

# Q1 2025 Investor Presentation

August 7, 2024

# Legal Disclaimer

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This presentation consists of these slides and the associated remarks and comments, which are related and intended to be presented and understood together. Please refer to the appendix of these slides for definitions of certain terms.

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

This presentation includes certain “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding management’s expectations of future financial and operational performance and operational expenditures, expected growth, and business outlook, including our financial outlook for the second quarter and full year of fiscal 2025. These forward-looking statements include, but are not limited to, plans, objectives, expectations and intentions and other statements contained in this presentation that are not historical facts and statements identified by words such as “will,” “expects,” “anticipates,” “intends,” “plans,” “believes,” “seeks,” “estimates” or words of similar meaning. These forward-looking statements reflect our current views about our plans, intentions, expectations, strategies and prospects, which are based on the information currently available to us and on assumptions we have made. Although we believe that our plans, intentions, expectations, strategies and prospects as reflected in or suggested by those forward-looking statements are reasonable, we can give no assurance that the plans, intentions, expectations or strategies will be attained or achieved. Furthermore, actual results may differ materially from those described in the forward-looking statements and will be affected by a variety of risks and factors that are beyond our control including, without limitation, our ability to maintain our revenue growth rates in future periods; market adoption of our product offerings; continued demand for, and spending on, our solutions; our ability to innovate and develop solutions that meet customer needs, including through Davis AI; the ability of our platform and solutions to effectively interoperate with customers’ IT infrastructures; our ability to acquire new customers and retain and expand our relationships with existing customers; our ability to expand our sales and marketing capabilities; our ability to compete; our ability to maintain successful relationships with partners; security breaches, other security incidents and any real or perceived errors, failures, defects or vulnerabilities in our solutions; our ability to protect our intellectual property; our ability to hire and retain necessary qualified employees to grow our business and expand our operations; our ability to successfully complete acquisitions and to integrate newly acquired businesses and offerings; the effect on our business of the macroeconomic environment, associated global economic conditions and geopolitical disruption; and other risks set forth under the caption “Risk Factors” in our Annual Report on Form 10-K, subsequent Quarterly Report(s) on Form 10-Q, and our other SEC filings. We assume no obligation to update any forward-looking statements contained in this document as a result of new information, future events or otherwise.

## **Non-GAAP Financial Measures**

In addition to disclosing financial measures prepared in accordance with GAAP, this presentation contains certain non-GAAP financial measures as defined by Regulation G, including non-GAAP income from operations, non-GAAP operating margin, non-GAAP net income, non-GAAP net income per diluted share, free cash flow, and pre-tax free cash flow. We also use or discuss non-GAAP financial measures in earnings releases, conference calls, other slide presentations and webcasts. We use these non-GAAP financial measures for financial and operational decision-making purposes, and as a means to evaluate period-to-period comparisons and liquidity. We believe that these non-GAAP financial measures provide useful information about our operating results, enhance the overall understanding of past financial performance and allow for greater transparency with respect to metrics used by our management in its financial and operational decision-making. The presentation of the non-GAAP financial measures is not intended to be considered in isolation or as a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP. Our non-GAAP financial measures may not provide information that is directly comparable to similarly titled metrics provided by other companies. Non-GAAP financial measures are defined in our press release dated August 7, 2024 and in this presentation and the tables included in that press release and this presentation include reconciliations of historical non-GAAP financial measures to their most directly comparable GAAP measures. Please also see the Data Trends Table on the Investor Relations page of our website.

Dynatrace presents constant currency amounts for Revenue and Annual Recurring Revenue to provide a framework for assessing how our underlying businesses performed excluding the effect of foreign currency rate fluctuations. Dynatrace provides this non-GAAP financial information to aid investors in better understanding our performance.



# **Q1 FY25 Financial Results**

# DYNATRACE AT A GLANCE

**\$1.54B**

**Annual  
Recurring  
Revenue<sup>1</sup>**

**96%**

**Q1-25 Subscription  
Revenue  
Mix**

**Mid-90s %**

**Gross  
Retention  
Rate<sup>1</sup>**

**28%**

**TTM Q1-25  
Non-GAAP  
Operating Margin<sup>1,3</sup>**

**20%**

**ARR  
Growth  
YoY<sup>2</sup>**

**21%**

**Q1-25 Subscription  
Revenue  
Growth YoY<sup>2</sup>**

**112%**

**Net  
Retention  
Rate<sup>1</sup>**

**36%**

**TTM Q1-25  
Pre-tax  
FCF Margin<sup>1,3</sup>**

Financial results as of June 30, 2024.

