, customers, economies and financial markets globally, potentially leading to an economic downturn. This could decrease technology spending, adversely affect demand for our products and harm our business and results of operations.

Unfavorable conditions in our industry or the global economy, or reductions in information technology spending, could limit our ability to grow our business and negatively affect our results of operations.

Our results of operations may vary based on the impact of changes in our industry or the global economy on us or our customers and potential customers. Negative conditions in the general economy both in the United States and abroad, including conditions resulting from changes in gross domestic product growth, financial and credit market fluctuations, international trade relations, political turmoil, natural catastrophes, health epidemics or pandemics (including the recent coronavirus outbreak (COVID-19)), warfare and terrorist attacks on the United States, Europe, the Asia Pacific region, Japan, or elsewhere, could cause a decrease in business investments, including spending on information technology, and negatively affect the growth of our business. In addition, the ongoing coronavirus outbreak has resulted in increased travel restrictions and extended shutdown of certain businesses in the region and in other parts of the world. Competitors, many of whom are larger and have greater financial resources than we do, may respond to challenging market conditions by lowering prices in an attempt to attract our customers. In addition, the increased pace of consolidation in certain industries may result in reduced overall spending on our products. We cannot predict the timing, strength, or duration of any economic slowdown, instability, or recovery, generally or within any particular industry.

Our current operations are international in scope, and we plan further geographic expansion, creating a variety of operational challenges.

A component of our growth strategy involves the further expansion of our operations and customer base internationally. In each of the fiscal years ended January 31, 2020, 2019, and 2018 customers outside of the United States generated 22%, 20%, and 19%, respectively, of our revenue. We currently have offices in Australia, Canada, the United Kingdom (U.K.), and the United States. We are continuing to adapt to and develop strategies to address international markets, but there is no guarantee that such efforts will have the desired effect. As of January 31, 2020, approximately 36% of our full-time employees were located outside of the United States. We expect that our international activities will continue to grow for the foreseeable future as we continue to pursue opportunities in existing and new international markets, which will require significant dedication of management attention and financial resources.

Our current and future international business and operations involve a variety of risks, including:

- exposure to political developments in the U.K., including the departure of the U.K. from the European Union (EU), commonly referred to as Brexit. Pursuant to the formal withdrawal arrangements agreed to between the U.K and the EU, the U.K will be subject to a transition period until December 31, 2020 (the "Transition Period"), during which EU rules will continue to apply. However, the uncertainty concerning the U.K's legal, political and economic relationship with the EU after the Transition Period may be a source of instability in the international markets, create significant currency fluctuations, and/or otherwise adversely affect trading agreements or similar cross-border co-operation arrangements (whether economic, tax, fiscal, legal, regulatory or otherwise). These developments, or the perception that any of them could occur, have had, and may continue to have, a significant adverse effect on global economic conditions and the stability of global financial markets, and could disrupt trade, the sale of our services and the mobility of our employees and contractors between the U.K., EU and other jurisdictions. Asset valuations, currency exchange rates and credit ratings may also be subject to increased market volatility. Such a withdrawal from the EU is unprecedented, and it is unclear how the U.K.'s access to the European single market for goods, capital, services and labor within the EU, and the wider commercial, legal and regulatory environment, will impact our business. Any long-term impact from Brexit on our business and operations will depend, in part, on the outcome of the U.K.'s negotiations on tariffs, tax treaties, trade, regulatory, and other matters and may require us to expend significant time and expense to make adjustments to our business and operations;

- changes in a specific country's or region's political or economic conditions;

- the need to adapt and localize our products for specific countries;

- greater difficulty collecting accounts receivable and longer payment cycles;

- potential changes in trade relations, regulations, or laws;
- unexpected changes in laws, regulatory requirements, or tax laws;
- more stringent regulations relating to privacy and data security and the unauthorized use of, or access to, commercial and personal information, particularly in Europe;
- differing and potentially more onerous labor regulations, especially in Europe, 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, and the increased costs associated with, an increased number of employees over large geographic distances, including the need to implement appropriate systems, policies, benefits, and compliance programs that are specific to each jurisdiction;
- difficulties in managing a business in new markets with diverse cultures, languages, customs, legal systems, alternative dispute systems, and regulatory systems;
- 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 reinvest earnings from operations in one country to fund the capital needs of our operations in other countries;
- laws and business practices favoring local competitors or general market preferences for local vendors;
- limited or insufficient intellectual property protection or difficulties enforcing our intellectual property;
- political instability or terrorist activities;
- health epidemics or pandemics, such as the coronavirus outbreak (COVID-19), influenza and other highly communicable diseases or viruses;
- exposure to liabilities under anti-corruption and anti-money laundering laws, including the U.S. Foreign Corrupt Practices Act, or FCPA, U.S. bribery laws, the UK Bribery 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.

Our limited experience in operating our business internationally increases the risk that any potential future expansion efforts that we may undertake will not be successful. If we invest substantial time and resources to further expand our international operations and are unable to do so successfully and in a timely manner, our business and operating results will suffer.

Our international operations may subject us to potential adverse tax consequences.

We are expanding our international operations to better support our growth into international markets. Our corporate structure and associated transfer pricing policies contemplate future growth in international markets, and consider the functions, risks, and assets of the various entities involved in intercompany transactions. The amount of taxes we pay in different jurisdictions may depend on the application of the tax laws of the various jurisdictions, including the United States, to our international business activities, changes in tax rates, new or revised tax laws or interpretations of existing tax laws and policies, and our ability to operate our business in a manner consistent with our corporate structure and intercompany arrangements. The taxing authorities of the jurisdictions in which we operate may challenge our methodologies for pricing intercompany transactions pursuant to our intercompany arrangements or disagree with our determinations as to the income and expenses attributable to specific jurisdictions. If such a challenge or disagreement were to occur, and our position was not sustained, we could be required to pay additional taxes, interest, and penalties, which could result in one-time tax charges, higher effective tax rates, reduced cash flows and lower overall profitability of our operations. Our financial statements could fail to reflect adequate reserves to cover such a contingency.

The 2017 comprehensive tax reform bill, or the Tax Act, and possible future changes in tax laws or regulations could adversely affect our business and financial condition.

On December 22, 2017, President Trump signed into law the Tax Act, which significantly revised the Internal Revenue Code of 1986, as amended. Future guidance from the U.S. Internal Revenue Service and other tax authorities with respect to the Tax Act may affect us, and certain aspects of the Tax Act could be repealed or modified in future legislation. Changes in corporate tax rates, the realization of net deferred tax assets relating to our U.S. operations, the taxation of foreign earnings, and the deductibility of expenses under the Tax Act or future tax reform legislation could have a material impact on the value of our deferred tax assets, could result in significant one-time charges in the current or future taxable years, and could increase our future U.S. tax expense. The foregoing items, as well as any other future changes in tax laws, could have a material adverse effect on our business, cash flow, financial condition, or results of operations. In addition, it is uncertain if and to what extent various states will conform to the Tax Act or any newly enacted federal tax legislation.

We are exposed to fluctuations in currency exchange rates, which could negatively affect our operating results.

Our sales contracts are primarily denominated in U.S. dollars, and therefore, substantially all of our revenue is not subject to foreign currency risk. However, a strengthening of the U.S. dollar could increase the real cost of our platform to our customers outside of the United States, which could adversely affect our operating results. In addition, an increasing portion of our operating expenses are incurred and an increasing portion of our assets are held outside the United States. These operating expenses and assets are denominated in foreign currencies and are subject to fluctuations due to changes in foreign currency exchange rates. If we are not able to successfully hedge against the risks associated with currency fluctuations, our operating results could be adversely affected.

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

As of January 31, 2020, we had federal, state, and foreign net operating loss carryforwards, or NOLs, of $142.7 million, $5.8 million, and $2.8 million, respectively, which begin to expire in 2030. In general, under Section 382 of the United States Internal Revenue Code of 1986, as amended, or the Code, a corporation that undergoes an "ownership change" is subject to limitations on its ability to utilize its pre-change NOLs to offset future taxable income. If we undergo an ownership change, our ability to utilize NOLs could be limited by Section 382 of the Code. Future changes in our stock ownership, many of which are outside of our control, could result in an ownership change under Section 382 of the Code. Furthermore, our ability to utilize NOLs of companies that we have acquired or may acquire in the future may be subject to limitations. For these reasons, we may not be able to utilize a material portion of the NOLs, even if we were to achieve profitability.

The Tax Act, among other things, includes changes to U.S. federal tax rates and the rules governing net operating loss carryforwards. While the Tax Act allows for federal net operating losses incurred during our taxable year ended January 31, 2018 to be carried forward indefinitely, the Tax Act also imposes an 80% limitation, and indefinite carryforward, on our net operating losses generated during our taxable year ended January 31, 2019, and forward. Deferred tax assets for NOLs will need to be measured at the applicable tax rate in effect when the NOL is expected to be utilized. The changes in the carryforward/carryback periods as well as the new limitation on use of NOLs may significantly impact our valuation allowance assessments for NOLs generated after December 31, 2017.

Changes in our effective tax rate or tax liability may have an adverse effect on our results of operations.

Our effective tax rate could increase due to several factors, including:

- changes in the relative amounts of income before taxes in the various jurisdictions in which we operate that have differing statutory tax rates;

- changes in tax laws, tax treaties, and regulations or the interpretation of them, including the Tax Act;
- changes to our assessment about our ability to realize our deferred tax assets that are based on estimates of our future results, the prudence and feasibility of possible tax planning strategies, and the economic and political environments in which we do business;
- the outcome of current and future tax audits, examinations, or administrative appeals; and
- limitations or adverse findings regarding our ability to do business in some jurisdictions.

Any of these developments could adversely affect our results of operations.

Our reported financial results may be adversely affected by changes in United States generally accepted accounting principles.

U.S. generally accepted accounting principles, or GAAP, is subject to interpretation by the Financial Accounting Standards Board, or FASB, the SEC and various bodies formed to promulgate and interpret appropriate accounting principles. A change in these principles or interpretations could have a significant effect on our reported results of operations and financial condition and could affect the reporting of transactions already completed before the announcement of a change.

If our estimates or judgments relating to our critical accounting policies prove to be incorrect, our results of operations could be adversely affected.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, as provided in the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations- Critical Accounting Policies and Estimates." The results of these estimates form the basis for making judgments about the carrying values of assets, liabilities, and equity, and the amount of revenue and expenses that are not readily apparent from other sources. Significant estimates and judgments involve stock-based compensation expense, the fair value of the employee stock purchase plan expense, period of benefit for amortizing deferred contract costs, the determination of the allowance for doubtful accounts, and the provision for income taxes, including related valuation allowance and uncertain tax positions, among others. Our results of operations may be adversely affected if our assumptions change or if actual circumstances differ from those in our assumptions, which could cause our results of operations to fall below the expectations of securities analysts and investors, resulting in a decline in the trading price of our common stock.

We may not be able to successfully manage the growth of our business if we are unable to improve our internal systems, processes, and controls.

We need to continue to improve our internal systems, processes, and controls to effectively manage our operations and growth. We may not be able to successfully implement and scale improvements to our systems and processes in a timely or efficient manner or in a manner that does not negatively affect our operating results. In addition, our systems and processes may not prevent or detect all errors, omissions or fraud. We may experience difficulties in managing improvements to our systems, processes, and controls in connection with the implementation of third-party software or otherwise, which could impair our ability to provide products to our customers in a timely manner, limit us to smaller deployments of our products, increase our technical support costs or cause us to be unable to timely and accurately report our financial results in accordance with the rules and regulations of the SEC. In addition, we may experience material weaknesses or significant deficiencies in our internal control over financial reporting in the future. Our independent registered public accounting firm will not be required to attest to the effectiveness of our internal control over financial reporting until we file our first annual report with the SEC following the date when we are no longer an "emerging growth company." Our independent registered public accounting firm may, during the evaluation and testing process of our internal controls, identify one or more material weaknesses in our internal control over financial reporting.

Our management team has limited experience managing a public company.

Our management team has limited experience managing a publicly-traded company, interacting with public company investors and securities analysts, and complying with the increasingly complex laws pertaining to public companies. These obligations and constituents require significant attention from our management team and could divert their attention away from the day-to-day management of our business, which could harm our business, results of operations, and financial condition.

We could incur substantial costs in protecting or defending our proprietary rights, and any failure to adequately protect such rights could impair our competitive position and result in the loss of valuable intellectual property rights, reduced revenue and costly litigation.

Our success is dependent, in part, upon protecting our proprietary technology. We rely on a combination of patents, copyrights, trademarks, service marks, trade secret laws, and contractual provisions in an effort to establish and protect our proprietary rights. However, the steps we take to protect our intellectual property may be inadequate. While we have been issued patents in the United States and have additional patent applications pending, we may be unable to obtain patent protection for the technology covered in our patent applications. In addition, any patents that are issued may not provide us with competitive advantages or may be successfully challenged by third parties. Any of our patents, trademarks, or other intellectual property rights may be challenged or circumvented by others or invalidated through administrative process or litigation. There can be no assurance that others will not independently develop similar products, duplicate any of our products, or design around our patents. 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 use information that we regard as proprietary to create products and services that compete with ours. Some license provisions protecting against unauthorized use, copying, transfer, and disclosure of our products may be unenforceable under the laws of jurisdictions outside the United States. In addition, certain countries into which we might expand our business might require us, as examples, to do business through an entity that is partially owned by a local investor, to make available our technologies to state regulators, or to grant license rights to local partners in a manner not required by the jurisdictions in which we currently operate. As we expand our international activities, our exposure to reverse engineering of our technologies and unauthorized copying and use of our products and proprietary information may increase.

We enter into confidentiality and invention assignment agreements with our employees and consultants and enter into confidentiality agreements with the parties with whom we have strategic relationships and business alliances. No assurance can be given that these agreements will be effective in controlling access to and distribution of our products and proprietary information or in avoiding misuse of proprietary information or intellectual property. Further, these agreements do not prevent our competitors or partners from independently developing technologies that are substantially equivalent or superior to our platform.

In order to protect our intellectual property rights, we may be required to spend significant resources to monitor and protect these 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. Furthermore, 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 impair or delay additional sales, renewals or customer adoption of our platform, impair the functionality of our platform, delay introductions of new products, result in our substituting inferior or more costly technologies into our platform, or injure our reputation. 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. Moreover, policing unauthorized use of our technologies, trade secrets, and intellectual property may be difficult, expensive, and time-consuming, particularly in foreign countries where the laws may not be as protective of intellectual property rights as those in the United States and where mechanisms for enforcement of intellectual property rights may be weak. If we fail to meaningfully protect our intellectual property and proprietary rights, our business, operating results, and financial condition could be adversely affected.

Any future litigation against us could be costly and time-consuming to defend.

We have in the past and may in the future become subject to legal proceedings and claims that arise in the ordinary course of business, such as claims brought by our customers in connection with commercial disputes or employment claims made by our current or former employees. Litigation might result in substantial costs and may divert management's attention and resources, which might seriously harm our business, overall financial condition, and operating results. Insurance might not cover such claims, might not provide sufficient payments to cover all the costs to resolve one or more such claims, and might not continue to be available on terms acceptable to us. A claim brought against us that is uninsured or underinsured could result in unanticipated costs, thereby reducing our operating results and leading analysts or potential investors to reduce their expectations of our performance, which could reduce the trading price of our stock.

We have in the past, and may in the future be, subject to intellectual property disputes, which are costly and may subject us to significant liability and increased costs of doing business.

We have in the past and may in the future become subject to intellectual property disputes. Lawsuits are time-consuming and expensive to resolve and they divert management's time and attention. Although we carry general liability insurance, our insurance may not cover potential claims of this type or may not be adequate to indemnify us for all liability that may be imposed. We cannot predict the outcome of lawsuits and cannot assure you that the results of any such actions will not have an adverse effect on our business, operating results, or financial condition.

The software industry is characterized by the existence of a large number of patents, copyrights, trademarks, trade secrets, and other intellectual and proprietary rights. Companies in the software industry are often required to defend against litigation claims based on allegations of infringement or other violations of intellectual property rights. Our technologies may not be able to withstand any third-party claims against their use. In addition, many companies have the capability to dedicate substantially greater resources than we do to enforce their intellectual property rights and to defend claims that may be brought against them. Any litigation may also involve patent holding companies or other adverse patent owners that have no relevant product revenue, and therefore, our patents may provide little or no deterrence as we would not be able to assert them against such entities or individuals. If a third party is able to obtain an injunction preventing us from accessing third-party intellectual property rights, or if we cannot license or develop alternative technology for any infringing aspect of our business, we would be forced to limit or stop sales of our software or cease business activities related to such intellectual property. Any inability to license third-party technology in the future would have an adverse effect on our business or operating results and would adversely affect our ability to compete. We may also be contractually obligated to indemnify our customers in the event of infringement of a third party's intellectual property rights. Responding to such claims, regardless of their merit, can be time consuming, costly to defend, and damaging to our reputation and brand.

We use open source software in our products, which could subject us to litigation or other actions.

We use open source software in our products. From time to time, there have been claims challenging the ownership of open source software against companies that incorporate it into their products. As a result, we could be subject to lawsuits by parties claiming ownership of what we believe to be open source software. Litigation could be costly for us to defend, have a negative effect on our operating results and financial condition, or require us to devote additional research and development resources to change our products. In addition, although we employ open source software license screening measures, if we were to combine our proprietary software products with open source software in a certain manner we could, under certain open source licenses, be required to release the source code of our proprietary software products. If we inappropriately use or incorporate open source software subject to certain types of open source licenses that challenge the proprietary nature of our products, we may be required to re-engineer such products, discontinue the sale of such products or take other remedial actions.

Indemnity provisions in various agreements potentially expose us to substantial liability for intellectual property infringement, data protection, and other losses.

Our agreements with customers and other third parties may include indemnification provisions under which we agree to indemnify them for losses suffered or incurred as a result of claims of intellectual property infringement, inadequate data protection, damages caused by us to property or persons, or other liabilities relating to or arising from our platform or other contractual obligations. Some of these indemnity agreements provide for uncapped liability and some indemnity provisions survive termination or expiration of the applicable agreement. Large indemnity payments could harm our business, results of operations, and financial condition. Although we normally contractually limit our liability with respect to such obligations, we may still incur substantial liability, and we may be required to cease use of certain functions of our platform or products as a result of any such claims. Any dispute with a customer with respect to such obligations could have adverse effects on our relationship with that customer and other existing or new customers, harming our business and results of operations. In addition, although we carry general liability insurance, our insurance may not be adequate to cover our indemnification obligations or to indemnify us for all liability that may be imposed or otherwise protect us from liabilities or damages with respect to claims alleging compromises of customer data, and any such coverage may not continue to be available to us on acceptable terms or at all.

We are subject to anti-corruption, anti-bribery, anti-money laundering, and similar laws, and non-compliance with such laws can subject us to criminal or civil liability and harm our business.

We are subject to the FCPA, U.S. domestic bribery laws, the UK Bribery Act, and other anti-corruption and anti-money laundering laws in the countries in which we conduct activities. Anti-corruption and anti-bribery laws have been enforced aggressively in recent years and are interpreted broadly to generally prohibit companies, their employees and their third-party intermediaries from authorizing, offering, or providing, directly or indirectly, improper payments or benefits to recipients in the public or private sector. As we increase our international sales and business and sales to the public sector, we may engage with business partners and third-party intermediaries to market our services and to obtain necessary permits, licenses, and other regulatory approvals. In addition, we or our third-party intermediaries may have direct or indirect interactions with officials and employees of government agencies or state-owned or affiliated entities. We can be held liable for the corrupt or other illegal activities of these third-party intermediaries, our employees, representatives, contractors, partners, and agents, even if we do not explicitly authorize such activities.

While we have policies and procedures to address compliance with such laws, we cannot assure you that all of our employees and agents will not take actions in violation of our policies and applicable law, for which we may be ultimately held responsible. As we increase our international sales and business, our risks under these laws may increase.

Detecting, investigating, and resolving actual or alleged violations of anti-corruption laws can require a significant diversion of time, resources, and attention from senior management. In addition, noncompliance with anti-corruption, anti-bribery, or anti-money laundering laws could subject us to whistleblower complaints, investigations, sanctions, settlements, prosecution, enforcement actions, fines, damages, other civil or criminal penalties or injunctions, suspension or debarment from contracting with certain persons, reputational harm, adverse media coverage, and other collateral consequences. If any subpoenas or investigations are launched, or governmental or other sanctions are imposed, or if we do not prevail in any possible civil or criminal proceeding, our business, results of operations, and financial condition could be materially harmed. In addition, responding to any action will likely result in a materially significant diversion of management's attention and resources and significant defense costs and other professional fees.

We are subject to governmental regulation and other legal obligations, particularly those related to privacy, data protection, and information security, and our actual or perceived failure to comply with such obligations could harm our business, by resulting in litigation, fines, penalties, or adverse publicity and reputational damage that may negatively affect the value of our business and decrease the price of our common stock. Compliance with such laws could also result in additional costs and liabilities to us or inhibit sales of our solutions.

We receive, store, and process personal information and other data from and about actual and prospective customers and users, in addition to our employees and service providers. In addition, it is possible that customers may use our services to obtain and store personal information, personal identifiable information, personal health information, and personal financial information. Our handling of data is subject to a variety of laws and regulations, including regulation by various government agencies, such as the U.S. Federal Trade Commission, or FTC, and various state, local, and foreign agencies. Our data handling also is subject to contractual obligations and industry standards.

