

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

**Form 10-K**

(Mark One)

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

For the fiscal year ended March 31, 2021

OR

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

FOR THE TRANSITION PERIOD FROM TO

Commission File Number 001-39010

**Dynatrace, Inc.**

(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

47-2386428  
(I.R.S. Employer  
Identification No.)

1601 Trapelo Road, Suite 116  
Waltham, MA 02451  
(781) 530-1000

(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, par value \$0.001 per share	DT	New York Stock Exchange

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

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or 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 such files). Yes  No

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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

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

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

The aggregate market value of common stock held by non-affiliates of the Registrant as of September 30, 2020, the last business day of the most recently completed second fiscal quarter, was \$ 7.55 billion. This calculation does not reflect a determination that certain persons are affiliates of the Registrant for any other purpose.

The registrant had 283,654,155 shares of common stock outstanding as of May 25, 2021.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the Registrant's Proxy Statement for the 2021 Annual Meeting of Shareholders are incorporated herein by reference in Part III of this Annual Report on Form 10-K to the extent stated herein. Such proxy statement will be filed with the Securities and Exchange Commission within 120 days of the Registrant's fiscal year ending March 31, 2021.

Except with respect to information specifically incorporated by reference in this Annual Report on Form 10-K, the Proxy Statement is not deemed to be filed as part of this Annual Report on Form 10-K.

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## SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K (“Annual Report”) contains forward-looking statements within the meaning of the federal securities laws, which statements involve substantial risks and uncertainties. Forward-looking statements generally relate to future events or our future financial or operating performance. All statements of historical fact included in this Annual Report regarding our strategy, future operations, financial position, estimated revenues and losses, projected costs, prospects, plans and objectives of management are forward-looking statements. In some cases, you can identify forward-looking statements because they contain words such as “may,” “should,” “expects,” “plans,” “anticipates,” “could,” “intends,” “target,” “projects,” “contemplates,” “believes,” “estimates,” “predicts,” “potential” or “continue” or the negative of these words or other similar terms or expressions that concern our expectations, strategy, plans or intentions. When considering forward-looking statements, you should keep in mind the risk factors and other cautionary statements described under the heading “Risk Factors” included in this Annual Report. These forward-looking statements are based on management’s current beliefs, based on currently available information, as to the outcome and timing of future events. Forward-looking statements contained in this Annual Report include, but are not limited to, statements about:

- our future financial performance, including our expectations regarding our revenue, annual recurring revenue, gross profit or gross margin, operating expenses, ability to generate cash flow, revenue mix and ability to maintain future profitability;
- our expectations regarding the potential impact of the novel coronavirus, or COVID-19, pandemic on our business, operations, and the markets in which we and our partners and customers operate;
- anticipated trends and growth rates in our business and in the markets in which we operate;
- our ability to maintain and expand our customer base and our partner network;
- our ability to sell our applications and expand internationally;
- our ability to anticipate market needs and successfully develop new and enhanced solutions to meet those needs;
- our ability to hire and retain necessary qualified employees to grow our business and expand our operations;
- the evolution of technology affecting our applications, platform and markets;
- our ability to adequately protect our intellectual property; and
- our ability to service our debt obligations;

We caution you that the foregoing list may not contain all of the forward-looking statements made in this Annual Report.

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

## SUMMARY OF THE MATERIAL RISKS ASSOCIATED WITH OUR BUSINESS

Our business is subject to numerous risks and uncertainties that you should be aware of in evaluating our business. These risks and uncertainties include, but are not limited to, the following:

- We have experienced rapid subscription revenue growth in recent periods, and our recent growth rates may not be indicative of our future growth.
- Market adoption of software intelligence solutions for application performance monitoring, digital experience monitoring, infrastructure monitoring, AIOps, business intelligence and analytics and application security is relatively new and may not grow as we expect, which may harm our business and prospects.
- Our business is dependent on overall demand for software intelligence solutions and therefore reduced spending on software intelligence solutions or overall adverse economic conditions may negatively affect our business, operating results and financial condition.
- The effects of the COVID-19 pandemic have materially affected how we and our customers are operating our businesses, and the duration and extent to which this will impact our future results of operations and overall financial performance remains uncertain.
- If we cannot successfully execute on our strategy and continue to develop and effectively market solutions that anticipate and respond to the needs of our customers, our business, operating results and financial condition may suffer.
- If our platform and solutions do not effectively interoperate with our customers' existing or future technology stacks, installations of our solutions could be delayed or canceled, which would harm our business.
- Our future revenues and operating results will be harmed if we are unable to acquire new customers, if our customers do not renew their contracts with us, or if we are unable to expand sales to our existing customers or develop new solutions that achieve market acceptance.
- Failure to effectively expand our sales and marketing capabilities could harm our ability to execute on our business plan, increase our customer base and achieve broader market acceptance of our applications.
- We face significant competition which may adversely affect our ability to add new customers, retain existing customers and grow our business.
- If we are unable to maintain successful relationships with our partners, or if our partners fail to perform, our ability to market, sell and distribute our applications and services will be limited, and our business, operating results and financial condition could be harmed.
- Security breaches, computer malware, computer hacking attacks and other security incidents could harm our business, reputation, brand and operating results.
- Real or perceived errors, failures, defects or vulnerabilities in our solutions could adversely affect our financial results and growth prospects.
- Our substantial level of indebtedness could materially and adversely affect our financial condition.
- Failure to protect and enforce our proprietary technology and intellectual property rights could substantially harm our business, operating results and financial condition.
- We previously identified a material weakness in our internal control over financial reporting and may identify additional material weaknesses in the future or otherwise fail to maintain an effective system of internal controls, which may result in material misstatements of our financial statements or cause us to fail to meet our periodic reporting obligations.
- Thoma Bravo has significant influence over matters requiring stockholder approval, which may have the effect of delaying or preventing changes of control or limiting the ability of other stockholders to approve transactions they deem to be in their best interest.

## PART I. FINANCIAL INFORMATION

### ITEM 1. BUSINESS

#### Overview

We offer the market-leading software intelligence platform, purpose-built for dynamic multicloud environments. As enterprises embrace the cloud to effect their digital transformation, our all-in-one intelligence platform is designed to address the growing complexity faced by technology and digital business teams. With automatic and intelligent observability, our all-in-one platform delivers precise answers about the performance and security of applications, the underlying infrastructure and the experience of all users to enable organizations to innovate faster, simplify cloud complexity, collaborate more efficiently, and secure cloud-native applications. We designed our software intelligence platform to allow our customers to modernize and automate IT operations, develop and release high-quality software faster, and improve user experiences for consistently better business outcomes. As a result, as of March 31, 2021, our products are trusted by approximately 2,900 Dynatrace customers in 90 countries in diverse industries such as banking, insurance, retail, manufacturing, government, travel and software.

Today's leading organizations are striving to deliver innovative, high-performance digital services to expand market opportunities, compete more effectively, and operate with increased agility. This transformation is happening in multicloud environments, which bring a scale and frequency of change that is exponentially greater than that of the old data-center world. Developing and operating these environments is harder than ever, driven by:

- 1) **Hybrid, multicloud architectures:** Organizations are building and deploying software across hybrid environments with multiple clouds and on-premises platforms.
- 2) **Application complexity:** Applications are increasingly complex and deployed as microservices-based architectures that are written in multiple different programming languages with hundreds of loosely coupled service connections.
- 3) **Application security:** The move to agile methodologies, such as DevSecOps, combined with the complexity of new, cloud-native applications and infrastructure, as well as the higher frequency with which code is pushed into production has heightened the need for application security practices which can detect vulnerabilities and automatically enable remediation across the software development cycle.
- 4) **DevOps:** Ensuring software updates work without issues has grown more challenging due to the increased frequency of software releases, reduced testing time, and the use of independent development teams.
- 5) **User experience:** User expectations for software performance have rapidly increased, and enterprises are focused on advancing branded experiences to maximize revenue, differentiate offerings, and retain competitive positions.

Traditional approaches for developing, operating, monitoring, and securing software were not designed to keep pace with dynamic multicloud environments. Traditional monitoring solutions were developed for applications that are monolithic, updated infrequently, and run in static data-center environments. These solutions are difficult to deploy, narrow in scope, and designed to operate in a simpler, siloed environment. Each tool in this approach only collects data about individual components of the computing stack, such as applications, infrastructures, logs, networks, or user experiences. To get an end-to-end view using these traditional approaches, IT teams are required to aggregate and correlate data from these disparate monitoring solutions to identify actionable answers, including where bottlenecks occur, how best to optimize for performance and scalability, if an issue is impacting service, and if so, where to find the problem and what to do about it.

With the advent of dynamic multicloud environments, the challenges and limitations of traditional solutions have been exacerbated. What was once a well understood layering of applications running on operating systems on physical servers connected to physical networks has rapidly become virtualized into software at all levels. Environments have become dynamic. Applications are no longer monolithic and have become fragmented into thousands, potentially millions, of microservices, written in multiple software languages. These multicloud environments sprawl from traditional backend applications run on relational databases and mainframes to modern IaaS platforms run on Amazon Web Services, or AWS, Microsoft Azure, or Azure, and Google Cloud Platform. All these factors result in an environment that is web-scale, extremely complex, and dynamic at all layers of the new computing stack.

We believe the scale, complexity, and dynamic nature of dynamic multicloud environments, including the applications that run on them, require a comprehensive observability, AIOps, automation, and security strategy we refer to as “software intelligence.” Starting in 2014, we leveraged the knowledge and experience of the same engineering team that founded Dynatrace to develop a solution to address the disruptive shift to dynamic multicloud environments. These efforts resulted in the creation of a new platform, the Dynatrace Software Intelligence Platform, or Dynatrace®.

The Dynatrace® platform leverages an automatic instrumentation technology called OneAgent®, a real-time dependency mapping system called SmartScope®, our transaction-centric code analysis technology called PurePath®, and an open artificial intelligence, or AI, engine called Davis® for instant answers to degradations in service, anomalies in behavior, and user impact. Dynatrace® simplifies

the complexity of dynamic multicloud environments for cloud architects, DevOps and SRE teams, as well as application and operations teams, while providing actionable insights that accelerate cloud migrations, cloud adoption, and DevOps success.

Unlike traditional multiple-tool-approaches, we integrated Dynatrace® with key components of multicloud ecosystems to support dynamic cloud orchestration, including for AWS, Azure, Google Cloud Platform, VMware Tanzu, Red Hat OpenShift, and Kubernetes. In these environments, Dynatrace® automatically launches, monitors and observes the full cloud stack and all the applications and containers running anywhere in the stack, including applications and workloads that may traverse multiple public cloud and hybrid-cloud environments. We believe our ability to integrate Dynatrace® with cloud platforms simplifies development and operational efforts, increases visibility, and improves situational awareness for our customers.

We designed Dynatrace® to maximize flexibility and control of the rich observability data captured and analyzed by our platform. We believe the platform provides the simplicity of software-as-a-service (SaaS), with the customer option of either maintaining data in the cloud, or at the edge in customer-provisioned infrastructure, which we refer to as Dynatrace® Managed. In this managed offering, we provide updates and enhancements automatically each month while allowing customers the flexibility and control to adhere to their own data security and sovereignty requirements.

We market Dynatrace® through a combination of our global direct sales team and a network of partners, including resellers, system integrators, and managed service providers. We target the largest 15,000 global organizations, which generally have annual revenues in excess of \$1 billion.

The Dynatrace® Software Intelligence Platform has been commercially available since 2016. The number of Dynatrace® customers increased to 2,936 as of March 31, 2021 from 2,373 as of March 31, 2020, representing year-over-year growth of 24%. Our Dynatrace® net expansion rate was above 120% as of March 31, 2021 for the 12th consecutive quarter. See the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Key Metrics” included under Part II, Item 7 of this Annual Report.

For financial information regarding our business, see the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included under Part II, Item 7 of this Annual Report and our consolidated audited financial statements and related notes included elsewhere in this Annual Report.

The economic consequences of the COVID-19 pandemic have been challenging for certain customers and may continue to be challenging for some of our customers in the future. While revenue, customer retention, and earnings are relatively predictable under a subscription-based business model, the effect of the COVID-19 pandemic will not be fully reflected in the results of operations and overall financial performance until future periods given the current macroeconomic uncertainty.

### **Industry Background**

Key trends impacting the way organizations develop, manage, and optimize their software environment include:

#### ***Software Applications Are Central to Digital Transformation for Organizations Across All Sectors***

Whether it is retailers driving higher customer engagement through mobile apps, industrial companies reducing production downtime with predictive maintenance applications, or automobile manufacturers designing self-driving cars, software is central to how organizations deliver a differentiated user experience. At the same time, organizations increasingly embed software throughout their operations, managing business critical systems, such as payments processing, inventory and supply chain management, logistics, and many other front- and back-office services.

A study by International Data Corporation (IDC) states the majority, 65%, of global GDP will be digitalized by 2022, driving \$6.8 trillion of IT spending from 2020 to 2023. Digital transformation requires significant modernization of legacy environments, shifting from high cost, labor intensive, and inflexible technology systems to a modern, cloud-native architecture. IDC also forecasts that by 2024, there will be 520 million new, modern applications and services launched – more than the total number of applications developed in the previous 40 years. Maintaining visibility across a broad multicloud environment represents a significant challenge. As a result, digital transformations are slow, often disrupted by performance issues, and can fail to achieve intended objectives.

To remain competitive, organizations now focus more of their budget on software innovation and less on operating and maintaining systems. IDC reports that by 2023, 75% of Global 2000 IT organizations will adopt automated operations practices to transform their IT workforce to support unprecedented scale. As a result, organizations are investing in new platforms that are built to automate the development, deployment, and operation of modern, cloud-native software applications and infrastructure, and accelerate the transition to dynamic multicloud environments.

### ***Changing Customer Expectations are Requiring Organizations to Prioritize the User Experience***

Organizations are increasingly seeking to differentiate their products and services based on user experiences, with digital interaction becoming the primary channel of communication between enterprises and their customers, partners, and employees. A report by Forrester suggests, customers who have a better experience are more likely to stay with a brand, buy additional products and services from the brand, and recommend it to friends. The result is more retained revenue from reduced customer churn, more revenue per customer, and more new customers. Conversely, according to a 2018 report by NewVoiceMedia (now known as the Vonage Salesforce Contact Center solution), U.S. companies lose \$75 billion per year due to poor customer experiences, a \$13 billion increase from 2016. Faced with poor customer service, 39% of respondents indicated they would never use the offending company again.

User experience is closely tied to the performance of software applications. As a result, optimal application and infrastructure performance as well as exceptional user experiences are important to the entire organization, not just to the IT staff that maintain these environments. We believe the need for an exceptional user experience to engage and retain customers will continue to drive demand for instrumentation that helps enterprises to provide high quality, user-focused outcomes.

### ***Benefits of Dynamic Multicloud Environments Make Them Essential for Digital Transformation***

Large-size organizations are increasingly adopting cloud technologies to increase agility and accelerate innovation. According to IDC in 2020, 97% of worldwide enterprises that used cloud infrastructure relied on more than one cloud platform. In addition, Gartner predicts that by 2025, 85% of enterprises will have a cloud-first principle. The key advantages of dynamic multicloud environments include:

- ***Ability to build better applications at a faster rate.*** Cloud-based application development technologies, such as container and microservices architectures, enable organizations to focus developer resources more on creating and improving value-add application features and less on managing underlying operating systems and infrastructure. Gartner estimates that by 2025, 85% of organizations will run containers in production, up from less than 30% in 2020. In addition to new cloud-based development technologies, enterprises are adopting new processes, such as DevOps and Artificial Intelligence for IT Operations (AIOps), that help accelerate the software delivery cycle.
- ***Operational efficiency.*** Organizations are moving to the cloud to reduce spending on expensive and static systems, the data centers to house them, the energy to run them, and the IT staff needed to maintain them.
- ***Agility.*** Organizations can purchase cloud services dynamically as demand ebbs and flows over time, affording greater flexibility, financial efficiencies, and scale than traditional systems. Organizations can scale capacity up and down to address seasonality or quickly address unexpected spikes in demand without needing to purchase and maintain infrastructure for peak demand and leaving it underutilized during other times.

### ***Shift to Dynamic Multicloud Environments Introduces Fundamentally New Software Delivery Challenges***

While the cloud offers enterprises some clear advantages over traditional systems, moving to the cloud also creates fundamental new challenges, such as:

- ***Greater complexity.*** Multicloud strategies require that IT teams manage applications and infrastructure and ensure interoperability of operations between private and multiple public clouds, such as AWS, Microsoft Azure, Google Cloud Platform, and SAP. In addition, these applications are containerized and increasingly fragmented into microservices that are hosted across multiple cloud platforms, creating interdependencies across heterogeneous environments that increase the risk of incompatibility issues and the number of potential failure points if the applications are not deployed and maintained correctly.
- ***Highly dynamic environments.*** Cloud infrastructure and applications are built to scale up or down in real-time depending upon usage and traffic. The automation required to monitor these highly dynamic environments is beyond what is required for monolithic, on-premises applications.
- ***Massive scale.*** As software becomes more critical to business success, the number and size of applications will continue to grow and encompass more features and greater functionality. At the same time, web-scale architectures are enabling enterprises to build applications that are deployed across thousands of hosts and serve millions of users simultaneously. The breadth of functionality and scale of deployments of dynamic multicloud applications regularly exceed even the largest applications built in the pre-cloud era.
- ***More frequent changes to software.*** The adoption of DevOps practices and cloud architectures have increased the speed at which software updates can be developed and deployed. With the application development lifecycle accelerating, enterprises must adapt their software operations environment and culture to ensure that performance and business outcomes are not adversely affected by frequent changes.

### ***Traditional Monitoring Approaches Were Not Built for Dynamic Multicloud Environments***

Traditional application monitoring approaches were built before dynamic multicloud environments became the driving force in digital transformation and suffer from significant shortcomings when applied in cloud-based environments. Challenges of traditional monitoring solutions for multicloud environments include:

- ***Manual configuration processes that do not scale.*** Traditional monitoring tools require unique agents for each component of an application and rely on IT personnel to manually pre-configure each agent. The complexity and dynamic nature of multicloud environments, which can include thousands of containers and microservices, makes this multi-agent approach costly, slow, and impractical to install and maintain, especially as these environments are rapidly modified and updated.
- ***Not designed to capture data across the full multicloud stack.*** Traditional monitoring solutions were created to view a limited portion of the full technology stack, and provide visibility only into individual applications or workloads, and are unable to provide full-stack observability into how the applications, microservices, and infrastructure are interconnected. To get a complete view of the full technology stack, from the applications to the underlying infrastructure to the user experience, IT personnel must manually implement and manage many disparate tools. We believe this approach has resulted in organizations overinvesting in operations and underinvesting in development, which slows innovation.
- ***Only able to provide data, not answers.*** Traditional monitoring tools provide data only about narrow components of the technology stack. As a result, IT teams must manually integrate and correlate the data from disparate systems and apply their own assumptions to identify the underlying cause of performance issues. This process is slow, prone to errors, and is made especially challenging by the complexity of multicloud environments.
- ***Collect limited snapshots of data that do not provide real-time observability.*** Traditional APM tools were not designed for the far larger and more complex data sets produced by multicloud environments and can only capture snapshots of application and infrastructure performance data and user data. Traditional monitoring approaches rely on partial data sets, which reduce their effectiveness in performing precise root-cause determination, add risk, and delay innovation. In addition, traditional monitoring tools and approaches do not provide visibility into containers and microservices, which leads to blind spots in software performance monitoring when used in container-based environments.
- ***Lack of flexible deployment options.*** Traditional monitoring solutions are either deployed as SaaS-only or on-premises-only. SaaS-only solutions often fail to meet the strict governance, security, and scale requirements of large enterprises, and do not monitor on-premises applications, making them incompatible with the needs of organization who manage hybrid-hosted applications. Conversely, traditional on-premises solutions were not built to manage cloud applications and are typically upgraded less frequently, and thus innovate more slowly than cloud-based applications.

### **Our Solution**

Dynatrace offers the market-leading software intelligence platform, purpose-built for dynamic multicloud environments. We built the Dynatrac<sup>®</sup> Software Intelligence Platform from the ground up to meet the challenges of running and optimizing these environments and the applications and services that run across them. Our AI-powered, full-stack, and completely automated platform provides deep observability into dynamic, multicloud ecosystems. In addition, Dynatrace<sup>®</sup> provides real-time, actionable insights about the performance and security of our customers' entire software ecosystem by integrating high-fidelity, web-scale data, mapping its dependencies in real-time, and analyzing them with an open, explainable AI engine. Dynatrace<sup>®</sup> is brought to market through our global direct sales force and a network of partners. The combination of our market-leading platform and go-to-market strategy has allowed us to achieve the scale, growth, and margins we believe will provide us the capital to continue investing in driving further product differentiation.

Our platform provides the following key benefits:

- ***Single agent, fully automated configuration.*** Dynatrace<sup>®</sup> is installed as a single agent, OneAgent<sup>®</sup>, which automatically configures itself, and continuously discovers all components of the full-stack to enable high fidelity and web-scale data capture. OneAgent<sup>®</sup> dynamically profiles the performance of all components of the full-stack with code-level precision, even as applications and environments update and change.
- ***Full-stack, all-in-one approach with deep cloud integrations.*** Dynatrace<sup>®</sup> combines Application and Microservices Monitoring, with Application Security, Infrastructure Monitoring, Digital Experience Management, Business Analytics, and Cloud Automation and in a single platform. We believe this all-in-one approach reduces the need for a variety of disparate tools and enables our customers to improve productivity and decision making while reducing operating costs. Dynatrace<sup>®</sup> provides out-of-the-box configuration for the leading cloud platforms, such as AWS, Azure, Google Cloud Platform, Red Hat OpenShift, VMware Tanzu, and SAP, as well as coverage for traditional on-premises systems, including mainframe and monolithic applications in a single, easy-to-use, intelligent platform.

- **AI-powered, answer-centric insights.** Davis<sup>®</sup>, our explainable AI engine, dynamically baselines the performance of all components in the full stack, continually learning normal performance thresholds to provide precise answers when performance deviates from expected or desired conditions. Unlike ML-based correlation engines that overwhelm IT professionals with hundreds of alerts from many different tools, Dynatrace<sup>®</sup> provides a single problem resolution and precise root-cause determination. We believe the accuracy and precision of the answers delivered by our AI engine enable our customers to shift from reactive to proactive remediation, providing a substantial advantage in time savings, resource efficiency, customer satisfaction, and business outcomes.
- **Web-scale and enterprise grade.** Dynatrace<sup>®</sup> utilizes big data architecture and enterprise-proven cloud technologies that are engineered for web-scale environments. With role-based access and advanced security functionality, we built Dynatrace<sup>®</sup> purposefully for enterprise-wide adoption by the largest organizations in the world.
- **Flexible deployment options.** We deploy our platform as a SaaS solution, with the option of retaining the data in the cloud, or at the edge in customer-provisioned infrastructure, which we refer to as Dynatrace<sup>®</sup> Managed. The Dynatrace<sup>®</sup> Managed offering allows customers to maintain control of the environment where their data resides, whether in the cloud or on-premises, combining the simplicity of SaaS with the ability to adhere to their own data security and sovereignty requirements. Our Mission Control center automatically upgrades all Dynatrace<sup>®</sup> instances and offers on-premises cluster customers auto-deployment options that suit their specific enterprise management processes.

### Our Opportunity

As dynamic, multicloud computing replaces traditional data centers, we believe our full-stack, all-in-one, software intelligence platform, Dynatrac<sup>®</sup>, can expand our potential market opportunity by allowing us to offer our solutions into adjacent markets beyond APM. These include replacing traditional monitoring tools, and potentially disrupting various well-established IT spending categories, such as infrastructure monitoring, application security, alert and incident management, and network monitoring. They also include new categories including multicloud observability, AIOps, and automation for IT and DevOps processes. According to Gartner, the global IT operations software market was estimated to be \$35 billion in 2021 and is expected to grow at a compound annual growth rate of 9.3% to \$50 billion in 2025.

We believe a significant portion of our market opportunity remains unpenetrated today. Gartner estimates enterprises will quadruple their APM use due to increasingly digitized business processes from 2018 through 2021, to reach 20% of all business applications. As this trend continues, we believe there is an opportunity to increase our annual recurring revenue as enterprise customers expand the number of applications instrumented.

Currently, we estimate the annual potential market opportunity for our Dynatrace<sup>®</sup> solution to be approximately \$50 billion, \$32 billion of which is based on a bottom-up calculation that relates to our existing revenue generating modules. We calculated this figure using the largest 15,000 global enterprises with greater than \$1 billion in annual revenue, as identified by S&P Capital IQ in September 2020. We then banded these companies by revenue scale and multiplied the total number of companies in each band by our calculated annualized booking per customer for companies in each respective band. We calculated the annualized bookings per customer, applied for each band, using internal company data of actual customer spend. For each respective band, we calculated the average annualized bookings per customer of the top 10% of customers in the band, which we believe to be representative of having achieved broader implementation of our solutions within their enterprises. The additional \$18 billion represents the market opportunity related to our newest cloud application security module and is based on a combination of software markets forecast information from Gartner.<sup>1</sup> We believe our potential market opportunity could expand further as enterprises increasingly instrument, monitor, and optimize more of their applications and underlying infrastructure.

### Our Growth Strategy

- **Extend our technology and market leadership position.** We intend to maintain our position as the market-leading software intelligence platform through increased investment in research and development and continued innovation. We expect to focus on expanding the functionality of Dynatrace<sup>®</sup> and investing in capabilities that address new market opportunities. We believe this strategy will enable new growth opportunities and allow us to continue to deliver differentiated high-value outcomes to our customers.
- **Grow our customer base.** We intend to drive new customer growth by expanding our direct sales force focused on the largest 15,000 global enterprise accounts, which generally have annual revenues in excess of \$1 billion. The initial average Dynatrace<sup>®</sup> ARR for these new customers was approximately \$105,000, in fiscal 2021. In addition, we expect to leverage our global partner ecosystem to add new customers in geographies where we have direct coverage and work

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<sup>1</sup> Gartner, Emerging Technologies: Adoption Growth Insights for Cloud Workload Protection Platforms, Mark Wah, 27 April 2021, and Gartner, Forecast Analysis: Information Security and Risk Management, Worldwide, John A. Wheeler, Rustam Malik, et al., 9 July 2020, calculations performed by Dynatrace, using Application Security and Cloud Workload Protection Platform markets and Security Information and Event Management market segment.

jointly with our partners. In other geographies, we utilize a multi-tier “master reseller” model, such as in Africa, Japan, the Middle East, Russia, and South Korea.

- **Increase penetration within existing customers.** We plan to continue to increase the penetration within our existing customers by expanding the breadth of our platform capabilities to provide for continued cross-selling opportunities. In addition, we believe the ease of implementation for Dynatrace® provides us the opportunity to expand adoption within our existing enterprise customers, across new customer applications, and into additional business units or divisions. Once customers are on the Dynatrace® platform, we have seen significant dollar-based net expansion due to the ease of use and power of our new platform. This expansion rate has been above 120% for 12 consecutive quarters.
- **Enhance our strategic partner ecosystem.** Our strategic partners include industry-leading system integrators, software vendors, and cloud and technology providers. We intend to continue to invest in our partner ecosystem, with a particular emphasis on expanding our strategic alliances and cloud-focused partnerships, such as AWS, Microsoft Azure, Google Cloud Platform, Red Hat OpenShift, ServiceNow, and VMware Tanzu.

### **The Dynatrace Software Intelligence Platform**

Dynatrace® is a software intelligence platform, purpose-built for dynamic multicloud environments. Dynatrace® provides application and microservices monitoring (“APM”), application security, infrastructure monitoring, digital experience monitoring (“DEM”), business analytics, and cloud automation in an easy-to-use, highly automated, all-in-one solution. We engineered Dynatrace® to simplify the operation of complex multicloud environments and capture a wide variety of high-fidelity application, infrastructure, user experience, and open source telemetry data at scale. With this broad set of observability data, the Dynatrace platform dynamically maps all components in a full-stack environment and their dependencies for real-time, continuous context to provide answers to issues, bottlenecks, degradations, and more using our proprietary AI engine, Davis®. In addition, our platform provides automation, including continuous discovery, proactive anomaly detection, and optimization across the software lifecycle. We believe this combination of unparalleled observability, AI, and automation across the full multicloud ecosystem enables our customers to modernize and automate IT operations more easily, develop and release higher quality software faster, and deliver superior user experiences consistently.