1. See the Appendix for definitions.

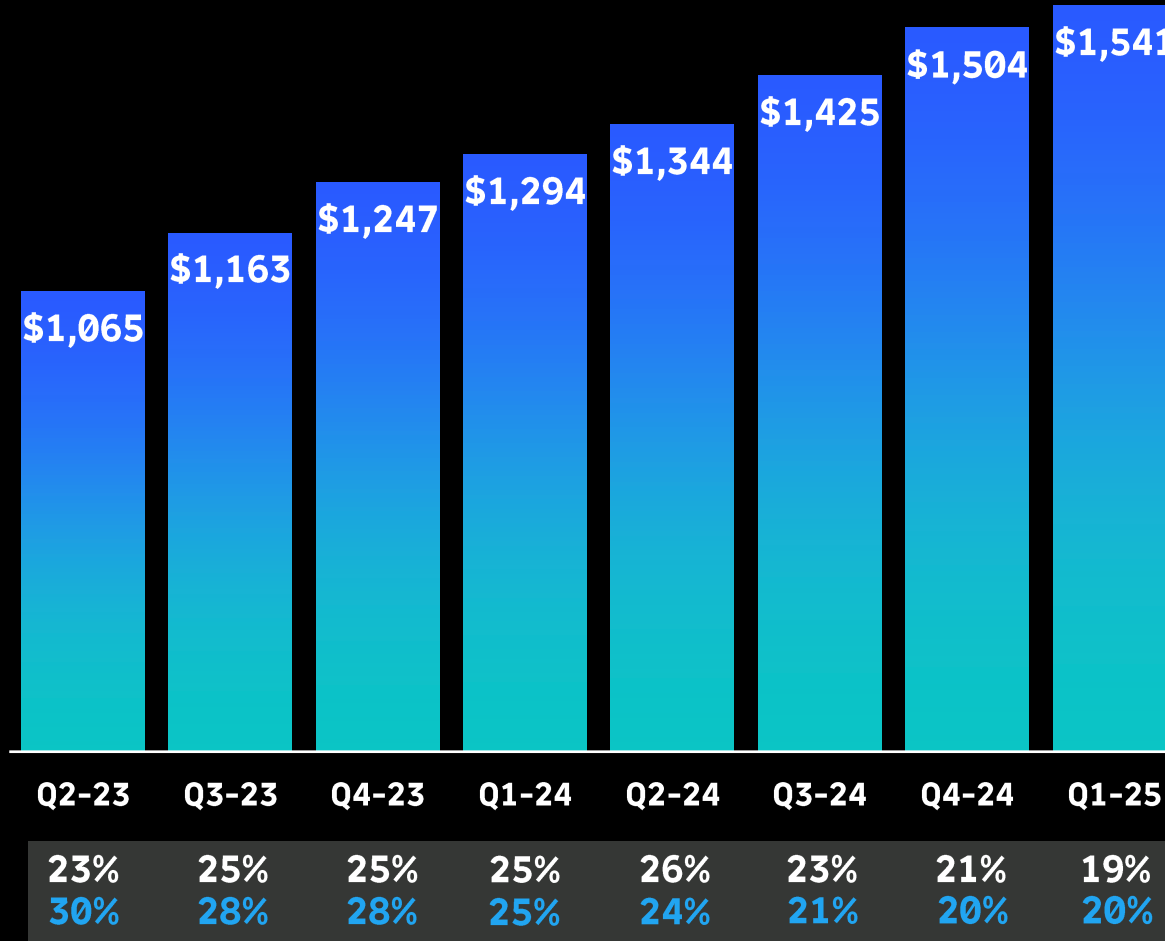
2. Denotes growth when adjusted for constant currency exchange rates. See the Appendix for definition.

3. Non-GAAP operating margin and pre-tax FCF margin are non-GAAP financial measures. See the Appendix for reconciliations of GAAP to non-GAAP financial measures.