The U.S. federal and various state and foreign governments have adopted or proposed limitations on the collection, distribution, use, and storage of data relating to individuals and businesses, including the use of contact information and other data for marketing, advertising, and other communications with individuals and businesses. In the United States, various laws and regulations apply to the collection, processing, disclosure, and security of certain types of data, including the Electronic Communications Privacy Act, the Computer Fraud and Abuse Act, the Health Insurance Portability and Accountability Act of 1996, the Gramm Leach Bliley Act and state laws relating to privacy and data security, including the California Consumer Privacy Act. Additionally, the FTC and many state attorneys general are interpreting federal and state consumer protection laws as imposing standards for the online collection, use, dissemination, and security of data. The laws and regulations relating to privacy and data security are evolving, can be subject to significant change, and may result in ever-increasing regulatory and public scrutiny and escalating levels of enforcement and sanctions.

In addition, several foreign countries and governmental bodies, including the EU and the U.K., have laws and regulations dealing with the handling and processing of personal information obtained from their residents, which in certain cases are more restrictive than those in the United States. Laws and regulations in these jurisdictions apply broadly to the collection, use, storage, disclosure, and security of various types of data, including data that identifies or may be used to identify an individual, such as names, email addresses, and in some jurisdictions, Internet Protocol, or IP, addresses. Such laws and regulations may be modified or subject to new or different interpretations, and new laws and regulations may be enacted in the future.

Within the EU, the General Data Protection Regulation, or GDPR, significantly increases the level of sanctions for non-compliance from those in existing EU data protection law and imposes direct obligations on data processors in addition to data controllers. EU data protection authorities will have the power to impose administrative fines for violations of the GDPR of up to a maximum of €20 million or 4% of the data controller's or data processor's total worldwide global turnover for the preceding fiscal year, whichever is higher, and violations of the GDPR may also lead to damages claims by data controllers and data subjects. Such penalties are in addition to any civil litigation claims by data controllers, customers, and data subjects. In addition, arising from Brexit, the UK enacted a Data Protection Act in May 2018 that is designed to be consistent with the GDPR. Since we act as a data processor for our customers, we are taking steps to cause our processes to be compliant with applicable portions of the GDPR and the U.K.'s Data Protection Act, but we cannot assure you that such steps will be effective.

The scope and interpretation of the laws that are or may be applicable to us are often uncertain and may be conflicting, particularly laws outside the United States, as a result of the rapidly evolving regulatory framework for privacy issues worldwide. For example, laws relating to the liability of providers of online services for activities of their users and other third parties are currently being tested by a number of claims, including actions based on invasion of privacy and other torts, unfair competition, copyright and trademark infringement, and other theories based on the nature and content of the materials searched, the ads posted, or the content provided by users. As a result of the laws that are or may be applicable to us, and due to the sensitive nature of the information we collect, we have implemented policies and procedures to preserve and protect our data and our customers' data against loss, misuse, corruption, misappropriation caused by systems failures, unauthorized access, or misuse. If our policies, procedures, or measures relating to privacy, data protection, marketing, or customer communications fail to comply with laws, regulations, policies, legal obligations, or industry standards, we may be subject to governmental enforcement actions, litigation, regulatory investigations, fines, penalties, and negative publicity and could cause our application providers, customers and partners to lose trust in us, and have an adverse effect on our business, operating results, and financial condition.

In addition to government regulation, privacy advocates and industry groups may propose new and different self-regulatory standards that may apply to us. Because the interpretation and application of privacy and data protection laws, regulations, rules, and other standards are still uncertain, it is possible that these laws, rules, regulations, and other actual or alleged legal obligations, such as contractual or self-regulatory obligations, may be interpreted and applied in a manner that is inconsistent with our existing data management practices or the functionality of our platform. If so, in addition to the possibility of fines, lawsuits and other claims, we could be required to fundamentally change our business activities and practices or modify our software, which could have an adverse effect on our business.

Any failure or perceived failure by us to comply with laws, regulations, policies, legal, or contractual obligations, industry standards, or regulatory guidance relating to privacy or data security, may result in governmental investigations and enforcement actions (including, for example, a ban by EU data protection supervisory authorities on the processing of EU personal data under the GDPR), litigation, fines and penalties, or adverse publicity, and could cause our customers and partners to lose trust in us, which could have an adverse effect on our reputation and business. We expect that there will continue to be new proposed laws, regulations, and industry standards relating to privacy, data protection, marketing, consumer communications, and information security in the United States, the EU, and other jurisdictions, and we cannot determine the impact such future laws, regulations, and standards may have on our business. Future laws, regulations, standards, and other obligations or any changed interpretation of existing laws or regulations could impair our ability to develop and market new functionality and maintain and grow our customer base and increase revenue. Future restrictions on the collection, use, sharing, or disclosure of data or additional requirements for express or implied consent of our customers, partners, or end consumers for the use and disclosure of such information could require us to incur additional costs or modify our platform, possibly in a material manner, and could limit our ability to develop new functionality.

If we are not able to comply with these laws or regulations or if we become liable under these laws or regulations, we could be directly harmed, and we may be forced to implement new measures to reduce our exposure to this liability. This may require us to expend substantial resources or to discontinue certain products, which would negatively affect our business, financial condition, and results of operations. We may also be contractually obligated to indemnify our customers in the event of our breach of data privacy laws. In addition, the increased attention focused upon liability issues as a result of lawsuits and legislative proposals could harm our reputation or otherwise adversely affect the growth of our business. Furthermore, any costs incurred as a result of this potential liability could harm our operating results.

Failure to comply with governmental laws and regulations could harm our business.

Our business is subject to regulation by various federal, state, local, and foreign governments. For example, the Telephone Consumer Protection Act of 1991 restricts telemarketing and the use of automatic text messages without proper consent. The scope and interpretation of the laws that are or may be applicable to the delivery of text messages are continuously evolving and developing. If we do not comply with these laws or regulations or if we become liable under these laws or regulations due to the failure of our customers to comply with these laws by obtaining proper consent, we could face direct liability. In certain jurisdictions, these regulatory requirements may be more stringent than those in the United States. Noncompliance with applicable regulations or requirements could subject us to investigations, sanctions, enforcement actions, disgorgement of profits, fines, damages, civil and criminal penalties, injunctions, or other collateral consequences. If any governmental sanctions are imposed, or if we do not prevail in any possible civil or criminal litigation, our business, results of operations, and financial condition could be materially adversely affected. In addition, responding to any action will likely result in a significant diversion of management’s attention and resources and an increase in professional fees. Enforcement actions and sanctions could harm our business, reputation, results of operations, and financial condition.

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

We 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, pharmaceuticals, insurance, healthcare, and life sciences. 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 offerings are affected by public sector budgetary cycles and funding authorizations, with funding reductions or delays adversely affecting public sector demand for our offerings.

Further, governmental and highly regulated entities may demand contract terms that differ from our standard arrangements. Such entities may have statutory, contractual, or other legal rights to terminate contracts with us or our partners due to a default or for other reasons. Any such termination may adversely affect our reputation, business, results of operations, and financial condition.

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 the controls.

Our platform is subject to U.S. export controls, including the Export Administration Regulations, and we incorporate encryption technology into certain of our products. These encryption products and the underlying technology may be exported outside of the United States only with the required export authorizations, including by license, a license exception, or other appropriate government authorizations, including the filing of an encryption classification request or self-classification report.

Furthermore, our activities are subject to U.S. economic sanctions laws and regulations administered by the Office of Foreign Assets Control that prohibit the shipment of most products and services to embargoed jurisdictions or sanctioned parties without the required export authorizations. Additionally, the Trump administration has been critical of existing trade agreements and may impose more stringent export controls. Obtaining the necessary export license or other authorization for a particular sale may be time-consuming and may result in the delay or loss of sales opportunities. Until recently we had a limited export compliance program. While we have implemented additional precautions to prevent our products from being exported in violation of these laws, including obtaining authorizations for our encryption products and implementing IP address blocking and screenings against U.S. government and international lists of restricted and prohibited persons, we cannot guarantee that the precautions we take will prevent violations of export control or economic sanctions regulations. Violations of U.S. sanctions or export control regulations can result in significant fines or penalties and possible incarceration for responsible employees and managers.

If our channel partners fail to obtain appropriate import, export, or re-export licenses or permits, we may also be adversely affected through reputational harm, as well as other negative consequences, including government investigations and penalties.

Also, various countries, in addition to the United States, regulate the import and export of certain encryption and other technology, including import and export licensing requirements, and have enacted laws that could limit our ability to distribute our products or could limit our end-customers' ability to implement our products in those countries. Changes in our products or future changes in export and import regulations may create delays in the introduction of our platform in international markets, prevent our end-customers with international operations from deploying our platform globally or, in some cases, prevent the export or import of our products to certain countries, governments, or persons altogether. From time to time, various governmental agencies have proposed additional regulation of encryption technology, including the escrow and government recovery of private encryption keys. Any change in export or import regulations, economic sanctions or related legislation, increased export and import controls, or change in the countries, governments, persons, or technologies targeted by such regulations, could result in decreased use of our platform by, or in our decreased ability to export or sell our products to, existing or potential end-customers with international operations. Any decreased use of our platform or limitation on our ability to export or sell our products would adversely affect our business, operating results, and growth prospects.

Risks Related to Ownership of Our Common Stock

Our stock price may be volatile, and the value of our common stock may decline.

The market price of our common stock may be highly volatile and may fluctuate or decline substantially as a result of a variety of factors, some of which are beyond our control, including:

- actual or anticipated fluctuations in our operating results or financial condition;
- variance in our financial performance from expectations of securities analysts;
- changes in the pricing of subscriptions to our platform and products;
- changes in our projected operating and financial results;

- changes in laws or regulations applicable to our platform and products;
- announcements by us or our competitors of significant business developments, acquisitions, or new offerings;
- our involvement in litigation;
- future sales of our common stock by us or our stockholders;
- changes in senior management or key personnel;
- the trading volume of our common stock;
- changes in the anticipated future size and growth rate of our market; and
- general economic and market conditions.

Broad market and industry fluctuations, as well as general economic, political, regulatory, and market conditions, including the impact of the recent coronavirus outbreak (COVID-19), may also negatively impact the market price of our common stock. In addition, given the relatively small initial public float of shares of our common stock on the New York Stock Exchange, the trading market for our shares may be subject to increased volatility. In the past, companies that have experienced volatility in the market price of their securities have been subject to securities class action litigation. We may be the target of this type of litigation in the future, which could result in substantial expenses and divert our management's attention.

Future sales of our common stock in the public market could cause the market price of our common stock to decline.

Sales of a substantial number of shares of our common stock in the public market, or the perception that these sales might occur, could depress the market price of our common stock and could impair our ability to raise capital through the sale of additional equity securities. We are unable to predict the effect that such sales may have on the prevailing market price of our common stock.

Under our investors' rights agreement, certain stockholders can require us to register shares owned by them for public sale in the U.S. In addition, we filed a registration statement to register shares reserved for future issuance under our equity compensation plans. As a result, subject to the satisfaction of applicable exercise and/or vesting periods, the shares issued upon exercise of outstanding stock options or upon settlement of outstanding RSU awards will be available for immediate resale in the U.S. in the open market.

We may issue our shares of common stock or securities convertible into our common stock from time to time in connection with financings, acquisitions, investments, or otherwise. Any such issuance could result in substantial dilution to our existing stockholders and cause the trading price of our common stock to decline.

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

Our stock price and trading volume following is heavily influenced by the way analysts and investors interpret our financial information and other disclosures. Further, 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. We do not have any control over these analysts. A limited number of analysts are currently covering our company. If securities or industry analysts do not publish research or reports about our business, downgrade our common stock, or publish negative reports about our business, our stock price would likely decline. If the number of analysts that cover us declines, demand for our common stock could decrease and our common stock price and trading volume may decline.

Even if our common stock is actively covered by analysts, we do not have any control over the analysts or the measures that analysts or investors may rely upon to forecast our future results. Over-reliance by analysts or investors on any particular metric to forecast our future results may result in forecasts that differ significantly from our own. Regardless of accuracy, unfavorable interpretations of our financial information and other public disclosures could have a negative impact on our stock price. If our financial performance fails to meet analyst estimates, for any of the reasons discussed above or otherwise, or one or more of the analysts who cover us downgrade our common stock or change their opinion of our common stock, our stock price would likely decline.

We do not intend to pay dividends for the foreseeable future and, as a result, your ability to achieve a return on your investment will depend on appreciation in the price of our common stock.

We have never declared or paid any cash dividends on our capital stock, and we do not intend to pay any cash dividends in the foreseeable future. Any determination to pay dividends in the future will be at the discretion of our board of directors. Accordingly, investors must rely on sales of their common stock after price appreciation, which may never occur, as the only way to realize any future gains on their investments.

We may require additional capital to support the growth of our business, and this capital might not be available on acceptable terms, if at all.

We have funded our operations since inception primarily through equity financings and sales of subscriptions to our products. We cannot be certain when or if our operations will generate sufficient cash to fully fund our ongoing operations or the growth of our business. We intend to continue to make investments to support our business, which may require us to engage in equity or debt financings to secure additional funds. Additional financing may not be available on terms favorable to us, if at all. If adequate funds are not available on acceptable terms, we may be unable to invest in future growth opportunities, which could harm our business, operating results, and financial condition. If we incur additional debt, the debt holders would have rights senior to holders of common stock to make claims on our assets, and the terms of any debt could restrict our operations, including our ability to pay dividends on our common stock. Furthermore, if we issue additional equity securities, stockholders will experience dilution, and the new equity securities could have rights senior to those of our common stock. Because our decision to issue securities in the future will depend on numerous considerations, including factors beyond our control, we cannot predict or estimate the amount, timing, or nature of any future issuance of debt or equity securities. As a result, our stockholders bear the risk of future issuance of debt or equity securities reducing the value of our common stock and diluting their interests.

Concentration of ownership of our common stock among our existing executive officers, directors, and principal stockholders may prevent new investors from influencing significant corporate decisions.

Our executive officers, directors and current beneficial owners of 5% or more of our common stock beneficially own a significant percentage of our outstanding common stock. These persons, acting together, will be able to significantly influence all matters requiring stockholder approval, including the election and removal of directors and any merger or other significant corporate transactions. The interests of this group of stockholders may not coincide with the interests of other stockholders.

We are an "emerging growth company," and we cannot be certain if the reduced reporting and disclosure requirements applicable to emerging growth companies will make our common stock less attractive to investors.

We are an "emerging growth company," as defined in the JOBS Act, and we may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not "emerging growth companies," including, but not limited to, the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, or Section 404, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. Pursuant to Section 107 of the JOBS Act, as an emerging growth company, we have elected to use the extended transition period for complying with new or revised accounting standards until those standards would otherwise apply to private companies. As a result, our consolidated financial statements may not be comparable to the financial statements of issuers who are required to comply with the effective dates for new or revised accounting standards that are applicable to public companies, which may make our common stock less attractive to investors. In addition, if we cease to be an emerging growth company, we will no longer be able to use the extended transition period for complying with new or revised accounting standards.

We will remain an emerging growth company until the earliest of (i) the last day of the fiscal year following the fifth anniversary of the closing of the IPO, (ii) the last day of the first fiscal year in which our annual gross revenue is $1.07 billion or more, (iii) the date on which we have, during the previous rolling three-year period, issued more than $1 billion in non-convertible debt securities, or (iv) the last day of the fiscal year in which the market value of our common stock held by non-affiliates exceeded $700 million as of July 31 of such fiscal year.

We cannot predict if investors will find our common stock less attractive if we choose to rely on these exemptions. For example, if we do not adopt a new or revised accounting standard, our future operating results may not be as comparable to the operating results of certain other companies in our industry that adopted such standards. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock, and our stock price may be more volatile.

We will incur increased costs as a result of operating as a public company, and our management will be required to devote substantial time to compliance with our public company responsibilities and corporate governance practices.

As a public company, we incur significant legal, accounting, and other expenses that we did not incur as a private company, which we expect to further increase after we are no longer an "emerging growth company." The Sarbanes-Oxley Act, the Dodd-Frank Wall Street Reform and Consumer Protection Act, the listing requirements of the New York Stock Exchange, and other applicable securities rules and regulations impose various requirements on public companies. Our management and other personnel devote a substantial amount of time to compliance with these requirements. Moreover, these rules and regulations will increase our legal and financial compliance costs and will make some activities more time-consuming and costly. We cannot predict or estimate the amount of additional costs we will incur as a public company or the specific timing of such costs.

We are obligated to develop and maintain proper and effective internal controls over financial reporting, and any failure to maintain the adequacy of these internal controls may adversely affect investor confidence in our company and, as a result, the value of our common stock.

We are required, pursuant to Section 404, to furnish a report by management on the effectiveness of our internal control over financial reporting for the fiscal year ending January 31, 2021. This assessment will need to include disclosure of any material weaknesses identified by our management in our internal control over financial reporting. In addition, our independent registered public accounting firm will be required to attest to the effectiveness of our internal control over financial reporting in our first annual report required to be filed with the SEC following the date we are no longer an "emerging growth company." We have commenced the costly and challenging process of compiling the system and processing documentation necessary to perform the evaluation needed to comply with Section 404, but we may not be able to complete our evaluation, testing and any required remediation in a timely fashion once initiated. Our compliance with Section 404 will require that we incur substantial accounting expenses and expend significant management efforts.

During the evaluation and testing process of our internal controls, if we identify one or more material weaknesses in our internal control over financial reporting, we will be unable to certify that our internal control over financial reporting is effective. We cannot assure you that there will not be material weaknesses or significant deficiencies in our internal control over financial reporting in the future. Any failure to maintain internal control over financial reporting could severely inhibit our ability to accurately report our financial condition or results of operations. If we are unable to conclude that our internal control over financial reporting is effective, or if our independent registered public accounting firm determines we have a material weakness or significant deficiency in our internal control over financial reporting, we could lose investor confidence in the accuracy and completeness of our financial reports, the market price of our common stock could decline, and we could be subject to sanctions or investigations by the New York Stock Exchange, the SEC or other regulatory authorities. Failure to remedy any material weakness in our internal control over financial reporting, or to implement or maintain other effective control systems required of public companies, could also restrict our future access to the capital markets.

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 chairperson 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;
- establish 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 for cause only upon the vote of sixty-six and two-thirds percent (66 2/3%) of our outstanding shares of common stock;
- 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 sixty-six and two-thirds percent (66 2/3%) of our outstanding shares of common 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 governed by the provisions of Section 203 of the Delaware General Corporation Law, which generally, subject to certain exceptions, 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 of the foregoing provisions could limit the price that investors might be willing to pay in the future for shares of our common stock, and they could deter potential acquirers of our company, thereby reducing the likelihood that you would receive a premium for your shares of our common stock in an acquisition.

Our amended and restated certificate of incorporation designates the Court of Chancery of the State of Delaware and, to the extent enforceable, the federal district courts of the United States of America as the exclusive forums for substantially all disputes between us and our stockholders, which restricts our stockholders' ability to choose the 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 exclusive forum for the following types of actions or proceedings under Delaware statutory or common law: any derivative action or proceeding brought on our behalf, any action asserting a breach of a fiduciary duty, any action asserting a claim against us arising pursuant to the Delaware General Corporation Law, our amended and restated certificate of incorporation, or our amended and restated bylaws, or any action asserting a claim against us that is governed by the internal affairs doctrine. The provisions do not apply to suits brought to enforce a duty or liability created by the Exchange Act. In addition, our amended and restated certificate of incorporation provides that the federal district courts of the United States of America will be the exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act, subject to and contingent upon a final adjudication in the State of Delaware of the enforceability of such exclusive forum provision. These choice of forum provisions 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. If a court were to find either choice of forum provision contained in our amended and restated certificate of incorporation to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions. For example, the Court of Chancery of the State of Delaware recently determined that the exclusive forum provision of federal district courts of the United States of America for resolving any complaint asserting a cause of action arising under the Securities Act is not enforceable. However, this decision may be reviewed and ultimately overturned by the Delaware Supreme Court. If this ultimate adjudication were to occur, we would enforce the federal district court exclusive forum provision in our amended and restated certificate of incorporation.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Our corporate headquarters is located in San Francisco, California, and consists of approximately 59,000 square feet of space under a lease that is expected to expire in 2025.

We also have office locations in Atlanta, Georgia; Seattle, Washington; Toronto, Canada; Sydney, Australia; and London, United Kingdom. We intend to expand our existing facilities or add new facilities as we add employees and enter new geographic markets, and we believe that suitable additional or alternative space will be available as needed to accommodate any such growth. However, we expect to incur additional expenses in connection with such new or expanded facilities.

Item 3. Legal Proceedings

From time to time, we are involved in various legal proceedings arising from the normal course of business activities. We are not presently a party to any litigation the outcome of which, we believe, if determined adversely to us, would individually or taken together have a material adverse effect on our business, operating results, cash flows, or financial condition.

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 has been listed on the New York Stock Exchange (NYSE) under the symbol “PD” since April 11, 2019. Prior to that date, there was no public trading market for our common stock.

Holders of Record

As of January 31, 2020, we had 79 holders of record of our common stock. The actual number of stockholders is greater than this number of record holders and includes stockholders who are beneficial owners, but whose shares are held in street name by brokers and other nominees.

Dividend Policy

We have never declared or paid any cash dividends on our capital stock. We currently intend to retain any future earnings and do not expect to pay any dividends in the foreseeable future. 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, results of operations, capital requirements, contractual restrictions, general business conditions, and other factors that our Board of Directors may deem relevant.

Stock Performance Graph

This performance graph shall not be deemed “soliciting material” or to be “filed” with the Securities and Exchange Commission, or the SEC, for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or the Exchange Act, or otherwise subject to the liabilities under that Section, and shall not be deemed to be incorporated by reference into any of our filings under the Securities Act of 1933, as amended, or the Securities Act.

