PagerDuty

FY 2021

# Annual Report & Proxy Statement

Dear PagerDuty Stockholders,

Our annual letter to stockholders gives me an opportunity to reflect on the year that has passed and also to thank all of you for your partnership and support. Throughout fiscal year 2021, PagerDuty continued to demonstrate its value and build upon the trust and loyalty of our customers. As businesses addressed urgent and changing needs, our platform was essential in helping them accelerate their shift to digital, migrate to the cloud, and transform to DevOps practices. The pandemic accelerated these movements and tailwinds for PagerDuty. Users increased 40% over last year to over 700,000 and we now serve more than 13,800 customers worldwide.

Revenue has grown 80% since our IPO two years ago and we finished the year strong with $214 million in revenue, up 28% year-over-year. Our global footprint also continued to expand rapidly with full year revenue in international markets growing 37% from a year ago.

We've delivered high growth with fiscal prudence. We significantly improved full year non-GAAP operating margin loss at 9% over last year's 17% loss. We generated $10.1 million of operating cash flow and $5.2 million of free cash flow. Non-GAAP gross margins remained best in class at 86%, creating leverage for investments while growing the business and moving toward long term profitability. Enterprise dollar-based net retention rate (DBNR) accelerated above 125%, validating our position as the central nervous system for the modern enterprise, and customers investing over $1 million in PagerDuty grew by 44%, including 26 large enterprises above that spending threshold.

Our platform has proven to be resilient at scale, helping customers resolve issues 20% faster despite a 135% increase in traffic. Our customers are thriving because of PagerDuty. According to IDC*, enterprise customers achieved an incredible 800% return on investment over three years, a two-month payback period, and an average of $3.5 million in savings annually. As CTOs and CIOs recognize the value we provide we are seeing greater usage of our full range of capabilities - uptake of our digital operations management plan nearly doubled and is now over 20% of our total ARR.

The acquisition of Rundeck advanced our value proposition, giving us a new way to land with customers and moving us from a product to a platform company. Rundeck brings machine-based automation and self-healing to Digital Operations, and increases our total addressable market. We also released new features to our platform - advancing machine learning, automation, and change intelligence capabilities all while introducing our first Digital Operations solution for customer service teams. We currently offer more than 500 integrations, and sit squarely at the center of our customers' digital ecosystems.

We made early investments in Environmental, Social and Governance (ESG) work to ensure that our business operations produce a positive impact, and we are also proud to have launched our first Inclusion, Diversity and Equity report Diversity makes us stronger and more innovative. It ensures we reflect the customers and communities we serve. We believe that fostering a more inclusive, diverse, and equitable company is both an ethical and business imperative.

Community is at the heart of PagerDuty, with ninety-three percent of employees giving back through volunteering or financial contributions during calendar year 2020. Through PagerDuty.org, our social impact arm, we deepened our investments in Time-Critical Health and made commitments to voter engagement, and free and fair elections.

As I reflect back on fiscal year 2021, I am grateful for the trust and support of our customers, employees, investors and partners. PagerDuty reduces complexity and manages urgent, mission-critical work to ensure top line business outcomes. As physical businesses reopen and workers return to the office, we expect to benefit from recovering industries and to reaccelerate growth. The secular tailwinds of digital acceleration, cloud migration and DevOps transformation will only increase.

*IDC Research, December 2020: PagerDuty Helps Organizations Optimize Their Digital Operations Management

I am more confident than ever in our ability to deliver a superior customer experience, an enriching experience for employees, and returns for you, our valued stockholders. Thank you for your continued partnership.

Sincerely,

Jennifer Tejada
CEO and Chair of the Board of Directors

Dear Stockholder,

We are pleased to invite you to attend the 2021 Annual Meeting of Stockholders (the "Annual Meeting") of PagerDuty, Inc. ("PagerDuty" or the "Company"), to be held on Thursday, June 17, 2021, 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/PD2021* (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

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

## NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

| | |
|---|---|
| **Time and Date** | June 17, 2021 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/PD2021*. |
| **Items of Business** | 1. To elect the Board of Directors' nominees, Alec Gallimore, Rathi Murthy and Alex Solomon, as Class II directors to hold office until the 2024 Annual Meeting of Stockholders.<br>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, 2022.<br>3. To conduct an advisory, non-binding vote to approve the compensation of our named executive officers.<br>4. To conduct an advisory, non-binding vote on the frequency of future advisory, non-binding votes to approve the compensation of our named executive officers.<br>5. To conduct any other business properly brought before the meeting. |
| **Record Date** | April 23, 2021 (the "Record Date"). Only stockholders of record at the close of business on the Record Date are entitled to receive 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 17, 2021.** Our proxy materials, including the Proxy Statement and Annual Report to Stockholders, are being made available on or about May 3, 2021 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 3, 2021

**Your vote is important. To vote your shares, please follow the instructions in the Notice of Internet Availability of Proxy Materials, which is being mailed to you on or about May 3, 2021.**

**PAGERDUTY, INC.**

**PROXY STATEMENT**
**FOR THE 2021 ANNUAL MEETING OF STOCKHOLDERS**

**TABLE OF CONTENTS**


| | |
|---|---|
| QUESTIONS AND ANSWERS ABOUT THESE PROXY MATERIALS AND VOTING | 1 |
| BOARD OF DIRECTORS AND CORPORATE GOVERNANCE | 6 |
| PROPOSAL 1 ELECTION OF DIRECTORS | 15 |
| PROPOSAL 2 RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM | 16 |
| PROPOSAL 3 ADVISORY, NON-BINDING VOTE TO APPROVE THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS | 18 |
| PROPOSAL 4 ADVISORY, NON-BINDING VOTE ON THE FREQUENCY OF FUTURE ADVISORY, NON-BINDING VOTES TO APPROVE THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS | 19 |
| AUDIT COMMITTEE REPORT | 20 |
| EXECUTIVE OFFICERS | 21 |
| COMPENSATION DISCUSSION & ANALYSIS | 22 |
| EXECUTIVE COMPENSATION | 37 |
| SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT | 49 |
| TRANSACTIONS WITH RELATED PERSONS AND INDEMNIFICATION | 51 |
| OTHER MATTERS | 53 |

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

# PROXY STATEMENT
# FOR THE 2021 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 2021 Annual Meeting of Stockholders (the “Annual Meeting”), and any postponements, adjournments or continuations thereof. The Annual Meeting will be held on June 17, 2021 at 10:00 a.m. Pacific Time, via live audio webcast at *www.virtualshareholdermeeting.com/PD2021*. Stockholders of record as of April 23, 2021 (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, 2021 (the “Annual Report”) is first being mailed on or about May 3, 2021 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 17, 2021. 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 3, 2021. 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 23, 2021, 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 83,557,845 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/PD2021*. 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 four matters scheduled for a vote:

- Election of three Class II directors (Proposal 1);
- 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, 2022 (Proposal 2);
- An advisory, non-binding vote to approve the compensation of our named executive officers (Proposal 3); and
- An advisory, non-binding vote on the frequency of future advisory, non-binding votes to approve the compensation of our named executive officers (Proposal 4).

**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 16, 2021 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 16, 2021 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 16, 2021. 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/PD2021* (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 16, 2021; or
- following the instructions at *www.virtualshareholdermeeting.com/PD2021*.

***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, or 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 three nominees as Class II directors, "FOR" the ratification of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending January 31, 2022, "FOR" the approval, on an advisory, non-binding basis, of the compensation of our named executive officers, as disclosed in this Proxy Statement, and "ONE YEAR" as the preferred frequency for future advisory, non-binding votes to approve the compensation of our named executive officers. 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. Brokers, banks or other nominees will not have discretionary voting power to vote your shares without your voting instructions on any of the items being considered at the Annual Meeting, except for Proposal 2 (ratification of Ernst & Young LLP as our independent registered public accounting firm).

***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 the fiscal year ending January 31, 2022. | "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) |
| 3 | An advisory, non-binding vote to approve the compensation of our named executive officers | "For" votes from the holders of a majority of shares present or represented by proxy and entitled to vote on the matter | Against | No effect |
| 4 | An advisory, non-binding vote on the frequency of future advisory non-binding votes to approve the compensation of our named executive officers | The frequency option—one year, two years or three years—receiving the most votes cast will be the frequency that has been recommended by stockholders. | No effect | No effect |

(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 83,557,845 shares outstanding and entitled to vote. Thus, the holders of 41,778,923 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 each of 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 3, 2022, 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 19, 2022 and no earlier than the close of business on February 17, 2022; 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 17, 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 2021. Each of the nominees listed below is currently a director of the Company. If elected at the annual meeting, each of these nominees would serve until the 2024 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. All continuing members of our Board at the time of the 2020 annual meeting of stockholders attended the meeting.

The following table sets forth information, as of May 3, 2021, with respect to our directors who we expect to continue in office after the Annual Meeting, including the three nominees for election at the Annual Meeting:

| Name | Age | Director Since |
|---|---|---|
| ***Class II Directors-Nominees for Election at the Current Annual Meeting*** | | |
| Alec Gallimore | 57 | November 2020 |
| Rathi Murthy | 55 | March 2019 |
| Alex Solomon | 38 | November 2010 |
| ***Class III Directors-Continuing in Office until the 2022 Annual Meeting*** | | |
| Elena Gomez | 51 | October 2018 |
| Zachary Nelson | 59 | June 2018 |
| Bonita Stewart | 63 | January 2021 |
| ***Class I Directors-Continuing in Office until the 2023 Annual Meeting*** | | |
| Jennifer Tejada | 50 | July 2016 |
| Sameer Dholakia | 47 | December 2019 |

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 2024 Annual Meeting

***Alec Gallimore.*** Dr. Gallimore has served on our Board since November 2020. Dr. Gallimore has served as the Robert J. Vlasic Dean of Engineering at the University of Michigan since 2016 and the Richard F. and Eleanor A. Towner Professor of Engineering at the University of Michigan since 2015. He has held various positions of increasing responsibility at the University of Michigan since joining the institution in 1992. Dr. Gallimore has served on several NASA and US Department of Defense boards and studies, including as a member of the United States Air Force Scientific Advisory Board. He is a fellow of the American Institute of Astronautics and Aeronautics and was elected into the National Academy of Engineering in 2019. Dr. Gallimore currently serves on the board of directors for ANSYS, Inc. (NASDAQ: ANSS), and on the board of trustees for the Institute for Defense Analyses (a not-for-profit entity). Dr. Gallimore holds a B.S. in Aerospace, Aeronautical and Astronautical Engineering from Rensselaer Polytechnic Institute and a M.A. and Ph.D. in Aerospace, Aeronautical and Astronautical/Space Engineering from Princeton University.

Dr. Gallimore was selected to serve on our Board because of his extensive experience and leadership in engineering and engineering education.

***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. From May 2016 until May 2021, Ms. Gomez 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., a global enterprise software company, 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.

***Bonita Stewart.*** Ms. Stewart has served on our Board since January 2021. Since 2006, Ms. Stewart has served in various roles at Google, Inc., a wholly-owned subsidiary of Alphabet Inc., a global technology company, including most recently as Vice President, Global Partnerships since July 2016. At Google, Ms. Stewart previously served as Vice President, Americas, Partner Business Solutions from August 2012 to December 2015; as Vice President, U.S. Sales and Operations from 2011 to 2012; as Managing Director, U.S. Sales from 2009 to 2010; and as Industry Director, U.S. Automotive from 2006 to 2009. Ms. Stewart served on the board of directors of Deckers Outdoor Corporation, a footwear design and distribution company, since September 2014 and PluralSight, a leading cloud-based technology skills development platform, from October 2018 to April 2021. Ms. Stewart holds a B.A. degree in Journalism from Howard University and an M.B.A. degree from Harvard Business School.

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

**Directors Continuing in Office Until 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 UiPath, Inc., global software company that develops a platform for robotic process automation. 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 served as the CEO of Twilio SendGrid at Twilio, Inc., a cloud communication platform, from Twilio's acquisition of SendGrid in February 2019 to June 2020. 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. He 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 also serves on the board of directors of Auth0, an identity management platform for application builders and developers, since October 2020. 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.

**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, Murthy and Stewart and Messrs. Dholakia, Gallimore and Nelson, 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 Zachary Nelson to serve as our presiding director. 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 11 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.  All continuing members of our Board at the time of the 2020 annual meeting of stockholders attended the meeting.

**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 3, 2021 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 | |
| Alec Gallimore | Member | | |
| Elena Gomez | Chair | | |
| Rathi Murthy | | Member | Chair |
| Zachary Nelson | | Chair | Member |
| Alex Solomon | | | |
| Bonita Stewart | Member | | Member |
| Total Number of Meetings in Fiscal Year 2021 | 5 | 6 | 4 |

### *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 2021 raised a conflict of interest.

Under its charter, the Compensation Committee may form, and delegate authority to, subcommittees as appropriate. In fiscal year 2021, 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 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 Compensation 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 and Dholakia and Ms. Murthy, 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 2021, the Nominating Committee paid a fee to Heidrick & Struggles to assist in the process of identifying or evaluating director candidates, including with respect to Mr. Gallimore and Ms. Stewart, our new directors in fiscal year 2021.

***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, 2021, 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)(2) | Stock Awards ($)(1)(2) | All Other Compensation ($) | Total ($) |
|---|---|---|---|---|---|
| Sameer Dholakia | 50,270 | — | 184,992 | — | 235,262 |
| Alec Gallimore(3) | 8,005 | — | 449,975 | — | 457,980 |
| Elena Gomez | 55,000 | — | 184,992 | — | 239,992 |
| Ethan Kurtzwell(4) | 19,508 | — | — | — | 19,508 |
| Rathi Murthy | 51,090 | — | 184,992 | — | 236,082 |
| Zachary Nelson | 54,000 | — | 184,992 | — | 238,992 |
| John O'Farrell(5) | 22,481 | — | — | — | 22,481 |
| Alex Solomon(6) | — | — | — | 260,320 | 260,320 |
| Bonita Stewart(7) | 2,811 | — | 449,960 | — | 452,771 |

(1) The amounts disclosed represent the aggregate grant date fair value of the 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 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, 2021, as filed with the Securities and Exchange Commission on March 19, 2021. These amounts do not reflect the actual economic value that may be realized by the director.

(2) As of January 31, 2021, our non-employee directors held outstanding stock options to purchase the number of shares of common stock and outstanding RSUs. Ms. Gomez and Ms. Murthy held 244,306 and 148,881 outstanding stock options, respectively. Mr. Dholakia, Mr. Gallimore, Ms. Gomez, Ms. Murthy, Mr. Nelson, and Ms. Stewart held 19,742, 13,161, 6,331, 6,331, 6,331, and 10,245 outstanding RSUs, respectively. This includes awards for director compensation and non-director compensation.

(3) Mr. Gallimore joined our Board in November 2020, and received the "Initial Grant" described below under "Non-Employee Director Compensation Policy—Equity Compensation".
(4) Mr. Kurtzwell's term expired at our 2020 Annual Meeting and he did not stand for re-election.
(5) Mr. O'Farrell's term expired at our 2020 Annual Meeting and he did not stand for re-election.
(6) In the fiscal year ended January 31, 2021, Mr. Solomon earned a salary of $201,505 and bonus of $58,815, in his role as our Chief Technology Officer. Mr. Solomon did not receive any additional compensation for service as a director.
(7) Ms. Stewart joined our Board in January 2021, and received the "Initial Grant" described below under "Non-Employee Director Compensation Policy—Equity Compensation".

### *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.

*Director Compensation Limits*

Director compensation limits are in place that may not be increased without stockholder approval. Under the terms of the 2019 Equity Incentive Plan, the maximum number of shares of common stock subject to awards granted and cash fees paid by us during any one calendar year to any non-employee director for service on our Board 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, $1,000,000.

*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, three Class II 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 II directors in the class whose term of office expires in 2021: Alec Gallimore, Rathi Murthy and Alex Solomon.

### Nominees

Our Board has nominated Alec Gallimore, Rathi Murthy and Alex Solomon for election as Class II directors at the Annual Meeting. If elected, each of Ms. Murthy and Messrs. Gallimore and Solomon will serve as Class II directors until the 2024 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 II 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 II 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, 2022. 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, 2022. 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, 2022 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, 2021 and January 31, 2020.

| | 2021 | 2020 |
|---|---|---|
| Audit Fees(1) | $ 2,975,000 | $ 1,470,940 |
| Audit-Related Fees(2) | 814,999 | 28,440 |
| Tax Fees(3) | 142,986 | 20,600 |
| All Other Fees(4) | 5,130 | 6,795 |
| Total Fees | $ 3,938,115 | $ 1,526,775 |

(1) Audit Fees are for the annual audit and quarterly reviews of the Company’s consolidated financial statements and internal control over financial reporting 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 acquisition-related services, the audit of the Company’s 401(k) Plan, 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.

### 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 ended January 31, 2021 and 2020 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, 2022.**

## PROPOSAL 3

## ADVISORY, NON-BINDING VOTE TO APPROVE THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS

We are asking our stockholders to vote to approve, on an advisory, non-binding basis, the compensation of our named executive officers for fiscal 2021 as disclosed in this Proxy Statement, in accordance with the requirements of Section 14A of the Exchange Act. As described in detail under the heading "Compensation Discussion and Analysis," our executive compensation program is designed to drive and reward performance and align the compensation of our named executive officers with the long-term interests of our stockholders. Please read the "Compensation Discussion and Analysis" and the compensation tables and narrative disclosure that follow for additional details about our executive compensation program, including information about the fiscal 2021 compensation of our named executive officers.

This proposal, commonly known as a "say-on-pay" proposal, gives our stockholders the opportunity to express their views on our named executive officers' compensation as a whole. This vote is not intended to address any specific element of compensation but rather the overall compensation of our named executive officers and the philosophy, policies and practices described in this Proxy Statement. Our Board and our Compensation Committee believe that these policies and practices are effective in implementing our compensation philosophy and in achieving our compensation program goals.

Accordingly, we are asking our stockholders to vote "FOR" the following resolution:

> **RESOLVED**, that the stockholders hereby approve, on an advisory, non-binding basis, the compensation paid to the Company's named executive officers, as disclosed in the Company's Proxy Statement for the 2021 Annual Meeting of Stockholders, pursuant to the compensation disclosure rules of the SEC, including in the Compensation Discussion and Analysis, the compensation tables and the narrative discussions that accompany the compensation tables.

### Vote Required

The approval of this advisory non-binding proposal 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.

As an advisory vote, the outcome of the vote on this proposal is not binding. However, our management team, our Board and our Compensation Committee, which is responsible for designing and administering our executive compensation program, will consider the opinions expressed by our stockholders, whether through this vote or otherwise, and will consider the outcome of this vote when making future executive compensation decisions.

**THE BOARD RECOMMENDS A VOTE "FOR" THE APPROVAL, ON AN ADVISORY, NON-BINDING BASIS, OF THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS, AS DISCLOSED IN THIS PROXY STATEMENT.**

## PROPOSAL 4

## ADVISORY, NON-BINDING VOTE ON THE FREQUENCY OF FUTURE ADVISORY NON-BINDING VOTES TO APPROVE THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS

We are asking our stockholders to advise our board, in an advisory, non-binding vote, whether we should conduct an advisory non-binding vote to approve named executive officer compensation (that is, votes similar to the advisory vote in Proposal No. 3 above) every one, two or three years.

By voting with respect to this proposal, stockholders may indicate whether they would prefer that we conduct future advisory non-binding votes to approve the compensation of our named executive officers every one, two or three years. Our Board has determined that an annual advisory, non-binding vote to approve the compensation of our named executive officers will allow our stockholders to provide timely and direct input on our executive compensation philosophy, policies and practices as disclosed in the proxy statement each year. Our Board believes that an annual vote is therefore consistent with our efforts to engage in an ongoing dialogue with our stockholders on executive compensation and corporate governance matters.

### Vote Required

Stockholders will not be voting to approve or disapprove of the recommendation of our Board. The proxy card provides stockholders with the opportunity to choose among four options with respect to this proposal (holding the vote every one, two or three years, or abstaining). The frequency that receives the highest number of votes from the voting power of shares of our common stock present in person or by proxy at the Annual Meeting and entitled to vote thereon will be deemed to be the frequency selected by our stockholders. Abstentions will have no effect on the outcome of this proposal.

As an advisory vote, this proposal will not be binding on the Company, our Board or our Compensation Committee in any way. As such, the results of the vote will not be construed to create or imply any change to the fiduciary duties of our Board. Our Board may decide that it is in the best interests of our stockholders and the Company to hold an advisory non-binding vote on our named executive officer compensation more or less frequently than the option approved by our stockholders. Notwithstanding the advisory non-binding nature of this vote, our Board will consider the outcome of the vote when setting the frequency of the advisory vote on executive compensation.

**THE BOARD RECOMMENDS A VOTE FOR THE OPTION OF “ONE YEAR” AS THE PREFERRED FREQUENCY FOR FUTURE ADVISORY, NON-BINDING VOTES TO APPROVE THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS.**

## 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, 2021 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, 2021 for filing with the SEC. The Audit Committee also has selected Ernst & Young LLP as the independent registered public accounting firm for fiscal year 2022. 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) | Sameer Dholakia |
| Alec Gallimore | Bonita Stewart |

## EXECUTIVE OFFICERS

The following table sets forth information concerning our executive officers as of May 3, 2021. 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 | 50 | Chief Executive Officer and Chair of the Board |
| Howard Wilson | 56 | Chief Financial Officer |
| David Justice | 43 | Executive Vice President, Chief Revenue Officer |
| Stacey Giamalis | 56 | 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 "Directors Continuing in Office Until the 2023 Annual Meeting" beginning on page 7 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.

## COMPENSATION DISCUSSION AND ANALYSIS

### Introduction

We became a public company in April 2019, and we filed our proxy statement last year under the limited executive compensation disclosure requirements generally available to emerging growth companies. As of January 31, 2021, we no longer qualify as an emerging growth company and, therefore, this year's Proxy Statement includes additional detail regarding executive compensation that was previously not required, including: (1) the following Compensation Discussion and Analysis, (2) additional compensation tables that provide disclosure on "Grants of Plan-Based Awards," "Option Exercises and Stock Vested" and "Potential Payments upon Termination or Change in Control," (3) an advisory vote on the compensation of our named executive officers, which is included as Proposal 3 in this Proxy Statement, and (4) an advisory vote on the preferred frequency of future advisory stockholder votes on the compensation of our named executive officers, which is included as Proposal 4 in this Proxy Statement. We are not required to include the pay-ratio disclosure of CEO pay to median employee pay until our 2022 proxy statement.

This Compensation Discussion and Analysis provides information regarding the fiscal 2021 compensation program for:

- Jennifer Tejada, our Chief Executive Officer (our "CEO") (*principal executive officer*);
- Howard Wilson, our Chief Financial Officer (our "CFO") (*principal financial officer*);
- David Justice, our Executive Vice President, Chief Revenue Officer; and
- Stacey Giamalis, our Senior Vice President, Legal, General Counsel, and Secretary.

We refer to these executive officers collectively as the "Named Executive Officers" in this Compensation Discussion and Analysis and the accompanying compensation tables under the heading "Executive Compensation."

### Executive Summary

#### *Who We Are*

PagerDuty is a leader in digital operations management. In an always-on world, organizations of all sizes trust PagerDuty to help them deliver a perfect digital experience to their customers, every time. Teams use PagerDuty to identify issues and opportunities in real time and bring together the right people to fix problems faster and prevent them in the future.

Our fiscal year ends on January 31. References to fiscal 2021 refer to the fiscal year ended January 31, 2021.

#### *Fiscal 2021 Business Results*

The fiscal year ended January 31, 2021 was a strong year for us. In fiscal 2021, we achieved several significant financial results:

- ***Revenue:*** Total revenue was $213.6 million, up 28.4% year-over-year.
- ***Gross Margin:*** GAAP gross margin was 85.6% compared to 85.2% for fiscal 2020. Non-GAAP gross margin was 86.6% compared to non-GAAP gross margin of 85.8% for fiscal 2020.
- ***Operating Loss:*** GAAP operating loss was $66.3 million, or GAAP operating margin of negative 31.0%, compared to a $55.6 million loss, or GAAP operating margin of negative 33.4%, for fiscal 2020. Non-GAAP operating loss was $19.4 million, or non-GAAP operating margin of negative 9.1%, compared to a $28.4 million loss, or non-GAAP operating margin of negative 17.0%, for fiscal 2020.
- ***Net Loss:*** GAAP net loss was $68.9 million, compared to $50.3 million for fiscal 2020. GAAP net loss per share was $0.87, compared to $0.77 for fiscal 2020. Non-GAAP net loss was $19.3 million, compared to $23.1 million for fiscal 2020. Non-GAAP net loss per share was $0.24, compared to $0.35 for fiscal 2020.
- ***Cash Flow:*** Net cash provided by operations was $10.1 million, or 4.7% of revenue, compared to net cash used in operations of $0.2 million, or (0.1)% of revenue, for fiscal 2020. Free cash flow was $5.2 million, or 2.5% of revenue, compared to negative $5.3 million, or (3.2)% of revenue, for fiscal 2020.

To supplement our consolidated financial statements, which are prepared and presented in accordance with GAAP, we use certain non-GAAP financial measures. For a full reconciliation of the GAAP to non-GAAP measures, please see page 68 of our Annual Report accompanying this Proxy Statement.

***Fiscal 2021 Executive Compensation Results***

Consistent with our performance and compensation objectives for fiscal 2021, our Compensation Committee took the following key actions with respect to the compensation of our Named Executive Officers for fiscal 2021:

- ***Target Cash Compensation*** – Approved increases to base salaries ranging from 6% to 12% and target bonus percentages that are consistent with those of comparable executives at companies in our compensation peer group and at our competitors.

- ***Short-Term Incentive Compensation*** – Structured annual cash bonus opportunities dependent on key financial metrics that drive our business and approved payouts equal to approximately 131% of target, based solely on our achievement of such metrics. Approved sales commission payments for Mr. Justice at 99% of target based on achievement of our sales and operating margin targets.
- ***Long-Term Incentive Compensation*** – Granted long-term incentive compensation opportunities in the form of time-based restricted stock unit ("RSU") awards that may be settled for shares of our common stock with initial grant values in amounts ranging from approximately $1.0 million to $3.0 million, in addition to granting an RSU award to Ms. Tejada with an initial grant value of $5.7 million.

*Pay-for-Performance*

We believe our executive compensation program is reasonable, competitive, and appropriately balances the goals of attracting, motivating, rewarding, developing and retaining our Named Executive Officers with the goal of aligning their interests with those of our stockholders. To ensure this alignment and to motivate and reward individual initiative and effort, a substantial portion of our Named Executive Officers' target annual total direct compensation opportunity is both variable in nature and "at-risk."

We emphasize variable compensation that appropriately rewards our Named Executive Officers through two separate compensation elements:

- First, we provide the opportunity to participate in our annual short-term incentive plan (or, in the case of our Chief Revenue Officer, a sales commission plan), which provides cash payments based on the level of attainment of the short-term financial, operational, and strategic objectives set forth in our annual operating plan.
- In addition, we grant RSU awards, which comprise a majority of our Named Executive Officers' target total direct compensation opportunities, the value of which depends entirely on the value of our common stock, thereby incentivizing them to build sustainable long-term value for the benefit of our stockholders.

These variable pay elements ensure that, each year, a substantial portion of our Named Executive Officers' target total direct compensation is contingent (rather than fixed) in nature, with the amounts ultimately payable subject to variability above or below target levels commensurate with our actual performance.

We believe that this design provides balanced incentives for our Named Executive Officers to drive financial performance and long-term growth.

*Executive Compensation Policies and Practices*

We endeavor to maintain sound governance standards consistent with our executive compensation policies and practices. The Compensation Committee evaluates our executive compensation program on a regular basis to ensure that it is consistent with our short-term and long-term goals, given the dynamic nature of our business and the market in which we compete for executive talent. The following summarizes our executive compensation and related policies and practices:

***What we do***

☑ ***Maintain an Independent Compensation Committee.*** The Compensation Committee consists solely of independent directors who establish our compensation practices.

☑ ***Retain an Independent Compensation Advisor.*** The Compensation Committee has engaged its own compensation consultant to provide information, analysis, and other advice on compensation independent of management. This consultant performed no other consulting or other services for us in fiscal 2021.

☑ ***Annual Executive Compensation Review.*** The Compensation Committee conducts an annual review and approval of our compensation strategy, including a review and determination of our compensation peer group used for comparative purposes.

☑ ***Annual Compensation Risk Assessment.*** The Compensation Committee conducts an annual review of our compensation-related risk profile to ensure that our compensation program does not encourage excessive or inappropriate risk-taking by our employees and that the level of risk that it does encourage is not reasonably likely to have a material adverse effect on us.

☑ ***Compensation At-Risk.*** Our executive compensation program is designed so that a significant portion of our Named Executive Officer's compensation is "at risk" based on corporate performance, as well as equity-based, to align the interests of our Named Executive Officers and stockholders.

☑ ***Use a Pay-for-Performance Philosophy.*** The majority of our Named Executive Officers' compensation is directly linked to corporate performance; we also structure their target total direct compensation opportunities with a significant long-term equity component, thereby making a substantial portion of each Named Executive Officer's target total direct compensation dependent upon our stock price and/or total stockholder return.

☑ ***Succession Planning.*** We review the risks associated with our key executive officer positions to ensure adequate succession plans are in place.

***What we do not do***

☒ ***No Guaranteed Bonuses.*** With the exception of the one-time, non-recoverable draw included as part of Mr. Justice's new hire package, we do not provide guaranteed bonuses to our Named Executive Officers.

☒ ***No Executive Retirement Plans.*** We do not currently offer, nor do we have plans to offer, defined benefit pension plans or any non-qualified deferred compensation plans or arrangements to our Named Executive Officers other than the plans and arrangements that are available to all employees. Our Named Executive Officers are eligible to participate in our Section 401(k) retirement savings plan on the same basis as our other employees.

☒ ***No Hedging or Pledging.*** We prohibit our employees (including our Named Executive Officers) and the non-employee members of our Board of Directors from hedging or pledging our securities.

☒ ***No Significant Tax Payments on Perquisites.*** We do not provide significant tax reimbursement payments (including "gross-ups") on perquisites or other personal benefits.

☒ ***No Golden Parachute Excise Tax Payments.*** We do not provide any contracts or agreements guaranteeing future excise tax reimbursement payments (including "gross-ups") on payments or benefits contingent upon a change in control of the Company.

☒ ***No Special Welfare or Health Benefits.*** We do not provide our Named Executive Officers with any welfare or health benefit programs, other than participation in our broad-based employee programs.

*Stockholder Advisory Votes on Named Executive Officer Compensation*

At the Annual Meeting of Stockholders to which this Proxy Statement relates, we will be conducting our first stockholder advisory votes on executive compensation:

- a non-binding vote on the compensation of our Named Executive Officers (commonly known as a "Say-on-Pay" vote); and
- a non-binding vote on the frequency of future Say-on-Pay votes (commonly known as a "Say-When-on-Pay" vote).

See Proposals 3 and 4, respectively, in this Proxy Statement.

Stockholders will have the option of voting on whether future Say-on-Pay votes should be held every one, two, or three years, or abstaining from such vote. In determining the frequency of future Say-on-Pay votes, our Board of Directors will take into consideration the preference of our stockholders as reflected by the results of the "Say-When-on-Pay" vote. Our Board of Directors is recommending that we hold future Say-on-Pay votes on an annual, rather than a biennial or triennial, basis.

Our Compensation Committee will consider the outcome of the Say-on-Pay vote, as well as feedback received throughout the year, when making compensation decisions for our Named Executive Officers.

**Executive Compensation Philosophy and Objectives**

Our executive compensation program is guided by our overarching philosophy of paying for demonstrable performance. Consistent with this philosophy, we have designed our executive compensation program to achieve the following primary objectives:

- Provide market competitive compensation and benefit levels that will attract, retain, motivate, and reward a highly-talented team of executive officers within the context of responsible cost management;
- Establish a direct link between our financial, operational, and strategic objectives and results, as well as our values, and the compensation of our executive officers;
- Align the interests and objectives of our executive officers with those of our stockholders by linking the long-term incentive compensation opportunities to stockholder value creation and their cash incentives to our annual performance; and
- Offer total compensation opportunities to our executive officers that are competitive and fair.

We structure the annual compensation of our Named Executive Officers using three principal elements: base salary, annual short-term incentive opportunities, and long-term incentive compensation opportunities in the form of equity awards. While the pay mix may vary from year to year, the ultimate goal is to achieve our compensation objectives as described above.

We have not adopted policies or employed guidelines for allocating compensation between current and long-term compensation, between cash and non-cash compensation, or among different forms of non-cash compensation.

**Compensation-Setting Process**

***Role of Compensation Committee***

The Compensation Committee discharges many of the responsibilities of our Board of Directors relating to the compensation of our Named Executive Officers and the non-employee members of our Board of Directors. The Compensation Committee is primarily responsible for establishing and reviewing our general compensation strategy. In addition, the Compensation Committee has overall responsibility for overseeing our compensation and benefit plans and policies generally, as well as overseeing and evaluating the compensation plans, policies, and practices applicable to our Named Executive Officers, and administering our equity incentive plans. The Compensation Committee reviews and approves annually all compensation decisions relating to the compensation of our Named Executive Officers.

In carrying out its responsibilities, the Compensation Committee evaluates our compensation policies and practices with a focus on the degree to which these policies and practices reflect our executive compensation philosophy, develops strategies and makes decisions that it believes further our philosophy or align with developments in compensation practices, and reviews the performance of our Named Executive Officers when making decisions with respect to their compensation.

The Compensation Committee's authority, duties, and responsibilities are further described in its charter, which is reviewed annually and revised and updated as warranted. The charter is available on our website at *https://investor.pagerduty.com/governance/governance-documents.*

The Compensation Committee retains a compensation consultant (as described below) to provide support in its review and assessment of our executive compensation program.

***Setting Target Total Direct Compensation***

The Compensation Committee reviews the base salary levels, annual short-term incentive opportunities, and long-term incentive compensation opportunities of our Named Executive Officers and all related performance criteria at the beginning of each year, or more frequently as warranted. Adjustments are generally effective in the first quarter of the fiscal year.