Our proprietary, single-agent technology, OneAgent®, automatically and continuously discovers metrics, logs, traces, code, user experience data and more to simplify implementation and the ongoing operation of dynamic multicloud environments. We believe OneAgent® offers significant time savings to our customers by providing them the ability to automate ongoing deployment, continuous configuration, and periodic upgrades, which allows customers to quickly, efficiently, and effectively monitor more applications. In addition, when agents are not possible or necessary, customers can send OpenTelemetry data directly to the Dynatrace® platform. As a result, customers can use the OpenTelemetry open-source standard from any data source, and leverage Dynatrace’s AI and automation capabilities to deliver predictability and precise actionability across their cloud-native technologies.

Our SmartScope® technology continually maps a complete topology of the full stack of modern software components and continuously updates in real-time to provide a comprehensive view of how virtual networks and infrastructure are running, what and where containers and applications are running, how processes are behaving, and how all these entities are connected and performing.

With automatic baselining, the Davis® AI engine continually learns what normal performance is, processing billions of dependencies in milliseconds, to serve up answers that are beyond human capabilities. This allows our Davis® AI engine to provide precise root-cause problem identification, enabling faster decision making, greater optimization of IT resources, and consistently better business outcomes.

We engineered Dynatrace® for web-scale, multicloud environments with enterprise-grade governance and security and the ability to provide custom and secure role-based application and topology viewing access. We designed Dynatrace® to be highly scalable to capture and analyze massive data sets produced by multicloud environments in real-time. We believe collecting high-fidelity data in one common architecture improves the intelligence of our AI engine and provides more precise answers about software performance and user activity across the full stack. Using an application program interface (“API”), customers can extend Dynatrace® into common IT operations toolsets like ServiceNow and Atlassian’s software portfolio, enriching information users receive, increasing automation of business processes, and providing incremental context to improve decision making and drive greater IT operational efficiency.



**Built specifically for dynamic multiclouds and the cloud-native applications that run on them**

Dynatrace® is a full-stack, all-in-one platform that performs Infrastructure Monitoring, APM, Application Security, DEM, Business Analytics, and Cloud Automation. Customers typically start with APM and expand to include DEM for experience management and Infrastructure Monitoring. Davis®, our AI engine, is part of every Dynatrace® license since it is a core component of our software intelligence approach.

We deploy our platform as a SaaS solution, with data hosted in the cloud or at the edge on customer-provisioned infrastructure. This latter option we refer to as “Managed,” as we provide monthly, automatic updates and enhancements while allowing customers the flexibility and control to adhere to their own data security and sovereignty requirements.

**Automatic & intelligent at the core**

- Automatic Data Capture**  
OneAgent provides automatic, full-stack data capture for dynamic cloud environments
- Automatic Distributed Tracing**  
PurePath provides distributed tracing with code-level detail at scale without sampling
- Continuous Dependency Mapping**  
SmartScape automatically maps dependencies for real-time, precise context
- Explainable AI Engine**  
Davis delivers automatic answers, insights & actions continuously

**dynatrace** Software Intelligence Platform

OneAgent | PurePath | SmartScape | Davis AI | AIOps | Hyperscale

Traces Metrics Logs + Topology Behaviour Code Metadata Network + API OpenTelemetry k8s

560+ Supported technologies

Kubernetes OpenShift AWS Azure GCP Tanzu Enterprise Hybrid cloud

Automatic and intelligent observability | Broadest multicloud and technology support

**Unified AIOps capabilities deliver unparalleled speed, efficiency and simplicity**

### *Applications and Microservices Monitoring*

Our approach to APM changes the way our customers monitor applications and manage transactions across highly complex multicloud environments. Because cloud applications are dynamic, we engineered our instrumentation to be automatic. Because cloud applications run on shared infrastructure and leverage shared services, we monitor the full stack to provide visibility into distributed transactions and underlying code (via PurePath®) as well as entity relationships and dependencies (via SmartScape®). Because dynamic multicloud environments are virtualized layers of software, we gather metrics and telemetry beyond transaction data, including user experience, log and event data, and data from the latest open-source standards, such as OpenTelemetry. And because multicloud environments are highly complex, we analyze all data in the context of their dependencies via our AI engine (Davis®). This combination of capabilities allows our customers to manage web-scale cloud environments easily, with continuous observability and insights into cloud operations, DevOps software delivery pipelines, and business outcomes. Application coverage includes, though is not limited to, traditional web and mobile environments, such as Java, .NET, and PHP; modern environments, such as Node.js and GoLang, database environments both SQL and NoSQL; mainframe environments such as CICS and IMS; and the latest serverless technologies, such as AWS Lambda, Google Cloud Functions, and Microsoft Azure Functions.

### *Application Security*

Traditional approaches to application security cannot keep up with constantly changing multicloud environments and fast-moving DevSecOps processes, causing blind spots and uncertainty about exposures and their impact on cloud-native applications. When vulnerabilities are detected, current approaches require manual processes that deliver imprecise risk and impact analysis and force teams to waste time chasing false positives. In addition, DevSecOps processes place more responsibility on developers to ensure code does not have vulnerabilities. With current sampled or scheduled scan results, even the most common and well-documented vulnerabilities can remain undetected and open for hackers to exploit.

In December 2020, we introduced Dynatrace® Application Security on the Dynatrace® platform. Application Security enables development teams to accelerate DevSecOps processes through automation and the elimination of mundane work. Runtime Application Self-Protection automatically and continuously analyzes applications, libraries, and code at runtime in production and pre-production. In addition, Application Security provides the C-suite confidence in the security of their cloud-native production deployments.

### *Infrastructure Monitoring*

Dynatrace® includes Infrastructure Monitoring to provide full visibility into the infrastructure layer across public, private, and multicloud environments. We offer extensive coverage, including integrations with cloud platforms, such as AWS, Azure, Google

Cloud Platform, VMware Tanzu, Red Hat OpenShift and Kubernetes, by utilizing our OneAgent® instrumentation and powerful API ingestion capabilities to provide a single source of analysis across environments.

We natively and automatically monitor containers and the microservices running inside of them, without the need to manually instrument each container. Our analysis includes full observability into server metrics, including CPU, memory, network performance, and processes running on these hosts, including virtualized components. We also capture all relevant log files and put them in context of a transaction or a problem analysis to allow for richer detail and faster decision making.

Infrastructure Monitoring from Dynatrace® is part of our full-stack agent deployment or can be licensed in an infrastructure-only mode for host environments that do not require application analysis, such as third-party SaaS apps, directory services, middleware services, certificate services, and other hybrid-cloud infrastructure.

### ***Digital Experience Management***

Dynatrace® provides intelligence into the digital experience of end users and how the software can be optimized to enhance user experience and maximize conversions. Our coverage spans across multiple applications to provide a single view of a customer journey across mobile, web, kiosk, SaaS applications, and IoT devices. Dynatrace® integrates three user experience capabilities into one Digital Experience Management solution—Real User Monitoring (“RUM”), Synthetic Monitoring, and Session Replay. We believe this integration simplifies use, accelerates adoption, and increases value for our customers.

Dynatrace® RUM automatically captures every user click, tap, and swipe, regardless of device, across targeted applications. This capability is designed to enable our customers to quickly determine the impact that performance has on their conversion rates and revenue. Dynatrace monitors at a user journey level to preserve a user’s context for analysis, reporting, customer care and cross-channel tracking (e.g., a journey that traverses a mobile device and PC, or IoT devices and mobile device).

Dynatrace® Synthetic Monitoring provides a proactive view into application and API performance and availability without the need for a live user of the application and can do so from multiple locations around the world. In addition, Dynatrace customers can extend test locations and test additional applications via using private on-premises nodes. Simulated user visits are scripted by clicking through an application as a user would, and then provisioned and monitored by our SaaS DEM portal. Our customers use synthetic monitoring for proactive alerting and service level agreement management for both internally built cloud applications as well as for monitoring and third-party applications, such as Salesforce, Zoom, NetSuite, ServiceNow, and more.

Dynatrace® Session Replay provides digital business teams, customer care teams, and DevOps teams a visual recording of a real user’s journey, including what they saw, what they clicked-on, how they traversed the application, and how they converted or where they abandoned. This expands Dynatrace’s® capabilities beyond user experience monitoring and into user behavior monitoring and analysis.

All Dynatrace® DEM capabilities use a common user interface, a common dashboard and reporting system, and a common licensing scheme called “DEM units.” Customers license DEM separately and the license supports all three capabilities.

### ***Digital Business Analytics***

Dynatrace® Digital Business Analytics provides real-time, AI-powered answers to business questions using data already flowing through Dynatrace’s APM and DEM modules. By tying user experience, customer behavior, and application performance data together with business metrics, Digital Business Analytics provides automatic answers about conversions, orders, churn, release validation, and customer segmentation. Traditionally, application owners and business users have used disparate, siloed tools and have manually analyzed data, which hampered their ability to run and optimize their digital business offerings in real-time. Dynatrace’s AI engine Davis® is at the core of Digital Business Analytics. Davis® continually learns what expected “normal” business performance looks like and provides proactive answers to issues, enabling faster decision making, greater optimization of resources, and consistently better business outcomes. Over time, we believe Digital Business Analytics could expand our total addressable market by several billion dollars, as we enter and expand our offerings into a segment of the larger Analytics and Business Intelligence market. According to Gartner, the Analytics and Business Intelligence market within the Enterprise Application Software macro-market is estimated to be \$27.4 billion globally in 2020.

### ***Cloud Automation***

In February 2021, we introduced the Dynatrace® Cloud Automation Module on the Dynatrace® platform. Cloud Automation provides developers, DevOps and SRE teams with an integrated, end-to-end observability platform across production and pre-production cloud environments, bringing together full lifecycle observability with automated delivery pipelines that span multiple clouds. This results in shorter innovation cycles, higher quality software, and faster time to market.

Cloud Automation comes with a fully supported version of Keptn, an open-source initiative, providing customers with an enterprise-grade control plane for cloud-native application lifecycle orchestration. This allows for seamless integration of DevOps toolchains with Dynatrace's automatic and intelligent platform, extending our openness and support for the broader DevOps ecosystem.

#### **Our Classic Products**

Prior to launching Dynatrace® in 2016, our solutions consisted of the following suite of APM products: AppMon, Classic Real User Monitoring, Synthetic Classic and Network Application monitoring, collectively, the Classic products. As of April 2018, the Classic products were only available to customers who had previously purchased these products and as of April 1, 2021, the Classic products reached end of support. The Classic products made up 1% of Total ARR at the end of March 2021.

#### **Research and Development**

Our research and development (“R&D”) organization is responsible for designing, developing, testing, and operating all aspects of our software intelligence offerings, including addressing new use cases, adding new innovative capabilities, extending the scale and scope of our technology, and embracing modern cloud and AI technologies while maintaining high quality.

We utilize an agile development process with 100% test automation to deliver approximately 25 major software releases per year and hundreds of minor releases, fixes and currency updates. We believe the full-stack monitoring required by dynamic multicloud environments requires a highly efficient and agile process to enable high-performing software across the diverse, dynamic cloud ecosystems of our customers.

Our primary R&D labs are in Austria, Poland, and Spain. We believe that our extensive European lab network is an advantage in driving lower costs, higher quality software, and a more stable workforce.

#### **Customers**

As of March 31, 2021, we had more than 2,900 customers in 90 countries. Our customers reflect diverse industries and include Air Canada, American Fidelity Assurance, Asics, BT Consumer, Dish Network Corporation, KeyBank, The Kroger Co., Porsche Informatik GmbH, SAP SE, Temenos AG, and U-Haul. No organization or customer accounted for more than 10% of our revenue for the years ended March 31, 2021, 2020, and 2019.

#### **Sales and Marketing**

We take Dynatrace® to market through a combination of our global direct sales team and a network of partners, including resellers, system integrators and managed service providers. We target the largest 15,000 global enterprise accounts, which generally have annual revenues in excess of \$1 billion, which we believe see more value from our integrated full-stack platform.

Our sales and marketing organizations seek to promote the Dynatrace brand, our platform capabilities, and develop partnerships to drive revenue growth. We utilize a variety of go-to-market strategies, including search-engine optimization, online advertising, free software trials, events, online webinars, and broad content marketing strategies. We nurture our existing customer base through ongoing education, and training, including upsell and cross-sell opportunities. We do this primarily through our digital online channels, such as the Dynatrace News blog, Dynatrace Community, and Dynatrace University, as well as our customer event series ‘Perform and DynatraceGo!’ – which caters to more than 10,000 customers and prospects across 11 events globally.

#### **Partners**

We develop and maintain partnerships that help us market and deliver our products to our customers around the world. Our mission is to bring together industry experts and hands-on practitioners to create a world-class partner network. In addition, our partner network extends the sales reach of the Dynatrace® platform providing new sales opportunities, renewals of existing subscriptions, as well as upsell and cross-sell opportunities. Our partner network includes:

- **Cloud providers.** We work with many of the major cloud providers to increase awareness of our products and make it easy for customers to access our software. Our software is developed to run in and integrate with leading cloud providers, such as, AWS, Azure, and Google Cloud Platform. Our customers are also able to procure our software through leading marketplaces such as AWS, Azure, SAP, Google and IBM.
- **Resellers.** Our resellers market and sell our products throughout the world and provide a go-to-market channel in regions where we do not have a direct presence, such as Africa, the Middle East, and Russia.
- **Technology alliance partners.** We partner with leading innovative technology organizations such as Atlassian, Red Hat, ServiceNow, and VMWare to develop integrations, best practices, and extended capabilities that help our customers and solution partners achieve faster time to market and enhanced value in dynamic multicloud environments.

- **System integrators.** We have a network of systems integrators, both global and regional, that help joint customers integrate our products into their multicloud ecosystems. These partners extend our scale and reach and collaborate with our direct sales teams, bringing domain expertise in technologies and industries along with additional offerings powered by Dynatrace®.

#### **Professional Services**

Our Dynatrace Services Organization empowers our customers to innovate, automate, and transform the way they work with the Dynatrace Platform. Our Services organization is comprised of a global team of highly skilled consultants, performance analysts, architects, and certified partners with thousands of hours of transformation project engagements and modernized cloud certifications across all major technologies. Our expertise and cloud modernization practices cover cloud ecosystem integration, automated incident management and problem resolution, DevOps CI/CD integration, user experience, business intelligence insights, digital business analytics, and more.

Dynatrace University is our global on-line, self-service education program that provides several learning options for customers and partners to develop their skills around monitoring, managing, integrating, and analyzing multicloud environments and application workloads with Dynatrace.

#### **Support and SaaS Operations**

Dynatrace ONE is our innovative onboarding and support service focused on simplifying and streamlining the experience our customers have with the company and our products. This service is delivered by a global team of product specialists, customer success managers, and support engineers. Dynatrace ONE uses in-product chat as the primary vehicle for customer interaction to drive adoption and growth, as well as to handle issues and user questions. We maintain a SaaS-like connection to tenants and clusters, both in the cloud and managed on customer provisioned infrastructure, using our “Mission Control” system, which allows us to streamline communication and accelerate resolution of issues. Dynatrace ONE is offered to all Dynatrace customers free of charge and includes automatic product updates and upgrades, online access to documentation, knowledge base, and discussion forums as well as access to Dynatrace University. Dynatrace ONE is comprised of technical personnel distributed across three territories and provides global coverage during normal business hours, and across multiple languages.

Dynatrace ONE Premium is an extra level of success and support services for customers who want to accelerate their adoption of our platform, increase their access to support globally 24/7, and extend their hours of expert coverage. Dynatrace ONE Premium offers dedicated expertise for customers with designated Product Specialists and Customer Success Managers familiar with the customer’s environment, goals, and challenges to provide a customized success plan.

We proactively monitor our customers’ Dynatrace® installations around the world, whether tenants are shared in the cloud or managed on customer-provisioned infrastructure. We operate our SaaS offerings in geographic locations across North America, Europe and Asia within AWS, combined with worldwide coverage of synthetic nodes in approximately 88 different datacenters including AWS, Microsoft Azure, Google Cloud Platform and Alibaba Cloud Services. Our Dynatrace Security Team develops new process and technology controls, while we also employ third party firms for penetration tests, security audits, and security testing.

#### **Intellectual Property**

Dynatrace relies on a combination of patent, copyright, trademark, trade dress, and trade secret laws, as well as confidentiality procedures and contractual restrictions, to establish and protect our proprietary rights. These laws, procedures, and restrictions provide only limited protection. As of March 31, 2021, we had 84 issued patents, 67 of which are in the United States, and 29 pending applications, of which 21 are in the United States. Our issued patents expire at various dates through April 2039. We cannot be assured that any of our patent applications will result in the issuance of a patent or whether the examination process will require us to narrow the scope of the claims sought. Any future patents issued to us may be challenged, invalidated or circumvented. Any patents that may issue in the future with respect to pending or future patent applications may not provide sufficiently broad protection or may not prove to be enforceable in actions against alleged infringers.

We have registered “Dynatrace” and the “Dynatrace” logo as trademarks in the United States and other jurisdictions for our name and our product as well as certain other words and phrases that we use in our business, including “One Agent”, “PurePath”, “SmartScape” and “Davis”. We have registered numerous Internet domain names related to our business. We also license software from third parties for integration into our applications and utilize open-source software.

We enter into agreements with our employees, contractors, customers, partners, and other parties with which we do business to limit access to and disclosure of our proprietary information. We cannot be certain that the steps we have taken will prevent unauthorized use or reverse engineering of our technology. Moreover, others may independently develop technologies that are competitive with ours or that infringe our intellectual property. The enforcement of our intellectual property rights also depends on any legal actions against these infringers being successful, but these actions may not be successful, even when our rights have been infringed.

Furthermore, effective patent, trademark, trade dress, copyright, and trade secret protection may not be available in every country in which our products are available over the Internet. In addition, the legal standards relating to the validity, enforceability and scope of protection of intellectual property rights are uncertain and still evolving.

### **Competition**

The market for software application monitoring and analytics solutions is evolving, complex, and defined by changing technology and customer needs. We expect competition to intensify in the future as competitors bundle new and more competitive offerings with their existing products and services, and as products and product enhancements are introduced into our markets. As we have expanded our capabilities beyond traditional APM, we increasingly compete with a wider range of vendors. We expect competition to continually evolve as enterprises shift to dynamic multicloud environments and as more mature vendors look to provide a holistic approach to monitoring.

We compete either directly or indirectly with:

- APM vendors, such as Cisco and New Relic;
- Infrastructure monitoring vendors, such as BMC, Datadog, and Nagios;
- DEM vendors, such as Akamai and Catchpoint;
- Application Security vendors, such as Palo Alto Networks, Synopsys, and Veracode;
- Open source and commercial open source vendors such as Elastic and Grafana;
- Point solutions from public cloud providers; and
- IT operations management, AIOps, and business intelligence providers with offerings that cover some portion of the capabilities we provide.

In addition to the above companies, we also face potential competition from vendors in adjacent markets that may offer capabilities that overlap with ours. We may also face competition from companies entering our market, including large technology companies which that could expand their platforms or acquire one of our competitors.

The principal competitive factors in our markets are:

- artificial intelligence capabilities;
- automation;
- product features, functionality, and reliability;
- ease and cost of deployment, use and maintenance;
- deployment options and flexibility;
- customer, technology, and platform support;
- ability to easily integrate with customers software application and IT infrastructure environments;
- the quality of data collection and correlation;
- interoperability and ease of integration; and
- brand recognition.

While we believe we compete favorably on the basis of the foregoing factors, we may be at a competitive disadvantage to certain of our current and future competitors as they may be able to devote greater resources to the development and improvement of their products and services than we can and, as a result, may be able to respond more quickly to technological changes and customers' changing needs. Moreover, because our market is changing rapidly, it is possible that new entrants, especially those with substantial resources, more efficient operating models, more rapid product development cycles or lower marketing costs, could introduce new products and services that disrupt the manner in which our all-in-one, highly automated approach addresses the needs of our customers and potential customers.

### **Human Capital Management**

#### ***Headcount***

We believe that our success is in large part due to the drive, creativity and the overall strength of our workforce. As of March 31, 2021, we had 2,779 employees operating within 30 countries, with 64% outside of the United States including 676 within Austria. In

countries in which we operate we are subject to local labor law requirements. None of our employees are represented by a labor union and we have not experienced any work stoppages. We believe that our employee relations are strong.

The health and safety of our colleagues and anyone who enters our workplace around the world is of paramount importance to us. During this past fiscal year, as a result of the COVID-19 pandemic, we instituted a work from home policy to keep our employees safe in accordance with local and national health agency guidelines. Our senior leadership communicated frequently regarding the impacts of COVID-19 on the workforce and the Company and our work from home arrangement, while initiating new protocols across all offices under the direction of our COVID-19 task force. We established workplace health and safety standards based on guidance from local public health authorities, and that reflect local business necessities, and differences in laws, culture and employee needs. We also surveyed our employee base and we believe that our employees adopted well to working from home. We are planning to return to the office as the pandemic recedes and safety concerns are abated.

#### **Compensation and Benefits**

Our compensation program is designed to attract, reward and retain talented individuals who possess the skills necessary to support our business, contribute to our strategic goals and create long-term value for our stockholders. We believe that our employees should have a strong work/life balance, develop and grow personally and professionally, and be able to save for their future. We provide employees with industry-competitive compensation and benefits, including retirement savings programs, the opportunity to invest in Dynatrace at a discount through the ESPP, and medical, dental, vision, and life and disability plans. Our benefits vary around the world due to local country regulations and cultural preferences.

#### **Diversity and Inclusion**

We believe that an equitable and inclusive environment comprised of diverse teams produces more creative solutions, results in better and more innovative products, and is important to our efforts to attract and retain key talent. We are focused on building an inclusive culture and sustaining a diverse workforce through a variety of company initiatives, such as training for employees around unconscious bias and other diversity and inclusion-related topics designed to create a culture of belonging. We also provide resources and training to employees to ensure that as we continue to grow, we are hiring people of all types. Additionally, Dynatrace continues to be recognized as an employer of choice clinching awards around the globe in 2020 and 2021. Some notable awards include being named one of the Top 10 Highest-Rated Cloud Companies to Work For by Battery Ventures & Glassdoor, #1 IT company in Austria, #1 Company in Upper Austria and #6 Company overall in Austria ranked by Trend in cooperation with Statista, Kununu, and XING, Top Workplaces USA, BuiltIn Boston's Best Large Companies to Work For, Detroit Free Press' Top Workplace list. Dynatrace was also honored in a number of categories by Comparably's workplace awards including Best CEOs, Best Company Outlook, Best Company Global Culture and Best Places to Work in Boston, to name a few.

#### **Corporate Information**

Our principal executive offices are located at 1601 Trapelo Road, Suite 116, Waltham, MA 02451 and our telephone number at that address is (781) 530-1000. Our website address is [www.dynatrace.com](http://www.dynatrace.com). Information contained on, or that can be accessed through, our website does not constitute part of this Annual Report, and inclusions of our website address in this Annual Report are inactive textual references only.

The Dynatrace design logo and our other registered or common law trademarks, service marks or trade names appearing in this Annual Report are the property of Dynatrace LLC. This Annual Report includes our trademarks and trade names, including, without limitation, Dynatrace®, OneAgent®, SmartScape®, PurePath® and Davis®, which are our property and are protected under applicable intellectual property laws. Other trademarks and trade names referred to in this Annual Report are the property of their respective owners.

#### **Available Information**

Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to these reports filed pursuant to Sections 13(a) and 15(d) of the Exchange Act are available free of charge on the Investor Relations section of our website at [www.dynatrace.com](http://www.dynatrace.com) as soon as reasonably practicable after we file such material with the Securities and Exchange Commission ("SEC"). The SEC maintains an Internet website at <http://www.sec.gov> that contains reports, and other information regarding us and other companies that file materials with the SEC electronically.

#### **ITEM 1A. RISK FACTORS**

*Investing in our common stock involves a high degree of risk. You should carefully consider the risks and uncertainties described below, together with all of the other information in this Annual Report on Form 10-K, including the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes, before making a decision to invest in our common stock. The risks and uncertainties described below may not be the only ones*

*we face. If any of the risks actually occur, our business, operating results, financial condition and prospects could be materially and adversely affected. In that event, the market price of our common stock could decline, and you could lose all or part of your investment.*

#### **Risks Related to Our Business and Industry**

***We have experienced rapid subscription revenue growth in recent periods, and our recent growth rates may not be indicative of our future growth.***

We have experienced rapid subscription revenue growth in recent periods. From the year ended March 31, 2019 to the year ended March 31, 2020, our subscription revenue grew 39% from \$349.8 million to \$487.8 million, respectively. From the year ended March 31, 2020 to the year ended March 31, 2021, our subscription revenue grew 34% from \$487.8 million to \$655.2 million, respectively. From the year ended March 31, 2019 to the year ended March 31, 2020, subscription revenue as a percentage of total revenue grew from 81% to 89%, respectively. From the year ended March 31, 2020 to the year ended March 31, 2021, subscription revenue as a percentage of total revenue grew from 89% to 93% respectively. This subscription revenue growth may not be indicative of our future subscription revenue growth and we may not be able to sustain revenue growth consistent with recent history, or at all. We believe our ability to continue to increase our revenue depends on a number of factors, including, but not limited to:

- our ability to attract new customers and retain and increase sales to existing customers;
- our ability to continue to expand customer adoption of our Dynatrace® platform;
- our ability to develop our existing platform and introduce new solutions on our platform;
- continued growth of cloud-based services and solutions;
- our ability to continue to develop and offer products and solutions that are superior to those of our competitors;
- our ability to retain customers;
- our ability to expand into new geographies and markets, including the business intelligence, data analytics, and application security markets; and
- our ability to hire and retain sufficient numbers of sales and marketing, research and development and general and administrative personnel, and expand our global operations.

If we are unable to achieve any of these requirements, our subscription revenue growth will be adversely affected.

***Our quarterly and annual operating results may be adversely affected due to a variety of factors, which could make our future results difficult to predict.***

Our annual and quarterly revenue and operating results have fluctuated significantly in the past and may vary significantly in the future due to a variety of factors, many of which are outside of our control. Our financial results in any one quarter may not be meaningful and should not be relied upon as indicative of future performance. If our revenues, earnings or operating results fall below the expectations of investors or securities analysts in a particular quarter, or below any guidance that we may provide, the price of our common stock could decline. We may not be able to accurately predict our future billings, revenues, earnings or operating results. Some of the important factors that may cause our operating results to fluctuate from quarter to quarter or year to year include:

- fluctuations in the demand for our solutions, and the timing of purchases by our customers, particularly larger purchases;
- fluctuations in the rate of utilization by enterprise customers of the cloud to manage their business needs, or a slow-down in the migration of enterprise systems to the cloud;
- our ability to attract new customers and retain existing customers;
- our ability to expand into new geographies and markets, including the business intelligence, data analytics, and application security markets;
- the budgeting cycles and internal purchasing priorities of our customers;
- changes in customer renewal rates, churn and our ability to cross-sell additional solutions to our existing customers and our ability to up-sell additional quantities of previously purchased products to existing customers;
- the seasonal buying patterns of our customers;
- the payment terms and contract term length associated with our product sales and their effect on our billings and free cash flow;
- changes in customer requirements or market needs;

- the emergence of significant privacy, data protection, systems and application security or other threats, regulations or requirements applicable to the use of enterprise systems or cloud-based systems that we are not prepared to meet or that require additional investment by us;
- changes in the demand and growth rate of the market for software and systems monitoring and analytics solutions;
- our ability to anticipate or respond to changes in the competitive landscape, or improvements in the functionality of competing solutions that reduce or eliminate one or more of our competitive advantages;
- our ability to timely develop, introduce and gain market acceptance for new solutions and product enhancements;
- our ability to adapt and update our products and solutions on an ongoing and timely basis in order to maintain compatibility and efficacy with the frequently changing and expanding variety of software and systems that our products are designed to monitor;
- our ability to maintain and expand our relationships with strategic technology partners, who own, operate and offer the major platforms on which applications operate, with which we must interoperate and remain compatible, and from which we must obtain certifications and endorsements in order to maintain credibility and momentum in the market;
- our ability to control costs, including our operating expenses;
- our ability to efficiently complete and integrate any acquisitions or business combinations that we may undertake in the future;
- general economic, industry and market conditions, both domestically and in our foreign markets;
- the emergence of new technologies or trends in the marketplace, or a change in the trends that are important to our strategy and the value of our platform in the marketplace;
- foreign currency exchange rate fluctuations;
- the timing of revenue recognition for our customer transactions, and the effect of the mix of time-based licenses, SaaS subscriptions and perpetual licenses on the timing of revenue recognition;
- extraordinary expenses, such as litigation or other dispute-related settlement payments; and
- future accounting pronouncements or changes in our accounting policies.