# ARR Growth

Quarterly ARR (\$M)<sup>1</sup>

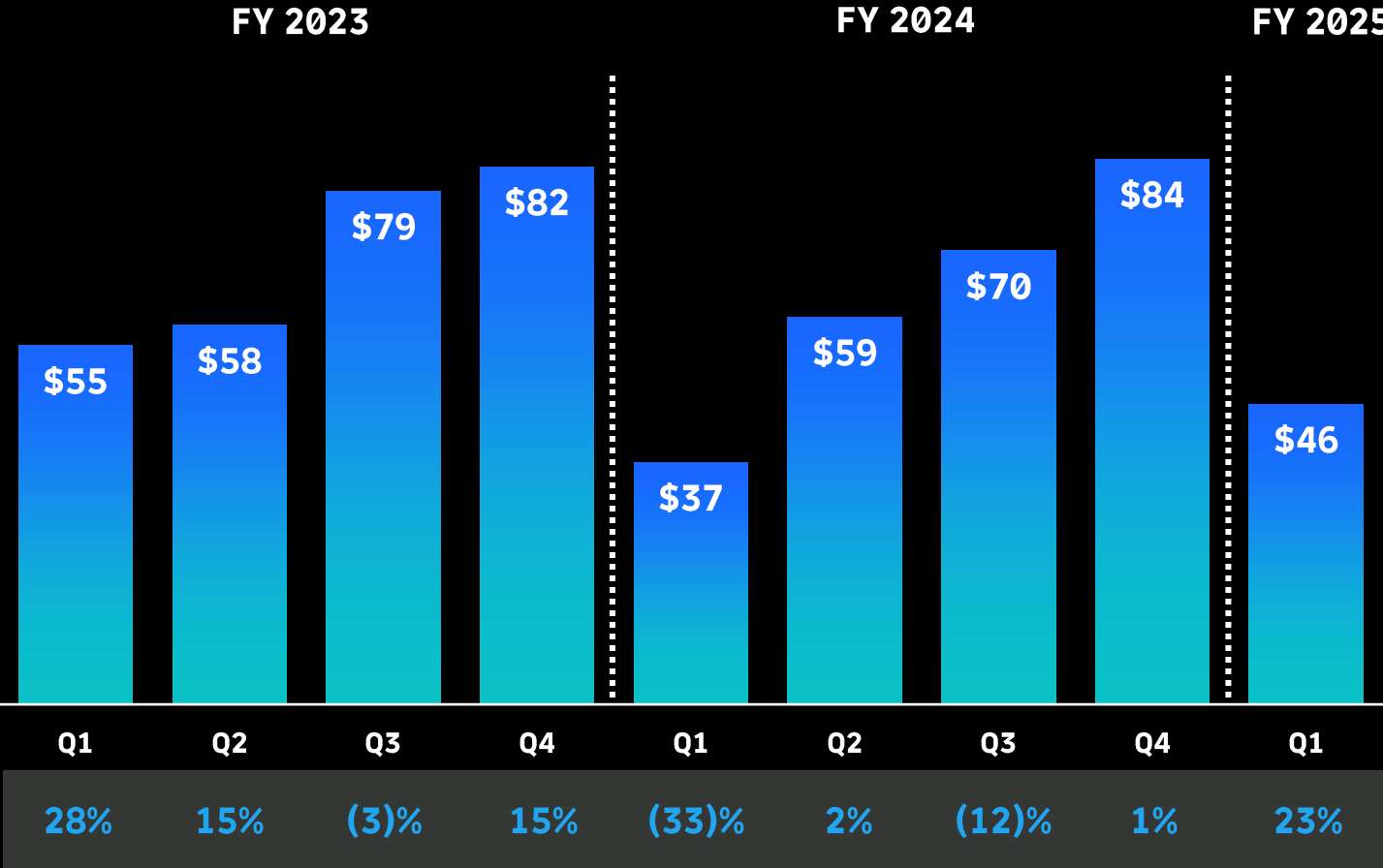


As Reported YoY Growth %  
Constant Currency YoY Growth %<sup>2</sup>

1. Quarterly ARR amounts shown in bar graphs are 'As Reported' metrics.  
2. See the Appendix for definitions.

# Net New ARR Growth

Quarterly Net New ARR @ CC (\$M)<sup>1</sup>



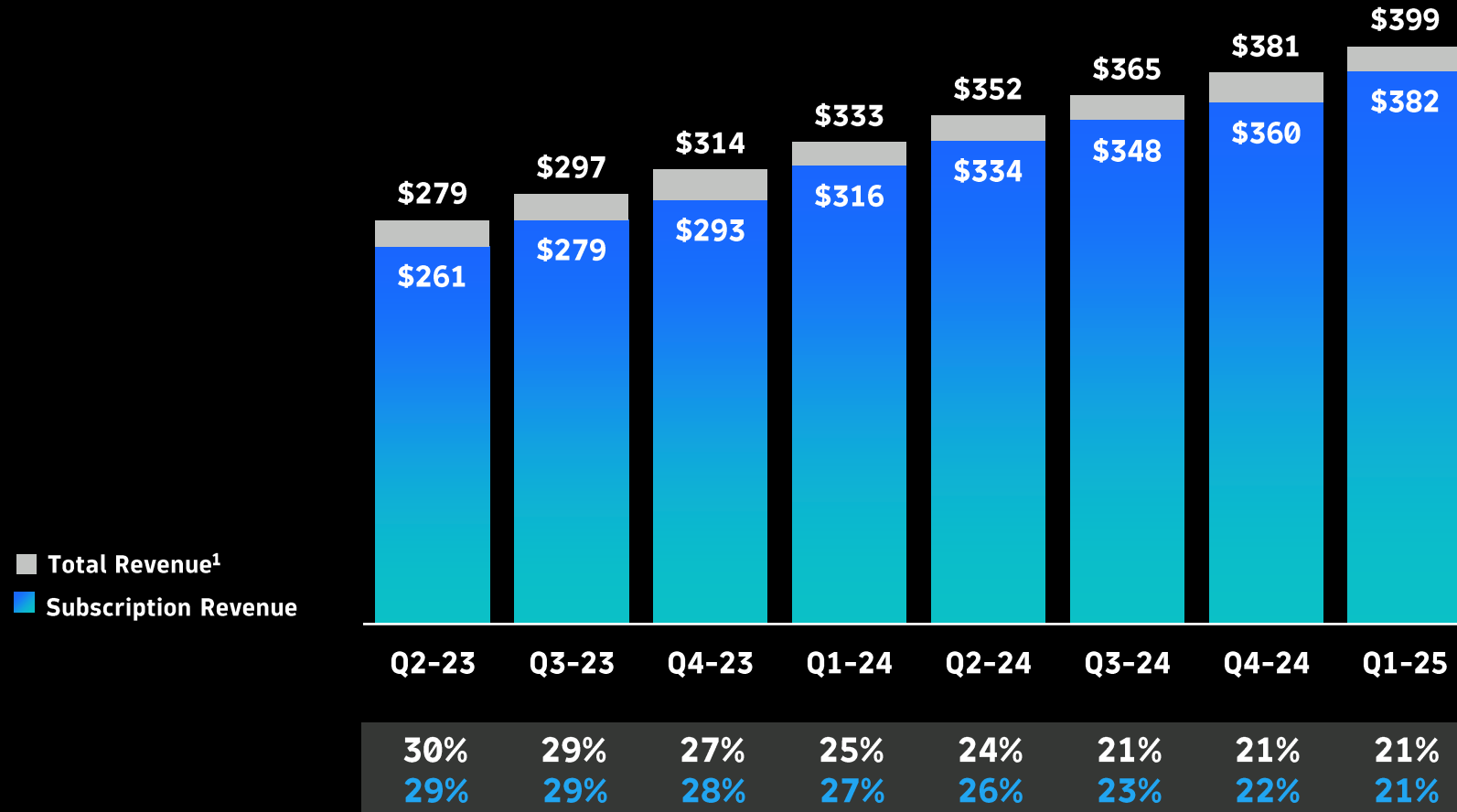
Constant Currency YoY Growth %<sup>2</sup>

1. Net New ARR amounts shown in bar graphs represent Total Net New ARR at constant currency.  
 2. Constant currency growth rates reflect YoY growth when using exchange rates compared to the as reported results from the same period in the prior year.



# Subscription & Total Revenue Growth

Quarterly Revenue (\$M)