The Compensation Committee does not establish a specific target for formulating the target total direct compensation opportunities of our Named Executive Officers. In making decisions about the compensation of our Named Executive Officers, the Compensation Committee relies primarily on the general experience of its members and subjective considerations of various factors, including the following:

- our executive compensation program objectives;

- our performance against the financial, operational, and strategic objectives established by the Compensation Committee and our Board of Directors;
- each individual Named Executive Officer's knowledge, skills, experience, qualifications, and tenure relative to other similarly-situated executives at the companies in our compensation peer group and in selected broad-based compensation surveys;
- the scope of each Named Executive Officer's role and responsibilities compared to other similarly-situated executives at the companies in our compensation peer group and in selected broad-based compensation surveys;
- the performance of each individual Named Executive Officer, based on a subjective assessment of his or her contributions to our overall performance, ability to lead his or her business unit or function, and work as part of a team;
- the potential of each individual executive officer to contribute to our long-term financial, operational, and strategic objectives;
- our CEO's compensation relative to that of our Named Executive Officers, and compensation parity among our Named Executive Officers;
- our financial performance relative to our compensation and performance peers;
- the compensation practices of our compensation peer group and in selected broad-based compensation surveys and the positioning of each Named Executive Officer's compensation in a ranking of compensation levels based on an analysis of competitive market data; and
- the recommendations of our CEO with respect to the compensation of our other Named Executive Officers.

These factors provide the framework for compensation decision-making and final decisions regarding the compensation opportunity for each Named Executive Officer. No single factor is determinative in setting compensation levels, nor is the impact of any individual factor on the determination of pay levels quantifiable.

The Compensation Committee does not weight these factors in any predetermined manner, nor does it apply any formulas in developing its compensation recommendations. The members of the Compensation Committee consider all of this information in light of their individual experience, knowledge of the Company, knowledge of the competitive market, knowledge of each Named Executive Officer, and business judgment in making their recommendations.

The Compensation Committee also considers the potential risks in our business when designing and administering our executive compensation program, and we believe our balanced approach to performance measurement and pay delivery works to avoid misaligned incentives for individuals to undertake excessive or inappropriate risk.

***Role of Management***

In discharging its responsibilities, the Compensation Committee works with members of our management, including our CEO. Our management assists the Compensation Committee by providing information on corporate and individual performance, competitive market data, and management's perspective and recommendations on compensation matters.

Typically, our CEO will make recommendations to the Compensation Committee regarding compensation matters, including adjustments to annual cash compensation, long-term incentive compensation opportunities, and program structures, for our Named Executive Officers, except with respect to her own compensation. At the beginning of each year, our CEO reviews the performance of our other Named Executive Officers based on such individual's level of success in accomplishing the business objectives established for him or her for the prior year and his or her overall performance during that year, and then shares these evaluations with, and makes recommendations to, the Compensation Committee for each element of compensation as described above. The annual business objectives for each Named Executive Officer are developed through mutual discussion and agreement between our CEO and the other Named Executive Officers and are reviewed with our Board of Directors. The Compensation Committee reviews and discusses these recommendations and proposals with our CEO and uses them as one factor in determining and approving the compensation for our other Named Executive Officers.

Our CEO often attends meetings of our Board of Directors and the Compensation Committee at which executive compensation matters are addressed, makes recommendations to our Compensation Committee regarding the total compensation of the other Named Executive Officers, but is not present during discussion, deliberation and decisions regarding her own compensation. The Compensation Committee then reviews the recommendations and other data and makes decisions as to the total compensation for each Named Executive Officer, as well as the allocation of the amount of total compensation between salary, bonus and equity awards.

***Role of Compensation Consultant***

The Compensation Committee engages an external compensation consultant to assist it by providing information, analysis, and other advice relating to our executive compensation program, to assist it in developing appropriate incentive compensation plans for our executive officers, to provide it with advice and ongoing recommendations regarding material executive compensation decisions resulting from its annual executive compensation review, and to review the compensation proposals of management. The compensation consultant reports directly to the Compensation Committee and its chair, and serves at the discretion of the Compensation Committee, which reviews the engagement annually.

For fiscal 2021, the Compensation Committee retained Compensia, Inc. (“Compensia”), a national compensation consulting firm, to serve as its compensation advisor to advise on executive compensation matters, including competitive market pay practices for our Named Executive Officers, and with the data analysis and selection of the compensation peer group.

During fiscal 2021, Compensia attended the meetings of the Compensation Committee (both with and without management present) as requested and provided various services, including the following:

- consulting with the Compensation Committee chair and other members between Compensation Committee meetings;
- providing competitive market data based on the compensation peer group and data cuts from selected broad-based compensation surveys for our Named Executive Officer positions and evaluating how the compensation we pay our Named Executive Officers compares both to our performance and to how the companies in our compensation peer group and the broad-based compensation surveys compensate their executives;
- reviewing and analyzing the base salary levels, annual incentive short-term incentive opportunities, and long-term incentive compensation opportunities of our Named Executive Officers and other executive officers;
- reporting on compensation actions in response to the COVID-19 pandemic;
- assessing executive compensation trends within our industry, and updating on corporate governance and regulatory issues and developments;
- projecting equity usage in fiscal 2021;
- reviewing our executive compensation disclosure;
- assessing compensation risk to determine whether our compensation policies and practices are reasonably likely to have a material adverse impact on the Company; and
- supporting other ad hoc matters throughout the year.

Compensia did not provide any services to us other than the consulting services to the Compensation Committee.

The Compensation Committee regularly reviews the objectivity and independence of the advice provided by its compensation consultant on executive compensation matters. The Compensation Committee has evaluated Compensia’s engagement, and based on the six factors for assessing independence and identifying potential conflicts of interest that are set forth in Exchange Act Rule 10C-1(b)(4), the listing standards of The New York Stock Exchange, and such other factors as were deemed relevant under the circumstances, has determined that Compensia is independent and that its relationship with Compensia and the work of Compensia on behalf of the Compensation Committee did not raise any conflict of interest or similar concerns.

***Competitive Positioning***

For purposes of assessing our executive compensation against the competitive market, the Compensation Committee reviews and considers the compensation levels and practices of a select group of peer companies. This compensation peer group consists of technology companies that are similar to us in terms of revenue, market capitalization, geographical location, and industry sector.

The companies in the compensation peer group for fiscal 2021 were approved in September 2019 on the basis of their similarity to us in size, as determined using the following criteria:

- location – public companies headquartered in the United States, with a preference for California-based companies;
- industry sector – companies in the software or internet services sector;
- revenue – approximately 0.4x to approximately 2.5x our last four fiscal quarters revenue of approximately $130 million (approximately $50 million to $325 million);
- market capitalization – approximately 0.3x to approximately 3.0x our then current 30-day average market capitalization of approximately $3.3 billion (approximately $990 million to $9.9 billion);
- growth – companies with one-year revenue growth greater than 10%; and
- market status – preference for companies having recently completed their initial public offering of equity securities.

In selecting the fiscal 2021 compensation peer group, the objective was to choose companies that resulted in us being near the median of the group in terms of both revenue and market capitalization.

Our compensation peer group for fiscal 2021 was as follows:

| | | |
|---|---|---|
| Alteryx | Everbridge | Pluralsight |
| Anaplan | Fastly | Rapid7 |
| AppFolio | Five9 | Smartsheet |
| BlackLine | Forescout Technologies | Workiva |
| Box | HubSpot | Yext |
| Cloudera | MongoDB | Zendesk |
| Coupa Software | New Relic | |

The compensation practices of the compensation peer group were a primary guide used by the Compensation Committee in fiscal 2021 to compare the competitiveness of each compensation element and overall compensation levels (base salary, target annual incentive opportunities, and long-term incentive compensation).

To analyze the compensation practices of the companies in our compensation peer group, Compensia gathered data from public filings (primarily proxy statements) of the peer group companies, as well as from a peer custom cut and a broad U.S.-based technology cut of companies with revenues between $200 million and $500 million of the Radford Global Technology Survey. This market data was then used as a reference point for the Compensation Committee to assess our current compensation levels in the course of its deliberations on compensation forms and amounts.

The Compensation Committee reviews our compensation peer group each year (unless there have been significant changes to either our business model or market capitalization) and makes adjustments to its composition if warranted, taking into account changes in both our business and the businesses of the companies in the peer group.

**Compensation Elements**

In fiscal 2021, the principal elements of our executive compensation program, and the purposes for each element, were as follows:

***Base Salary***

Base salary represents the fixed portion of the compensation of our Named Executive Officers and is an important element of compensation intended to attract and retain highly-talented individuals. Generally, we use base salary to provide each Named Executive Officer with a specified level of cash compensation during the year with the expectation that he or she will perform his or her responsibilities to the best of his or her ability and in our best interests.

Generally, we establish the initial base salaries of our Named Executive Officers through arm's-length negotiation at the time we hire the individual, taking into account his or her position, qualifications, experience, prior salary level, and the base salaries of our other Named Executive Officers. Thereafter, the Compensation Committee reviews the base salaries of our Named Executive Officers each year as part of its annual compensation review, with input from Ms. Tejada (except with respect to her own base salary) and makes adjustments as it determines to be reasonable and necessary to reflect the scope of a Named Executive Officer's performance, individual contributions and responsibilities, position in the case of a promotion, and market conditions.

In December 2019, at the same time that the Compensation Committee approved the compensation arrangements for Mr. Justice in connection with his appointment as our Executive Vice President, Chief Revenue Officer, the Compensation Committee also reviewed proposed base salary adjustments for Ms. Tejada and Mr. Wilson after taking into consideration the competitive market analysis prepared by its compensation consultant, the employment offer to Mr. Justice, and the other factors described in "Compensation-Setting Process – Setting Target Total Direct Compensation" above. Based on this review, the Compensation Committee determined to approve a base salary increase of 7.1% for Ms. Tejada and a base salary increase of 12.0% for Mr. Wilson, with such increases to be effective January 1, 2020.

Subsequently, in March 2020, the Compensation Committee reviewed the base salaries of the other members of our executive leadership team and direct reports to Ms. Tejada, taking into consideration the competitive market analysis prepared by its compensation consultant and the recommendations of Ms. Tejada, as well as the other factors described in "Compensation-Setting Process – Setting Target Total Direct Compensation" above. Following this review, the Compensation Committee approved base salary increases for these individuals, including Ms. Giamalis, to bring their base salaries to levels that were comparable to that of similarly-situated executives at the companies in our compensation peer group, which such adjustments to be effective April 1, 2020. Mr. Justice's annual base salary was maintained at $350,000 since he had just joined us in December 2019.

The base salaries of our Named Executive Officers for fiscal 2021 and 2020 were as follows:

| Named Executive Officer | Fiscal 2020 Base Salary | Fiscal 2021 Base Salary | Percentage Increase |
|---|---|---|---|
| Ms. Tejada | $ 420,000 | $ 450,000 | 7.1 % |
| Mr. Wilson | $ 357,000 | $ 400,000 | 12.0 % |
| Mr. Justice(1) | $ 350,000 | $ 350,000 | — % |
| Ms. Giamalis | $ 308,000 | $ 326,480 | 6.0 % |

(1) Mr. Justice joined us in December 2019.

The base salaries paid to our Named Executive Officers during fiscal 2021 are set forth in the "Fiscal 2021 Summary Compensation Table" below under the heading "Executive Compensation."

***Short-Term Incentive Awards***

In fiscal 2021, we used a short-term incentive compensation plan to motivate our employees, including our Named Executive Officers (other than Mr. Justice, our Executive Vice President, Chief Revenue Officer, who participates in a separate sales commission plan), to achieve our key annual business objectives. In March 2020, the Compensation Committee approved the Fiscal 2021 Short-Term Incentive Program (the "Fiscal 2021 Bonus Plan") under the PagerDuty, Inc. Cash Incentive Bonus Plan to provide financial incentives to participants to achieve our key annual financial, operational, and strategic objectives as set forth in our 2021 annual operating plan and to maximize individual performance.

The Fiscal 2021 Bonus Plan was approved by the Compensation Committee and after taking into consideration the objectives set forth in our fiscal 2021 annual operating plan approved by our Board. The Fiscal 2021 Bonus Plan provided for annual cash bonus payouts to each of our Named Executive Officer participants based entirely on our level of achievement with respect to corporate performance objectives. To be eligible to earn a bonus under the Fiscal 2021 Bonus Plan, a participant had to commence employment with us no later than 90 days from the end of the applicable program period, which aligns to the Company's fiscal year, and remain continually employed by, and in good standing with, us through the applicable payout date of the bonus.

*Target Bonus Amounts*

For purposes of the Fiscal 2021 Bonus Plan, the amount of cash bonus payout each participant was eligible to earn was based upon a percentage of such participant's annual base salary as of the beginning of the fiscal year. In December 2019, at the same time that the Compensation Committee approved the compensation arrangements for Mr. Justice in connection with his appointment as our Executive Vice President, Chief Revenue Officer, the Compensation Committee also reviewed the target bonus amounts for Ms. Tejada and Mr. Wilson after taking into consideration the competitive market analysis prepared by its compensation consultant, the employment offer to Mr. Justice, and the other factors described in "Compensation-Setting Process – Setting Target Total Direct Compensation" above. Based on this review, the Compensation Committee determined to adjust the target bonus amount for Ms. Tejada from $260,000 to 100% of her base salary and to adjust the target bonus amount for Mr. Wilson from 55% to 70% of his annual base salary, with such amounts to be effective for fiscal 2021.

Subsequently, in March 2020, the Compensation Committee reviewed the target bonus amounts of the other members of our executive leadership team and direct reports to Ms. Tejada, taking into consideration the competitive market analysis prepared by its compensation consultant and the recommendations of Ms. Tejada, as well as the other factors described in "Compensation-Setting Process – Setting Target Total Direct Compensation" above. Following this review, the Compensation Committee approved target bonus amounts as a percentage of base salary for these individuals, including Ms. Giamalis.

The target bonus amounts of our Named Executive Officers (other than Mr. Justice) for purposes of the Fiscal 2021 Bonus Plan were as follows:

| Named Executive Officer | Fiscal 2021 Target Bonus As a Percentage of Base Salary | Fiscal 2021 Target Bonus Amount |
|---|---|---|
| Ms. Tejada | 100 % | $ 450,000 |
| Mr. Wilson | 70 % | $ 280,000 |
| Ms. Giamalis | 40 % | $ 129,380 |

Potential bonus payouts for our Named Executive Officers under the Fiscal 2021 Bonus Plan could range from zero to 200% of their target bonus amount, as determined by the Compensation Committee.

*Corporate Performance Measures*

The Compensation Committee selected revenue and operating margin as the corporate performance measures under the Fiscal 2021 Bonus Plan. The Compensation Committee believed that, for purposes of the Fiscal 2021 Bonus Plan, revenue and operating margin were the most appropriate performance measures to use in determining bonus payouts for our Named Executive Officer because, in its view, they were the best indicators of our successful execution of our annual operating plan. For purposes of the Fiscal 2021 Bonus Plan, revenue was to be weighted as 70% of the target bonus amount and operating margin was to be weighted at 30% of the target bonus amount.

For purposes of the Fiscal 2021 Bonus Plan:

- "Revenue" meant our GAAP revenue as defined in our periodic reports filed with the Securities and Exchange Commission for fiscal 2021. For purposes of the Fiscal 2021 Bonus Plan, the revenue target excluded the revenue attributable to Rundeck, as the Fiscal 2021 Bonus Plan was approved prior to the acquisition of Rundeck.
- The actual bonus amount attributable to the revenue performance measure could be greater or less than the target established for revenue of $210.5 million. Achievement of less than 90% of the target established for revenue would result in a bonus payout of 0%. Achievement of 90% of the target established for revenue would result in a bonus payout of 50% of target. Achievement of 109% of the target established for revenue would result in a bonus payout of 200% of target.
- "Operating margin" meant our non-GAAP operating margin as defined in our periodic reports filed with the Securities and Exchange Commission for fiscal 2021. We define non-GAAP operating margin as GAAP operating margin excluding stock-based compensation expense, amortization of acquired intangible assets, and transaction related costs. We believe that these expenses are not necessarily reflective of operational performance during a period. In particular, we believe the consideration of measures that exclude such expenses can assist in the comparison of operational performance in different periods which may or may not include such expenses. For purposes of the Fiscal 2021 Bonus Plan, operating margin excluded the non-GAAP operating margin attributable to Rundeck, as the plan was approved prior to the acquisition of Rundeck.
- The actual bonus amount attributable to the operating margin performance measure could be greater or less than the target established for operating margin of negative 12%. Achievement of less than 90% of the target established for operating margin would result in a bonus payout of 0%. Achievement of 90% of the target established for operating margin would result in a bonus payout of 50% of target. Achievement of 125% of the target established for operating margin would result in a bonus payout of 200%.

The payout for attainment between any two achievement levels for the revenue and operating margin performance measures described above would be determined on a straight-line extrapolation basis.

*Fiscal 2021 Short-Term Incentive Award Decisions*

In March 2021, the Compensation Committee determined the cash bonus payouts for our employees, including our Named Executive Officers, pursuant to the Fiscal 2021 Bonus Plan. The Compensation Committee reviewed our actual performance for fiscal 2021 and certified that we achieved revenue representing attainment of 100.2% of our revenue target for the year resulting in a payout percentage of 101%. The Compensation Committee attributed this level of attainment as a result of our improved sales execution and rigor, as well as reduced churn and downgrades returning to pre-COVID levels during the second half of the fiscal year in challenging economic circumstances. The Compensation Committee also certified that we had achieved an operating margin representing 136% of our operating margin target for the year resulting in a capped payout percentage of 200%. The Compensation Committee attributed this level of attainment to proactive, prudent, and effective management of expenses in uncertain economic times.

Based on the respective weighting of each corporate performance measure, the Compensation Committee approved bonuses for each of our Named Executive Officers who participated in the Fiscal 2021 Bonus Plan equal to approximately 131% of their target bonus amounts, as reflected below:

| **Named Executive Officer** | **Target Annual Cash Bonus Payout ($)** | **Actual Annual Cash Bonus Payout ($)** | **Percentage of Target Annual Cash Bonus Actually Paid (%)** |
|---|---|---|---|
| Ms. Tejada | 450,000 | 588,150 | 131 |
| Mr. Wilson | 280,000 | 365,960 | 131 |
| Ms. Giamalis | 129,380 | 169,100 | 131 |

*Sales Commission Plan*

As our Executive Vice President, Chief Revenue Officer, Mr. Justice's short-term incentive compensation was based primarily on his ability to drive annual sales results and secondarily on meeting our operating margin performance goals. Under our Sales Compensation Plan (the "Sales Plan"), Mr. Justice was eligible to earn a variable commission equal to 100% of his fiscal 2021 annual base salary, or $350,000. Under the terms of his offer letter, he was eligible for a $87,500 non-recoverable draw (equaling three months of his variable commission at 100% of quota), a portion of which was paid in fiscal 2020 and a portion of which was paid in fiscal 2021.

In fiscal 2021, 80% of Mr. Justice's annual commission was based on our sales team's performance in achieving our annual net new annual recurring revenue ("ARR") bookings target for the year. This amount was to be measured and paid monthly based on our actual performance against our net new ARR targets for the year. This commission amount was to be paid linearly until he reached our target performance level for the year, at which point various accelerators would be triggered that could pay anywhere from two times the commission rate if we exceeded the target performance level and up to three times the commission rate if we exceeded 120% of the target performance level. The "commission rate" is calculated as the target commission divided by net new ARR target. The performance target levels for Mr. Justice are not disclosed because we believe to do so would be competitively harmful, as it would give competitors insight into our strategic and financial planning processes.

The remaining 20% of Mr. Justice's annual commission for fiscal 2021 was dependent on our operating margin performance based on the same performance table that was established for the Fiscal 2021 Bonus Plan. Since we achieved operating margin representing 136% of our operating margin target for the year, Mr. Justice earned a payout of 200% with respect to this 20% portion of his commission.

Based on this performance, for fiscal 2021, Mr. Justice earned a cash bonus under his sales compensation plan in the amount of $348,000 (inclusive of the portion of the non-recoverable draw paid in fiscal 2021).

The annual short-term incentive payments made to our Named Executive Officers for fiscal 2021 are set forth in the *"Fiscal 2021 Summary Compensation Table"* below under the heading *Executive Compensation.*

*Long-Term Incentive Compensation*

We view long-term incentive compensation in the form of equity awards as a critical element of our executive compensation program. The realized value of these equity awards bears a direct relationship to our stock price, and, therefore, these awards are an incentive for our Named Executive Officers to create value for our stockholders. Equity awards also help us retain qualified executive officers in a competitive market.

Long-term incentive compensation opportunities in the form of equity awards are granted to our Named Executive Officers by Compensation Committee. The amount and forms of such equity awards are determined after considering the factors described in "Compensation-Setting Process – Setting Target Total Direct Compensation" above. The amounts of the equity awards are also intended to provide competitively-sized awards and resulting target total direct compensation opportunities that the Compensation Committee believes is reasonable and appropriate taking into consideration the factors described in the preceding sentence.

*Annual Equity Awards*

In March 2020, the Compensation Committee determined that the equity awards to be granted to our Named Executive Officers for fiscal 2021 should be in the form of time-based restricted stock unit ("RSU") awards that may be settled for shares of our common stock. The target value of the RSU awards granted to our Named Executive Officers were determined by the Compensation Committee after considering the factors described in "Compensation-Setting Process – Setting Target Total Direct Compensation" above.

Ms. Tejada received the largest equity award based on her overall responsibility for our performance and success. In addition, further differentiation was made among our Named Executive Officers based on the Compensation Committee's review of the competitive market data for their respective positions and its desire to smooth transition to a normalized annual grant program. In addition, the Compensation Committee granted an RSU award to Mr. Justice in accordance with the terms of his employment offer letter.

The RSU awards granted to our Named Executive Officers effective April 2, 2020 were as follows:

| **Named Executive Officer** | **Restricted Stock Unit Award (number of shares)[(1)]** | **Aggregate Grant Date Fair Value ($)** |
|---|---|---|
| Ms. Tejada | 355,361 | 5,646,686 |
| Mr. Wilson | 187,032 | 2,971,938 |
| Mr. Justice | 61,970 | 984,703 |
| Ms. Giamalis | 77,930 | 1,238,308 |

(1) The number of shares of our common stock subject to each RSU award was determined as the quotient of (i) the dollar value of such award divided by (ii) the closing price per share of our common stock, as quoted on The New York Stock Exchange, on the trading day prior to the grant date, rounded down to the nearest whole number of shares.

In the case of the RSU awards granted in April 2020 to Ms. Tejada, Mr. Wilson, and Ms. Giamalis, 1/16th of the total number of shares of our common stock subject to the awards will vest on each quarterly anniversary of April 2, 2020 (the "Vesting Commencement Date"), subject to such Named Executive Officer's "Continuous Service" (as defined in our 2019 Equity Incentive Plan, or the 2019 Plan) through each applicable vesting date.

In the case of the RSU award to Mr. Justice in April 2020, in line with standard vesting of a new hire grant, 25% of the total number of shares of our common stock subject to the award will vest on the one-year anniversary of the Vesting Commencement Date and thereafter 1/16th of the total number of shares subject to the award will vest on each quarterly anniversary of the Vesting Commencement Date, subject to Mr. Justice's "Continuous Service" (as defined in our 2019 Plan) through each applicable vesting date.

The equity awards granted to our Named Executive Officers during fiscal 2021 are set forth in the *"Fiscal 2021 Summary Compensation Table"* and the *"Fiscal 2021 Grants of Plan-Based Awards Table"* below under the heading *Executive Compensation.*

*Welfare and Health Benefits*

We maintain a tax-qualified defined contribution retirement plan under Section 401(k) of the Internal Revenue Code of 1986, as amended (the "Code"), that provides eligible U.S. employees, including our Named Executive Officers, 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 Section 401(k) plan is intended to be qualified under Section 401(a) of the Code with the 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 Section 401(k) plan and earnings on those contributions are not taxable to the employees until distributed from the plan. Our 401(k) plan provides for discretionary matching of employee contributions. We have implemented an employer matching contribution of one percent of each participant's employee contributions of at least one percent of eligible compensation during the period as defined in the Section 401(k) Plan.

Additional benefits offered to all employees, including our Named Executive Officers, include medical, dental, and vision insurance, business travel insurance, an employee assistance program, a mental health benefit, health and dependent care flexible spending accounts, basic life insurance, accidental death and dismemberment insurance, short-term and long-term disability insurance, commuter benefits, and a monthly electronics allowance. During 2020, in response to the COVID-19 pandemic, we also offered specific home office related reimbursements to our employees.

We design our employee benefits programs to be affordable and competitive in relation to the market as well as compliant with applicable laws and practices. We adjust our employee benefits programs as needed based upon regular monitoring of applicable laws and practices and the competitive market.

*Perquisites and Other Personal Benefits*

Currently, we do not view perquisites or other personal benefits as a significant component of our executive compensation program. Accordingly, we do not provide significant perquisites or other personal benefits to our Named Executive Officers except as generally made available to our employees, or in situations where we believe it is appropriate to assist an individual in the performance of his or her duties, to make him or her more efficient and effective, and for recruitment and retention purposes. During fiscal 2021, none of our Named Executive Officers received perquisites or other personal benefits that were, in the aggregate, $10,000 or more for any individual.

In the future, we may provide perquisites or other personal benefits in limited circumstances, such as those described in the preceding paragraph. All future practices with respect to perquisites or other personal benefits will be approved and subject to periodic review by the Compensation Committee.

**Employment Arrangements**

We have entered into a written amended and restated employment offer letter with Ms. Tejada (the "Tejada Amended and Restated Offer Letter") and into either a confirmatory employment agreement or employment offer letter with each of our other Named Executive Officers. Each of these arrangements was approved on our behalf by the Compensation Committee or our Board of Directors at the recommendation of the Compensation Committee. We believe that these arrangements were necessary to induce these individuals to forego other employment opportunities or leave their then-current employer for the uncertainty of a demanding position in a new and unfamiliar organization.

In filling each of our executive positions, our Board of Directors or the Compensation Committee, as applicable, recognized that it would need to develop competitive compensation packages to attract qualified candidates in a dynamic labor market. At the same time, our Board of Directors and the Compensation Committee were sensitive to the need to integrate new executive officers into the executive compensation structure that we were seeking to develop, balancing both competitive and internal equity considerations.

Each of our employment arrangements provides for "at will" employment (meaning that either we or the executive officer may terminate the employment relationship at any time without cause) and sets forth the initial compensation arrangements for the executive officer, including an initial base salary, a target annual bonus opportunity, eligibility to participate in our employee benefit programs, and severance payments and benefits upon a qualifying termination of employment. Further, each of our Named Executive Officers has executed a form of our standard proprietary information and inventions assignment agreement.

Under the terms of the Tejada Amended and Restated Offer Letter, Ms. Tejada is eligible to receive certain specified severance payments and benefits in connection with certain terminations of her employment, including in connection with a change in control of the Company. Our other Named Executive Officers are eligible to participate in our Executive Severance and Change in Control Policy (the "Severance Policy"). These post-employment compensation arrangements are discussed in "*Post-Employment Compensation*" below.

For detailed descriptions of the employment arrangements we maintained with our Named Executive Officers during fiscal 2021, see "*Potential Payments upon Termination or Change in Control*" below under the heading *Executive Compensation*.

**Post-Employment Compensation**

The Tejada Amended and Restated Offer Letter provides that Ms. Tejada is eligible to receive certain specified severance payments and benefits in connection with certain terminations of her employment, including in connection with a change in control of the Company. Our other Named Executive Officers are eligible to participate as Tier 2 participants in the Severance Policy. The Severance Policy provides these individuals with certain protection in the event of their termination of employment under specified circumstances, including following a change in control of the Company. To receive payments and benefits upon a qualifying termination of employment under these arrangements, our Named Executive Officers must sign and not revoke a general release of claims in our favor. In addition, under her Amended and Restated Offer Letter, Ms. Tejada must resign from our Board of Directors and return all of our property in her possession.

We believe that these protections were necessary to induce these individuals to leave their former employment for the uncertainty of a demanding position in a new and unfamiliar organization and help from a retention standpoint. These arrangements provide reasonable compensation to the Named Executive Officer if he or she leaves our employ under certain circumstances to facilitate his or her transition to new employment. Further, in some instances we seek to mitigate any potential employer liability and avoid future disputes or litigation by requiring a departing Named Executive Officer to sign a release agreement acceptable to us as a condition to receiving post-employment compensation payments or benefits. We also believe that these arrangements help maintain their continued focus and dedication to their assigned duties to maximize stockholder value if there is a potential transaction that could involve a change in control of the Company. The terms and conditions of Ms. Tejada's Amended and Restated Offer Letter and the Severance Policy were approved by our Compensation Committee after an analysis of competitive market data.

All payments and benefits in the event of a change in control of the Company are payable only if there is a subsequent loss of employment by an executive officer (a so-called "double-trigger" arrangement) or in the case of equity acceleration, upon a change in control if the acquiring company refuses to assume, continue or substitute for outstanding awards. In the case of the acceleration of vesting of outstanding equity awards, we use these arrangements to protect against the loss of retention value in connection with and following a change in control of the Company and to avoid windfalls, both of which could occur if vesting of either equity or cash-based awards accelerated automatically as a result of the transaction.

The Severance Policy will remain in effect for three years from the date of the completion of our initial public offering, April 15, 2019, except that 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 the change in control.

If any of the payments or benefits provided for under the Tejada Amended and Restated Offer Letter and the Severance Policy change in control and severance agreements or otherwise payable to a Named Executive officer would constitute "parachute payments" within the meaning of Section 280G of the Code and could be subject to the related excise tax, he or she would receive either full payment of such payments and benefits or such lesser amount that would cause no portion of the payments and benefits being subject to the excise tax, whichever results in the greater after-tax benefits to our Named Executive Officer.

We do not use excise tax payments (or "gross-ups") relating to a change in control of the Company and have no such obligations in place with respect to any of our executive officers, including our Named Executive Officers.

We believe that having in place reasonable and competitive post-employment compensation arrangements in the event of a change in control of the Company are essential to attracting and retaining highly-qualified executive officers. The Compensation Committee does not consider the specific amounts payable under the post-employment compensation arrangements when determining the annual compensation for our Named Executive Officers. We do believe, however, that these arrangements are necessary to offer compensation packages that are competitive.

In May 2020, we amended the terms of all our outstanding options and RSUs granted under our 2019 Plan and our 2010 Stock Plan, or the 2010 Plan, to provide that, in the event of the holder's termination due to death, the awards will accelerate in full.

For a summary of the material terms and conditions of the post-employment compensation arrangements we maintained with our Named Executive Officers during fiscal 2021, as well as an estimate of the potential payments and benefits that they would have been eligible to receive if a hypothetical change in control or other trigger event had occurred on January 31, 2021, see "*Potential Payments Upon Termination or Change in Control*" below.

**Other Compensation Policies**

***Compensation Recovery Policy***

Currently, we have not implemented a policy regarding retroactive adjustments to any cash or equity-based incentive compensation paid to our executive officers and other employees where the payments were predicated upon the achievement of financial results that were subsequently the subject of a financial restatement. We intend to adopt a general compensation recovery ("clawback") policy covering our annual and long-term incentive award plans and arrangements once the SEC adopts final rules implementing the requirement of Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

As a public company, if we are required to restate our financial results due to our material noncompliance with any financial reporting requirements under the federal securities laws as a result of misconduct, the CEO and CFO may be legally required to reimburse our Company for any bonus or other incentive-based or equity-based compensation they receive in accordance with the provisions of section 304 of the Sarbanes-Oxley Act of 2002.

***Hedging and Pledging Prohibitions***

Our Insider Trading Policy prohibits our employees (including our officers) and the non-employee members of our Board of Directors from engaging in derivative securities or hedging transactions. This prohibition extends to publicly-traded options, such as puts and calls, and other derivative securities with respect to our securities (other than stock options and other compensatory equity awards issued to you by the Company). This includes any hedging or similar transaction designed to decrease the risks associated with holding our common stock.

Similarly, our Insider Trading Policy prohibits our employees (including our officers) and the non-employee members of our Board of Directors from using our securities as collateral for loans, pledging our securities as collateral for loans, or holding our common stock in a margin account.

***Compensation Risk Assessment***

The Compensation Committee has reviewed our compensation policies and practices, in consultation with Compensia, to assess whether they encourage employees to take inappropriate risks. After conducting this review of compensation-related risk, the Compensation Committee has concluded that our compensation policies and practices are not reasonably likely to have a material adverse effect on our Company.

**Tax and Accounting Considerations**

We take the applicable tax and accounting requirements into consideration in designing and operating our executive compensation program.

***Deductibility of Executive Compensation***

Under Section 162(m) of the Internal Revenue Code ("Section 162(m)"), compensation paid to each of the Company's "covered employees" that exceeds $1 million per taxable year is generally non-deductible unless the compensation qualifies for (i) certain grandfathered exceptions (including the "performance-based compensation" exception) for certain compensation paid pursuant to a written binding contract in effect on November 2, 2017 and not materially modified on or after such date or (ii) the reliance period exception for certain compensation paid by corporations that became publicly held on or before December 20, 2019.

Although the Compensation Committee will continue to consider tax implications as one factor in determining executive compensation, the Compensation Committee also looks at other factors in making its decisions and retains the flexibility to provide compensation for our Named Executive Officers in a manner consistent with the goals of the Company's executive compensation program and the best interests of the Company and its stockholders, which may include providing for compensation that is not deductible by the Company due to the deduction limit under Section 162(m). The Compensation Committee also retains the flexibility to modify compensation that was initially intended to be exempt from the deduction limit under Section 162(m) if it determines that such modifications are consistent with the Company's business needs.

***Accounting for Stock-Based Compensation***

The Compensation Committee takes accounting considerations into account in designing compensation plans and arrangements for our executive officers and other employees. Chief among these is Financial Accounting Standards Board Accounting Standards Codification Topic 718 ("ASC Topic 718"), the standard which governs the accounting treatment of certain stock-based compensation. Among other things, ASC Topic 718 requires us to record a compensation expense in our income statement for all equity awards granted to our executive officers and other employees. This compensation expense is based on the grant date "fair value" of the equity award and, in most cases, will be recognized ratably over the award's requisite service period (which, generally, will correspond to the award's vesting schedule). This compensation expense is also reported in the compensation tables below, even though recipients may never realize any value from their equity awards.