The following graph compares (i) the cumulative total stockholder return on our common stock from April 11, 2019 (the date our common stock commenced trading on the NYSE through January 31, 2020 with (ii) the cumulative total return of the Standard & Poor's (S&P) 500 Index and S&P Software & Services Select Industry Index over the same period, assuming the investment of $100 in our common stock and in both of the other indices on April 11, 2019 and the reinvestment of dividends. The graph uses the closing market price on April 11, 2019 of $38.25 per share as the initial value of our common stock. As discussed above, we have never declared or paid a cash dividend on our common stock and do not anticipate declaring or paying a cash dividend in the foreseeable future.

Unregistered Sales of Securities and Use of Proceeds

Use of Proceeds

In April 2019, we closed our initial public offering, in which we sold 9,860,500 shares of common stock at a price to the public of $24.00 per share, including shares sold in connection with the exercise of the underwriters' option to purchase additional shares and excluding shares of common stock sold in the IPO by certain of our existing stockholders. The offer and sale of all of the shares in the IPO were registered under the Securities Act pursuant to a registration statement on Form S-1 (File No. 333-230323), which was declared effective by the SEC on April 10, 2019. We raised aggregate net proceeds of $213.7 million from the IPO, after underwriting discounts and commissions and payments of offering costs. Following the sale of the shares in connection with the IPO, the offering terminated. There has been no material change in the planned use of proceeds from the IPO as described in the Prospectus.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

None.

Item 6. Selected Consolidated Financial and Other Data

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

	Year Ended January 31,		
	2020	2019	2018
		(in thousands)	
Consolidated Statements of Operations Data:			
Revenue	$ 166,351	$ 117,823	$ 79,630
Cost of revenue(1)	24,579	17,255	12,717
Gross profit	141,772	100,568	66,913
Operating expenses:			
Research and development(1)	49,011	38,858	33,532
Sales and marketing(1)	97,350	64,060	47,354
General and administrative(1)	50,970	39,971	24,343
Total operating expenses	197,331	142,889	105,229
Loss from operations	(55,559)	(42,321)	(38,316)
Interest income	5,692	1,249	371
Interest expense	—	—	(702)
Other income, net	203	1,032	682
Loss before provision for income taxes	(49,664)	(40,040)	(37,965)
Provision for income taxes	(675)	(701)	(184)
Net loss	$ (50,339)	$ (40,741)	$ (38,149)
Other comprehensive gain:			
Unrealized gain on investments	137	—	—
Total comprehensive loss	$ (50,202)	$ (40,741)	$ (38,149)
Net loss per share, basic and diluted	$ (0.77)	$ (1.90)	$ (1.91)
Weighted average shares used in calculating net loss per share, basic and diluted	65,544	21,410	19,986

(1) Includes stock-based compensation expense and non-cash charitable contribution expense as follows (in thousands):

	Year Ended January 31,		
	2020	2019	2018
		(in thousands)	
Cost of revenue	$ 1,018	$ 282	$ 385
Research and development	5,566	8,171	9,796
Sales and marketing	8,924	3,982	3,831
General and administrative(1)	11,697	12,860	4,140
Total	$ 27,205	$ 25,295	$ 18,152

(1) Stock-based compensation expense above includes $6.2 million of non-cash charitable contribution expense in the fiscal year ended January 31, 2019.

	Year Ended January 31,		
	2020	2019	2018
		(in thousands)	
Consolidated Balance Sheets Data:			
Cash and cash equivalents	$ 124,024	$ 127,875	$ 43,999
Investments	227,375	—	—
Working capital	289,959	84,028	18,980
Total assets	435,398	197,234	81,368
Deferred revenue	92,569	64,104	38,169
Total stockholders' equity (deficit)	307,938	(68,930)	(56,365)

Key Business Metrics

We review the following key business metrics to evaluate our business, measure our performance, identify trends affecting our business, formulate business plans, and make strategic decisions.

Number of Customers

We believe that the number of customers using our platform, particularly those with whom we have contracted for more than $100,000 in annual recurring revenue (ARR), is an indicator of our market penetration, the growth of our business, and our potential future business opportunities. Increasing awareness of our platform and its broad range of capabilities, coupled with the fact that the world is always on and powered by increasingly complex technology, has expanded the diversity of our customer base to include organizations of all sizes across virtually all industries. Over time, enterprise and mid-market customers have constituted a greater share of our revenue.

	As of January 31,		
	2020	2019	2018
Customers	12,774	11,212	9,793
Customers greater than $100,000 in ARR	323	228	144

Dollar-based Net Retention Rate

We use dollar-based net retention rate to evaluate the long-term value of our customer relationships; it is driven by our ability to retain and expand the ARR from our existing customers. Our dollar-based net retention rate compares our ARR from the same set of customers across comparable periods.

	Year Ended January 31,		
	2020	2019	2018
Dollar-based net retention rate for all customers	122%	140%	134%

See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Business Metrics—Dollar-based Net Retention Rate" for information about how we calculate dollar-based net retention rate.

Non-GAAP Financial Measures

In addition to our results determined in accordance with GAAP, we believe the following non-GAAP financial measures are useful in evaluating our operating performance.

	Year Ended January 31,		
	2020	2019	2018
Non-GAAP operating loss	$ (28,354)	$ (17,026)	$ (20,164)
Non-GAAP operating margin	(17)%	(14)%	(25)%

Non-GAAP Operating Loss and Margin

We define non-GAAP operating loss as loss from operations excluding our stock-based compensation expense and charitable contribution - issuance of common stock warrant. We define non-GAAP operating margin as non-GAAP operating loss as a percentage of revenue.

We use non-GAAP operating loss in conjunction with traditional GAAP measures to evaluate our financial performance. We believe that non-GAAP operating loss and non-GAAP operating margin provide our management and investors consistency and comparability with our past financial performance and facilitate period to period comparisons of operations, as these metrics generally eliminate the effects of certain variables unrelated to overall operating performance.

Limitations and Reconciliation of Non-GAAP Operating Loss and Margin

Non-GAAP operating loss has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for an analysis of our results under GAAP. There are a number of limitations related to the use of non-GAAP operating loss versus loss from operations determined under GAAP. Other companies may calculate non-GAAP operating loss differently or may use other measures to evaluate their performance, all of which could reduce the usefulness of non-GAAP operating loss as a tool for comparison. The following table reconciles loss from operations determined under GAAP to non-GAAP operating loss.

	Year Ended January 31,		
	2020	2019	2018
Loss from operations	$ (55,559)	$ (42,321)	$ (38,316)
Add:			
Stock-based compensation(1)	27,205	25,295	18,152
Non-GAAP operating loss	$ (28,354)	$ (17,026)	$ (20,164)

(1) Stock-based compensation expense above includes $6.2 million of non-cash charitable contribution expense in the fiscal year ended January 31, 2019.

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 the section titled "Selected Consolidated Financial and Other Data" and the consolidated financial statements and related notes thereto included elsewhere in this Annual Report on Form 10-K. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those discussed below. Factors that could cause or contribute to such differences include, but are not limited to, those identified below and those discussed in the section titled "Risk Factors" included elsewhere in this Annual Report on Form 10-K.

Overview

Our mission is to connect teams to real-time opportunity and elevate work to the outcomes that matter.

We act as the central nervous system for the digital enterprise. We collect machine generated data from virtually any software-enabled system or device, combine it with human response data, correlating and interpreting this data to understand issues and opportunities that need to be addressed in real-time. Using machine learning and automation, we bring together the right people with the right information so they can resolve issues and act on opportunities in minutes and seconds, not hours.

Since our founding in 2009, we have expanded our capabilities from a single product focused on on-call management to a real-time operations platform, spanning event intelligence, incident response, on-call management, business visibility, and advanced analytics. We have invested in developing the scalability, reliability, and security of our platform to address the needs of even the largest and most demanding customers. We have spent years building deep product integrations to our platform, and our ecosystem includes over 350 integrations to enable our customers to gather and correlate digital signals from virtually any software-enabled system or device, and allow them to connect with popular collaboration tools and business applications.

Our platform is easy to adopt and scalable for businesses of all sizes. We generate revenue primarily through sales of subscriptions to our software. We offer a range of pricing plans aligned with our customers' needs and the sophistication of their digital operations. We have a land and expand business model that leads to viral adoption of our products and subsequent expansion. Our online self-service model is the primary mechanism for landing new customers and enabling teams to get started without assistance. We complement our self-service model with a high-velocity inside sales team focused on the midmarket and small and medium business, and a field sales team focused on enterprise customers. These teams drive expansion to additional users, additional teams, and new use cases, as well as upsell premium functionality.

The majority of our revenue is derived from midmarket and enterprise customers. As of January 31, 2020, we had more than 12,000 customers globally, ranging from the most disruptive startups to established Fortune 100 companies across every industry including software and technology, telecommunications, retail, travel and hospitality, media and entertainment, and financial services. Our customers use our products across a broad range of use cases such as Engineering, IT Operations, Security, and Customer Service. Of these customers, 323 customers have annual recurring revenue (ARR) in excess of $100,000, and 18 customers have ARR in excess of $1,000,000. We define ARR as the annualized recurring value of all active contracts at the end of a reporting period. We define a customer as a separate legal entity, such as a company or an educational or government institution, that has an active subscription with us or one of our partners to access our platform. In situations where an organization has multiple subsidiaries or divisions, we treat the parent entity as the customer instead of treating each subsidiary or division as a separate customer. Our 10 largest customers represented approximately 13% of our revenue for the fiscal year ended January 31, 2020, and no single customer represented more than 10% of our revenue in the same period, highlighting the breadth of our customer base. We serve a vital role in our customers' digital operations and grow with them as their needs expand. As such, we have developed a loyal customer base, with total ARR churn representing less than 5% of beginning ARR for the fiscal year ended January 31, 2020. Our ARR churn rate represents lost revenue from customers that were no longer contributing revenue at the end of the current period but did contribute revenue in the equivalent prior year period. We generally bill monthly subscriptions monthly and subscriptions with terms of greater than one year annually in advance.

We expand within our existing customer base by adding more users (e.g., more developers), creating additional use cases (e.g., developer to IT), and upselling higher priced packages and additional products. Once our platform is deployed, we typically see significant expansion within our customer base. Our dollar-based net retention rate was 122% for the fiscal year ended January 31, 2020.

We have a highly efficient operating model, which comes from a combination of our cloud-native architecture, optimal utilization of our third-party hosting providers, and prudent approach to headcount expansion. This has allowed us to achieve best-in-class gross margins of over 85% for the fiscal year ended January 31, 2020. Our strong gross margins allow us the flexibility to invest more in our platform and sales organization while maintaining strong operating leverage on our path to profitability.

Key Factors Affecting Our Performance

Attracting New Customers

Sustaining our growth requires continued adoption of our platform by new customers. We will continue to invest in building brand awareness as we further penetrate our addressable markets. Our financial performance will depend in large part on the overall demand for our platform, particularly demand from midmarket and enterprise customers, and our ability to meet the evolving needs of our customers. As of January 31, 2020, we had over 12,000 customers spanning organizations of a broad range of sizes and industries, compared to over 11,000 as of January 31, 2019.

Expanding Within our Customer Base

The majority of our revenue is generated from our existing customer base. Often our customers expand the deployment of our platform across large teams and more broadly within the enterprise as they realize the benefits of our platform. We believe that our land and expand business model allows us to efficiently increase revenue from our existing customer base. Further, we will continue to invest in enhancing awareness of our brand, creating additional use cases, and developing more products, features, and functionality, which we believe are important factors to achieve widespread adoption of our platform. We have a history of attracting new customers and expanding their use of our platform over time, as illustrated in the cohort chart above. For the fiscal year ended January 31, 2020, less than 5% of customers with greater than $100,000 in ARR were new customers, which reflects the typical customer behavior expected of our land and expand business model—starting with a smaller-sized subscription and expanding it over time.

Sustaining Product Innovation and Technology Leadership

Our success is dependent on our ability to sustain product innovation and technology leadership in order to maintain our competitive advantage. We believe that we have built a highly differentiated platform that will position us to further extend the adoption of our products. While sales of subscriptions to our On-Call Management product account for the substantial majority of our revenue, we intend to continue to invest in building additional products, features and functionality that expand our capabilities and facilitate the extension of our platform to new use cases. Our future success is dependent on our ability to successfully develop, market and sell these additional products to both new and existing customers.

Continued Investment in Growth

We plan to continue investing in our business so we can capitalize on our market opportunity. We intend to grow our sales team to target expansion within our midmarket and enterprise customers and to attract new customers. We expect to continue to make focused investments in marketing to drive brand awareness and enhance the effectiveness of our self-service, low friction customer acquisition model. We also intend to continue to add headcount to our research and development team to develop new and improved products, features and functionality. Although these investments may adversely affect our operating results in the near term, we believe that they will contribute to our long-term growth.

Key Business Metrics

We review the following key business metrics to evaluate our business, measure our performance, identify trends affecting our business, formulate business plans, and make strategic decisions.

Number of Customers

We believe that the number of customers using our platform, particularly those that have subscription agreements for more than $100,000 in ARR are indicators of our market penetration, particularly within enterprise accounts, the growth of our business, and our potential future business opportunities. Increasing awareness of our platform and its broad range of capabilities, coupled with the fact that the world is always on and powered by increasingly complex technology, has expanded the diversity of our customer base to include organizations of all sizes across virtually all industries. Over time, enterprise and mid-market customers have constituted a greater share of our revenue.

	As of January 31,		
	2020	2019	2018
Customers	12,774	11,212	9,793
Customers greater than $100,000 in ARR	323	228	144

Dollar-based Net Retention Rate

We use dollar-based net retention rate to evaluate the long-term value of our customer relationships, since this metric reflects our ability to retain and expand the ARR from our existing customers. Our dollar-based net retention rate compares our ARR from the same set of customers across comparable periods.

We calculate dollar-based net retention rate as of a period end by starting with the ARR from the cohort of all customers as of 12 months prior to such period end, or Prior Period ARR. We then calculate the ARR from these same customers as of the current period end, or Current Period ARR. Current Period ARR includes any expansion and is net of downgrades or churn over the last 12 months but excludes ARR from new customers in the current period. We then divide the total Current Period ARR by the total Prior Period ARR to arrive at the dollar-based net retention rate.

	Last 12 Months Ended January 31,		
	2020	2019	2018
Dollar-based net retention rate for all customers	122%	140%	134%

Components of Results of Operations

Revenue

We generate subscription revenue from customers accessing our platform. Our subscriptions are typically one year in duration but can range from monthly to multi-year. Subscription revenue is driven primarily by the number of customers, the number of users per customer, and the level of subscription purchased. We generally invoice customers in advance in annual installments for subscriptions to our platform. We recognize subscription revenue ratably over the term of the subscription period beginning on the date we grant access to our platform, assuming that all other revenue recognition criteria have been met.

Due to the low complexity of implementation and integration of our platform with our customers' existing infrastructure, revenue from professional services has been immaterial to date.

Cost of Revenue

Cost of revenue primarily consists of expenses related to providing our platform to customers, including personnel expenses for operations and global support, payments to our third-party cloud infrastructure providers for hosting our software, payment processing fees, amortization of capitalized internal-use software costs, and allocated overhead costs for facilities, information technology, and other allocated overhead costs. We will continue to invest additional resources in our platform infrastructure and our customer support and success organizations to expand the capability of our platform and ensure that our customers are realizing the full benefit of our offerings. The level and timing of investment in these areas could affect our cost of revenue in the future.

Gross Profit and Gross Margin

Gross profit represents revenue less cost of revenue. Gross margin is gross profit expressed as a percentage of revenue. Our gross margin may fluctuate from period to period as our revenue fluctuates, and as a result of the timing and amount of investments to expand the capacity of our third-party cloud infrastructure providers and our continued efforts to enhance our platform support and customer success teams.

Operating Expenses

Our operating expenses consist of research and development, sales and marketing, and general and administrative expenses. Personnel expenses are the most significant component of operating expenses and consist of salaries, benefits, bonuses, stock-based compensation expense, and sales commissions. Operating expenses also include allocated overhead costs for facilities, shared IT related expenses, including depreciation expense, and certain companywide events and functions.

Research and development

Research and development expenses consist primarily of personnel costs for our engineering, product, and design teams. Additionally, research and development expenses include contractor fees, depreciation of equipment used in research and development activities, and allocated overhead costs. We expect that our research and development expenses will increase in dollar value as our business grows.

Sales and marketing

Sales and marketing expenses consist primarily of personnel costs, costs of general marketing activities and promotional activities, travel related expenses, allocated overhead costs, and bad debt expense. Sales commissions earned by our sales force that are considered incremental and recoverable costs of obtaining a subscription with a customer are deferred and amortized on a straight-line basis over the expected period of benefit, which we have determined to be four years. We expect that our sales and marketing expenses will increase in dollar value and continue to be our largest operating expense for the foreseeable future as we expand our sales and marketing efforts.

General and administrative

General and administrative expenses consist primarily of personnel costs and contractor fees for finance, legal, human resources, information technology, and other administrative functions. In addition, general and administrative expenses include non-personnel costs, such as legal, accounting, and other professional fees, hardware and software costs, certain tax, license and insurance-related expenses, and allocated overhead costs.

We are incurring additional expenses that we have not historically incurred as a result of operating as a public company, including costs to comply with the rules and regulations applicable to companies listed on a national securities exchange, costs related to compliance and reporting obligations pursuant to the rules and regulations of the SEC, and increased expenses for insurance, investor relations, and professional services and to invest in processes and systems. We expect that our general and administrative expenses will increase in dollar value as our business grows. However, we expect that our general and administrative expenses will decrease as a percentage of our revenue over the longer term as we expect our investments to allow for improved efficiency for future growth in the business.

Interest Income

Interest income consists of income earned on our cash and cash equivalents and interest earned on our short term investments which consist of U.S. Treasury securities, commercial paper, corporate debt securities, and U.S. Government agency securities.

Other Income, Net

Other income, net primarily consists of accretion income on our held-to-maturity and available-for-sale investments, foreign currency transaction gains and losses, and sublease income related to our San Francisco lease, which expired in the fiscal year ended January 31, 2019.

Provision for Income Taxes

Provision for income taxes consists primarily of income taxes in certain foreign jurisdictions in which we conduct business. We maintain a full valuation allowance on our federal and state deferred tax assets as we have concluded that it is more likely than not that the deferred tax assets will not be realized.

Results of Operations

The following table sets forth our consolidated statements of operations data for the periods indicated:

	Year Ended January 31,		
	2020	2019	2018
		(in thousands)	
Revenue	$ 166,351	$ 117,823	$ 79,630
Cost of revenue[1]	24,579	17,255	12,717
Gross profit	141,772	100,568	66,913
Operating expenses:			
Research and development[1]	49,011	38,858	33,532
Sales and marketing[1]	97,350	64,060	47,354
General and administrative[1]	50,970	39,971	24,343
Total operating expenses	197,331	142,889	105,229
Loss from operations	(55,559)	(42,321)	(38,316)
Interest income	5,692	1,249	371
Interest expense	—	—	(702)
Other income, net	203	1,032	682
Loss before provision for income taxes	(49,664)	(40,040)	(37,965)
Provision for income taxes	(675)	(701)	(184)
Net loss	$ (50,339)	$ (40,741)	$ (38,149)

(1) Includes stock-based compensation expense and non-cash charitable contribution expense as follows:

	Year Ended January 31,		
	2020	2019	2018
		(in thousands)	
Cost of revenue	$ 1,018	$ 282	$ 385
Research and development	5,566	8,171	9,796
Sales and marketing	8,924	3,982	3,831
General and administrative[1]	11,697	12,860	4,140
Total	$ 27,205	$ 25,295	$ 18,152

(1) Stock-based compensation expense above includes $6.2 million of non-cash charitable contribution expense in the fiscal year ended January 31, 2019.

The following table sets forth our consolidated statements of operations data expressed as a percentage of revenue:

	Year Ended January 31,		
	2020	2019	2018
Revenue	100 %	100 %	100 %
Cost of revenue	15	15	16
Gross margin	85 %	85 %	84 %
Operating expenses:			
Research and development	29	33	42
Sales and marketing	59	54	59
General and administrative	31	34	31
Total operating expenses	119 %	121 %	132 %
Loss from operations	(33)	(36)	(48)
Interest income	3	1	—
Interest expense	—	—	(1)
Other income, net	—	1	1
Loss before provision for income taxes	(30)	(34)	(48)
Provision for income taxes	—	(1)	—
Net loss	(30)%	(35)%	(48)%

Note: Certain figures may not sum due to rounding.

Comparison of the Years Ended January 31, 2020 and 2019

Revenue

	Year Ended January 31,			
	2020	2019	Change	% Change
	(dollars in thousands)			
Revenue	$ 166,351	$ 117,823	$ 48,528	41%

Revenue increased by $48.5 million, or 41%, for fiscal year ended January 31, 2020 compared to the fiscal year ended January 31, 2019. The increase in revenue was primarily attributable to the growth from existing customers and, to a lesser extent, from revenue attributable to new customers. Growth from existing customers is attributable to both increases in the number of users and upsells of additional products.

Cost of Revenue and Gross Margin

	Year Ended January 31,			
	2020	2019	Change	% Change
	(dollars in thousands)			
Cost of revenue	$ 24,579	$ 17,255	$ 7,324	42%
Gross margin	85%	85%		

Gross margin was 85% for the fiscal years ended January 31, 2020 and 2019, and while cost of revenue increased by $7.3 million, or 42%, for the fiscal year ended January 31, 2020 compared to the fiscal year ended

January 31, 2019, the increase was in line with our increase in revenue, resulting in gross margin remaining unchanged year-over-year. This increase in cost of revenue was primarily due to an increase of $2.7 million in hosting, software, and telecom costs to support the continued growth of the business and related infrastructure, an increase of $2.3 million in personnel expenses and an increase of $1.4 million in allocated overhead costs, both of which are due to increased headcount.