Any one of the factors referred to above or the cumulative effect of some of the factors referred to above may result in our operating results being below our expectations and the expectations of securities analysts and investors and any guidance that we may provide, or may result in significant fluctuations in our quarterly and annual operating results, including fluctuations in our key performance indicators. This variability and unpredictability could result in our failure to meet our business plan or the expectations of securities analysts or investors for any period. In addition, a significant percentage of our operating expenses are fixed in nature in the short term and based on forecasted revenue trends. Accordingly, in the event of revenue shortfalls, we are generally unable to mitigate the negative impact on margins in the short term.

***Market adoption of software intelligence solutions for application performance monitoring, digital experience monitoring, infrastructure monitoring, AIOps, business intelligence and analytics, and application security is relatively new and may not grow as we expect, which may harm our business and prospects.***

The utilization of software intelligence solutions, such as Dynatrace®, for application performance monitoring, digital experience monitoring, infrastructure monitoring, AIOps, business intelligence and analytics, and application security is relatively new. We believe our future success will depend in large part on the growth, if any, in the demand for software intelligence solutions, particularly the demand for enterprise-wide solutions and our ability to provide solutions that meet such ever-evolving needs. We currently target the markets for application performance monitoring, or APM, infrastructure monitoring, AIOps, digital experience monitoring, business intelligence and analytics and application security. It is difficult to predict customer demand, adoption, churn and renewal rates for our new and existing solutions, the rate at which existing customers expand their usage of our solutions, the size and growth rate of the market for our solutions. Expansion in our addressable market depends on a number of factors, including the continued and growing reliance of enterprises on software applications to manage and drive critical business functions and customer interactions, increased use of microservices and containers, as well as the continued proliferation of mobile applications, large data sets, cloud computing and the Internet of Things. If our solutions do not achieve widespread adoption, we are not able to develop new solutions that meet customer needs or there is a reduction in demand for software intelligence solutions generally, it could result in reduced customer purchases, reduced renewal rates and decreased revenue, any of which will adversely affect our business, operating results and financial condition.

***Our business is dependent on overall demand for software intelligence solutions and therefore reduced spending on software intelligence solutions or overall adverse economic conditions may negatively affect our business, operating results and financial condition.***

Our business depends on the overall demand for software intelligence solutions, particularly demand from mid- to large-sized enterprises worldwide, and the purchase of our solutions by such organizations is often discretionary. In an economic downturn or during periods of economic or political instability, our customers may reduce their operating or IT budgets, which could cause them to defer or forego purchases of software intelligence solutions, including ours. Customers may delay or cancel IT projects or seek to lower their costs by renegotiating vendor contracts or renewals. To the extent purchases of software intelligence solutions are perceived by existing customers and potential customers to be discretionary, our revenue may be disproportionately affected by delays or reductions in general IT spending. Weak or turbulent global economic conditions or a reduction in software intelligence spending, even if general economic conditions remain unaffected, could adversely impact our business, operating results and financial condition in a number of ways, including longer sales cycles, lower prices for our solutions, reduced subscription renewals and lower revenue. In addition, any negative economic effects or instability resulting from changes in the political environment and international relations in the United States or other key markets as well as resulting regulatory or tax policy changes may adversely affect our business and financial results.

As the market for software intelligence solutions is new and continues to develop, trends in spending remain unpredictable and subject to reductions due to the changing technology environment and customer needs as well as uncertainties about the future.

***The effects of the COVID-19 pandemic have materially affected how we and our customers are operating our businesses, and the duration and extent to which the pandemic and any related economic downturn will impact our future results of operations and overall financial performance remains uncertain.***

In December 2019, a novel coronavirus disease, or COVID-19, was reported and in January 2020, the World Health Organization, or WHO, declared it a Public Health Emergency of International Concern. On February 28, 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 on March 11, 2020, the WHO characterized COVID-19 as a pandemic. The COVID-19 pandemic, which has spread throughout the world, and the related adverse public health developments, including orders to shelter-in-place, travel restrictions, and mandated business closures, have adversely affected workforces, organizations, customers, economies, and financial markets globally, leading to an economic downturn and increased market volatility. It has also disrupted the normal operations of many businesses, including ours.

As a result of the COVID-19 pandemic, we have temporarily closed or limited occupancy of our global offices, including our corporate headquarters and research and development labs, and suspended company-related travel to align with local guidance. Substantially all Dynatrace employees globally are working from home. We shifted our annual Sales Kickoff and other events including Perform 2021 to virtual-only experiences, and have either canceled or changed other customer and industry events to remote and online participation experiences. We may deem it advisable to similarly alter, postpone or cancel entirely additional customer, employee or industry events in the future. These changes may disrupt the way we operate our business. Given that the economic consequences of the COVID-19 pandemic have been exceptionally challenging for certain of our customers and prospects, we changed how we spend on marketing and lead generation activities, putting an increased focus on digital, on-line marketing and lead generation.

Moreover, the conditions caused by the COVID-19 pandemic can affect the rate of spending on software platforms, especially in certain industries that are particularly vulnerable to these conditions, and could adversely affect our customers' ability or willingness to purchase our offerings; the timing of our current or prospective customers' purchasing decisions; pricing discounts or extended payment terms; reductions in the amount or duration of customers' subscription contracts or term licenses; or increase customer attrition rates, all of which could adversely affect our future sales, operating results and overall financial performance.

Our operations have also begun to be affected by a range of external factors related to the COVID-19 pandemic that are not within our control. For example, many cities, counties, states, and even countries have imposed or may impose a wide range of restrictions on the physical movement and congregation of our employees, partners and customers to limit the spread of COVID-19. If the COVID-19 pandemic starts to have a substantial impact on the productivity of our employees and partners or a continued substantial impact on the attendance of our employees at a wide range of events or a continued and substantial impact on the ability of our customers to purchase our offerings, our results of operations and overall financial performance may be harmed.

The duration and extent of the impact from the COVID-19 pandemic depends on future developments that cannot be accurately predicted at this time, such as the severity and transmission rate of the virus, the extent and effectiveness of containment actions, the disruption caused by such actions, the efficacy of vaccines and rates of vaccination in various states and countries, and the impact of these and other factors on our employees, customers, partners, vendors and the global economy. If we are not able to respond to and manage the impact of such events effectively, our business will be harmed.

To the extent the COVID-19 pandemic adversely affects our business and financial results, it may also have the effect of heightening many of the other risks described in this "Risk Factors" section, including, in particular, risks related to our ability to secure customer

renewals, the addition of new customers and increased revenue from existing customers, risks that our operating results could be negatively affected by changes in the sizes or types of businesses that purchase our platform and the risk that weakened global economic conditions may harm our industry, business and results of operations.

***If we cannot successfully execute on our strategy and continue to develop and effectively market solutions that anticipate and respond to the needs of our customers, our business, operating results and financial condition may suffer.***

The market for software intelligence solutions is at an early stage of development and is characterized by constant change and innovation, and we expect it to continue to rapidly evolve. Moreover, many of our customers operate in industries characterized by changing technologies and business models, which require them to develop and manage increasingly complex software application and IT infrastructure environments. Our future success, if any, will be based on our ability to consistently provide our customers with a unified, real-time view into the performance of their software applications and IT infrastructure, provide notification and prioritization of degradations and failures, perform root cause analysis of performance issues, and analyze the quality of their end users' experiences and the resulting impact on their businesses and brands. If we do not respond to the rapidly changing needs of our customers by developing and making available new solutions and solution enhancements that can address evolving customer needs on a timely basis, our competitive position and business prospects will be harmed.

In addition, the process of developing new technology is complex and uncertain, and if we fail to accurately predict customers' changing needs and emerging technological trends, our business could be harmed. We believe that we must continue to dedicate significant resources to our research and development efforts, including significant resources to developing new solutions and solution enhancements before knowing whether the market will accept them. For example, we made significant investments in our new application security offering. Our new solutions and solution enhancements, including our new application security offering, could fail to attain sufficient market acceptance for many reasons, including:

- delays in releasing new solutions or enhancements to the market;
- delays or failures to provide updates to customers to maintain compatibility between Dynatrace® and the various applications and platforms being used in the customers' applications and multicloud environments;
- failures to accurately predict market or customer demands;
- inability of our sales and marketing teams or those of our partners to sell solutions for new markets and product categories;
- defects, errors or failures in the design or performance of our new solutions or solution enhancements;
- negative publicity about the performance or effectiveness of our solutions;
- the introduction or anticipated introduction of competing products by our competitors; and
- the perceived value of our solutions or enhancements relative to their cost.

To the extent we are not able to continue to execute on our business model to timely and effectively develop and market applications to address these challenges and attain market acceptance, our business, operating results and financial condition will be adversely affected.

Further, we may make changes to our solutions that our customers do not value or find useful. We may also discontinue certain features, begin to charge for certain features that are currently free or increase fees for any of our features or usage of our solutions. If our new solutions, enhancements or pricing strategies do not achieve adequate acceptance in the market, our competitive position will be impaired, our revenue may decline or grow more slowly than expected and the negative impact on our operating results may be particularly acute, and we may not receive a return on our investment in the upfront research and development, sales and marketing and other expenses we incur in connection with new solutions or solution enhancements.

In addition, should customers incur damages as a result of our solutions' failure to perform as expected, for example by failing to detect security risks, the affected customer(s) may seek to terminate their contracts with or recover their damages from us and we may be exposed to reputational harm.

***If our platform and solutions do not effectively interoperate with our customers' existing or future IT infrastructures, installations of our solutions could be delayed or canceled, which would harm our business.***

Our success depends on the interoperability of our platform and solutions with third-party operating systems, applications, cloud platform, data and devices that we have not developed and do not control. Any changes in such operating systems, applications, cloud platforms, data or devices that degrade the functionality of our platform or solutions or give preferential treatment to competitive software could adversely affect the adoption and usage of our platform. We may not be successful in adapting our platform or solutions to operate effectively with these systems, applications, cloud platforms, data or devices. If it is difficult for our customers to

access and use our platform or solutions, or if our platform or solutions cannot connect a broadening range of applications, data and devices, then our customer growth and retention may be harmed, and our business and operating results could be adversely affected.

Multicloud deployments utilize multiple third-party platforms and technologies, and these technologies are updated to new versions at a rapid pace. As a result, we deliver frequent updates to our solutions designed to maintain compatibility and support for our customers' changing technology environments and ensure our solutions' ability to continue to monitor the customer's applications. If our solutions fail to work with any one or more of these technologies or applications, or if our customers fail to install the most recent updates and versions of our solutions that we offer, our solutions will be unable to continuously monitor our customer's critical business applications.

Ensuring that our solutions are up-to-date and compatible with the technology and multicloud platforms utilized by our customers is critical to our success. We have formed alliances with many technology and cloud platform providers to provide updates to our solutions to maintain compatibility. We work with technology and cloud platform providers to understand and align updates to their product roadmaps and engage in early access and other programs to ensure compatibility of our solutions with the technology vendor's generally available release. If our relations with our technology partners degrades or ceases we may be unable to deliver these updates, or if our customers fail to install the most recent updates and versions of our solutions that we offer, then our customers' ability to benefit from our solution may decrease significantly and, in some instances, may require the customer to de-install our solution due to the incompatibility of our solution with the customer's applications.

***Our future revenues and operating results will be harmed if we are unable to acquire new customers, if our customers do not renew their contracts with us, or if we are unable to expand sales to our existing customers or develop new solutions that achieve market acceptance.***

To continue to grow our business, it is important that we continue to attract new customers to purchase and use our solutions. Our success in attracting new customers depends on numerous factors, including our ability to:

- offer a compelling software intelligence platform and solutions;
- execute our sales and marketing strategy;
- effectively identify, attract, on-board, train, develop, motivate and retain new sales, marketing, professional services and support personnel in the markets we pursue;
- develop or expand relationships with technology partners, systems integrators, resellers, online enterprise marketplaces and other partners including hyperscalers such as Amazon Web Services, Google Cloud Platform, Microsoft Azure, IBM Red Hat and others, some of which may also compete with us;
- expand into new geographies and markets, including the business intelligence and data analytics market;
- deploy our platform and solutions for new customers; and
- provide quality customer support and professional services.

Our customers have no obligation to renew their maintenance, SaaS and/or term-license agreements, and our customers may decide not to renew these agreements with a similar contract period, at the same prices and terms or with the same or a greater number of licenses. Although our customer retention rate has historically been strong, some of our customers have elected not to renew their agreements with us, and it is difficult to accurately predict long-term customer retention, churn and expansion rates. Our customer retention and expansion rates may decline or fluctuate as a result of a number of factors, including our customers' satisfaction with our solutions platform, our customer support and professional services, our prices and pricing plans, the competitiveness of other software products and services, reductions in our customers' spending levels, user adoption of our solutions, deployment success, utilization rates by our customers, new product releases and changes to our product offerings. If our customers do not renew their maintenance, SaaS and/or term-license agreements, or renew on less favorable terms, our business, financial condition and operating results may be adversely affected.

Our ability to increase revenue also depends in part on our ability to increase deployment of our solutions by existing customers. Our ability to increase sales to existing customers depends on several factors, including their experience with implementing and using our platform and the existing solutions they have implemented, their ability to integrate our solutions with existing technologies, and our pricing model. A failure to increase sales to existing customers could adversely affect our business, operating results and financial condition.

***Failure to effectively expand our sales and marketing capabilities could harm our ability to execute on our business plan, increase our customer base and achieve broader market acceptance of our applications.***

Our ability to increase our customer base and achieve broader market acceptance of our solutions will depend to a significant extent on the ability of our sales and marketing organizations to work together to drive our sales pipeline and cultivate customer and partner

relationships to drive revenue growth. We have invested in and plan to continue expanding our sales and marketing organizations, both domestically and internationally. We also plan to dedicate significant resources to sales and marketing programs, including lead generation activities and brand awareness campaigns, such as our industry events, webinars and user events with an increased investment in digital or online activities. If we are unable to effectively identify, hire, on-board, train, develop, motivate and retain talented sales personnel or marketing personnel or if our new sales personnel or marketing personnel or online investments are unable to achieve desired productivity levels in a reasonable period of time, our ability to increase our customer base and achieve broader market acceptance of our applications could be harmed.

***We face significant competition, which may adversely affect our ability to add new customers, retain existing customers and grow our business.***

The markets in which we compete are highly competitive, fragmented, evolving, complex and defined by rapidly changing technology and customer demands, and we expect competition to continue to increase in the future. A number of companies, some of which are larger and have more resources than we do, have developed or are developing products and services that currently, or in the future may, compete with some or all of our solutions. This competition could result in increased pricing pressure, reduced profit margins, increased sales and marketing expenses and our failure to increase, or loss of, market share, any of which could adversely affect our business, operating results and financial condition.

We compete either directly or indirectly with application performance monitoring vendors such as Cisco, Broadcom, and New Relic, infrastructure monitoring vendors such as Datadog and Nagios, Digital Experience Management vendors such as Akamai and Catchpoint, point solutions from cloud providers such as Amazon Web Services, or AWS, Microsoft Azure and Google Cloud Platform, and other business intelligence and monitoring and analytics providers that provide some portion of the services that we provide. Our competitors may have longer-term and more extensive relationships with our existing and potential customers that provide them with an advantage in competing for business with those customers. Further, to the extent that one of our competitors establishes or strengthens a cooperative relationship with, or acquires one or more software application performance monitoring, data analytics, compliance or network visibility vendors, it could adversely affect our ability to compete.

We may also face competition from companies entering our market, which has a relatively low barrier to entry in some segments, including large technology companies that could expand their platforms or acquire one of our competitors. Many existing and potential competitors enjoy substantial competitive advantages, such as:

- larger sales and marketing budgets and resources;
- access to larger customer bases which often provide incumbency advantages;
- broader global distribution and presence;
- the ability to bundle competitive offerings with other products and services;
- greater brand recognition and longer operating histories;
- lower labor and development costs;
- greater resources to make acquisitions;
- larger and more mature intellectual property portfolios; and
- substantially greater financial, technical, management and other resources.

Additionally, in certain circumstances, and particularly among large enterprise technology companies that have complex and large software application and IT infrastructure environments, customers may elect to build in-house solutions to address their software intelligence needs. Any such in-house solutions could leverage open source software, and therefore be made generally available at little or no cost.

These competitive pressures in our markets or our failure to compete effectively may result in fewer customers, price reductions, fewer orders, reduced revenue and gross profit, and loss of market share. Any failure to meet and address these factors could materially and adversely affect our business, operating results and financial condition.

***If the prices we charge for our solutions and services are unacceptable to our customers, our operating results will be harmed.***

As the market for our solutions matures, or as new or existing competitors introduce new products or services that compete with ours, we may experience pricing pressure and be unable to renew our agreements with existing customers or attract new customers at prices that are consistent with our current pricing model and operating budget. If this were to occur, it is possible that we would have to change our pricing model or reduce our prices, which could harm our revenue, gross margin and operating results. Pricing decisions may also impact the mix of adoption among our licensing and subscription models, and negatively impact our overall revenue. Moreover, large enterprises, which we expect will account for a large portion of our business in the future, may demand substantial

price concessions. If we are, for any reason, required to reduce our prices, our revenue, gross margin, profitability, financial position and cash flow may be adversely affected.

***We expect our billings and revenue mix to vary over time, which could harm our gross margin, cash flows, and operating results.***

Our historical expansion with customers has typically been achieved by executing additional contracts, each with unique pricing and anniversary dates. We are transitioning to a program that combines these contracts into one single, often multi-year contract per customer with one single anniversary date, which may result in variability in the timing and amounts of our billings which could impact our operating results, including our deferred revenue and our remaining performance obligations. In addition, our transition away from perpetual licenses will continue to have the effect of reducing our deferred revenue balance.

Our gross margins, cash flows and operating results could also be harmed by further changes in billings and revenue mix and costs, together with numerous other factors, including: entry into new lower margin markets or growth in lower margin markets; entry into markets with different pricing and cost structures; pricing discounts; and increased price competition. Any one of these factors or the cumulative effects of certain of these factors may result in significant fluctuations in our revenues, billings, gross margin, and operating results. This variability and unpredictability could result in our failure to meet internal expectations or those of securities analysts or investors for a particular period. If we fail to meet or exceed such expectations for these or any other reasons, the market price of our common stock could decline.

***If we are unable to maintain successful relationships with our partners, or if our partners fail to perform, our ability to market, sell and distribute our applications and services will be limited, and our business, operating results and financial condition could be harmed.***

In addition to our sales force, we rely on partners, including our strategic partners to increase our sales and distribution of our software and services. We also have independent software vendor partners whose integrations may increase the breadth of the ecosystem in which our solutions can operate, and the size of the market that our solutions can address. We are dependent on these partner relationships to contribute to enabling our sales growth. We expect that our future growth will be increasingly dependent on the success of our partners and our partner relationships, and if those partnerships do not provide such benefits, our ability to grow our business will be harmed. If we are unable to scale our partner relationships effectively, or if our partners are unable to serve our customers effectively, we may need to expand our services organization, which could adversely affect our results of operations.

Our agreements with our partners are generally non-exclusive, meaning our partners may offer products from several different companies to their customers or have their products or technologies also interoperate with products and technologies of other companies, including products that compete with our offerings. Moreover, some of our partners also compete with us. If our partners do not effectively market and sell our offerings, choose to use greater efforts to market and sell their own products or those of our competitors or fail to meet the needs of our customers, our ability to grow our business and sell our offerings will be harmed. Furthermore, our partners may cease marketing our offerings with limited or no notice and with little or no penalty, and new partners could require extensive training and may take several months or more to achieve productivity. The loss of a substantial number of our partners, our possible inability to replace them or our failure to recruit additional partners could harm our results of operations. Our partner structure could also subject us to lawsuits or reputational harm if, for example, a partner misrepresents the functionality of our offerings to customers or violates applicable laws or our corporate policies.

***We believe that our brand is integral to our future success and if we fail to cost-effectively promote or protect our brand, our business and competitive position may be harmed.***

We believe that maintaining and enhancing our brand and increasing market awareness of our company and our solutions are critical to achieving broad market acceptance of our existing and future solutions and are important elements in attracting and retaining customers, partners and employees, particularly as we continue to expand internationally and introduce new products. In addition, independent industry analysts, such as Gartner and Forrester, often provide reviews of our solutions, as well as those of our competitors, and perception of our solutions in the marketplace may be significantly influenced by these reviews. We have no control over what these or other industry analysts report, and because industry analysts may influence current and potential customers, our brand could be harmed if they do not provide a positive review of our solutions or view us as a market leader.

The successful promotion of our brand and the market's awareness of our solutions and platform will depend largely upon our ability to continue to offer enterprise-grade software intelligence solutions, our ability to be thought leaders in application intelligence, our marketing efforts and our ability to successfully differentiate our solutions from those of our competitors. We have invested, and expect to continue to invest, substantial resources to promote and maintain our brand and generate sales leads, both domestically and internationally, but there is no guarantee that our brand development strategies will enhance the recognition of our brand or lead to increased sales. If our efforts to promote and maintain our brand are not cost-effective or successful, our operating results and our ability to attract and retain customers, partners and employees may be adversely affected. In addition, even if our brand recognition and customer loyalty increases, this may not result in increased sales of our solutions or higher revenue.

***Our sales cycles can be long, unpredictable and vary seasonally, which can cause significant variation in the number and size of transactions that close in a particular quarter.***

Our results of operations may fluctuate, in part, because of the resource-intensive nature of our sales efforts, the length and variability of the sales cycle for our platform and the difficulty in making short-term adjustments to our operating expenses. Many of our customers are large enterprises, whose purchasing decisions, budget cycles and constraints and evaluation processes are unpredictable and out of our control. The length of our sales cycle, from initial evaluation to payment for our subscriptions can range from several months to over a year and can vary substantially from customer to customer. Our sales efforts involve significant investment of resources in field sales, partner development, marketing and educating our customers about the use, technical capabilities and benefits of our platform and services. Customers often undertake a prolonged evaluation process, which frequently involves not only our platform but also those of other companies or the consideration of internally developed alternatives including those using open-source software. Some of our customers initially deploy our platform on a limited basis, with no guarantee that they will deploy our platform widely enough across their organization to justify our substantial pre-sales investment. As a result, it is difficult to predict exactly when, or even if, we will make a sale to a potential customer or if we can increase sales to our existing customers. Large individual sales have, in some cases, occurred in quarters subsequent to those we anticipated, or have not occurred at all. If our sales cycle lengthens or our substantial upfront investments do not result in sufficient revenue to justify our investments, our operating results could be adversely affected.

We have experienced seasonal and end-of-quarter concentration of our transactions and variations in the number and size of transactions that close in a particular quarter, which impacts our ability to grow revenue over the long term and plan and manage cash flows and other aspects of our business and cost structure. Our transactions vary by quarter, with the third fiscal quarter typically being our largest. In addition, within each quarter, a significant portion of our transactions occur in the last two weeks of that quarter. If expectations for our business turn out to be inaccurate, our revenue growth may be adversely affected over time and we may not be able to adjust our cost structure on a timely basis and our cash flows and results of operations may suffer.

***Any failure to offer high-quality customer support and professional services may adversely affect our relationships with our customers and our financial results.***

We typically bundle customer support with arrangements for our solutions, and offer professional services for implementation and training. In deploying and using our platform and solutions, our customers may require the assistance of our services teams to resolve complex technical and operational issues. Increased customer demand for support, without corresponding revenue, could increase costs and adversely affect our operating results. We may also be unable to respond quickly enough to accommodate short-term increases in customer demand for support. If we fail to meet our service level commitments, which relate to uptime, response times, escalation procedures, and time to problem resolution, or if we suffer extended periods of unavailability for our solutions, we may be contractually obligated to provide these customers with service credits or penalties, refunds for prepaid amounts related to unused subscription services, or we could face contract terminations. Our sales are highly dependent on our reputation and on positive recommendations from our existing customers. Any failure to maintain high-quality customer support and professional services, or a market perception that we do not maintain high-quality product support or services, could adversely affect our reputation, and our ability to sell our solutions to existing and new customers.

***Our ability to succeed depends on the experience and expertise of our senior management team. If we are unable to retain and motivate our personnel, our business, operating results and prospects may be harmed.***

Our ability to succeed depends in significant part on the experience and expertise of our senior management team, including our CEO and other executive officers. The members of our senior management team are employed on an at-will basis, which means that they are not contractually obligated to remain employed with us and could terminate their employment with us at any time. Accordingly, and in spite of our efforts to retain our senior management team, any member of our senior management team could terminate his or her employment with us at any time and go to work for one of our competitors, after the expiration of any applicable non-compete period, which may be difficult to enforce depending on the circumstances. The loss of one or more members of our senior management team, particularly if closely grouped, could adversely affect our ability to formulate and execute our business plan and thus, our business, operating results and prospects could be adversely affected. If we fail to develop effective succession plans for our senior management team, and to identify, recruit, onboard, train and integrate strategic hires, our business, operating results and financial condition could be adversely affected.

***We rely on highly skilled personnel and, if we are unable to attract, retain or motivate substantial numbers of qualified personnel or expand and train our sales force, we may not be able to grow effectively.***

Our success largely depends on the talents and efforts of key technical, sales and marketing employees and our future success depends on our continuing ability to effectively identify, hire, on-board, train, develop, motivate and retain highly skilled personnel for all areas of our organization. Competition in our industry is intense and often leads to increased compensation and other personnel costs. In addition, competition for employees with experience in our industry can be intense, particularly in Europe, where our research and

development operations are concentrated and where other technology companies compete for management and engineering talent. Our continued ability to compete and grow effectively depends on our ability to attract substantial numbers of qualified new employees and to retain and motivate our existing employees.

***We believe that our corporate culture has contributed to our success, and if we cannot successfully maintain our culture as we grow, we could lose the innovation, creativity and teamwork fostered by our culture.***

We believe that a critical component to our success has been our corporate culture. We believe our culture has contributed significantly to our abilities to innovate and develop new technologies, and to attract and retain employees. We have spent substantial time and resources in building our team while maintaining this corporate culture. We have experienced rapid growth in our employee headcount and international presence. The rapid influx of large numbers of people from different business backgrounds in different geographic locations may make it difficult for us to maintain our corporate culture of innovation. If our culture is negatively affected, our ability to support our growth and innovation may diminish.

***Our debt obligations contain restrictions that impact our business and expose us to risks that could adversely affect our liquidity and financial condition.***

At March 31, 2021, we had approximately \$425.0 million of aggregate indebtedness, as defined in the Credit Agreement, consisting of \$401.1 million outstanding under our first lien term loan facility, \$15.6 million outstanding under a \$25.0 million letter of credit sub-facility and \$9.2 million in unamortized debt issuance fees. Under our first lien term loan facility, we are required to repay approximately \$2.4 million of principal at the end of each quarter (commencing March 31, 2019) and are required to pay accrued interest on the last day of each interest accrual period. During the second quarter of fiscal 2020, we repaid all outstanding borrowings and accrued interest under our second lien term loan facility and recognized a loss on debt extinguishment of \$2.7 million within “Interest expense, net” in the consolidated statements of operations for the year ended March 31, 2020. Interest accrual periods under each loan facility are typically one month in duration. The actual amounts of our debt servicing payments vary based on the amounts of indebtedness outstanding, the applicable interest accrual periods and the applicable interest rates, which vary based on prescribed formulas. Our cash paid for interest was approximately \$12.5 million, \$39.6 million, and \$41.0 million during the years ended March 31, 2021, 2020, and 2019, respectively.