## EXECUTIVE COMPENSATION

### Summary Compensation Table for Fiscal Year 2021

The following table presents all of the compensation awarded to or earned by or paid to our named executive officers for the fiscal years ended January 31, 2021, 2020 and 2019.

| Name | Fiscal Year | Salary ($) | Bonus ($)(1) | Options Awards ($)(2)(5) | Stock Awards ($)(2)(5) | Non-Equity Incentive Plan Compensation ($)(3) | All Other Compensation ($)(4) | Total ($) |
|---|---|---|---|---|---|---|---|---|
| Jennifer Tejada<br>Chief Executive Officer | 2021 | 450,000 | — | — | 5,646,686 | 588,150 | 2,058 | 6,686,894 |
| | 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<br>Chief Financial Officer | 2021 | 400,000 | — | — | 2,971,938 | 365,960 | 5,891 | 3,743,789 |
| | 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<br>Executive Vice President, Chief Revenue Officer | 2021 | 350,000 | 58,333 | — | 984,703 | 289,667 | 4,878 | 1,687,581 |
| | 2020 | 43,750 | 29,167 | 440,306 | 5,215,551 | — | 794 | 5,729,568 |
| Stacey Giamalis<br>Senior Vice President, Legal, General Counsel, and Secretary | 2021 | 326,480 | — | — | 1,238,308 | 169,100 | 4,339 | 1,738,227 |

(1) The amounts reported for Mr. Justice reflect a portion of the non-recoverable draw against commissions for the fiscal years ended January 31, 2021 and 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, 2021, 2020 and 2019, 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, 2021, as filed with the Securities and Exchange Commission on March 19, 2021. 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, 2021, 2020 and 2019, as described above under "Compensation Elements—Target Bonus Amounts," and paid in fiscal 2022, 2021, and 2020, respectively.

(4) The amounts reported include (i) car services and related tax gross-up for Ms. Tejada, (ii) matching 401(k) contributions for each of Messrs. Wilson, Justice, and Ms. Giamalis, (iii) amounts paid on behalf of Ms. Tejada, Messrs. Wilson and Justice, and Ms. Giamalis for parking (iv) amounts paid on behalf of Ms. Tejada, Messrs. Wilson and Justice, and Ms. Giamalis for cellular phone and internet allowances, and (v) amounts paid to Ms. Tejada, Messrs. Wilson and Justice, and Ms. Giamalis for years of service awards.

(5) Although the May 2020 amendment to our outstanding options and RSUs constituted a modification of such awards, the incremental fair value of such modification was computed in accordance with ASC 718 and determined to be $0; as a result, no related amounts have been reported in this table.

## Grants of Plan-Based Awards

The following table shows, for the fiscal year ended January 31, 2021, certain information regarding grants of plan-based awards to our named executive officers:

| | | Estimated future payouts under non-equity incentive plan awards [(1)] | | | | |
|---|---|---|---|---|---|---|
| **Name** | **Grant Date** | **Threshold ($)** | **Target ($)** | **Maximum ($)** | **All Other Stock Awards: Number of Shares of Stock or Units (#)** | **Grant Date Fair Value of Stock and Option Awards[(2)(5)] ($)** |
| Jennifer Tejada | — | 225,000 | 450,000 | 900,000 | | |
| | 4/2/2020 | | | | 355,361[(3)] | $ 5,646,686 |
| Howard Wilson | — | 140,000 | 280,000 | 560,000 | | |
| | 4/2/2020 | | | | 187,032[(3)] | $ 2,971,938 |
| David Justice | — | — | 350,000 | — | | |
| | 4/2/2020 | | | | 61,970[(4)] | $ 984,703 |
| Stacey Giamalis | — | 64,690 | 129,380 | 258,760 | | |
| | 4/2/2020 | | | | 77,930[(3)] | $ 1,238,308 |

(1) These amounts reflect the threshold, target, and maximum non-equity incentive cash bonus amounts for performance for the fiscal year ended January 31, 2021 for each of our Named Executive Officers, except for Mr. Justice, pursuant to the Fiscal 2021 Bonus Plan. For Mr. Justice, these amounts reflect the target non-equity incentive cash bonus amount for performance for fiscal year ended January 31, 2021, pursuant to the Sales Plan; the Sales Plan does not specify overall threshold or maximum amounts. These amounts do not necessarily correspond to the actual amounts that were received by our named executive officers. Target bonuses were set as a percentage of each named executive officer's base salary earned for the fiscal year ended January 31, 2021, and were 100% for Ms. Tejada, 70% for Mr. Wilson, 100% for Mr. Justice, and 40% for Ms. Giamalis, as further described in the Compensation Discussion and Analysis.

(2) Amounts shown in this column do not reflect dollar amounts actually received by our Named Executive Officers. Instead, these amounts reflect the aggregate grant date fair value of each stock option granted in fiscal 2021, computed in accordance with the provisions of FASB ASC Topic 718. Assumptions used in the calculation of these amounts are included in Note 11 to our consolidated financial statements included in our Annual Report on Form 10-K, filed with the SEC on March 19, 2021. Our Named Executive Officers will only realize compensation to the extent the trading price of our common stock is greater than the exercise price of such stock options.

(3) Vests ratably every quarter over four years with first vest occurring on July 2, 2021, subject to continuous service with us.

(4) 25% vested on April 2, 2021, and 1/16th shall vest per quarter thereafter, subject to continuous service with us.

(5) Although the May 2020 amendment to our outstanding options and RSUs constituted a modification of such awards, the incremental fair value of such modification was computed in accordance with ASC 718 and determined to be $0; as a result, no related amounts have been reported in this table.

## Outstanding Equity Awards as of January 31, 2021

The following table presents the outstanding equity incentive plan awards held by each of our Named Executive Officers as of January 31, 2021.

| | | 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 | 4/2/2020[(3)] | — | — | — | — | 288,731 | 14,069,862 |
| | 3/8/2019[(4)] | 814,000 | — | 14.52 | 3/7/2029 | — | — |
| | 7/10/2018[(5)] | 726,542 | 13,458 | 7.43 | 7/9/2028 | — | — |
| | 7/22/2016[(6)] | 2,692,426 | — | 2.00 | 7/21/2026 | — | — |
| Howard Wilson Chief Financial Officer | 4/2/2020[(7)] | — | — | — | — | 151,964 | 7,405,206 |
| | 3/8/2019[(8)] | 220,000 | — | 14.52 | 3/7/2029 | — | — |
| | 7/10/2018[(9)] | 207,876 | 22,124 | 7.43 | 7/9/2028 | — | — |
| | 12/30/2016[(10)] | 329,164 | — | 2.00 | 12/29/2026 | — | — |
| David Justice Executive Vice President, Chief Revenue Officer | 4/2/2020[(11)] | — | — | — | — | 61,970 | 3,019,798 |
| | 1/2/2020[(12)] | 10,624 | 31,872 | 24.34 | 1/1/2030 | 160,710 | 7,831,398 |
| Stacey Giamalis Senior Vice President, Legal, General Counsel, and Secretary | 4/2/2020[(13)] | — | — | — | — | 63,319 | 3,085,535 |
| | 3/8/2019[(14)] | 63,000 | — | 14.52 | 3/7/2029 | — | — |
| | 4/9/2018[(15)] | 278,390 | 26,110 | 5.87 | 4/8/2028 | — | — |

(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, 2021, based on the closing price of our common stock, as reported on the New York Stock Exchange, of $48.73 per share on January 31, 2021.

(3) The shares underlying the stock award shall vest in 1/16 quarterly installments, commencing 3 months after the grant date, subject to Ms. Tejada's continuous service through each such date.

(4) 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, 186,542 shares subject to the options were vested as of January 31, 2021.

(5) 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, 462,500 shares subject to the options were vested as of January 31, 2021.

(6) 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, 2,692,426 shares subject to the options were vested as of January 31, 2021.

(7) The shares underlying the stock award shall vest in 1/16 quarterly installments, commencing three months after the grant date, subject to Mr. Wilson's continuous service through each such date.

(8) 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) vested 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, 50,417 shares subject to the options were vested as of January 31, 2021.

(9) 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, 143,750 shares subject to the options were vested as of January 31, 2021.

(10) 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, 329,164 shares subject to the options were vested as of January 31, 2021.

(11) The shares underlying the stock award shall vest as follows: 25% of the shares shall vest on April 2, 2021 and 1/12 quarterly thereafter, subject to Mr. Justice's continuous service through each such date.

(12) 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.

(13) The shares underlying the stock award shall vest in 1/16 quarterly installments, commencing three months after the grant date, subject to Ms. Giamalis' continuous service through each such date.

(14) 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. Giamalis' employment terminates. The option vests as follows: (a) for 37,500 shares of 75,000 shares, 25% of the shares subject to option (a) shall vest on March 8, 2020 and 1/48th per month thereafter and (b) for 37,500 shares of 75,000 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, 5,187 shares subject to the options were vested as of January 31, 2021.

(15) A portion of the option covering 85,250 shares is intended to qualify as an incentive stock option for federal tax purposes, and the remaining portion of the option covering 298,250 shares is a nonstatutory stock option. The incentive stock options vested and became exercisable as follows: (a) 20% of the shares subject to the options vested on March 9, 2018 and an additional 17,050 shares subject to the incentive stock options first become exercisable January 1 in each of 2019, 2020, 2021 and 2022; and (b) the non-qualified stock options 203,084 shares first became exercisable on March 9, 2018, subject to our right to repurchase unvested shares in the event the reporting person's employment terminates. 12/48th of the total shares vested on the 12-month anniversary of March 9, 2018 and 1/48th of the part (b) shares vests monthly thereafter for a total vesting period of 48 months. Out of the unexercised options exercisable, 184,656 shares subject to the options were vested as of January 31, 2021.

## Stock Option Exercises and Stock Vested

The following table shows for the fiscal year ended January 31, 2021, certain information regarding option exercises and stock vested during the last fiscal year with respect to our named executive officers:

| | Option Awards | | Stock Awards | |
|---|---|---|---|---|
| Name | Number of Shares Acquired on Exercise (#) | Value Realized on Exercise(1) ($) | Number of Shares Acquired on Vesting (#) | Value Realized on Vesting(2) ($) |
| Jennifer Tejada | 290,583 | 9,105,454 | 66,630 | 2,206,341 |
| Howard Wilson | 254,100 | 6,135,429 | 35,068 | 1,161,213 |
| David Justice | — | — | 53,569 | 2,233,827 |
| Stacey Giamalis | 87,000 | 2,854,420 | 14,611 | 483,813 |

(1) The value realized on exercise represents the difference between the exercise price per share of the stock option and the market price of our common stock at the time of exercise. The value realized was determined without considering any taxes that may have been owed.

(2) The value realized upon vesting of restricted stock units is calculated by multiplying the number of shares vested by the closing price of our common stock on the vest 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 was most recently amended in March 2021 and 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. Ms. Tejada's current annual base salary is $520,000 and her current target annual bonus opportunity is $520,000. 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 (or, following the March 2021 amendment, a per-share amount payable to holders of common stock, less any applicable per-share exercise price payable upon exercise of such equity award) 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 $425,000 and his current target annual bonus opportunity is $297,500. 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 $400,000 and his current target sales commission opportunity is $400,000. 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 his employment, as more fully described below under "—Potential Payments upon Termination or Change of Control."

***Stacey Giamalis***

We have entered into a confirmatory employment agreement with Stacey Giamalis, our Senior Vice President, Legal, General Counsel, and Secretary. The confirmatory employment agreement has no specific term and provides for at-will employment. Ms. Giamalis's current annual base salary is $339,539 and her current target annual bonus opportunity is $135,816. Ms. Giamalis is eligible to participate in benefit plans and arrangements made available to all our full-time employees. Ms. Giamalis 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, Ms. Giamalis and certain other executives (other than Ms. Tejada) and key employees, or participants, which was most recently amended in March 2021. Under the policy, if we terminate the employment of Mr. Wilson, Mr. Justice or Ms. Giamalis 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, Mr. Justice or Ms. Giamalis, 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 then-current annual base salary; (ii) a lump sum cash amount equal to a prorated amount of target annual bonus opportunity; (iii) continuation of health plan benefits 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 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, Mr. Justice or Ms. Giamalis 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 at no cost under COBRA for up to six months.

In addition, pursuant to the March 2021 amendment, if equity awards held by Mr. Wilson, Mr. Justice or Ms. Giamalis that are subject to time-based vesting and granted prior to a change in control are not assumed, substituted, continued or cancelled for a per-share amount payable to holders of common stock, less any applicable per-share exercise price payable upon exercise of such equity award, in connection with the change in control, 100% of the then-unvested shares subject to such equity awards will vest immediately prior to the change in control, contingent upon such transaction.

To receive the severance benefits above upon a qualifying termination, Mr. Wilson, Mr. Justice or Ms. Giamalis, 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, Mr. Justice or Ms. Giamalis 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, Mr. Justice or Ms. Giamalis 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".

In addition, in May 2020 all options and RSUs granted under our 2019 Plan and our 2010 Plan were amended to provide that they will fully accelerate in the event of the holder's termination due to death.

The following table summarizes the estimated payments and benefits that would be provided to our Named Executive Officers upon termination or a change of control, assuming the triggering event took place on January 31, 2021.

| Named Executive Officer | Involuntary Termination of Employment Without Cause Not in Change in Control Period[1][2] ($) | Involuntary Termination of Employment Due to Death Not in Change in Control Period[12] ($) | Involuntary Termination of Employment Without Cause or Voluntary Resignation for Good Reason Within Change in Control Period[2] ($) | Involuntary Termination of Employment Due to Death Within Change in Control Period[13] ($) | Change in Control Where Awards Are Not Assumed and Executive Remains in Service[11] ($) |
|---|---|---|---|---|---|
| **Jennifer Tejada** | | | | | |
| Severance Payment[3] | 912,000 | 912,000 | 1,137,000 | 1,137,000 | — |
| Value of Benefits[4] | 30,719 | 30,719 | 46,078 | 46,078 | — |
| Equity Acceleration[5][6] | 23,497,975 | 46,995,950 | 46,995,950 | 46,995,950 | 46,995,950 |
| Total | 24,440,694 | 47,938,669 | 48,179,028 | 48,179,028 | 46,995,950 |
| **Howard Wilson** | | | | | |
| Severance Payment[7] | 200,000 | — | 680,000 | — | — |
| Value of Benefits[4] | 12,753 | — | 25,506 | — | — |
| Equity Acceleration[5][8] | — | 16,768,765 | 16,768,765 | 16,768,765 | — |
| Total | 212,753 | 16,768,765 | 17,474,271 | 16,768,765 | — |
| **David Justice** | | | | | |
| Severance Payment[9] | 175,000 | — | 700,000 | — | — |
| Value of Benefits[4] | 15,359 | — | 30,719 | — | — |
| Equity Acceleration[5][8] | — | 11,628,554 | 11,628,554 | 11,628,554 | — |
| Total | 190,359 | 11,628,554 | 12,359,273 | 11,628,554 | — |
| **Stacey Giamalis** | | | | | |
| Severance Payment[10] | 163,240 | — | 455,860 | — | — |
| Value of Benefits[4] | 9,378 | — | 18,757 | — | — |
| Equity Acceleration[5][8] | — | 10,200,431 | 10,200,431 | 10,200,431 | — |
| Total | 172,618 | 10,200,431 | 10,675,048 | 10,200,431 | — |

(1) Includes, for Ms. Tejada, a resignation for good reason or involuntary termination due to disability.

(2) Includes, for Ms. Tejada, an involuntary termination due to disability. The Change in Control Period is defined as the period commencing three months prior to and ending 12 months (or, with respect to Ms. Tejada, 18 months) following a change in control.

(3) $0.9 million represents 12 months of the Named Executive Officer's annual base salary in effect on January 31, 2021, plus 100% of the Named Executive Officer's target annual bonus for fiscal year 2021, plus an additional $12,000. $1.1 million represents 18 months of the Named Executive Officer's annual base salary in effect on January 31, 2021, plus 100% of the Named Executive Officer's target annual bonus for fiscal year 2021, plus an additional $12,000

(4) The amounts in this row reflect the estimated value of future premiums under our health and welfare benefit plans.

(5) The amounts in this row reflect the value of accelerated vesting of stock options and RSUs. The value of accelerated vesting of stock options was calculated by multiplying the number of shares subject to accelerated vesting under outstanding stock options by the difference between $48.73, which was the closing market price per share of our common stock on January 29, 2021 (the last trading date before the end of our fiscal year), and the per share exercise price of the applicable accelerated stock option. The value of accelerated vesting of RSUs was calculated by multiplying the number of shares subject to accelerated vesting under RSU grants by $48.73, which was the closing market price per share of our common stock on January 29, 2021 (the last trading date before the end of our fiscal year).

(6) $23.5 million represents the accelerated vesting of 50% of the Named Executive Officer’s unvested stock options and RSUs as of January 31, 2021. $47.0 million represents the accelerated vesting of 100% of the Named Executive Officer’s unvested stock options and RSUs as of January 31, 2021.

(7) $0.2 million represents six months of the Named Executive Officer's annual base salary in effect on January 31, 2021. $0.7 million represents 12 months of the Named Executive Officer's annual base salary in effect on January 31, 2021, plus 100% of the Named Executive Officer's target annual bonus for fiscal year 2021.

(8) Represents the accelerated vesting of 100% of the Named Executive Officer’s unvested stock options and RSUs as of January 31, 2021

(9) $0.2 million represents six months of the Named Executive Officer's annual base salary in effect on January 31, 2021. $0.7 million represents 12 months of the Named Executive Officer's annual base salary in effect on January 31, 2021, plus 100% of the Named Executive Officer's target annual bonus for fiscal year 2021.

(10) $0.2 million represents six months of the Named Executive Officer's annual base salary in effect on January 31, 2021. $0.5 million represents 12 months of the Named Executive Officer's annual base salary in effect on January 31, 2021, plus 100% of the Named Executive Officer's target annual bonus for fiscal year 2021.

(11) Represents the accelerated vesting of 100% of the Named Executive Officer’s unvested stock options and RSUs as of January 31, 2021, assuming a change in control transaction occurs and such awards are not assumed, substituted, continued or cancelled for consideration in connection with the transaction and such Named Executive Officer’s employment continues.

(12) For Ms. Tejada, $0.9 million represents 12 months of the Named Executive Officer's annual base salary in effect on January 31, 2021, plus 100% of the Named Executive Officer's target annual bonus for fiscal year 2021, plus an additional $12,000. $47.0 million represents the accelerated vesting of 100% of the Named Executive Officer’s unvested stock options and RSUs as of January 31, 2021.

(13) For Ms. Tejada, $1.1 million represents 18 months of the Named Executive Officer's annual base salary in effect on January 31, 2021, plus 100% of the Named Executive Officer's target annual bonus for fiscal year 2021, plus an additional $12,000. Amounts for all Named Executive Officer’s include the accelerated vesting of 100% of the Named Executive Officer’s unvested stock options and RSUs as of January 31, 2021.

**Pension Benefits**

Aside from our 401(k) Plan, we do not maintain any pension plan or arrangement under which our Named Executive Officers are entitled to participate or receive post-retirement benefits.

**Non-Qualified Deferred Compensation**

We do not maintain any non-qualified deferred compensation plans or arrangements under which our Named Executive Officers are entitled to participate.

**Compensation Committee Report***

The Compensation Committee has reviewed and discussed with management the Compensation Discussion and Analysis (the "CD&A") contained in this proxy statement. Based on this review and discussion, the Compensation Committee has recommended to our Board of Directors that the CD&A be included in this proxy statement and incorporated into our Annual Report on Form 10-K for the fiscal year ended January 31, 2021.

**Compensation Committee**
Zachary Nelson (Chair)
Sameer Dholakia
Rathi Murthy

*The material in this report is not "soliciting material," is furnished to, but not deemed "filed" with, the Commission and is not deemed to be incorporated by reference in any of our filings under the Securities Act or the Exchange Act, other than our Annual Report on Form 10 K, where it shall be deemed to be "furnished," whether made before or after the date hereof and irrespective of any general incorporation language in any such filing."

**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, administers 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, 2021 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] | 11,177,838 | $8.25 | 19,146,709 |
| Equity compensation plans not approved by stockholders | — | — | — |
| **Total** | **11,177,838** | | **19,146,709** |

(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. We no longer make 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, 2021, the number of shares available for issuance under our 2019 Plan and our ESPP increased by 4,144,121 shares and 828,824 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, 2021 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 83,254,706 shares of our common stock outstanding as of March 31, 2021.

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*** | | |
| ARK Investment Management LLC[(1)] | 11,547,833 | 13.9 % |
| T. Rowe Price Associates, Inc.[(2)] | 10,514,965 | 12.6 % |
| Nikko Asset Management Americas, Inc.[(3)] | 6,359,550 | 7.6 % |
| The Vanguard Group - 23-194590[(4)] | 4,672,525 | 5.6 % |
| Andrew G. Miklas[(5)] | 4,270,969 | 5.1 % |
| ***Named Executive Officers and Directors*** | | |
| Jennifer Tejada[(6)] | 4,410,216 | 5.0 % |
| Howard Wilson[(7)] | 812,746 | 1.0 % |
| David Justice[(8)] | 43,651 | * |
| Stacey Giamalis[(9)] | 320,905 | * |
| Alex Solomon [(10)] | 2,882,489 | 3.6 % |
| Sameer Dholakia | 6,705 | * |
| Alec Gallimore | — | * |
| Elena Gomez[(11)] | 244,306 | * |
| Rathi Murthy[(12)] | 148,881 | * |
| Zachary Nelson | 301,625 | * |
| Bonita Stewart | — | * |
| All directors and executive officers as a group[(13)] (11 persons) | 9,151,524 | 9.9 % |

* Represents beneficial ownership of less than 1%.

(1) Based upon the information provided by ARK Investment Management LLC ("ARK") in a Schedule 13G/A filed on February 16, 2021. According to the filing, ARK has sole voting power with respect to 9,992,000 shares of common stock, shared voting power over 1,044,146 shares of common stock, sole dispositive power over 11,547,833 shares of common stock, and no shared dispositive power. The principal business address of ARK is 3 East 28th Street, 7th Floor, New York, NY 10016.

(2) Based upon the information provided by T. Rowe Price Associates, Inc. ("T. Rowe Price") in a Schedule 13G/A filed on February 16, 2021. According to the filing, T. Rowe Price has sole voting power with respect to 3,055,829 shares of common stock, sole dispositive power over 10,514,965 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.

(3) Based upon the information provided by Nikko Asset Management Americas, Inc. ("Nikko Americas") in a Schedule 13G filed on February 11, 2021. According to the filing, Nikko Americas has shared voting power with respect to 4,195,415 shares of common stock and shared dispositive power over 6,359,550 shares of common stock, and no sole voting or dispositive power. The principal business address of Nikko Americas is 605 Third Avenue, 38th Floor, New York, NY 10158. According to a Schedule 13G filing filed on February 5, 2021, Sumitomo Mitsui Trust Holdings, Inc. ("SMTH") and Nikko Asset Management Co., Ltd. ("Nikko") each have shared voting and dispositive power over the shares beneficially owned by Nikko Americas. The principal business address of SMTH is 1-4-1 Marunouchi, Chiyoda-ku, Tokyo 100-8233, Japan, and the principal business address of Nikko is Midtown Tower, 9-7-1 Akasaka, Minato-ku, Tokyo 107-6242, Japan.

(4) Based upon the information provided by The Vanguard Group - 23-1945930 ("Vanguard") in a Schedule 13G filed on February 10, 2021. According to the filing, Vanguard has shared voting power over 36,940 shares of common stock, sole dispositive power over 4,605,223 shares of common stock, shared dispositive power with respect to 67,302 shares of common stock, and no sole voting power. The principal business address of Vanguard is 100 Vanguard Blvd., Malvern, PA 19355.

(5) Based upon the information provided by Andrew G. Miklas in a Schedule 13G/A filed on February 12, 2021. According to the filing, 2,366,865 shares are held by the A. Miklas Revocable Trust created U/D/T dated August 8, 2016, 1,154,104 shares are held by AM GRAT dated January 16, 2019, and 750,000 shares held by AM 2020 GRAT 2 dated March 24, 2020. Andrew G. Miklas is the trustee of the A. Miklas Revocable Trust created U/D/T dated August 8, 2016, AM GRAT dated January 16, 2019, and AM 2020 GRAT 2 dated March 24, 2020.

(6) Consists of (i) 125,000 shares each held indirectly by Jennifer Tejada, as Trustee of the Tejada 2020 Grantor Retained Annuity Trust - I and Jennifer Gail Tejada, as Trustee of the Tejada 2020 Grantor Retained Annuity Trust - II, and (ii) 4,138,968 shares subject to options exercisable within 60 days of March 31, 2021, of which 3,461,758 are vested as of such date.
(7) Consists of 750,706 shares subject to options exercisable within 60 days of March 31, 2021, of which 568,746 are vested as of such date.
(8) Consists of 13,280 shares subject to options exercisable within 60 days of March 31, 2021, of which 13,280 are vested as of such date.
(9) Consists of 314,450 shares subject to options exercisable within 60 days of March 31, 2021, of which 199,863 are vested as of such date.
(10) Consists of (a) 2,608,485 shares held directly by Mr. Solomon; and (ii) 270,004 shares are held indirectly by the Alex Solomon, as Trustee of the A. Solomon GRAT dated April 3, 2019.
(11) Consists of 224,306 shares subject to options exercisable within 60 days of March 31, 2021, all of which are fully vested as of such date.
(12) Consists of 148,881 shares subject to options exercisable within 60 days of March 31, 2021, of which 101,970 are vested as of such date.
(13) Consists of (i) 9,151,524 shares owned by our current executive officers and directors, and (ii) 5,590,591 shares subject to options exercisable within 60 days of March 31, 2021, of which 4,569,923 shares are vested as of such date.

## DELINQUENT SECTION 16(A) REPORTS

Section 16(a) of the Exchange Act requires our directors and executive officers, and persons who own more than ten percent of a registered class of our 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 us with copies of all Section 16(a) forms they file.

To our 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, 2021, except for one late Form 4 filing by Mr. Wilson to report nominal shares acquired by his wife in connection with our directed share program, two late Form 4 filings by Ms. Tejada to report standard transactions made pursuant to her previously adopted 10b5-1 plan due to an administrative and filing system error, one late Form 4 filing by Mr. Dholakia to report an annual grant to our non-employee directors due to a filing code error, and one late Form 4 filing by Ms. Giamalis to report a cashless exercise made pursuant to her previously adopted 10b5-1 plan due to a filing system error.

## 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, 2020, 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 $391,000 in fiscal year 2021. In addition, pursuant to Zendesk's standard customer terms, we had expenditures of $137,000 with Zendesk in fiscal year 2021. Elena Gomez, a member of our board of directors, was the Chief Financial Officer of Zendesk until May 2021.

***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 $539,000 in fiscal year 2021. In addition, pursuant to customer agreements we entered into with the Twilio entities in 2018, we had expenditures of $1,080,000 with the Twilio entities in fiscal year 2021. Sameer Dholakia, a member of our board of directors since December 2019, was CEO of Twilio SendGrid at Twilio until June 2020.

***Transactions with Verizon Media***

We entered into a master service agreement with Verizon Media in April 2016. Pursuant to the agreement, we recognized revenue from Verizon Media of approximately $1,119,000 in fiscal year 2021. Rathi Murthy, a member of our board of directors since March 2019, is CTO of Verizon Media.

***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 3, 2021

We have filed our Annual Report on Form 10-K for the fiscal year ended January 31, 2021 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, 2021 is available without charge upon written request to: Secretary, PagerDuty, Inc., 600 Townsend St., Suite 200, San Francisco, California 94103.**

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# 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, 2021**

**or**

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

**For the transition period from _________ to _____________**

**Commission File Number: 001-38856**

# 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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7265(b)) by the registered public accounting firm that prepared or issued its audit report. Yes ☒ No ☐

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, 2020, the last business day of the Registrant's most recently completed second fiscal quarter, as reported on the New York Stock Exchange, was approximately $1.9 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 16, 2021, there were approximately 83,057,916 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 2021. 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, 2021.

**PAGERDUTY, INC.**

**FORM 10-K**

**For the Year Ended January 31, 2021**

**TABLE OF CONTENTS**


| | | |
|---|---|---|
| | **Part I** | |
| Item 1. | Business | 6 |
| Item IA. | Risk Factors | 18 |
| Item 1B. | Unresolved Staff Comments | 50 |
| Item 2. | Properties | 50 |
| Item 3. | Legal Proceedings | 51 |
| Item 4. | Mine Safety Disclosures | 51 |
| | **Part II** | |
| Item 5. | Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities | 52 |
| Item 6. | Selected Consolidated Financial and Other Data | 53 |
| Item 7. | Management’s Discussion and Analysis of Financial Condition and Results of Operations | 57 |
| Item 7A. | Quantitative and Qualitative Disclosure About Market Risk | 80 |
| Item 8. | Financial Statements and Supplementary Data | 80 |
| Item 9. | Changes in and Disagreements with Accountants on Accounting and Financial Disclosure | 121 |
| Item 9A. | Controls and Procedures | 121 |
| Item 9B. | Other Information | 122 |
| | **Part III** | |
| Item 10. | Directors, Executive Officers and Corporate Governance | 123 |
| Item 11. | Executive Compensation | 123 |
| Item 12. | Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters | 123 |
| Item 13. | Certain Relationships and Related Transactions and Director Independence | 123 |
| Item 14 | Principal Accounting Fees and Services | 123 |
| | **Part IV** | |
| Item 15. | Exhibits and Financial Statement Schedules | 124 |
| Item 16. | Form 10-K Summary | 126 |
| | Signatures | 127 |

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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:

- the effect of uncertainties related to the novel coronavirus and resulting COVID-19 pandemic on U.S. and global markets, our business, operations, revenue results, cash flow, operating expenses, demand for our solutions, sales cycles, customer retention, and our customers’ businesses;
- 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 cloud- hosted software subscriptions being sufficient to support working capital and capital expenditures for at least the next 12 months;
- our ability to successfully identify, acquire, and integrate complementary companies, technologies, and assets;
- our ability to service the interest on our convertible notes and repay such notes, to the extent required;
- 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.

**RISK FACTOR SUMMARY**

Our business is subject to many risks and uncertainties, as more fully described in Item 1A “Risk Factors.” You should read these risks before you invest in our common stock. Below are some of these risks, any one of which could materially adversely affect our business, financial condition, results of operations, and prospects.

- The ongoing global COVID-19 pandemic and any related economic downturn could harm our business, results of operations, and financial condition.
- 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.
- We have a history of operating losses and may not achieve or sustain profitability in the future.
- 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.
- 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.
- If we are unable to attract new customers, our revenue growth will be adversely affected.
- If we are unable to retain our current customers or sell additional functionality and services to them, our revenue growth will be adversely affected.
- We derive substantially all of our revenue from a single product.
- The markets in which we participate are competitive, and if we do not compete effectively, our operating results could be harmed.
- 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.
- 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.
- If we are unable to enhance and improve our platform or develop new functionality or use cases, our revenue may not grow.
- 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.

- 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.
- 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.

## PART I.

### Item 1. Business

### Overview

PagerDuty is a digital operations management platform that empowers the right action, when seconds matter.

Our platform, which includes our auto remediation software, is the best way to manage urgent, mission-critical work—and keep digital services always on. It sits at the center of a company's digital ecosystem ingesting signals and using machine learning and automation to prevent and automate real time work, predict and avoid downtime. We enable teams to reduce outages, improve productivity and accelerate digital transformations.

We collect data from virtually any software-enabled system or device and combine it with human response data correlating and processing it to understand digital opportunities and issues that need to be addressed in real-time. Using the world's broadest integrations, event management, automated remediation and diagnostics, and human driven runbook 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, days or even weeks like legacy solutions.

Companies across nearly every industry are undergoing digital transformation in response to their customers' shift to digital channels. This drives strategic imperatives for our customers: digital acceleration, cloud migration, and DevOps transformation. Our digital operations platform empowers customers across verticals and geographies as they tackle these imperatives by cutting through complexity, redundant work, and providing new ways of delivering differentiated digital services. As companies' digital operations become more complex, growing to comprise hundreds or thousands of interrelated services—both in the cloud and on-premise—executing on the promise of digital transformation is becoming increasingly challenging. Consumers have become used to bespoke experiences in real-time. They want to have food delivered to their home from the restaurant of their choice within an hour; stream a movie of their choice 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 an imperative because anything less than a perfect experience can result in lost revenue, customer churn, reduced productivity, and reputational damage. PagerDuty's platform empowers our customers to handle this critical real time work as they embrace the necessities of digital acceleration, cloud migration and DevOps transformation to meet their customers where they are.

PagerDuty was founded to support the DevOps movement by breaking down silos between technical teams, like developers and operators, enabling a culture of accountability and collaboration. Our platform's initial focus was on the software developers who are the owners and architects of the customers' digital experience and enterprises' digital transformation. To drive trials and earn trust within the developer community, PagerDuty's platform is designed to find, adopt, and scale with a rapid return on investment for the user and the company. 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.