Research and Development

	Year Ended January 31,			
	2020	2019	Change	% Change
	(dollars in thousands)			
Research and development	$ 49,011	$ 38,858	$ 10,153	26%
Percentage of revenue	29%	33%		

Research and development expenses increased by $10.2 million, or 26%, for the fiscal year ended January 31, 2020 compared to the fiscal year ended January 31, 2019 and decreased as a percentage of revenue. The increase was primarily driven by an increase in personnel expenses of $4.6 million as a result of increased headcount to support our continued investment in our platform, an increase of $3.9 million in costs to support the continued growth of the business and related infrastructure, which includes allocated overhead costs, and an increase of $0.7 million in outside professional services due to an increase in consulting for engineering services.

Sales and Marketing

	Year Ended January 31,			
	2020	2019	Change	% Change
	(dollars in thousands)			
Sales and marketing	$ 97,350	$ 64,060	$ 33,290	52%
Percentage of revenue	59%	54%		

Sales and marketing expenses increased by $33.3 million, or 52%, for the fiscal year ended January 31, 2020 compared to the fiscal year ended January 31, 2019 and increased as a percentage of revenue. This increase was primarily due to an increase of $21.9 million in personnel expenses as a result of increased headcount to support our go-to-market strategy and increased variable compensation for our sales personnel (including amortization of deferred contract costs). Sales and marketing expenses also increased due to increased allocated overhead costs of $4.8 million to support the continued growth of the business and related infrastructure, a $2.5 million increase in travel related expenses reflecting the increase in headcount, a $2.2 million increase in outside professional services due to our increased focus on growing our marketing presence, a $1.8 million increase in marketing and promotional expenses driven by increases in advertising for our brand campaign, and a $1.4 million increase in hosting and software costs due to new software purchases. These increases were partially offset by a decrease in bad debt expense of $1.4 million, which was primarily due to improvements in the aging of our accounts receivable.

General and Administrative

	Year Ended January 31,			
	2020	2019	Change	% Change
	(dollars in thousands)			
General and administrative	$ 50,970	$ 39,971	$ 10,999	28%
Percentage of revenue	31%	34%		

General and administrative expenses increased by $11.0 million, or 28%, for the fiscal year ended January 31, 2020 compared to the fiscal year ended January 31, 2019. The increase was primarily driven by an increase of $14.3

million in personnel expenses as a result of increased headcount to support growth and becoming a public company. General and administrative expenses also increased due to a $1.2 million increase in other costs, including certain charitable contributions, events, and fees, and an increase of $1.0 million in travel costs, reflecting the increase in headcount. This was offset by a decrease in non-cash expense of $6.2 million recognized during the fiscal year ended January 31, 2019 for the warrant issued to the Tides Foundation.

Interest Income and Other Income, Net

	Year Ended January 31,			
	2020	2019	Change	% Change
	(dollars in thousands)			
Interest income	$ 5,692	$ 1,249	$ 4,443	356 %
Other income, net	$ 203	$ 1,032	$ (829)	(80)%

Interest income increased by $4.4 million for the fiscal year ended January 31, 2020 compared to the fiscal year ended January 31, 2019, primarily due to higher cash and cash equivalents and investments balances following our IPO. Other income, net decreased by $0.8 million for the fiscal year ended January 31, 2020 compared to the fiscal year ended January 31, 2019. The decrease in other income was primarily related to sublease income that we received prior to the sublease expiring in fiscal 2019.

Comparison of the Years Ended January 31, 2019, and 2018

Revenue

	Year Ended January 31,			
	2019	2018	Change	% Change
	(dollars in thousands)			
Revenue	$ 117,823	$ 79,630	$ 38,193	48%

Revenue increased by $38.2 million, or 48%, for the fiscal year ended January 31, 2019 compared to the fiscal year ended January 31, 2018. The increase in revenue was primarily attributable to the growth from existing customers and, to a lesser extent, from revenue attributable to new customers. Growth from existing customers is attributable to both increases in the number of users and upsells of additional products.

Cost of Revenue and Gross Margin

	Year Ended January 31,			
	2019	2018	Change	% Change
	(dollars in thousands)			
Cost of revenue	$ 17,255	$ 12,717	$ 4,538	36%
Gross margin	85%	84%		

Cost of revenue increased by $4.5 million, or 36%, for the fiscal year ended January 31, 2019 compared to the fiscal year ended January 31, 2018. This increase was primarily due to an increase of $2.3 million in personnel expenses as a result of increased headcount, an increase of $0.9 million in hosting and software costs, an increase of $0.6 million in allocated overhead costs, and an increase of $0.3 million in outside professional services, all of which were to support the continued growth of the business and related infrastructure. Our gross margin slightly increased from 84% for the fiscal year ended January 31, 2018 to 85% for the fiscal year ended January 31, 2019. The overall increase in gross margin reflects our increased revenue for the period, as well as our continued commitment to managing personnel expenses and costs related to our third-party hosting services.

Research and Development

	Year Ended January 31,			
	2019	2018	Change	% Change
	(dollars in thousands)			
Research and development	$ 38,858	$ 33,532	$ 5,326	16%
Percentage of revenue	33%	42%		

Research and development expenses increased by $5.3 million, or 16%, for the fiscal year ended January 31, 2019 compared to the fiscal year ended January 31, 2018. The increase was primarily driven by an increase of $3.9 million in personnel expenses as a result of increased headcount to support our continued investment in our platform, a $0.9 million increase in allocated overhead costs necessary for supporting the growth of the business and related infrastructure, and a $0.3 million increase in travel related expenses.

Sales and Marketing

	Year Ended January 31,			
	2019	2018	Change	% Change
	(dollars in thousands)			
Sales and marketing	$ 64,060	$ 47,354	$ 16,706	35%
Percentage of revenue	54%	59%		

Sales and marketing expenses increased by $16.7 million, or 35%, for the fiscal year ended January 31, 2019 compared to the fiscal year ended January 31, 2018. This increase was primarily due to an increase of $10.7 million in personnel expenses as a result of increased headcount and increased variable compensation for our sales personnel (including amortization of deferred contract costs). In addition, marketing and promotional expenses increased $3.6 million, driven by increases in advertising, sponsorships, attendance at conferences, and brand awareness efforts aimed at acquiring new customers. Sales and marketing expenses also increased due to a $1.1 million increase in allocated overhead costs as a result of an increase in overall costs necessary to support the growth of the business and related infrastructure and a $0.8 million increase in travel related expenses reflecting the increase in headcount and marketing events.

General and Administrative

	Year Ended January 31,			
	2019	2018	Change	% Change
	(dollars in thousands)			
General and administrative	$ 39,971	$ 24,343	$ 15,628	64%
Percentage of revenue	34%	31%		

General and administrative expenses increased by $15.6 million, or 64%, for the fiscal year ended January 31, 2019 compared to the fiscal year ended January 31, 2018. The increase was primarily due to an increase of $7.4 million in personnel expenses as a result of increased headcount. Costs to support the growth of the business and related infrastructure increased $1.5 million which includes allocated overhead costs. The increase in general and administrative expenses also included a $6.2 million non-cash expense associated with our charitable contribution of a warrant to purchase 648,092 shares of common stock in June 2018 to the Tides Foundation.

Interest Income, Interest Expense, and Other Income, Net

	Year Ended January 31,			
	2019	2018	Change	% Change
	(dollars in thousands)			
Interest income	$ 1,249	$ 371	$ 878	237 %
Interest expense	$ —	$ (702)	$ 702	(100)%
Other income, net	$ 1,032	$ 682	$ 350	51 %

Interest income increased by $0.9 million for the fiscal year ended January 31, 2019 compared to the fiscal year ended January 31, 2018, primarily due to a higher cash and cash equivalents balance. Interest expense decreased by $0.7 million for the fiscal year ended January 31, 2019 compared to the fiscal year ended January 31, 2018, primarily due to interest incurred on our loan and security agreement, which was repaid in full in the fiscal year ended January 31, 2018. Other income, net increased by $0.4 million for the fiscal year ended January 31, 2019 compared to the fiscal year ended January 31, 2018. The increase in other income was primarily related to sublease income that we received prior to the lease expiring in fiscal 2019.

Non-GAAP Financial Measures

In addition to our results determined in accordance with GAAP, we believe the following non-GAAP financial measures are useful in evaluating our operating performance. We use the below referenced non-GAAP financial information, collectively, to evaluate our ongoing operations and for internal planning and forecasting purposes. We believe that non-GAAP financial information, when taken collectively, may be helpful to investors because it provides consistency and comparability with past financial performance and assists in comparisons with other companies, some of which use similar non-GAAP financial information to supplement their GAAP results. The non-GAAP financial information is presented for supplemental informational purposes only, should not be considered a substitute for financial information presented in accordance with GAAP, and may be different from similarly-titled non-GAAP measures used by other companies. The principal limitation of these non-GAAP financial measures is that they exclude significant expenses that are required by GAAP to be recorded in our financial statements. In addition, they are subject to inherent limitations as they reflect the exercise of judgment by our management about which expenses are excluded or included in determining these non-GAAP financial measures. A reconciliation is provided below for each non-GAAP financial measure to the most directly comparable financial measure stated in accordance with GAAP.

Non-GAAP Gross Profit and Non-GAAP Gross Margin

We define non-GAAP gross profit as gross profit adjusted for stock-based compensation expense. We define non-GAAP gross margin as non-GAAP gross profit as a percentage of revenue.

	Year Ended January 31,		
	2020	2019	2018
	(dollars in thousands)		
Gross profit	$ 141,772	$ 100,568	$ 66,913
Add:			
Stock-based compensation	1,018	282	385
Non-GAAP gross profit	$ 142,790	$ 100,850	$ 67,298
Gross margin	85%	85%	84%
Non-GAAP gross margin	86%	86%	85%

Non-GAAP Operating Loss and Non-GAAP Operating Margin

We define non-GAAP operating loss as loss from operations plus our stock-based compensation expense, which includes non-cash charitable contribution expense in the fiscal year ended January 31, 2019. We define non-GAAP operating margin as non-GAAP operating loss as a percentage of revenue.

	Year Ended January 31,		
	2020	2019	2018
	(dollars in thousands)		
Loss from operations	$ (55,559)	$ (42,321)	$ (38,316)
Add:			
Stock-based compensation[(1)]	27,205	25,295	18,152
Non-GAAP operating loss	$ (28,354)	$ (17,026)	$ (20,164)
Operating margin	(33)%	(36)%	(48)%
Non-GAAP operating margin	(17)%	(14)%	(25)%

(1) Stock-based compensation expense above includes $6.2 million of non-cash charitable contribution expense in the fiscal year ended January 31, 2019.

Non-GAAP Net Loss

We define non-GAAP net loss as net loss plus our stock-based compensation expense, which includes non-cash charitable contribution expense.

	Year Ended January 31,		
	2020	2019	2018
		(in thousands)	
Net loss	$ (50,339)	$ (40,741)	$ (38,149)
Add:			
Stock-based compensation[1]	27,205	25,295	18,152
Non-GAAP net loss	$ (23,134)	$ (15,446)	$ (19,997)

(1) Stock-based compensation expense above includes $6.2 million of non-cash charitable contribution expense in the fiscal year ended January 31, 2019.

Free Cash Flow

We define free cash flow as net cash used in operating activities, less cash used for purchases of property and equipment and capitalized internal-use software costs. In addition to the reasons stated above, we believe that free cash flow is useful to investors as a liquidity measure because it measures our ability to generate or use cash in excess of our capital investments in property and equipment to enhance the strength of our balance sheet and further invest in our business and potential strategic initiatives. A limitation of the utility of free cash flow as a measure of our liquidity is that it does not represent the total increase or decrease in our cash balance for the period. We use free cash flow in conjunction with traditional GAAP measures as part of our overall assessment of our liquidity, including the preparation of our annual operating budget and quarterly forecasts, to evaluate the effectiveness of our business strategies, and to assess our liquidity.

	Year Ended January 31,		
	2020	2019	2018
		(in thousands)	
Net cash used in operating activities	$ (173)	$ (5,608)	$ (11,836)
Less:			
Purchases of property and equipment	(5,174)	(3,730)	(822)
Capitalized internal-use software costs	—	(389)	—
Free cash flow	$ (5,347)	$ (9,727)	$ (12,658)
Net cash used in investing activities	$ (232,070)	$ (4,119)	$ (822)
Net cash provided by financing activities	$ 225,944	$ 93,599	$ 45,429

Quarterly Results of Operations

The following table sets forth our unaudited quarterly statements of operations data for each of the last eight quarters in the period ended January 31, 2020. The information for each of these quarters has been prepared on the same basis as the audited annual financial statements included elsewhere in this Annual Report on Form 10-K and, in the opinion of management, includes all adjustments, which includes only normal recurring adjustments, necessary for the fair statement of the results of operations for these periods. This data should be read in conjunction with our audited consolidated financial statements and related notes thereto included elsewhere in this Annual Report on Form 10-K. These quarterly results of operations are not necessarily indicative of our future results of operations that may be expected for any future period.

	Three Months Ended							
	April 30, 2018	July 31, 2018	October 31, 2018	January 31, 2019	April 30, 2019	July 31, 2019	October 31, 2019	January 31, 2020
	(in thousands)							
Revenue	$ 25,020	$ 27,744	$ 31,229	$ 33,830	$ 37,314	$ 40,361	$ 42,750	$ 45,926
Cost of revenue(1)	3,885	3,912	4,599	4,859	5,486	6,106	6,634	6,353
Gross profit	21,135	23,832	26,630	28,971	31,828	34,255	36,116	39,573
Operating expenses:								
Research and development(1)	7,719	7,804	14,578	8,757	10,906	11,635	12,619	13,851
Sales and marketing(1)	13,294	15,319	18,738	16,709	21,167	23,786	27,425	24,972
General and administrative(1)	7,116	13,672	9,264	9,919	12,484	13,215	12,765	12,506
Total operating expenses	28,129	36,795	42,580	35,385	44,557	48,636	52,809	51,329
Loss from operations	(6,994)	(12,963)	(15,950)	(6,414)	(12,729)	(14,381)	(16,693)	(11,756)
Interest income	130	148	318	653	889	1,967	1,427	1,409
Other income (expense), net	389	326	372	(55)	21	80	245	(143)
Loss before (provision for) benefit from income taxes	(6,475)	(12,489)	(15,260)	(5,816)	(11,819)	(12,334)	(15,021)	(10,490)
(Provision for) benefit from income taxes	(104)	(91)	(115)	(391)	(245)	(236)	(244)	50
Net loss	$ (6,579)	$(12,580)	$(15,375)	$ (6,207)	$(12,064)	$(12,570)	$(15,265)	$(10,440)
Net loss per share, basic and diluted	$ (0.32)	$ (0.59)	$ (0.71)	$ (0.28)	$ (0.37)	$ (0.17)	$ (0.20)	$ (0.14)

(1) Includes stock-based compensation expense and non-cash charitable contribution expense as follows:

	Three Months Ended							
	April 30, 2018	July 31, 2018	October 3 1, 2018	January 3 1, 2019	April 30, 2019	July 31, 2019	October 3 1, 2019	January 3 1, 2020
	(in thousands)							
Cost of revenue	$ 61	$ 70	$ 71	$ 80	$ 143	$ 327	$ 303	$ 245
Research and development	715	398	6,567	491	860	1,437	1,462	1,807
Sales and marketing	852	914	1,198	1,018	1,464	2,326	2,295	2,839
General and administrative[1]	1,529	7,364	2,340	1,627	2,345	3,143	3,287	2,922
Total	$ 3,157	$ 8,746	$ 10,176	$ 3,216	$ 4,812	$ 7,233	$ 7,347	$ 7,813

(1) Stock-based compensation expense above includes $6.2 million of non-cash charitable contribution expense in the fiscal year ended January 31, 2019.

All values from the statement of operations, expressed as percentage of revenue were as follows:

	Three Months Ended							
	April 30, 2018	July 31, 2018	October 3 1, 2018	January 3 1, 2019	April 30, 2019	July 31, 2019	October 3 1, 2019	January 3 1, 2020
Revenue	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %
Cost of revenue[1]	16 %	14 %	15 %	14 %	15 %	15 %	16 %	14 %
Gross profit	84 %	86 %	85 %	86 %	85 %	85 %	84 %	86 %
Operating expenses:								
Research and development[1]	31 %	28 %	47 %	26 %	29 %	29 %	30 %	30 %
Sales and marketing[1]	53 %	55 %	60 %	49 %	57 %	59 %	64 %	54 %
General and administrative[1]	28 %	49 %	30 %	29 %	33 %	33 %	30 %	27 %
Total operating expenses	112 %	133 %	136 %	105 %	119 %	121 %	124 %	112 %
Loss from operations	(28)%	(47)%	(51)%	(19)%	(34)%	(36)%	(39)%	(26)%
Interest income	1 %	1 %	1 %	2 %	2 %	5 %	3 %	3 %
Other income (expense), net	2 %	1 %	1 %	— %	— %	— %	1 %	— %
Loss before (provision for) benefit from income taxes	(26)%	(45)%	(49)%	(17)%	(32)%	(31)%	(35)%	(23)%
(Provision for) benefit from income taxes	— %	— %	— %	(1)%	(1)%	(1)%	(1)%	— %
Net loss	(26)%	(45)%	(49)%	(18)%	(32)%	(31)%	(36)%	(23)%

Note: Certain figures may not sum due to rounding.

Quarterly Revenue Trends

Our quarterly revenue increased sequentially in each of the periods presented above due primarily to expansion within existing customers and increases in the number of new customers.

Quarterly Cost of Revenue and Gross Margin Trends

Our quarterly cost of revenue has generally increased quarter-over-quarter in each period presented above primarily as a result of the increased cost of providing support and delivering our services to our expanding customer base.

Our quarterly gross margins have fluctuated between 84% and 86% in each period presented. Quarterly gross margin have generally increased in fiscal 2020 as a result of our increased revenue, as well as our continued commitment to managing personnel expenses and costs related to our third-party hosting services.

Quarterly Operating Expense Trends

Excluding the impact of stock-based compensation expenses, sales and marketing, research and development, and general and administrative expenses have generally increased over the periods presented above as we increased our headcount used to support growth and expansion in the business. Research and development expenses for the three months ended October 31, 2018 included an increase in stock-based compensation expense associated with transactions in which certain of our investors acquired outstanding common stock or Series FF redeemable convertible preferred stock from current or former employees at a purchase price greater than or equal to the estimated fair value at the time of the transactions. We have also experienced increased sales and marketing expenses associated with our annual PagerDuty Summit user conference in the third quarter of each fiscal year. In addition, general and administrative expenses for the three months ended July 31, 2018 included a $6.2 million non-cash expense associated with our charitable contribution of a warrant to purchase shares of common stock in June 2018 to the Tides Foundation (See Note 7, “Common Stock and Stockholders’ Equity (Deficit)” to our consolidated financial statements).

Quarterly Other Income (Expense), Net Trends

Other income (expense), net primarily consisted of foreign currency transaction gains and losses and sublease income related to our San Francisco lease prior to the lease expiring in fiscal 2019.

Quarterly Non-GAAP Quarterly Financial Measures

The following table reconciles loss from operations determined under GAAP to non-GAAP operating loss and non-GAAP operating margin. In addition to our results determined in accordance with GAAP, we believe non-GAAP operating loss and operating margin are useful in evaluating our operating performance. See "Selected Consolidated Financial and Other Data-Non-GAAP Financial Measures" for a description of the non-GAAP measures and their limitations as an analytical tool.

	Three Months Ended							
	April 30, 2018	July 31, 2018	October 31, 2018	January 31, 2019	April 30, 2019	July 31, 2019	October 31, 2019	January 31, 2020
	(dollars in thousands)							
Loss from operations	$ (6,994)	$ (12,963)	$ (15,950)	$ (6,414)	$ (12,729)	$ (14,381)	$ (16,693)	$ (11,756)
Add:								
Stock-based compensation	3,157	8,746	10,176	3,216	4,812	7,233	7,347	7,813
Non-GAAP operating loss	$ (3,837)	$ (4,217)	$ (5,774)	$ (3,198)	$ (7,917)	$ (7,148)	$ (9,346)	$ (3,943)
Operating margin	(28)%	(47)%	(51)%	(19)%	(34)%	(36)%	(39)%	(26)%
Non-GAAP operating margin	(15)%	(15)%	(18)%	(9)%	(21)%	(18)%	(22)%	(9)%

(1) Stock-based compensation expense above includes $6.2 million of non-cash charitable contribution expense in the fiscal year ended January 31, 2019.

Liquidity and Capital Resources

Since inception, we have financed operations primarily through sales of our subscriptions and the net proceeds we have received from sales of equity securities and borrowings on our prior loan facilities. On April 15, 2019, upon the closing of our IPO, we received net proceeds of $213.7 million, after deducting underwriters' discounts and commissions of $16.6 million and other issuance costs of $6.4 million.

As of January 31, 2020, our principal sources of liquidity were cash and cash equivalents and investments totaling $351.4 million. We believe that our existing cash and cash equivalents, investments and cash provided by sales of our subscriptions will be sufficient to support working capital and capital expenditure requirements for at least the next 12 months. Our future capital requirements will depend on many factors, including our subscription growth rate, subscription renewal activity, including the timing and the amount of cash received from customers, the timing and extent of spending to support development efforts, the expansion of sales and marketing activities, the introduction of new and enhanced product offerings, and the continuing market adoption of our platform. We may in the future enter into arrangements to acquire or invest in complementary businesses, services, and technologies. We may be required to seek additional equity or debt financing. In the event that we require additional financing, 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 or generate cash flows necessary to expand our operations and invest in continued innovation, we may not be able to compete successfully, which would harm our business, operations, and financial condition.