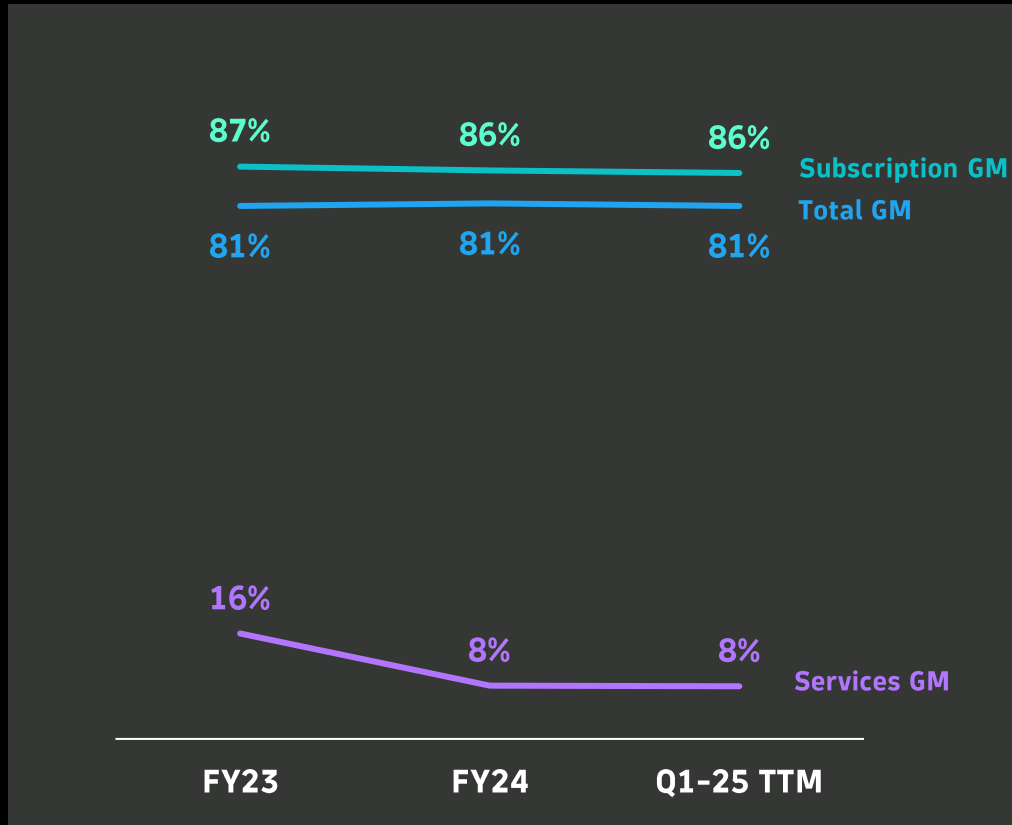


Total Revenue Constant Currency YoY Growth<sup>2</sup>  
 Subscription Revenue Constant Currency YoY Growth<sup>2</sup>

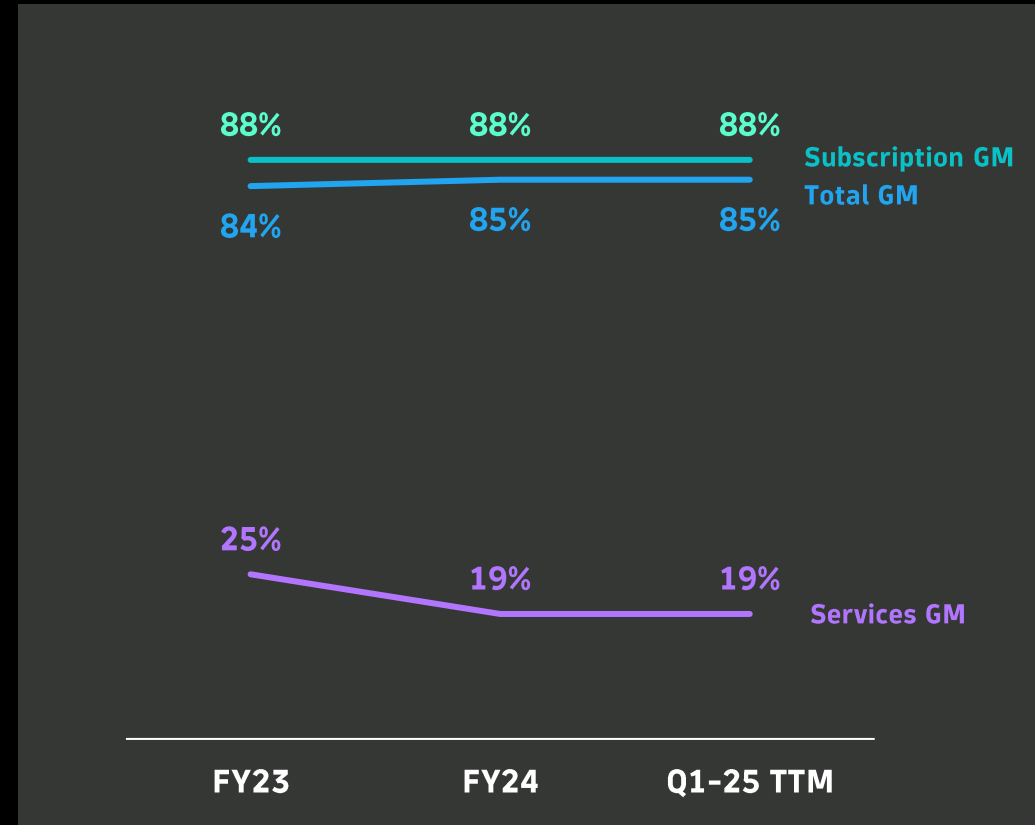
1. Total revenue includes subscription and services revenue.  
 2. Constant currency growth rates reflect YoY growth when using exchange rates from the same period in the prior year. See Appendix for definition.