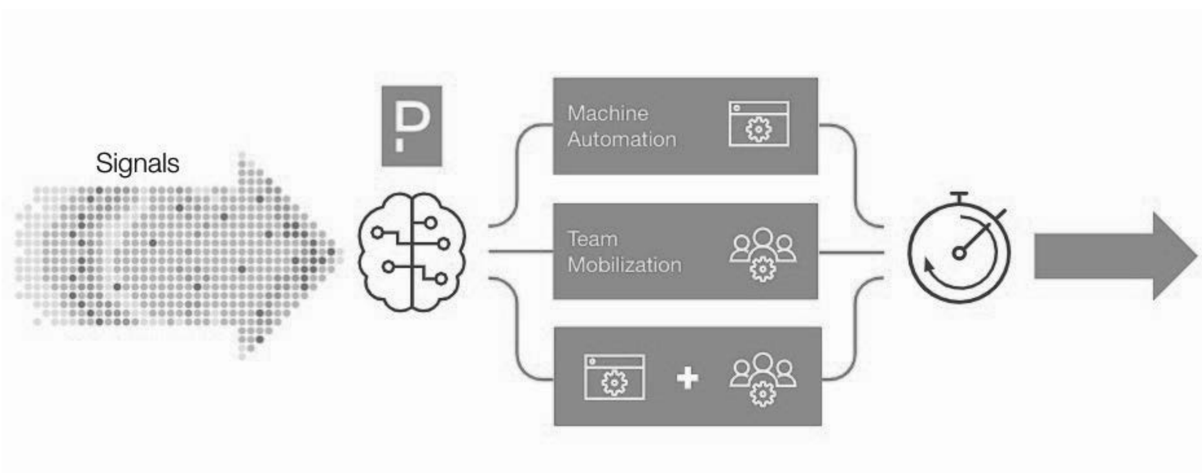
Since our founding in 2009, we have expanded our capabilities from a single product focused on on-call management for technical teams to one that serves many roles across the company, delivering a real time source of truth to security, customer service, and executive stakeholders alike. Growing from an on-call tool into a full digital operations management platform, spanning incident response, on-call management, business visibility, advanced analytics, and AI Ops capabilities across automation and event management to reduce the noise, interruptions and redundant tasks from our customer's lives. 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 customers. We have spent years building deep product integrations to our platform, and our ecosystem now includes over 500 direct integrations to enable our customers to gather and correlate digital signals from virtually any software-enabled system or device. Those same integrations allow PagerDuty to connect with popular collaboration tools and business applications as well as all types of technology stacks to drive automation of work.

We generate revenue primarily from cloud-hosted subscription fees with the majority of our revenue from such arrangements. We offer a three-tiered range of pricing plans aligned with our customers' needs and the sophistication of their digital operations. In addition, our Rundeck automation offering is available on a subscription basis. We also offer a "freemium" plan for less than five users to introduce new users to the platform. 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 high-velocity inside sales focused on small and medium businesses, a commercial team focused on mid-market customers, and a field sales team focused on enterprise customers. Our mid-market and enterprise customers account for the majority of our revenue today. 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, 2021 and 2020, our revenue was $213.6 million and $166.4 million, respectively. We continue to invest in our business and had a net loss of $68.9 million and $50.3 million, for the fiscal years ended January 31, 2021 and 2020, respectively.

**How Our Platform Works**

Our platform sits at the heart of a company's technology ecosystem, combining the power of machine automation with human action to mobilize teams of experts, particularly across DevOps, ITOps and customer service representatives, who work together in real-time to deliver, maintain, optimize, and fix problems with critical digital services in minutes and seconds. Our platform incorporates AI and machine learning capabilities that help predict and automate prevention of issues, while also offloading any menial, repetitive tasks, to direct the more time sensitive mission critical work to the right people for the job. Thanks to our secure, reliable platform, the teams who use PagerDuty spend less time on frustrating tasks and toil—and more time focused on creating new and better digital experiences. The graphic below illustrates how our platform works.

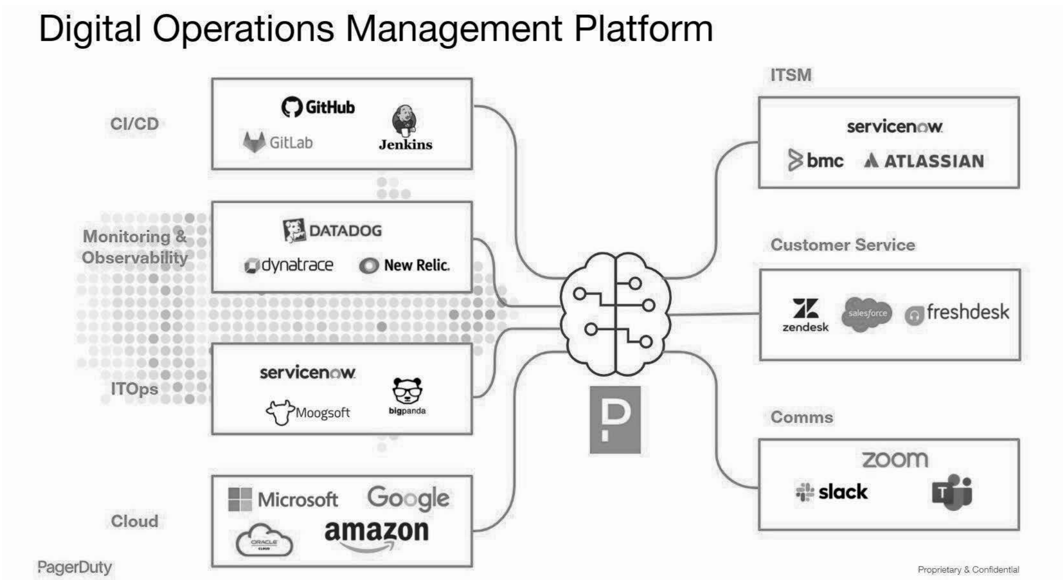



PagerDuty ingests signals in real time across our customers digital ecosystem and instantaneously correlates across them and decides which signals require action. We then assess three possible paths for remediation.

- **Machine Automation.** For incidents that do not require human intervention, PagerDuty uses auto-remediation to eliminate the manual toil of incident response so teams can spend less time reacting and more time on valuable tasks that improve customer experience. We run diagnostics and trigger remediation sequences in order to avoid the need to interrupt skilled workers if possible. These diagnostics include steps normally managed by humans, such as restarting servers and ramping CPU capacity, among other diagnostics.

- **Team Mobilization.** Once an incident or potential incident is identified, if required, we manage the process of bringing together the responsible team members across DevOps, ITOps, Customer Support and Service, and other business functions, to inform on and resolve the incident before it can impact customers. We provide teams with pre-gathered rich contextual information about the incident so they can take the right action in real time. We provide our capabilities natively, or within the tools that teams work in, promoting a "work where you are" environment whether that is in common applications such as Slack, Teams or Zoom, or more technical environments. We engage teams using their preferred communication channels, with notifications via email, SMS, voice, and push notifications to ensure the most rapid acknowledgement of issues and reducing critical time to resolve.

- **Combine Machine Automation and Team Mobilization.** PagerDuty combines machine automation technology with team mobilization to serve up a proposed automation routine to the right responder, with the option to initiate it with the click of a button. PagerDuty is the only company to combine machine automation and team mobilization, in response to real-time, mission critical workflow. This enables tier one responders with easy press-button automation of powerful remediation steps to cut critical minutes out of outages and incidents.




***The center of our customers digital ecosystems***

PagerDuty ingests and contextualizes signals to filter out noise and then mobilizes the appropriate response, whether it is automated or a human response. Our approach helps us aggregate related signals into an incident that teams can act on. When these digital signals require teams to respond, it's supported where your responders live, in tools like Slack, Teams and Zoom, and via bi-directional integrations to your ITSM tools. We also provide technology leaders, technical responders, and business owners a shared, real-time view into the business impact of an incident.

PagerDuty empowers the full ROI of our customers' tool stack, using machine learning, automation, auto-remediation, and self-healing to bring together the right people with the right information to generate the appropriate action, in real time, when seconds matter.

**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 manages today's complex and contemporary digital services. These are microservice based environments that are constantly changing state. That requires managing the entire service lifecycle from collecting data, interpreting digital signals, orchestrating a response when needed, and providing insights—all in real time. There is no concept of queued tickets or queued work in our platform because we are built to understand these situations and solve incidents within seconds or minutes, not hours or days.

- **Nearly 12 years' of data from over 13,500 customers.** As pioneers in digital operations management, we have a rich repository of machine-generated data and human response data. We utilize our data from every incident and leverage it across our platform, allowing 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 500 integrations across the technology ecosystem.** We have invested extensively in an ecosystem that includes over 500 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 and business visibility. 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 multiple cloud regions, communications network, and a single DNS provider from a leading cloud provider. 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 customer 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. 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 and a powerful and broad featured API to enable rapid integrations into even the most complex environments. 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 and adoption of our products. We will continue to target our potential customers with community building and marketing programs that include digital campaigns, our annual user conference, broader industry events, customer marketing activities, and user meet-ups.

- **Expand usage within our existing customer base across development, IT operations and security operations user groups, as well as with new user groups such as customer service and support.** Development 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 development and IT operations, security operations, and customer service and 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 and customer success efforts as well as leverage partners 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 and AIOps, automation, 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. In addition to internal development, we can expand our product portfolio and offerings through acquisitions.

- **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, particularly throughout EMEA and Asia Pacific and Japan. Our international operations generated 24% of our revenue in the fiscal year ended January 31, 2021.

- **Expand use cases across all teams and business stakeholders.** We believe that there is a large opportunity for organizations to expand adoption beyond development and IT operations to additional use cases such as customer service and support, security operations, 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 any team member who is associated with the development, delivery, and operations of the digital experience. Our platform has demonstrated core use cases across development, IT operations, customer service and support and security operations. We estimate that in 2021, there are approximately 72 million potential users worldwide in the development, IT operations, customer service and support, and security operations segments, comprised of:

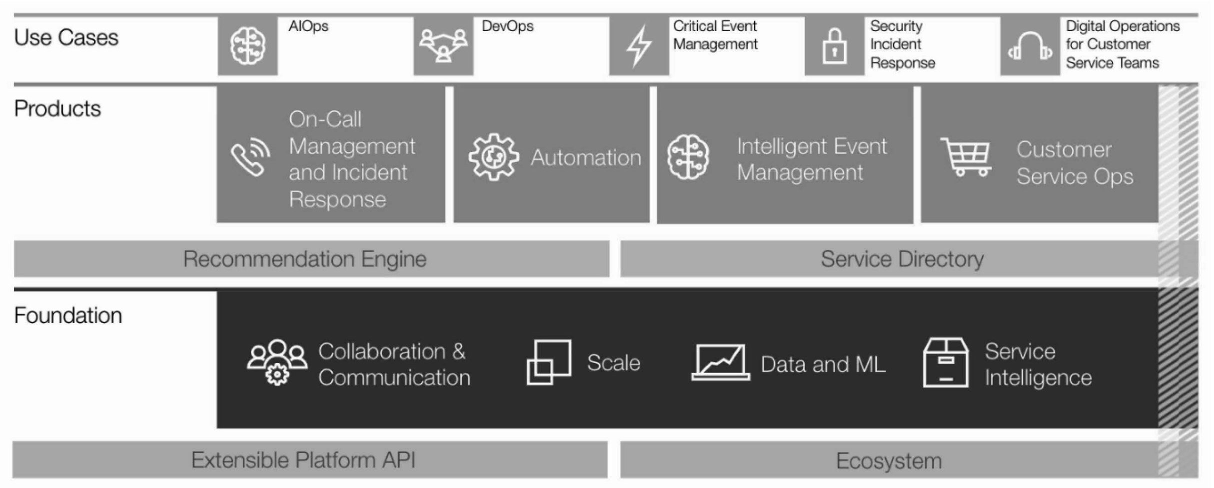
- 22.0 million development personnel
- 20.8 million IT operations personnel
- 27.4 million customer service and support personnel
- 1.6 million security operations personnel

We estimate our total addressable market is over $25 billion. To calculate our total addressable market, we multiply our estimate of 72 million potential users by our average revenue per user, including our new products such as Digital Operations and Rundeck. 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 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 development, IT operations, customer service and support, and security operations will increasingly shift toward processes that enable digital transformation, including digital operations management.

**PagerDuty Platform for Digital Operations Management**

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 postmortems. 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 postmortem 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.

***Pager Duty Runbook Automation***

PagerDuty Runbook Automation empowers users with the ability to create workflows that span different scripts, tools, APIs and system commands to safely hand off the knowledge required to use these tools correctly and consistently. With this self service functionality, organizations can safely extend operations privileges to other teams and business units.

***PagerDuty Intelligent Event Management***

PagerDuty Intelligence Event Management (AI Ops) 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 for Customer Service***

PagerDuty for Customer Service makes it easy to orchestrate, automate, and scale your response to customer impacting issues. With real-time data, two-way communication, and a fully integrated tool stack, we provide what our customers need to act as a unit and resolve issues faster together while also providing customers with proactive and clear information on service status, resolution activities, and even the ability to escalate, right from within today's most populated case management platforms.

***PagerDuty Analytics***

PagerDuty Analytics enables users to answer every question across incidents, services and teams and easily slice and dice the data to dial in on all aspects of operations. Recommendations drives quick and confident decisions to improve operational maturity. Operational report cards lets organizations review the impact of incidents and align leaders to drive improvements at every level. Analytics can also be embedded into Slack, right where you work to help avoid context switching, making analytics part of daily routines.

**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, 2021, we had a global customer base of over 13,500 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, 2021.

**Customer Success**

We are committed to the success of our customers. This means delivering performance improvements that enable our customers to drive their cloud migration, DevOps Transformation, and Digital Acceleration. The key to delivering recurring value is rapid implementation with a focus on continuous improvement throughout our relationship. We assist our customers by expanding their ability to operate in real-time via cross functional workflows in engineering, IT, security, customer support, executive leadership, and across their entire employee base.

The Customer Success team is structured to provide expertise through the entire customer lifecycle from onboarding, adoption of our platform, business value realization and renewal. We provide in-depth instructor-led courses to certify our customers and partners on products, technology, and best practices. The support teams respond to our customers' queries related to our products via a multi-channel environment from no-fee to paid 24/7 support with service level agreements. Technical industry experts, architects, and consultants assist customers with rapid deployment with workflow optimization and PagerDuty best practices. The renewals team works proactively to reduce churn/downgrade and provide customers with a positive on-time renewal experience.

In addition, we provide a range of self-service capabilities including a comprehensive online repository for information around technical documentation, integration guides, training videos, an online forum for our customers to ask questions and get answers from the broader community, and best practices around key topics such as incident response and APIs for application integration are open sourced and accessible to everyone.

**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 mid-market 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 manual processes, in-house solutions, and software providers that may compete against certain components of our offering. Our primary competitors include Atlassian OpsGenie and Splunk On-Call (formerly VictorOps).

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

- platform functionality and breadth of offering;
- integrations;
- performance, security, scalability, and reliability;
- real-time response, workflow, and automation capabilities;
- focus on modern, contemporary digital services and operations
- brand recognition, reputation, and customer satisfaction;
- ease of implementation and ease of use, and;
- time-to-value, total cost of ownership, and return on investment.

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 11 issued patents and six patent applications pending examination in the United States as of January 31, 2021 that with respect to the issued patents are expected to have terms ending between 2033 and 2040, 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 14, "Geographic Information" of the Notes to our Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K.

**Human Capital**

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. We are continually investing in our global workforce to further drive diversity and inclusion, provide fair and market-competitive pay and benefits to support our employees' well-being, and foster their growth and development. As of January 31, 2021, we had 783 employees, of which approximately 70% were in the United States and 30% were in our international locations. 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.

*Inclusion, Diversity, and Inclusion*

At PagerDuty, we seek to enable employees of all backgrounds to be champions, facilitators, and practitioners of Inclusion, Diversity, and Equity (“ID&E”) everywhere. Regardless of identity, it is important that all our employees feel welcome, safe, and heard. Our ID&E mission is to activate the potential of all employees through systemic and programmatic equity, sustainable community development, and life-altering learning experiences. Our ID&E vision is a people-first, data-driven organization where power is equitably distributed across the mosaic of our employees’ identities.

As we work to meet our diversity goals, it is important that every employee feels accepted, supported, and able to be their authentic self. We do this by creating initiatives to invest in equitable and sustainable communities, which help employees mobilize and take action. Our goal is for PagerDuty to be a people-first organization where opportunity is equitably distributed among all employees. Our Employee Resource Groups (“ERG”)—networks of employees with shared characteristics, interests, and experiences—are a critical element in how we achieve this goal and engage with employees. The ERGs are the cultural backbone of our vibrant community and support our ID&E efforts through education, awareness, and celebration.

Additional information on our diversity and inclusion strategy, diversity metrics and programs can be found on our website at pagerduty.com/careers/diversity/. Nothing on our website shall be deemed incorporated by reference into this Annual Report on Form 10-K.

***Compensation, Benefits, and Well Being***

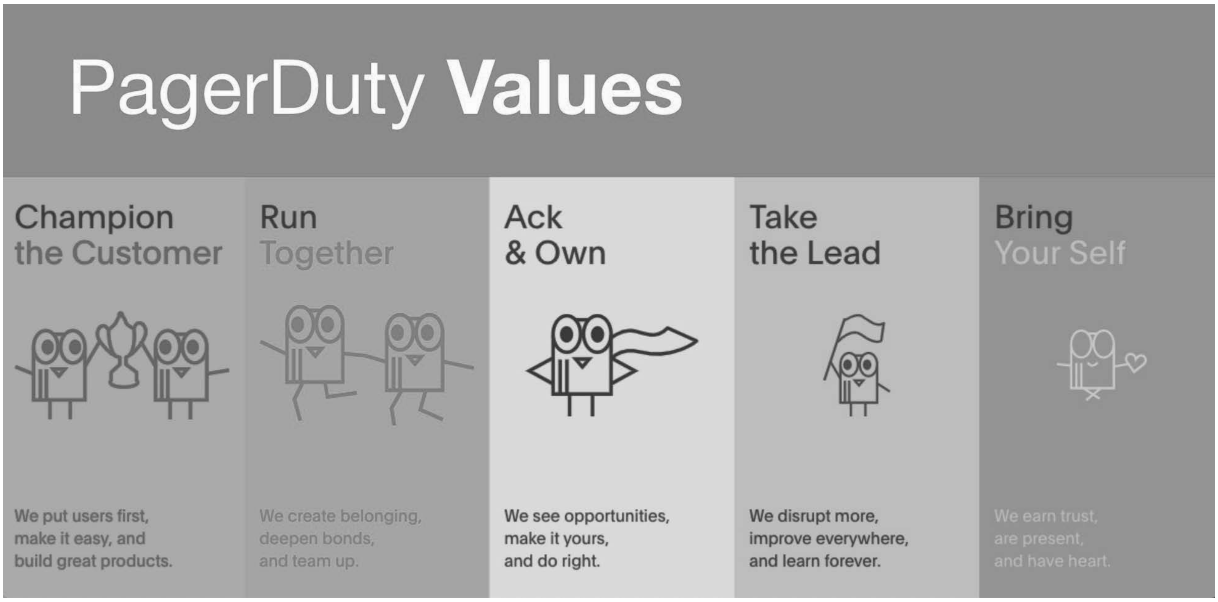
We offer fair, competitive compensation and benefits that support our employees’ overall well-being. To ensure alignment with our short- and long-term objectives, our compensation programs employees include base pay, short-term incentives, and opportunities for long-term incentives. We offer a wide array of benefits including comprehensive health and welfare insurance, generous time-off and leave, and retirement support. We provide emotional well-being services through our Employee Assistance Program and a variety of interactive applications.

In response to the COVID-19 pandemic, we have temporarily closed all of our offices, transitioned our employees to work remotely, and implemented travel restrictions on all business-related travel. We have extended our paid time off and sick leave benefits for employees directly impacted by COVID-19 or caring for children or a member of their household impacted by COVID-19. In addition, we are providing allowances to our employees to cover expenses related to transitioning to a work from home environment. We also continue to offer local employee assistance programs to employees if needed. In addition, we have added several company-wide paid days off to help employees balance their work and life responsibilities.

***Employee Engagement and Development***

We invest significant resources to develop our in-house talent and deepen our employees’ skill sets, both to strengthen our company and help further our employees’ personal career goals. We empower our employees to drive their career development and set personal development objectives in partnership with their managers. To strengthen these conversations, we train managers to partner with employees through career conversations so that they can successfully leverage the many tools in place to support them.

In order to ensure we are listening to our employees, we regularly survey our employees to obtain their views and assess employee satisfaction. We use the views expressed in the surveys to influence our people strategy and policies. We also use employee survey information to gain insights into how and where we work.




***Social Responsibility and Environmental, Social and Governance ("ESG") 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 impact and sustainability into our business. PagerDuty.org exists to empower those working to make a difference in the world, and to use our technology to help solve difficult challenges. We do so by mobilizing core company assets—our people and product—to help impact organizations deliver on their mission when every moment matters.

We commit 1% of equity, 1% of product, and 1% of employee time to advance positive community impact through the Pledge 1% movement. In June 2018, we fulfilled our equity pledge by issuing a warrant to purchase shares of our common stock to the Tides Foundation to fund our philanthropic giving. The PagerDuty.org Fund seeks to help save lives by reaching people faster through integrated investments of grants, donated product, and employee expertise in the area of Time-Critical Health. We granted more than $500,000 in 2020 in rapid response funding to support COVID-19 relief (including to the CDC Foundation and World Health Organization COVID Relief Fund) and forward-looking investments to help organizations respond to urgent needs faster to advance health (International Medical Corps, NexLeaf Analytics, and Trek Medics). In 2020, we launched a supporting Just and Equity Communities portfolio with initial investments in voter access and engagement. Our Impact Pricing program provides discounted pricing to nonprofits and social enterprises globally to ensure they can access PagerDuty's platform for digital operations. We also expanded our volunteer time off policy to support our employees in voting, nonpartisan get out the vote efforts, and peaceful demonstration, and launched new rewards and recognition programs to reward and celebrate our employees for contributing their time and talents.

We made initial investments in ESG in 2020 to ensure that how we operate as a business produces positive impact, conducting an internal assessment with input from a cross-functional ESG Steering Committee and executive support. While many ESG elements are already in place, we identified areas for further development as we build an integrated cross-company ESG strategy in 2021 and complete our first assessment.

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, Path Forward, and Code2020 to improve diversity in our industry and beyond by creating access, offering sponsorship, program advocacy, career coaching, and recruitment opportunities.

To articulate our progress against social impact, equity, and ESG goals and commitments, PagerDuty.org published an inaugural Impact Report. We will track and report annually on our progress against social impact, equity and ESG commitments as we formalize new areas of investment and impact.

## Available Information

We make available, free of charge through our website (www.pagerduty.com), our annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, and amendments to those reports, filed or furnished pursuant to Sections 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended, as soon as reasonably practicable after they have been electronically filed with, or furnished to, the Securities and Exchange Commission.

The Securities and Exchange Commission maintains an internet site (http://www.sec.gov) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the Securities and Exchange Commission.

We announce material information to the public about us, our products and services and other matters through a variety of means, including our website (www.pagerduty.com), the investor relations section of our website (investor.pagerduty.com), our blog (pagerduty.com/blog), press releases, filings with the Securities and Exchange Commission, public conference calls, and social media, including our Twitter account (twitter.com/pagerduty), the Twitter account @jenntejada and Facebook page (facebook.com/pagerduty), in order to achieve broad, non-exclusionary distribution of information to the public. We encourage investors and others to review the information we make public in these locations, as such information could be deemed to be material information.

## 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

***The ongoing global COVID-19 pandemic could harm our business, results of operations, and financial condition.***

The COVID-19 pandemic has adversely affected significant portions of our business and could have a material adverse effect on our financial condition and results of operations. We are subject to numerous pandemic-related risks, including those described below. The degree to which COVID-19 impacts our results will depend on future developments, which are highly uncertain and cannot be predicted, including, but not limited to, the duration and severity of the pandemic, the actions taken to contain the virus or treat its impact, other actions taken by governments, businesses, and individuals in response to the virus and resulting economic disruption, and how quickly and to what extent normal economic and operating conditions can resume. We are similarly unable to predict the extent of the impact of the pandemic on our customers, suppliers, vendors, and other partners, and their financial conditions, but a material effect on these parties could also materially adversely affect us.

Our customers or potential customers, particularly those most impacted by the COVID-19 pandemic such as small and medium businesses or those in industries such as transportation, hospitality, retail and energy, have reduced and may in the future reduce their IT spending or delay their digital transformation initiatives, which could materially and adversely impact our business. We have seen and may continue to see a decline in the number of users from individual customers as those customers are required to make workforce reductions. We may also experience curtailed customer demand, reduced customer spend or contract duration, delayed collections, lengthened payment terms and increased competition due to changes in terms and conditions and pricing of our competitors' products and services that could materially adversely impact our business, results of operations and overall financial performance in future periods.

In addition, due to restrictions on travel and in-person meetings as a result of the on-going COVID-19 pandemic, we have converted Summit, our global customer conference series, to virtual events. We have also canceled or shifted other planned events to virtual-only experiences and may determine to alter, postpone or cancel additional customer, employee or industry events in the future. We have typically relied on marketing and promotional events such as Summit and other in-person conferences, events and meetings to facilitate customer sign-ups and generate leads for potential customers, and we cannot predict whether virtual marketing events and phone or virtual sales interactions will be as successful as in-person events and meetings or, for how long, or the extent to which the COVID-19 pandemic may continue to constrain our marketing, promotional, and sales activities.

The extent and continued impact of the COVID-19 pandemic on our business will depend on certain developments including the duration and spread of the pandemic; government responses to the pandemic; impact on our customers and our sales cycles; impact on our customers, industry or employee events; and effect on our partners and vendors, all of which are uncertain and cannot be predicted. While our revenues, billings and earnings are relatively predictable as a result of our subscription-based business model, the effect of the COVID-19 pandemic may not be fully reflected in our results of operations and overall financial performance until future periods. The impact of COVID-19 can also exacerbate other risks discussed in this Risk Factors section and throughout this report, which could in turn have a material adverse effect on us. Developments related to COVID-19 have been unpredictable, and additional impacts and risks may arise that we are not aware of or able to respond to appropriately or quickly.

***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 (such as the COVID-19 pandemic), 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 COVID-19 pandemic 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 or how any such event may impact our business.

***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 since inception. We generated a net loss of $68.9 million, $50.3 million, and $40.7 million for the fiscal years ended January 31, 2021, 2020, and 2019 respectively, and as of January 31, 2021, we had an accumulated deficit of $248.1 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.

***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 $213.6 million, $166.4 million, and $117.8 million for the fiscal years ended January 31, 2021, 2020, and 2019, 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 or increase 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;
- 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, accounting, and compliance 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 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 digital operations management 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 and services 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 and services from us depends on a number of factors, including general economic conditions and the pricing of the additional product functionality and services. If our efforts to sell additional functionality and services to our customers are not successful, our business and growth prospects would suffer.

Our customers have no obligation to renew their subscriptions with us 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 and services, 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. If our customers do not renew their subscriptions with us, 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.

***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 platform 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 and breadth of offering;
- integrations;
- performance, security, scalability, and reliability;
- real-time response, workflow, and automation capabilities;
- focus on modern, contemporary digital services and operations;
- brand recognition, reputation, and customer satisfaction;
- ease of implementation and ease of use; and
- time-to-value, total cost of ownership, and return on investment.

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 and Rundeck Runbook Automation, are designed to provide quick, reliable alerts, to communicate information frequently during critical business events, such as information relevant to mitigating the damaging effects of system problems, and to automatically remediate systems 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:

- health epidemics or pandemics, such as the COVID-19 pandemic, influenza and other highly communicable diseases or viruses;
- 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;
- 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 continue 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 the vast majority of our 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 inbound marketing and online advertising. The effectiveness of these programs has varied over time and may vary in the future due to competition for key search terms, changes in search engine use, changes in the search algorithms used by major search engines and GDPR and other similar privacy initiatives. 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 mid-market and 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 mid-market and enterprise customers. Sales to new and existing mid-market and enterprise customers 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 mid-market and 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 mid-market and enterprise customers, 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 mid-market and enterprise customers may require us to invest more time educating these potential customers. Purchases by mid-market and larger enterprise customers 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 mid-market and larger enterprise customers 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 mid-market and 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 continue to grow, 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.***

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. Although uncertain at this time, the current administration's position on the regulatory environment related to immigration may continue with implementation of regulations introduced by the previous administration, limiting the availability of H1-B and other visas. This 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, our business operations could be disrupted, and the value of our business and common stock may decrease.***

Our business involves the processing, storage and transmission of proprietary, sensitive, or confidential data of our customers and their employees and customers, including personal information. We may use third-party service providers and subprocessors to help us deliver services and process information on our behalf. If we, our service providers, or other relevant third parties have experienced or in the future experience, any security incident that result in, any data loss, deletion or destruction, unauthorized access to, loss of, unauthorized acquisition or disclosure of, or inadvertent exposure disclosure of, proprietary, sensitive, or confidential data, or any compromise related to the security, confidentiality, integrity or availability of our (or their) information technology, software, services, communications or data, it may result in litigation, indemnity obligations, interruption to our business operations, 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. 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. We may be required to expend significant resources, fundamentally change our business activities and practices, or modify our services, software, operations or information technology to protect against security breaches and to mitigate, detect, and remediate actual and potential vulnerabilities.

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, our customers, us, or our service providers 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. The successful assertion of one or more large claims against us that exceeds our available insurance coverage, or results in changes to our insurance policies (including premium increases or the imposition of large deductible or co-insurance requirements), could have an adverse effect on our business.

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, and may face interruptions of or required changes of our business practices, the diversion of resources and the attention of management from our business, discontinuance of necessary data processing activities or other remedies, which could materially and adversely affect our business, results of operations, and financial condition.

***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 a 14-day free trial and lite free version of PagerDuty and an open source version of Rundeck as well as other inbound, lead-generation strategies to generate new 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 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. Our customers need to be able to access our platforms 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 caused by our products, third-parties, natural disasters, security breaches, or otherwise, 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.

Further, we are subject to requirements imposed by mobile application stores such as those operated by Apple and Google, who may change their technical requirements or policies in a manner that adversely impacts the way in which we or our partners collect, use and share data from users. If we do not comply with these requirements, we could lose access to the application store and users, and our business would be harmed.

***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 January 2018, the Federal Communications Commission, or the FCC, repealed the "network neutrality" rules adopted during the Obama Administration, which barred internet service providers from blocking or slowing down access to online content, protecting services like ours from such interference. The 2018 decision was largely affirmed by the U.S. Court of Appeals for the District of Columbia Circuit, subject to a remand to consider several issues raised by parties that supported network neutrality, and in November 2020 the FCC affirmed its decision to repeal the rules. President Biden supported restoration of the network neutrality rules during his Presidential campaign, and such action is supported by the current Democratic FCC commissioners. It is uncertain whether, or when, the FCC will act to adopt new network neutrality rules or if Congress will adopt similar legislation. To the extent internet service providers, absent network neutrality rules, 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. At the same time, re-adoption of network neutrality rules could affect the services used by us and our customers by restricting the offerings made by internet service providers or reducing their incentives to invest in their networks. Such actions could limit or reduce the quality of internet access services and have an adverse impact on the quality of the services we provide to our customers.

***We provide service-level commitments under our cloud-hosted 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 cloud-hosted 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.

***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, 2021, 2020, and 2019 customers outside of the United States generated 24%, 22%, and 20%, 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, 2021, approximately 30% 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:

- changes in a specific country’s or region’s political or economic conditions;
- health epidemics or pandemics, such as the COVID-19 pandemic, influenza and other highly communicable diseases or viruses;
- continuing uncertainty regarding social, political, immigration, and tax and trade policies in the U.S. and abroad, including as a result of the United Kingdom's withdrawal from the European Union;
- 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;
- 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.

***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, 2021, we had federal net operating loss ("NOL") carryforwards in the amount of $234.3 million. Beginning in 2030, $56.3 million of the federal net operating losses will begin to expire. The remaining $178.0 million will carry forward indefinitely. As of January 31, 2021, we had state and foreign net operating loss carryforwards in the amount of $9.3 million, and $1.5 million, respectively, which begin to expire in 2031. 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.

NOLs generated in tax years ending on or prior to December 31, 2017 are only permitted to be carried forward for 20 taxable years under applicable U.S. federal tax law. Under the Tax Cuts and Jobs Act of 2017 ("Tax Act"), as modified by the Coronavirus Aid, Relief, and Economic Security ("CARES") Act signed into law on March 27, 2020, NOLs arising in tax years beginning after December 31, 2017, and before January 1, 2021 may be carried back to each of the five tax years preceding the tax year of such loss, and NOLs arising in tax years beginning after December 31, 2020 may not be carried back. Moreover, under the Tax Act as modified by the CARES Act, federal NOLs generated in tax years beginning after December 31, 2017 may be carried forward indefinitely, but the deductibility of such federal NOLs may be limited to 80% of current year taxable income for tax years beginning after January 1, 2021. It is uncertain if and to what extent various states will conform to the Tax Act or the CARES Act. 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 accounting principles generally accepted in the United States.***

U.S. generally accepted accounting principles ("GAAP"), is subject to interpretation by the Financial Accounting Standards Board ("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 is required to attest to the effectiveness of our internal control over financial reporting and may, during the evaluation and testing process of our internal controls, identify one or more material weaknesses in our internal control over financial reporting.

In addition, we rely on hardware and infrastructure purchased or leased from third parties and software licensed from third parties to operate critical business functions. Our business would be disrupted if any of this third-party hardware, software, and infrastructure becomes unavailable on commercially reasonable terms, or at all. Furthermore, any errors or defects in third-party hardware, software, or infrastructure, or delays or complications with respect to the transition of critical business functions from one third-party product to another, could result in errors or a failure of our platform, which could harm our business and results of operations.

***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, design around our patents, or register our trademarks. 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, as well as unauthorized use of our trademarks, 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 evolving and increasingly stringent laws, regulations, contractual obligations, 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, subject us to litigation, fines, penalties, or adverse publicity and reputational damage, or otherwise adversely 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 and our customers are subject to numerous domestic and foreign laws and regulations relating to privacy, data protection, and information security that govern the collection, use, storage, disclosure, and processing of personal information, including health and financial information, and other information. These laws and regulations are evolving, are subject to significant change, and may result in increasing our exposure to regulatory and public scrutiny, regulatory enforcement actions, litigation, penalties, and sanctions.

Further, privacy, data protection, and information security laws and regulations may be modified or subject to new or different interpretations, and new laws and regulations may be enacted in the future.

For example, the General Data Protection Regulation ("GDPR"), which took effect in the EU in 2018, imposes stringent penalties for non-compliance and imposes comprehensive privacy, data protection, and information security obligations on data processors and data controllers, including obligations to enter into contractual privacy, data protection, and information security commitments, cooperate with European data protection authorities, implement security measures, give data breach notifications, and keep records of personal information processing activities. EU member states also have national laws restricting direct marketing communications and the use of cookies and similar technologies. EU data protection authorities have the power to impose fines for violations of the GDPR of up to the greater of €20 million or 4% of a company's total worldwide global turnover, and restrictions or prohibitions on data processing. Violations of the GDPR may also lead to private litigation. In addition, the UK has enacted legislation equivalent to the GDPR, the Data Protection Act in May 2018. We have taken steps to comply with applicable portions of the GDPR and the UK's Data Protection Act, but we cannot assure you that such steps will be effective.