The credit and guaranty agreement, which we refer to as our Credit Agreement, governing our term loan facility and our revolving credit facility, which we refer to as our Credit Facility, contains various covenants that are operative so long as our Credit Facility remains outstanding. The covenants, among other things, limit our and certain of our subsidiaries’ abilities to:

- incur additional indebtedness or guarantee indebtedness of others;
- create additional liens on our assets;
- pay dividends and make other distributions on our capital stock, and redeem and repurchase our capital stock;
- make investments, including acquisitions;
- make capital expenditures;
- enter into mergers or consolidations or sell assets;
- engage in sale and leaseback transactions; or
- enter into transactions with affiliates.

Our Credit Facility also contains numerous affirmative covenants, including financial covenants. Even if our Credit Facility is terminated, any additional debt that we incur in the future could subject us to similar or additional covenants. For a more detailed description of our indebtedness, see Note 9 to our consolidated financial statements.

If we experience a decline in cash flow due to any of the factors described in this “Risk Factors” section or otherwise, we may have difficulty paying the interest and principal amount of our outstanding indebtedness and meeting the financial covenants set forth in our Credit Facility. If we are unable to generate sufficient cash flow or otherwise to obtain the funds necessary to make required payments under our Credit Facility, or if we fail to comply with the various requirements of our indebtedness, we could default under our Credit Facility. Our Credit Facility also contains provisions that trigger repayment obligations or an event of default upon a change of control, as well as various representations and warranties which, if breached, could lead to an event of default. Any such default that is not cured or waived could result in an acceleration of indebtedness then outstanding under our Credit Facility, an increase in the applicable interest rates under our Credit Facility, and a requirement that our subsidiaries that have guaranteed our Credit Facility pay the obligations in full, and would permit the lenders to exercise remedies with respect to all of the collateral that is securing our Credit Facility, including substantially all of our and our subsidiary guarantors’ assets. We cannot be certain that our future operating results will be sufficient to ensure compliance with the covenants in our Credit Agreement or to remedy any defaults under our Credit Agreement. In addition, in the event of any default and related acceleration, we may not have or be able to obtain sufficient funds to

make any accelerated payments. Any such default could have a material adverse effect on our liquidity, financial condition and results of operations.

***Our substantial level of indebtedness could materially and adversely affect our financial condition.***

We now have, and expect to continue to have, significant indebtedness that could result in a material and adverse effect on our business by:

- increasing our vulnerability to general adverse economic and industry conditions;
- requiring us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures, acquisitions, research and development efforts and other general corporate purposes;
- limiting our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate; and
- exposing us to the risk of increased interest rates as certain of our borrowings are, and may in the future be, at variable interest rates.

The occurrence of any one of these events could have a material adverse effect on our business, financial condition, results of operations and ability to satisfy our obligations under our Credit Facility.

We may need to refinance all or a portion of our indebtedness, including our Credit Facility, at or before maturity. We may not be able to accomplish any of these alternatives on terms acceptable to us, or at all. In addition, our existing Credit Agreement restricts us, and future credit agreements may restrict us, from adopting any of these alternatives. The failure to generate sufficient cash flow or to achieve any of these alternatives could materially adversely affect our ability to pay the amounts due under our Credit Agreement.

***Failure to maintain our credit ratings could adversely affect our liquidity, capital position, ability to hedge certain financial risks, borrowing costs and access to capital markets.***

Our credit risk is evaluated by the major independent rating agencies, and such agencies have in the past and could in the future downgrade our ratings. We cannot assure you that we will be able to maintain our current credit ratings, and any additional actual or anticipated changes or downgrades in our credit ratings, including any announcement that our ratings are under further review for a downgrade, may have a negative impact on our liquidity, capital position, ability to hedge certain financial risks and access to capital markets. In addition, changes by any rating agency to our outlook or credit rating could increase the interest we pay on outstanding or future debt.

**Risks Related to Information Technology, Intellectual Property, and Data Security and Privacy**

***Security breaches, computer malware, computer hacking attacks and other security incidents could harm our business, reputation, brand and operating results.***

Security incidents have become more prevalent across industries and may occur on our systems, or on the systems of third parties we use to host our solutions or SaaS solutions that we use in the operation of our business, or on those third party hosting platforms on which our customers' host their systems. These security incidents may be caused by or result in but are not limited to security breaches, computer malware or malicious software, ransomware, computer hacking, denial of service attacks, security system control failures in our own systems or from vendors we or our customers use, email phishing, software vulnerabilities, social engineering, sabotage, drive-by downloads and the malfeasance of our own or our customers' employees. In particular, because we utilize a multi-tenant platform, any security breach could potentially affect a significant amount of our customers. The consequences of a security incident may be more severe if customers have chosen to configure our platform to collect and store confidential, personal, sensitive or proprietary information. Such security incidents, whether intentional or otherwise, may result from actions of employees, hackers, criminals, nation states, vendors, contractors, customers or other threat actors. We have experienced a small number of email phishing attacks that resulted in the compromise of a limited number of email accounts. Although we have taken significant measures to detect, effectively remediate and prevent future phishing and other attacks and security threats, we cannot be certain that our efforts will be effective to prevent and remediate all attacks and security threats.

Cyber incidents have been increasing in sophistication and frequency and can include employees or third parties gaining access to employee or customer data using stolen or inferred credentials, computer malware, viruses, spamming, phishing attacks, ransomware, card skimming code, and other deliberate attacks and attempts to gain unauthorized access. As a result, unauthorized access to, security breaches of, or denial-of-service attacks against our platform could result in the unauthorized access to or use of, and/or loss of, such data, as well as loss of intellectual property, customer data, employee data, trade secrets, or other confidential or proprietary information.

We and certain of our service providers have experienced and may in the future experience disruptions, outages and other performance problems on our internal systems due to service attacks, unauthorized access or other security related incidents. Any security breach or loss of system control caused by hacking, which involves efforts to gain unauthorized access to information or systems, or to cause intentional malfunctions or loss, modification or corruption of data, software, hardware or other computer equipment and the inadvertent transmission of computer malware could harm our business, operating results and financial condition, and expose us to claims arising from loss or unauthorized disclosure of confidential or personal information or data and the related breach of our contracts with customers or others, or of privacy or data security laws. If an actual or perceived security incident occurs, the market perception of the effectiveness of our security controls could be harmed, our brand and reputation could be damaged, we could lose customers, and we could suffer financial exposure due to such events or in connection with remediation efforts, investigation costs, regulatory fines including fines assessed under the European General Data Protection Regulation, or GDPR, or other privacy laws, private lawsuits and changed security control, system architecture and system protection measures.

We may in the future experience disruptions, outages and other performance problems on the systems that we host for our customers due to service attacks, unauthorized access or other security related incidents. Any security breach or loss of system control caused by hacking, which involves efforts to gain unauthorized access to information or systems, or to cause intentional malfunctions or loss, modification or corruption of data, software, hardware or other computer equipment and the inadvertent transmission of computer malware could disrupt the services that we provide to our customers, harm our customers' business, operating results and financial condition, and expose us to claims from our customers for the damages that result, which could include, without limitation, claims arising from loss or unauthorized access, acquisition or disclosure of confidential or personal information or data and the related breach of privacy or data security laws. If an actual or perceived security incident occurs, the market perception of the effectiveness of our security controls could be harmed, our brand and reputation could be damaged, we could lose customers, and we could suffer financial exposure due to such events or in connection with remediation efforts, investigation costs, regulatory fines including fines assessed under GDPR or other privacy laws, private lawsuits and changed security control, system architecture and system protection measures.

We have administrative, technical, and physical security measures in place, as well as policies and procedures in place to contractually require third parties to whom we transfer data to implement and maintain appropriate security measures. We also proactively employ multiple methods at different layers of our systems to defend against intrusion and attack and to protect our data. However, because the techniques used to obtain unauthorized access or to sabotage systems change frequently and generally are not identified until they are launched against or even penetrate a target, we may be unable to anticipate these techniques or to implement adequate preventative measures that will be sufficient to counter all current and emerging technology threats. We may therefore experience security breaches that may remain undetected for extended periods of time. For example, in December 2020 it was widely reported that SolarWinds, an information technology company, was the subject of a cyberattack earlier in September 2019 where the SUNBURST malicious code was injected into builds of their Orion software platform that created security vulnerabilities to customers who use Orion. We used SolarWinds Orion software and upon learning of the incident, we took recommended actions to detect any unauthorized access as well as mitigate the compromised system. More recently, SolarWinds provided an update from its investigations regarding the deployment of the malicious tool into its build environment. However, the full extent and consequences of the cyberattack may not be fully understood and, in the future, it is possible that our systems and/or data may be compromised as a result of this incident. While we do not believe at this time that the SolarWinds matter had a material impact on our systems or operations, should new or different information come to light establishing that the intrusion is broader than now known, it could have a broader impact on our systems and operations and we could incur significant costs in responding to such intrusion. This is likewise true in the event SolarWinds has an impact on our supply chain or vendors in ways that are not yet known. A vendor breach could spread to our own systems or affect our operations or financial systems in material ways we cannot yet anticipate.

Because data security is a critical competitive factor in our industry, we make statements in our privacy policies and in our marketing materials, describing the security of our platform, including descriptions of certain security measures we employ or security features embedded within our products. Should any of these statements be untrue, become untrue, or be perceived to be untrue, even if through circumstances beyond our reasonable control, or if any of these security measures or features prove to be ineffective or are perceived to be ineffective, we may face claims, including claims of unfair or deceptive trade practices or breach of regulations including GDPR, brought by the U.S. Federal Trade Commission, state, local or foreign regulators (e.g., a European Union-based data protection authority) or private litigants.

If any unauthorized access to our systems or data, security breach, or significant denial-of-service attack occurs or is believed to have occurred, our reputation and brand could be damaged, we could be required to expend significant capital and other resources to alleviate problems caused by such actual or perceived breaches or attacks and remediate our systems, and we could be exposed to a risk of loss, litigation or regulatory action and possible liability, some or all of which may not be covered by insurance, and our ability to operate our business may be impaired. We have in the past experienced, and may in the future experience, data security incidents affecting personal information, as well as denial-of-service attacks against our platform.

***Interruptions with the delivery of our SaaS solutions, or third-party cloud-based systems that we use in our operations, may adversely affect our business, operating results and financial condition.***

Our continued growth depends on the ability of our customers to access our platform and solutions, particularly our cloud-based solutions, at any time and within an acceptable amount of time. In addition, our ability to access certain third-party SaaS solutions is important to our operations and the delivery of our customer support and professional services, as well as our sales operations.

We have experienced, and may in the future experience, service disruptions, outages and other performance problems both in the delivery of our SaaS solutions, and in third-party SaaS solutions we use due to a variety of factors, including infrastructure changes, malicious actors including disgruntled employees, human or software errors or capacity constraints. We utilize a multi-tenant structure, meaning that, generally, our customers are hosted on a shared platform. As such, any interruption in service could affect a significant number of our customers. In some instances, we or our third-party service providers may not be able to identify the cause or causes of these performance problems within an acceptable period of time. It may become increasingly difficult to maintain and improve the performance of our SaaS solutions as they become more complex. If our SaaS solutions are unavailable or degraded or if our customers are unable to access features of our SaaS solutions within a reasonable amount of time or at all, our business would be adversely affected. In addition, if any of the third-party SaaS solutions that we use were to experience a significant or prolonged outage or security breach, our business could be adversely affected.

We currently host our Dynatrace® solutions primarily using AWS, as well as other providers of cloud infrastructure services including Microsoft Azure, Interoute and Alibaba. Our Dynatrace® solutions reside on hardware operated by these providers. Our operations depend on protecting the virtual cloud infrastructure hosted in AWS by maintaining its configuration, architecture, features and interconnection specifications, as well as the information stored in these virtual data centers and which third-party internet service providers transmit. Although we have disaster recovery plans, including the use of multiple AWS locations, any incident affecting AWS' infrastructure that may be caused by fire, flood, severe storm, earthquake or other natural disasters, cyber-attacks, terrorist or other attacks, and other similar events beyond our control could negatively affect our platform and our ability to deliver our solutions to our customers. A prolonged AWS service disruption affecting our SaaS platform for any of the foregoing reasons would negatively impact our ability to serve our customers and could damage our reputation with current and potential customers, expose us to liability, cause us to lose customers or otherwise harm our business. We may also incur significant costs for using alternative equipment or taking other actions in preparation for, or in reaction to, events that damage the AWS services we use.

AWS has the right to terminate our agreement upon material uncured breach on 30 days' prior written notice. In the event that our AWS service agreements are terminated, or there is a lapse of service, we would experience interruptions in access to our platform as well as significant delays and additional expense in arranging new facilities and services and/or re-architecting our solutions for deployment on a different cloud infrastructure, which would adversely affect our business, operating results and financial condition.

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

Our risks are significantly affected by the data that customers elect to monitor and how they configure the tools available to them to mask personal data. Our customers determine the notices that they provide to data subjects as well as the consents that they obtain, if they do in fact, obtain consent. As such, our risks are also affected by how our customers obtain consent or provide transparency to the individuals whose data is collected. If our customers fail to comply with applicable law or fail to provide adequate notice or to obtain consent we could be exposed to a risk of loss, litigation or regulatory action and possible liability, some or all of which may not be covered by insurance, and our ability to operate our business may be impaired.

***Real or perceived errors, failures, defects or vulnerabilities in our solutions could adversely affect our financial results and growth prospects.***

Our solutions and underlying platform are complex, and in the past, we or our customers have discovered software errors, failures, defects and vulnerabilities in our solutions after they have been released, including after new versions or updates are released. Our solutions and our platform are often deployed and used in large-scale computing environments with different operating systems, system management software and equipment and networking configurations, which have in the past, and may in the future, cause errors in, or failures of, our solutions or other aspects of the computing environment into which they are deployed. In addition, deployment of our solutions into complicated, large-scale computing environments have in the past exposed, and may, in the future, expose undetected errors, failures, defects or vulnerabilities in our solutions. Despite testing by us, errors, failures, defects or vulnerabilities may not be found in our solutions until they are released to our customers or thereafter. Real or perceived errors, failures, defects or vulnerabilities in our solutions could result in, among other things, negative publicity and damage to our reputation, lower renewal rates, loss of or delay in market acceptance of our solutions, loss of competitive position or claims by customers for losses sustained by them or expose us to breach of contract claims, regulatory fines and related liabilities. If vulnerabilities in our solutions are exploited by third parties, our customers could experience damages or losses for which our customers seek to hold us accountable. In the case of real or perceived errors, failures, defects or vulnerabilities in our solutions giving rise to claims by

customers, we may be required, or may choose, for regulatory, contractual, customer relations or other reasons, to expend additional resources in order to help correct the problem.

***Assertions by third parties of infringement or other violations by us of their intellectual property rights, or other lawsuits brought against us, could result in significant costs and substantially harm our business, operating results and financial condition.***

Patent and other intellectual property disputes are common in the markets in which we compete. Some companies in the markets in which we compete, including some of our competitors, own large numbers of patents, copyrights, trademarks and trade secrets, which they may use to assert claims of infringement, misappropriation or other violations of intellectual property rights against us, our partners, our technology partners or our customers. As the number of patents and competitors in our market increase, allegations of infringement, misappropriation and other violations of intellectual property rights may also increase. Our broad solution portfolio and the competition in our markets further exacerbate the risk of additional third-party intellectual property claims against us in the future. Any allegation of infringement, misappropriation or other violation of intellectual property rights by a third party, even those without merit, could cause us to incur substantial costs and resources defending against the claim, could distract our management from our business, and could cause uncertainty among our customers or prospective customers, all of which could have an adverse effect on our business, operating results and financial condition. We cannot assure you that we are not infringing or otherwise violating any third-party intellectual property rights.

Furthermore, companies that bring allegations against us may have the capability to dedicate substantially greater resources to enforce their intellectual property rights and to defend against similar allegations that may be brought against them than we do. We have received, and may in the future receive, notices alleging that we have misappropriated, misused or infringed other parties' intellectual property rights, including allegations made by our competitors, and, to the extent we gain greater market visibility, we face a higher risk of being the subject of intellectual property infringement assertions. There also is a market for acquiring third-party intellectual property rights and a competitor, or other entity, could acquire third-party intellectual property rights and pursue similar assertions based on the acquired intellectual property. They may also make such assertions against our customers or partners.

An adverse outcome of a dispute may require us to take several adverse steps such as: pay substantial damages, including potentially treble damages, if we are found to have willfully infringed a third party's patents or copyrights; cease making, using, selling, licensing, importing or otherwise commercializing solutions that are alleged to infringe or misappropriate the intellectual property of others; expend additional development resources to attempt to redesign our solutions or otherwise to develop non-infringing technology, which may not be successful; enter into potentially unfavorable royalty or license agreements in order to obtain the right to use necessary technologies or intellectual property rights or have royalty obligations imposed by a court; or indemnify our customers, partners and other third parties. Any damages or royalty obligations we may become subject to, any prohibition against our commercializing our solutions as a result of an adverse outcome could harm our business and operating results.

Additionally, our agreements with customers and partners include indemnification provisions, under which we agree to indemnify them for losses suffered or incurred as a result of allegations of intellectual property infringement and, in some cases, for damages caused by us to property or persons or other third-party allegations. Furthermore, we have agreed in certain instances to defend our partners against third-party claims asserting infringement of certain intellectual property rights, which may include patents, copyrights, trademarks or trade secrets, and to pay judgments entered on such assertions. Large indemnity payments could harm our business, operating results and financial condition.

***Failure to protect and enforce our proprietary technology and intellectual property rights could substantially harm our business, operating results and financial condition.***

The success of our business depends on our ability to protect and enforce our proprietary rights, including our patents, trademarks, copyrights, trade secrets and other intellectual property rights, throughout the world. We attempt to protect our intellectual property under patent, trademark, copyright and trade secret laws, and through a combination of confidentiality procedures, contractual provisions and other methods, all of which offer only limited protection. However, the steps we take to protect our intellectual property may be inadequate. We will not be able to protect our intellectual property if we are unable to enforce our rights or if we do not detect unauthorized use of our intellectual property. Despite our precautions, it may be possible for unauthorized third parties to copy our technology and use information that we regard as proprietary to create products and services that compete with ours. In the past, we have been made aware of public postings of portions of our source code. It is possible that released source code could reveal some of our trade secrets, and impact our competitive advantage. Some license provisions protecting against unauthorized use, copying, transfer, reverse engineering, and disclosure of our technology may be unenforceable under the laws of certain jurisdictions and foreign countries. Further, the laws of some countries do not protect proprietary rights to the same extent as the laws of the United States. In expanding our international activities, our exposure to unauthorized copying and use of our technology and proprietary information may increase.

As of March 31, 2021, we had 84 issued patents, 67 of which are in the United States, and 29 pending applications, of which 21 are in the United States. Our issued patents expire at various dates through April 2039. The process of obtaining patent protection is

expensive and time-consuming, and we may not be able to prosecute all necessary or desirable patent applications at a reasonable cost or in a timely manner. We may choose not to seek patent protection for certain innovations and may choose not to pursue patent protection in certain jurisdictions. Furthermore, it is possible that our patent applications may not result in issued patents, that the scope of the claims in our issued patents will be insufficient or not have the coverage originally sought, that our issued patents will not provide us with any competitive advantages, and that our issued patents and other intellectual property rights may be challenged by others or invalidated through administrative process or litigation. In addition, issuance of a patent does not guarantee that we have an absolute right to practice our patented technology, or that we have the right to exclude others from practicing our patented technology. As a result, we may not be able to obtain adequate patent protection or to enforce our issued patents effectively.

In addition to patented technology, we rely on our unpatented proprietary technology and trade secrets. Despite our efforts to protect our proprietary technology and trade secrets, unauthorized parties may attempt to misappropriate, reverse engineer or otherwise obtain and use them. The contractual provisions that we enter into with employees, consultants, partners, vendors and customers may not prevent unauthorized use or disclosure of our proprietary technology or trade secrets and may not provide an adequate remedy in the event of unauthorized use or disclosure of our proprietary technology or trade secrets.

Moreover, policing unauthorized use of our technologies, solutions and intellectual property is 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. We may be unable to determine the extent of any unauthorized use or infringement of our solutions, technologies or intellectual property rights.

From time to time, legal action by us may be necessary to enforce our patents and other intellectual property rights, to protect our trade secrets, to determine the validity and scope of the intellectual property rights of others or to defend against allegations of infringement or invalidity. Such litigation could result in substantial costs and diversion of resources and could negatively affect our business, operating results, financial condition and cash flows. If we are unable to protect our intellectual property rights, our business, operating results and financial condition will be harmed.

***Our use of open source technology could impose limitations on our ability to commercialize our solutions and platform and application intelligence software platform.***

We use open source software in our solutions and platform and expect to continue to use open source software in the future. Although we monitor our use of open source software to avoid subjecting our solutions and platform to conditions we do not intend, we may face allegations from others alleging ownership of, or seeking to enforce the terms of, an open source license, including by demanding release of the open source software, derivative works, or our proprietary source code that was developed using such software. These allegations could also result in litigation. The terms of many open source licenses have not been interpreted by U.S. courts. As a result, there is a risk that these licenses could be construed in a way that could impose unanticipated conditions or restrictions on our ability to commercialize our solutions. In such an event, we could be required to seek licenses from third parties to continue offering our solutions, to make our proprietary code generally available in source code form, to re-engineer our solutions or to discontinue the sale of our solutions if re-engineering could not be accomplished on a timely basis, any of which could adversely affect our business, operating results and financial condition.

***Our participation in open source initiatives may limit our ability to enforce our intellectual property rights in certain circumstances.***

As part of our strategy to broaden our target markets and accelerate adoption of our products, we contribute software program code to certain open source projects, managed by organizations such as Microsoft, Google and Cloud Native Computing Foundation. We also undertake our own open source initiatives to promote “open innovation” and “enterprise openness,” meaning that we make technologies available under open source licenses with the goal of exchanging insights and experience with other experts in the community, broadening the adoption of our platform by our customers, and providing our partners with the ability to leverage their own technologies through the Dynatrace® platform. In some cases, we accept contributions of code from the community, our customers and partners.

When we contribute to a third-party managed open source project, the copyrights, patent rights and other proprietary rights in and to the technologies, including software program code, owned by us that we contribute to these projects are licensed to the project managers and to all other contributing parties without restriction on further use or distribution. If and to the extent that any of the technologies that we contribute, either alone or in combination with the technologies that may be contributed by others, practice any inventions that are claimed under our patents or patent applications, then we may be unable to enforce those claims or prevent others from practicing those inventions, regardless of whether such other persons also contributed to the open source project (even if we were to conclude that their use infringes our patents with competing offerings), unless any such third party asserts its patent rights against us. This limitation on our ability to assert our patent rights against others could harm our business and ability to compete. In addition, if we were to attempt to enforce our patent rights, we could suffer reputational injury among our customers and the open source community.

*Any actual or perceived failure by us to comply with stringent and evolving privacy laws or regulatory requirements in one or multiple jurisdictions, privacy and information security policies and contractual obligations could result in proceedings, actions or penalties against us.*

We are subject to federal, state, and international laws, regulations and standards relating to the collection, use, disclosure, retention, security, transfer and other processing of personal data. The legal and regulatory framework for privacy, data protection and security issues worldwide is rapidly evolving and as a result implementation standards, potential fines, enforcement practices and litigation risks are likely to remain uncertain for the foreseeable future. In addition, our contracts with customers include specific obligations regarding the protection of confidentiality and the permitted uses of personally identifiable and other proprietary information.

Internationally, virtually every jurisdiction in which we operate has established its own privacy, data protection and/or data security legal framework with which we or our customers must comply, including but not limited to the European Union. In the EU, data protection laws are stringent and continue to evolve, resulting in possible significant operational costs for internal compliance and risk to our business. The EU has adopted the GDPR, which became effective and enforceable across all then-current member states of the EU on May 25, 2018 and contains numerous requirements and changes from prior EU law, including more robust obligations on data processors and heavier documentation requirements for data protection compliance programs by companies. Specifically, the GDPR introduced numerous privacy-related changes for companies operating in the EU, including heightened notice and consent requirements, greater rights of data subjects (e.g., the “right to be forgotten”), increased data portability for EU consumers, additional data breach notification and data security requirements, requirements for engaging third-party processors, and increased fines. In particular, under the GDPR, fines of up to 20 million euros or up to 4% of the annual global revenue of the noncompliant company, whichever is greater, could be imposed for violations of certain of the GDPR’s requirements, such as failure to accurately maintain required documentation as a data processor or controller under Article 30 and other provisions of the GDPR. The GDPR also confers a private right of action on data subjects and consumer associations to lodge complaints with supervisory authorities, seek judicial remedies and obtain compensation for damages. The GDPR applies to any company established in the EU as well as any company outside the EU that processes personal data in connection with the offering of goods or services to individuals in the EU or the monitoring of their behavior. Moreover, the GDPR requirements apply not only to third-party transactions, but also to transfers of information between us and our subsidiaries, including employee information. Following the U.K.’s withdrawal from the EU on January 31, 2020 and the end of the transitional arrangements agreed between the U.K. and EU as of January 1, 2021, the GDPR has been incorporated into U.K. domestic law by virtue of section 3 of the European Union (Withdrawal) Act 2018 and amended by the Data Protection, Privacy and Electronic Communications (Amendments etc.) (EU Exit) Regulations 2019 (“U.K. GDPR”). U.K.-based organizations doing business in the EU will need to continue to comply with the EU GDPR. Further, there is uncertainty with regard to how data transfers to and from the U.K. will be regulated.

In addition to the GDPR, the EU also is considering another draft data protection regulation. The proposed regulation, known as the Regulation on Privacy and Electronic Communications, or ePrivacy Regulation, would replace the current ePrivacy Directive. Originally planned to be adopted and implemented at the same time as the GDPR, the ePrivacy Regulation has been delayed but could be enacted sometime in the relatively near future. While the new regulation contains protections for those using communications services (for example, protections against online tracking technologies), the potential timing of its enactment significantly later than the GDPR means that additional time and effort may need to be spent addressing differences between the ePrivacy Regulation and the GDPR. New rules related to the ePrivacy Regulation are likely to include enhanced consent requirements in order to use communications content and communications metadata, as well as obligations and restrictions on the processing of data from an end-user’s terminal equipment, which may negatively impact our product offerings and our relationships with our customers.

Preparing for and complying with the evolving application of the GDPR and the ePrivacy Regulation (if and when it becomes effective) has required and will continue to require us to incur substantial operational costs and may require us to change our business practices. Despite our efforts to bring practices into compliance with the GDPR and before the effective date of the ePrivacy Regulation, we may not be successful either due to internal or external factors such as resource allocation limitations. Non-compliance could result in proceedings, fines or penalties against us by governmental entities, customers, data subjects, consumer associations or others.

Additionally, the GDPR imposes strict rules on the transfer of personal data outside of the EU to countries that do not ensure an adequate level of protection, like the United States (so-called “third countries”). These transfers are prohibited unless an appropriate safeguard specified by the GDPR is implemented, such as the Standard Contractual Clauses (SCCs) approved by the European Commission or binding corporate rules, or a derogation applies. The Court of Justice of the European Union (the “CJEU”) recently deemed that transfers made pursuant to the EU SCCs and other alternative transfer mechanisms, including binding corporate rules, need to be analyzed on a case-by-case basis to ensure EU standards of data protection are met in the jurisdiction where the data importer is based, and there continue to be concerns about whether these transfer mechanisms will face additional challenges. European regulators have issued recent guidance following the CJEU case that imposes significant new diligence requirements on transferring data outside the EU, including under an approved transfer mechanism. This guidance requires an “essential equivalency” assessment of the laws of the destination country transferred. If essentially equivalent protections are not available in the destination country, the exporting entity must then assess if supplemental measures can be put in place that, in combination with the chosen

transfer mechanism, would address the deficiency in the laws and ensure that essentially equivalent protection can be given to the data. While we have taken steps to mitigate the impact on us with respect to transfers of data, such as implementing standard contractual clauses with our customers, subsidiaries and subprocessors, the validity of these transfer mechanisms remains uncertain. Complying with this guidance as it exists today and evolves will be expensive and time consuming and may ultimately prevent us from transferring personal data outside the EU, which would cause significant business disruption for ourselves and our customers and potentially require the changes in the way our products are configured, hosted and supported.