A significant majority of our customers pay in advance for subscriptions. Therefore, a substantial source of our cash is from our deferred revenue, which is included in the liabilities section of our consolidated balance sheet. Deferred revenue consists of the unearned portion of customer billings, which is recognized as revenue in accordance with our revenue recognition policy. As of January 31, 2020, we had deferred revenue of $92.6 million, of which $87.5 million was recorded as a current liability and expected to be recorded as revenue in the next 12 months, provided all other revenue recognition criteria have been met.

Cash Flows

The following table shows a summary of our cash flows for the periods presented:

	Year Ended January 31,		
	2020	2019	2018
		(in thousands)	
Net cash used in operating activities	$ (173)	$ (5,608)	$ (11,836)
Net cash used in investing activities	$ (232,070)	$ (4,119)	$ (822)
Net cash provided by financing activities	$ 225,944	$ 93,599	$ 45,429

Operating Activities

Our largest source of operating cash is cash collection from sales of subscriptions to our customers. Our primary uses of cash from operating activities are for personnel expenses, marketing expenses and hosting and software expenses. In the last several years, we have generated negative cash flows from operating activities and have supplemented working capital requirements through net proceeds from both private and public sales of equity securities.

Cash used in operating activities for the fiscal year ended January 31, 2020 of $0.2 million primarily related to our net loss of $50.3 million, adjusted for non-cash charges of $37.0 million and net cash inflows of $13.2 million due to changes in our operating assets and liabilities. Non-cash charges primarily consisted of stock-based compensation of $27.2 million, amortization of our deferred contract costs of $7.8 million, and depreciation and amortization of property and equipment and capitalized implementation costs of $2.3 million. Changes in operating assets and liabilities reflected cash inflows from a $28.5 million increase in deferred revenue resulting from increased billings for subscriptions, a $3.9 million increase in accrued compensation primarily due to employee contributions on the ESPP and increased headcount, and a $2.6 million increase in accounts payable and accrued expenses and other liabilities. These amounts were partially offset by a $16.0 million increase in deferred contract costs due to commissions paid on new bookings, a $3.6 million increase in accounts receivable due to timing of cash collections, and a $2.1 million increase in prepaid expenses and other assets related to timing of payments made in advance for future services.

Cash used in operating activities for the fiscal year ended January 31, 2019 of $5.6 million primarily related to our net loss of $40.7 million, adjusted for non-cash charges of $32.9 million and net cash inflows of $2.2 million due to changes in our operating assets and liabilities. Non-cash charges primarily consisted of stock-based compensation of $19.1 million, expense on the warrant issued in conjunction with a charitable contribution of $6.2 million, amortization of our deferred contract costs of $4.5 million, and depreciation and amortization of property and equipment of $1.7 million. The main drivers of the changes in operating assets and liabilities related to a $25.9 million increase in deferred revenue, resulting primarily from increased billings for subscriptions, a $5.2 million increase in accrued compensation due to an increase in headcount, and an increase in accounts payable and accrued expenses and other liabilities of $3.3 million. These amounts were partially offset by a $15.5 million increase in accounts receivable, a $13.8 million increase in deferred contract costs due to commissions paid on new bookings, and an increase of $2.9 million in prepaid expenses and other assets related to prepayments made in advance for future services.

Cash used in operating activities for the fiscal year ended January 31, 2018 of $11.8 million primarily related to our net loss of $38.1 million, adjusted for non-cash charges of $24.1 million and net cash inflows of $2.2 million provided by changes in our operating assets and liabilities. Non-cash charges primarily consisted of stock-based compensation of $18.2 million, amortization of our deferred contract costs of $2.5 million, and depreciation and amortization of property and equipment of $1.3 million. The main drivers of the changes in operating assets and liabilities related to a $15.2 million increase in deferred revenue, resulting primarily from increased billings for subscriptions, a $2.9 million increase in accrued compensation due to an increase in headcount, and a net increase in accounts payable and accrued expenses and other liabilities of $1.8 million. These amounts were partially offset by a $10.1 million increase in accounts receivable, a $5.7 million increase in deferred contract costs due to commissions paid on new bookings, and an increase of $1.9 million in prepaid expenses and other assets related to prepayments made in advance for future services.

Investing Activities

Cash used in investing activities for the fiscal year ended January 31, 2020 of $232.1 million consisted of purchases of investments of $269.8 million and purchases of property and equipment of $5.2 million primarily to support additional office space for our San Francisco and Atlanta offices and purchases of computers for new employees. These costs were partially offset by proceeds from maturities of investments of $43.0 million.

Cash used in investing activities for the fiscal year ended January 31, 2019 of $4.1 million consisted primarily of $2.5 million of leasehold improvements for our Toronto and San Francisco offices, $1.2 million in purchases of computers and related equipment for new employees, and $0.4 million of capitalized internal-use software costs.

Cash used in investing activities for the fiscal year ended January 31, 2018 of $0.8 million was the result of purchases of property and equipment, of which a substantial majority related to purchases of computers and related equipment for new employees.

Financing Activities

Cash provided by financing activities for the fiscal year ended January 31, 2020 of $225.9 million consisted primarily of net proceeds from our IPO of $220.1 million after underwriting discounts and commissions, proceeds from the exercise of stock options of $7.2 million, and proceeds from our employee stock purchase plan of $4.1 million. This was partially offset by $5.9 million in payments related to costs associated with our IPO.

Cash provided by financing activities for the fiscal year ended January 31, 2019 of $93.6 million consisted primarily of net proceeds from the issuance of Series D redeemable convertible preferred stock of $89.8 million and proceeds from the exercise of stock options and warrants of $4.2 million, partially offset by $0.4 million in payments related to deferred offering expense associated with our initial public offering.

Cash provided by financing activities for the fiscal year ended January 31, 2018 of $45.4 million consisted primarily of net proceeds from the issuance of Series C redeemable convertible preferred stock of $43.6 million and proceeds from the exercise of stock options and warrants of $2.0 million. In addition, during this period, we received net proceeds of $9.8 million from our Mezzanine Loan. We repaid the $10.0 million principal on our Mezzanine Loan in full in September 2017.

Contractual Obligations and Commitments

The following table summarizes our contractual obligations at January 31, 2020:

	Payments Due By Period				
	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
			(in thousands)		
Operating lease commitments	$ 41,628	$ 6,196	$ 12,918	$ 13,559	$ 8,955
Purchase commitments	27,380	16,840	10,540	—	—
Total	$ 69,008	$ 23,036	$ 23,458	$ 13,559	$ 8,955

The commitment amounts in the table above are associated with contracts that are enforceable and legally binding and that specify all significant terms, including fixed or minimum services to be used, fixed, minimum or variable price provisions, and the approximate timing of the actions under the contracts.

We have excluded the amount of the liability for uncertain tax benefits as of January 31, 2020 in the table above. As of January 31, 2020, we had $4.1 million of uncertain tax benefits, including interest and penalties, related to uncertain tax positions. The timing of future cash outflows associated with our liabilities for uncertain tax benefits is highly uncertain. As such, we are unable to make reasonably reliable estimates of the period of cash settlement with the respective tax authority.

Indemnification Agreements

In the ordinary course of business, we enter into agreements of varying scope and terms pursuant to which we agree to indemnify customers, vendors, lessors, business partners, and other parties with respect to certain matters, including, but not limited to, losses arising out of the breach of such agreements, services to be provided by us, or from intellectual property infringement claims made by third parties. In addition, we have entered into indemnification agreements with our directors and certain officers and employees that will require us, among other things, to indemnify them against certain liabilities that may arise by reason of their status or service as directors, officers, or employees. No demands have been made upon us to provide indemnification under such agreements, and there are no claims that we are aware of that could have a material effect on our consolidated balance sheets, consolidated statements of operations and comprehensive loss, or consolidated statements of cash flows.

Off-Balance Sheet Arrangements

We do not currently have and, as of January 31, 2020 or during the periods presented, did not have any off-balance sheet financing arrangements or any relationships with unconsolidated entities or financial partnerships, including entities sometimes referred to as structured finance or special purpose entities, that were established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

Critical Accounting Policies and Estimates

Our consolidated financial statements and the related notes thereto included elsewhere in this Annual Report on Form 10-K are prepared in accordance with U.S. generally accepted accounting principles, or U.S. GAAP. The preparation of consolidated financial statements also requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, costs and expenses, and related disclosures. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results could differ significantly from the estimates made by management. To the extent that there are differences between our estimates and actual results, our future financial statement presentation, financial condition, results of operations, and cash flows will be affected. We believe that the accounting policies described below involve a greater degree of judgment and complexity. Accordingly, these are the policies we believe are the most critical to aid in fully understanding and evaluating our consolidated financial condition and results of operations.

Revenue Recognition

We generate revenue from sales of subscriptions to customers using our cloud-based platform. Our subscription arrangements do not provide customers with the right to take possession of the software supporting the cloud-based products and, as a result, are accounted for as service arrangements. Revenue is recognized when control of these services is transferred to customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those services. Subscription revenue excludes sales and other indirect taxes.

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.
- Recognition of revenue when, or as, the Company satisfies a performance obligation

Our subscription agreements typically have monthly or annual terms, and a small percentage have multi-year terms. Revenue is recognized ratably over the term of the subscription generally beginning on the date that our platform is made available to a customer. Our subscriptions are generally non-cancellable. We typically bill for monthly subscriptions on a monthly basis and annually in advance for subscriptions with terms of one year or more.

Deferred Contract Costs

Deferred contract costs include sales commissions earned by our sales force which are considered incremental and recoverable costs of obtaining a contract with a customer. Sales commissions for initial contracts are deferred and then amortized on a straight-line basis over a period of benefit, determined to be four years. We determined the period of benefit by taking into consideration our customer contracts, technology, and other factors. Amounts anticipated to be recognized within one year of the balance sheet date are recorded as deferred contract costs, current, with the remaining portion recorded as deferred contract costs, noncurrent, on the consolidated balance sheets. Amortization expense of deferred contract costs is recorded as sales and marketing expense in the consolidated statements of operations.

Stock-Based Compensation

Compensation expense related to stock-based transactions, including employee, consultant, and non-employee director stock option awards and restricted stock units (RSUs), is measured and recognized in the consolidated financial statements based on fair value. The fair value of each option award is estimated on the grant date using the Black Scholes option-pricing model. We estimate the fair value of RSUs at our stock price on the grant date. We recognize compensation expense for employee stock-based payment awards on a straight-line basis over the period during which an award recipient is required to provide services in exchange for the award (generally the vesting period of the award). We account for forfeitures as they occur.

Our option-pricing model requires the input of highly 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 used 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 are estimated as follows:

Expected volatility—Expected volatility is a measure of the amount by which the stock price is expected to fluctuate. Since we do not have sufficient trading history of our common stock, we estimate the expected volatility of our stock options at the grant date by taking the average historical volatility of a group of comparable publicly traded companies over a period equal to the expected term of the options.

Expected term—We determine the expected term based on the average period the stock options are expected to remain outstanding using the simplified method, generally calculated as the midpoint of the stock options' vesting term and contractual expiration period, as we do not have sufficient historical information to develop reasonable expectations about future exercise patterns and post-vesting employment termination behavior.

Risk-free rate—We use the U.S. Treasury yield for our risk-free interest rate that corresponds with the expected term.

Expected dividend yield—We utilize a dividend yield of zero, as we do not currently issue dividends, nor do we expect to do so in the future.

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 and assumptions, which could materially impact our future stock-based compensation expense.

Valuation of Common Stock

Prior to our IPO, the fair value of our common stock underlying our stock-based awards was historically determined by our board of directors, with input from management and contemporaneous third-party valuations. We believe that our board of directors has the relevant experience and expertise to determine the fair value of our common stock. Given the absence of a public trading market of our common stock prior to the IPO, and in accordance with the American Institute of Certified Public Accountants Practice Aid, *Valuation of Privately-Held Company Equity Securities Issued as Compensation*, our board of directors exercised reasonable judgment and considered numerous objective and subjective factors to determine the best estimate of the fair value of our common stock at each grant date. These factors included:

- contemporaneous valuations of our common stock performed by independent third-party specialists;
- the prices, rights, preferences, and privileges of our redeemable convertible preferred stock relative to those of our common stock;
- the prices of common or preferred stock sold to third-party investors by us and in secondary transactions or repurchased by us in arms-length transactions;
- lack of marketability of our common stock;
- our actual operating and financial performance;
- current business conditions and projections;
- hiring of key personnel and the experience of our management;
- the history of the company and the introduction of new services;
- our stage of development;
- likelihood of achieving a liquidity event, such as an IPO, or a merger or acquisition of our company given prevailing market conditions;
- the market performance of comparable publicly traded companies; and
- the U.S. and global capital market conditions.

In valuing our common stock, our board of directors determined the equity value of our business using various valuation methods including combinations of income and market approaches with input from management. The income approach estimates value based on the expectation of future cash flows that a company will generate. These future cash flows are discounted to their present values using a discount rate derived from an analysis of the cost of capital of comparable publicly traded companies in our industry or similar business operations as of each valuation date and is adjusted to reflect the risks inherent in our cash flows.

For each valuation, the equity value determined by the income and market approaches was then allocated to the common stock using either the option pricing method, or OPM, or a hybrid method. The hybrid method is a hybrid of the probability weighted expected return method, or PWERM, and OPM.

The option pricing method is based on a binomial lattice model, which allows for the identification of a range of possible future outcomes, each with an associated probability. The OPM is appropriate to use when the range of possible future outcomes is difficult to predict and thus creates highly speculative forecasts. PWERM involves a forward-looking analysis of the possible future outcomes of the enterprise. This method is particularly useful when discrete future outcomes can be predicted at a relatively high confidence level with a probability distribution. Discrete future outcomes considered under the PWERM include an IPO, as well as non-IPO market-based outcomes. Determining the fair value of the enterprise using the PWERM requires us to develop assumptions and estimates for both the probability of an IPO liquidity event and stay private outcomes, as well as the values we expect those outcomes could yield. Our valuations prior to October 2018 were based on the OPM. Beginning in October 2018, we valued our common stock based on a hybrid method of the PWERM and the OPM.

In addition, we also considered any secondary transactions involving our capital stock. In our evaluation of those transactions, we considered the facts and circumstances of each transaction to determine the extent to which they represented a fair value exchange. Factors considered include transaction volume, timing, whether the transactions occurred among willing and unrelated parties, and whether the transactions involved investors with access to our financial information.

Application of these approaches involves the use of estimates, judgment, and assumptions that are highly complex and subjective, such as those regarding our expected future revenue, expenses, and future cash flows, discount rates, market multiples, the selection of comparable companies, and the probability of possible future events. Changes in any or all of these estimates and assumptions or the relationships between those assumptions impact our valuations as of each valuation date and may have a material impact on the valuation of our common stock.

Subsequent to the closing of our IPO, the fair value of each share of underlying common stock based on the closing price of our common stock as reported on the date of grant. Future expense amounts for any particular period could be affected by changes in our assumptions or market conditions.

Recently Accounting Pronouncements

For further information on our recently adopted accounting pronouncements, refer to Note 2, "Summary of Significant Accounting Policies" in the consolidated financial statements contained within this Annual Report on Form 10-K.

JOBS Act Accounting Election

We are an emerging growth company, as defined in the JOBS Act. The JOBS Act provides that an emerging growth company can take advantage of an extended transition period for complying with new or revised accounting standards. This provision allows an emerging growth company to delay the adoption of some accounting standards until those standards would otherwise apply to private companies. We have elected to use the extended transition period under the JOBS Act until the earlier of the date we (i) are no longer an emerging growth company or (ii) affirmatively and irrevocably opt out of the extended transition period provided in the JOBS Act. As a result, our financial statements may not be comparable to companies that comply with new or revised accounting pronouncements as of public company effective dates.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk

As of January 31, 2020, we had cash, cash equivalents and investments totaling $351.4 million, invested in money market funds, U.S. Treasury securities, commercial paper, corporate debt securities, and U.S. Government agency securities. Our cash and cash equivalents are held for working capital purposes. Our investments are made for capital preservation purposes. We do not enter into investments for trading or speculative purposes.

Our investments classified as held-to-maturity consist of U.S. Treasury securities, commercial paper, and corporate debt securities with maturities of less than one year. These investments were classified as held-to-maturity as we have the positive intent and ability to hold these until maturity. We classify our available-for-sale investments, including those with stated maturities beyond twelve months, as short-term based on their highly liquid nature and because they represent the investment of cash that is available for current operations. In addition, the Company may sell these investments at any time for use in its current operations or for other purposes, even prior to maturity. January 31, 2020, our held-to-maturity and available-for-sale investments are recorded as current on our consolidated balance sheets.

As of January 31, 2020, a hypothetical 10% relative change in interest rates would not have a material impact on our consolidated financial statements.

Foreign Currency Exchange Risk

Our reporting currency and the functional currency of our wholly owned foreign subsidiaries is the U.S. dollar. Primarily all of our sales are denominated in U.S. dollars, and therefore substantially all of our revenue is not currently subject to significant foreign currency risk. Our operating expenses are denominated in the currencies of the countries in which our operations are located, which are primarily in the United States, Canada, the United Kingdom, and Australia. Our consolidated results of operations and cash flows are, therefore, subject to fluctuations due to changes in foreign currency exchange rates and may be adversely affected in the future due to changes in foreign exchange rates. To date, we have not entered into any hedging arrangements with respect to foreign currency risk or other derivative financial instruments, although we may choose to do so in the future. We do not believe that a hypothetical 10% increase or decrease in the relative value of the U.S. dollar to other currencies would have a material effect on our operating results.

Item 8. Financial Statements and Supplementary Data

PAGERDUTY, INC.

Index to Consolidated Financial Statements

The supplementary financial information required by this Item 8 is included in Item 7 under the caption "Quarterly Results of Operations."

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of PagerDuty, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of PagerDuty, Inc. (the Company) as of January 31, 2020 and 2019, the related consolidated statements of operations and comprehensive loss, redeemable convertible preferred stock and stockholders' equity (deficit), and cash flows for each of the three years in the period ended January 31, 2020, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at January 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended January 31, 2020 in conformity with U.S. generally accepted accounting principles.

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 Public Company Accounting Oversight Board (United States) (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. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

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.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2015.

San Jose, California

March 19, 2020

PAGERDUTY, INC.

Consolidated Balance Sheets
(in thousands)

	As of January 31, 2020	As of January 31, 2019
Assets		
Current assets:		
Cash and cash equivalents	$ 124,024	$ 127,875
Accounts receivable, net of allowance for doubtful accounts of $810 and $2,360 as of January 31, 2020 and January 31, 2019, respectively	37,128	33,538
Investments	227,375	—
Deferred contract costs, current	9,301	6,002
Prepaid expenses and other current assets	7,163	5,422
Total current assets	404,991	172,837
Property and equipment, net	12,369	5,772
Deferred contract costs, non-current	16,387	11,470
Other assets	1,651	7,155
Total assets	$ 435,398	$ 197,234
Liabilities, redeemable convertible preferred stock and stockholders' equity (deficit)		
Current liabilities:		
Accounts payable	$ 6,434	$ 7,657
Accrued expenses and other current liabilities	7,197	7,145
Accrued compensation	13,911	10,050
Deferred revenue, current	87,490	63,957
Total current liabilities	115,032	88,809
Deferred revenue, non-current	5,079	147
Other liabilities	7,349	4,185
Total liabilities	127,460	93,141
Commitments and contingencies (Note 5)		
Redeemable convertible preferred stock, $0.000005 par value per share: 100,000,000 and 41,810,231 shares authorized, as of January 31, 2020 and 2019; no shares issued and outstanding as of January 31, 2020; 41,273,345 shares issued and outstanding as of January 31, 2019; liquidation preference of $203,861 as of January 31, 2019	—	173,023
Stockholders' equity (deficit):		
Common stock, $0.000005 par value per share: 1,000,000,000 and 85,000,000 shares authorized as of January 31, 2020 and 2019, respectively; 77,793,540 and 23,189,921 shares issued and outstanding as of January 31, 2020 and 2019, respectively	—	—
Additional paid-in capital	487,008	59,938
Accumulated other comprehensive income	137	—
Accumulated deficit	(179,207)	(128,868)
Total stockholders' equity (deficit)	307,938	(68,930)
Total liabilities, redeemable convertible preferred stock and stockholders' equity (deficit)	$ 435,398	$ 197,234

See Notes to Consolidated Financial Statements

PAGERDUTY, INC.

Consolidated Statements of Operations and Comprehensive Loss
(in thousands, except per share data)

	Year Ended January 31,		
	2020	2019	2018
Revenue	$ 166,351	$ 117,823	$ 79,630
Cost of revenue	24,579	17,255	12,717
Gross profit	141,772	100,568	66,913
Operating expenses:			
Research and development	49,011	38,858	33,532
Sales and marketing	97,350	64,060	47,354
General and administrative	50,970	39,971	24,343
Total operating expenses	197,331	142,889	105,229
Loss from operations	(55,559)	(42,321)	(38,316)
Interest income	5,692	1,249	371
Interest expense	—	—	(702)
Other income, net	203	1,032	682
Loss before provision for income taxes	(49,664)	(40,040)	(37,965)
Provision for income taxes	(675)	(701)	(184)
Net loss	$ (50,339)	$ (40,741)	$ (38,149)
Other comprehensive gain:			
Unrealized gain on investments	137	—	—
Total comprehensive loss	$ (50,202)	$ (40,741)	$ (38,149)
Net loss per share, basic and diluted	$ (0.77)	$ (1.90)	$ (1.91)
Weighted average shares used in calculating net loss per share, basic and diluted	65,544	21,410	19,986

See Notes to Consolidated Financial Statements

PAGERDUTY, INC.