European privacy, data protection, and information security laws, including the GDPR, generally restrict the transfer of personal information from Europe to the United States and most other countries unless the parties to the transfer have implemented specific safeguards to protect the transferred personal information. One of the primary safeguards allowing U.S. companies to import personal information from Europe has been certification to the EU-U.S. Privacy Shield and Swiss-U.S. Privacy Shield frameworks administered by the U.S. Department of Commerce. However, the Court of Justice of the European Union recently issued a decision invalidating the EU-U.S. Privacy Shield framework and raised questions on whether one of the primary alternatives to the EU-U.S. Privacy Shield, the European Commission's Standard Contractual Clauses ("SCCs"), can continue to lawfully be used for personal information transfers from Europe to the United States or most other countries without additional steps. Similarly, the Swiss Federal Data Protection and Information Commissioner announced that the Swiss-U.S. Privacy Shield Framework is inadequate for personal information transfers from Switzerland to the United States, and also raised questions about the viability of the SCCs. At present, there are few, if any, viable alternatives to the EU-U.S. Privacy Shield, Swiss-U.S. Privacy Shield, and the Standard Contractual Clauses. Authorities in the U.K. may similarly invalidate use of the EU-U.S. Privacy Shield framework and raise questions on the viability of the SCCs. EU regulators have proposed a new set of SCCs, which would impose additional obligations and requirements with respect to the transfer of EU personal data to other jurisdictions, which may increase the legal risks and liabilities under the GDPR and local EU laws associated with cross-border data transfers and may result in material increased compliance and operational costs. If we are unable to implement a valid solution for personal information transfers to the United States or other countries, we will face increased exposure to regulatory actions, substantial fines, and injunctions against processing or transferring personal information from Europe, and we may be required to increase our data processing capabilities in Europe and other countries at significant expense. Inability to transfer personal information from Europe or other countries may decrease demand for our products and services if affected customers seek alternatives that do not involve such transfers.

In addition, it is unclear whether the transfer of personal information from the EU to the UK will continue to remain lawful under the GDPR in light of Brexit. Pursuant to a post-Brexit trade deal between the UK and the EU, transfers of personal information from the EEA to the UK are not considered restricted transfers under the GDPR for a period of up to six months from January 1, 2021. However, unless the EU Commission makes an adequacy finding with respect to the UK before the end of that period, the UK will be considered a “third country” under the GDPR and transfers of European personal information to the UK will require an adequacy mechanism to render such transfers lawful under the GDPR. Additionally, although UK privacy, data protection and information security law is designed to be consistent with the GDPR, uncertainty remains regarding how data transfers to and from the UK will be regulated notwithstanding Brexit.

Additionally, other countries outside of Europe have enacted or are considering enacting similar cross-border data transfer restrictions and laws requiring local data residency and restricting cross-border data transfer, which could increase the cost and complexity of delivering our services and operating our business. For example, Brazil recently enacted the General Data Protection Law (Lei Geral de Proteção de Dados Pessoais or LGPD) (Law No. 13,709/2018), which broadly regulates the processing of personal information and imposes compliance obligations and penalties comparable to those of the GDPR.

States have also begun to introduce more comprehensive privacy legislation. For example, the California Consumer Privacy Act of 2018 (“CCPA”), which went into effect on January 1, 2020, affords consumers expanded privacy protections. The CCPA gives California residents, among other things, expanded rights to access and require deletion of their personal information, opt out of certain personal information sharing, and receive detailed information about how their personal information is used. The CCPA also provides for civil penalties for violations, as well as a private right of action for data breaches that may increase data breach litigation. The CCPA will be expanded substantially on January 1, 2023, when the California Privacy Rights Act of 2020 (“CPRA”) becomes fully operative. The CPRA will, among other things, give California residents the ability to limit use of certain sensitive personal information, further restrict the use of cross-contextual advertising, establish restrictions on the retention of personal information, expand the types of data breaches subject to the CCPA’s private right of action, provide for increased penalties for CPRA violations concerning California residents under the age of 16, and establish a new California Privacy Protection Agency to implement and enforce the new law.

The CCPA could mark the beginning of a trend toward more stringent privacy legislation in the United States, as other states may follow California’s lead and increase protections for their residents. The CCPA has already prompted a number of proposals for new federal and state privacy legislation that, if passed, could increase our potential liability, increase our compliance costs and adversely affect our business.

The scope and interpretation of the laws and regulations 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 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, information security, marketing, or customer communications fail to comply with applicable laws, regulations, policies, legal obligations, or industry standards, we may be subject to governmental enforcement actions, litigation, regulatory investigations, fines, penalties, and negative publicity, which 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 our legal obligations, our contractual obligations relating to privacy, data protection, and information security have become increasingly stringent due to changes in privacy, data protection and data security and the expansion of our service offerings. Certain privacy, data protection and data security laws, such as the GDPR and the CCPA, require our customers to impose specific contractual restrictions on their service providers.

Further, 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, data protection, and information security 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 products and services, 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, data protection, or information security may result in governmental investigations and enforcement actions (including, for example, restrictions or prohibitions on data processing imposed by EU data protection supervisory authorities), 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 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 privacy, data protection, and information security 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.

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.

***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 and other communications 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.

***Increased government scrutiny of the technology industry could negatively affect our business.***

The technology industry is subject to intense media, political and regulatory scrutiny, which exposes us to government investigations, legal actions, and penalties. Various regulatory agencies, including competition, consumer protection, and privacy authorities, have active proceedings and investigations concerning multiple technology companies. Although we are not currently subject to any such investigations, if investigations targeted at other companies result in determinations that practices we follow are unlawful, including practices related to use of machine- and customer-generated data or artificial intelligence, we could be required to change our products and services or alter our business operations, which could harm our business. Legislators and regulators also have proposed new laws and regulations intended to restrain the activities of technology companies. If such laws or regulations are enacted, they could have impacts on us, even if they are not intended to affect our company. In addition, the introduction of new products, expansion of our activities in certain jurisdictions, or other actions that we may take may subject us to additional laws, regulations, or other government scrutiny. The increased scrutiny of certain acquisitions in the technology industry also could affect our ability to enter into strategic transactions or to acquire other businesses. Compliance with new or modified laws and regulations could increase our cost of conducting the business, limit the opportunities to increase our revenues, or prevent us from offering products or services.

We also could be harmed by government investigations, litigation, or changes in laws and regulations directed at our business partners, or suppliers in the technology industry that have the effect of limiting our ability to do business with those entities or that affect the services we can obtain from them. For example, the U.S. government recently has taken action against companies operating in China intended to limit their ability to do business in the U.S. or with U.S. companies. There can be no assurance that our business will not be materially adversely affected, individually or in the aggregate, by the outcomes of such investigations, litigation or changes to laws and regulations in the future.

***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 and may require expensive and time-consuming compliance efforts. 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. 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. We have 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.

***Servicing our debt may require a significant amount of cash. We may not have sufficient cash flow from our business to pay our indebtedness, and we may not have the ability to raise the funds necessary to settle for cash conversions of our convertible senior notes due 2025, or Notes, or to repurchase the Notes for cash upon a fundamental change, which could adversely affect our business and results of operations.***

In June 2020, we completed the private offering of Notes, issuing an aggregate principal amount of $287.5 million 1.25% convertible senior notes due 2025. The interest rate is fixed at 1.25% per annum and is payable semi-annually in arrears on January 1 and July 1 of each year, beginning on January 1, 2021. Our ability to make scheduled payments of the principal of, to pay interest on, or to refinance our indebtedness, including the Notes, depends on our future performance, which is subject to economic, financial, competitive, and other factors beyond our control. Our business may not generate cash flows from operations in the future that are sufficient to service our debt and make necessary capital expenditures. If we are unable to generate such cash flows, we may be required to adopt one or more alternatives, such as selling assets, restructuring debt, or obtaining additional debt financing or equity capital on terms that may be onerous or highly dilutive. Our ability to refinance any future indebtedness will depend on the capital markets and our financial condition at such time. We may not be able to engage in any of these activities or engage in these activities on desirable terms, which could result in a default on our debt obligations. In addition, any of our future debt agreements may contain restrictive covenants that may prohibit us from adopting any of these alternatives.

Holders of the Notes have the right to require us to repurchase their Notes upon the occurrence of a fundamental change (as defined in the indenture governing the Notes) at a repurchase price equal to 100% of the principal amount of the Notes to be repurchased, plus accrued and unpaid interest, if any. Upon conversion, unless we elect to deliver solely shares of our common stock to settle such conversion (other than paying cash in lieu of delivering any fractional share), we will be required to make cash payments in respect of the Notes being converted. We may not have enough available cash or be able to obtain financing at the time we are required to make repurchases in connection with such conversion and our ability to pay may additionally be limited by law, by regulatory authority, or by agreements governing our existing and future indebtedness. Our failure to repurchase the Notes at a time when the repurchase is required by the indenture governing the Notes or to pay any cash payable on future conversions as required by such indenture would constitute a default under such indenture. A default under the indenture or the fundamental change itself could also lead to a default under agreements governing our existing and future indebtedness. If the repayment of the related indebtedness were to be accelerated after any applicable notice or grace periods, we may not have sufficient funds to repay the indebtedness and repurchase the Notes or make cash payments upon conversions thereof.

In addition, our indebtedness, combined with our other financial obligations and contractual commitments, could have other important consequences. For example, it could;

- make us more vulnerable to adverse changes in general U.S. and worldwide economic, industry, and competitive conditions and adverse changes in government regulation;
- limit our flexibility in planning for, or reacting to, changes in our business and our industry;
- place us at a disadvantage compared to our competitors who have less debt;
- limit our ability to borrow additional amounts for funding acquisitions, for working capital, and for other general corporate purposes; and
- make an acquisition of our company less attractive or more difficult.

Any of these factors could harm our business, results of operations, and financial condition. In addition, if we incur additional indebtedness, the risks related to our business and our ability to service or repay our indebtedness would increase.

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

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

***Transactions relating to our Notes may affect the value of our common stock.***

The conversion of some or all of the Notes would dilute the ownership interests of existing stockholders to the extent we satisfy our conversion obligation by delivering shares of our common stock upon any conversion of such Notes. Our Notes may become in the future convertible at the option of their holders under certain circumstances. If holders of our Notes elect to convert their Notes, we may settle our conversion obligation by delivering to them a significant number of shares of our common stock, which would cause dilution to our existing stockholders.

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

In connection with establishing their initial hedges of the Capped Calls, the Option Counterparties or their respective affiliates entered into various derivative transactions with respect to our common stock and/or purchased shares of our common stock concurrently with or shortly after the pricing of the Notes.

From time to time, the Option Counterparties or their respective affiliates may modify their hedge positions by entering into or unwinding various derivative transactions with respect to our common stock and/or purchasing or selling our common stock or other securities of ours in secondary market transactions prior to the maturity of the Notes (and are likely to do so following any conversion of the Notes, any repurchase of the Notes by us on any fundamental change repurchase date, any redemption date, or any other date on which the Notes are retired by us, in each case, if we exercise our option to terminate the relevant portion of the Capped Calls). This activity could cause a decrease and/or increased volatility in the market price of our common stock.

We do not make any representation or prediction as to the direction or magnitude of any potential effect that the transactions described above may have on the price of the Notes or our common stock. In addition, we do not make any representation that the Option Counterparties will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

***We are subject to counterparty risk with respect to the Capped Calls.***

The Option Counterparties are financial institutions, and we will be subject to the risk that any or all of them might default under the Capped Calls. Our exposure to the credit risk of the Option Counterparties will not be secured by any collateral. Past global economic conditions have resulted in the actual or perceived failure or financial difficulties of many financial institutions. If an Option Counterparty becomes subject to insolvency proceedings, we will become an unsecured creditor in those proceedings with a claim equal to our exposure at that time under the Capped Calls with such Option Counterparty. Our exposure will depend on many factors but, generally, an increase in our exposure will be correlated to an increase in the market price and in the volatility of our common stock. In addition, upon a default by an Option Counterparty, we may suffer adverse tax consequences and more dilution than we currently anticipate with respect to our common stock. We can provide no assurances as to the financial stability or viability of the Option Counterparties.

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

Under FASB ASC Subtopic 470-20, Debt with Conversion and Other Options ("ASC 470-20"), an entity must separately account for the liability and equity components of convertible debt instruments (such as the Notes) that may be settled entirely or partially in cash upon conversion in a manner that reflects the issuer's economic interest cost. ASC 470-20 requires the value of the conversion options of the Notes, representing the equity component, to be recorded as additional paid-in capital within stockholders' equity in our consolidated balance sheet and as a discount to the Notes, which reduces their initial carrying value. The carrying value of the Notes, net of the applicable discount recorded, will be accreted up to the principal amount of the Notes, as the case may be, from the issuance date until maturity, which will result in non-cash charges to interest expense in our consolidated statement of operations. Accordingly, we will report lower net income or higher net loss in our financial results because ASC 470-20 requires interest to include both the current period's accretion of the debt discount and the instrument's coupon interest, which could adversely affect our reported or future financial results, the trading price of our common stock, and the respective trading price of the Notes.

The accounting for the Notes is subject to change. Specifically, in August 2020, FASB issued Accounting Standard Update No. 2020-06, Debt—Debt with Conversion Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40) ("ASU 2020-06"), which simplifies the accounting for certain financial instruments with characteristics of liabilities and equity, including convertible instruments and contracts on an entity's own equity but also requires the application of the "if-converted method". We will early adopt this ASU using the modified retrospective method beginning February 1, 2021. While the adoption remains in progress, we expect that the adoption will result in a decrease to our accumulated deficit as of February 1, 2021 related to the interest expense from the amortization of the debt discount.

***We have acquired, and may in the future acquire, other businesses, which could require significant management attention, disrupt our business, or dilute stockholder value.***

As part of our business strategy, we have acquired, and may in the future acquire, other companies, employee teams, or technologies to complement or expand our products, obtain personnel, or otherwise grow our business. For example, in the third quarter of fiscal year 2021 we acquired Rundeck, a leading provider of DevOps automation for enterprise. 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 they are consummated.

We have limited experience making acquisitions. We may not be able to find suitable acquisition candidates and we may not be able to complete acquisitions on favorable terms, if at all. If we do complete acquisitions, we may not ultimately strengthen our competitive position or achieve the anticipated benefits from such acquisitions, due to a number of factors, including:

- acquisition-related costs, liabilities, or tax impacts, some of which may be unanticipated;
- difficulty integrating and retaining the personnel, intellectual property, technology infrastructure, and operations of an acquired business;
- ineffective or inadequate, controls, procedures, or policies at an acquired business;
- multiple product lines or services offerings, as a result of our acquisitions, that are offered, priced, and supported differently;
- potential unknown liabilities or risks associated with an acquired business, including those arising from existing contractual obligations or litigation matters;
- inability to maintain relationships with key customers, suppliers, and partners of an acquired business;
- lack of experience in new markets, products or technologies;
- diversion of management's attention from other business concerns; and
- use of resources that are needed in other parts of our business.

In addition, a significant portion of the purchase consideration of companies we acquire may be allocated to acquired goodwill. We review goodwill for impairment at least annually. In the future, if our acquisitions do not yield expected returns, we may be required to record impairment charges based on this assessment, which could adversely affect our results of operations.

We may not be able to integrate acquired businesses successfully or effectively manage the combined company following an acquisition. If we fail to successfully integrate acquisitions, or the people or technologies associated with those acquisitions, the results of operations of the combined company could be adversely affected. Any integration process will require significant time, resources, and attention from management, and may disrupt the ordinary functioning of our business, and we may not be able to manage the process successfully, which could adversely affect our business, results of operations, and financial condition.

Any acquisition we complete could be viewed negatively by users, developers, partners, or investors, and could have adverse effects on our existing business relationships. In addition, we may not successfully evaluate or utilize acquired technology or accurately forecast the financial impact of an acquisition transaction, including accounting charges.

We may have to pay a substantial portion of our available cash, incur debt, or issue equity securities to pay for any such acquisitions, each of which could affect our financial condition or the value of our capital stock. The sale of equity to finance any such acquisitions could result in dilution to our stockholders. If we incur more debt, it would result in increased fixed obligations and would also subject us to covenants or other restrictions that could impede our ability to flexibly operate our business.

**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 ongoing COVID-19 pandemic, may also negatively impact the market price of our common stock. 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.

Furthermore, a substantial number of shares of our common stock is reserved for issuance upon the exercise of the Notes. If we elect to satisfy our conversion obligation on the Notes solely in shares of our common stock upon conversion of the Notes, we will be required to deliver the shares of our common stock, together with cash for any fractional share, on the second business day following the relevant conversion date.

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.

***The requirements of being a public company may strain our resources and distract our management, which could make it difficult to manage our business, especially now that we are no longer an "emerging growth company."***

As a public company, we are required to comply with various regulatory and reporting requirements, including those required by the SEC. Complying with these reporting and other regulatory requirements is time-consuming and will continue to result in increased costs to us and could have a negative effect on our business, financial condition and results of operations. We are subject to the requirements of the Exchange Act, 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. In addition, we are no longer an "emerging growth company" as defined in the JOBS Act as of January 31, 2021, so we will no longer be able to take advantage of certain temporary exemptions from various reporting requirements, including, but not limited to, a delay in the timeframe required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act and reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements. As a result, we are required to devote significant management effort and incur additional expenses, which include higher legal fees, accounting and related fees and fees associated with investor relations activities, among others, to ensure compliance with the various reporting requirements. These requirements may also place a strain on our systems and processes. The Exchange Act requires that we file annual, quarterly and current reports with respect to our business and financial condition. The Sarbanes-Oxley Act requires that we maintain effective disclosure controls and procedures and internal controls over financial reporting. To maintain and improve the effectiveness of our disclosure controls and procedures, we may need to commit significant resources, hire additional staff and provide additional management oversight. We have been and will be continuing to implement additional procedures and processes for the purpose of addressing the standards and requirements applicable to public companies. Sustaining our growth as a public company also requires us to commit additional management, operational and financial resources to identify new professionals to join our company and to maintain appropriate operational and financial systems to adequately support expansion. These activities may divert management's attention from other business concerns, which could have a material adverse effect on our business, financial condition and results of operations. We cannot predict or estimate the amount of additional costs we may continue to incur as a result of becoming a public company or the timing of such costs.

***If our internal control over financial reporting or our disclosure controls and procedures are not effective, we may not be able to accurately report our financial results, prevent fraud or file our periodic reports in a timely manner, which may cause investors to lose confidence in our reported financial information and may lead to a decline in our stock price.***

The Sarbanes-Oxley Act of 2002 requires that we maintain effective internal control over financial reporting and disclosure controls and procedures. In particular, we must perform system and process evaluation, document our controls and perform testing of our key control over financial reporting to allow management and our independent public accounting firm to report on the effectiveness of our internal control over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act. Our testing, or the subsequent testing by our independent public accounting firm, may reveal deficiencies in our internal control over financial reporting that are deemed to be material weaknesses. If we are not able to comply with the requirements of Section 404 in a timely manner, or if we or our accounting firm identify deficiencies in our internal control over financial reporting that are deemed to be material weaknesses, the market price of our stock would likely decline and we could be subject to lawsuits, sanctions or investigations by regulatory authorities, including SEC enforcement actions, and we could be required to restate our financial results, any of which would require additional financial and management resources.

We continue to invest in more robust technology and in more resources in order to manage those reporting requirements. Implementing the appropriate changes to our internal controls may distract our officers and employees, result in substantial costs and require significant time to complete. Any difficulties or delays in implementing these controls could impact our ability to timely report our financial results. For these reasons, we may encounter difficulties in the timely and accurate reporting of our financial results, which would impact our ability to provide our investors with information in a timely manner. As a result, our investors could lose confidence in our reported financial information, and our stock price could decline.

In addition, any such changes do not guarantee that we will be effective in maintaining the adequacy of our internal controls, and any failure to maintain that adequacy could prevent us from accurately reporting our financial results.

***We will continue to 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.***

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, we will continue to incur significant legal, accounting, and other expenses complying with these rules and regulations. 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 to furnish a report by management on the effectiveness of our internal control over financial reporting. This assessment includes disclosure of any material weaknesses identified by our management in our internal control over financial reporting. In addition, our independent registered public accounting firm is required to attest to the effectiveness of our internal control over financial reporting. Our compliance with these requirements will continue to 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 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. Although the Delaware Supreme Court recently held that such exclusive forum provisions are facially valid, courts in other jurisdictions may find such provisions to be unenforceable. 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.

**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; and Sydney, Australia.

Beginning in March 2020, our employees across all geographic regions have shifted to working from home due to the COVID-19 pandemic. Our focus remains on promoting employee health and safety as we carefully evaluate reopening plans and timelines. As of January 31, 2021, we have not terminated any significant lease arrangements. We believe our facilities are suitable for the conduct of our business should we decide to reopen our facilities in the next twelve months.

**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, 2021, we had 46 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.

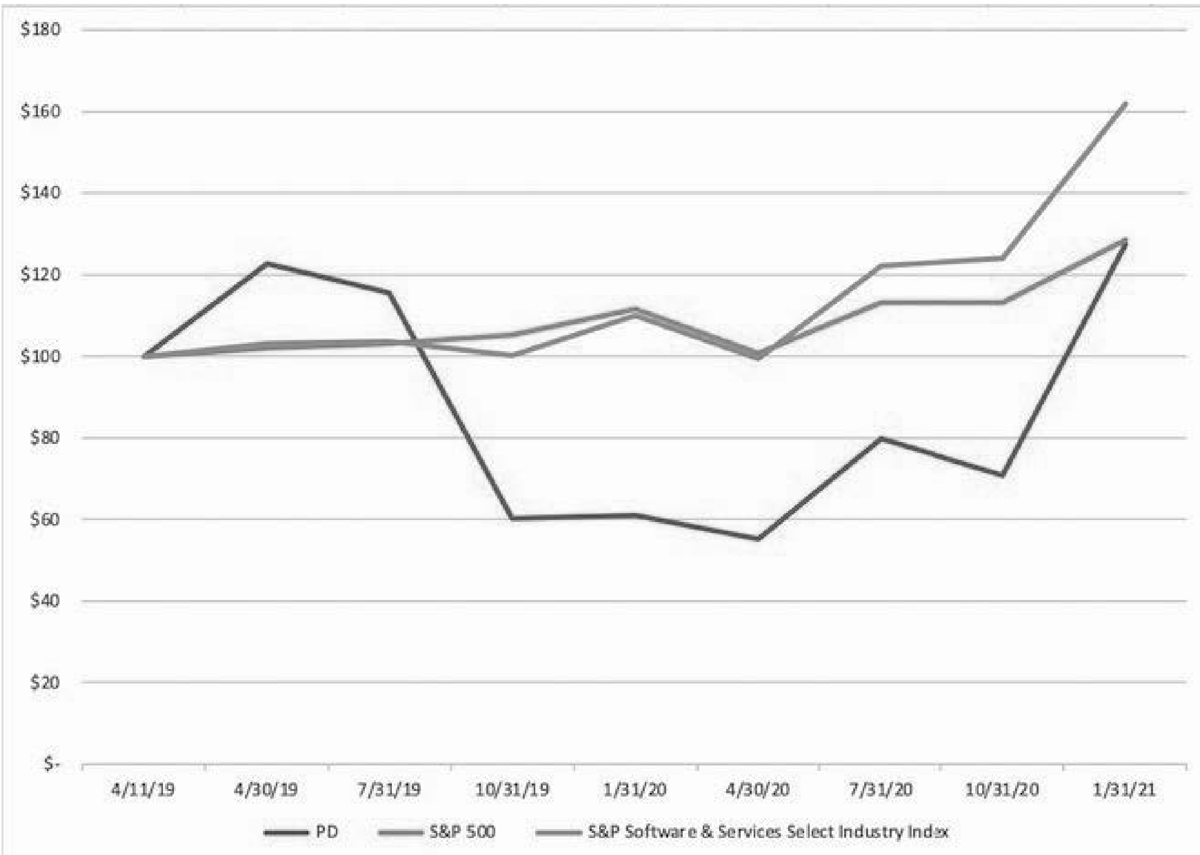
### Dividend Policy

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, 2021 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**

***Acquisition***

As partial consideration for our acquisition of Rundeck, on October 1, 2020 we issued 1,499,651 shares of our common stock to certain former holders of capital stock of Rundeck (the "Holders").

The issuance of the shares was deemed to be exempt from the registration requirements of the Securities Act of 1933, as amended (the "Securities Act"), in reliance on Section 4(a)(2) of the Securities Act, on the basis that, among other factors: (1) each of the Holders represented that they were an "accredited investor" within the meaning of Rule 501(a) of Regulation D; (2) there was no general solicitation or advertising in connection with the issuance of the shares; (3) each of the Holders represented that such Holders (i) understood that the shares had not been registered under applicable federal and state securities laws, (ii) has the ability to bear the economic risks of their investments, (iii) acquired the shares for investment purposes and not with a view to resale, and (iv) will not sell or otherwise dispose of the shares while they are subject to restricted securities legends in the absence of registration or an applicable exemption from registration requirements; (4) each Holder or their purchaser representative, as applicable, received or had access to required information and had an opportunity to obtain additional information about us a reasonable period of time prior to the issuance of the shares; and (5) appropriate legends were placed upon the book-entry positions representing the shares. A portion of the shares issued to the founders of Rundeck are subject to certain time-based and milestone-based vesting.

***Purchases of Equity Securities by the Issuer and Affiliated Purchasers***

None.

### Item 6. Selected Consolidate 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, 2021, 2020, 2019, and 2018 and the selected consolidated balance sheet data as of January 31, 2021, 2020, 2019, and 2018 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, | | | |
|---|---|---|---|---|
| | 2021 | 2020 | 2019 | 2018 |
| | (in thousands) | | | |
| **Consolidated Statements of Operations Data:** | | | | |
| Revenue | $ 213,556 | $ 166,351 | $ 117,823 | $ 79,630 |
| Cost of revenue[(1)] | 30,686 | 24,579 | 17,255 | 12,717 |
| Gross profit | 182,870 | 141,772 | 100,568 | 66,913 |
| Operating expenses: | | | | |
| Research and development[(1)] | 64,566 | 49,011 | 38,858 | 33,532 |
| Sales and marketing[(1)] | 122,155 | 97,350 | 64,060 | 47,354 |
| General and administrative[(1)] | 62,431 | 50,970 | 39,971 | 24,343 |
| Total operating expenses | 249,152 | 197,331 | 142,889 | 105,229 |
| Loss from operations | (66,282) | (55,559) | (42,321) | (38,316) |
| Interest income | 4,232 | 5,692 | 1,249 | 371 |
| Interest expense | (9,965) | — | — | (702) |
| Other (expense) income, net | (794) | 203 | 1,032 | 682 |
| Loss before benefit from (provision for) income taxes | (72,809) | (49,664) | (40,040) | (37,965) |
| Benefit from (provision for) income taxes | 3,906 | (675) | (701) | (184) |
| Net loss | $ (68,903) | $ (50,339) | $ (40,741) | $ (38,149) |
| Other comprehensive gain: | | | | |
| Unrealized gain on investments | 206 | 137 | — | — |
| Total comprehensive loss | $ (68,697) | $ (50,202) | $ (40,741) | $ (38,149) |
| Net loss per share, basic and diluted | $ (0.87) | $ (0.77) | $ (1.90) | $ (1.91) |
| Weighted average shares used in calculating net loss per share, basic and diluted | 79,614 | 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, | | | |
|---|---|---|---|---|
| | 2021 | 2020 | 2019 | 2018 |
| | (in thousands) | | | |
| Cost of revenue | $ 1,702 | $ 1,018 | $ 282 | $ 385 |
| Research and development | 11,095 | 5,566 | 8,171 | 9,796 |
| Sales and marketing[(1)] | 14,733 | 8,924 | 3,982 | 3,831 |
| General and administrative[(2)] | 15,701 | 11,697 | 12,860 | 4,140 |
| Total | $ 43,231 | $ 27,205 | $ 25,295 | $ 18,152 |

(1) Stock-based compensation expense above includes a one-time stock-based compensation expense of $3.1 million related to the modification of certain stock option awards in the fiscal year ended January 31, 2021.

(2) 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, | | | |
|---|---|---|---|---|
| | 2021 | 2020 | 2019 | 2018 |
| | (in thousands) | | | |
| **Consolidated Balance Sheets Data:** | | | | |
| Cash and cash equivalents | $ 339,166 | $ 124,024 | $ 127,875 | $ 43,999 |
| Investments | 221,112 | 227,375 | — | — |
| Working capital | 465,620 | 289,959 | 84,028 | 18,980 |
| Total assets | 795,443 | 435,398 | 197,234 | 81,368 |
| Deferred revenue | 129,972 | 92,569 | 64,104 | 38,169 |
| Total stockholders’ equity (deficit) | 366,727 | 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 the 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, | | | |
|---|---|---|---|---|
| | 2021 | 2020 | 2019 | 2018 |
| Customers | 13,837 | 12,774 | 11,212 | 9,793 |
| Customers greater than $100,000 in ARR | 426 | 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, | | | |
|---|---|---|---|---|
| | 2021 | 2020 | 2019 | 2018 |
| Dollar-based net retention rate for all customers | 121 % | 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. 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.

| | Year Ended January 31, | | | |
|---|---|---|---|---|
| | 2021 | 2020 | 2019 | 2018 |
| Non-GAAP operating loss | $ (19,447) | $ (28,354) | $ (17,026) | $ (20,164) |
| Non-GAAP operating margin | (9)% | (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, charitable contribution—issuance of common stock warrant, amortization of acquired intangible assets, and acquisition-related expenses, which include transaction costs and acquisition-related retention payments, which are not necessarily reflective of operational performance during a given period. 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, | | | |
|---|---|---|---|---|
| | 2021 | 2020 | 2019 | 2018 |
| Loss from operations | $ (66,282) | $ (55,559) | $ (42,321) | $ (38,316) |
| Add: | | | | |
| Stock-based compensation(1) | 43,231 | 27,205 | 25,295 | 18,152 |
| Amortization of acquired intangible assets | 1,167 | — | — | — |
| Acquisition-related expenses | 2,437 | — | — | — |
| Non-GAAP operating loss | $ (19,447) | $ (28,354) | $ (17,026) | $ (20,164) |

(1) Stock-based compensation expense above includes a one-time stock-based compensation expense of $3.1 million related to the modification of certain stock option awards in the fiscal year ended January 31, 2021, and $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, adverse effects on our business and general economic conditions due to the current COVID-19 pandemic, those identified below, and those discussed in the section titled "Risk Factors" included elsewhere in this Annual Report on Form 10-K. The last day of our fiscal year is January 31. Our fiscal quarters end on April 30, July 31, October 31 and January 31.*

### Overview

PagerDuty is a digital operations management platform that empowers the right action, when seconds matter.

Our platform, which includes our auto remediation software, is the best way to manage urgent, mission-critical work—and keep digital services always on. It sits at the center of a company's digital ecosystem ingesting signals and using machine learning and automation to prevent and automate real time work, predict and avoid downtime. We enable teams to reduce outages, improve productivity and accelerate digital transformations.

We collect data from virtually any software-enabled system or device and combine it with human response data correlating and processing it to understand digital opportunities and issues that need to be addressed in real-time. Using the world's broadest integrations, event management, automated remediation and diagnostics, and human driven runbook 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, days or even weeks like legacy solutions.

Since our founding in 2009, we have expanded our capabilities from a single product focused on on-call management for technical teams to one that serves many roles across the company, delivering a real time source of truth to security, customer service, and executive stakeholders alike. Growing from an on-call tool into a full digital operations management platform, spanning incident response, on-call management, business visibility, advanced analytics, and AI Ops capabilities across automation and event management to reduce the noise, interruptions and redundant tasks from our customer's lives. 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 customers. We have spent years building deep product integrations to our platform, and our ecosystem now includes over 500 direct integrations to enable our customers to gather and correlate digital signals from virtually any software-enabled system or device. Those same integrations allow PagerDuty to connect with popular collaboration tools and business applications, as well as all types of technology stacks to drive automation of work.

Our platform is easy to adopt and scalable for businesses of all sizes. We generate revenue primarily from both cloud-hosted and term license software subscription fees with the majority of our revenue from such arrangements. We offer a three-tiered range of pricing plans aligned with our customers' needs and the sophistication of their digital operations. In addition, our Rundeck automation offering is available on a subscription basis. We also offer a "freemium" plan for less than five users to introduce new users to the platform. 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 high-velocity inside sales focused on small and medium businesses, a commercial team focused on mid-market customers, and a field sales team focused on enterprise customers. Our mid-market and enterprise customers account for the majority of our revenue today. These teams drive expansion to additional users, additional teams, and new use cases, as well as upsell premium functionality.

As of January 31, 2021, we had more than 13,500 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, 426 customers have annual recurring revenue ("ARR") in excess of $100,000, and 26 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 12% of our revenue for the fiscal year ended January 31, 2021, 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, 2021. 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 121% for the fiscal year ended January 31, 2021.

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 86% for the fiscal year ended January 31, 2021. Our strong gross margins allow us the flexibility to invest more in our platform and go-to market function while maintaining strong operating leverage on our path to profitability.

**COVID-19 Update**

In December 2019, a novel coronavirus and the resulting disease ("COVID-19") was reported, and in January 2020, the World Health Organization ("WHO") declared it a Public Health Emergency of International Concern. In February 2020, the WHO raised its assessment of the COVID-19 threat from high to very high at a global level due to the continued increase in the number of cases and affected countries, and in March 2020, the WHO characterized COVID-19 as a pandemic.

The extent and continued impact of the COVID-19 pandemic on our business will depend on certain developments including the duration and spread of the pandemic; government responses to the pandemic; impact on our customers and our sales cycles; industry or employee events; and effect on our partners and vendors, all of which are uncertain and cannot be predicted. While our revenues, billings, and earnings are relatively predictable as a result of our subscription-based business model and the majority of our revenues are generated from annual subscriptions, the effect of the COVID-19 pandemic, along with the seasonality we historically experience, may not be fully reflected in our results of operations and overall financial performance until future periods, if at all. In addition, while the majority of our revenues are generated from annual subscriptions, we have seen, and anticipate there may continue to be greater variability in the demand of our product from small and medium business customers. We also have experienced an increase in churn and a decline in the number of users that we believe to be associated with the impact of COVID-19, and may continue to see a decline in the number of users if our customers are required to make workforce reductions. Because of this, we have, and may continue to experience declines in customer demand, reduced customer spend or contract duration, and lengthened payment terms that could materially adversely impact our business, results of operations, and overall financial performance in future periods.