# Efficient Model with Best-in-Class Gross Margins<sup>1</sup>

GAAP Gross Profit Margin



Non-GAAP Gross Profit Margin<sup>2</sup>

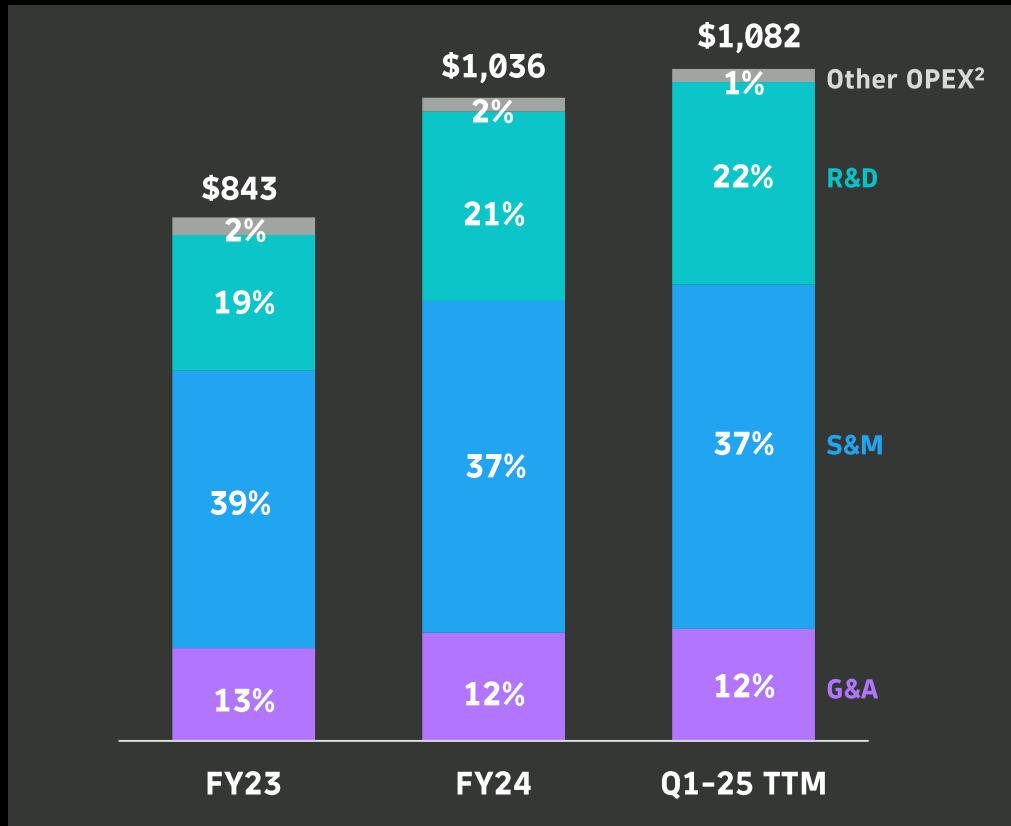


1. Our reference to "best-in-class" is in relation to other public companies that focus on observability.  
2. These are non-GAAP financial measures. See the Appendix for reconciliations of GAAP to non-GAAP financial measures.