In the United States, California enacted the California Consumer Privacy Act (“CCPA”), on June 28, 2018, which became effective on January 1, 2020. The CCPA gives California residents rights to access and delete their personal information, opt out of certain personal information sharing and receive detailed information about how their personal information is used. The CCPA provides for civil penalties for violations, as well as a private right of action for data breaches that is expected to increase data breach litigation. The CCPA may increase our compliance costs and potential liability. Some observers have noted that the CCPA could mark the beginning of a trend toward more stringent privacy legislation in the U.S., which could increase our potential liability and adversely affect our business.

Additionally, a new California ballot initiative, the California Privacy Rights Act, or “CPRA,” was passed in November 2020. Effective starting on January 1, 2023, the CPRA imposes additional obligations on companies covered by the legislation and will significantly modify the CCPA, including by expanding consumers’ rights with respect to certain sensitive personal information. The CPRA also creates a new state agency that will be vested with authority to implement and enforce the CCPA and the CPRA. The effects of the CCPA and the CPRA are potentially significant and may require us to modify our data collection or processing practices and policies and to incur substantial costs and expenses in an effort to comply and increase our potential exposure to regulatory enforcement and/or litigation.

Certain other state laws impose similar privacy obligations and we also expect anticipate that more states to may enact legislation similar to the CCPA, which provides consumers with new privacy rights and increases the privacy and security obligations of entities handling certain personal information of such consumers. The CCPA has prompted a number of proposals for new federal and state-level privacy legislation. Such proposed legislation, if enacted, may add additional complexity, variation in requirements, restrictions and potential legal risk, require additional investment of resources in compliance programs, impact strategies and the availability of previously useful data and could result in increased compliance costs and/or changes in business practices and policies. Virginia has recently passed its own data protection law, the Consumer Data Protection Act, which will go into effect on January 1, 2023, at the same time as the CPRA. The Virginia Consumer Data Protection Act is similar to the CCPA with respect to its requirements and provides for civil penalties; however there is no private right of action.

The regulatory framework governing the collection, processing, storage, use and sharing of certain information, particularly financial and other personal information, is rapidly evolving and is likely to continue to be subject to uncertainty and varying interpretations. It is possible that these laws may be interpreted and applied in a manner that is inconsistent with our existing data management practices or the features of our services and platform capabilities. Any failure or perceived failure by us, or any third parties with which we do business, to comply with our posted privacy policies, changing consumer expectations, evolving laws, rules and regulations, industry standards, or contractual obligations to which we or such third parties are or may become subject, may result in actions or other claims against us by governmental entities or private actors, the expenditure of substantial costs, time and other resources or the incurrence of significant fines, penalties or other liabilities. In addition, any such action, particularly to the extent we were found to be guilty of violations or otherwise liable for damages, would damage our reputation and adversely affect our business, financial condition and results of operations.

We cannot yet fully determine the impact these or future laws, rules, regulations and industry standards may have on our business or operations. Any such laws, rules, regulations and industry standards may be inconsistent among different jurisdictions, subject to differing interpretations or may conflict with our current or future practices. Additionally, our customers may be subject to differing privacy laws, rules and legislation, which may mean that they require us to be bound by varying contractual requirements applicable to certain other jurisdictions. Adherence to such contractual requirements may impact our collection, use, processing, storage, sharing and disclosure of various types of information including financial information and other personal information, and may mean we become bound by, or voluntarily comply with, self-regulatory or other industry standards relating to these matters that may further change as laws, rules and regulations evolve. Complying with these requirements and changing our policies and practices may be onerous and costly, and we may not be able to respond quickly or effectively to regulatory, legislative and other developments. These changes may in turn impair our ability to offer our existing or planned features, products and services and/or increase our cost of doing business. As we expand our customer base, these requirements may vary from customer to customer, further increasing the cost of compliance and doing business.

We publicly post documentation regarding our practices concerning the collection, processing, use and disclosure of data. Although we endeavor to comply with our published policies and documentation, we may at times fail to do so or be alleged to have failed to do so. Any failure or perceived failure by us to comply with our privacy policies or any applicable privacy, security or data protection, information security or consumer-protection related laws, regulations, orders or industry standards could expose us to costly litigation.

significant awards, fines or judgments, civil and/or criminal penalties or negative publicity, and could materially and adversely affect our business, financial condition and results of operations. The publication of our privacy policy and other documentation that provide promises and assurances about privacy and security can subject us to potential state and federal action if they are found to be deceptive, unfair, or misrepresentative of our actual practices, which could, individually or in the aggregate, materially and adversely affect our business, financial condition and results of operations.

#### **Risks Related to Legal, Regulatory, Accounting, and Tax Matters**

##### ***Changes in U.S. tax law could adversely affect our business and financial condition.***

The laws, rules and regulations dealing with U.S. federal, state, and local income taxation are constantly under review by persons involved in the legislative process and by the Internal Revenue Service and the U.S. Treasury Department. Changes to tax laws (which changes may have retroactive application) could adversely affect us or holders of our common stock. In recent years, many changes have been made to applicable tax laws and changes are likely to continue to occur in the future.

For example, the Tax Cuts and Jobs Act, or the TCJA, was enacted in 2017 and made significant changes to corporate taxation, including the reduction of the corporate tax rate from a top marginal rate of 35% to a flat rate of 21%, the limitation of the tax deduction for net interest expense to 30% of adjusted taxable income (except for certain small businesses), the limitation of the deduction for net operating losses from taxable years beginning after December 31, 2017 to 80% of current year taxable income and the elimination of net operating loss carrybacks generated in taxable years ending after December 31, 2017 (though any such net operating losses may be carried forward indefinitely), and the modification or repeal of many business deductions and credits, in each case, as modified by the CARES Act (as defined below). In addition, on March 27, 2020, former President Trump signed into law the “Coronavirus Aid, Relief, and Economic Security Act” or the “CARES Act”, which included certain changes in tax law intended to stimulate the U.S. economy in light of the COVID-19 coronavirus outbreak, including temporary beneficial changes to the treatment of net operating losses, interest deductibility limitations and payroll tax matters. Under the CARES Act, the limitation of the tax deduction for net operating losses to 80% of taxable income applies only to taxable years beginning after December 31, 2020 and net operating losses generated in 2018, 2019 and 2020 may be carried back five taxable years. Further, under the CARES Act, the limitation of the tax deduction for net interest expense to 30% of adjusted taxable income is increased to 50% of adjusted taxable income for 2019 and 2020.

It cannot be predicted whether, when, in what form, or with what effective dates, new tax laws may be enacted, or regulations and rulings may be enacted, promulgated, or issued under existing or new tax laws, which could result in an increase in our or our shareholders’ tax liability or require changes in the manner in which we operate in order to minimize or mitigate any adverse effects of changes in tax law or in the interpretation thereof.

##### ***The spin-off of Compuware and the spin-off of SIGOS were taxable transactions for us, and we are subject to tax liabilities in connection with such transactions.***

Neither the spin-off of Compuware, or the Compuware Spin-Off, nor the spin-off of SIGOS, or the SIGOS Spin-Off, qualified as a tax-free spin-off under Section 355 or other provisions of the Internal Revenue Code, or the Code. Corporate-level U.S. federal, state and local taxes, were paid by us in connection with the Compuware Spin-Off and in connection therewith, Compuware distributed to us \$265.0 million pursuant to a Master Structuring Agreement. These taxes were generally based upon the gain computed as the difference between the fair market value of the Compuware assets distributed and the adjusted tax basis in such assets. The actual amount of our tax liability relating to the Compuware Spin-Off included on the filed tax returns was \$231.8 million. We did not have sufficient losses available to fully offset the gain we realized as a result of the Compuware Spin-Off. We do not believe we incurred any material tax liabilities in connection with the SIGOS Spin-Off because the estimated fair market value of the SIGOS assets was materially similar to the adjusted tax basis in such assets.

If the Internal Revenue Service or other taxing authorities were to successfully challenge in an audit or other tax dispute the amount of taxes owed in connection with the Compuware Spin-Off or the SIGOS Spin-Off, we could be liable for additional taxes, including interest and penalties. We would be responsible for any such additional amounts, and for the costs of responding to such challenge, which would not be reimbursed to us by Compuware. While we have obtained an insurance policy that provides coverage if the Internal Revenue Service or other taxing authorities assert that additional taxes are owed in connection with the Compuware Spin-Off, such policy is subject to certain limitations and exclusions, and we cannot offer any assurances that such policy will fully cover any additional taxes owed by us. We did not obtain a tax insurance policy relating to the SIGOS Spin-Off. Any tax liabilities determined to be owed by us relating to the Compuware Spin-Off or the SIGOS Spin-Off following an audit or other tax dispute may adversely affect our results of operations.

***Federal and state fraudulent transfer laws may permit a court to void Compuware's distribution to us to partially satisfy the estimated tax liability incurred by us from the Compuware Spin-Off.***

On July 31, 2019, Compuware distributed \$265.0 million to us to partially or wholly satisfy the estimated tax liability incurred by us in connection with the Compuware Spin-Off. Such distribution might be subject to challenge under federal and state fraudulent conveyance laws even if the distribution was completed. Under applicable laws, the distribution could be voided as a fraudulent transfer or conveyance if, among other things, the transferor received less than reasonably equivalent value or fair consideration in return for, and was insolvent or rendered insolvent by reason of, the transfer.

We cannot be certain as to the standards a court would use to determine whether or not Compuware was insolvent at the relevant time. In general, however, a court would look at various facts and circumstances related to the entity in question, including evaluation of whether or not (i) the sum of its debts, including contingent and unliquidated liabilities, was greater than the fair market value of all of its assets; (ii) the present fair market value of its assets was less than the amount that would be required to pay its probable liability on its existing debts, including contingent liabilities, as they become absolute and mature; or (iii) it could pay its debts as they become due.

If a court were to find that the distribution was a fraudulent transfer or conveyance, the court could void the distribution. In addition, the distribution could also be voided if a court were to find that it is not a legal distribution or dividend under applicable corporate law. The resulting complications, costs and expenses of either finding could materially adversely affect our financial condition and results of operations.

***We are subject to a number of risks associated with global sales and operations.***

Revenue from customers located outside of the United States represented 49%, 45% and 46% for the years ended March 31, 2021, 2020 and 2019, respectively. As a result, our sales and operations are subject to a number of risks and additional costs, including the following:

- increased expenses associated with international sales and operations, including establishing and maintaining office space and equipment for our international operations;
- fluctuations in exchange rates between currencies in the markets where we do business;
- risks associated with trade restrictions and additional legal requirements, including the exportation of our technology or source code that is required in many of the countries in which we operate;
- greater risk of unexpected changes in regulatory rules, regulations and practices, tariffs and tax laws and treaties;
- compliance with United States and foreign import and export control and economic sanctions laws and regulations, including the Export Administration Regulations administered by the United States Department of Commerce's Bureau of Industry and Security and the executive orders and laws implemented by the United States Department of the Treasury's Office of Foreign Asset Controls;
- compliance with anti-bribery laws, including the United States Foreign Corrupt Practices Act, and the U.K. Anti-Bribery Act;
- compliance with privacy, data protection and data security laws of many countries, including the EU's GDPR, which became effective in May 2018, and the California Consumer Privacy Act, or CCPA, which became effective on January 1, 2020;
- heightened risk of unfair or corrupt business practices in certain geographies, and of improper or fraudulent sales arrangements that may impact financial results and result in restatements of, or irregularities in, financial statements;
- limited or uncertain protection of intellectual property rights in some countries and the risks and costs associated with monitoring and enforcing intellectual property rights abroad;
- greater difficulty in enforcing contracts and managing collections in certain jurisdictions, as well as longer collection periods;
- management communication and integration problems resulting from cultural and geographic dispersion;
- social, economic and political instability, epidemics and pandemics, terrorist attacks and security concerns in general; and
- potentially adverse tax consequences.

These and other factors could harm our ability to generate future global revenue and, consequently, materially impact our business, results of operations and financial condition.

***Because we recognize revenue from our SaaS subscriptions and term licenses over the subscription or license term, downturns or upturns in new sales and renewals may not be immediately reflected in our operating results and may be difficult to discern.***

For customers who purchase our Dynatrace platform, whether they purchase SaaS or a term license, we generally recognize revenue ratably over the term of their subscription. For customers who purchase a perpetual license, we generally recognize the license revenue ratably over three years. Thus, substantially all of the revenue we report in each quarter from the Dynatrace platform, which constituted over 90% of our total revenue reported for the year ended March 31, 2021, is derived from the recognition of revenue relating to contracts entered into during previous quarters. Consequently, a decline in new or renewed customer contracts in any single quarter may have a small impact on our revenue for that quarter. However, such a decline will negatively affect our revenue in future quarters. Accordingly, the effect of significant downturns in sales and market acceptance of our solutions, and potential changes in our rate of renewals, may not be fully reflected in our results of operations until future periods. In addition, a significant majority of our costs are expensed as incurred, while revenue is recognized over the life of the agreement with our customer. As a result, increased growth in the number of our customers could continue to result in our recognition of more costs than revenue in the earlier periods of the terms of our agreements.

***Our revenue recognition policy and other factors may distort our financial results in any given period and make them difficult to predict.***

Under accounting standards update No. 2014-09 (Topic 606), Revenue from Contracts with Customers, or ASC 606, we recognize revenue when our customer obtains control of goods or services in an amount that reflects the consideration that we expect to receive in exchange for those goods or services. Our subscription revenue consists of (i) SaaS agreements, (ii) term-based licenses for the Dynatrace® platform which are recognized ratably over the contract term, (iii) Dynatrace® perpetual license revenue that is recognized ratably or over the term of the expected optional maintenance renewals, which is generally three years, and (iv) maintenance and support agreements. A significant increase or decline in our subscription contracts in any one quarter may not be fully reflected in the results for that quarter, but will affect our revenue in future quarters.

Furthermore, the presentation of our financial results requires us to make estimates and assumptions that may affect revenue recognition. In some instances, we could reasonably use different estimates and assumptions, and changes in estimates are likely to occur from period to period. See the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies—Revenue Recognition” included in Part II, Item 7 of this Annual Report.

Given the foregoing factors, our actual results could differ significantly from our estimates, comparing our revenue and operating results on a period-to-period basis may not be meaningful, and our past results may not be indicative of our future performance.

***Changes in existing financial accounting standards or practices, or taxation rules or practices, may harm our operating results.***

Changes in existing accounting or taxation rules or practices, new accounting pronouncements or taxation rules, or varying interpretations of current accounting pronouncements or taxation practice could harm our operating results or result in changes to the manner in which we conduct our business. Further, such changes could potentially affect our reporting of transactions completed and reported before such changes are effective.

United States Generally Accepted Accounting Principles, or GAAP, are subject to interpretation by the Financial Accounting Standards Board, or FASB, the Securities and Exchange Commission and various bodies formed to promulgate and interpret appropriate accounting principles. A change in these principles or a change in these interpretations could have a significant effect on our reported financial results and could affect the reporting of transactions completed before the announcement of a change. For example, ASC 606 is a newly adopted standard for revenue recognition in which the FASB’s Emerging Issues Task Force has taken up certain topics which may result in further guidance which we would need to consider in our related accounting policies.

***Economic conditions and regulatory changes following the United Kingdom’s exit from the EU could have a material adverse effect on our business and results of operations.***

The United Kingdom, or U.K., formally left the European Union, or the EU, on January 31, 2020, typically referred to as “Brexit.” Pursuant to the formal withdrawal arrangements agreed between the U.K. and EU, the U.K. was subject to a transition period until December 31, 2020 during which EU rules continued to apply. On December 24, 2020 the EU and the U.K. reached a Trade and Cooperation Agreement, provisionally applicable since January 1, 2021, which sets out preferential arrangements in areas such as trade in goods and in services, digital trade, intellectual property, public procurement, aviation and road transport, energy, fisheries, social security coordination, law enforcement and judicial cooperation in criminal matters, thematic cooperation and participation in EU programs. The uncertainty concerning the U.K.’s legal, political and economic relationship with the EU after the transition period may be a source of instability in international markets, create significant currency fluctuations and otherwise adversely affect trading agreements or similar cross-border cooperation arrangements, whether economic, tax, fiscal, legal, regulatory or otherwise. While the full effects of Brexit will not be known for some time, Brexit could cause disruptions to, and create uncertainty surrounding, our

business and results of operations. For example, following the transition period, the U.K. could lose the benefits of global trade agreements negotiated by the EU on behalf of its members, which may result in increased trade barriers that could make our doing business in the EU and the European Economic Area more difficult. Ongoing global market volatility and a deterioration in economic conditions due to uncertainty surrounding the future relationship between the U.K. and EU could significantly disrupt the markets in which we operate and lead our customers to closely monitor their costs and delay capital spending decisions.

Additionally, Brexit has resulted in the strengthening of the U.S. dollar against foreign currencies in which we conduct business. Although this strengthening has been somewhat ameliorated by the implementation of the transition period, because we translate revenue denominated in foreign currency into U.S. dollars for our financial statements, during periods of a strengthening U.S. dollar, our reported revenue from foreign operations is reduced. As a result of Brexit and the continued negotiations between the U.K. and EU, there may be further periods of volatility in the currencies in which we conduct business.

The effects of Brexit will depend on any agreements the U.K. makes to retain access to EU markets following the transition period. The measures could potentially disrupt the markets we serve and may cause us to lose customers and employees. In addition, Brexit could lead to legal uncertainty and potentially divergent national laws and regulations as the U.K. determines which EU laws to replace or replicate, which could present new regulatory costs and challenges.

Any of these effects of Brexit could materially adversely affect our business, results of operations and financial condition.

***We may face exposure to foreign currency exchange rate fluctuations.***

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

***Our sales to government entities are subject to a number of challenges and risks.***

We sell our solutions to U.S. federal and state and foreign governmental agency customers, often through our resellers, and we may increase sales to government entities in the future. Sales to government entities are subject to a number of challenges and risks. Selling to government 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. Contracts and subcontracts with government agency customers are subject to procurement laws and regulations relating to the award, administration, and performance of those contracts. Government demand and payment for our solutions are affected by public sector budgetary cycles and funding authorizations, with funding reductions or delays adversely affecting public sector demand for our solutions. We may be subject to audit or investigations relating to our sales to government entities, and any violations could result in various civil and criminal penalties and administrative sanctions, including termination of contracts, refunds of fees received, forfeiture of profits, suspension of payments, fines, and suspension or debarment from future government business including business with governmental agencies across the country involved. Government entities may have statutory, contractual or other legal rights to terminate contracts with our distributors and resellers for convenience or due to a default. Any of these risks relating to our sales to governmental entities could adversely impact our future sales and operating results.

***We may acquire other businesses, products or technologies in the future which could require significant management attention, disrupt our business, dilute stockholder value and adversely affect our results of operations.***

As part of our business growth strategy and in order to remain competitive, we may acquire, or make investments in, complementary companies, products or technologies. For example, in 2017 we acquired Qumram AG, a provider of session replay technology that captures end users' digital experiences across browsers, interfaces and devices. We may not be able to find suitable acquisition targets in the future, and we may not be able to complete such acquisitions on favorable terms, if at all. If we do complete acquisitions, we may not ultimately strengthen our competitive position or achieve our goals, and any acquisitions we complete could be viewed negatively by our customers, securities analysts and investors. In addition, if we are unsuccessful at integrating such acquisitions or the technologies associated with such acquisitions, our revenue and results of operations could be adversely affected. In addition, while we will make significant efforts to address any information technology security and privacy compliance issues with respect to any acquisitions, we may still inherit such risks when we integrate the acquired products and systems as well as any personal information

that we acquire. Any integration process may require significant time and resources, and we may not be able to manage the process successfully. We may not successfully evaluate or utilize the acquired technology or personnel, or accurately forecast the financial impact of an acquired business, including accounting charges. We may have to pay cash, incur debt or issue equity securities to pay for any such acquisitions, each of which could adversely affect our financial condition or the value of our common stock. The sale of equity or issuance of debt to finance any such acquisitions could result in dilution to our stockholders. The incurrence of indebtedness would result in increased fixed obligations and could also include covenants or other restrictions that would impede our ability to manage our operations.

***Our business is subject to a wide range of laws and regulations and our failure to comply with those laws and regulations could harm our business, operating results and financial condition.***

Our business is subject to regulation by various federal, state, local and foreign governmental agencies, including agencies responsible for monitoring and enforcing employment and labor laws, workplace safety, product safety, environmental laws, consumer protection laws, privacy, cybersecurity and data protection laws, anti-bribery laws, import and export controls, federal securities laws and tax laws and regulations. In certain foreign jurisdictions, these regulatory requirements may be more stringent than those in the United States. These laws and regulations are subject to change over time and we must continue to monitor and dedicate resources to ensure continued compliance. Non-compliance with applicable regulations or requirements could subject us to litigation, investigations, sanctions, mandatory product recalls, enforcement actions, disgorgement of profits, fines, damages, civil and criminal penalties or injunctions. If any governmental sanctions are imposed, or if we do not prevail in any possible civil or criminal litigation, our business, operating results, 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, operating results and financial condition.

***We are subject to governmental export, import and sanctions controls that could impair our ability to compete in international markets due to licensing requirements and subject us to liability if we are not in compliance with applicable laws.***

Our solutions are subject to export control and economic sanctions laws and regulations, including the U.S. Export Administration Regulations administered by the U.S. Commerce Department's Bureau of Industry and Security and the economic and trade sanctions regulations administered by the U.S. Treasury Department's Office of Foreign Assets Controls. Exports, re-exports and transfers of our software and services must be made in compliance with these laws and regulations. Obtaining the necessary authorizations, including any required license, for a particular sale may be time-consuming, is not guaranteed and may result in the delay or loss of sales opportunities. Changes in the encryption or other technology incorporated into our solutions or in applicable export or import laws and regulations may delay the introduction and sale of our solutions in international markets, prevent customers from deploying our solutions or, in some cases, prevent the export or import of our solutions to certain countries, regions, governments or persons altogether. Changes in sanctions, export or import laws and regulations, in the enforcement or scope of existing laws and regulations, or in the countries, regions, governments, persons or technologies targeted by such laws and regulations, could also result in decreased use of our solutions or in our ability to sell our solutions in certain countries. Even though we take precautions to prevent our solutions from being provided to restricted countries or persons, our solutions could be provided to those targets by our resellers or customers despite such precautions, and our customers may choose to host their systems including the Dynatrace platform using a hosting vendor that is a restricted person. The decreased use of our solutions or limitation on our ability to export or sell our solutions could adversely affect our business, while violations of these export and import control and economic sanctions laws and regulations could have negative consequences for us and our personnel, including government investigations, administrative fines, civil and criminal penalties, denial of export privileges, incarceration, and reputational harm.

***Due to the global nature of our business, we could be adversely affected by violations of the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act or similar anti-bribery laws in other jurisdictions in which we operate.***

The global nature of our business creates various domestic and local regulatory challenges. The Foreign Corrupt Practices Act, or FCPA, the U.K. Bribery Act and similar anti-bribery laws in other jurisdictions generally prohibit U.S.-based companies and their intermediaries from making improper payments for the purpose of obtaining or retaining business to non-U.S. officials, or in the case of the U.K. Bribery Act, to any person. In addition, U.S.-based companies are required to maintain records that accurately and fairly represent their transactions and have an adequate system of internal accounting controls. We operate in areas that experience corruption by government officials and, in certain circumstances, compliance with anti-bribery laws may conflict with local customs and practices. Changes in applicable laws could result in increased regulatory requirements and compliance costs that could adversely affect our business, financial condition and operating results. Although we take steps to ensure compliance, we cannot guarantee that our employees, resellers, agents, or other intermediaries will not engage in prohibited conduct that could render us responsible under the FCPA, the U.K. Bribery Act, or other similar laws or regulations in the jurisdictions in which we operate. If we are found to be in violation of these anti-bribery laws (either due to acts or inadvertence of our employees, or due to the acts or inadvertence of others), we could suffer criminal or civil penalties or other sanctions, which could have a material adverse effect on our business.

***Our international operations subject us to potentially adverse tax consequences.***

As a multinational corporation, we are subject to income taxes as well as non-income-based taxes, such as payroll, sales, use, value-added, net worth, property and goods and services taxes, in both the United States and various foreign jurisdictions. Our domestic and international tax liabilities are subject to the allocation of revenues and expenses in different jurisdictions and the timing of recognizing revenues and expenses. Additionally, the amount of income taxes paid is subject to our interpretation of applicable tax laws in the jurisdictions in which we file and changes to tax laws. Significant judgment is required in determining our worldwide provision for income taxes and other tax liabilities, and in determining the realizability of tax attributes such as foreign tax credits and other domestic deferred tax assets. From time to time, we are subject to income and non-income tax audits. While we believe we have complied with all applicable income tax laws, there can be no assurance that a governing tax authority will not have a different interpretation of the law and assess us with additional taxes. Should we be assessed with additional taxes, there could be a material adverse effect on our business, operating results, and financial condition.

Our future effective tax rate may be affected by such factors as changes in tax laws, regulations, or rates, changing interpretation of existing laws or regulations, the impact of accounting for share-based compensation, the impact of accounting for business combinations, changes in our international organization, and changes in overall levels of income before tax. In addition, in the ordinary course of our global business, there are many intercompany transactions and calculations where the ultimate tax determination is uncertain. Although we believe that our tax estimates are reasonable, we cannot ensure that the final determination of tax audits or tax disputes will not be different from what is reflected in our historical income tax provisions and accruals.

***Taxing authorities may successfully assert that we should have collected or in the future should collect sales and use, value added or similar taxes, and we could be subject to liability with respect to past or future sales, which could adversely affect our results of operations.***

We do not collect sales and use, value added and similar taxes in all jurisdictions in which we have sales, based on our belief that such taxes are not applicable. Sales and use, value added, and similar tax laws and rates vary greatly by jurisdiction. Certain jurisdictions in which we do not collect such taxes may assert that such taxes are applicable, which could result in tax assessments, penalties and interest, and we may be required to collect such taxes in the future. Such tax assessments, penalties, and interest or future requirements may adversely affect our results of operations.

**Risks Related to Our Common Stock**

***The trading price of our common stock has been, and may continue to be, volatile and you could lose all or part of your investment.***

Our initial public offering occurred in August 2019, and we effected follow-on public offerings by selling stockholders in December 2019, February 2020, June 2020 and August 2020. There has only been a public market for our common stock for a short period of time. Our share price has been and in the future may be subject to substantial volatility.

Technology stocks have historically experienced high levels of volatility. The trading price of our common stock has fluctuated substantially. Since shares of our common stock were sold in our initial public offering in August 2019 at a price of \$16.00 per share, our stock price has fluctuated significantly, ranging from an intraday low of \$17.05 to an intraday high of \$56.94 through March 31, 2021. Factors that could cause fluctuations in the trading price of our common stock include the following:

- announcements of new products or technologies, commercial relationships, acquisitions or other events by us or our competitors;
- changes in how customers perceive the benefits of our platform;
- shifts in the mix of billings and revenue attributable to perpetual licenses, term licenses and SaaS subscriptions from quarter to quarter;
- departures of our CEO, one or more executive officers, senior management or other key personnel;
- price and volume fluctuations in the overall stock market from time to time;
- fluctuations in the trading volume of our shares or the size of our public float;
- sales of large blocks of our common stock, including by the Thoma Bravo Funds;
- actual or anticipated changes or fluctuations in our operating results;
- whether our operating results meet the expectations of securities analysts or investors;
- changes in actual or future expectations of investors or securities analysts;
- litigation, data breaches or security incidents involving us, our industry or both;

- regulatory developments in the United States, foreign countries or both;
- general economic conditions and trends; and
- major catastrophic events in our domestic and foreign markets.