In March 2020, we temporarily closed all of our offices, transitioned our employees to work remotely, and implemented travel restrictions on all business-related travel. We have extended our paid time off and sick leave benefits for employees directly impacted by COVID-19 or caring for children or a member of their household impacted by COVID-19. In addition, we are providing allowances to our employees to cover expenses related to transitioning to a work from home environment. We also continue to offer local employee assistance programs to employees if needed. These changes remain in effect and could extend into future quarters. We have a limited history of remote working and it is difficult to measure and predict the medium and long-term impacts on productivity across our workforce, and the resulting types of continuing investments for, our employee base is uncertain. The impact, if any, of these and any additional operational changes we may implement is uncertain but changes we have implemented have not affected and are not expected to affect our ability to maintain operations, including financial reporting systems, internal control over financial reporting and disclosure controls, and procedures.

In addition, due to restrictions on travel and in-person meetings, we have converted Summit, our global customer conference series, to virtual events. We have also canceled or shifted other planned events to virtual-only experiences and may determine to alter, postpone or cancel additional customer, employee or industry events in the future. We have typically relied on marketing and promotional events such as Summit and other in-person conferences, events, and meetings to facilitate customer sign-ups and generate leads for potential customers, and we cannot predict whether virtual marketing events and phone or virtual sales interactions will be as successful as in-person events and meetings or, for how long, or the extent to which the COVID-19 pandemic may continue to constrain our marketing, promotional, and sales activities.

On March 27, 2020, the President of the United States signed the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") which includes several significant provisions for corporations, including modifications to the limitation on business interest expense and the usage of net operating losses, and a payment deferral of employer payroll taxes. We have elected to defer the payment of employer payroll taxes in the nine months ended October 31, 2020. We do not plan to continue to defer the payment of employer taxes in future periods. The CARES Act is not expected to have a material impact on our consolidated financial statements.

Refer to Item 1A, "Risk Factors", for further discussion of the possible impact of the COVID-19 pandemic on our business.

**Acquisition of Rundeck, Inc. ("Rundeck")**

On October 1, 2020, we completed the acquisition of Rundeck Inc. ("Rundeck"), a leading provider of DevOps automation for enterprise. We acquired Rundeck for purchase consideration of $95.5 million in a combination of cash and common stock. We recognized goodwill of $72.1 million which is primarily attributable to synergies created with our current and future offerings and the value of the assembled workforce. Refer to Note 5, "Business Combinations" in the Notes to the Consolidated Financial Statements for further details on the acquisition of Rundeck.

## 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 mid-market and enterprise customers, and our ability to meet the evolving needs of our customers. As of January 31, 2021, we had over 13,500 customers spanning organizations of a broad range of sizes and industries, compared to over 12,500 as of January 31, 2020.

***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.

***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 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 mid-market 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.

While these numbers are based on what we believe to be a reasonable representation of our customer base for the applicable period of measurement, we rely on a third party to validate legal entities, which uses the best available data at period end, and therefore is subject to change as new information becomes available. In addition, we are continually seeking to improve our methodology, which may result in future changes to our key metrics.

Our key metrics include the results of Rundeck, to the extent applicable, beginning on the acquisition date of October 1, 2020.

***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 the 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, | | |
|---|---|---|---|
| | 2021 | 2020 | 2019 |
| Customers | 13,837 | 12,774 | 11,212 |
| Customers greater than $100,000 in ARR | 426 | 323 | 228 |

***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. The calculation of dollar-based net retention rate for the year ended January 31, 2021 includes the Current Period ARR of Rundeck customers to the extent that they were PagerDuty customers as of 12 months prior to period end.

| | Last 12 Months Ended January 31, | | |
|---|---|---|---|
| | 2021 | 2020 | 2019 |
| Dollar-based net retention rate for all customers | 121 % | 122 % | 140 % |

**Components of Results of Operations**

***Revenue***

We generate revenue primarily from cloud-hosted subscription fees with the majority of its revenue from such arrangements. We also generate an immaterial amount of revenue from term license software subscription fees. 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. For our cloud-hosted software subscriptions, 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. For our term-license software subscriptions, we recognize license revenue upon delivery and software maintenance revenue ratably, typically beginning on the start of the contractual term of the arrangement.

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, amortization of acquired developed technology, 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 amortization of acquired intangible assets, acquisition-related expenses, allocated overhead costs for facilities, shared IT related expenses, including depreciation expense, and certain company-wide 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, acquisition-related expenses 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, amortization of acquired intangible assets, 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, acquisition-related expenses, and allocated overhead costs. 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.

### *Interest Expense*

Interest expense consists primarily of contractual interest expense and amortization of the debt discount and debt issuance costs on our 1.25% Convertible Senior Notes (the "Notes") due 2025. Refer to Note 8, "Debt and Financing Arrangements" for additional details.

### *Other (Expense) Income, Net*

Other (expense) income, net primarily consists of accretion income and amortization expense 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.

### *Benefit from (Provision for) Income Taxes*

Benefit from (provision for) income taxes consists primarily of the benefit associated with the reduction in our valuation allowance from the increase in the deferred tax liability associated with the acquired intangible assets from the acquisition of Rundeck in the fiscal year ended January 31, 2021. This also includes income taxes in certain foreign jurisdictions in which we conduct business. We maintain a full valuation allowance on our net 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 for all years presented.

## Results of Operations

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

| | Year Ended January 31, | | |
|---|---|---|---|
| | 2021 | 2020 | 2019 |
| | | (in thousands) | |
| Revenue | $ 213,556 | $ 166,351 | $ 117,823 |
| Cost of revenue[(1)] | 30,686 | 24,579 | 17,255 |
| Gross profit | 182,870 | 141,772 | 100,568 |
| Operating expenses: | | | |
| Research and development[(1)] | 64,566 | 49,011 | 38,858 |
| Sales and marketing[(1)] | 122,155 | 97,350 | 64,060 |
| General and administrative[(1)] | 62,431 | 50,970 | 39,971 |
| Total operating expenses | 249,152 | 197,331 | 142,889 |
| Loss from operations | (66,282) | (55,559) | (42,321) |
| Interest income | 4,232 | 5,692 | 1,249 |
| Interest expense | (9,965) | — | — |
| Other (expense) income, net | (794) | 203 | 1,032 |
| Loss before benefit from (provision for) income taxes | (72,809) | (49,664) | (40,040) |
| Benefit from (provision for) income taxes | 3,906 | (675) | (701) |
| Net loss | $ (68,903) | $ (50,339) | $ (40,741) |

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

| | Year Ended January 31, | | |
|---|---|---|---|
| | 2021 | 2020 | 2019 |
| | | (in thousands) | |
| Cost of revenue | $ 1,702 | $ 1,018 | $ 282 |
| Research and development | 11,095 | 5,566 | 8,171 |
| Sales and marketing[1] | 14,733 | 8,924 | 3,982 |
| General and administrative[2] | 15,701 | 11,697 | 12,860 |
| Total | $ 43,231 | $ 27,205 | $ 25,295 |

(1) Stock-based compensation expense above includes a one-time stock-based compensation expense of $3.1 million related to the modification of certain stock option awards in the fiscal year ended January 31, 2021.

(2) 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, | | |
|---|---|---|---|
| | 2021 | 2020 | 2019 |
| Revenue | 100 % | 100 % | 100 % |
| Cost of revenue | 14 | 15 | 15 |
| Gross margin | 86 | 85 | 85 |
| Operating expenses: | | | |
| Research and development | 30 | 29 | 33 |
| Sales and marketing | 57 | 59 | 54 |
| General and administrative | 29 | 31 | 34 |
| Total operating expenses | 117 | 119 | 121 |
| Loss from operations | (31) | (33) | (36) |
| Interest income | 2 | 3 | 1 |
| Interest expense | (5) | — | — |
| Other (expense) income, net | — | — | 1 |
| Loss before benefit from (provision for) income taxes | (34) | (30) | (34) |
| Benefit from (provision for) income taxes | 2 | — | (1) |
| Net loss | (32)% | (30)% | (35)% |

Note: Certain figures may not sum due to rounding.

### Comparison of the Years Ended January 31, 2021 and 2020

***Revenue***

| | Year Ended January 31, | | | |
|---|---|---|---|---|
| | 2021 | 2020 | Change | % Change |
| | (dollars in thousands) | | | |
| Revenue | $ 213,556 | $ 166,351 | $ 47,205 | 28 % |

Revenue increased by $47.2 million, or 28%, for fiscal year ended January 31, 2021 compared to the fiscal year ended January 31, 2020. The increase in revenue was primarily attributable to the growth from existing customers as well as new customers. Growth from existing customers is attributable to both increases in the number of users and upsell of additional products.

***Cost of Revenue and Gross Margin***

| | Year Ended January 31, | | | |
|---|---|---|---|---|
| | 2021 | 2020 | Change | % Change |
| | (dollars in thousands) | | | |
| Cost of revenue | $ 30,686 | $ 24,579 | $ 6,107 | 25 % |
| Gross margin | 86 % | 85 % | | |

Gross margin was 86% for the fiscal year ended January 31, 2021 compared to 85% for the fiscal year ended January 31, 2020, improving as a result of efficiency from our cloud native infrastructure. Cost of revenue increased by $6.1 million, or 25%, primarily due to an increase of $4.0 million in personnel expenses as a result of increased headcount, and an increase of $1.3 million in hosting, software, and telecom costs, all of which are to support the continued growth of the business and related infrastructure. This was partially offset by a $0.4 million decrease in travel expenses due to the COVID-19 pandemic.

***Research and Development***

| | Year Ended January 31, | | | |
|---|---|---|---|---|
| | 2021 | 2020 | Change | % Change |
| | (dollars in thousands) | | | |
| Research and development | $ 64,566 | $ 49,011 | $ 15,555 | 32 % |
| Percentage of revenue | 30 % | 29 % | | |

Research and development expenses increased by $15.6 million, or 32%, for the fiscal year ended January 31, 2021 compared to the fiscal year ended January 31, 2020 and increased as a percentage of revenue. The increase was primarily driven by an increase in personnel expenses of $14.5 million as a result of increased headcount to support our continued investment in our platform and an increase of $2.1 million in costs to support the continued growth of the business and related infrastructure, which includes allocated overhead costs. This was partially offset by a $1.7 million decrease in travel and other personnel expenses due to the COVID-19 pandemic.

***Sales and Marketing***

| | Year Ended January 31, | | | |
|---|---|---|---|---|
| | 2021 | 2020 | Change | % Change |
| | (dollars in thousands) | | | |
| Sales and marketing | $ 122,155 | $ 97,350 | $ 24,805 | 25 % |
| Percentage of revenue | 57 % | 59 % | | |

Sales and marketing expenses increased by $24.8 million, or 25%, for the fiscal year ended January 31, 2021 compared to the fiscal year ended January 31, 2020 and decreased as a percentage of revenue. The increase was primarily due to an increase of $20.7 million in personnel expenses driven by headcount growth, a one-time stock-based compensation charge due to the modification of certain stock option awards, and amortization of deferred contract costs, a $3.9 million increase in marketing and promotional expenses primarily due to increased volume of digital marketing and advertising activities, and an increase in bad debt expense of $1.2 million. These increases were partially offset by a decrease in travel expenses of $3.9 million as a result of the COVID-19 pandemic.

***General and Administrative***

| | Year Ended January 31, | | | |
|---|---|---|---|---|
| | 2021 | 2020 | Change | % Change |
| | (dollars in thousands) | | | |
| General and administrative | $ 62,431 | $ 50,970 | $ 11,461 | 22 % |
| Percentage of revenue | 29 % | 31 % | | |

General and administrative expenses increased by $11.5 million, or 22%, for the fiscal year ended January 31, 2021 compared to the fiscal year ended January 31, 2020 and decreased as a percentage of revenue. The increase was primarily driven by an increase of $13.1 million in personnel expenses as a result of increased headcount and an increase of $1.8 million in outside services primarily related to the transaction costs associated with the Rundeck acquisition. This was partially offset by a decrease in travel and other program related expenses of $3.3 million as a result of the COVID-19 pandemic.

***Interest Expense***

| | Year Ended January 31, | | | |
|---|---|---|---|---|
| | 2021 | 2020 | Change | % Change |
| | (dollars in thousands) | | | |
| Interest expense | $ (9,965) | $ — | $ (9,965) | N/A |

Interest expense increased by $10.0 million for the fiscal year ended January 31, 2021 compared to the fiscal year ended January 31, 2020, due to contractual interest expense and amortization of the debt discount and issuance costs on the Notes.

***Interest Income and Other (Expense) Income, Net***

| | Year Ended January 31, | | | |
|---|---|---|---|---|
| | 2021 | 2020 | Change | % Change |
| | (dollars in thousands) | | | |
| Interest income | $ 4,232 | $ 5,692 | $ (1,460) | (26)% |
| Other (expense) income, net | $ (794) | $ 203 | $ (997) | (491)% |

Interest income and other income decreased by $1.5 million and $1.0 million, respectively, for the fiscal year ended January 31, 2021 compared to the fiscal year ended January 31, 2020, primarily due to lower interest rates on our cash, cash equivalent and investment balances in the current year.

**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 the 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 balance 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.

**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 and amortization of acquired intangible assets. We define non-GAAP gross margin as non-GAAP gross profit as a percentage of revenue.

| | Year Ended January 31, | | |
|---|---|---|---|
| | 2021 | 2020 | 2019 |
| | (dollars in thousands) | | |
| Gross profit | $ 182,870 | $ 141,772 | $ 100,568 |
| Add: | | | |
| Stock-based compensation | 1,702 | 1,018 | 282 |
| Amortization of acquired intangible assets | 373 | — | — |
| Non-GAAP gross profit | $ 184,945 | $ 142,790 | $ 100,850 |
| | | | |
| Gross margin | 86 % | 85 % | 85 % |
| Non-GAAP gross margin | 87 % | 86 % | 86 % |

***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, amortization of acquired intangible assets, and acquisition-related expenses, which include transaction costs and acquisition-related retention payments, which are not necessarily reflective of operational performance during a given period. We define non-GAAP operating margin as non-GAAP operating loss as a percentage of revenue.

| | Year Ended January 31, | | |
|---|---|---|---|
| | 2021 | 2020 | 2019 |
| | (dollars in thousands) | | |
| Loss from operations | $ (66,282) | $ (55,559) | $ (42,321) |
| Add: | | | |
| Stock-based compensation[(1)] | 43,231 | 27,205 | 25,295 |
| Amortization of acquired intangible assets | 1,167 | — | — |
| Acquisition-related expenses | 2,437 | — | — |
| Non-GAAP operating loss | $ (19,447) | $ (28,354) | $ (17,026) |
| | | | |
| Operating margin | (31)% | (33)% | (36)% |
| Non-GAAP operating margin | (9)% | (17)% | (14)% |

(1) Stock-based compensation expense above includes a one-time stock-based compensation expense of $3.1 million related to the modification of certain stock option awards in the fiscal year ended January 31, 2021, and $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, amortization of debt discount and issuance costs, amortization of acquired intangible assets, acquisition-related expenses, which include transaction costs and acquisition-related retention payments, which are not necessarily reflective of operational performance during a given period, and acquisition-related tax benefit.

| | Year Ended January 31, | | |
|---|---|---|---|
| | 2021 | 2020 | 2019 |
| | | (in thousands) | |
| Net loss | $ (68,903) | $ (50,339) | $ (40,741) |
| Add: | | | |
| Stock-based compensation[1] | 43,231 | 27,205 | 25,295 |
| Amortization of debt discount and issuance costs | 7,808 | — | — |
| Amortization of acquired intangibles assets | 1,167 | — | — |
| Acquisition-related expenses | 2,437 | — | — |
| Acquisition-related tax benefit | (5,017) | — | — |
| Non-GAAP net loss | $ (19,277) | $ (23,134) | $ (15,446) |

______________

(1) Stock-based compensation expense above includes a one-time stock-based compensation expense of $3.1 million related to the modification of certain stock option awards in the fiscal year ended January 31, 2021 and $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 provided by (used in) operating activities, less cash used for purchases of property and equipment and capitalized internal-use software costs. 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, | | |
|---|---|---|---|
| | 2021 | 2020 | 2019 |
| | | (in thousands) | |
| Net cash provided by (used in) operating activities | $ 10,095 | $ (173) | $ (5,608) |
| Less: | | | |
| Purchases of property and equipment | (4,038) | (5,174) | (3,730) |
| Capitalized internal-use software costs | (810) | — | (389) |
| Free cash flow | $ 5,247 | $ (5,347) | $ (9,727) |
| Net cash used in investing activities | $ (49,320) | $ (232,070) | $ (4,119) |
| Net cash provided by financing activities | $ 254,367 | $ 225,944 | $ 93,599 |

**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, 2021. 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, 2019 | July 31, 2019 | October 31, 2019 | January 31, 2020 | April 30, 2020 | July 31, 2020 | October 31, 2020 | January 31, 2021 |
| | (in thousands) | | | | | | | |
| Revenue | $ 37,314 | $ 40,361 | $ 42,750 | $ 45,926 | $ 49,786 | $ 50,714 | $ 53,772 | $ 59,284 |
| Cost of revenue(1) | 5,486 | 6,106 | 6,634 | 6,353 | 6,963 | 6,637 | 7,685 | 9,401 |
| Gross profit | 31,828 | 34,255 | 36,116 | 39,573 | 42,823 | 44,077 | 46,087 | 49,883 |
| Operating expenses: | | | | | | | | |
| Research and development(1) | 10,906 | 11,635 | 12,619 | 13,851 | 15,014 | 15,535 | 16,156 | 17,861 |
| Sales and marketing(1) | 21,167 | 23,786 | 27,425 | 24,972 | 26,736 | 27,511 | 34,024 | 33,884 |
| General and administrative(1) | 12,484 | 13,215 | 12,765 | 12,506 | 13,673 | 14,480 | 17,746 | 16,532 |
| Total operating expenses | 44,557 | 48,636 | 52,809 | 51,329 | 55,423 | 57,526 | 67,926 | 68,277 |
| Loss from operations | (12,729) | (14,381) | (16,693) | (11,756) | (12,600) | (13,449) | (21,839) | (18,394) |
| Interest income | 889 | 1,967 | 1,427 | 1,409 | 1,353 | 1,048 | 974 | 857 |
| Interest expense | — | — | — | — | — | (1,608) | (4,133) | (4,224) |
| Other income (expense), net | 21 | 80 | 245 | (143) | 19 | (431) | (449) | 67 |
| Loss before (provision for) benefit from income taxes | (11,819) | (12,334) | (15,021) | (10,490) | (11,228) | (14,440) | (25,447) | (21,694) |
| (Provision for) benefit from income taxes | (245) | (236) | (244) | 50 | (231) | (248) | 4,839 | (454) |
| Net loss | $(12,064) | $(12,570) | $(15,265) | $(10,440) | $(11,459) | $(14,688) | $(20,608) | $(22,148) |
| Net loss per share, basic and diluted | $ (0.37) | $ (0.17) | $ (0.20) | $ (0.14) | $ (0.15) | $ (0.19) | $ (0.26) | $ (0.27) |

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

| | Three Months Ended | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | April 30, 2019 | July 31, 2019 | October 31, 2019 | January 31, 2020 | April 30, 2020 | July 31, 2020 | October 31, 2020 | January 31, 2021 |
| | (in thousands) | | | | | | | |
| Cost of revenue | $ 143 | $ 327 | $ 303 | $ 245 | $ 344 | $ 263 | $ 488 | $ 607 |
| Research and development | 860 | 1,437 | 1,462 | 1,807 | 2,183 | 2,469 | 2,807 | 3,636 |
| Sales and marketing | 1,464 | 2,326 | 2,295 | 2,839 | 2,285 | 2,870 | 6,254 | 3,324 |
| General and administrative | 2,345 | 3,143 | 3,287 | 2,922 | 3,496 | 4,366 | 3,910 | 3,929 |
| Total | $ 4,812 | $ 7,233 | $ 7,347 | $ 7,813 | $ 8,308 | $ 9,968 | $ 13,459 | $ 11,496 |

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

| | Three Months Ended | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | April 30, 2019 | July 31, 2019 | October 31, 2019 | January 31, 2020 | April 30, 2020 | July 31, 2020 | October 31, 2020 | January 31, 2021 |
| Revenue | 100 % | 100 % | 100 % | 100 % | 100 % | 100 % | 100 % | 100 % |
| Cost of revenue | 15 | 15 | 16 | 14 | 14 | 13 | 14 | 16 |
| Gross profit | 85 | 85 | 84 | 86 | 86 | 87 | 86 | 84 |
| Operating expenses: | | | | | | | | |
| Research and development | 29 | 29 | 30 | 30 | 30 | 31 | 30 | 30 |
| Sales and marketing | 57 | 59 | 64 | 54 | 54 | 54 | 63 | 57 |
| General and administrative | 33 | 33 | 30 | 27 | 27 | 29 | 33 | 28 |
| Total operating expenses | 119 | 121 | 124 | 112 | 111 | 113 | 126 | 115 |
| Loss from operations | (34) | (36) | (39) | (26) | (25) | (27) | (41) | (31) |
| Interest income | 2 | 5 | 3 | 3 | 3 | 2 | 2 | 1 |
| Interest expense | — | — | — | — | — | (3) | (8) | (7) |
| Other income (expense), net | — | — | 1 | — | — | (1) | (1) | — |
| Loss before benefit from (provision for) income taxes | (32) | (31) | (35) | (23) | (23) | (28) | (47) | (37) |
| Benefit from (provision for) income taxes | (1) | (1) | (1) | — | — | — | 9 | (1) |
| Net loss | (32)% | (31)% | (36)% | (23)% | (23)% | (29)% | (38)% | (37)% |

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 87% in each period presented.

***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. Sales and marketing expenses for the three months ended October 31, 2020 included an increase in stock-based compensation expense related to the modification of certain stock option awards. In addition, general and administrative expenses for the three months ended October 31, 2020 included $1.6 million in transaction costs associated with the Rundeck acquisition.

### 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, 2019 | July 31, 2019 | October 31, 2019 | January 31, 2020 | April 30, 2020 | July 31, 2020 | October 31, 2020 | January 31, 2021 |
| | (dollars in thousands) | | | | | | | |
| Loss from operations | $ (12,729) | $ (14,381) | $ (16,693) | $ (11,756) | $ (12,600) | $ (13,449) | $ (21,839) | $ (18,394) |
| Add: | | | | | | | | |
| Stock-based compensation | 4,812 | 7,233 | 7,347 | 7,813 | 8,308 | 9,968 | 13,459 | 11,496 |
| Amortization of acquired intangible assets | — | — | — | — | — | — | 292 | 875 |
| Acquisition-related expenses | — | — | — | — | — | — | 1,786 | 651 |
| Non-GAAP operating loss | $ (7,917) | $ (7,148) | $ (9,346) | $ (3,943) | $ (4,292) | $ (3,481) | $ (6,302) | $ (5,372) |
| Operating margin | (34)% | (36)% | (39)% | (26)% | (25)% | (27)% | (41)% | (31)% |
| Non-GAAP operating margin | (21)% | (18)% | (22)% | (9)% | (9)% | (7)% | (12)% | (9)% |

### Liquidity and Capital Resources

Since inception, we have financed operations primarily through sales of our cloud- hosted software subscriptions, net proceeds we have received from sales of equity securities, and the issuance of our Notes.

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.

On June 25, 2020, we issued $287.5 million aggregate principal amount of convertible senior notes in a private placement to qualified institutional buyers pursuant to Rule 144A under the Securities Act. The total net proceeds from the sale of the Notes, after deducting the initial purchasers’ discounts and debt issuance costs of $9.3 million, and purchases of the Capped Calls of $35.7 million, were $242.5 million.

As of January 31, 2021, our principal sources of liquidity were cash and cash equivalents and investments totaling $560.3 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 the effects of the COVID-19 pandemic, 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 our cloud- hosted software 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, 2021, we had deferred revenue of $130.0 million, of which $123.7 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, | | |
|---|---|---|---|
| | 2021 | 2020 | 2019 |
| | | (in thousands) | |
| Net cash provided by (used in) operating activities | $ 10,095 | $ (173) | $ (5,608) |
| Net cash used in investing activities | $ (49,320) | $ (232,070) | $ (4,119) |
| Net cash provided by financing activities | $ 254,367 | $ 225,944 | $ 93,599 |

***Operating Activities***

Our largest source of operating cash is cash collection from sales of our cloud-hosted software 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 had periods in which we 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 and issuance of the Notes.

Cash provided by operating activities for the fiscal year ended January 31, 2021 of $10.1 million primarily related to our net loss of $68.9 million, adjusted for non-cash charges of $74.2 million and net cash inflows of $4.8 million due to changes in our operating assets and liabilities. Non-cash charges primarily consisted of stock-based compensation of $43.2 million, amortization of our deferred contract costs of $11.0 million, amortization of debt discount and issuance costs of $7.8 million, depreciation and amortization of property and equipment and capitalized implementation costs of $5.3 million, and noncash lease expense of $4.4 million. Changes in operating assets and liabilities reflected cash inflows from a $34.7 million increase in deferred revenue resulting from increased billings for subscriptions, an $11.2 million increase in accrued compensation primarily due to increased headcount, and a $0.5 million decrease in accounts payable and accrued expenses and other liabilities. These amounts were partially offset by a $17.6 million increase in accounts receivable due a combination of timing of cash collections and a growth in billings, a $16.9 million increase in deferred contract costs due to commissions paid on new bookings, payments for operating lease liabilities of $4.1 million, and a $2.0 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, 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 an increase of $2.1 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, 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 a net 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.

***Investing Activities***

Cash used in investing activities for the fiscal year ended January 31, 2021 of $49.3 million consisted of purchases of investments of $222.0 million, cash paid for the Rundeck acquisition, net of cash acquired of $49.7 million, purchases of property and equipment of $4.0 million primarily to support additional office space for our San Francisco and Atlanta offices and purchases of computers for new employees, and capitalization of internal use software costs of $0.8 million. These costs were partially offset by proceeds from maturities and sales of investments of $227.2 million.

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.

***Financing Activities***

Cash provided by financing activities for the fiscal year ended January 31, 2021 of $254.4 million consisted primarily of net proceeds of $278.2 million related to the issuance of the Notes, proceeds from the exercise of stock options of $14.1 million, and proceeds from our employee stock purchase plan of $6.0 million. This was partially offset by purchases of the Capped Calls of $35.7 million.

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 initial public offering.

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.

## Contractual Obligations and Commitments

Our principal commitments consist of our convertible senior notes, obligations under operating leases for office space, and contractual commitments for third-party managed hosting and other support services. The following table summarizes our contractual obligations at January 31, 2021:

| | Payments Due By Period | | | | |
|---|---|---|---|---|---|
| | Total | Less than 1 Year | 1-3 Years | 3-5 Years | More than 5 Years |
| | | | (in thousands) | | |
| Convertible senior notes [1] | $ 303,673 | $ 3,594 | $ 10,782 | $ 289,297 | $ — |
| Operating lease commitments [2] | 35,431 | 6,317 | 20,097 | 7,698 | 1,319 |
| Purchase commitments [3] | 24,519 | 21,455 | 2,920 | 144 | — |
| Total | $ 363,623 | $ 31,366 | $ 33,799 | $ 297,139 | $ 1,319 |

(1) Includes principal and interest payments. For more information regarding our convertible senior notes, refer to Note 8, "Debt and Financing Arrangements".

(2) Represents obligations under non-cancellable lease agreements for our corporate headquarters and worldwide offices.

(3) Primarily relates to contractual third-party services.

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, 2021 in the table above. As of January 31, 2021, we had $5.1 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, 2021 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 primarily from cloud-hosted subscription fees with the majority of our revenue from such arrangements. We also generate an immaterial amount of revenue from term license software subscription fees. Our cloud-hosted software 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, we satisfy a performance obligation

*Cloud-hosted software subscriptions*

The majority of our cloud-hosted software subscriptions allow customers to use our cloud-hosted software over the contract period without taking possession of the software. Our cloud-hosted software subscription agreements generally have monthly or annual contractual terms. Revenue related to our cloud-hosted software subscriptions is recognized ratably over the related contractual term beginning on the date that our platform is made available to a customer. Access to the platform represents a series of distinct services as we continually provide access to, and fulfill our obligation to, the end customer over the subscription term. The series of distinct services represents a single performance obligation that is satisfied over time. We recognize revenue ratably because the customer receives and consumes the benefits of the platform throughout the contract period.

*Term license software subscriptions*

Our subscriptions sold through our on-premise service are primarily term (or time-based) license subscriptions to our platform, which includes both open source and proprietary software as well as support, patches, and the right to receive unspecified software updates and upgrades released when and if available during the subscription. Our term license software subscription agreements generally have annual contractual terms. We account for the license to the software and support as two separate performance obligations. As the open source software is publicly available at no cost to the customer, we have determined that there is no value to be assigned to the open source software in our term license software subscription arrangements. The proprietary software license represents a promise to provide a license to use functional intellectual property that is recognized at a point in time on the date access to the software is made available to the customer and the term license software subscription period has begun. We have concluded the support is a stand-ready performance obligation that consists of a series of distinct services that are satisfied ratably over time as the services are provided. We use a time-based output method to measure progress because our efforts are expended evenly throughout the period given the nature of the promise is a stand-ready service. We recognize support revenue ratably, typically beginning on the start of the contractual term of the arrangement.

In order to determine the stand-alone selling price, we conduct a periodic analysis that requires judgment and considers multiple factors that are reasonably available and maximizes the use of observable inputs that may vary over time depending upon the unique facts and circumstances related to each performance obligation. To have observable inputs, we require that a substantial majority of the stand-alone selling prices for a product offering fall within a pricing range. We believe that this analysis results in an estimate that approximates the price we would charge for the product offerings if they were sold separately.

Our cloud-hosted and term-license software subscription arrangements are generally non-cancellable and do not contain refund provisions. We bill for monthly cloud-hosted and term-license software subscriptions on a monthly basis and annually in advance for arrangements with terms of one year or more.

The price of the cloud-hosted and term-license software subscriptions is generally fixed at contract inception and therefore, our 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.

***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.

***Convertible Senior Notes***

The Notes are accounted for in accordance with the Financial Accounting Standards Board (“FASB”), issued Accounting Standards Codification, or ASC, Subtopic 470-20, *Debt with Conversion and Other Options*. Pursuant to ASC Subtopic 470-20, issuers of certain convertible debt instruments, such as the Notes, that have a net settlement feature and may be settled wholly or partially in cash upon conversion are required to separately account for the liability (debt) and equity (conversion option) components of the instrument. The carrying amount of the liability component of the instrument is computed by estimating the fair value of a similar liability without the conversion option using a market-based approach. The amount of the equity component is then calculated by deducting the fair value of the liability component from the principal amount of the instrument. The difference between the principal amount and the liability component represents a debt discount that is amortized to interest expense over the respective terms of the Notes using an effective interest rate method. The equity component is not remeasured as long as it continues to meet the conditions for equity classification. In accounting for the issuance costs related to the Notes, the allocation of issuance costs incurred between the liability and equity components was based on their relative values.

***Business Combinations and Valuation of Goodwill and Intangible Assets***

We apply the acquisition method of accounting for business combinations. Under this method of accounting, all assets acquired and liabilities assumed are recorded at their respective fair values at the date of the acquisition. We allocate the purchase consideration to the net tangible and identifiable intangible assets. Determining the fair value of assets acquired and liabilities assumed requires management’s judgment and often involves the use of significant estimates and assumptions. These estimates can include, but are not limited to, the cash flows that an asset is expected to generate in the future, the appropriate weighted-average cost of capital, and the cost savings expected to be derived from acquiring an asset. These estimates are inherently uncertain and unpredictable.

Goodwill is evaluated for impairment annually in the fourth quarter, and whenever events or changes in circumstances indicate the carrying value of goodwill may not be recoverable. Triggering events that may indicate impairment include, but are not limited to, a significant adverse change in customer demand or business climate or a significant decrease in expected cash flows. Goodwill is evaluated for impairment at the consolidated level, as we operate as a single reporting unit.

Acquired intangible assets consist of identifiable intangible assets, including developed technology, customer relationships, and tradename, resulting from our acquisition. Acquired intangible assets are recorded at fair value on the date of acquisition and amortized over their estimated useful lives. The carrying amounts of our acquired intangible assets are periodically reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of these assets may not be recoverable or that the useful life is shorter than originally estimated.

***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.

## Recently Issued and Adopted 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.

## Item 7A. Quantitative and Qualitative Disclosures About Market Risk

### *Interest Rate Risk*

As of January 31, 2021, we had cash, cash equivalents and investments totaling $560.3 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 available-for-sale investments, including those with stated maturities beyond twelve months, are classified 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, we may sell these investments at any time for use in its current operations or for other purposes, even prior to maturity. As of January 31, 2021, our available-for-sale investments are recorded as current on our consolidated balance sheets.

In June 2020, we issued the Notes with an aggregate principal amount of $287.5 million. The Notes have a fixed annual interest rate of 1.25%; accordingly, we do not have economic interest rate exposure on the Notes. However, the fair market value of the Notes is exposed to interest rate risk. Generally, the fair market value of the fixed interest rate of the Notes will increase as interest rates fall and decrease as interest rates rise. In addition, the fair market value of the Notes fluctuates when the market price of our common stock fluctuates. The fair market value was determined based on the quoted bid price of the Notes in an over-the-counter market on the last trading day of the reporting period. Refer to Note 4, "Fair Value Measurements" to our consolidated financial statements for more information.