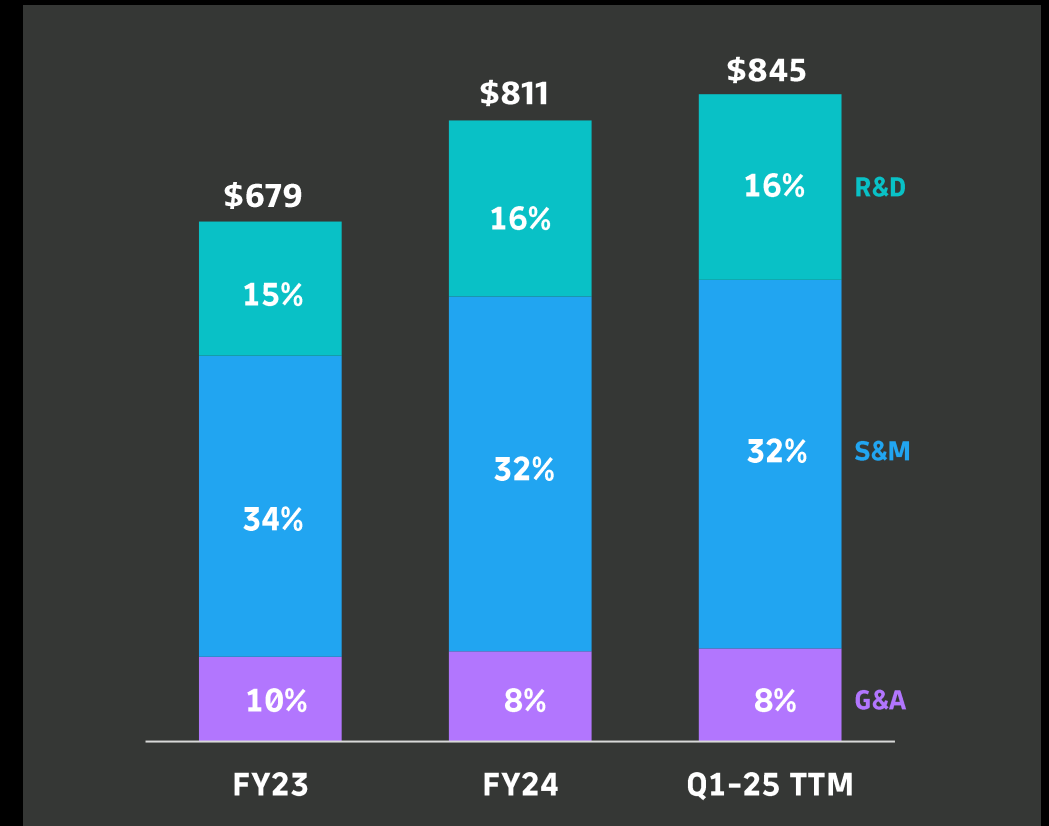


# Highly Efficient Operating Model

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



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

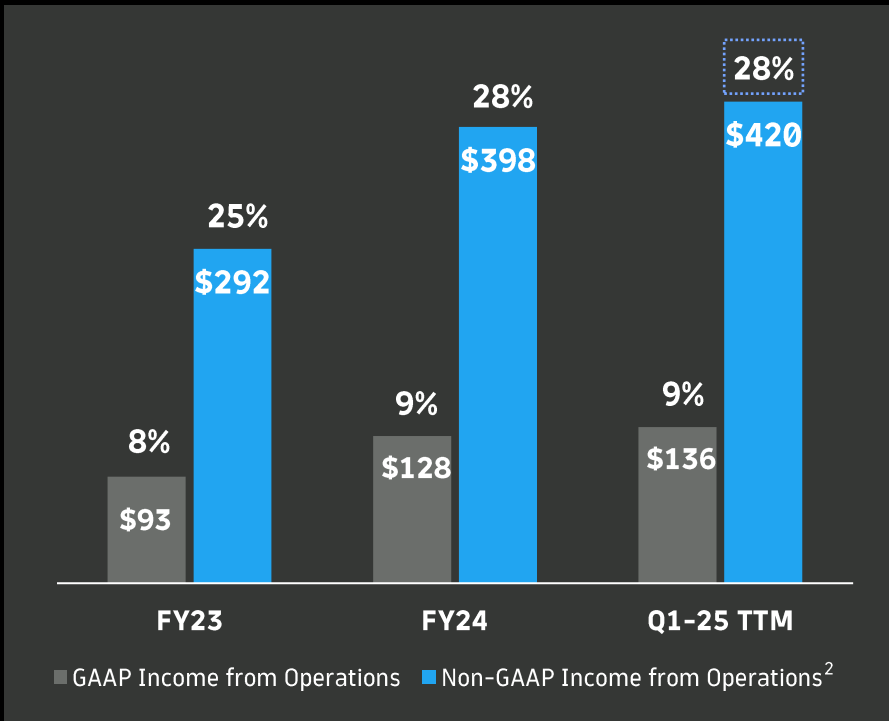


FY24 and Q1-25 TTM Non-GAAP OPEX reflect increased investments in R&D

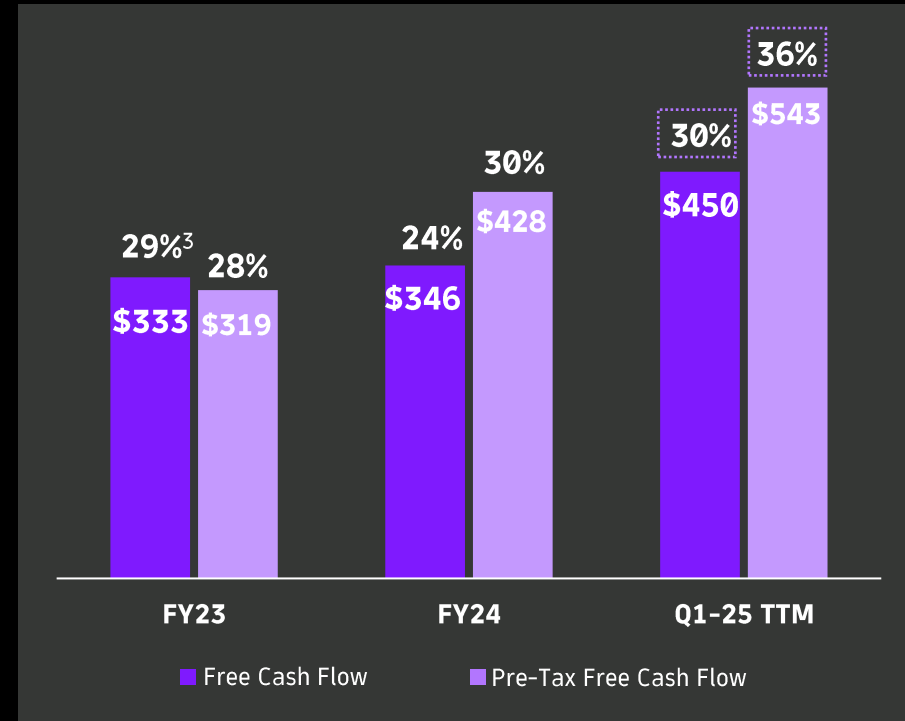
1. These are non-GAAP financial measures. See the Appendix for reconciliations of GAAP to non-GAAP financial measures.  
 2. Other OpEx includes amortization of intangibles.

# Proven Profitable Business Model

Income from Operations<sup>1</sup> (\$M)



Free Cash Flow (FCF)<sup>1,2</sup> (\$M)



1. As reported dollars and percent of revenue. See appendix for definitions.  
 2. These are non-GAAP financial measures. See the Appendix for reconciliations of GAAP to non-GAAP financial measures.  
 3. Includes a non-recurring \$35 million cash tax benefit received in Q1-23.

# FY25 Guidance Summary

Based on information available as of August 7, 2024, Dynatrace is issuing guidance for the second quarter and full year fiscal 2025 in the table below. This guidance reflects foreign exchange rates as of July 31, 2024. We now expect foreign exchange to be a headwind of approximately \$12 million on ARR and approximately \$10 million on revenue for fiscal 2025. Given recent strengthening in the U.S. dollar, this represents an incremental headwind of approximately \$2 million to ARR and no change to revenue for the full year when compared to our prior guidance. Growth rates for ARR, Total revenue, and Subscription revenue are presented in constant currency to provide better visibility into the underlying growth of the business.

(in millions, except per share data)	Current FY 2025 Guidance	Prior FY 2025 Guidance*	Guidance Change at Midpoint
<b>Total ARR</b>	<b>\$1,720 - \$1,735</b>	<b>\$1,720 - \$1,735</b>	-
As reported	14% - 15%	14% - 15%	-
Constant currency	15% - 16%	15% - 16%	-
<b>Total revenue</b>	<b>\$1,644 - \$1,658</b>	<b>\$1,644 - \$1,658</b>	-
As reported	15% - 16%	15% - 16%	-
Constant currency	16% - 17%	16% - 17%	-
<b>Subscription revenue</b>	<b>\$1,571 - \$1,585</b>	<b>\$1,571 - \$1,585</b>	-
As reported	16% - 17%	16% - 17%	-
Constant currency	16% - 17%	16% - 17%	-
<b>Non-GAAP income from operations</b>	<b>\$459 - \$467</b>	<b>\$459 - \$467</b>	-
Non-GAAP Operating Margin	28%	28%	-
<b>Non-GAAP net income</b>	<b>\$383 - \$392</b>	<b>\$383 - \$392</b>	-
<b>Non-GAAP net income per diluted share</b>	<b>\$1.26 - \$1.29</b>	<b>\$1.26 - \$1.29</b>	-
<b>Diluted weighted average shares outstanding</b>	<b>303 - 305</b>	<b>303 - 305</b>	-
<b>Free cash flow</b>	<b>\$386 - \$398</b>	<b>\$386 - \$398</b>	-
Free cash flow margin	23.5% - 24%	23.5% - 24%	-

(in millions, except per share data)	Q2 Fiscal 2025 Guidance
<b>Total revenue</b>	<b>\$404 - \$407</b>
As reported	15% - 16%
Constant currency	16% - 17%
<b>Subscription revenue</b>	<b>\$388 - \$390</b>
As reported	16% - 17%
Constant currency	17%-18%
<b>Non-GAAP income from operations</b>	<b>\$113 - \$116</b>
Non-GAAP Operating Margin	28% - 28.5%
<b>Non-GAAP net income</b>	<b>\$96 - \$99</b>
<b>Non-GAAP net income per diluted share</b>	<b>\$0.32 - \$0.33</b>
<b>Diluted weighted average shares outstanding</b>	<b>302 - 303</b>

All growth rates are compared to the second quarter and full year of fiscal 2024.