In addition, if the market for technology stocks or the stock market in general experiences a loss of investor confidence, the trading price of our common stock could decline for reasons unrelated to our business, operating results or financial condition. The trading price of our common stock might also decline in reaction to events that affect other companies in our industry even if these events do not directly affect us. In the past, following periods of volatility in the trading price of a company's securities, securities class action litigation has often been brought against that company.

***If securities analysts were to downgrade our stock, publish negative research or reports or fail to publish reports about our business, our competitive position could suffer, and our stock price and trading volume could decline.***

The trading market for our common stock, to some extent, depends on the research and reports that securities analysts may publish about us, our business, our market or our competitors. We do not have any control over these analysts. If one or more of the analysts who cover us should downgrade our stock or publish negative research or reports, cease coverage of our company or fail to regularly publish reports about our business, our competitive position could suffer, and our stock price and trading volume could decline.

***The requirements of being a public company, including compliance with the reporting requirements of the Exchange Act, and the requirements of the Sarbanes-Oxley Act and the NYSE, may strain our resources, increase our costs and distract management, and we may be unable to comply with these requirements in a timely or cost-effective manner.***

As a public company, we are subject to laws, regulations and requirements with which we were not required to comply as a private company, including compliance with reporting requirements of the Exchange Act and the requirements of the Sarbanes-Oxley Act and the NYSE. As a newly public company, complying with these statutes, regulations and requirements occupies a significant amount of time of our board of directors and management and has significantly increased our costs and expenses as compared to when we were a private company. For example, as a newly public company, we have had to institute a more comprehensive compliance function, establish new internal policies, such as those relating to insider trading, and involve and retain to a greater degree outside counsel and accountants.

Furthermore, as of March 31, 2021 we were no longer considered to be an emerging growth company, and we are now required to comply with Section 404 of the Sarbanes-Oxley Act. Compliance with these requirements may strain our resources, increase our costs and distract management, and we may be unable to comply with these requirements in a timely or cost-effective manner.

***We previously identified a material weakness in our internal control over financial reporting and may identify additional material weaknesses in the future or otherwise fail to maintain an effective system of internal controls, which may result in material misstatements of our financial statements or cause us to fail to meet our periodic reporting obligations.***

As a public company, we are required to maintain internal control over financial reporting and to report any material weaknesses in such internal control. Section 404 of the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, requires that we evaluate and determine the effectiveness of our internal control over financial reporting, and our independent registered public accounting firm is required to audit such internal control.

In connection with the audit of our financial statements as of and for the fiscal year ended March 31, 2020, we and our independent registered public accounting firm identified a material weakness in our internal control over financial reporting. This material weakness is related to accounting for income taxes in connection with the preparation and review of our global tax provision, and particularly in the area of realizability of tax attributes such as foreign tax credits and other domestic deferred tax assets. During the fiscal year ended March 31, 2021, we completed the remediation measures related to the material weakness and concluded that our internal control over financial reporting was effective as of March 31, 2021. Completion of remediation does not provide assurance that our remediation or other controls will continue to operate properly. If we are unable to maintain effective internal control over financial reporting or disclosure controls and procedures, our ability to record, process and report financial information accurately, and to prepare financial statements within required time periods could be adversely affected, which could subject us to litigation or investigations requiring management resources and payment of legal and other expenses, negatively affect investor confidence in our financial statements and adversely impact our stock price.

***Sales of substantial amounts of our common stock in the public markets, or the perception that such sales could occur, could reduce the market price of our common stock.***

Sales of a substantial number of shares of our common stock in the public market, or the perception that such sales could occur, could adversely affect the market price of our common stock and may make it more difficult for you to sell your common stock at a time and price that you deem appropriate. For example, the Thoma Bravo Funds beneficially own 29.8% of our common stock and under

applicable federal securities laws may sell such shares in the public market without our advance knowledge or participation. If Thoma Bravo were to dispose of a substantial portion of our shares in the public market, whether in a single transaction or a series of transactions, it could reduce the trading price of our common stock. In addition, any such sales, or the possibility that these sales may occur, could make it more difficult for us to sell shares of our common stock in the public market in the future.

***Our issuance of additional capital stock in connection with financings, acquisitions, investments, our stock incentive plans or otherwise will dilute all other stockholders.***

We may issue additional capital stock in the future that will result in dilution to all other stockholders. We may also raise capital through equity financings in the future. As part of our business strategy, we may acquire or make investments in complementary companies, products or technologies and issue equity securities to pay for any such acquisition or investment. Any such issuances of additional capital stock may cause stockholders to experience significant dilution of their ownership interests and the per share value of our common stock to decline.

***Thoma Bravo has significant influence over matters requiring stockholder approval, which may have the effect of delaying or preventing changes of control, or limiting the ability of other stockholders to approve transactions they deem to be in their best interest.***

Thoma Bravo, as the ultimate general partner of the Thoma Bravo Funds, beneficially owns in the aggregate 29.8% of our issued and outstanding shares of common stock as of March 31, 2021. As a result, Thoma Bravo will continue to be able to exert significant influence over our operations and business strategy as well as matters requiring stockholder approval. These matters may include:

- the composition of our board of directors, which has the authority to direct our business and to appoint and remove our officers;
- approving or rejecting a merger, consolidation or other business combination;
- raising future capital; and
- amending our charter and bylaws, which govern the rights attached to our common stock.

Additionally, for so long as Thoma Bravo beneficially owns at least (i) 20% (but less than 30%) of our outstanding shares of common stock, Thoma Bravo will have the right to nominate a number of directors to our board of directors equal to the lowest whole number that is greater than 30% of the total number of directors (but in no event fewer than two directors); (ii) 10% (but less than 20%) of our outstanding shares of common stock, Thoma Bravo will have the right to nominate a number of directors to our board of directors equal to the lowest whole number that is greater than 50% of the total number of directors (but in no event fewer than one director); and (iii) at least 5% (but less than 10%) of our outstanding shares of common stock, Thoma Bravo will have the right to nominate one director to our board of directors.

This concentration of ownership of our common stock could delay or prevent proxy contests, mergers, tender offers, open-market purchase programs or other purchases of our common stock that might otherwise result in the opportunity for stockholders to realize a premium over the then-prevailing market price of our common stock. This concentration of ownership may also adversely affect our share price.

***Thoma Bravo may pursue corporate opportunities independent of us that could present conflicts with our and our stockholders' interests.***

Thoma Bravo is in the business of making or advising on investments in companies and holds (and may from time to time in the future acquire) interests in or provides advice to businesses that may directly or indirectly compete with our business or be suppliers or customers of ours. Thoma Bravo may also pursue acquisitions that may be complementary to our business and, as a result, those acquisition opportunities may not be available to us.

Our charter provides that none of our officers or directors who are also an officer, director, employee, partner, managing director, principal, independent contractor or other affiliate of Thoma Bravo will be liable to us or our stockholders for breach of any fiduciary duty by reason of the fact that any such individual pursues or acquires a corporate opportunity for its own account or the account of an affiliate, as applicable, instead of us, directs a corporate opportunity to any other person, instead of us or does not communicate information regarding a corporate opportunity to us.

***We do not intend to pay dividends on our common stock and, consequently, 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 dividends on our common stock. We intend to retain any earnings to finance the operation and expansion of our business, and we do not anticipate paying any cash dividends in the foreseeable future. As a result, you may only receive a return on your investment in our common stock if the market price of our common stock increases.

***Our charter and bylaws contain anti-takeover provisions that could delay or discourage takeover attempts that stockholders may consider favorable.***

Our charter and bylaws contain provisions that could delay or prevent a change in control of our company. These provisions could also make it difficult for stockholders to elect directors who are not nominated by the current members of our board of directors or take other corporate actions, including effecting changes in our management. These provisions include:

- a classified board of directors with three-year staggered terms, which could delay the ability of stockholders to change the membership of a majority of our board of directors;
- directors may only be removed for cause, and subject to the affirmative vote of the holders of 66 2/3% or more of our outstanding shares of capital stock then entitled to vote at a meeting of our stockholders called for that purpose;
- the ability of our board of directors to issue shares of preferred stock and to determine the price and other terms of those shares, including preferences and voting rights, without stockholder approval, which could be used to significantly dilute the ownership of a hostile acquirer;
- allowing only our board of directors to fill vacancies on our board of directors, which prevents stockholders from being able to fill vacancies on our board of directors;
- a prohibition on stockholder action by written consent, which forces stockholder action to be taken at an annual or special meeting of our stockholders;
- the requirement that a special meeting of stockholders may be called only by our board of directors, the chairperson of our board of directors, our chief executive officer or our president (in the absence of a chief executive officer), which could delay the ability of our stockholders to force consideration of a proposal or to take action, including the removal of directors;
- the requirement for the affirmative vote of holders of at least 66 2/3% of the voting power of all of the then outstanding shares of the voting stock, voting together as a single class, to amend the provisions of our charter relating to the management of our business (including our classified board structure) or certain provisions of our bylaws, which may inhibit the ability of an acquirer to effect such amendments to facilitate an unsolicited takeover attempt;
- the ability of our board of directors to amend the bylaws, which may allow our board of directors to take additional actions to prevent an unsolicited takeover and inhibit the ability of an acquirer to amend the bylaws to facilitate an unsolicited takeover attempt;
- advance notice procedures with which stockholders must comply to nominate candidates to our board of directors or to propose matters to be acted upon at a stockholders' meeting, which may discourage or deter a potential acquirer from conducting a solicitation of proxies to elect the acquirer's own slate of directors or otherwise attempting to obtain control of us; and
- a prohibition of cumulative voting in the election of our board of directors, which would otherwise allow less than a majority of stockholders to elect director candidates.

Our charter also contains a provision that provides us with protections similar to Section 203 of the Delaware General Corporation Law, and prevents us from engaging in a business combination, such as a merger, with an interested stockholder (i.e., a person or group who acquires at least 15% of our voting stock) for a period of three years from the date such person became an interested stockholder, unless (with certain exceptions) the business combination or the transaction in which the person became an interested stockholder is approved in a prescribed manner. However, our charter also provides that transactions with Thoma Bravo, including the Thoma Bravo Funds, and any persons to whom any Thoma Bravo Fund sells its common stock will be deemed to have been approved by our board of directors.

***We may issue preferred stock the terms of which could adversely affect the voting power or value of our common stock.***

Our charter authorizes us to issue, without the approval of our stockholders, one or more classes or series of preferred stock having such designations, preferences, limitations and relative rights, including preferences over our common stock respecting dividends and distributions, as our board of directors may determine. The terms of one or more classes or series of preferred stock could adversely impact the voting power or value of our common stock. For example, we might grant holders of preferred stock the right to elect some number of our directors in all events or on the happening of specified events or the right to veto specified transactions. Similarly, the repurchase or redemption rights or liquidation preferences we might assign to holders of preferred stock could affect the residual value of our common stock.

***Our bylaws designate the Court of Chancery of the State of Delaware as the exclusive forum for certain litigation that may be initiated by our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us.***

Pursuant to our bylaws, unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware is the sole and exclusive forum for state law claims for (1) any derivative action or proceeding brought on our behalf, (2) any action asserting a claim of or based on a breach of a fiduciary duty owed by any of our current or former directors, officers, or other employees to us or our stockholders, (3) any action asserting a claim against us or any of our current or former directors, officers, employees, or stockholders arising pursuant to any provision of the Delaware General Corporation Law or our bylaws, or (4) any action asserting a claim governed by the internal affairs doctrine, or, collectively, the Delaware Forum Provision. In addition, our bylaws provide that any person or entity purchasing or otherwise acquiring any interest in shares of our common stock is deemed to have notice of and consented to the foregoing provisions; provided, however, that stockholders will not be deemed to have waived our compliance with the federal securities laws and the rules and regulations thereunder. Our bylaws further provide that the U.S. District Court for the District of Massachusetts will be the sole and exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act, or the Federal Forum Provision, as our principal executive offices are located in Waltham, Massachusetts. The Delaware Forum Provision and the Federal Forum Provision may impose additional litigation costs on stockholders who assert the provision is not enforceable and may impose more general additional litigation costs in pursuing any such claims, particularly if the stockholders do not reside in or near the State of Delaware or the Commonwealth of Massachusetts. Additionally, the Delaware Forum Provision and Federal Forum Provision in our bylaws may limit our stockholders' ability to obtain a favorable judicial forum for disputes with us. In addition, while the Delaware Supreme Court ruled in March 2020 that federal forum selection provisions purporting to require claims under the Securities Act be brought in federal court are "facially valid" under Delaware law, there is uncertainty as to whether courts in other states will enforce our Federal Forum Provision, and we may incur additional costs of litigation should such enforceability be challenged. If the Federal Forum Provision is found to be unenforceable in an action, we may incur additional costs associated with resolving such an action. The Federal Forum Provision may also impose additional litigation costs on stockholders who assert that the provision is not enforceable or invalid. The Court of Chancery of the State of Delaware may also reach different judgments or results than would other courts, including courts where a stockholder considering an action may be located or would otherwise choose to bring the action, and such judgments may be more or less favorable to us than our stockholders.

#### **ITEM 1B. UNRESOLVED STAFF COMMENTS**

None.

#### **ITEM 2. PROPERTIES**

Our corporate headquarters is located in Waltham, Massachusetts and consists of approximately 50,000 square feet of space under a lease that expires in September 2027. In addition to our headquarters, we lease approximately 47,000 square feet of space in Detroit, Michigan under a lease that expires in January 2025. Our primary research and development facilities are located in Linz, Austria, Gdansk, Poland, and Barcelona, Spain, and consist of approximately 96,000, 49,000, and 24,000 square feet, respectively. We believe that our facilities are adequate to meet our needs for the immediate future and that we will be able to secure additional space to accommodate expansion of our operations.

#### **ITEM 3. LEGAL PROCEEDINGS**

We are not currently a party to any litigation or claims that, if determined adversely to us, would have a material adverse effect on our business, operating results, financial condition, or cash flows. We are, from time to time, party to litigation and subject to claims in the ordinary course of business. Regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources, and other factors.

#### **ITEM 4. MINE SAFETY DISCLOSURES**

None.

### **PART II - OTHER INFORMATION**

#### **ITEM 5. MARKET FOR REGISTRANT'S COMMON STOCK**

##### ***Market Information for Common Stock***

Our common stock has been listed on the New York Stock Exchange under the symbol "DT" since August 1, 2019. Prior to that date, there was no public trading market for our common stock.

***Holdings of Record***

As of May 25, 2021, there were 165 registered stockholders of record of our common stock. We believe a substantially greater number of beneficial owners hold shares through brokers, banks or other nominees.

***Dividend Policy***

We have never declared or paid any cash dividend on our common stock. We currently intend to retain all available funds and any future earnings for use in the operation of our business and do not expect to pay any dividends on our common stock in the foreseeable future. Any future determination to declare 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. In addition, our credit facility places restrictions on the ability of our subsidiaries to pay cash dividends or make distributions to us.

***Securities Authorized for Issuance under Equity Compensation Plans***

The information concerning our equity compensation plans is incorporated by reference herein to the section of the Proxy Statement entitled “Equity Compensation Plan Information.”

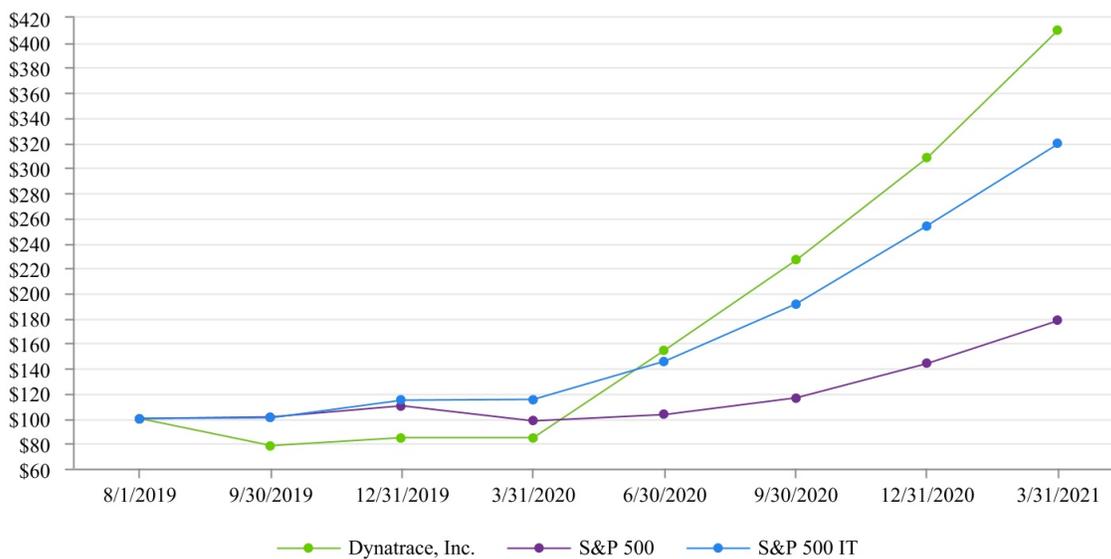
***Performance Graph***

The following shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or incorporated by reference into any of our other filings under the Securities Exchange Act of 1934, as amended, or the Securities Act of 1933, as amended.

The performance graph below compares the cumulative total stockholder return on our common stock with the cumulative total return on the S&P 500 Index and the S&P 500 Information Technology Index. The graph assumes \$100 was invested at the market close on August 1, 2019, which was our initial trading date, in our common stock. Data for the S&P 500 Index and the S&P 500 Information Technology Index assume reinvestment of dividends. Our offering price of our common stock in our initial public offering, which had a closing stock price of \$23.85 on August 1, 2019, was \$16.00 per share.

The comparisons in the graph below are based upon historical data and are not indicative of, nor intended to forecast, future performance of our common stock.

### Comparison of Cumulative Total Return



	Base Period							
	8/1/2019	9/30/2019	12/31/2019	3/31/2020	6/30/2020	9/30/2020	12/31/2020	3/31/2021
Dynatrace, Inc.	\$ 100.00	\$ 78.28	\$ 84.36	\$ 84.32	\$ 154.55	\$ 226.54	\$ 307.97	\$ 410.23
S&P 500	\$ 100.00	\$ 100.78	\$ 110.17	\$ 97.68	\$ 102.65	\$ 116.51	\$ 143.68	\$ 178.19
S&P 500 Information Technology	\$ 100.00	\$ 100.25	\$ 114.54	\$ 114.86	\$ 145.38	\$ 191.12	\$ 253.65	\$ 319.00

#### Unregistered Sales of Equity Securities

None.

#### Use of Proceeds

On July 31, 2019, our Registration Statement on Form S-1 (File No. 333-232558) was declared effective by the SEC for our initial public offering. There has been no material change in the planned use of proceeds from our initial public offering as described in our final prospectus dated July 31, 2019 and filed with the SEC on August 1, 2019 pursuant to Rule 424(b) of the Securities Act.

#### Issuer Purchases of Equity Securities

None.

#### ITEM 6. [RESERVED]

#### ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and related notes appearing elsewhere in this Annual Report on Form 10-K. The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. When reviewing the discussion below, you should keep in mind the substantial risks and uncertainties that could impact our business. In particular, we encourage you to review the risks and uncertainties described in the section titled “Risk Factors” under Part I, Item 1A. in this Annual Report on Form 10-K. These risks and uncertainties could cause actual results to differ materially from those projected in forward-looking

*statements contained in this report or implied by past results and trends. Our fiscal year ends on March 31. Our historical results are not necessarily indicative of the results that may be expected for any period in the future.*

## Overview

We offer the market-leading software intelligence platform, purpose-built for dynamic multicloud environments. As enterprises embrace the cloud to effect their digital transformation, our all-in-one intelligence platform is designed to address the growing complexity faced by technology and digital business teams. With automatic and intelligent observability, our all-in-one platform delivers precise answers about the performance and security of applications, the underlying infrastructure and the experience of all users to enable organizations to innovate faster, simplify cloud complexity, collaborate more efficiently, and secure cloud-native applications. We designed our software intelligence platform to allow our customers to modernize and automate IT operations, develop and release high quality software faster, and improve user experiences for consistently better business outcomes. As a result, as of March 31, 2021, our products are trusted by approximately 2,900 Dynatrace customers in 90 countries in diverse industries such as banking, insurance, retail, manufacturing, travel and software.

Since we began operations, we have been a leader within the application performance monitoring and observability spaces. In 2014, we leveraged the knowledge and experience of the same engineering team that founded Dynatrace to develop a new platform, the Dynatrace Software Intelligence Platform, from the ground up with automation and intelligence at its core to address the complexity of modern, dynamic multiclouds and the applications that run on them.

We market Dynatrace® through a combination of our global direct sales team and a network of partners, including resellers, system integrators, and managed service providers. We target the largest 15,000 global enterprise accounts, which generally have annual revenues in excess of \$1 billion.

We generate revenue primarily by selling subscriptions, which we define as (i) Software-as-a-service (“SaaS”) agreements, (ii) Dynatrace® term-based licenses, for which revenue is recognized ratably over the contract term, (iii) Dynatrace® perpetual licenses, which are recognized ratably over the term of the expected optional maintenance renewals, which is generally three years, and (iv) maintenance and support agreements.

We deploy our platform as a SaaS solution, with the option of retaining the data in the cloud, or at the edge in customer-provisioned infrastructure, which we refer to as Dynatrace® Managed. The Dynatrace® Managed offering allows customers to maintain control of the environment where their data resides, whether in the cloud or on-premises, combining the simplicity of SaaS with the ability to adhere to their own data security and sovereignty requirements. Our Mission Control functionality automatically upgrades all Dynatrace® instances and offers on-premise cluster customers auto-deployment options that suit their specific enterprise management processes.

Dynatrace® is an all-in-one platform, which is typically purchased by our customers with the full-stack Application Performance Module and extended with our Infrastructure Monitoring, Digital Experience Monitoring, Digital Business Analytics, Application Security, or Cloud Automation Modules. Customers also have the option to purchase the infrastructure monitoring module where the full-stack APM is not required, with the ability to upgrade to the full-stack APM when necessary. Our Dynatrace® platform has been commercially available since 2016 and is the primary offering we sell. Dynatrace® customers increased to 2,936 as of March 31, 2021 from 2,373 as of March 31, 2020.

Our Classic products include AppMon, Classic Real User Monitoring, or RUM, Network Application Monitoring, or NAM, and Synthetic Classic. As of April 2018, these products are only available to customers who had previously purchased them and were sunset as of April 1, 2021.

### ***Coronavirus (COVID-19) Impact***

The extent to which the COVID-19 pandemic may impact our business going forward will depend on numerous evolving factors that we cannot reliably predict. These factors may adversely impact business spending on technology as well as customers’ ability to pay for our products and services on an ongoing basis.

While the broader implications of the COVID-19 pandemic on our results of operations and overall financial performance remain uncertain, the COVID-19 pandemic and its adverse effects have become more prevalent in the locations where we, our customers and partners conduct business. We may experience curtailed customer demand that could adversely impact our business, results of operations and overall financial performance in future periods. Specifically, we may be impacted by changes in our customers’ ability or willingness to purchase our offerings; changes in the timing of our current or prospective customers’ purchasing decisions; pricing discounts or extended payment terms; reductions in the amount or duration of customers’ subscription contracts; or increased customer attrition rates. While our revenue, customer retention, and earnings are relatively predictable as a result of our subscription-based business model, the effect, if any, of the COVID-19 pandemic would not be fully reflected in our results of operations and overall financial performance until future periods.

While the implications of the COVID-19 pandemic remain uncertain, we plan to continue to make investments to support business growth. We believe that the growth of our business is dependent on many factors, including our ability to expand our customer base, develop new products and applications to extend the functionality of our products, and provide a high level of customer service. We expect to continue to invest in sales and marketing to support customer growth. We also expect to continue to invest in research and development as we continue to introduce new products and applications to extend the functionality of our products. We also intend to maintain a high level of customer service and support which we consider critical for our continued success. We also expect to continue to incur general and administrative expenses to support our business and to maintain the infrastructure required to be a public company. We intend to use our cash flow from operations to fund these growth strategies and support our business despite the potential impact from the COVID-19 pandemic. See the section titled “Risk Factors” included under Part I, Item 1A for further discussion of the possible impact of the COVID-19 pandemic on our business.

**Key Factors Affecting Our Performance**

Our historical financial performance has been, and we expect our financial performance in the future to be, driven by our ability to:

- **Extend our technology and market leadership position.** We intend to maintain our position as the market-leading software intelligence platform through increased investment in research and development and continued innovation. We expect to focus on expanding the functionality of Dynatrace® and investing in capabilities that address new market opportunities. We believe this strategy will enable new growth opportunities and allow us to continue to deliver differentiated high-value outcomes to our customers.
- **Grow our customer base.** We intend to drive new customer growth by expanding our direct sales force focused on the largest 15,000 global enterprise accounts, which generally have annual revenues in excess of \$1 billion. We added 584 new customers during the year ended March 31, 2021. In addition, we expect to leverage our global partner ecosystem to add new customers in geographies where we have direct coverage and work jointly with our partners. In other geographies, such as Africa, Japan, the Middle East, Russia and South Korea, we utilize a multi-tier “master reseller” model.
- **Increase penetration within existing customers.** We plan to continue to increase penetration within our existing customers by expanding the breadth of our platform capabilities to provide for continued cross-selling opportunities. In addition, we believe the ease of implementation for Dynatrace® provides us the opportunity to expand adoption within our existing enterprise customers, across new customer applications, and into additional business units or divisions. Our Dynatrace® net expansion rate has been above 120% for the last twelve quarters.
- **Enhance our strategic partner ecosystem.** Our strategic partners include industry-leading system integrators, software vendors, and cloud and technology providers. We intend to continue to invest in our partner ecosystem, with a particular emphasis on expanding our strategic alliances and cloud-focused partnerships, such as AWS, Azure, Google Cloud Platform, Red Hat OpenShift, and VMware Tanzu.

**Key Metrics**

In addition to our U.S. GAAP financial information, we monitor the following key metrics to help us measure and evaluate the effectiveness of our operations:

	As of									
	3/31/2021	12/31/2020	9/30/2020	6/30/2020	3/31/2020	12/31/2019	9/30/2019	6/30/2019	3/31/2019	12/31/2018
Number of Dynatrace® Customers	2,936	2,794	2,594	2,458	2,373	2,208	1,828	1,578	1,578	1,578
Total ARR (in thousands)	\$ 774,090	\$ 721,995	\$ 638,063	\$ 601,376	\$ 572,759	\$ 534,491	\$ 470,905	\$ 437,622	\$ 437,622	\$ 437,622
Dynatrace® Net Expansion Rate	120%+	120%+	120%+	120%+	120%+	120%+	120%+	120%+	120%+	120%+

**Dynatrace® Customers:** We define the number of Dynatrace® customers at the end of any reporting period as the number of accounts, as identified by a unique account identifier, that generate at least \$10,000 of Dynatrace® ARR as of the reporting date. In infrequent cases, a single large organization may comprise multiple customer accounts when there are distinct divisions, departments or subsidiaries that operate and make purchasing decisions independently from the parent organization. In cases where multiple customer accounts exist under a single organization, each customer account is counted separately based on a mutually exclusive accounting of ARR. As such, even though we target the largest 15,000 global enterprise accounts, there are more than 15,000 addressable Dynatrace® customers. We believe that our ability to grow the number of Dynatrace® customers is an indicator of our ability to drive market adoption of our platform, as well as our ability to grow the business and generate future subscription revenues.

**Annual Recurring Revenue (“ARR”):** We define annual recurring revenue, or ARR, 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, where customers

are billed in arrears based on product usage. Total ARR was \$774 million as of March 31, 2021. Over the past year, Total ARR has grown by \$201 million, or 35%. This growth was the result of a \$62 million increase in ARR from new customer additions, a \$128 million increase in ARR from the expansion of existing customers on the Dynatrace® platform, and an \$11 million increase in ARR as a result of expansion at the time of conversion from our Classic customers, net of churn.

**Dynatrace® Net Expansion Rate:** We define the Dynatrace® net expansion rate 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. Dynatrace® net expansion rate has been above 120% for 12 consecutive quarters.