As of January 31, 2021, 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 Supplemtary Data***

**PAGERDUTY, INC.**

**Index to Consolidated Financial Statements**


| | Page No. |
|---|---|
| Reports of Independent Registered Public Accounting Firm | 82 |
| Consolidated Financial Statements | 87 |
| Consolidated Balance Sheets | 87 |
| Consolidated Statements of Operations and Comprehensive Loss | 88 |
| Consolidated Statements of Redeemable Convertible Preferred Stock and Stockholders' Equity (Deficit) | 89 |
| Consolidated Statements of Cash Flows | 90 |
| Notes to Consolidated Financial Statements | 92 |

## 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, 2021 and 2020, 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, 2021, 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, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended January 31, 2021, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of January 31, 2021, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated March 19, 2021 expressed an unqualified opinion thereon.

**Adoption of ASU No. 2016-02**

As discussed in Note 2 to the consolidated financial statements, the Company changed its method for accounting for leases effective February 1, 2020, due to the adoption of Accounting Standards Update (ASU) No. 2016-02, Leases (Topic 842), and the related amendments.

**Basis for Opinion**

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

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

**Critical Audit Matters**

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

**Report of Independent Registered Public Accounting Firm**

***Revenue Recognition***

| | |
|---|---|
| *Description of the Matter* | The Company’s revenue totaled $213.6 million for the year ended January 31, 2021. As described in Note 2 to the consolidated financial statements, the Company generates revenue from subscription fees. In order to recognize revenue, the Company evaluates whether promises made to customers represent distinct performance obligations, the appropriate measure of the transfer of control and when the transfer of control has occurred. These assessments can require significant judgment, particularly when contracts include non-standard terms.<br><br>Auditing the Company’s accounting for revenue recognition was complex because certain of the Company’s revenue agreements contained non-standard contractual terms that required significant auditor judgement to determine if distinct performance obligations were created. The proper identification of performance obligations in the Company’s revenue arrangements could have a significant impact on the timing of revenue recognition and the disclosures. |
| *How We Addressed the Matter in Our Audit* | We obtained an understanding, evaluated the design, and tested the operating effectiveness of controls over the Company's process to identify and evaluate performance obligations including identification and consideration of non-standard contractual terms, the transaction price, and the measure of progress of the transfer of control.<br><br>Our audit procedures included, among others, reading a sample of contracts and evaluating whether management appropriately identified and considered terms within those documents that would affect revenue recognition, and testing the Company’s evaluation of standalone selling price for its performance obligations. We also evaluated the completeness and accuracy of the underlying data used in management’s determination of standalone selling price and the recorded deferred revenue and revenue amounts. |

***Convertible Notes***

| | |
|---|---|
| *Description of the Matter* | As described in Note 8 to the consolidated financial statements, the Company issued $287.5 million of convertible senior notes due in 2025 (Convertible Notes) during the year ended January 31, 2021. The accounting for the transaction was complex, as it required assessment as to whether features, other than the conversion feature, required bifurcation and separate valuation. Additionally, the transaction was complex as it required valuation of the conversion feature in the debt instrument, which involved estimation of the fair value of the debt instrument absent of any conversion feature, and evaluation of the appropriate classification of the conversion feature in the financial statements.<br><br>Auditing the Company’s accounting for the Convertible Notes was especially challenging due to the significant judgment required in determining the fair value of the liability component of the Convertible Notes as well as the balance sheet classification of the elements of the Convertible Notes. The Company estimated the fair value of the liability component of the Convertible Notes, absent any embedded conversion features, using an income approach which considers the instrument’s discounted cash flow model. Additionally, the Company performed a detailed analysis of the terms of the Convertible Notes to identify whether any derivatives that required separate mark-to-market accounting under applicable accounting guidance were present. |

| | |
|---|---|
| *How We Addressed the Matter in Our Audit* | We obtained an understanding, evaluated the design, and tested the operating effectiveness of controls over the Company's Convertible Notes. For example, we tested the Company's controls over the initial recognition and measurement of the Convertible Notes, including the recording of the associated liability and equity components. We also tested the controls addressing the evaluation of the Convertible Notes and the identification and evaluation of specific features and the related accounting.<br><br>To test the accounting for the Convertible Notes, our audit procedures included, among others, reading the underlying Convertible Notes agreements, testing management's application of the relevant accounting guidance, and involving a valuation specialist to assist us in the evaluation of the Company's valuation methodology and testing of the significant assumptions. Our testing of the fair value of the liability component, included, among other procedures, evaluating the Company's selection of the valuation methodology and significant assumptions used by the Company, and evaluating the completeness and accuracy of the underlying data supporting the significant assumptions. Specifically, when assessing the key assumptions, we evaluated the appropriateness of the Company's estimates of its volatility and implied yield. |
| | ***Acquisition of Rundeck, Inc.*** |
| *Description of the Matter* | As described in Note 5 to the consolidated financial statements, on October 1, 2020 the Company completed the acquisition of Rundeck, Inc. which was accounted for as a business combination for consideration of $95.5 million.<br><br>Auditing the Company's accounting for the acquisition was complex due to the significant estimation uncertainty in determining the fair value of the identified intangible asset related to customer relationships of $21.8 million. The significant estimation uncertainty was primarily due to the sensitivity of the respective fair value to underlying assumptions about the future performance of the acquired business and because there is relatively limited historical data on which to base those assumptions. The significant assumptions used to estimate the value of the intangible asset included revenue growth rates which are forward-looking and could be affected by future economic and market conditions. |
| *How We Addressed the Matter in Our Audit* | We obtained an understanding, evaluated the design, and tested the operating effectiveness of controls over the Company's acquisition accounting, including controls over management's valuation of the intangible asset acquired.<br><br>To test the fair value of the Company's customer relationship intangible asset, our audit procedures included, among others, evaluating the Company's use of the income approach, involving our valuation specialists to assist in testing the significant assumptions described above used to develop the prospective financial information and testing the completeness and accuracy of the underlying data. For example, we compared the significant assumptions to historical results of the Company's business and other guideline companies within the same industry and to other relevant factors, and we also performed a sensitivity analysis on the significant assumptions. |

/s/ Ernst & Young LLP

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

San Jose, California

March 19, 2021

**PAGERDUTY, INC.**

**Report of Independent Registered Public Accounting Firm**

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

**Opinion on Internal Control Over Financial Reporting**

We have audited PagerDuty, Inc.'s internal control over financial reporting as of January 31, 2021, based on the criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission 2013 framework (the COSO criteria). In our opinion, PagerDuty, Inc. (the Company) maintained, in all material respects, effective internal control over financial reporting as of January 31, 2021, based on the COSO criteria.

As indicated in the accompanying Management's report on Internal Control over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of Rundeck, Inc. ("Rundeck"), which is included in the 2021 consolidated financial statements of the Company and constituted less than 2% of total revenues for the year ended January 31, 2021 and less than 1% of total assets as of January 31, 2021. Our audit of internal control over financial reporting of the Company also did not include an evaluation of the internal control over financial reporting of Rundeck.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of January 31, 2021 and 2020, 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, 2021, and the related notes and our report dated March 19, 2021 expressed an unqualified opinion thereon.

**Basis for Opinion**

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

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

**Definition and Limitations of Internal Control Over Financial Reporting**

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

**Report of Independent Registered Public Accounting Firm**

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

/s/ Ernst & Young LLP

San Jose, California

March 19, 2021

**PAGERDUTY, INC.**

**Consolidated Balance Sheets**
**(in thousands)**

| | As of January 31, 2021 | As of January 31, 2020 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 339,166 | $ 124,024 |
| Investments | 221,112 | 227,375 |
| Accounts receivable, net of allowance for doubtful accounts of $1,188 and $810 as of January 31, 2021 and January 31, 2020, respectively | 55,119 | 37,128 |
| Deferred contract costs, current | 12,330 | 9,301 |
| Prepaid expenses and other current assets | 10,587 | 7,163 |
| Total current assets | 638,314 | 404,991 |
| Property and equipment, net | 12,639 | 12,369 |
| Deferred contract costs, non-current | 19,257 | 16,387 |
| Lease right-of-use assets | 24,691 | — |
| Goodwill | 72,126 | — |
| Intangible assets, net | 26,633 | — |
| Other assets | 1,783 | 1,651 |
| **Total assets** | $ 795,443 | $ 435,398 |
| **Liabilities and stockholders' equity** | | |
| Current liabilities: | | |
| Accounts payable | $ 5,747 | $ 6,434 |
| Accrued expenses and other current liabilities | 9,627 | 7,197 |
| Accrued compensation | 28,372 | 13,911 |
| Deferred revenue, current | 123,686 | 87,490 |
| Lease liabilities, current | 5,262 | — |
| Total current liabilities | 172,694 | 115,032 |
| Convertible senior notes, net | 217,528 | — |
| Deferred revenue, non-current | 6,286 | 5,079 |
| Lease liabilities, non-current | 26,542 | — |
| Other liabilities | 5,666 | 7,349 |
| Total liabilities | 428,716 | 127,460 |
| Commitments and contingencies (Note 9) | | |
| Stockholders' equity: | | |
| Common stock, $0.000005 par value per share: 1,000,000,000 shares authorized as of January 31, 2021 and 2020; 82,882,424 and 77,793,540 shares issued and outstanding as of January 31, 2021 and 2020, respectively | — | — |
| Additional paid-in capital | 614,494 | 487,008 |
| Accumulated other comprehensive income | 343 | 137 |
| Accumulated deficit | (248,110) | (179,207) |
| Total stockholders' equity | 366,727 | 307,938 |
| **Total liabilities and stockholders' equity** | $ 795,443 | $ 435,398 |

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, | | |
|---|---|---|---|
| | 2021 | 2020 | 2019 |
| Revenue | $ 213,556 | $ 166,351 | $ 117,823 |
| Cost of revenue | 30,686 | 24,579 | 17,255 |
| Gross profit | 182,870 | 141,772 | 100,568 |
| Operating expenses: | | | |
| Research and development | 64,566 | 49,011 | 38,858 |
| Sales and marketing | 122,155 | 97,350 | 64,060 |
| General and administrative | 62,431 | 50,970 | 39,971 |
| Total operating expenses | 249,152 | 197,331 | 142,889 |
| Loss from operations | (66,282) | (55,559) | (42,321) |
| Interest income | 4,232 | 5,692 | 1,249 |
| Interest expense | (9,965) | — | — |
| Other (expense) income, net | (794) | 203 | 1,032 |
| Loss before benefit from (provision for) income taxes | (72,809) | (49,664) | (40,040) |
| Benefit from (provision for) income taxes | 3,906 | (675) | (701) |
| Net loss | $ (68,903) | $ (50,339) | $ (40,741) |
| Other comprehensive gain: | | | |
| Unrealized gain on investments | 206 | 137 | — |
| Total comprehensive loss | $ (68,697) | $ (50,202) | $ (40,741) |
| Net loss per share, basic and diluted | $ (0.87) | $ (0.77) | $ (1.90) |
| Weighted average shares used in calculating net loss per share, basic and diluted | 79,614 | 65,544 | 21,410 |

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 | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Shares | Amount | Shares | Amount | Additional Paid-in Capital | Accumulated Other Comprehensive Income | Accumulated Deficit | Total Stockholders' Equity (Deficit) |
| **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 Plan | — | — | 210,775 | — | 4,117 | — | — | 4,117 |
| Vesting of early exercised options | — | — | — | — | 1,342 | — | — | 1,342 |
| Stock-based compensation | — | — | — | — | 27,205 | — | — | 27,205 |
| Other comprehensive income | — | — | — | — | — | 137 | | 137 |
| Net loss | — | — | — | — | — | — | (50,339) | (50,339) |
| **Balances as of January 31, 2020** | **—** | **$ —** | **77,793,540** | **$ —** | **$ 487,008** | **$ 137** | **$ (179,207)** | **$ 307,938** |
| Issuance of common stock upon exercise of stock options and restricted stock agreements, net of repurchases | — | — | 2,908,262 | — | 14,107 | — | — | 14,107 |
| Vesting of restricted stock units, net of shares withheld for employee payroll taxes | — | — | 379,129 | — | (8,207) | — | — | (8,207) |
| Vesting of early exercised options | — | — | — | — | 507 | — | — | 507 |
| Equity component of convertible senior notes, net of issuance costs | — | — | — | — | 68,478 | — | — | 68,478 |
| Purchases of capped calls related to convertible senior notes | — | — | — | — | (35,708) | — | — | (35,708) |
| Shares issued related to a business combination | — | — | 1,499,651 | — | 38,936 | — | — | 38,936 |
| Issuance of common stock in connection with the Employee Stock Purchase Plan | — | — | 301,842 | — | 5,986 | — | — | 5,986 |
| Stock-based compensation | — | — | — | — | 43,387 | — | — | 43,387 |
| Other comprehensive income | — | — | — | — | — | 206 | — | 206 |
| Net loss | — | — | — | — | — | — | (68,903) | (68,903) |
| **Balances as of January 31, 2021** | **—** | **$ —** | **82,882,424** | **$ —** | **$ 614,494** | **$ 343** | **$ (248,110)** | **$ 366,727** |

See Notes to Consolidated Financial Statements

**PAGERDUTY, INC.**

**Consolidated Statements of Cash Flows**
**(in thousands)**

| | Year Ended January 31, 2021 | 2020 | 2019 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Net loss | $ (68,903) | $ (50,339) | $ (40,741) |
| Adjustments to reconcile net loss to net cash provided by (used in) operating activities: | | | |
| Depreciation and amortization | 5,270 | 2,337 | 1,692 |
| Amortization of deferred contract costs | 10,977 | 7,780 | 4,495 |
| Stock-based compensation | 43,231 | 27,205 | 19,078 |
| Warrant issued in conjunction with charitable contribution | — | — | 6,217 |
| Amortization of debt discount and issuance costs | 7,808 | — | — |
| Noncash lease expense | 4,398 | — | — |
| Other | 2,518 | (331) | 1,440 |
| Changes in operating assets and liabilities: | | | |
| Accounts receivable | (17,637) | (3,601) | (15,464) |
| Deferred contract costs | (16,876) | (15,996) | (13,809) |
| Prepaid expenses and other assets | (2,022) | (2,112) | (2,914) |
| Accounts payable | 316 | (1,110) | 1,356 |
| Accrued expenses and other liabilities | (810) | 3,668 | 1,931 |
| Accrued compensation | 11,184 | 3,861 | 5,176 |
| Deferred revenue | 34,723 | 28,465 | 25,935 |
| Lease liabilities | (4,082) | — | — |
| **Net cash provided by (used in) operating activities** | 10,095 | (173) | (5,608) |
| **Cash flows from investing activities** | | | |
| Purchases of property and equipment | (4,038) | (5,174) | (3,730) |
| Capitalized internal-use software costs | (810) | — | (389) |
| Business acquisition, net of cash acquired | (49,656) | — | — |
| Purchases of held-to-maturity investments | — | (45,736) | — |
| Proceeds from maturities of held-to-maturity investments | 28,040 | 17,950 | — |
| Purchases of available-for-sale investments | (222,042) | (224,110) | — |
| Proceeds from maturities of available-for-sale investments | 189,901 | 25,000 | — |
| Proceeds from sales of available-for-sale investments | 9,285 | — | — |
| **Net cash used in investing activities** | (49,320) | (232,070) | (4,119) |
| **Cash flows from financing activities** | | | |
| Proceeds from issuance of convertible senior notes, net of issuance costs paid of $9,302 | 278,198 | — | — |
| Purchases of capped calls related to convertible senior notes | (35,708) | — | — |
| Proceeds from issuance of redeemable convertible preferred stock, net of issuance costs | — | — | 89,819 |
| 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 issuance of common stock upon exercise of stock options | 14,098 | 7,187 | 1,525 |
| Proceeds from Employee Stock Purchase Plan | 5,986 | 4,117 | — |
| Proceeds from early exercised stock options, net of repurchases | — | — | 2,227 |
| Proceeds from issuance of common stock upon exercise of warrants | — | — | 473 |
| Employee payroll taxes paid related to net share settlement of restricted stock units | (8,207) | (16) | — |
| **Net cash provided by financing activities** | 254,367 | 225,944 | 93,599 |
| Net increase (decrease) in cash, cash equivalents, and restricted cash | 215,142 | (6,299) | 83,872 |
| Cash, cash equivalents, and restricted cash at beginning of period | 124,024 | 130,323 | 46,451 |
| **Cash, cash equivalents, and restricted cash at end of period** | $ 339,166 | $ 124,024 | $ 130,323 |

| | Year Ended January 31, | | |
|---|---|---|---|
| | 2021 | 2020 | 2019 |
| **Supplemental cash flow data:** | | | |
| Cash paid for interest | $ 1,857 | $ — | $ — |
| Cash paid for taxes | $ 4 | $ 73 | $ 45 |
| **Non-cash investing and financing activities:** | | | |
| Vesting of early exercised options | $ 507 | $ 1,342 | $ 883 |
| Fair value of common stock issued as consideration for a business combination | $ 38,936 | $ — | $ — |
| Purchase of property and equipment, accrued but not yet paid | $ 572 | $ 1,463 | $ 82 |
| Costs related to initial public offering, accrued but not yet paid | $ — | $ — | $ 2,816 |
| Payments related to a business acquisition, accrued but not yet paid | $ 160 | $ — | $ — |
| Stock-based compensation capitalized in internal use software | $ 156 | $ — | $ — |
| 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 | $ 339,166 | $ 124,024 | $ 127,875 |
| Restricted cash—included in other assets | — | — | 2,448 |
| Total cash, cash equivalents, and restricted cash | $ 339,166 | $ 124,024 | $ 130,323 |

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 2021, for example, refer to the fiscal year ended January 31, 2021.

***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, the provision for income taxes, including the related valuation allowance and any uncertain tax positions, fair value of the liability and equity components of the Convertible Senior Notes (the "Notes"), fair value of acquired assets and assumed liabilities, impairment of goodwill and intangible assets, the incremental borrowing rate for lease liabilities, and estimates related to our revenue recognition, such as the assessment of performance obligations in our revenue arrangements and the fair value assigned to each performance obligation, 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.

In December 2019, the novel coronavirus and resulting disease ("COVID-19") was reported and in March 2020 the World Health Organization declared it a pandemic. The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on our customers and our sales cycles, and impact on our employees, as discussed in more detail in the Overview section of our Management's Discussion and Analysis. During the fiscal year ended January 31, 2021, this uncertainty resulted in a higher level of judgment related to our estimates and assumptions related to the estimate of credit losses for accounts receivable. As of the date of issuance of the financial statements, we are not aware of any specific event or circumstance that would require us to update our estimates, judgments, or revise the carrying value of our assets or liabilities. These estimates may change as new events occur and additional information is obtained and are recognized in the consolidated financial statements as soon as they become known. Actual results could differ from those estimates and any such differences may be material to our financial statements.

***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. Refer to Note 14, "Geographic Information" for information regarding the Company's long-lived assets and revenue by geography.

***Revenue Recognition***

The Company generates revenue primarily from cloud-hosted subscription fees with the majority of its revenue from such arrangements. The Company also generates an immaterial amount of revenue from term license software 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

*Cloud-hosted software subscriptions*

The Company's cloud-hosted software subscriptions allow customers to use its cloud-hosted software over the contract period without taking possession of the software. The Company's cloud-hosted software subscription agreements generally have monthly or annual contractual terms. Revenue related to our cloud-hosted software subscriptions 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.

*Term license software subscriptions*

The Company's term license software subscriptions provide both an obligation to provide access to its on-premise software, which includes both open source and proprietary features, as well as an obligation to provide support and maintenance. The Company's term license software subscription agreements generally have annual contractual terms. The Company accounts for the license to the software and support as two separate performance obligations. As the open source software is publicly available at no cost to the customer, the Company has determined that there is no value to be assigned to the open source software in the term license software subscription arrangements. The proprietary software license represents a promise to provide a license to use functional intellectual property that is recognized at a point in time on the date access to the software is made available to the customer and the term license software subscription period has begun. The Company has concluded the support is a stand-ready performance obligation that consists of a series of distinct services that are satisfied ratably over time as the services are provided. The Company uses a time-based output method to measure progress because efforts are expended evenly throughout the period given the nature of the promise is a stand-ready service. The Company recognizes support revenue ratably, typically beginning on the start of the contractual term of the arrangement.

In order to determine the stand-alone selling price, the Company conducts a periodic analysis that requires judgment and considers multiple factors that are reasonably available and maximizes the use of observable inputs that may vary over time depending upon the unique facts and circumstances related to each performance obligation. To have observable inputs, the Company requires that a substantial majority of the stand-alone selling prices for a product offering fall within a pricing range. The Company believes that this analysis results in an estimate that approximates the price that would be charged for the product offerings if they were sold separately.

The Company's cloud-hosted and term-license software subscription arrangements are generally non-cancellable and do not contain refund provisions. The Company bills for monthly cloud-hosted and term-license software subscriptions on a monthly basis and annually in advance for arrangements with terms of one year or more.

The price of the cloud-hosted and term-license software 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. The Company's 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 upon historical loss patterns, the age of each past due invoice, and an evaluation of the potential risk of loss associated with delinquent accounts. The allowance also reflects current market conditions and reasonable and supportable forecasts of future economic conditions. As of January 31, 2021, the allowance reflects considerations related to the COVID-19 pandemic and may increase in future periods as we ascertain future impacts to our customers and business. The allowance for doubtful accounts was $1.2 million and $0.8 million as of January 31, 2021 and January 31, 2020.

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

| | Amount<br>(in thousands) |
|---|---|
| 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 |
| Charged to bad debt expense | 1,188 |
| Write-offs, net of recoveries | (810) |
| Balance as of January 31, 2021 | $ 1,188 |

***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 cloud- hosted software 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 $31.6 million and $25.7 million as of January 31, 2021 and 2020, respectively. Amortization expense was $11.0 million, $7.8 million, and $4.5 million for the fiscal years ended January 31, 2021, 2020, and 2019, 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, 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 |
| Additions to deferred contract costs | 16,876 |
| Amortization of deferred contract costs | (10,977) |
| Balance as of January 31, 2021 | $ 31,587 |

***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, 2021 or 2020. No single customer represented 10% or more of revenue for the fiscal years ended January 31, 2021, 2020, or 2019.

***Cost of Revenue***

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

***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, 2021, 2020, or 2019.

***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 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 investment is impaired, 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.

***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 revenues from the sales of its product to a related party of $1.1 million and $1.0 million in the fiscal years ended January 31, 2021, and 2020, respectively, and billings of $1.1 million in the fiscal year ended January 31, 2021. Additionally, the Company recognized $1.2 million in expenses related to purchases and had $1.1 million in cash disbursements to these companies during the year ended January 31, 2021. Other related party transactions were not material for the fiscal years ended January 31, 2021, 2020, or 2019.

***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 the estimated useful life assumption is reduced 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, acquisition-related expenses, 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 $1.0 million during the fiscal year ended January 31, 2021. No internal-use software costs were capitalized during the fiscal years ended January 31, 2020 or 2019.

***Business Combinations***

The Company applies the acquisition method of accounting for business combinations. Under this method of accounting, all assets acquired and liabilities assumed are recorded at their respective fair values at the date of the acquisition. The purchase consideration is allocated to the net tangible and identifiable intangible assets. Determining the fair value of assets acquired and liabilities assumed requires management's judgment and often involves the use of significant estimates and assumptions. These estimates can include, but are not limited to, the cash flows that an asset is expected to generate in the future, the appropriate weighted-average cost of capital, and the cost savings expected to be derived from acquiring an asset. These estimates are inherently uncertain and unpredictable.

***Goodwill, Acquired Intangible Assets, and Impairment of Long-Lived Assets***

*Goodwill.* Goodwill represents the excess purchase consideration of an acquired business over the fair value of the net tangible and identifiable intangible assets. Goodwill is evaluated for impairment annually in the fourth quarter, and whenever events or changes in circumstances indicate the carrying value of goodwill may not be recoverable. Triggering events that may indicate impairment include, but are not limited to, a significant adverse change in customer demand or business climate or a significant decrease in expected cash flows. No impairment charges were recorded during the fiscal years ended January 31, 2021, 2020, or 2019.

*Acquired Intangible Assets.* Acquired intangible assets consist of identifiable intangible assets, primarily developed technology and customer relationships, resulting from the Company's business acquisition. Intangible assets are recorded at fair value on the date of acquisition and amortized over their estimated useful lives.

*Impairment of Long-Lived Assets.* The carrying amounts of the Company's long-lived assets, including property and equipment, lease right-of-use assets, capitalized internal-use software, and acquired intangible assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of these assets may not be recoverable or that the useful lives are shorter than originally estimated. 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 long-lived assets are considered impaired, the impairment to be recognized equals the amount by which the carrying value of the asset exceeds its fair value. If the Company reduces the estimated useful life assumption for any asset, the remaining unamortized balance would be amortized or depreciated over the revised estimated useful life.

***Convertible Senior Notes***

The Notes are accounted for in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Subtopic 470-20, *Debt with Conversion and Other Options*. Pursuant to ASC Subtopic 470-20, issuers of certain convertible debt instruments, such as the Notes, that have a net settlement feature and may be settled wholly or partially in cash upon conversion are required to separately account for the liability (debt) and equity (conversion option) components of the instrument. The carrying amount of the liability component of the instrument is computed by estimating the fair value of a similar liability without the conversion option using a market-based approach. The amount of the equity component is then calculated by deducting the fair value of the liability component from the principal amount of the instrument. The difference between the principal amount and the liability component represents a debt discount that is amortized to interest expense over the respective term of the Notes using the effective interest rate method. The equity component is not remeasured as long as it continues to meet the conditions for equity classification. In accounting for the issuance costs related to the Notes, the allocation of issuance costs incurred between the liability and equity components was based on their relative values.

***Advertising Costs***

Advertising costs are expensed as incurred and are included in sales and marketing expense. Advertising costs were $10.1 million, $5.1 million, and $5.1 million for the years ended January 31, 2021, 2020, and 2019, respectively.

***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.

***Recently Issued Accounting Pronouncements***

In August 2020, the Financial Accounting Standards Board (“FASB”) issued Accounting Standard Update No. 2020-06, Debt—Debt with Conversion Options (“Subtopic 470-20”) and Derivatives and Hedging—Contracts in Entity’s Own Equity (“Subtopic 815-40”) (“ASU 2020-06”), which simplifies the accounting for certain financial instruments with characteristics of liabilities and equity, including convertible instruments and contracts on an entity's own equity. ASU 2020-06 also improves and amends the related Earnings Per Share guidance for both Subtopics. The ASU is part of the FASB's simplification initiative, which aims to reduce unnecessary complexity in U.S. GAAP. ASU 2020-06 will be effective for annual reporting periods beginning after December 15, 2021. Early adoption is permitted, but not before annual reporting periods beginning after December 15, 2020. The Company will early adopt this ASU using the modified retrospective method beginning February 1, 2021. While the adoption remains in progress, the Company expects that the adoption will result in a decrease to our accumulated deficit as of February 1, 2021 related to the interest expense from the amortization of the debt discount.

***Recently Adopted Accounting Pronouncements***

In February 2016, the FASB issued Accounting Standards Update No. 2016-02, *Leases* (“Topic 842”) (“ASU 2016-0”2), 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 adopted the standard using the optional alternative method on a prospective basis with an effective date as of the beginning of the Company’s fiscal year, February 1, 2020, and applied it to the operating leases that existed on that date. Prior year comparative financial information was not recast under the new standard and continues to be presented under ASC 840. The Company elected to utilize the package of practical expedients available for expired or existing contracts which allowed the Company to carryforward historical assessments of (a) whether contracts are or contain leases, (b) lease classification, and (c) initial direct costs. The Company elected to apply the short-term lease exception for all leases. Under the short-term lease exception, the Company will not recognize right-of-use assets or lease liabilities for leases that, at the acquisition date, have a remaining lease term of 12 months or less. As a result of implementing this guidance, the Company recognized a net operating right-of-use asset of $29.1 million and a $35.9 million operating lease liability in its consolidated balance sheets as of February 1, 2020. The adoption of this guidance did not affect the Company’s consolidated statements of operations or consolidated statements of cash flows. Refer to Note 7, “Leases” for further information.

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. The Company adopted the standard as of the beginning of the Company’s fiscal year, February 1, 2020. The adoption of this guidance did not have a material impact to the consolidated financial statements. In connection with the adoption, for purposes of identifying and measuring impairment, the policy election was made to exclude accrued interest from both the fair value and amortized cost basis of our available-for sale debt securities. Such accrued interest is recorded in prepaid expenses and other current assets.

In January 2017, the FASB released Accounting Standards Update No. 2017-04, Intangibles— Goodwill and Other (“Topic 350”) (ASU 207-04”), which simplifies the subsequent measurement of goodwill, eliminating Step 2 from the goodwill impairment test. Previously, under Step 2, an entity had to perform procedures to determine the fair value at the impairment testing date of its assets and liabilities (including unrecognized assets and liabilities) following the procedure that would be required in determining the fair value of assets acquired and liabilities assumed in a business combination. Instead, under the amendments of ASU 2017-04, an entity performs its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount and an impairment charge would be recognized for any amount by which the carrying amount exceeds the reporting unit’s fair value.. The amendments in this update were effective for an entity’s annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019, or fiscal year 2021 for the Company. The Company performs their impairment test on goodwill in the fourth quarter of each fiscal year.

In August 2018, the FASB issued Accounting Standards Update No. 2018-13, Fair Value Measurement (“Topic 820”) (“ASU 2018-13”), which modifies the disclosure requirements for fair value measurements for certain types of investments. The Company adopted this standard in the first quarter of fiscal year 2020. The adoption did not have an effect on the consolidated financial statements.

In December 2019, the FASB issued Accounting Standards Update No. 2019-12, Income Taxes (“Topic 740”): Simplifying the Accounting for Income Taxes (“ASU 2019-12”), which is intends to simplify various aspects related to accounting for income taxes. ASU 2019-12 removes certain exceptions to the general principles in Topic 740 and also clarifies and amends existing guidance to improve consistent application. ASU 2019-12 is effective for the Company beginning in fiscal 2022, although early adoption is permitted. The Company early adopted the standard as of the beginning of the Company’s fiscal year, February 1, 2020. The adoption of this guidance did not 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, | |
|---|---|---|
| | 2021 | 2020 |
| | (in thousands) | |
| **Cash and cash equivalents** | | |
| Cash | $ 184,308 | $ 2,131 |
| Money market funds | 139,870 | 118,899 |
| U.S. Treasury securities | 14,988 | 2,994 |
| Total cash and cash equivalents | $ 339,166 | $ 124,024 |
| **Available-for-sale investments:** | | |
| U.S. Treasury securities | $ 45,026 | $ 24,987 |
| Commercial paper | 34,598 | 20,132 |
| Corporate debt securities | 141,488 | 149,248 |
| U.S. Government agency securities | — | 4,973 |
| Total available-for-sale investments | $ 221,112 | $ 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 | $ 221,112 | $ 227,375 |

The following tables summarize the Company's investments' adjusted cost, net unrealized gains (losses), and fair value by significant investment category as of January 31, 2021 and 2020. Gross realized gains or losses from sales of available-for-sale securities were not material for the fiscal years ended January 31, 2021 and 2020.

| | As of January 31, 2021 | | |
|---|---|---|---|
| | Cost Basis | Unrealized Gain (Loss), Net | Recorded Basis |
| | | (in thousands) | |
| **Available-for-sale investments:** | | | |
| U.S. Treasury securities | $ 45,023 | $ 3 | $ 45,026 |
| Commercial paper | 34,607 | (9) | 34,598 |
| Corporate debt securities | 141,139 | 349 | 141,488 |
| Total investments | $ 220,769 | $ 343 | $ 221,112 |

| | As of January 31, 2020 | | |
|---|---|---|---|
| | Cost Basis | Unrealized Gain, Net | Recorded Basis |
| | | (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, 2021 and 2020:

| | As of January 31, 2021 | |
|---|---|---|
| | Adjusted Cost | Fair Value |
| | (in thousands) | |
| Due within one year | $ 171,498 | $ 171,837 |
| Due between one to five years | 49,271 | 49,275 |
| | $ 220,769 | $ 221,112 |

| | 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 |

When evaluating investments for impairment, the Company reviews 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 intent to sell, or whether it is more likely than not that the Company 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 the Company believes that any decrease in fair value of these securities is temporary and the Company expects to recover at least up to the initial cost of the investment for these securities. The Company has not recorded an allowance for credit losses, as the Company believes any such losses would be immaterial based on the high-grade credit rating for each of our marketable securities as of the end of each period.

***Property and Equipment, Net***

Property and equipment, net consisted of the following:

| | As of January 31, | |
|---|---|---|
| | 2021 | 2020 |
| | (in thousands) | |
| Leasehold improvements | $ 12,767 | $ 12,257 |
| Computers and equipment | 6,562 | 4,431 |
| Furniture and fixtures | 3,017 | 2,540 |
| Capitalized internal-use software | 1,355 | 389 |
| Gross property and equipment[1] | $ 23,701 | $ 19,617 |
| Accumulated depreciation and amortization | (11,062) | (7,248) |
| Property and equipment, net | $ 12,639 | $ 12,369 |

[1] Gross property and equipment includes construction-in-progress for leasehold improvements and furniture and fixtures of $0.5 million and $5.1 million that had not yet been placed in service as of January 31, 2021 and January 31, 2020, respectively. The costs associated with construction-in-progress are not amortized until placed in service.

Depreciation and amortization expense was $3.8 million, $2.2 million, and $1.7 million for the fiscal years ended January 31, 2021, 2020, and 2019, respectively.

***Accrued Expenses and Other Current Liabilities***

Accrued expenses and other current liabilities consisted of the following:

| | As of January 31, | |
|---|---|---|
| | 2021 | 2020 |
| | (in thousands) | |
| Accrued professional fees | $ 2,138 | $ 1,436 |
| Accrued events | 294 | 300 |
| Deferred rent | — | 790 |
| Accrued hosting and infrastructure | 708 | 689 |
| Early exercise liability | — | 509 |
| Accrued taxes | 1,350 | 961 |
| Accrued liabilities, other | 5,137 | 2,512 |
| Accrued expenses and other liabilities | $ 9,627 | $ 7,197 |

***Accrued Compensation***

Accrued compensation consisted of the following:

| | As of January 31, | |
|---|---|---|
| | 2021 | 2020 |
| | (in thousands) | |
| Accrued bonuses | $ 8,657 | $ 2,599 |
| Accrued compensation, other | 19,715 | 11,312 |
| Accrued compensation | $ 28,372 | $ 13,911 |

## 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, 2021 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| | (in thousands) | | | |
| Money market funds | $ 139,870 | $ — | $ — | $ 139,870 |
| U.S. Treasury securities | 14,988 | 45,026 | — | 60,014 |
| Commercial paper | — | 34,598 | — | 34,598 |
| Corporate debt securities | — | 141,488 | — | 141,488 |
| Total | $ 154,858 | $ 221,112 | $ — | $ 375,970 |
| Included in cash equivalents | | | | $ 154,858 |
| Included in investments | | | | $ 221,112 |

| | 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 |

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 considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. As of January 31, 2021 and 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 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.