Reconciliations of non-GAAP income from operations, non-GAAP net income, non-GAAP net income per diluted share and free cash flow guidance to the most directly comparable GAAP measures are not available without unreasonable efforts on a forward-looking basis due to the high variability, complexity and low visibility with respect to the charges excluded from these non-GAAP measures; in particular, the measures and effects of share-based compensation expense, employer taxes and tax deductions specific to equity compensation awards that are directly impacted by future hiring, turnover and retention needs, as well as unpredictable fluctuations in our stock price. We expect the variability of the above charges to have a significant, and potentially unpredictable, impact on our future GAAP financial results.

\*Prior guidance issued on May 15, 2024.



# Definitions & Non-GAAP Reconciliations

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# Appendix – Definitions

1. **Annual Recurring Revenue (ARR)** is defined as the daily revenue of all subscription agreements that are actively generating revenue as of the last day of the reporting period multiplied by 365. We exclude from our calculation of ARR any revenues derived from month-to-month agreements and/or product usage overage billings.
2. **Constant Currency (CC)** amounts for ARR, Total Revenue and Subscription Revenue are presented to provide a framework for assessing how our underlying businesses performed excluding the effect of foreign exchange rate fluctuations. To present this information, current and comparative prior period results for entities reporting in currencies other than United States dollars are converted into United States dollars using the average exchange rates from the comparative period rather than the actual exchange rates in effect during the respective periods. All growth comparisons relate to the corresponding period in the last fiscal year. Dynatrace provides this non-GAAP financial information to aid investors in better understanding our performance.
3. **Dollar-Based Gross Retention Rate** is defined as the ARR from all customers as of one year prior, less contraction and customer churn, divided by the total ARR from one year prior. This metric reflects the percentage of ARR from all customers as of the year prior that has been retained.
4. **Dollar-Based Net Retention Rate** is defined as the Dynatrace ARR at the end of a reporting period for the cohort of Dynatrace accounts as of one year prior to the date of calculation, divided by the Dynatrace ARR one year prior to the date of calculation for that same cohort. Our dollar-based net retention rate reflects customer renewals, expansion, contraction and churn, and excludes the benefit of Dynatrace ARR resulting from the conversion of Classic products to the Dynatrace platform. Effective the first quarter of fiscal year 2023, we began to exclude the headwind associated with the Dynatrace perpetual license ARR given diminishing impact of perpetual license ARR. We believe that eliminating the perpetual license headwind results in a dollar-based net retention rate metric that better reflects Dynatrace's ability to expand existing customer relationships. Dollar-based net retention rate is presented on a constant currency basis.
5. **Non-GAAP Gross Profit** is defined as GAAP gross profit adjusted for the following items: share-based compensation, employer payroll taxes on employee stock transactions; amortization of intangibles; transaction, restructuring and other non-recurring or unusual items that may arise from time to time. The related margin is non-GAAP gross profit expressed as a percentage of total revenue.
6. **Non-GAAP Income from Operations** is defined as GAAP income from operations adjusted for the following items: share-based compensation; employer payroll taxes on employee stock transactions; amortization of intangibles; transaction, restructuring and other non-recurring or unusual items that may arise from time to time. The related margin is non-GAAP income from operations expressed as a percentage of total revenue.
7. **Non-GAAP Net Income** is defined as GAAP net income adjusted for the following items: income tax expense/benefit; non-GAAP effective cash taxes; net interest expense and income; net cash received from and paid for interest; share-based compensation; employer payroll taxes on employee stock transactions, amortization of intangibles; gains and losses on currency translation; and transaction, restructuring and other non-recurring or unusual items that may arise from time to time. Non-GAAP net income per diluted share is calculated as non-GAAP net income divided by the diluted weighted average shares outstanding used to compute GAAP net income per diluted share.
8. **Free Cash Flow (FCF)** is defined as net cash provided by or used in operating activities less capital expenditures, reflected as purchase of property and equipment and capitalized software additions in our financial statements. The related margin is free cash flow expressed as a percentage of total revenue.
9. **Pre-Tax Free Cash Flow** is defined as free cash flow adjusted for cash paid for or received from taxes.



# ARR Expansion Trends<sup>1</sup>

(\$ in millions)	FY23				FY24				FY25	Q1-25 TTM
	Q1-23	Q2-23	Q3-23	Q4-23	Q1-24	Q2-24	Q3-24	Q4-24	Q1-25	
<b>Year-over-Year</b>										
ARR (As Reported)	\$1,031	\$1,065	\$1,163	\$1,247	\$1,294	\$1,344	\$1,425	\$1,504	\$1,541	
Year-over-Year increase	25%	23%	25%	25%	25%	26%	23%	21%	19%	
TTM FX headwind/(tailwind) <sup>2</sup>	47	61	29	29	(3)	(27)	(17)	(10)	12	
ARR - Constant Currency	1,078	1,126	1,191	1,276	1,291	1,316	1,408	1,494	1,553	
Year-over-Year ARR Increase - Constant Currency <sup>3</sup>	31%	30%	28%	28%	25%	24%	21%	20%	20%	
<b>Quarter-over-Quarter</b>										
ARR (As Reported)	\$1,031	\$1,065	\$1,163	\$1,247	\$1,294	\$1,344	\$1,425	\$1,504	\$1,541	
Net New ARR (As Reported) <sup>4</sup>	36	34	98	84	47	50	82	79	37	247
Quarterly FX headwind/(tailwind) <sup>5</sup>	19	24	(19)	(2)	(10)	10	(12)	5	9	11
Net New ARR - Constant Currency	55	58	79	82	37	59	70	84	46	258
Year-over-Year Net New ARR Growth - Constant Currency <sup>6</sup>	28%	15%	-3%	15%	-33%	2%	-12%	1%	23%	1%

1. Values have been rounded and may not add up precisely to the totals.
2. Year-over-year FX headwind/(tailwind) using exchange rates from the same quarter in the prior year.
3. Represents the year-over-year growth rate excluding the FX headwind/(tailwind).
4. Defined as the quarterly increase/(decrease) in the current quarter as reported ARR compared to the previous quarters as reported ARR.

5. Quarterly FX impact using exchange rates from the prior quarter.
6. Defined as net new ARR in constant currency compared to the year-ago period net new ARR in constant currency.