## Key Components of Results of Operations

### Revenue

Revenue includes subscriptions, licenses and services.

**Subscription.** Our subscription revenue consists of (i) SaaS agreements, (ii) Dynatrace® term-based licenses which are recognized ratably over the contract term, (iii) Dynatrace® perpetual licenses that are recognized ratably over the term of the expected optional maintenance renewals, which is generally three years, and (iv) maintenance and support agreements. We typically invoice SaaS subscription fees and term licenses annually in advance and recognize subscription revenue ratably over the term of the applicable agreement, provided that all other revenue recognition criteria have been satisfied. Fees for our Dynatrace® perpetual licenses are generally billed up front. See the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies and Estimates—Revenue Recognition” included in Part II, Item 7 of this Annual Report for more information. Over time, we expect subscription revenue will increase as a percentage of total revenue as we continue to focus on increasing subscription revenue as a key strategic priority.

**License.** License revenue reflects the revenues recognized from sales of perpetual and term-based licenses of our Classic products that are sold only to existing customers. The license fee portion of Classic perpetual license arrangements is recognized upfront assuming all revenue recognition criteria are satisfied. Classic term license fees are also recognized up front. Classic term licenses are generally billed annually in advance and perpetual licenses are billed up front.

**Service.** Service revenue consists of revenue from helping our customers deploy our software in highly complex operational environments and train their personnel. We recognize the revenues associated with these professional services on a time and materials basis as we deliver the services or provide the training. We generally recognize the revenues associated with our services in the period the services are performed, provided that collection of the related receivable is reasonably assured.

### Cost of Revenue

**Cost of subscription.** Cost of subscription revenue includes all direct costs to deliver and support our subscription products, including salaries, benefits, share-based compensation and related expenses such as employer taxes, allocated overhead for facilities, IT, third-party hosting fees related to our cloud services, and amortization of internally developed capitalized software technology. We recognize these expenses as they are incurred.

**Cost of service.** Cost of service revenue includes salaries, benefits, share-based compensation and related expenses such as employer taxes for our services organization, allocated overhead for depreciation of equipment, facilities and IT. We recognize these expenses as they are incurred.

**Amortization of acquired technology.** Amortization of acquired technology includes amortization expense for technology acquired in business combinations and the Thoma Bravo Funds’ acquisition of us in 2014.

### Gross Profit and Gross Margin

Gross profit is revenue less cost of revenue, and gross margin is gross profit as a percentage of revenue. Gross profit has been and will continue to be affected by various factors, including the mix of our license, subscription, and services and other revenue, the costs associated with third-party cloud-based hosting services for our cloud-based subscriptions, and the extent to which we expand our customer support and services organizations. We expect that our gross margin will fluctuate from period to period depending on the interplay of these various factors.

### Operating Expenses

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

*Research and development.* Research and development expenses primarily consists of the cost of programming personnel. We focus our research and development efforts on developing new solutions, core technologies, and to further enhance the functionality, reliability, performance and flexibility of existing solutions. We believe that our software development teams and our core technologies represent a significant competitive advantage for us and we expect that our research and development expenses will continue to increase, as we invest in research and development headcount to further strengthen and enhance our solutions.

*Sales and marketing.* Sales and marketing expenses primarily consists of personnel and facility-related costs for our sales, marketing, and business development personnel, commissions earned by our sales personnel and the cost of marketing and business development programs. We expect that sales and marketing expenses will continue to increase as we continue to hire additional sales and marketing personnel and invest in marketing programs.

*General and administrative.* General and administrative expenses primarily consist of the personnel and facility-related costs for our executive, finance, legal, human resources and administrative personnel; and other corporate expenses, including those associated with our ongoing public reporting obligations. We anticipate continuing to incur additional expenses due to growing our operations and being a public company, including higher legal, corporate insurance and accounting expenses.

*Amortization of other intangibles.* Amortization of other intangibles primarily consists of amortization of customer relationships and capitalized software and tradenames.

*Restructuring and Other.* Restructuring and other expenses primarily consists of various restructuring activities we have undertaken to achieve strategic and financial objectives. Restructuring activities include, but are not limited to, product offering cancellation and termination of related employees, office relocation, administrative cost of structure realignment and consolidation of resources.

***Other Expense, Net***

Other expense, net consists primarily of interest expense and foreign currency realized and unrealized gains and losses related to the impact of transactions denominated in a foreign currency, including balances between subsidiaries. Interest expense, net of interest income, consists primarily of interest on our term loan facility, amortization of debt issuance costs, loss on debt extinguishment and prepayment penalties.

***Income Tax (Expense) Benefit***

Our income tax (expense) benefit, deferred tax assets and liabilities, and liabilities for unrecognized tax benefits reflect management's best assessment of estimated current and future taxes to be paid. We are subject to income taxes in both the United States and numerous foreign jurisdictions. Significant judgments and estimates are required in determining the consolidated income tax expense.

Our income tax rate varies from the U.S. federal statutory rate mainly due to (1) the impact of tax return to provision true-ups resulting from changes in estimates to the reorganization transaction tax and the corresponding impact to the uncertain tax positions, (2) differing tax rates and regulations in foreign jurisdictions, (3) differences in accounting and tax treatment of our share-based compensation, and (4) foreign withholding taxes. We expect this fluctuation in income tax rates, as well as its potential impact on our results of operations, to continue.

***Immaterial Revision of Previously Issued Consolidated Financial Statements***

During the fourth quarter of fiscal 2021, we identified an immaterial error in the calculation of our income tax provision for the year ended March 31, 2020. Accordingly, the results for the year ended March 31, 2020 have been adjusted to incorporate the revised amounts, where applicable, as further described in Note 7 of the notes to the consolidated financial statements in this Annual Report.

### Results of Operations

The following tables set forth our results of operations for the periods presented:

	Fiscal Year Ended March 31,					
	2021		2020		2019	
	Amount	Percent	Amount	Percent	Amount	Percent
(in thousands, except percentages)						
Revenue:						
Subscription	\$ 655,180	93 %	\$ 487,817	89 %	\$ 349,830	81 %
License	1,446	— %	12,686	3 %	40,354	9 %
Service	46,883	7 %	45,300	8 %	40,782	10 %
Total revenue	703,509	100 %	545,803	100 %	430,966	100 %
Cost of revenue:						
Cost of subscription	77,488	11 %	73,193	13 %	56,934	13 %
Cost of service	34,903	5 %	39,289	7 %	31,529	7 %
Amortization of acquired technology	15,317	2 %	16,449	4 %	18,338	5 %
Total cost of revenue <sup>(1)</sup>	127,708	18 %	128,931	24 %	106,801	25 %
Gross profit	575,801	82 %	416,872	76 %	324,165	75 %
Operating expenses:						
Research and development <sup>(1)</sup>	111,415	16 %	119,281	22 %	76,759	18 %
Sales and marketing <sup>(1)</sup>	245,487	35 %	266,175	49 %	178,886	42 %
General and administrative <sup>(1)</sup>	92,219	13 %	161,983	30 %	91,778	21 %
Amortization of other intangibles	34,744	5 %	40,280	7 %	47,686	11 %
Restructuring and other	40		1,092		1,763	
Total operating expenses	483,905		588,811		396,872	
Income (loss) from operations	91,896		(171,939)		(72,707)	
Other expense, net	(14,043)		(46,594)		(67,204)	
Income (loss) before income taxes	77,853		(218,533)		(139,911)	
Income tax (expense) benefit	(2,139)		(195,284)		23,717	
Net income (loss)	\$ 75,714		\$ (413,817)		\$ (116,194)	

<sup>(1)</sup> Includes share-based compensation expense as follows:

	Fiscal Year Ended March 31,		
	2021	2020	2019
	(in thousands)		
Cost of revenue	\$ 7,307	\$ 18,685	\$ 5,777
Research and development	11,684	38,670	12,566
Sales and marketing	24,153	84,698	24,673
General and administrative	14,640	80,425	28,135
Total share-based compensation expense	\$ 57,784	\$ 222,478	\$ 71,151

**Fiscal Years Ended March 31, 2021 and 2020**
**Revenue**

	Fiscal Year Ended March 31,		Change	
	2021	2020	Amount	Percent
	(in thousands, except percentages)			
Subscription	\$ 655,180	\$ 487,817	\$ 167,363	34 %
License	1,446	12,686	(11,240)	(89 %)
Service	46,883	45,300	1,583	3 %
Total revenue	\$ 703,509	\$ 545,803	\$ 157,706	29 %

**Subscription**

Subscription revenue increased by \$167.4 million, or 34%, for the year ended March 31, 2021, as compared to the year ended March 31, 2020, primarily due to the growing adoption of the Dynatrace® platform by new customers combined with existing customers expanding their use of our solutions. Our subscription revenue increased to 93% of total revenue for the year ended March 31, 2021 compared to 89% of total revenue for the year ended March 31, 2020.

**License**

License revenue decreased by \$11.2 million, or 89%, for the year ended March 31, 2021, as compared to the year ended March 31, 2020, primarily due to the decline of sales of our Classic products to existing customers as they convert to our Dynatrace® platform. We are no longer selling our Classic products.

**Service**

Service revenue increased by \$1.6 million, or 3%, for the year ended March 31, 2021, as compared to the year ended March 31, 2020. We generally recognize the revenues associated with professional services as we deliver the services.

**Cost of Revenue**

	Fiscal Year Ended March 31,		Change	
	2021	2020	Amount	Percent
	(in thousands, except percentages)			
Cost of subscription	\$ 77,488	\$ 73,193	\$ 4,295	6 %
Cost of service	34,903	39,289	(4,386)	(11 %)
Amortization of acquired technology	15,317	16,449	(1,132)	(7 %)
Total cost of revenue	\$ 127,708	\$ 128,931	\$ (1,223)	(1 %)

**Cost of subscription**

Cost of subscription revenue increased by \$4.3 million, or 6%, for the year ended March 31, 2021, as compared to the year ended March 31, 2020. The increase is primarily due to higher personnel costs to support the growth of our subscription cloud-based offering of \$9.7 million and cloud-based hosting costs and software subscriptions of \$7.4 million. Partially offsetting this increase was lower share-based compensation of \$8.3 million as well as decreases in costs for data centers closed during fiscal 2021.

**Cost of service**

Cost of service and other revenue decreased by \$4.4 million, or 11%, for the year ended March 31, 2021, as compared to the year ended March 31, 2020. The decrease was the result of lower share-based compensation of \$3.1 million and decreased travel costs of \$2.1 million. Partially offsetting this decrease was increased personnel costs.

**Amortization of acquired technologies**

For the years ended March 31, 2021 and 2020, amortization of acquired technologies is primarily related to amortization expense for technology acquired in connection with Thoma Bravo's acquisition of us in 2014.

**Gross Profit and Gross Margin**

	Fiscal Year Ended March 31,		Change	
	2021	2020	Amount	Percent
(in thousands, except percentages)				
<b>Gross profit:</b>				
Subscription	\$ 577,692	\$ 414,624	\$ 163,068	39 %
License	1,446	12,686	(11,240)	(89 %)
Service	11,980	6,011	5,969	99 %
Amortization of acquired technology	(15,317)	(16,449)	1,132	(7 %)
Total gross profit	<u>\$ 575,801</u>	<u>\$ 416,872</u>	<u>\$ 158,929</u>	<u>38 %</u>
<b>Gross margin:</b>				
Subscription	88 %	85 %		
License	100 %	100 %		
Service	26 %	13 %		
Amortization of acquired technology	(100 %)	(100 %)		
Total gross margin	<u>82 %</u>	<u>76 %</u>		

**Subscription**

Subscription gross profit increased by \$163.1 million, or 39%, during the year ended March 31, 2021 compared to the year ended March 31, 2020. Subscription gross margin increased from 85% to 88% during the year ended March 31, 2021 compared to the year ended March 31, 2020. The increase was primarily due to the growth of the Dynatrace® platform and lower share-based compensation.

**License**

License gross profit decreased by \$11.2 million, or 89%, during the year ended March 31, 2021 compared to the year ended March 31, 2020. The decrease was the result of a decline in sales of perpetual and term licenses for our Classic products.

**Service**

Service gross profit increased by \$6.0 million, or 99%, during the year ended March 31, 2021 compared to the year ended March 31, 2020. Service gross margin increased from 13% to 26% during the year ended March 31, 2021 compared to the year ended March 31, 2020. Lower share-based compensation and travel costs increased gross profit by \$3.1 million and \$2.1 million, respectively, compared to last fiscal year.

**Operating Expenses**

	Fiscal Year Ended March 31,		Change	
	2021	2020	Amount	Percent
(in thousands, except percentages)				
<b>Operating expenses:</b>				
Research and development	\$ 111,415	\$ 119,281	\$ (7,866)	(7 %)
Sales and marketing	245,487	266,175	(20,688)	(8 %)
General and administrative	92,219	161,983	(69,764)	(43 %)
Amortization of other intangibles	34,744	40,280	(5,536)	(14 %)
Restructuring and other	40	1,092	(1,052)	(96 %)
Total operating expenses	<u>\$ 483,905</u>	<u>\$ 588,811</u>	<u>\$ (104,906)</u>	<u>(18 %)</u>

**Research and development**

Research and development expenses decreased by \$7.9 million, or 7%, for the year ended March 31, 2021, as compared to the year ended March 31, 2020. The decrease is primarily attributable to lower share-based compensation of \$27.0 million, partially offset by a 24% increase in headcount and related allocated overhead, resulting in increased personnel and other costs to expand our product offerings of \$15.3 million, and increased cloud-based hosting costs of \$2.6 million.

*Sales and marketing*

Sales and marketing expenses decreased by \$20.7 million, or 8%, for the year ended March 31, 2021, as compared to the year ended March 31, 2020. This decrease was primarily due to lower share-based compensation of \$60.5 million and lower travel expenses of \$11.1 million, partially offset by a 25% increase in headcount, resulting in an increase of \$31.2 million in personnel costs, and increased advertising and marketing costs of \$15.3 million.

*General and administrative*

General and administrative expenses decreased by \$69.8 million, or 43%, for the year ended March 31, 2021, as compared to the year ended March 31, 2020, primarily due to a decrease in share-based compensation of \$65.8 million and lower transaction costs of \$18.3 million primarily related to the initial public offering completed in fiscal 2020. Partially offsetting this decrease was a 24% increase in headcount, resulting in an increase of \$7.4 million in personnel costs, and increased professional fees of \$3.5 million. Sponsor related costs were zero and \$1.6 million for the year ended March 31, 2020. Sponsor costs were reduced to zero as we stopped incurring these costs upon completion of our initial public offering.

*Amortization of other intangibles*

Amortization of other intangibles decreased by \$5.5 million, or 14%, for the year ended March 31, 2021, as compared to the year ended March 31, 2020. The decrease is primarily the result of lower amortization for certain intangible assets that are amortized on a systematic basis that reflects the pattern in which the economic benefits of the intangible assets are estimated to be realized and the completion of amortization on certain intangibles.

*Restructuring and other*

Restructuring expenses decreased by \$1.1 million, or 96%, for the year ended March 31, 2021, as compared to the year ended March 31, 2020, due to costs incurred in the prior fiscal year for various restructuring activities to achieve our strategic and financial objectives including costs related to a restructuring program designed to align employee resources with our product offering and future plans.

*Other Expense, Net*

Other expense, net decreased by \$32.6 million, or 70%, for the year ended March 31, 2021, as compared to the year ended March 31, 2020. The decrease in other expense was primarily a result of lower interest expense on our term loans as we had less principal outstanding compared to last fiscal year.

*Income Tax Expense*

Income tax expense decreased by \$193.1 million resulting in an expense of \$2.1 million for the year ended March 31, 2021, as compared to an expense of \$195.3 million for the year ended March 31, 2020. This decrease was primarily due to the tax expense resulting from our reorganization transaction, net of attributes utilized, and related uncertain tax positions during fiscal 2020.

**Fiscal Years Ended March 31, 2020 and 2019**

*Revenue*

	Fiscal Year Ended March 31,		Change	
	2020	2019	Amount	Percent
	(in thousands, except percentages)			
Subscription	\$ 487,817	\$ 349,830	\$ 137,987	39 %
License	12,686	40,354	(27,668)	(69 %)
Service	45,300	40,782	4,518	11 %
Total revenue	\$ 545,803	\$ 430,966	\$ 114,837	27 %

*Subscription*

Subscription revenue increased by \$138.0 million, or 39%, for the year ended March 31, 2020, as compared to the year ended March 31, 2019, primarily due to the growing adoption of the Dynatrace® platform by new customers combined with existing customers expanding their use of our solutions. Our subscription revenue increased to 89% of total revenue for the year ended March 31, 2020 compared to 81% of total revenue for the year ended March 31, 2019.

*License*

License revenue decreased by \$27.7 million, or 69%, for the year ended March 31, 2020, as compared to the year ended March 31, 2019, primarily due to decline of sales of our Classic products to existing customers as they convert to our Dynatrace® platform. We are no longer selling our Classic products to new customers.

*Service*

Service revenue increased by \$4.5 million, or 11%, for the year ended March 31, 2020, as compared to the year ended March 31, 2019. We recognize the revenues associated with professional services as we deliver the services.

**Cost of Revenue**

	Fiscal Year Ended March 31,		Change	
	2020	2019	Amount	Percent
	<b>(in thousands, except percentages)</b>			
Cost of subscription	\$ 73,193	\$ 56,934	\$ 16,259	29 %
Cost of service	39,289	31,529	7,760	25 %
Amortization of acquired technology	16,449	18,338	(1,889)	(10 %)
Total cost of revenue	\$ 128,931	\$ 106,801	\$ 22,130	21 %

*Cost of subscription*

Cost of subscription revenue increased by \$16.3 million, or 29%, for the year ended March 31, 2020 compared to the year ended March 31, 2019. The increase is primarily due to higher share-based compensation of \$9.0 million as well as higher personnel costs to support the growth of our subscription cloud-based offering.

*Cost of service*

Cost of service revenue increased by \$7.8 million, or 25%, for the year ended March 31, 2020, as compared to the year ended March 31, 2019. The increase was the result of higher share-based compensation of \$3.9 million as well as increased personnel costs to support the increase in use of our consulting and training services to support our new customers.

*Amortization of acquired technologies*

For the years ended March 31, 2020 and 2019, amortization of acquired technologies includes \$16.2 million and \$17.7 million, respectively, of amortization expense for technology acquired in connection with the Thoma Bravo Funds' acquisition of us in 2014, with the remaining balance related primarily to the Qumram acquisition in November 2017.

**Gross Profit and Gross Margin**

	Fiscal Year Ended March 31,		Change	
	2020	2019	Amount	Percent
(in thousands, except percentages)				
<b>Gross profit:</b>				
Subscription	\$ 414,624	\$ 292,896	\$ 121,728	42 %
License	12,686	40,354	(27,668)	(69 %)
Service	6,011	9,253	(3,242)	(35 %)
Amortization of acquired technology	(16,449)	(18,338)	1,889	(10 %)
Total gross profit	<u>\$ 416,872</u>	<u>\$ 324,165</u>	<u>\$ 92,707</u>	<u>29 %</u>
<b>Gross margin:</b>				
Subscription	85 %	84 %		
License	100 %	100 %		
Service	13 %	23 %		
Amortization of acquired technology	(100)%	(100 %)		
Total gross margin	<u>76 %</u>	<u>75 %</u>		

**Subscription**

Subscription gross profit increased by \$121.7 million, or 42%, during the year ended March 31, 2020 compared to the year ended March 31, 2019. Subscription gross margin increased from 84% to 85%, during the year ended March 31, 2020 compared to the year ended March 31, 2019.

**License**

License gross profit decreased by \$27.7 million, or 69%, during the year ended March 31, 2020 compared to the year ended March 31, 2019. The decrease was the result of a decline in sales of perpetual and term licenses for our Classic products.

**Service**

Service gross profit decreased by \$3.2 million, or 35%, during the year ended March 31, 2020 compared to the year ended March 31, 2019. Service gross margin decreased from 23% to 13%, during the year ended March 31, 2020 compared to the year ended March 31, 2019. Higher share-based compensation costs decreased gross profit by \$3.9 million compared to the last fiscal year.

**Operating Expenses**

	Fiscal Year Ended March 31,		Change	
	2020	2019	Amount	Percent
(in thousands, except percentages)				
<b>Operating expenses:</b>				
Research and development	\$ 119,281	\$ 76,759	\$ 42,522	55 %
Sales and marketing	266,175	178,886	87,289	49 %
General and administrative	161,983	91,778	70,205	76 %
Amortization of other intangibles	40,280	47,686	(7,406)	(16 %)
Restructuring and other	1,092	1,763	(671)	(38 %)
Total operating expenses	<u>\$ 588,811</u>	<u>\$ 396,872</u>	<u>\$ 191,939</u>	<u>48 %</u>

**Research and development**

Research and development expenses increased \$42.5 million, or 55%, for the year ended March 31, 2020, as compared to the year ended March 31, 2019. The increase is primarily attributable to higher share-based compensation of \$26.1 million and a 20% increase in headcount and related allocated overhead, as well as other costs to expand our product offerings of \$8.1 million. Higher software and maintenance expenses, primarily cloud-based hosting costs related to the development of our cloud-based offering of \$3.8 million also contributed to the increase.

*Sales and marketing*

Sales and marketing expenses increased \$87.3 million, or 49%, for the year ended March 31, 2020, as compared to the year ended March 31, 2019, primarily due to higher share-based compensation of \$60.0 million. Further contributing to the increase was a 14% increase in headcount, resulting in an increase of \$23.1 million in personnel costs.

*General and administrative*

General and administrative expenses increased \$70.2 million, or 76%, for the year ended March 31, 2020, as compared to the year ended March 31, 2019, primarily due to an increase in share-based compensation of \$52.3 million and higher transaction costs of \$12.8 million related to the initial public offering completed in fiscal 2020. Further contributing to the increase was an increase in personnel costs and insurance costs. Sponsor related costs were \$1.6 million and \$4.9 million for the years ended March 31, 2020 and 2019, respectively. Sponsor costs declined in 2020 because we stopped incurring these costs upon completion of our initial public offering.

*Amortization of other intangibles*

Amortization of other intangibles decreased by \$7.4 million, or 16%, for the year ended March 31, 2020, as compared to the year ended March 31, 2019. The decrease is primarily the result of lower amortization for certain intangible assets that are amortized on a systematic basis that reflects the pattern in which the economic benefits of the intangible assets are estimated to be realized and the completion of amortization on certain intangibles.

*Restructuring and other*

Restructuring expenses decreased by \$0.7 million, or 38%, for the year ended March 31, 2020, as compared to the year ended March 31, 2019, due to lower costs incurred for various restructuring activities to achieve our strategic and financial objectives including costs related to a restructuring program designed to align employee resources with our product offering and future plans.

***Other Expense, Net***

Other expense, net decreased by \$20.6 million, or 31%, for the year ended March 31, 2020, as compared to the year ended March 31, 2019. The decrease in other expense was primarily a result of lower interest expense on our related party promissory notes as described further in Note 17 with the consolidated financial statements included herein.

***Income Tax (Expense) Benefit***

Income tax expense increased by \$219.0 million resulting in an expense of \$195.3 million for the year ended March 31, 2020, as compared to an income tax benefit of \$23.7 million for the year ended March 31, 2019. This change was primarily due to an increase in income tax expense as a result of our reorganization transactions during fiscal 2020.

**Liquidity and Capital Resources**

As of March 31, 2021, we had \$325.0 million of cash and cash equivalents and \$44.4 million available under our revolving credit facility.

Since inception we have financed our operations primarily through payments by our customers for use of our product offerings and related services and, to a lesser extent, the net proceeds we have received from sales of equity securities and borrowings on our term loan facilities. In August 2019, we completed our IPO in which we issued and sold an aggregate of 38.9 million shares of common stock at a price of \$16.00 per share. We received aggregate net proceeds of \$585.3 million from the IPO, after underwriting discounts and commissions and payments of offering costs.

Over the past three years, cash flows from customer collections have increased. However, operating expenses have also increased as we have invested in growing our business. Our operating cash requirements may increase in the future as we continue to invest in the strategic growth of our company.

Our historical expansion with customers has typically been achieved by executing additional contracts, each with unique pricing and anniversary dates. We are transitioning to a program that combines these contracts into one single, often multi-year contract per customer with one single anniversary date, which may result in variability in the timing and amounts of our billings which could impact the timing of our cash collections from period to period.

Cash from operations could be affected by various risks and uncertainties, including, but not limited to, the risks detailed in the section titled “Risk Factors” included under Part I, Item 1A. However, we believe that our existing cash, cash equivalents, short-term investment balances, funds available under our debt agreement, and cash generated from operations, will be sufficient to meet our working capital and capital expenditure requirements for at least the next twelve months. Our future capital requirements will depend on many factors, including our growth rate, the timing and extent of spending to support research and development efforts, the continued expansion of sales and marketing activities, the introduction of new and enhanced products, seasonality of our billing activities, timing and extent of spending to support our growth strategy, and the continued market acceptance of our products. In the event that additional financing is required from outside sources, we may not be able to raise such financing on terms acceptable to us or at all. If we are unable to raise additional capital when desired, our business, operating results, and financial condition would be adversely affected.

#### **Our Credit Facilities**

As of March 31, 2021, the balance outstanding under our first lien term loan was \$401.1 million and is included in long-term debt on our consolidated balance sheets. We had \$44.4 million available under the revolving credit facility after considering \$15.6 million of letters of credit outstanding.

All of our obligations under our term loans are guaranteed by our existing and future domestic subsidiaries and, subject to certain exceptions, secured by a security interest in substantially all of our tangible and intangible assets. At March 31, 2021, we were in compliance with all applicable covenants pertaining to the First Lien Credit Agreement. Our credit facilities are discussed further in Note 9 of the notes to the consolidated financial statements in this Annual Report.

#### **Summary of Cash Flows**

	<b>Fiscal Year Ended March 31,</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
	<b>(in thousands)</b>		
Net cash provided by (used in) operating activities <sup>(1)</sup>	\$ 220,436	\$ (142,455)	\$ 147,141
Net cash used in investing activities	(13,879)	(20,613)	(9,250)
Net cash (used in) provided by financing activities	(97,802)	329,392	(161,482)
Effect of exchange rate changes on cash and cash equivalents	3,037	(4,468)	(2,676)
Net increase (decrease) in cash and cash equivalents	<u>\$ 111,792</u>	<u>\$ 161,856</u>	<u>\$ (26,267)</u>

<sup>(1)</sup> Net cash provided by (used in) operating activities includes cash payments for interest and tax as follows:

	<b>Fiscal Year Ended March 31,</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
	<b>(in thousands)</b>		
Cash paid for interest	\$ 12,475	\$ 39,568	\$ 40,969
Cash (received from) paid for tax, net	\$ (7,337)	\$ 266,708	\$ 5,928

#### **Operating Activities**

For the year ended March 31, 2021, cash provided by operating activities was \$220.4 million as a result of net income of \$75.7 million, and adjusted by non-cash charges of \$113.6 million and a change of \$31.2 million in our operating assets and liabilities. The non-cash charges are primarily comprised of depreciation and amortization of \$61.0 million and share-based compensation of \$57.8 million. The change in our net operating assets and liabilities was primarily the result of an increase in deferred revenue of \$96.5 million due to seasonality in our sales cycle, which is higher in the third and fourth quarters of our fiscal year, an increase in accounts payable and accrued expenses of \$26.6 million driven by the timing of payments, and a decrease in prepaid expenses and other assets of \$5.7 million driven by the timing of payments in advance of future services. These changes were partially offset by an increase in accounts receivable of \$82.0 million due to the timing of receipts of payments from customers and an increase in deferred commissions of \$16.3 million due to commissions paid on new bookings.