***Convertible Senior Notes***

As of January 31, 2021, the estimated fair value of the Notes was approximately $409.8 million. The fair value was determined based on the quoted price for the Notes in an inactive market on the last trading day of the reporting period and is considered as Level 2 in the fair value hierarchy.

**5. Business Combinations**

On October 1, 2020, the Company completed the acquisition of Rundeck Inc. ("Rundeck"), a leading provider of DevOps automation for enterprise. The acquisition of Rundeck strengthens the Company's product and will enable the Company's customers to resolve incidents faster, therefore reducing costs and protecting the customer experience. The Company acquired Rundeck for purchase consideration of $95.5 million in a combination of cash and common stock. The total purchase price consisted of the following:

| | | (in thousands) |
|---|---|---|
| Cash paid or payable to common and preferred stockholders, warrant holders, and vested option holders[1] | $ | 51,741 |
| Fair value of common stock transferred | | 34,002 |
| Fair value of assumed options and restricted stock attributable to pre-combination service[2] | | 4,934 |
| Fair value of future cash payments to common stockholders attributable to pre-combination service | | 4,808 |
| Total purchase consideration | $ | 95,485 |

(1) Includes $0.2 million of payments related to a business acquisition, accrued but not yet paid.

(2) The restricted shares are considered to be legally issued and outstanding on the date of issuance.

The fair value of the stock and options recognized as purchase consideration was determined using the closing price of the Company's common stock on the acquisition date.

In addition to the purchase consideration, a portion of cash and stock for certain Rundeck key personnel attributable to post-combination services is subject to vest over two years from the closing of the acquisition, subject to on-going employee services and achievement of certain performance conditions as follow:

- $3.7 million in future cash payments beginning in the fourth quarter of fiscal year 2021, which the Company will recognize within research and development over the vesting period of two years.
- $3.3 million related to the fair value of restricted stock issued that will vest beginning from the acquisition date, which the Company will recognize as stock-based compensation expense over the vesting period of two years. The restricted shares are considered to be legally issued and outstanding on the date of issuance.
- In connection with the acquisition, the Company incurred transaction costs of $1.8 million within the general and administrative line of the Consolidated Statements of Operations.

The acquisition was accounted for as a business combination and the total purchase consideration was allocated to the net tangible and intangible assets and liabilities based on their fair values on the acquisition date and the excess was recorded as goodwill. The values assigned to the assets acquired and liabilities assumed are based on preliminary estimates of fair value available as of the date of this Annual Report on Form 10-K and may be adjusted during the measurement period of up to 12 months from the date of acquisition as further information becomes available. Any changes in the fair values of the assets acquired and liabilities assumed during the measurement period may result in adjustments to goodwill. As of January 31, 2021, the primary area that remains preliminary relates to the valuation of certain tax-related items.

The following table presents the preliminary purchase consideration allocation recorded in the Company's consolidated balance sheet as of the acquisition date:

| | | (in thousands) |
|---|---|---|
| Cash and cash equivalents | $ | 1,925 |
| Accounts receivable and other assets | | 1,879 |
| Intangible assets | | 27,800 |
| Goodwill | | 72,126 |
| Accounts payable and other liabilities | | (548) |
| Deferred revenue | | (2,680) |
| Deferred tax liabilities, net | | (5,017) |
| Total purchase consideration | $ | 95,485 |

The goodwill was primarily attributed to the value of synergies created with the Company's current and future offerings. Goodwill is not deductible for income tax purposes.

In connection with the acquisition, the Company recognized a net deferred tax liability for approximately $5.0 million, generated primarily from the difference between the tax basis and fair value of the acquired intangible assets, which increased goodwill. As the Company has a full valuation allowance as of January 31, 2021, the Company recorded an income tax benefit for this net deferred tax liability in the consolidated statement of operations for the year ended January 31, 2021. Refer to Note 13, "Income Taxes", for further information.

The following table sets forth the components of identifiable intangible assets acquired and their estimated useful lives as of the date of acquisition:

| | | Fair Value | Useful Life |
|---|---|---|---|
| | | (in thousands) | (in years) |
| Customer relationships | $ | 21,800 | 10 |
| Developed technology | $ | 5,600 | 5 |
| Trademarks | $ | 400 | 2 |

The acquired intangible assets are primarily related to the Rundeck product and domain knowledge around customer data developed by Rundeck, and term license software subscription contracts with customers.

## 6. Goodwill and Acquired Intangible Assets

The changes in the carrying amount of goodwill for the fiscal year ended January 31, 2021 are as follows:

| | | (in thousands) |
|---|---|---|
| Balance as of January 31, 2020 | $ | — |
| Goodwill additions | | 72,126 |
| Balance as of January 31, 2021 | $ | 72,126 |

Intangible assets subject to amortization as of January 31, 2021 are as follows:

| | | Cost | | Accumulated Amortization | | Net | Weighted Average Remaining Useful Life |
|---|---|---|---|---|---|---|---|
| | | | | (in thousands) | | | (in years) |
| Customer relationships | $ | 21,800 | $ | (727) | $ | 21,073 | 9.7 |
| Developed technology | | 5,600 | | (373) | | 5,227 | 4.7 |
| Trademarks | | 400 | | (67) | | 333 | 1.7 |
| Other intangibles, net | $ | 27,800 | $ | (1,167) | $ | 26,633 | |

For the fiscal year ended January 31, 2021, amortization expense related to intangible assets was $1.2 million. No amortization expense was recorded during the fiscal years ended January 31, 2020 and 2019.

As of January 31, 2021, expected amortization expense in future periods is as follows:

| Year ending January 31, | | (in thousands) |
|---|---|---|
| 2022 | $ | 3,500 |
| 2023 | | 3,433 |
| 2024 | | 3,300 |
| 2025 | | 3,300 |
| 2026 | | 2,927 |
| Thereafter | | 10,173 |
| Total expected future amortization expense | $ | 26,633 |

## 7. Leases

### *Operating Leases*

The Company has entered into various non-cancellable operating leases for its office spaces with lease periods expiring between fiscal 2022 and fiscal 2029. The operating 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.

Lease right-of-use assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. As the leases do not provide an implicit rate, the Company uses an incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. The lease right-of-use assets also include any lease payments made and exclude lease incentives such as tenant improvement allowances.

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

Leases with a term of one year or less are not recognized on the consolidated balance sheet. The Company recognizes lease expense for these leases on a straight-line basis over the lease term.

The following tables present information about leases on the consolidated balance sheet.

| | As of January 31, 2021 | |
|---|---|---|
| | (in thousands) | |
| **Assets** | | |
| Lease right-of-use assets | $ | 24,691 |
| **Liabilities** | | |
| Lease liabilities | | 5,262 |
| Lease liabilities, non-current | | 26,542 |

As of January 31, 2021, the weighted average remaining lease term was 5.7 years and the weighted average discount rate used to determine the net present value of the lease liabilities was 3.7%.

The following table presents information about leases on the consolidated statement of operations.

| | Year Ended January 31, 2021 | |
|---|---|---|
| | (in thousands) | |
| Operating lease expense | $ | 5,769 |
| Short-term lease expense | | 879 |
| Variable lease expense | | 1,325 |

The following table presents supplemental cash flow information about the Company’s leases.

| | Year Ended January 31, 2021 | |
|---|---|---|
| | (in thousands) | |
| Cash paid for amounts included in the measurement of lease liabilities | $ | 5,416 |

As of January 31, 2021, remaining maturities of lease liabilities are as follows:

| Year ending January 31, | (in thousands) |
|---|---|
| 2022 | $ 6,329 |
| 2023 | 6,512 |
| 2024 | 6,693 |
| 2025 | 6,892 |
| 2026 | 2,762 |
| Thereafter | 6,256 |
| Gross lease payments | $ 35,444 |
| Less: Imputed interest | (3,640) |
| Total | $ 31,804 |

## 8. Debt and Financing Arrangements

***Convertible Senior Notes***

On June 25, 2020, the Company issued $287.5 million in aggregate principal amount of the Notes in a private offering pursuant to an Indenture dated June 25, 2020 (the "Indenture"). The total net proceeds from the debt offering, after deducting initial purchaser discounts and debt issuance costs, paid or payable by the Company, were $278.2 million.

The Notes are senior, unsecured obligations of the Company and will accrue interest payable semiannually in arrears on January 1 and July 1 of each year, beginning on January 1, 2021, at a rate of 1.25% per year. The Notes will mature on July 1, 2025, unless such notes are converted, redeemed or repurchased earlier. The Notes are convertible into cash, shares of the Company's common stock or a combination of cash and shares of the Company's common stock, at the Company's election in the manner and subject to the terms and conditions provided in the Indenture.

Holders of the Notes may convert all or any portion of their Notes at their option at any time prior to the close of business on April 1, 2025, only under the following circumstances:

- During any fiscal quarter commencing after the fiscal quarter ending on October 31, 2020 (and only during such fiscal quarter), if the last reported sale price of the Company's common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding fiscal quarter is greater than or equal to 130% of the conversion price on each applicable trading day;
- During the five business day period after any ten consecutive trading day period (the measurement period) in which the "trading price" (as defined in the Indenture) per $1,000 principal amount of Notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price of the Company's common stock and the conversion rate on each such trading day;
- If the Company calls such Notes for redemption, at any time prior to the close of business on the scheduled trading day immediately preceding the redemption date; or
- Upon the occurrence of specified corporate events, as noted in the Indenture.

On or after April 1, 2025 until the close of business on the second scheduled trading day immediately preceding the maturity date, holders of the Notes may convert all or any portion of their Notes at any time, regardless of the foregoing circumstances.

The conversion rate will initially be 24.9507 shares of common stock per $1,000 principal amount of Notes, which is equivalent to an initial conversion price of approximately $40.08 per share of common stock. The conversion rate is subject to adjustment under certain circumstances in accordance with the terms of the Indenture, but will not be adjusted for accrued and unpaid interest. In addition, following certain corporate events that occur prior to the maturity date, the Company will, in certain circumstances, increase the conversion rate for a holder who elects to convert its Notes in connection with such a fundamental change, as defined in the Indenture.

The Company may not redeem the Notes prior to July 6, 2023. The Company may redeem for cash all or any portion of the Notes, at its option, on a redemption date occurring on or after July 6, 2023 and prior to the 41st scheduled trading day immediately preceding the maturity date, if the last reported sale price of the common stock has been at least 130% of the conversion price for the Notes then in effect for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading day period (including the last trading day of such period) ending on, and including the trading day immediately preceding the date on which the Company provides notice of redemption at a redemption price equal to 100% of the principal amount to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date. No sinking fund is provided for the Notes.

If the Company undergoes a fundamental change (as defined in the Indenture), holders may require the Company to repurchase for cash all or any portion of their Notes at a fundamental change repurchase price equal to 100% of the principal amount of the Notes to be repurchased, plus any accrued and unpaid interest to, but excluding, the fundamental change repurchase date.

The Indenture contains customary terms and covenants, including that upon certain events of default occurring and continuing, the trustee or the holders of at least 25% in aggregate principal amount of the outstanding Notes may declare the entire principal of all the Notes plus accrued and unpaid interest to be immediately due and payable.

In accounting for the issuance of the Notes, the Company separated the Notes into liability and equity components. The carrying amount of the liability component was calculated using a discount rate of 7.30%, which was determined by measuring the fair value of a similar debt instrument that does not have an associated conversion feature. The carrying amount of the equity component representing the conversion option was $70.8 million and was determined by deducting the fair value of the liability component from the par value of the Notes. The equity component is not remeasured as long as it continues to meet the conditions for equity classification, and the equity component was recorded in additional paid-in-capital in the accompanying consolidated balance sheet. The excess of the principal amount of the liability component over its carrying amount, or the debt discount, is amortized to interest expense at an annual effective interest rate of 7.88% over the contractual terms of the Notes. The interest rate was based on the interest rate of similar liabilities at the time of issuance that did not have associated convertible features. The debt component is classified as a long-term liability as of January 31, 2021.

In accounting for the issuance costs related to the Notes, the Company allocated the total amount incurred to the liability and equity components of the Notes based on their relative values. Issuance costs attributable to the liability component were $7.0 million and will be amortized to interest expense using the effective interest method over the contractual term of the Notes. Issuance costs attributable to the equity component were $2.3 million and were netted with the equity component in additional paid-in capital.

The net carrying amount of the liability component of the Notes is as follows:

| | As of January 31, 2021 |
|---|---|
| | (in thousands) |
| Principal | $ 287,500 |
| Less: unamortized debt discount | (63,664) |
| Less: unamortized issuance costs | (6,308) |
| Net carrying amount | $ 217,528 |

The net carrying amount of the equity component of the Notes is as follows:

| | As of January 31, 2021 |
|---|---|
| | (in thousands) |
| Proceeds allocated to the conversion options (debt discount) | $ 70,768 |
| Less: issuance costs | (2,290) |
| Carrying amount of the equity component | $ 68,478 |

Interest expense recognized related to the Notes is as follows:

| | Year Ended January 31, 2021 |
|---|---|
| | (in thousands) |
| Contractual interest expense | $ 2,157 |
| Amortization of debt discount | 7,104 |
| Amortization of debt issuance costs | 704 |
| Total interest expense related to the Notes | $ 9,965 |

***Capped Call Transactions***

In connection with the offering of the Notes, the Company entered into privately negotiated capped call transactions (the "Capped Calls") with certain financial institution counterparties (the "Option Counterparties"). The Capped Calls are generally intended to reduce or offset the potential dilution to the common stock upon any conversion of the Notes with such reduction or offset, as the case may be, subject to a cap based on the cap price. For accounting purposes, the Capped Calls are separate transactions, and not part of the terms of the Notes. The Capped Calls are recorded in stockholders' equity and are not accounted for as derivatives. The cost of $35.7 million incurred to purchase the Capped Calls were recorded as a reduction to additional paid-in capital in the accompanying consolidated balance sheet.

The Capped Calls each have an initial strike price of approximately $40.08 per share, subject to certain adjustments, which corresponds to the initial conversion price of the Notes. The Capped Calls have an initial cap price of $61.66 per share, subject to certain adjustments. The Capped Calls cover, subject to anti-dilution adjustments, approximately 7.2 million shares of our common stock. The Capped Calls are subject to automatic exercise over a 40 trading day period commencing on May 2, 2025, subject to earlier termination under certain circumstances.

## 9. Commitments and Contingencies

***Contractual Commitments***

As of January 31, 2021, the Company had non-cancellable purchase commitments with certain service providers totaling approximately $24.5 million, payable over the next 5 years. Additionally, in conjunction with the issuance of the Notes, principal and interest payments of $303.7 million are payable over the next 5 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.

### 10. Deferred Revenue and Performance Obligations

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

| | Year Ended January 31, | | |
|---|---|---|---|
| | 2021 | 2020 | 2019 |
| | | (in thousands) | |
| Deferred revenue, beginning of period | $ 92,569 | $ 64,104 | $ 38,169 |
| Billings | 248,279 | 194,816 | 143,758 |
| Deferred revenue assumed in the Rundeck acquisition | 2,680 | — | — |
| Revenue recognized | (213,556) | (166,351) | (117,823) |
| Deferred revenue, end of period | $ 129,972 | $ 92,569 | $ 64,104 |

Approximately 41%, 38%, and 32% of total revenue recognized in the fiscal years ended January 31, 2021, 2020, and 2019 was from the deferred revenue balance as of January 31, 2020, 2019 and 2018, respectively.

As of January 31, 2021, future estimated revenue related to performance obligations for cloud-hosted and term-license software subscriptions with terms of more than one year that are unsatisfied or partially unsatisfied at the end of the reporting periods was approximately $120.5 million. 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.

### 11. Common Stock and Stockholders' Equity

#### *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. As of January 31, 2021 and January 31, 2020, respectively, the Company was authorized to grant up to 18,059,506 shares and 13,126,301 shares of common stock under the Stock Plans.

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, 2021 and January 31, 2020, there were 13,060,282 shares and 11,841,156 shares available for future issuance under the Stock Plans, respectively.

Shares of common stock reserved for future issuance are as follows:

| | January 31, 2021 |
|---|---|
| Outstanding stock options and unvested RSUs outstanding | 15,148,966 |
| Available for future stock option and RSU grants | 13,060,282 |
| Available for ESPP | 2,115,299 |
| Total common stock reserved at January 31, 2021 | 30,324,547 |

***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, 2020 | 14,498,045 | $ 7.37 | 7.8 years | $ 231,300 |
| Granted | 487,499 | $ 19.58 | | |
| Exercised | (2,906,096) | $ 4.78 | | |
| Canceled | (901,610) | $ 11.37 | | |
| Outstanding at January 31, 2021 | 11,177,838 | $ 8.25 | 6.9 years | $ 452,452 |
| Vested as of January 31, 2021 | 7,222,379 | $ 5.31 | 6.3 years | $ 313,625 |

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, | | |
|---|---|---|---|
| | 2021 | 2020 | 2019 |
| Expected dividend yield | — | — | — |
| Expected volatility | 43% - 44.1% | 41.7% - 42.8% | 40.1% - 43.2% |
| Expected term (years) | 3.7 - 6.1 | 5.5 - 6.9 | 5.4 - 6.8 |
| Risk-free interest rate | 0.20% - 0.52% | 1.39% - 2.48% | 2.53% - 3.04% |

Stock options granted during the fiscal years ended January 31, 2021, 2020, and 2019 had a weighted average grant date fair value of $15.16, $11.07, and $4.87 per share, respectively. The aggregate intrinsic value of stock options exercised during the fiscal years ended January 31, 2021, 2020, and 2019 was $72.1 million, $61.7 million, and $10.5 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, 2021, there was approximately $32.3 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 2.6 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, 2020 | 1,114,911 | $ 28.10 |
| Granted | 3,814,379 | $ 21.90 |
| Vested | (379,129) | $ 22.25 |
| Canceled | (579,033) | $ 21.82 |
| Outstanding at January 31, 2021 | 3,971,128 | $ 23.60 |

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, 2021, there was $86.9 million of unrecognized stock-based compensation expense related to unvested RSUs, which is expected to be recognized over a weighted average period of 3.3 years based on vesting under the award service conditions.

In connection with the acquisition of Rundeck, the Company agreed to grant RSUs to Rundeck employees who joined the Company upon the effective date of the acquisition, with a value totaling approximately $14.6 million. The amount will be ratably recognized as stock-based compensation over the requisite service period of four years.

***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. Pursuant to the terms of the ESPP, the number of shares reserved under the ESPP increased by 777,916 shares on February 1, 2020. 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 periods:

| | Year Ended January 31, | |
|---|---|---|
| | 2021 | 2020 |
| Expected dividend yield | — | — |
| Expected volatility | 39.2% - 61.6% | 39.2% - 48.4% |
| Expected term (years) | 0.5 - 2.1 | 0.5 - 2.1 |
| Risk-free interest rate | 0.08% - 2.39% | 1.53% - 2.43% |

During the fiscal years ended January 31, 2021 and 2020, the Company recognized $5.3 million and $5.1 million of stock-based compensation expense related to the ESPP, respectively, and withheld $6.2 million and $5.5 million in contributions from employees, respectively. In the year ended January 31, 2021, 283,689 shares of common stock were issued at a purchase price of $19.63, and 18,153 shares of common stock were issued at a purchase price of $23.03. 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.

***Stock-Based Compensation***

Stock-based compensation expense included in the Company's consolidated statements of operations is as follows:

| | Year Ended January 31, | | |
|---|---|---|---|
| | 2021 | 2020 | 2019 |
| | (in thousands) | | |
| Cost of revenue | $ 1,702 | $ 1,018 | $ 282 |
| Research and development | 11,095 | 5,566 | 8,171 |
| Sales and marketing(1) | 14,733 | 8,924 | 3,982 |
| General and administrative(2) | 15,701 | 11,697 | 12,860 |
| Total | $ 43,231 | $ 27,205 | $ 25,295 |

(1) Stock-based compensation expense includes a one-time stock-based compensation expense of $3.1 million related to the modification of certain stock option awards in the fiscal year ended January 31, 2021.

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

## 12. Net Loss per Share

The following table presents the calculation of basic and diluted net loss per share:

| | Year Ended January 31, | | |
|---|---|---|---|
| | 2021 | 2020 | 2019 |
| | (in thousands, except per share data) | | |
| Numerator: | | | |
| Net loss | $ (68,903) | $ (50,339) | $ (40,741) |
| Denominator: | | | |
| Weighted average shares used in calculating net loss per share, basic and diluted | 79,614 | 65,544 | 21,410 |
| Net loss per share, basic and diluted | $ (0.87) | $ (0.77) | $ (1.90) |

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, | | |
|---|---|---|---|
| | 2021 | 2020 | 2019 |
| | (in thousands) | | |
| Redeemable convertible preferred stock | — | — | 41,273 |
| Shares subject to outstanding common stock awards | 15,149 | 15,613 | 14,006 |
| Unvested early exercised stock options | — | 76 | 339 |
| Warrants to purchase common stock | — | — | 750 |
| Early exercised stock options in exchange for note receivable | — | — | 250 |
| Restricted stock awards purchased with promissory notes | — | 180 | 510 |
| Shares issuable pursuant to the 2019 Employee Stock Purchase Plan | 73 | 67 | — |
| Restricted stock issued to Rundeck key personnel | 261 | — | — |
| Convertible senior notes | 7,173 | — | — |
| Total | 22,656 | 15,936 | 57,128 |

## 13. Income Taxes

The components of loss before income taxes are as follows:

| | Year Ended January 31, | | |
|---|---|---|---|
| | 2021 | 2020 | 2019 |
| | (in thousands) | | |
| Domestic | $ (77,956) | $ (53,485) | $ (39,863) |
| Foreign | 5,147 | 3,821 | (177) |
| Loss before (benefit from) provision for income taxes | $ (72,809) | $ (49,664) | $ (40,040) |

The components of the (benefit from) provision for income taxes are as follows:

| | Year Ended January 31, | | |
|---|---|---|---|
| | 2021 | 2020 | 2019 |
| | (in thousands) | | |
| **Current** | | | |
| Federal | $ — | $ — | $ — |
| State | (41) | 126 | 26 |
| Foreign | 452 | 25 | 135 |
| Total current tax expense | $ 411 | $ 151 | $ 161 |
| **Deferred** | | | |
| Federal | $ (4,038) | $ — | $ (3) |
| State | (977) | (1) | — |
| Foreign | 698 | 525 | 543 |
| Total deferred tax (benefit) expense | $ (4,317) | $ 524 | $ 540 |
| (Benefit from) provision for income taxes | $ (3,906) | $ 675 | $ 701 |

A reconciliation of the Company's recorded (benefit from) provision for income taxes to the amount of taxes computed at the U.S. statutory rate is as follows:

| | Year Ended January 31, | | |
|---|---|---|---|
| | 2021 | 2020 | 2019 |
| | | (in thousands) | |
| Income taxes computed at U.S. federal statutory rate | $ (15,291) | $ (10,429) | $ (8,408) |
| State taxes, net of federal benefit | (5,012) | (4,901) | (1,326) |
| Permanent differences | 733 | 308 | 220 |
| Stock-based compensation | (8,557) | (3,739) | 1,077 |
| Foreign rate differential | (4) | (239) | 34 |
| Uncertain tax positions | 73 | (14) | 680 |
| Tax credits | (846) | (3,271) | — |
| Change in valuation allowance | 25,076 | 25,390 | 8,085 |
| Charitable contributions | — | (1,960) | — |
| Other | (78) | (470) | 339 |
| (Benefit from) provision for income taxes | $ (3,906) | $ 675 | $ 701 |

In fiscal 2021, the decrease to the Company's income tax provision relative to prior periods was primarily due to a reduction in the valuation allowance from the increase in the deferred tax liability associated with the acquired intangible assets from the acquisition of Rundeck, resulting in a $5.0 million deferred tax benefit.

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, | |
|---|---|---|
| | 2021 | 2020 |
| | (in thousands) | |
| Deferred tax assets: | | |
| Net operating losses | $ 59,125 | $ 36,412 |
| Allowances and accruals | 6,597 | 2,437 |
| Stock-based compensation | 7,990 | 5,523 |
| Charitable contributions | 3,988 | 3,989 |
| Tax credits | 6,631 | 5,349 |
| Lease liabilities | 8,096 | — |
| Other | 677 | 2,075 |
| Gross deferred tax assets | $ 93,104 | $ 55,785 |
| Less: valuation allowance | (57,944) | (50,086) |
| Net deferred tax assets | $ 35,160 | $ 5,699 |
| Deferred tax liabilities: | | |
| Convertible senior notes | $ (15,450) | $ — |
| Deferred commissions | (8,026) | (6,519) |
| Intangible assets | (6,908) | — |
| Lease assets | (6,274) | — |
| Other | (277) | (256) |
| Gross deferred tax liabilities | $ (36,935) | $ (6,775) |
| Net deferred tax liabilities | $ (1,775) | $ (1,076) |

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 $7.9 million and $25.4 million during the fiscal years ended January 31, 2021 and 2020, respectively.

As of January 31, 2021, the Company had federal net operating loss carryforwards in the amount of $234.3 million. Beginning in 2030, $56.3 million of the federal net operating losses will begin to expire. The remaining $178.0 million will carry forward indefinitely. As of January 31, 2021, the Company had state and foreign net operating loss carryforwards in the amount of $9.3 million, and $1.5 million, respectively, which begin to expire in 2031. 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, 2021, the Company had federal, California, and Canadian research and development credit carryforwards of $6.5 million, $4.6 million, and $0.4 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 2037.

The following table summarizes the activity related to the Company's unrecognized tax benefits:

| | Year Ended January 31, | | |
|---|---|---|---|
| | 2021 | 2020 | 2019 |
| | | (in thousands) | |
| Balance at beginning of period | $ 4,043 | $ 6,644 | $ 4,385 |
| Additions related to prior years | 29 | 71 | — |
| Reductions related to prior years | (8) | (3,515) | (19) |
| Additions related to current year | 591 | 843 | 2,278 |
| Additions related to acquired positions | 363 | — | — |
| Balance at end of period | $ 5,018 | $ 4,043 | $ 6,644 |

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 2016 and onwards. Due to its U.S. federal and state valuation allowance, $1.0 million, $1.1 million, and $1.0 million of unrecognized tax benefits as of January 31, 2021, 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, 2021, 2020, and 2019, respectively. The Company does not anticipate the total amounts of unrecognized tax benefits will significantly decrease in the next 12 months.

U.S. income tax has not been recognized on the excess of the amount for financial reporting over the tax basis of investments in foreign subsidiaries that is indefinitely reinvested outside the United States. As a result of the Tax Act, the tax impact of future distributions of foreign earnings would generally be limited to withholding tax from local jurisdictions. The amount of the deferred tax liability on the excess of the amount for financial reporting over the tax basis of investments in foreign subsidiaries is not material.

## 14. 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, | | |
|---|---|---|---|
| | 2021 | 2020 | 2019 |
| | | (in thousands) | |
| United States | $ 163,313 | $ 129,728 | $ 94,345 |
| International | 50,243 | 36,623 | 23,478 |
| Total | $ 213,556 | $ 166,351 | $ 117,823 |

Other than the United States, no other individual country accounted for 10% or more of revenue for the fiscal years ended January 31, 2021, 2020, or 2019. As of January 31, 2021, 87% of the Company's property equipment was located in the United States, and 13% was located in Canada. As of January 31, 2020, 76% of the Company's property and equipment was located in the United States, 23% was located in Canada, and 1% was located in the United Kingdom.

## 15. 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 years ended January 31, 2021 and 2020, the Company recognized expense of $0.8 million and $0.4 million, respectively, related to matching contributions. The Company did not make any contributions in the fiscal year ended January 31, 2019.

**16. Subsequent Events**

The Company has evaluated subsequent events through March 19, 2021.

## 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***

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

In accordance with guidance issued by the SEC, companies are permitted to exclude acquisitions from their final assessment of internal control over financial reporting for the fiscal year in which the acquisition occurred while integrating the acquired operations. Management's evaluation of internal control over financial reporting excluded the internal control activities of Rundeck, Inc. which are included in the consolidated financial statements of PagerDuty, Inc. and constituted less than 2% of total revenues for the year ended January 31, 2021 and less than 1% of total assets as of January 31, 2021.

***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**

On March 19, 2021, the Compensation Committee of our Board of Directors adopted each of: (x) an amendment and restatement of our Executive Severance and Change in Control Policy applicable to Mr. Wilson and Mr. Justice and certain other executives (other than Ms. Tejada) and key employees, and (y) an amendment to Ms. Tejada's amended and restated offer letter, in each instance, providing that if an equity award subject to time-based vesting is not assumed, substituted, continued or cancelled for a per-share amount payable to holders of common stock, less any applicable per-share exercise price payable upon exercise of such equity award, in connection with a change in control, such equity award will fully vest and, as applicable, be exercisable.

## 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 Principal Executive Officer, Principal Financial Officer and Principal 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 2021 Annual Meeting of Stockholders, which will be filed with the SEC no later than 120 days after January 31, 2021.

### Item 11. Executive Compensation

The information required by this Item is incorporated by reference to the definitive Proxy Statement for our 2021 Annual Meeting of Stockholders, which will be filed with the SEC no later than 120 days after January 31, 2021.

### 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 2021 Annual Meeting of Stockholders, which will be filed with the SEC no later than 120 days after January 31, 2021.

### 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 2021 Annual Meeting of Stockholders, which will be filed with the SEC no later than 120 days after January 31, 2021.

### Item 14. Principal Accounting Fees and Services

The information required by this Item is incorporated by reference to the definitive Proxy Statement for our 2021 Annual Meeting of Stockholders, which will be filed with the SEC no later than 120 days after January 31, 2021.

## 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 |
|---|---|---|---|---|---|
| 2.1 | Agreement and Plan of Reorganization, dated as of September20, 2020, among PagerDuty, Inc., Reef Merger Sub I, Inc., Reef Merger Sub II, LLC, Rundeck, Inc., and Shareholder Representative Services LLC | 8-K | 001-38856 | 2.1 | October 1, 2020 |
| 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 | Description of Securities | 10-K | 001-38856 | 4.3 | March 19, 2020 |
| 4.3 | Amended and Restated Investors' Rights Agreement, dated August 24, 2018, by and among PagerDuty, Inc. and certain of its stockholders | S-1 | 333-230323 | 4.2 | March 15, 2019 |
| 4.4 | Indenture, dated as of June 25, 2020, between PagerDuty, Inc. and U.S. Bank National Association, as Trustee | 8-K | 001-38856 | 4.1 | June 25, 2020 |
| 4.5 | Form of Global Note, representing PagerDuty, Inc.'s 1.25% Convertible Senior Notes due 2025 (included as Exhibit A to the Indenture filed as Exhibit 4.4) | 8-K | 001-38856 | 4.2 | June 25, 2020 |
| 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# | Forms of Option Agreement and Restricted Stock Unit Agreement under the 2019 Equity Incentive Plan | 10-Q | 001-38856 | 10.1 | June 5, 2020 |
| 10.3# | PagerDuty, Inc. 2019 Employee Stock Purchase Plan | S-1/A | 333-230323 | 10.3 | March 21, 2019 |
| 10.4# | 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 |
| 10.5# | Amended and Restated Offer Letter, as amended, by and between PagerDuty, Inc. and Jennifer G. Tejada | | | Filed herewith | |
| 10.6# | Confirmatory Offer Letter by and between PagerDuty, Inc. and Howard Wilson | S-1/A | 333-230323 | 10.6 | April 1, 2019 |
| 10.7# | Confirmatory Offer Letter by and between PagerDuty, Inc. and Stacey A. Giamalis | S-1/A | 333-230323 | 10.7 | April 1, 2019 |
| 10.8# | Offer Letter by and between PagerDuty, Inc. and David Justice | 10-K | 001-38856 | 10.7 | March 19, 2020 |
| 10.9# | PagerDuty, Inc. Amended and Restated Executive Severance and Change in Control Policy | | | Filed herewith | |
| 10.10# | PagerDuty, Inc. Cash Incentive Bonus Plan | S-1/A | 333-230323 | 10.10 | March 21, 2019 |
| 10.11# | PagerDuty, Inc. Non-Employee Director Compensation Policy | S-1/A | 333-230323 | 10.11 | March 21, 2019 |
| 10.12 | Form of Confirmation for Capped Call Transactions | 8-K | 001-38856 | 10.1 | June 25, 2020 |

| | | | | | | |
|---|---|---|---|---|---|---|
| 10.13 | Lease Agreement, dated September 17, 2015, between PagerDuty, Inc. and Toda America, Inc., as amended | 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 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 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. 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 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 March 19, 2021.

| | |
|---|---|
| | 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<br>Jennifer G. Tejada | Chief Executive Officer and Director *(Principal Executive Officer)* | March 19, 2021 |
| /s/ Owen Howard Wilson<br>Owen Howard Wilson | Chief Financial Officer *(Principal Financial Officer)* | March 19, 2021 |
| /s/ Karen Walker<br>Karen Walker | Senior Vice President, Finance *(Principal Accounting Officer)* | March 19, 2021 |
| /s/ Sameer Dholakia<br>Sameer Dholakia | Director | March 19, 2021 |
| /s/ Alec Gallimore<br>Alec Gallimore | Director | March 19, 2021 |
| /s/ Elena Gomez<br>Elena Gomez | Director | March 19, 2021 |
| /s/ Rathi Murthy<br>Rathi Murthy | Director | March 19, 2021 |
| /s/ Zachary Nelson<br>Zachary Nelson | Director | March 19, 2021 |
| /s/ Alex Solomon<br>Alex Solomon | Director | March 19, 2021 |
| /s/ Bonita Stewart<br>Bonita Stewart | Director | March 19, 2021 |

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