Consolidated Statements of Redeemable Convertible Preferred Stock and Stockholders' Equity (Deficit)
(in thousands, except share data)

	Redeemable Convertible Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Shares	Amount	Shares	Amount				
Balances as of January 31, 2017	31,815,528	$ 39,556	20,260,180	$ —	$ 11,428	$ —	$ (49,978)	$ (38,550)
Issuance of common stock upon exercise of stock options and restricted stock agreements, net of repurchases	—	—	1,419,650	—	1,158	—	—	1,158
Exercise of common stock warrant	—	—	25,522	—	119	—	—	119
Issuance of Series C redeemable convertible preferred stock, net of issuance costs of $154	4,185,006	43,648	—	—	—	—	—	—
Warrant issued in conjunction with debt	—	—	—	—	694	—	—	694
Vesting of early exercised options	—	—	—	—	211	—	—	211
Stock-based compensation	—	—	—	—	18,152	—	—	18,152
Net loss	—	—	—	—	—	—	(38,149)	(38,149)
Balances as of January 31, 2018	36,000,534	$ 83,204	21,705,352	$ —	$ 31,762	$ —	$ (88,127)	$ (56,365)
Issuance of common stock upon exercise of stock options and restricted stock agreements, net of repurchases	—	—	1,382,664	—	1,525	—	—	1,525
Exercise of common stock warrant	—	—	101,905	—	473	—	—	473
Issuance of Series D redeemable convertible preferred stock, net of issuance costs of $181	5,272,811	89,819	—	—	—	—	—	—
Vesting of early exercised options	—	—	—	—	883	—	—	883
Stock-based compensation	—	—	—	—	19,078	—	—	19,078
Warrant issued in conjunction with charitable contribution	—	—	—	—	6,217	—		6,217
Net loss	—	—	—	—	—	—	(40,741)	(40,741)
Balances as of January 31, 2019	41,273,345	$ 173,023	23,189,921	$ —	$ 59,938	$ —	$ (128,868)	$ (68,930)
Issuance of common stock upon exercise of stock options and restricted stock agreements, net of repurchases	—	—	2,519,899	—	7,187	—	—	7,187
Vesting of restricted stock units, net of employee payroll taxes	—	—	1,293	—	(16)	—	—	(16)
Exercise of common stock warrants	—	—	737,807	—	—	—	—	—
Repayment of promissory note	—	—	—	—	515	—	—	515
Issuance of common stock in connection with initial public offering, net of underwriting discounts and issuance costs	—	—	9,860,500	—	213,697	—	—	213,697
Conversion of convertible preferred stock to common stock in connection with initial public offering	(41,273,345)	(173,023)	41,273,345	—	173,023	—	—	173,023
Issuance of common stock in connection with the Employee Stock Purchase Program	—	—	210,775		4,117			4,117
Vesting of early exercised options	—	—	—	—	1,342	—	—	1,342
Stock-based compensation	—	—	—	—	27,205	—	—	27,205
Other comprehensive gain	—	—	—	—	—	137	—	137
Net loss	—	—	—	—	—	—	(50,339)	(50,339)
Balances as of January 31, 2020	—	$ —	77,793,540	$ —	$ 487,008	$ 137	$ (179,207)	$ 307,938

See Notes to Consolidated Financial Statements

PAGERDUTY, INC.

Consolidated Statements of Cash Flows
(in thousands)

	Year Ended January 31,		
	2020	2019	2018
Cash flows from operating activities			
Net loss	$ (50,339)	$ (40,741)	$ (38,149)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	2,337	1,692	1,346
Amortization of deferred contract costs	7,780	4,495	2,543
Stock-based compensation	27,205	19,078	18,152
Warrant issued in conjunction with charitable contribution	—	6,217	—
Amortization of debt issuance costs	—	—	142
Loss on extinguishment of debt	—	—	728
Other	(331)	1,440	1,227
Changes in operating assets and liabilities:			
Accounts receivable	(3,601)	(15,464)	(10,145)
Deferred contract costs	(15,996)	(13,809)	(5,725)
Prepaid expenses and other assets	(2,112)	(2,914)	(1,913)
Accounts payable	(1,110)	1,356	2,501
Accrued expenses and other liabilities	3,668	1,931	(682)
Accrued compensation	3,861	5,176	2,943
Deferred revenue	28,465	25,935	15,196
Net cash used in operating activities	(173)	(5,608)	(11,836)
Cash flows from investing activities			
Purchases of property and equipment	(5,174)	(3,730)	(822)
Capitalized internal-use software costs	—	(389)	—
Purchases of held-to-maturity investments	(45,736)	—	—
Proceeds from maturities of held-to-maturity investments	17,950	—	—
Purchases of available-for-sale investments	(224,110)	—	—
Proceeds from maturities of available-for-sale investments	25,000	—	—
Net cash used in investing activities	(232,070)	(4,119)	(822)
Cash flows from financing activities			
Proceeds from issuance of redeemable convertible preferred stock, net of issuance costs	—	89,819	43,648
Proceeds from initial public offering, net of underwriters' discounts and commissions	220,086	—	—
Payments of costs related to initial public offering	(5,945)	(445)	—
Proceeds from repayment of promissory note	515	—	—
Proceeds from borrowing of debt, net of issuance costs	—	—	9,824
Repayments of debt	—	—	(10,000)
Proceeds from issuance of common stock upon exercise of stock options	7,187	1,525	1,158
Proceeds from Employee Stock Purchase Program	4,117	—	—
Proceeds from early exercised stock options, net of repurchases	—	2,227	680
Proceeds from issuance of common stock upon exercise of warrants	—	473	119
Employee payroll taxes paid related to net share settlement of restricted stock units	(16)	—	—
Net cash provided by financing activities	225,944	93,599	45,429
Net (decrease) increase in cash, cash equivalents, and restricted cash	(6,299)	83,872	32,771
Cash, cash equivalents, and restricted cash at beginning of period	130,323	46,451	13,680
Cash, cash equivalents, and restricted cash at end of period	$ 124,024	$ 130,323	$ 46,451

Supplemental cash flow data:			
Cash paid for interest	$ —	$ —	$ 519
Cash paid for taxes	$ 73	$ 45	$ 15
Non-cash investing and financing activities:			
Vesting of early exercised options	$ 1,342	$ 883	$ 211
Issuance of warrants in connection with debt	$ —	$ —	$ 694
Purchase of property and equipment, accrued but not yet paid	$ 1,463	$ 82	$ 28
Costs related to initial public offering, accrued but not yet paid	$ —	$ 2,816	$ —
Non-cash additions of property and equipment	$ 2,212	$ —	$ —
Reconciliation of cash, cash equivalents and restricted cash to the consolidated balance sheets			
Cash and cash equivalents	$ 124,024	$ 127,875	$ 43,999
Restricted cash - included in other assets	—	2,448	2,452
Total cash, cash equivalents, and restricted cash	$ 124,024	$ 130,323	$ 46,451

See Notes to Consolidated Financial Statements

1. Description of Business and Basis of Presentation

Description of Business

PagerDuty, Inc. was incorporated under the laws of the state of Delaware in May 2010.

PagerDuty acts as the central nervous system for the digital enterprise. PagerDuty harnesses digital signals from virtually any software-enabled system or device, combines it with human response data and orchestrates teams to take the right actions in real time. The Company's products help organizations improve operations, accelerate innovation, increase revenue, mitigate security risk, and deliver a great customer experience.

As used herein, "PagerDuty", "we", "our", "the Company" and similar terms include PagerDuty, Inc., unless the context indicates otherwise.

Initial Public Offering

On April 15, 2019, the Company completed its initial public offering (IPO), pursuant to which the Company issued and sold 9,860,500 shares of common stock, inclusive of the over-allotment option, at a public offering price of $24.00 per share. The Company received net proceeds of $213.7 million, after deducting underwriters' discounts and commissions of $16.6 million and other issuance costs of $6.4 million. Immediately prior to the closing of the Company's IPO, all shares of the redeemable convertible preferred stock automatically converted into 41,273,345 shares of common stock.

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) and include the consolidated accounts of PagerDuty. All intercompany balances and transactions have been eliminated upon consolidation. The Company's fiscal year ends on January 31. References to fiscal 2020, for example, refer to the fiscal year ended January 31, 2020.

Reclassification

Certain reclassifications of prior period amounts have been made in the Company's consolidated balance sheets and consolidated statements of cash flows to conform to the current period presentation. The Company has reclassified a portion of prepaid expenses and other current assets to the accounts receivable, net line item on the accompanying consolidated balance sheets. The Company has also reclassified a portion of accrued expenses and other current liabilities to the accounts payable line item on the accompanying consolidated balance sheets. The Company reclassified the bad debt expense line item to the other line item on the accompanying consolidated statements of cash flows. These reclassifications had no effect on the reported results of operations.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make, on an ongoing basis, estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from these estimates.

The Company's most significant estimates and judgments involve the valuation of the Company's stock-based awards, including the determination of fair value of common stock (prior to the closing of the IPO) and the fair value of the employee stock purchase plan (ESPP) expense, period of benefit for amortizing deferred contract costs, the determination of the allowance for doubtful accounts, and the provision for income taxes, including the related valuation allowance and any uncertain tax positions, among others. Management bases its estimates on historical experience and on various other assumptions which management believes to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities.

Stock Split

In May 2018, the Company effected a two-for-one stock split of the Company’s redeemable convertible preferred stock and common stock effective May 3, 2018. All redeemable convertible preferred stock and common stock share and per-share amounts for the periods presented in these financial statements have been retroactively adjusted for the stock split as if such stock split occurred on the first day of the periods presented.

2. Summary of Significant Accounting Policies

Segment Information

The Company manages its operations and allocates resources as one operating segment. The Company’s chief operating decision maker (CODM) is its chief executive officer, who reviews financial information presented on a consolidated basis for purposes of making operating decisions, assessing financial performance, and allocating resources. See Note 10, “Geographic Information” for information regarding the Company's long-lived assets and revenue by geography.

Revenue Recognition

The Company generates revenue from subscription fees. Revenue is recognized when control of these services is transferred to its customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those services.

The Company accounts for revenue contracts with customers by applying the requirements of Topic 606, which includes 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.
- Recognition of revenue when, or as, the Company satisfies a performance obligation

The Company’s subscriptions allow customers to use its cloud-hosted software over the contract period without taking possession of the software. The Company’s subscription agreements generally have monthly or annual contractual terms. Revenue is recognized ratably over the related contractual term beginning on the date that the Company’s platform is made available to a customer. Access to the platform represents a series of distinct services as the Company continually provides access to, and fulfills its obligation to, the end customer over the subscription term. The series of distinct services represents a single performance obligation that is satisfied over time. The Company recognizes revenue ratably because the customer receives and consumes the benefits of the platform throughout the contract period. The Company’s arrangements are generally non-cancellable and do not contain refund provisions. The Company bills for monthly subscriptions on a monthly basis and annually in advance for subscriptions with terms of one year or more.

The price of subscriptions is generally fixed at contract inception and therefore, the Company’s contracts do not contain a significant amount of variable consideration. As a result, the amount of revenue recognized in the periods presented from performance obligations satisfied (or partially satisfied) in previous periods due to changes in the transaction price was not material. Subscription revenue excludes sales and other indirect taxes.

Accounts Receivable and Related Allowance

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 the appropriate amount of allowance for doubtful accounts. Accounts receivable deemed uncollectible are charged against the allowance for doubtful accounts when identified.

Activity related to the Company's allowance for doubtful accounts was as follows:

	Amount (in thousands)
Balance as of January 31, 2018	$ 1,296
Charged to bad debt expense	1,440
Write-offs, net of recoveries	(376)
Balance as of January 31, 2019	$ 2,360
Charged to bad debt expense	11
Write-offs, net of recoveries	(1,561)
Balance as of January 31, 2020	$ 810

Deferred Revenue

The Company records contract liabilities to deferred revenue when amounts are invoiced in advance of performance. Deferred revenue consists of the unearned portion of customer billings. The Company's payment terms generally provide for payment within 30 days of the invoice date. Amounts anticipated to be recognized within one year of the balance sheet date are recorded as deferred revenue, current; the remaining portion is recorded as deferred revenue, non-current in the consolidated balance sheets.

The Company applied the practical expedient in Topic 606 and did not evaluate contracts of one year or less for the existence of a significant financing component. For contracts with terms of more than a year, the Company has determined its contracts generally do not include a significant financing component as these all relate to contracts that are billed annually in advance. The primary purpose of the Company's invoicing terms is to provide customers with simplified and predictable ways of purchasing the Company's subscription, not to receive financing from its customers or to provide customers with financing.

Deferred Contract Costs

Deferred contract costs consist of sales commissions earned by the Company's sales force which are considered incremental and recoverable costs of obtaining a contract with a customer. The Company determined that sales commissions that are related to contract renewals are not commensurate with commissions earned on the initial contract. Accordingly, sales commissions for initial contracts are deferred and then amortized on a straight-line basis over a period of benefit that the Company has determined to be four years. The Company determined the period of benefit by taking into consideration its customer contracts, technology, and other factors. Amounts anticipated to be recognized within one year of the balance sheet date are recorded as deferred contract costs, current; the remaining portion is recorded as deferred contract costs, noncurrent in the consolidated balance sheets. Deferred contract costs are periodically reviewed for impairment. Amortization of deferred contract costs is included in sales and marketing expense in the consolidated statements of operations.

Deferred contract costs on the Company's consolidated balance sheets were $25.7 million and $17.5 million as of January 31, 2020 and 2019, respectively. Amortization expense was $7.8 million, $4.5 million, and $2.5 million for the fiscal years ended January 31, 2020, 2019, and 2018, respectively. There was no impairment loss in relation to the costs capitalized for the periods presented.

The following table represents a rollforward of the Company's deferred contract costs:

	Amount (in thousands)
Balance as of January 31, 2018	$ 8,158
Additions to deferred contract costs	13,809
Amortization of deferred contract costs	(4,495)
Balance as of January 31, 2019	$ 17,472
Additions to deferred contract costs	15,996
Amortization of deferred contract costs	(7,780)
Balance as of January 31, 2020	$ 25,688

Concentrations of Risk and Significant Customers

The Company's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents, held-to-maturity investments, available-for-sale investments, and accounts receivable. All of the Company's cash and cash equivalents and investments are invested in money market funds, United States (U.S.) Treasury securities, commercial paper, corporate debt securities, or U.S. Government agency securities that management believes to be of high credit quality.

No single customer accounted for more than 10% of the total accounts receivable balance as of January 31, 2020. One customer accounted for 10% of the total accounts receivable balance as of January 31, 2019. No single customer represented 10% or more of revenue for the fiscal years ended January 31, 2020, 2019, or 2018.

Cost of Revenue

Cost of revenue primarily consists of expenses related to providing the Company's subscription to customers, including personnel expenses for operations and global support personnel, payments related to cloud infrastructure providers for hosting the Company's software, payment processing fees, and allocated facilities, information technology, amortization of capitalized internal-use software costs, and other overhead costs.

Interest Income

Interest income consists of income earned on our cash and cash equivalents and interest earned on our short-term investments which consist of U.S. Treasury securities, commercial paper, corporate debt securities, and U.S. Government agency securities.

Other Income, Net

Other income, net primarily consists of accretion income on our held-to-maturity and available-for-sale investments, foreign currency transaction gains and losses, and sublease income related to our San Francisco lease, which expired in the fiscal year ended January 31, 2019.

Foreign Currency Remeasurement

The functional currency of the Company's international subsidiaries is the United States dollar. Accordingly, monetary balance sheet accounts are remeasured using exchange rates in effect at the balance sheet dates and non-monetary items are remeasured at historical exchange rates. Revenue and expenses are remeasured at the average exchange rates for the period. Foreign currency transaction gains and losses are included in other income, net and were not material for the fiscal years ended January 31, 2020, 2019, or 2018.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, highly liquid investments with original maturities of three months or less from the date of purchase, and money market funds.

Investments

The Company's investments are classified as available-for-sale and held-to-maturity and consist of highly liquid investments, primarily U.S. Treasury securities, commercial paper, corporate debt securities, and U.S. Government agency securities. The Company determines the appropriate classification of its investments at the time of purchase and reevaluates such designation at each balance sheet date.

The Company periodically evaluates its short-term investments to assess whether those with unrealized loss positions are other-than-temporarily impaired. The Company considers various factors in determining whether to recognize an impairment charge, including the length of time the investment has been in a loss position, the extent to which the fair value is less than the Company's cost basis, and the financial condition and near-term prospects of the investee. If the Company determines that the decline in an investment's fair value is other-than-temporary, an impairment loss is recognized in earnings equal to the difference between the investment's amortized cost and fair value at such date. Realized gains and losses are reported in other income, net, in the consolidated statements of operations. No impairment charges have been recognized to date.

Held-to-maturity

The Company's held-to-maturity investments consist of investments with maturities over three months from the date of purchase and less than 12 months from the date of the balance sheet and are classified as short-term. The Company has the ability and positive intent to hold these investments to maturity. Held-to-maturity investments are carried at amortized cost, which approximates fair value.

Available-for-sale

The Company classifies its available-for-sale investments, including those with stated maturities beyond twelve months, as short-term based on their highly liquid nature and because they represent the investment of cash that is available for current operations. In addition, the Company may sell these investments at any time for use in its current operations or for other purposes, even prior to maturity. The Company's available-for-sale investments are recorded at fair market value each reporting period. Unrealized gains and losses on these available-for-sale investments are reported as a separate component of accumulated other comprehensive income in the accompanying consolidated balance sheet until realized.

Restricted Cash

Restricted cash primarily consists of collateralized letters of credit established in connection with lease agreements for the Company's facilities. The Company had no restricted cash as of January 31, 2020. Restricted cash totaled $2.4 million as of January 31, 2019 and is included within other assets on the consolidated balance sheets.

Related Party Transactions

Certain members of the Company's Board of Directors serve as directors of, or are executive officers of, and in some cases are investors in, companies that are customers or vendors of the Company. The Company recognized revenue from the sales of its product to a related party of $1.0 million in the fiscal year ended January 31, 2020**.** Other related party transactions were not material for the fiscal years ended January 31, 2020, 2019, or 2018.

Deferred Offering Costs

Prior to the IPO, all deferred offering costs were capitalized in other noncurrent assets in the consolidated balance sheets. Deferred offering costs of $6.4 million, primarily consisting of accounting, legal, and other fees related to the Company's IPO, were offset against IPO proceeds upon the closing of the Company's IPO in April

2019. As of January 31, 2020, the Company had no deferred offering costs. As of January 31, 2019, there were $3.3 million of deferred offering costs which are included in other assets in the accompanying consolidated balance sheets.

Property and Equipment, Net

Property and equipment, net, are stated at cost less accumulated depreciation. Depreciation is recorded using the straight-line method over the estimated useful lives of the respective assets, which is generally three to five years. Leasehold improvements are depreciated over the shorter of the estimated useful lives of the assets or the lease term.

Property and equipment is reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of these assets is measured by a comparison of the carrying amounts to the future undiscounted cash flows the assets are expected to generate. If property and equipment are considered impaired, the impairment to be recognized equals the amount by which the carrying value of the asset exceeds its fair value. If we reduce the estimated useful life assumption for any asset, the remaining unamortized balance would be amortized or depreciated over the revised estimated useful life.

Research and Development Expense

Research and development expenses consist primarily of personnel costs for the Company's engineering, product, and design teams. Additionally, research and development expenses include contractor fees, depreciation of equipment used in research and development activities, and allocated overhead costs. Research and development costs are expensed as incurred.

Internal-Use Software Costs

The Company evaluates costs related to the development of its platform and certain projects for internal use incurred during the application development stage. Costs related to preliminary project activities and post-implementation activities are expensed as incurred and costs related to the application development stage are capitalized. Internal-use software is amortized on a straight-line basis over its estimated useful life of three years. Management evaluates the useful lives of these assets on an annual basis and tests for impairment whenever events or changes in circumstances occur that could impact the recoverability of these assets. The Company capitalized $0.4 million during the fiscal year ended January 31, 2019. No internal-use software costs were capitalized during the fiscal year ended January 31, 2020.

Advertising Costs

Advertising costs are expensed as incurred and are included in sales and marketing expense. Advertising costs were $5.1 million for all periods presented.

Stock-Based Compensation

The Company recognizes compensation expense for all stock-based payment awards, including stock options and restricted stock units (RSUs), based on the estimated fair value of the award on the grant date.

The Company estimates the fair value of stock options issued to employees on the date of grant using the Black-Scholes option pricing model, which is impacted by the estimated fair value of the Company's common stock, as well as certain assumptions including the expected volatility over the term of the option awards, the expected term of the awards, risk-free interest rates and the expected dividend yield. Assumptions and estimates used in the determination of the fair value of stock options are as follows:

Expected volatility—Expected volatility is a measure of the amount by which the stock price is expected to fluctuate. Since the Company does not have sufficient trading history for its common stock, it estimates the expected volatility of its stock options by taking the average historical volatility of a group of comparable publicly traded companies over a period equal to the expected life of the options.

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, as the Company does not have sufficient historical information to develop reasonable expectations about future exercise patterns and post-vesting employment termination behavior.

Risk-free rate—The Company uses the U.S. Treasury yield for its risk-free interest rate that corresponds with the expected term.

Expected dividend yield—The Company utilizes a dividend yield of zero, as it does not currently issue dividends and does not expect to in the future.

Fair value of common stock

Prior to the IPO, in accordance with the American Institute of Certified Public Accountants Accounting and Valuation Guide, *Valuation of Privately-Held Company Equity Securities Issued as Compensation*, the Company's board of directors exercised reasonable judgment and considered numerous objective and subjective factors to determine the best estimate of fair value of the Company's common stock, including but not limited to contemporaneous valuations of our common stock performed by independent third-party specialists; the prices, rights, preferences, and privileges of redeemable convertible preferred stock relative to those of common stock; the prices at which the Company sold shares of its common stock to third-party investors and in secondary transactions in arm's-length transactions; the Company's operating and financial performance; and additional relevant economic information.