# Non-GAAP Subscription and Services Gross Margin Reconciliation<sup>1</sup>

(\$ in millions)	FY24						Q1-25 TTM					
	GAAP	Stock-Based Comp.	Employer Payroll Tax on Employee Stock trans.	Amort. of Intangibles	Transaction, Restructuring & Other	Non-GAAP	GAAP	Stock-Based Comp.	Employer Payroll Tax on Employee Stock trans.	Amort. of Intangibles	Transaction, Restructuring & Other	Non-GAAP
Subscription Cost of Revenue	185	(19)	(1)	-	-	164	195	(21)	(1)	-	-	173
<b>Subscription Gross Profit</b>	<b>\$1,175</b>	<b>\$19</b>	<b>\$1</b>	-	-	<b>\$1,195</b>	<b>\$1,229</b>	<b>\$21</b>	<b>\$1</b>	-	-	<b>\$1,252</b>
<i>Subscription Gross Margin</i>	86%					88%	86%					88%
Services Cost of Revenue	65	(7)	(1)	-	-	58	67	(8)	(1)	-	-	58
<b>Services Gross Profit</b>	<b>\$6</b>	<b>\$7</b>	<b>\$1</b>	-	-	<b>\$14</b>	<b>\$6</b>	<b>\$8</b>	<b>\$1</b>	-	-	<b>\$14</b>
<i>Services Gross Margin</i>	8%					19%	8%					19%

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

# Non-GAAP Subscription and Services Gross Margin Reconciliation (cont.)<sup>1</sup>

(\$ in millions)	FY23					Non-GAAP
	GAAP	Stock-Based Comp.	Employer Payroll Tax on Employee Stock trans.	Amort of Intangibles	Transaction, Restructuring & Other	
Subscription Cost of Revenue	144	(12)	-	-	-	132
<b>Subscription Gross Profit</b>	<b>\$939</b>	<b>\$12</b>	-	-	-	<b>\$952</b>
<i>Subscription Gross Margin</i>	<i>87%</i>					<i>88%</i>
Services Cost of Revenue	63	(6)	-	-	-	56
<b>Services Gross Profit</b>	<b>\$12</b>	<b>\$6</b>	-	-	-	<b>\$19</b>
<i>Services Gross Margin</i>	<i>16%</i>					<i>25%</i>

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



# Non-GAAP Income from Operations Reconciliation<sup>1</sup>

(\$ in millions)	FY24						Q1-25 TTM					
	GAAP	Stock-Based Comp.	Employer Payroll Tax on Employee Stock trans.	Amort. of Intangibles	Transaction, Restructuring & Other	Non-GAAP	GAAP	Stock-Based Comp.	Employer Payroll Tax on Employee Stock trans.	Amort. of Intangibles	Transaction, Restructuring & Other	Non-GAAP
Cost of Revenues	266	(27)	(2)	(16)	-	222	279	(29)	(2)	(17)	-	231
<b>Gross Profit</b>	<b>\$1,164</b>	<b>\$27</b>	<b>\$2</b>	<b>\$16</b>	-	<b>\$1,209</b>	<b>\$1,218</b>	<b>\$29</b>	<b>\$2</b>	<b>\$17</b>	-	<b>\$1,266</b>
<i>Gross Margin</i>	81%					85%	81%					85%
Research and Development	305	(70)	(5)	-	-	230	326	(78)	(6)	-	-	243
Sales and Marketing	534	(66)	(5)	-	-	463	554	(68)	(5)	-	-	481
General and Administrative	174	(47)	(2)	-	(8)	118	180	(52)	(2)	-	(6)	121
Amortization of other intangibles	23	-	-	(23)	-	-	21	-	-	(21)	-	-
<b>Income from Operations<sup>1</sup></b>	<b>\$128</b>	<b>\$209</b>	<b>\$14</b>	<b>\$39</b>	<b>\$8</b>	<b>\$398</b>	<b>\$136</b>	<b>\$226</b>	<b>\$14</b>	<b>\$38</b>	<b>\$6</b>	<b>\$420</b>
<i>Operating Margin</i>	9%					28%	9%					28%

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

# Non-GAAP Income from Operations Reconciliation (cont.)<sup>1</sup>

(\$ in millions)	FY23					Non-GAAP
	GAAP	Stock-Based Comp.	Employer Payroll Tax on Employee Stock trans.	Amort of Intangibles	Transaction, Restructuring & Other	
Cost of Revenues	223	(18)	(1)	(16)	-	188
<b>Gross Profit</b>	<b>\$936</b>	<b>\$18</b>	<b>\$1</b>	<b>\$16</b>	-	<b>\$971</b>
<i>Gross Margin</i>	81%					84%
Research and Development	218	(41)	(2)	-	-	175
Sales and Marketing	448	(51)	(2)	-	(1)	393
General and Administrative	152	(36)	(1)	-	(4)	111
Amortization of other intangibles	26	-	-	(26)	-	-
<b>Income from Operations<sup>1</sup></b>	<b>\$93</b>	<b>\$147</b>	<b>\$6</b>	<b>\$42</b>	<b>\$4</b>	<b>\$292</b>
<i>Operating Margin</i>	8%					25%

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

# FCF Reconciliation<sup>1</sup>

(\$ in millions)	FY23	FY24	Q1-25 TTM
<b>Free Cash Flow</b>			
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 355</b>	<b>\$ 378</b>	<b>\$475</b>
PP&E	(22)	(26)	(20)
Capitalized software additions	-	(6)	(5)
<b>Total FCF</b>	<b>\$ 333</b>	<b>\$ 346</b>	<b>\$450</b>
<b>FCF % of Revenue</b>	<b>29%</b>	<b>24%</b>	<b>30%</b>
<b>Total FCF</b>	<b>\$ 333</b>	<b>\$ 346</b>	<b>\$450</b>
Cash paid for (received from) tax	(14)	81	93
<b>Total Pre-tax FCF</b>	<b>\$319</b>	<b>\$428</b>	<b>\$543</b>
<b>Pre-tax FCF % of Revenue</b>	<b>28%</b>	<b>30%</b>	<b>36%</b>

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