The Company estimates the fair value of RSUs at our stock price on the grant date.

The Company estimates the fair value of shares to be issued under the ESPP on the first day of the offering period using the Black-Scholes valuation model, which is impacted by the estimated fair value of the Company's common stock, as well as certain assumptions including the expected volatility over the term of the offering period, the expected term of the awards, risk-free interest rates and the expected dividend yield. Assumptions used in the determination of the fair value of the ESPP are the same as those used in the determination of the fair value of our stock options.

The Company recognizes compensation expense for employee stock-based payment awards on a straight-line basis over the period during which an award recipient is required to provide services in exchange for the award (generally the vesting period of the award). The Company accounts for forfeitures as they occur.

The fair value of each non-employee stock option is estimated at the date of grant using the Black-Scholes option pricing model and is not remeasured over the vesting term. Assumptions used in valuing non-employee stock options are generally consistent with those used for employee stock options with the exception that the expected term is over the contractual life.

Income Taxes

The Company accounts for income taxes using the asset and liability method. Under this method, the Company recognizes deferred income tax assets and liabilities for the expected future consequences of temporary differences between the financial reporting and tax bases of assets and liabilities, as well as for net operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using the tax rates that are expected to apply to taxable income for the years in which those tax assets and liabilities are expected to be realized or settled. The Company recognizes the deferred income tax effects of a change in tax rates in the period of enactment.

The Company records a valuation allowance to reduce its deferred tax assets to the net amount that it believes is more likely than not to be realized. The Company considers all available evidence, both positive and negative, including historical levels of income, expectations and risks associated with estimates of future taxable income and ongoing tax planning strategies in assessing the need for a valuation allowance. Realization of its deferred tax assets is dependent primarily upon future U.S. taxable income.

The Company recognizes income tax benefits from uncertain tax positions only if it believes that it is more likely than not that the tax position will be sustained upon examination by the taxing authorities based on the technical merits of the position. The tax benefits recognized in the financial statements from such uncertain tax positions are then measured based on the largest benefit that has a greater than 50% likelihood of being realized upon settlement. Although the Company believes that it has adequately reserved for its uncertain tax positions (including net interest and penalties), it can provide no assurance that the final tax outcome of these matters will not be materially different. The Company makes adjustments to these reserves when facts and circumstances change, such as the closing of a tax audit or the refinement of an estimate. To the extent that the final tax outcome of these matters is different from the amounts recorded, such differences will affect the provision for income taxes in the period in which such determination is made and could have a material impact on its financial position, results of operations, and cash flows.

Net Loss Per Common Share

Basic net loss per share is computed by dividing net loss by the weighted-average number of shares of common stock outstanding during the period. Diluted net loss per share is computed by dividing net loss by the weighted-average number of shares of common stock outstanding during the period giving effect to all potentially dilutive securities to the extent they are dilutive. The dilutive effect of potentially dilutive securities is reflected in diluted net loss per share by application of the treasury stock method. Basic and diluted net loss per common share were the same for each period presented as the inclusion of all potential common shares outstanding would have been anti-dilutive.

Immaterial Correction of Error

During the preparation of our fiscal year 2020 consolidated financial statements, the Company identified an immaterial error in the footnotes of our previously issued financial statements relating to the classification of revenue between United States revenue and international revenue in the notes to our consolidated financial statements. As a result, United States revenue was understated by $3.6 million and international revenue was overstated by $3.6 million in the fiscal year ended January 31, 2019. There was no impact to total revenues or net loss in the Company’s consolidated statements of operations and comprehensive loss. The error has been corrected in Note 10. “Geographic Information”. Management determined that the impact of this error is not material to the previously issued annual and interim financial statements using the guidance of SEC Staff Accounting Bulletin (SAB) No. 99 (SAB 99) and SAB No. 108 (SAB 108).

Recently Adopted Accounting Pronouncements

In July 2018, the FASB issued Accounting Standards Update No. 2018-09, *Codification Improvements (*ASU 2018-09). These amendments provide clarifications and corrections to certain ASC subtopics including the following: 220-10 (Income Statement - Reporting Comprehensive Income - Overall), 470-50 (Debt - Modifications and Extinguishments), 480-10 (Distinguishing Liabilities from Equity - Overall), 718-740 (Compensation - Stock Compensation - Income Taxes), 805-740 (Business Combinations - Income Taxes), 815-10 (Derivatives and Hedging - Overall), and 820-10 (Fair Value Measurement - Overall). Some of the amendments in ASU 2018-09 do not require transition guidance and will be effective upon issuance; however, many of the amendments do have transition guidance with effective dates for annual periods beginning after December 15, 2019. The amendments that were effective upon issuance of the update did not have an impact on the Company’s consolidated financial statements. The Company early adopted this ASU beginning February 1, 2019 noting that the adoption of the standard had no material impact on its consolidated financial statements.

Recently Issued Accounting Pronouncements

In February 2016, the FASB issued Accounting Standards Update No. 2016-02, *Leases* (Topic 842) (ASU 2016-02)*,* which would require lessees to recognize most leases on their balance sheets, whether operating or financing, while continuing to recognize the expenses on their income statements in a manner similar to current practice. The guidance states that a lessee would recognize a lease liability for the obligation to make lease payments and a right-to-use asset for the right to use the underlying asset for the lease term. The Company plans to adopt this guidance as of February 1, 2020 using the modified retrospective method and will recognize a cumulative-effect adjustment to the opening balance of accumulated deficit as of the adoption date. The Company will elect the optional transition approach to not apply Topic 842 in the comparative periods presented and the package of practical expedients. We have completed our process to identify our population of lease arrangements and completed our evaluation of each arrangement under the guidance, including application of elected practical expedients, and we are finalizing the incremental borrowing rate for each arrangement. While the adoption remains in progress, we expect that the adoption will result in the recognition of right-of-use assets and lease liabilities that were not previously recognized, which will increase total assets and liabilities on our consolidated balance sheets. The Company does not expect the adoption of Topic 842 to have a material impact to the consolidated statements of operations or to have any impact on its cash flows from operating, investing, or financing activities.

In June 2016, the FASB issued Accounting Standards Update No. 2016-13, *Financial Instruments - Credit Losses (Topic 326) Measurement of Credit Losses on Financial Instruments* (ASU 2016-13), which requires an entity to utilize a new impairment model known as the current expected credit loss (CECL) model to estimate its lifetime “expected credit loss” and record an allowance that, when deducted from the amortized cost basis of the financial asset, presents the net amount expected to be collected on the financial asset. The CECL model is expected to result in more timely recognition of credit losses. This guidance also requires new disclosures for financial assets measured at amortized cost, loans and available-for-sale debt securities. Entities will apply the standard’s provisions as a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is adopted. The Company expects to adopt this guidance as of February 1, 2020. The Company has evaluated the impact of the adoption of this standard and does not expect adoption of Topic 326 to have a material impact to the consolidated financial statements.

3. Balance Sheet Components

Cash, Cash Equivalents, and Investments

Cash, cash equivalents, and investments consisted of the following:

	As of January 31,	
	2020	2019
	(in thousands)	
Cash and cash equivalents		
Cash	$ 2,131	$ 125,852
Money market funds	118,899	2,023
U.S. Treasury securities	2,994	—
Total cash and cash equivalents	$ 124,024	$ 127,875
Available-for-sale investments:		
U.S. Treasury securities	$ 24,987	$ —
Commercial paper	20,132	—
Corporate debt securities	149,248	—
U.S. Government agency securities	4,973	—
Total available-for-sale investments	$ 199,340	$ —
Held-to-maturity investments:		
U.S. Treasury securities	$ 9,016	$ —
Commercial paper	5,985	—
Corporate debt securities	13,034	—
Total held-to-maturities investments	$ 28,035	$ —
Total investments	$ 227,375	$ —

The following table summarizes the Company's investments' adjusted cost, net unrealized gains, and fair value by significant investment category as of January 31, 2020. Gross realized gains or losses from sales of available-for-sale securities were not material for the fiscal year ended January 31, 2020.

	Adjusted Cost	Unrealized Gain, Net	Fair value
		(in thousands)	
Available-for-sale investments:			
U.S. Treasury securities	$ 24,978	$ 9	$ 24,987
Commercial paper	20,128	4	20,132
Corporate debt securities	149,124	124	149,248
U.S. Government agency securities	4,973	—	4,973
Total available-for-sale investments	$ 199,203	$ 137	$ 199,340
Held-to-maturity investments:			
U.S. Treasury securities	9,016	—	9,016
Commercial paper	5,985	—	5,985
Corporate debt securities	13,034	—	13,034
Total held-to-maturities investments	28,035	—	28,035
Total investments	$ 227,238	$ 137	$ 227,375

All of the Company's held-to-maturity securities have a contractual maturity of less than one year. The following table presents the Company's available-for-sale securities by contractual maturity date as of January 31, 2020:

	Adjusted Cost	Fair Value
	(in thousands)	
Due within one year	$ 128,127	$ 128,169
Due between one to five years	71,076	71,171
	$ 199,203	$ 199,340

There were no securities in a continuous net loss position for 12 months or longer as of January 31, 2020. As of January 31, 2020, we had 21 securities in an unrealized loss position. Investments are reviewed periodically to identify possible other-than-temporary impairments. When evaluating investments for other-than-temporary impairment, we review factors such as length of time and extent to which fair value has been below cost basis, the financial condition of the issuer and any changes thereto, and our intent to sell, or whether it is more likely than not we will be required to sell, the investment before recovery of the investment's amortized cost. No impairment loss has been recorded on the securities included in the tables above, as we believe that the decrease in fair value of these securities is temporary and we expect to recover at least up to the initial cost of the investment for these securities.

The Company had no investments as of January 31, 2019.

Property and Equipment, Net

Property and equipment, net consisted of the following:

	As of January 31,	
	2020	2019
	(in thousands)	
Leasehold improvements	$ 12,257	$ 6,512
Computers and equipment	4,431	2,998
Furniture and fixtures	2,540	1,239
Capitalized internal-use software	389	389
Gross property and equipment(1)	$ 19,617	$ 11,138
Accumulated depreciation and amortization	(7,248)	(5,366)
Property and equipment, net	$ 12,369	$ 5,772

(1) Gross property and equipment includes construction-in-progress for leasehold improvements and furniture and fixtures of $5.1 million and $0.2 million that had not yet been placed in service as of January 31, 2020 and January 31, 2019, respectively. The costs associated with construction-in-progress are not amortized until placed in service.

Depreciation and amortization expense was $2.2 million, $1.7 million, and $1.3 million for the fiscal years ended January 31, 2020, 2019, and 2018, respectively.

Other Assets

Other assets consisted of the following:

	As of January 31,	
	2020	2019
	(in thousands)	
Restricted cash	$ —	$ 2,448
Deferred offering costs	—	3,261
Capitalized implementation costs	358	286
Other	1,293	1,160
Other assets	$ 1,651	$ 7,155

Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consisted of the following:

	As of January 31,	
	2020	2019
	(in thousands)	
Accrued professional fees	$ 1,436	$ 3,037
Accrued events	300	400
Deferred rent	790	268
Accrued hosting and infrastructure	689	47
Early exercise liability	509	1,827
Accrued taxes	961	255
Accrued liabilities, other	2,512	1,311
Accrued expenses and other liabilities	$ 7,197	$ 7,145

4. Fair Value Measurements

The Company measures its financial assets and liabilities at fair value each reporting period using a fair value hierarchy that prioritizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value. A financial instrument's classification within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Three levels of inputs may be used to measure fair value, as follows:

Level 1—Valuations based on observable inputs that reflect quoted prices for identical assets or liabilities in active markets.

Level 2—Valuations based on inputs that are directly or indirectly observable in the marketplace.

Level 3—Valuations based on unobservable inputs that are supported by little or no market activity.

The following table presents information about the Company's financial assets that are required to be measured or disclosed at fair value using the above input categories:

	As of January 31, 2020			
	Level 1	Level 2	Level 3	Total
	(in thousands)			
Money market funds	$ 118,899	$ —	$ —	$ 118,899
U.S. Treasury securities	2,994	34,003	—	36,997
Commercial paper	—	26,117	—	26,117
Corporate debt securities	—	162,282	—	162,282
U.S. Government agency securities	—	4,973	—	4,973
Total	$ 121,893	$ 227,375	$ —	$ 349,268
Included in cash equivalents				$ 121,893
Included in investments				$ 227,375

	As of January 31, 2019			
	Level 1	Level 2	Level 3	Total
	(in thousands)			
Money market funds	$ 4,417	$ —	$ —	$ 4,417
Total	$ 4,417	$ —	$ —	$ 4,417
Included in cash equivalents				$ 2,023
Included in other assets				$ 2,394

The Company's assets that are measured by management at fair value on a recurring basis are classified within Level 1 or Level 2 of the fair value hierarchy. The Company did not have any transfers into and out of Level 1 or Level 2 during the fiscal years ended January 31, 2020 and 2019.

The Company considers all highly liquid investments purchased with a remaining maturity of three months or less to be cash equivalents. As of January 31, 2020, the Company's Level 2 securities were priced by pricing vendors. These pricing vendors utilize observable market information in pricing these securities or, if specific prices are not available for these securities, use other observable inputs like market transactions involving identical or comparable securities. The Company had no Level 2 securities as of January 31, 2019.

The carrying amounts of certain financial instruments, including cash held in banks, accounts receivable, and accounts payable approximate fair value due to their short-term maturities and are excluded from the fair value table above.

5. Commitments and Contingencies

Operating Leases

The Company has entered into various non-cancellable operating leases for its office spaces with lease periods expiring between fiscal 2020 and fiscal 2029. In addition to base rent the Company is also committed to pay a portion of the actual operating expenses under certain of these lease arrangements.

In December 2015, the Company entered into a sublease agreement for its former headquarters in San Francisco, California. The Company received sublease income of $1.1 million and $1.4 million for the fiscal years ended January 31, 2019 and 2018. The lease and related sublease expired in fiscal 2019.

The facility lease agreements generally provide for rental payments on a graduated basis and for options to renew, which could increase future minimum lease payments if exercised. The Company recognizes rent expense on a straight-line basis over the lease period and has accrued for rent expense incurred but not paid. Deferred rent was $6.8 million as of January 31, 2020, of which $0.8 million was included within accrued expenses and other current liabilities and $6.0 million was included within other liabilities on the consolidated balance sheets. Deferred rent was $3.7 million as of January 31, 2019, of which $0.3 million was included within accrued expenses and other current liabilities and $3.4 million was included within other liabilities on the consolidated balance sheets. Rent expense was $6.5 million, $4.6 million, and $3.9 million for the fiscal years ended January 31, 2020, 2019, and 2018, respectively.

As of January 31, 2020, the future minimum lease payments by fiscal year excluding sublease income under non-cancellable operating leases are as follows:

	Minimum Lease Payments
	(in thousands)
2021	$ 6,196
2022	6,419
2023	6,499
2024	6,680
2025	6,879
Thereafter	8,955
Total	$ 41,628

Total future minimum lease payments under non-cancellable operating leases as of January 31, 2020 are primarily comprised of lease payments due under the lease of the Company's headquarters in San Francisco, California, and leases for the Company's offices in Toronto, Canada and Atlanta, Georgia.

In July 2019, the Company entered into a non-cancellable operating lease for office space in Atlanta, Georgia, with minimum lease payments of $14.4 million through the lease term of July 2028.

Purchase Commitments

As of January 31, 2020, the Company had non-cancellable purchase commitments with certain service providers totaling approximately $27.4 million, payable over the next 3 years.

Legal Matters

From time to time in the normal course of business, the Company may be subject to various claims and other legal matters arising in the ordinary course of business. The Company investigates these claims as they arise and accrues estimates for resolution of legal and other contingencies when losses are probable and estimable. The Company is not currently a party to any legal proceedings and does not anticipate any pending or threatened litigation that would be expected to have a material adverse effect on its financial condition, results of operations, or cash flows.

Warranties and Indemnification

The Company has entered into service-level agreements with a portion of its customers defining levels of uptime reliability and performance and permitting those customers to receive credits if the Company fails to meet the defined levels of uptime. To date, the Company has not experienced any significant failures to meet defined levels of uptime reliability and performance as a result of those agreements and, as a result, the Company has not incurred or accrued any material liabilities related to these agreements in the financial statements.

6. Deferred Revenue and Performance Obligations

The following table presents the changes to the Company's deferred revenue:

	Year Ended January 31,		
	2020	2019	2018
		(in thousands)	
Deferred revenue, beginning of period	$ 64,104	$ 38,169	$ 22,973
Billings	194,816	143,758	94,826
Revenue recognized	(166,351)	(117,823)	(79,630)
Deferred revenue, end of period	$ 92,569	$ 64,104	$ 38,169

Approximately 38%, 32%, and 27% of total revenue recognized in the fiscal years ended January 31, 2020, 2019, and 2018 was from the deferred revenue balance as of January 31, 2019, 2018 and 2017, respectively.

As of January 31, 2020 and January 31, 2019, future estimated revenue related to performance obligations for subscriptions with terms of more than one year that are unsatisfied or partially unsatisfied at the end of the reporting periods was approximately $75.7 million and $43.6 million, respectively. The Company expects to satisfy the substantial majority of these unsatisfied performance obligations over the next 24 months and the remainder thereafter. The Company applied the optional exemption for subscriptions with terms of less than a one year.

7. Common Stock and Stockholders' Equity (Deficit)

Redeemable Convertible Preferred Stock

Immediately prior to the completion of the IPO in April 2019, all shares of redeemable convertible preferred stock then outstanding were converted into 41,273,345 shares of common stock on a one-to-one basis and then immediately reclassified into common stock.

Equity Incentive Plans

The Company has two equity incentive plans: the 2010 Stock Plan (the 2010 Plan) and the 2019 Equity Incentive Plan (the 2019 Plan, collectively the Stock Plans). Upon completion of the Company's IPO in April 2019, the Company ceased granting awards under the 2010 Plan, and all shares that remained available for future issuance under the 2010 Plan at that time were transferred to the 2019 Plan. The 2019 Plan superseded and replaced the 2010 Plan. Under the 2019 Plan, the Company's Board of Directors (the Board) and any other committee or subcommittee of the Board may grant stock options, RSAs, and RSUs to employees, consultants, and advisors of the Company. Through January 31, 2020, the Company has granted stock options, RSAs, and RSUs. As of January 31, 2020 and January 31, 2019, respectively, the Company was authorized to grant up to 13,126,301 shares and 23,929,932 shares of common stock under the Stock Plans.

The Company has issued stock options and RSAs to employees and non-employee directors under the 2010 Plan, and certain of these awards allow for early exercise. The Company has issued stock options and RSUs to employees pursuant to the 2019 Plan. Stock options are granted with exercise prices at the fair value of the underlying common stock on the grant date, in general vest based on continuous employment over four years and expire 10 years from the date of grant. RSUs are measured based on the grant date fair value of the awards and in general vest based on continuous employment over four years.

In March 2019, the Company granted 3,041,000 stock options to existing employees with 50 percent of these options vesting over four years from the grant date and 50 percent vesting over five years from the grant date.

The Company currently uses authorized and unissued shares to satisfy stock award exercises. As of January 31, 2020 and January 31, 2019, there were 11,841,156 shares and 2,221,216 shares available for future issuance under the Stock Plans, respectively.

Shares of common stock reserved for future issuance are as follows:

	January 31, 2020
Outstanding stock options and unvested RSUs outstanding	15,612,956
Available for future stock option and RSU grants	11,841,156
Available for ESPP	1,639,225
Total common stock reserved at January 31, 2020	29,093,337

Stock Option Activity

Stock option activity is as follows:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
				(in thousands)
Outstanding at January 31, 2019	14,006,222	$ 4.32	8.2 years	$ 142,840
Granted	3,907,534	$ 16.15		
Exercised	(2,527,533)	$ 2.76		
Canceled	(888,178)	$ 11.32		
Outstanding at January 31, 2020	14,498,045	$ 7.37	7.8 years	$ 231,300
Vested as of January 31, 2020	6,973,210	$ 3.66	7.0 years	$ 137,060

The Company uses the Black-Scholes option-pricing model to estimate the fair value of stock options on the date of grant. The Company accounts for forfeitures as they occur. The following assumptions were used to calculate the fair value of employee stock option grants made during the periods:

	Year Ended January 31,		
	2020	2019	2018
Expected dividend yield	—	—	—
Expected volatility	41.7% - 42.8%	40.1% - 43.2%	40.3% - 46.7%
Expected term (years)	5.5 - 6.9	5.4 - 6.8	5.5 - 6.3
Risk-free interest rate	1.39% - 2.48%	2.53% - 3.04%	1.85% - 2.57%

Assumptions used in valuing non-employee stock options are generally consistent with those used for employee stock options with the exception that the expected term is over the contractual life, or 10 years.

Stock options granted during the fiscal years ended January 31, 2020, 2019, and 2018 had a weighted average grant date fair value of $11.07, $4.87, and $3.32 per share, respectively. The aggregate intrinsic value of stock options exercised during the fiscal years ended January 31, 2020, 2019, and 2018 was $61.7 million, $10.5 million, and $6.4 million, respectively.

The intrinsic value for options exercised is the difference between the market value of the stock and the exercise price of the stock option at the date of exercise.

As of January 31, 2020, there was approximately $48.6 million of total unrecognized compensation cost related to unvested stock options granted under the Stock Plans, which will be recognized over a weighted average period of 3.2 years.

Restricted Stock Units

A summary of the Company's RSU activity and related information is as follow:

	Number of RSUs	Weighted Average Grant Date Fair Value Per Share
Outstanding at January 31, 2019	—	$ —
Granted	1,153,504	$ 28.20
Vested, net of shares withheld for employee payroll taxes	(1,293)	$ 32.48
Canceled	(37,300)	$ 30.63
Outstanding at January 31, 2020	1,114,911	$ 28.10

The Company uses the fair value of RSUs based on the fair value of the underlying shares on the date of grant. The Company accounts for forfeitures as they occur.

As of January 31, 2020, there was $29.0 million of unrecognized stock-based compensation expense related to unvested RSUs, which is expected to be recognized over a weighted average period of 3.7 years based on vesting under the award service conditions.

Employee Stock Purchase Plan

In April 2019, the Board adopted and approved the 2019 Employee Stock Purchase Plan, which became effective on April 11, 2019. The ESPP initially reserved and authorized the issuance of up to a total of 1,850,000 shares of common stock to participating employees. The initial offering period began April 11, 2019 and will end on June 15, 2021, with purchase dates of December 13, 2019, June 15, 2020, December 15, 2020 and June 15, 2021. The ESPP generally provides for 24-month offering periods beginning June 15 and December 15 of each year, with each offering period consisting of four six-month purchase periods, except for the initial offering period which began on April 11, 2019 and ended on December 13, 2019. On each purchase date, eligible employees will purchase the shares at a price per share equal to 85% of the lesser of (1) the fair market value of the Company's stock as of the beginning of the offering period or (2) the fair market value of the Company's stock on the purchase date, as defined in the ESPP.

The following assumptions were used to calculate the fair value of shares to be granted under the ESPP during the period:

	Year Ended January 31,
	2020
Expected dividend yield	—
Expected volatility	39.2% - 48.4%
Expected term (years)	0.5 - 2.1
Risk-free interest rate	1.53% - 2.43%

During the year ended January 31, 2020, the Company recognized $5.1 million of stock-based compensation expense related to ESPP and withheld $5.5 million in contributions from employees. In the year ended January 31, 2020, 210,775 shares of common stock were issued under the ESPP at a purchase price of $19.63.

Warrant Issued as Charitable Contribution

In the fiscal year ended January 31, 2019, the Company commenced an initiative to donate product, equity, and employee time for charitable purposes. In June 2018, as part of this initiative, the Company issued to the Tides Foundation a warrant to purchase up to 648,092 shares of the Company's common stock, exercisable at a price of

$0.01 per share. The common stock warrant was automatically net exercised for 647,822 shares of common stock upon the closing of the IPO.

The Company recognized $6.2 million of non-cash charitable contribution expense during the fiscal year ended January 31, 2019 and this amount is included within stock-based compensation expense in general and administrative expense in the accompanying consolidated statement of operations.

Common Stock Transfers

During the fiscal year ended January 31, 2019, certain of the Company's investors acquired outstanding common stock from current or former employees at a purchase price greater than or equal to the estimated fair value at the time of the transactions. For the shares acquired at a price in excess of fair value during the fiscal year ended January 31, 2019, the Company recorded stock-based compensation expense for the difference between the price paid and the estimated fair value on the date of the transactions of $5.5 million. The Company recorded $3.8 million of this expense in research and development expense, $1.4 million in general and administrative expense and $0.3 million in sales and marketing expense. In connection with these stock transfers, the Company either waived or assigned its rights of first refusal or other transfer restrictions applicable to such shares.

There were no such transactions during the fiscal years ended January 31, 2020 or 2018.

Common Stock Subject to Repurchase

Common stock purchased pursuant to an early exercise of stock options is not deemed to be outstanding for accounting purposes until those shares vest. The consideration received for an exercise of an option is considered to be a deposit of the exercise price and the related dollar amount is recorded as a liability. The shares issued upon the early exercise of these unvested stock option awards, which are reflected as exercises in the table above, are considered to be legally issued and outstanding on the date of exercise. Upon termination of service, the Company may repurchase unvested shares acquired through early exercise of stock options at a price equal to the price per share paid upon the exercise of such options.

As of January 31, 2020 and 2019, the Company has recorded liabilities related to early exercises of 76,415 and 339,049 shares of common stock, respectively. The related liability is recorded within accrued expenses and other current liabilities on the accompanying consolidated balance sheets and was $0.5 million and $1.8 million as of January 31, 2020 and 2019, respectively. The liability is reclassified into stockholders' equity as the awards vest.

Stock-Based Compensation

Stock-based compensation expense included in the Company's consolidated statements of operations is as follows:

	Year Ended January 31,		
	2020	2019	2018
		(in thousands)	
Cost of revenue	$ 1,018	$ 282	$ 385
Research and development	5,566	8,171	9,796
Sales and marketing	8,924	3,982	3,831
General and administrative[(1)]	11,697	12,860	4,140
Total	$ 27,205	$ 25,295	$ 18,152

(1) Stock-based compensation expense above includes $6.2 million of non-cash charitable contribution expense in the fiscal year ended January 31, 2019.

8. Net Loss per Share

The following table presents the calculation of basic and diluted net loss per share:

	Year Ended January 31,		
	2020	2019	2018
	(in thousands, except per share data)		
Numerator:			
Net loss	$ (50,339)	$ (40,741)	(38,149)
Denominator:			
Weighted average shares used in calculating net loss per share, basic and diluted	65,544	21,410	19,986
Net loss per share, basic and diluted	$ (0.77)	$ (1.90)	$ (1.91)

Since the Company was in a loss position for the periods presented, basic net loss per share is the same as diluted net loss per share as the inclusion of all potential common shares outstanding would have been anti-dilutive. Potentially dilutive securities that were not included in the diluted per share calculations because they would be anti-dilutive were as follows:

	As of January 31,		
	2020	2019	2018
	(in thousands)		
Redeemable convertible preferred stock	—	41,273	36,001
Shares subject to outstanding common stock awards	15,613	14,006	11,316
Unvested early exercised stock options	76	339	246
Warrants to purchase common stock	—	750	204
Early exercised stock options in exchange for note receivable	—	250	250
Restricted stock awards purchased with promissory notes	180	510	664
Shares issuable pursuant to the 2019 Employee Stock Purchase Plan	67	—	—
Total	15,936	57,128	48,681

9. Income Taxes

The components of income (loss) before income taxes are as follows:

	Year Ended January 31,		
	2020	2019	2018
	(in thousands)		
Domestic	$ (53,485)	$ (39,863)	$ (37,396)
Foreign	3,821	(177)	(569)
Loss before provision for income taxes	$ (49,664)	$ (40,040)	$ (37,965)

The components of the provision for income taxes are as follows:

	Year Ended January 31,		
	2020	2019	2018
	(in thousands)		
Current			
Federal	$ —	$ —	$ —
State	126	26	15
Foreign	25	135	123
Total current tax expense	$ 151	$ 161	$ 138
Deferred			
Federal	$ —	$ (3)	$ 9
State	(1)	—	1
Foreign	525	543	36
Total deferred tax expense	$ 524	$ 540	$ 46
Provision for income taxes	$ 675	$ 701	$ 184

A reconciliation of the Company's recorded provision for income taxes to the amount of taxes computed at the U.S. statutory rate is as follows:

	Year Ended January 31,		
	2020	2019	2018
		(in thousands)	
Income taxes computed at U.S. federal statutory rate	$ (10,429)	$ (8,408)	$ (12,489)
State taxes, net of federal benefit	(4,901)	(1,326)	(1,400)
Permanent differences	308	220	34
Stock-based compensation	(3,739)	1,077	4,569
Foreign rate differential	(239)	34	10
Uncertain tax positions	(14)	680	336
Tax Act	—	—	8,184
Tax credits	(3,271)	—	—
Change in valuation allowance	25,390	8,085	929
Charitable contributions	(1,960)	—	—
Other	(470)	339	11
Provision for income taxes	$ 675	$ 701	$ 184

On December 22, 2017, the Tax Cuts and Jobs Act of 2017 (Tax Act) was enacted. The Tax Act contains several key tax provisions that affect the Company, including, but not limited to, reducing the U.S. federal corporate tax rate from 34% to 21% for tax years beginning after December 31, 2017, imposing a mandatory one-time deemed repatriation tax on previously untaxed foreign earnings, and changing rules related to uses and limitations of net operating loss carryforwards created in tax years beginning after December 31, 2017. Due to the full valuation allowance recorded against our U.S. federal deferred tax assets, there was no U.S. income tax expense or benefit as a result of the Tax Act. The Company has elected to account for the tax effects of Global Intangible Low-Taxed Income (GILTI) as a period cost.

Deferred income taxes arise from temporary differences between the carrying values of assets and liabilities for financial reporting purposes and income tax reporting purposes, as well as operating losses and tax credit carryforwards. Significant components of the Company's deferred tax assets and liabilities are as follows:

	As of January 31,	
	2020	2019
	(in thousands)	
Deferred tax assets:		
Net operating losses	$ 36,412	$ 21,886
Allowances and accruals	2,437	2,322
Stock-based compensation	5,523	2,171
Charitable contributions	3,989	1,626
Tax credits	5,349	—
Other	2,075	665
Gross deferred tax assets	$ 55,785	$ 28,670
Less: valuation allowance	(50,086)	(24,695)
Net deferred tax assets	$ 5,699	$ 3,975
Deferred tax liabilities:		
Deferred commissions	$ (6,519)	$ (4,474)
Other	(256)	(54)
Gross deferred tax liabilities	$ (6,775)	$ (4,528)
Net deferred tax liabilities	$ (1,076)	$ (553)

The realization of deferred tax assets is dependent upon the generation of sufficient taxable income of the appropriate character in future periods. The Company regularly assesses the ability to realize its deferred tax assets and establishes a valuation allowance if it is more-likely-than-not that some portion of the deferred tax assets will not be realized. The Company weighs all available positive and negative evidence, including its earnings history and results of recent operations, scheduled reversals of deferred tax liabilities, projected future taxable income, and tax planning strategies. Due to the weight of objectively verifiable negative evidence, including its history of losses in the United States, the Company believes that it is more likely than not that its U.S. federal and state deferred tax assets will not be realized. Accordingly, the Company has recorded a full valuation allowance on such deferred tax assets. The valuation allowance against its various deferred tax assets increased by $25.4 million and $8.3 million during the fiscal years ended January 31, 2020 and 2019, respectively.

As of January 31, 2020, the Company had federal, state, and foreign net operating loss carryforwards in the amount of $142.7 million, $5.8 million, and $2.8 million, respectively, which begin to expire in 2030. Utilization of the Company's net operating loss may be subject to annual limitations due to the ownership change limitations provided by section 382 of the Internal Revenue Code and similar state provisions. The Company's net operating loss carryforwards could expire before utilization if subject to annual limitations.

As of January 31, 2020, the Company had federal, California, and Canadian research and development credit carryforwards of $5.1 million, $3.7 million, and $0.3 million, respectively. The federal research and development credits will begin to expire in 2031, the California research and development credits have no expiration, and the Canadian research and development credits will begin to expire in 2034.

The Company attributes net revenue, costs, and expenses to domestic and foreign components based on the terms of its agreements with its subsidiaries. The Company does not provide for federal and state income taxes on the undistributed earnings of its foreign subsidiaries as such earnings are to be reinvested offshore indefinitely. As a result of the Tax Act, if the Company repatriated these earnings, the tax impact of future distributions of foreign earnings would generally be limited to withholding tax from local jurisdictions, and the resulting income tax liability would be insignificant.

The following table summarizes the activity related to the Company's unrecognized tax benefits:

	Year Ended January 31,		
	2020	2019	2018
	(in thousands)		
Balance at beginning of period	$ 6,644	$ 4,385	$ 2,400
Additions related to prior years	71	—	—
Reductions related to prior years	(3,515)	(19)	—
Additions related to current year	843	2,278	1,985
Balance at end of period	$ 4,043	$ 6,644	$ 4,385

All of the Company's tax years remain open for examination by U.S. federal and state tax authorities. The non-U.S. tax returns remain open for examination for the years 2015 and onwards. Due to its U.S. federal and state valuation allowance, $1.1 million and $1.0 million of unrecognized tax benefits as of January 31, 2020 and 2019, respectively, would affect the effective tax rate if recognized. The Company recognizes interest and penalties related to unrecognized tax benefits as provision for income taxes. The Company has accrued an immaterial amount of interest and penalties associated with its unrecognized tax benefits noted above as of January 31, 2020 and 2019, respectively. The Company does not anticipate the total amounts of unrecognized tax benefits will significantly decrease in the next 12 months.

10. Geographic Information

Revenue by location is determined by the billing address of the customer. The following table sets forth revenue by geographic area:

	Year Ended January 31,		
	2020	2019	2018
	(in thousands)		
United States	$ 129,728	$ 94,345	$ 64,404
International	36,623	23,478	15,226
Total	$ 166,351	$ 117,823	$ 79,630

Other than the United States, no other individual country accounted for 10% or more of revenue for the fiscal years ended January 31, 2020, 2019, or 2018. As of January 31, 2020, 76% of the Company's property equipment was located in the United States, 23% was located in Canada, and 1% was located in the United Kingdom. As of January 31, 2019, 48% of the Company's property and equipment was located in the United States and 52% was located in Canada.

11. 401(k) Plan

The Company has a qualified defined contribution plan under Section 401(k) of the Internal Revenue Code covering eligible employees. The 401(k) plan allows each participant to contribute up to an amount not to exceed an annual statutory maximum. The Company is responsible for the administrative costs of the 401(k) plan, and effective July 1, 2019, the Company implemented an employer matching contribution of one percent (1%) of each participant's employee contributions of at least 1% of eligible wages during the period. During the fiscal year ended January 31, 2020, we recognized expense of $0.4 million related to matching contributions. We did not make any contributions in the fiscal years ended January 31, 2019 and 2018.

12. Subsequent Events

The Company has evaluated subsequent events through March 19, 2020.

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 disclosure controls and procedures are designed to ensure 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 SEC 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.

Our management, with the participation and supervision of our chief executive officer and our chief financial officer, have evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, the Exchange Act) as of the end of the period covered by this Annual Report on Form 10-K. Based on such evaluation, our chief executive officer and chief financial officer have concluded that as of such date, our disclosure controls and procedures were, in design and operation, effective at a reasonable assurance level.

Management's Report on Internal Control Over Financial Reporting

This Annual Report on Form 10-K does not include a report of management's assessment regarding internal control over financial reporting or an attestation report of our independent registered public accounting firm as permitted in this transition period under the rules of the SEC for newly public companies.

Limitations on the Effectiveness of Controls

The effectiveness of any system of internal control over financial reporting, including ours, is subject to inherent limitations, including the exercise of judgment in designing, implementing, operating, and evaluating the controls and procedures, and the inability to eliminate misconduct completely. Accordingly, in designing and evaluating the disclosure controls and procedures, management recognizes that any system of internal control over financial reporting, including ours, no matter how well designed and operated, can only provide reasonable, not absolute assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures 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. Moreover, 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. We intend to continue to monitor and upgrade our internal controls as necessary or appropriate for our business but cannot assure you that such improvements will be sufficient to provide us with effective internal control over financial reporting.

Changes in Internal Controls Over Financial Reporting

There were no changes 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 period covered by this Annual Report on Form 10-K that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting, other than as described above.

Item 9B. Other Information

Not applicable.

Part III.

Item 10. Directors, Executive Officers and Corporate Governance

We maintain a Code of Business Conduct and Ethics applicable to all of our employees, including our Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer, which is a "Code of Ethics for Senior Financial Officers" as defined by applicable rules of the SEC. This code is publicly available on our website at pagerduty.com. If we make any amendments to this code other than technical, administrative or other non-substantive amendments, or grant any waivers, including implicit waivers, from a provision of this code we will disclose the nature of the amendment or waiver, its effective date and to whom it applies on our website at pagerduty.com or in a Current Report on Form 8-K filed with the SEC.

The information required by this Item is incorporated by reference to the definitive Proxy Statement for our 2020 Annual Meeting of Stockholders, which will be filed with the SEC no later than 120 days after January 31, 2020.

Item 11. Executive Compensation

The information required by this Item is incorporated by reference to the definitive Proxy Statement for our 2020 Annual Meeting of Stockholders, which will be filed with the SEC no later than 120 days after January 31, 2020.

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

The information required by this Item is incorporated by reference to the definitive Proxy Statement for our 2020 Annual Meeting of Stockholders, which will be filed with the SEC no later than 120 days after January 31, 2020.

Item 13. Certain Relationships and Related Transactions and Director Independence

The information required by this Item is incorporated by reference to the definitive Proxy Statement for our 2020 Annual Meeting of Stockholders, which will be filed with the SEC no later than 120 days after January 31, 2020.

Item 14. Principal Accounting Fees and Services

The information required by this Item is incorporated by reference to the definitive Proxy Statement for our 2020 Annual Meeting of Stockholders, which will be filed with the SEC no later than 120 days after January 31, 2020.

PART IV.

Item 15. Exhibits, Financial Statement Schedules

(a) The following documents are included as part of this Annual Report on Form 10-K.

1. Index to 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 other schedules are omitted as the information required is inapplicable or the information is presented in the consolidated financial statements or the related notes.

3. Exhibits

The documents listed in the Exhibit Index of this Annual Report on Form 10-K are incorporated by reference or are filed with this Annual Report on Form 10-K, in each case as indicated therein (numbered in accordance with Item 601 of Regulation S-K).

Exhibit Number	Description	Form	File No.	Incorporated by Exhibit Reference	Filing Date
3.1	Amended and Restated Certificate of Incorporation of PagerDuty, Inc.	8-K	001-38856	3.1	April 15, 2019
3.2	Amended and Restated Bylaws of PagerDuty, Inc.	8-K	001-38856	3.2	April 15, 2019
4.1	Form of common stock certificate of PagerDuty, Inc.	S-1/A	333-230323	4.1	April 1, 2019
4.2	Amended and Restated Investors' Rights Agreement by and among PagerDuty, Inc. and certain of its stockholders, dated August 24, 2018	S-1	333-230323	4.2	March 15, 2019
4.3	Description of Securities			Filed herewith	
10.1#	PagerDuty, Inc. 2019 Equity Incentive Plan and forms of agreements thereunder	S-1/A	333-230323	10.2	March 21, 2019
10.2#	PagerDuty, Inc. 2019 Employee Stock Purchase Plan	S-1/A	333-230323	10.3	March 21, 2019
10.3#	Form of Indemnification Agreement entered into by and between PagerDuty, Inc. and each director and executive officer	S-1	333-230323	10.4	March 15, 2019
10.4#	Amended and Restated Offer Letter by and between PagerDuty, Inc. and Jennifer G. Tejada	S-1/A	333-230323	10.5	April 1, 2019
10.5#	Confirmatory Offer Letter by and between PagerDuty, Inc. and Howard Wilson	S-1/A	333-230323	10.6	April 1, 2019
10.6#	Confirmatory Offer Letter by and between PagerDuty, Inc. and Stacey A. Giamalis	S-1/A	333-230323	10.7	April 1, 2019
10.7#	Offer Letter by and between PagerDuty, Inc. and David Justice			Filed herewith	
10.8#	PagerDuty, Inc. Amended and Restated Executive Severance and Change in Control Policy			Filed herewith	
10.9#	PagerDuty, Inc. Cash Incentive Bonus Plan	S-1/A	333-230323	10.10	March 21, 2019
10.10#	PagerDuty, Inc. Non-Employee Director Compensation Policy	S-1/A	333-230323	10.11	March 21, 2019
10.11	Lease Agreement by and between PagerDuty, Inc. and Toda America, Inc., as amended, dated September 17, 2015	S-1	333-230323	10.9	March 15, 2019
21.1	List of subsidiaries of PagerDuty, Inc.			Filed herewith	
23.1	Consent of Independent Registered Public Accounting Firm			Filed herewith	
24.1	Power of Attorney (included on signature page)			Filed herewith	
31.1	Certification of the Chief Executive Officer pursuant to Exchange Act Rule 13a-14 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002			Filed herewith	
31.2	Certification of the Chief Financial Officer pursuant to Exchange Act Rule 13a-14 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002			Filed herewith	
32.1*	Certification of the Chief Executive Officer and the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002			Furnished herewith	
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.			Filed herewith	
101.SCH	XBRL Taxonomy Extension Schema Document.			Filed herewith	
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.			Filed herewith	
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.			Filed herewith	
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.			Filed herewith	
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.			Filed herewith	

* The certifications furnished in Exhibit 32.1 hereto are deemed to accompany this Annual Report on Form 10-K and will not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, except to the extent that the registrant specifically incorporates it by reference.

\# Indicates a management contract or compensatory plan.

Item 16. Form 10-K Summary

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on this March 19, 2020.

	PAGERDUTY, INC.
By:	/s/ Jennifer G. Tejada
	Jennifer G. Tejada
	Chief Executive Officer
	(Principal Executive Officer)

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Jennifer G. Tejada and Owen Howard Wilson, and each of them, as his or her true and lawful attorney-in-fact and agent with full power of substitution and resubstitution, for such individual 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 for 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 the individual's substitute, may lawfully do or cause to be done by virtue hereof.

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

Signature	Title	Date
/s/ Jennifer G. Tejada Jennifer G. Tejada	Chief Executive Officer and Director *(Principal Executive Officer)*	March 19, 2020
/s/ Owen Howard Wilson Owen Howard Wilson	Chief Financial Officer *(Principal Financial Officer)*	March 19, 2020
/s/ Karen Walker Karen Walker	Senior Vice President, Finance *(Principal Accounting Officer)*	March 19, 2020
/s/ Sameer Dholakia Sameer Dholakia	Director	March 19, 2020
/s/ Elena Gomez Elena Gomez	Director	March 19, 2020
/s/ Ethan Kurzweil Ethan Kurzweil	Director	March 19, 2020
/s/ Rathi Murthy Rathi Murthy	Director	March 19, 2020
/s/ Zachary Nelson Zachary Nelson	Director	March 19, 2020
/s/ John O’Farrell John O’Farrell	Director	March 19, 2020
/s/ Alex Solomon Alex Solomon	Director	March 19, 2020