For the year ended March 31, 2020, cash used in operating activities was \$142.5 million as a result of a net loss of \$413.8 million, inclusive of a \$255.8 million income tax payment related to the reorganization transactions, and adjusted by non-cash charges of \$248.7 million and a change of \$22.7 million in our operating assets and liabilities. The non-cash charges are primarily comprised of share-based compensation of \$222.5 million and depreciation and amortization of \$66.3 million, net of deferred income taxes of \$46.2 million. The change in our net operating assets and liabilities was primarily the result of an increase in deferred revenue of \$91.4 million due to higher subscription sales and timing of amounts billed to customers compared to revenue recognized during the same period, which were partially offset by an increase in deferred commissions of \$20.1 million due to commissions paid on new bookings. Further contributing to the change was an increase in prepaid expenses and other assets of \$57.6 million related to an

increase in income taxes refundable, an increase in accounts payable and accrued expenses of \$53.0 million driven by our growth and the timing of payments, and an increase in accounts receivable of \$44.0 million in line with higher sales and the timing of cash collections between the two periods.

For the year ended March 31, 2019, cash provided by operating activities was \$147.1 million as a result of a net loss of \$116.2 million, adjusted by non-cash charges of \$115.9 million and a change of \$147.4 million in our operating assets and liabilities. The non-cash charges are primarily comprised of depreciation and amortization of \$80.1 million, share-based compensation of \$71.2 million, and deferred income taxes of \$34.2 million. The change in our net operating assets and liabilities was primarily the result of an increase in deferred revenue of \$127.0 million due to the timing of billings and cash received in advance of revenue recognition primarily for subscription and support services and a decrease in accounts receivable of \$18.0 million due to the timing of receipts of payments from customers, partially offset by an increase in deferred commissions of \$20.0 million, and an increase in prepayments and other assets of \$12.4 million.

#### ***Investing Activities***

Cash used in investing activities during the year ended March 31, 2021 was \$13.9 million, as a result of the purchases of property and equipment of \$14.1 million and capitalized software additions of \$0.3 million, gross of \$0.5 million of derecognized software costs.

Cash used in investing activities during the year ended March 31, 2020 was \$20.6 million, as a result of the purchases of property and equipment of \$19.7 million and capitalized software additions of \$0.9 million.

Cash used in investing activities during the year ended March 31, 2019 was \$9.3 million, as a result of purchases of property and equipment of \$7.4 million and capitalized software additions of \$1.9 million.

#### ***Financing Activities***

Cash used in financing activities during the year ended March 31, 2021 was \$97.8 million, primarily as a result of repayments of our term loans of \$120.0 million, partially offset by proceeds from the exercise of our stock options of \$13.1 million and proceeds from our employee stock purchase plan of \$9.2 million.

Cash provided by financing activities during the year ended March 31, 2020 was \$329.4 million, primarily as a result of net proceeds from our initial public offering of \$590.3 million and a contribution received for our tax obligation generated by our reorganization transactions of \$265.0 million, which were partially offset by repayments on our term loans of \$515.2 million, settlement of deferred offering costs of \$5.0 million, and installments related to an acquisition of \$4.7 million.

Cash used in financing activities during the year ended March 31, 2019 was \$161.5 million, primarily as a result of payments to related parties of \$1,177.0 million, repayments on our term loans of \$83.9 million, debt issuance costs of \$16.3 million and equity repurchases of \$0.6 million, partially offset by \$1,120.0 million in proceeds from term loans.

#### **Contractual Obligations and Commitments**

Under various agreements, we are obligated to make future cash payments. These include payments under our long-term debt agreements, rent payments required under operating lease agreements, interest obligations on our term loans, and other contractual commitments.

The following table summarizes our payments under contractual obligations as of March 31, 2021:

	Payments Due by Period				
	Total	Less than 1 Year	1 to 3 Years	3 to 5 Years	More than 5 Years
	(in thousands)				
Operating lease obligations	\$ 57,890	\$ 12,290	\$ 22,757	\$ 12,637	\$ 10,206
First Lien Term Loan - principal <sup>(1)</sup>	401,125	—	—	401,125	—
First Lien Term Loan - interest <sup>(2)</sup>	42,178	9,592	19,210	13,376	—
Revolving credit facility <sup>(3)</sup>	—	—	—	—	—
<b>Total</b>	<b>\$ 501,193</b>	<b>\$ 21,882</b>	<b>\$ 41,967</b>	<b>\$ 427,138</b>	<b>\$ 10,206</b>

(1) The amounts included in the table above represent principal maturities only.

(2) Amounts represent estimated future interest payments on borrowings under our First Lien Term Loan, which were estimated using the interest rate effective at March 31, 2021 multiplied by the principal outstanding on March 31, 2021. The First Lien Term Loan consists of \$401.1 million currently bearing interest at 2.4%.

(3) As of March 31, 2021, we had no outstanding borrowings under our revolving credit facility, \$15.6 million of letters of credit outstanding, and \$44.4 million was available for borrowing under our revolving credit facility.

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

#### Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

#### Critical Accounting Policies and Estimates

We prepare our consolidated financial statements in accordance with generally accepted accounting principles in the United States. The preparation of consolidated financial statements also requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, 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 our 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 assumptions and estimates associated with revenue recognition, share-based compensation, income taxes, goodwill, and impairment of long-lived assets have the greatest potential impact on our consolidated financial statements. Therefore, we consider these to be our critical accounting policies and estimates. Accordingly, we believe these are the most critical to fully understand and evaluate our financial condition and results of operations.

#### *Revenue Recognition*

We recognize revenue from contracts with customers using the five-step method described in Note 2 of the notes to our consolidated financial statements, included elsewhere in this Annual Report. At contract inception we evaluate whether two or more contracts should be combined and accounted for as a single contract and whether the combined or single contract includes more than one performance obligation. We combine contracts entered into at or near the same time with the same customer if (i) we determine that the contracts are negotiated as a package with a single commercial objective, (ii) the amount of consideration to be paid in one contract depends on the price or performance of the other contract, or (iii) the services promised in the contracts are a single performance obligation.

The identification of our performance obligations involves review and consideration for the contractual terms, the implied rights of our customers, if any, product demonstrations and published website and marketing materials. Our performance obligations consist of (i) subscription and support services, (ii) licenses for our Classic products, and (iii) professional and other services. Contracts that contain multiple performance obligations require an allocation of the transaction price to each performance obligation based on their relative standalone selling price. We determine standalone selling price, or SSP, for all our performance obligations using observable inputs, such as standalone sales and historical contract pricing. SSP is consistent with our overall pricing objectives, taking into consideration the type of subscription services and professional and other services. SSP also reflects the amount we would charge for that performance obligation if it were sold separately in a standalone sale, and the price we would sell to similar customers in similar circumstances. We have determined that our pricing for software licenses and subscription services is highly variable and we therefore allocate the transaction price to those performance obligations using the residual approach.

In general, we satisfy the majority of our performance obligations over time as we transfer the promised services to our customers. We review the contract terms and conditions to evaluate (i) the timing and amount of revenue recognition, (ii) the related contract balances, and (iii) our remaining performance obligations. We also estimate the number of hours expected to be incurred based on an expected hours approach that considers historical hours incurred for similar projects based on the types and sizes of customers. These evaluations require significant judgment that could affect the timing and amount of revenue recognized.

#### **Share-based Compensation**

We historically issued Management Incentive Units (“MIUs”) and Appreciation Units (“AUs”) under the Management Incentive Unit Plan, or the MIU Plan. Following the IPO, we ceased granting awards under the MIU Plan, and all outstanding awards were converted into shares of common stock, restricted stock, and restricted stock units under the Amended and Restated 2019 Equity Incentive Plan, or the 2019 Plan. Under the 2019 Plan, we have granted stock options, restricted stock awards, restricted stock units to certain key employees and non-employee directors. For further information see Note 13 of the notes to the consolidated financial statements in this Annual Report.

Compensation expense relating to share-based payments is recognized in earnings using a fair-value measurement method. We use the straight-line attribution method of recognizing compensation expense over the vesting period. Forfeitures are accounted for in the period in which the awards are forfeited.

Prior to our IPO, the fair value of the MIUs and AUs were estimated on the date of grant using the option-pricing model, or OPM, or a hybrid of the probability-weighted expected return method and the option-pricing model, which we referred to as the hybrid method. Use of the OPM model and hybrid method required that we make assumptions as to the volatility of our equity awards, the expected term to expiration or a liquidity event, and the risk-free interest rate for a period that approximates the expected term of our equity awards. The computation of expected volatility was based on the historical volatility of a group of publicly traded peer companies. We used the simplified method prescribed by SEC Staff Accounting Bulletin No. 107, Share-Based Payment, to calculate the expected term of units granted to employees and directors. We based the expected term of options granted to non-employees on the contractual term of the units. We determined the risk-free interest rate by reference to the U.S. Constant Maturity Treasury yield curve in effect as of the valuation date with the maturity matching the expected term.

The following key assumptions were used to determine the fair value of the MIUs and AUs during the years ended March 31, 2020 and 2019:

	<b>March 31, 2020</b>	<b>March 31, 2019</b>
Expected volatility	35% - 55%	50% - 60%
Expected term (years)	0.5 - 1.25	1.0 - 1.5
Risk-free interest rate	1.86% - 2.09%	2.33% - 2.40%

Subsequent to our IPO, the fair value of each new equity award and purchase right under the employee stock purchase plan is estimated on the date of grant. We estimate the fair value of each option award and purchase right using the Black-Scholes option-pricing model. The fair value of restricted stock units and restricted stock awards is based on the closing price of our common stock as reported on the New York Stock Exchange.

Our use of the Black-Scholes option-pricing model requires that we make assumptions as to the volatility of our stock options and purchase rights under our 2019 Employee Stock Purchase Plan, or the ESPP, the expected term to expiration or a liquidity event, and the risk-free interest rate for a period that approximates the expected term of our stock options and purchase rights under the ESPP. The computation of expected volatility is based on the historical volatility of a group of publicly traded peer companies. We expect to continue to do so until such time as we have adequate historical data regarding the volatility of our traded stock price. The computation of expected term for the stock options is based on the average period the stock options are expected to remain outstanding, generally calculated as the midpoint of the stock options’ remaining 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. The computation of expected term for the purchase rights under the ESPP is based on the offering period, which is six months. We determined the risk-free interest rate based on the U.S. Treasury yield curve in effect at the time of grant for the expected life of the award. We use a dividend yield of zero, as we do not currently issue dividends, nor do we expect to do so in the future.

The following key assumptions were used to determine the fair value of the stock options granted during the years ended March 31, 2021 and 2020:

	<u>March 31, 2021</u>	<u>March 31, 2020</u>
Expected volatility	39.3% - 39.8%	37.1% - 38.9%
Expected term (years)	6.1	6.1
Risk-free interest rate	0.4% - 1.1%	0.8% - 1.9%

The following key assumptions were used to determine the fair value of ESPP purchase rights granted during the years ended March 31, 2021 and 2020:

	<u>March 31, 2021</u>	<u>March 31, 2020</u>
Expected volatility	35.9% - 55.5%	35.9 %
Expected term (years)	0.5	0.5
Risk-free interest rate	0.1% - 1.6%	1.6 %

### ***Income Taxes***

We account for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Under this method, deferred tax assets and liabilities are determined based on the differences between the financial statements and tax bases of assets and liabilities and net operating loss and credit carryforwards using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in the period that includes the enactment date. We have the ability to permanently reinvest any earnings in our foreign subsidiaries and therefore do not record a deferred tax liability on any outside basis differences in our investments in subsidiaries.

We record net deferred tax assets to the extent we believe that these assets will more likely than not be realized. These deferred tax assets are subject to periodic assessments as to recoverability, and if it is determined that it is more likely than not that the benefits will not be realized, valuation allowances are recorded which would reduce deferred tax assets. In making such determination, we consider all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax planning strategies and recent financial operations.

We account for uncertain tax positions based on those positions taken or expected to be taken in a tax return. We determine if the amount of available support indicates that it is more likely than not that the tax position will be sustained on audit, including resolution of any related appeals or litigation processes. We then measure the tax benefit as the largest amount that is more than 50% likely to be realized upon settlement. We adjust reserves for our uncertain tax positions due to changing facts and circumstances. To the extent that the final outcome of these matters is different than the amounts recorded, such differences will impact our tax provision in our consolidated statements of operations in the period in which such determination is made. Interest and penalties related to uncertain income tax positions are included in the income tax provision.

### ***Goodwill***

Goodwill represents the excess of acquisition cost over the fair value of net tangible and identified net assets acquired. Goodwill and intangible assets that have indefinite lives are not amortized, but rather tested for impairment annually, as of January 1, or more often if and when events or circumstances indicate that the carrying value may not be recoverable. Goodwill impairment, if any, is determined by comparing the reporting unit's fair value to its carrying value. An impairment loss is recognized in an amount equal to the excess of the reporting unit's carrying value over its fair value, up to the amount of goodwill allocated to the reporting unit. There were no impairments of goodwill during the years ended March 31, 2021, 2020, and 2019.

For the purpose of testing goodwill for impairment, all goodwill acquired in a business combination is assigned to one or more reporting units. A reporting unit represents an operating segment or a component within an operating segment for which discrete financial information is available and is regularly reviewed by segment management for performance assessment and resource allocation. Components of similar economic characteristics are aggregated into one reporting unit for the purpose of goodwill impairment assessment. Reporting units are identified annually and re-assessed periodically for recent acquisitions or any changes in segment reporting structure. We have determined that we operate as one reporting unit.

The fair value of a reporting unit is generally determined using a combination of the income approach and the market approach. For the income approach, fair value is determined based on the present value of estimated future after-tax cash flows, discounted at an appropriate risk-adjusted rate.

We use our internal forecasts to estimate future after-tax cash flows and estimate the long-term growth rates based on our most recent views of the long-term outlook for each reporting unit. Actual results may differ from those assumed in our forecasts. We derive our discount rates using a capital asset pricing model and analyzing published rates for industries relevant to our reporting units to estimate the weighted average cost of capital. We adjust the discount rates for the risks and uncertainty inherent in the respective businesses and in our internally developed forecasts. For the market approach, we use a valuation technique in which values are derived based on valuation multiples of comparable publicly traded companies. We assess each valuation methodology based upon the relevance and availability of the data at the time we perform the valuation and weight the methodologies appropriately.

#### ***Impairment of Long-Lived Assets***

Long-lived assets, including amortized intangibles, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset be tested for possible impairment, we first compare undiscounted cash flows expected to be generated by an asset to the carrying value of the asset. If the carrying value of the long-lived asset is not recoverable on an undiscounted cash flow basis, impairment is recognized to the extent that the carrying value exceeds its fair value. We estimate fair value using discounted cash flows and other market-related valuation models, including earnings multiples and comparable asset market values. If circumstances change or events occur to indicate that our fair market value has fallen below book value, then we will compare the estimated fair value of long-lived assets (including goodwill) to its book value. If the book value exceeds the estimated fair value, we will recognize the difference as an impairment loss in our consolidated statements of operations. We did not incur any impairment losses during the years ended March 31, 2021, 2020, and 2019.

#### **Recent Accounting Pronouncements**

See Note 2, Summary of Significant Accounting Policies, of our accompanying audited consolidated financial statements included in this Annual Report for a description of recently issued accounting pronouncements.

### **ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

We are exposed to market risk in the ordinary course of our business. Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. Our market risk exposure is primarily a result of fluctuations in foreign currency exchange rates, interest rates, and inflation. We do not hold or issue financial instruments for trading purposes.

#### ***Foreign Currency Exchange Risk***

Our reporting currency is the U.S. dollar, and the functional currency of each of our subsidiaries is either its local currency or the U.S. dollar, depending on the circumstances. Due to our international operations, we have foreign currency risks related to operating expense denominated in currencies other than the U.S. dollar, particularly the Euro. Additionally, fluctuations in foreign currencies impact the amount of total assets, liabilities, and cash flows that we report for our foreign subsidiaries upon the translation of these amounts into U.S. dollars. Decreases in the relative value of the U.S. dollar to other currencies may negatively affect our operating results as expressed in U.S. dollars.

Our results of operations and cash flows are subject to fluctuations due to changes in foreign currency exchange rates because, although substantially all of our revenue is generated in U.S. dollars, our expenses are generally denominated in the currencies of the jurisdictions in which we conduct our operations, which are primarily in the United States, Europe and Asia. Our results of operations and cash flows could therefore be adversely affected in the future due to changes in foreign exchange rates. We do not believe that an immediate 10% increase or decrease in the relative value of the U.S. dollar to other currencies would have a material effect on our results of operations or cash flows, and to date, we have not engaged in any hedging strategies with respect to foreign currency transactions. As our international operations grow, we will continue to reassess our approach to manage our risk relating to fluctuations in currency rates, and we may choose to engage in the hedging of foreign currency transactions in the future.

#### ***Interest Rate Risk***

We had cash and cash equivalents of \$325.0 million and \$213.2 million as of March 31, 2021 and 2020, respectively, consisting of bank deposits, commercial paper, and money market funds. These interest-earning instruments carry a degree of interest rate risk. To date, fluctuations in our interest income have not been significant. We do not enter into investments for trading or speculative purposes and have not used any derivative financial instruments to manage our interest rate risk exposure. Due to the short-term nature of these investments, we have not been exposed to, nor do we anticipate being exposed to, material risks due to changes in interest rates.

At March 31, 2021, we also had in place a \$60.0 million revolving credit facility, with availability of \$44.4 million, and \$401.1 million in term loans. The revolving credit facility and the term loan bear interest based on the adjusted LIBOR rate, as defined in the

agreement, plus an applicable margin, equivalent to 2.4% at March 31, 2021. A hypothetical 10% change in interest rates during any of the periods presented would not have had a material impact on our consolidated financial statements.

## ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

### Report of Independent Registered Public Accounting Firm

Shareholders and Board of Directors  
Dynatrace, Inc.  
Waltham, Massachusetts

#### Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Dynatrace, Inc. (the “Company”) as of March 31, 2021 and 2020, the related consolidated statements of operations, comprehensive income (loss), shareholders’ equity/member’s deficit, and cash flows for each of the three years in the period ended March 31, 2021, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at March 31, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended March 31, 2021, in conformity with accounting principles generally accepted in the United States of America.

We 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 March 31, 2021, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) and our report dated May 28, 2021 expressed an unqualified opinion thereon.

#### Basis for Opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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.

#### Revenue Recognition - Identification of Performance Obligations

As described in Notes 2 and 3 to the consolidated financial statements, the Company’s revenues consist of fees for the Company’s software products delivered on a perpetual and term license basis as well as hosted software as a service (“SaaS”), post-contract customer support (referred to as maintenance), and professional services. The Company’s contracts with customers may have multiple performance obligations including some or all of the following: software licenses, SaaS, maintenance, and professional services. When multiple promised products and services are included within one contract, management applies judgment to determine whether promised products and services are distinct, which affects the timing and pattern of revenue recognition.

We identified revenue recognition, specifically related to management's identification of distinct performance obligations, as a critical audit matter. The principal considerations for our determination are the volume of the Company's contracts that may contain multiple products or services, together with the significant judgment involved in management's identification of performance obligations. Auditing these elements was especially challenging due to the extent of audit effort and the degree of auditor judgment required to address these matters.

The primary procedures we performed to address this critical audit matter included:

- Testing a sample of revenue contracts by obtaining and reviewing underlying source documents relevant to revenue recognition; for those selected contracts, reperforming and evaluating management's identification of the performance obligations within the contract with the customer, including whether management identified options to acquire additional goods or services that gave rise to a material right.
- Evaluating whether the when-and-if available updates included within maintenance are critical to the continued utility of the related software licenses, such that they should be a single combined performance obligation, including i) assessing key assumptions relating to product functionality with the Company's product specialists, ii) reviewing published information regarding the product and support offerings, and iii) evaluating frequency and importance of updates.

#### ***Accounting for Income Taxes - Deferred Tax Assets and Liabilities***

As described in Notes 2 and 7 to the consolidated financial statements, the Company has recorded gross deferred tax assets relating to deductible temporary differences, net operating losses and credit carryforwards of \$80.8 million as of March 31, 2021, with an offsetting valuation allowance of \$24.3 million. The Company reduces its deferred tax assets by a valuation allowance, if based upon the weight of all available evidence, it is more likely than not that some portion, or all, of the deferred tax asset will not be realized on a more-likely-than-not basis. Management applied judgment in assessing the realizability of its deferred tax assets and the need for any valuation allowances, in particular its ability to rely on the reversal of existing deferred tax liabilities as a source of income. In determining the amount of deferred tax assets that are more-likely-than-not to be realized, management considers all available positive and negative evidence, including future reversals of existing temporary differences, projected future taxable income, tax planning strategies and recent financial operations.

We identified accounting for income taxes, specifically management's evaluation of gross deferred tax assets and liabilities and evaluation of the realizability of deferred tax assets, as a critical audit matter. The evaluation of gross deferred tax assets and liabilities involves complex tax regulations relating to multiple jurisdictions. Assessing the realizability of deferred tax assets involves significant judgment and subjective evaluation of assumptions in scheduling the reversal of temporary differences which involves application of income tax law in the various jurisdictions in which the Company operates. Auditing these elements involved especially complex auditor judgment due to the nature and extent of audit effort required to address these matters, including the need to involve personnel with specialized skill and knowledge.

The primary procedures we performed to address this critical audit matter included:

Utilizing personnel with specialized knowledge and skill in domestic and international tax to assist in the following:

- Evaluating the appropriateness and accuracy of the gross deferred tax assets and deferred tax liabilities by assessing significant changes by nature of the tax item;
- Testing the scheduling of reversing gross deferred tax assets as compared to deferred tax liabilities by jurisdiction, including the underlying management assumptions;
- Analyzing management's assessment of domestic and foreign tax laws and application to the Company's tax provisions; and
- Evaluating i) the Company's application of tax law in the available tax planning strategies, and ii) the Company's assessment of its ability to carryback losses or credits.

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

/s/ BDO USA, LLP

Troy, Michigan  
May 28, 2021

**DYNATRACE, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
(In thousands, except share data)

	March 31,	
	2021	2020
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 324,962	\$ 213,170
Accounts receivable, net	242,079	157,058
Deferred commissions, current	48,986	38,509
Prepaid expenses and other current assets	64,255	79,040
Total current assets	680,282	487,777
Property and equipment, net	36,916	31,508
Operating lease right-of-use asset, net	42,959	—
Goodwill	1,271,195	1,270,733
Other intangible assets, net	149,484	201,592
Deferred tax assets, net	16,811	7,405
Deferred commissions, non-current	48,638	39,736
Other assets	9,933	8,126
<b>Total assets</b>	<b>\$ 2,256,218</b>	<b>\$ 2,046,877</b>
<b>Liabilities and shareholders' equity</b>		
Current liabilities:		
Accounts payable	\$ 9,621	\$ 11,112
Accrued expenses, current	119,527	95,011
Deferred revenue, current	509,272	384,060
Operating lease liabilities, current	9,491	—
Total current liabilities	647,911	490,183
Deferred revenue, non-current	47,504	60,711
Accrued expenses, non-current	16,072	20,294
Operating lease liabilities, non-current	38,203	—
Deferred tax liabilities	1,014	—
Long-term debt	391,913	509,985
<b>Total liabilities</b>	1,142,617	1,081,173
Commitments and contingencies (Note 12)		
Shareholders' equity:		
Common shares, \$0.001 par value, 600,000,000 shares authorized, 283,130,238 and 280,853,040 shares issued and outstanding at March 31, 2021 and March 31, 2020, respectively	283	281
Additional paid-in capital	1,653,328	1,573,347
Accumulated deficit	(513,799)	(589,819)
Accumulated other comprehensive loss	(26,211)	(18,105)
<b>Total shareholders' equity</b>	1,113,601	965,704
<b>Total liabilities and shareholders' equity</b>	<b>\$ 2,256,218</b>	<b>\$ 2,046,877</b>

See accompanying notes to consolidated financial statements

**DYNATRACE, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(In thousands, except per share data)

	Fiscal Year Ended March 31,		
	2021	2020	2019
<b>Revenue:</b>			
Subscription	\$ 655,180	\$ 487,817	\$ 349,830
License	1,446	12,686	40,354
Service	46,883	45,300	40,782
Total revenue	703,509	545,803	430,966
<b>Cost of revenue:</b>			
Cost of subscription	77,488	73,193	56,934
Cost of service	34,903	39,289	31,529
Amortization of acquired technology	15,317	16,449	18,338
Total cost of revenue	127,708	128,931	106,801
Gross profit	575,801	416,872	324,165
<b>Operating expenses:</b>			
Research and development	111,415	119,281	76,759
Sales and marketing	245,487	266,175	178,886
General and administrative	92,219	161,983	91,778
Amortization of other intangibles	34,744	40,280	47,686
Restructuring and other	40	1,092	1,763
Total operating expenses	483,905	588,811	396,872
Income (loss) from operations	91,896	(171,939)	(72,707)
Interest expense, net	(14,205)	(45,397)	(69,845)
Other income (expense), net	162	(1,197)	2,641
Income (loss) before income taxes	77,853	(218,533)	(139,911)
Income tax (expense) benefit	(2,139)	(195,284)	23,717
Net income (loss)	\$ 75,714	\$ (413,817)	\$ (116,194)
<b>Net income (loss) per share:</b>			
Basic	\$ 0.27	\$ (1.56)	\$ (0.49)
Diluted	\$ 0.26	\$ (1.56)	\$ (0.49)
<b>Weighted average shares outstanding:</b>			
Basic	280,469	264,933	235,939
Diluted	286,509	264,933	235,939

See accompanying notes to consolidated financial statements

**DYNATRACE, INC.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**  
**(In thousands)**

	<b>Fiscal Year Ended March 31,</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
Net income (loss)	\$ 75,714	\$ (413,817)	\$ (116,194)
Other comprehensive (loss) income			
Foreign currency translation adjustment	(8,106)	4,982	(3,912)
Effect of reorganization	—	6,623	—
Total other comprehensive (loss) income	(8,106)	11,605	(3,912)
Comprehensive income (loss)	<u>\$ 67,608</u>	<u>\$ (402,212)</u>	<u>\$ (120,106)</u>

See accompanying notes to consolidated financial statements

**DYNATRACE, INC.**  
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY / MEMBER'S DEFICIT**  
(In thousands)

	Common Shares		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Shareholders' Equity / Member's Deficit
	Shares	Amount				
Balance, March 31, 2018	—	\$ —	\$ (183,084)	\$ (59,808)	\$ (25,798)	\$ (268,690)
Foreign currency translation					(3,912)	(3,912)
Transfers to related parties			(813)			(813)
Equity repurchases			(649)			(649)
Net loss				(116,194)		(116,194)
Balance, March 31, 2019	—	\$ —	\$ (184,546)	\$ (176,002)	\$ (29,710)	\$ (390,258)
Foreign currency translation					4,982	4,982
Reclassification of related party payable upon reorganization			600,622			600,622
Issuance of common stock in connection with initial public offering, net of underwriters' discounts and commissions and issuance costs	38,873	39	585,258			585,297
Effect of reorganization	241,547	242	271,383		6,623	278,248
Contribution for taxes associated with reorganization			265,000			265,000
Restricted stock units vested	503	—				—
Restricted stock awards forfeited	(70)	—				—
Share-based compensation			35,786			35,786
Equity repurchases			(156)			(156)
Net loss				(413,817)		(413,817)
Balance, March 31, 2020	280,853	\$ 281	\$ 1,573,347	\$ (589,819)	\$ (18,105)	\$ 965,704
Foreign currency translation					(8,106)	(8,106)
Restricted stock units vested	1,256	1				1
Restricted stock awards forfeited	(110)	—				—
Issuance of common stock related to employee stock purchase plan	331	—	9,195			9,195
Exercise of stock options	800	1	13,051			13,052
Share-based compensation			57,784			57,784
Equity repurchases			(49)			(49)
Cumulative effects adjustment for ASU 2016-02 adoption				306		306
Net income				75,714		75,714
Balance, March 31, 2021	283,130	\$ 283	\$ 1,653,328	\$ (513,799)	\$ (26,211)	\$ 1,113,601

See accompanying notes to consolidated financial statements

**DYNATRACE, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In thousands)

	Fiscal Year Ended March 31,		
	2021	2020	2019
<b>Cash flows from operating activities:</b>			
Net income (loss)	\$ 75,714	\$ (413,817)	\$ (116,194)
Adjustments to reconcile net income (loss) to cash provided by (used in) operations:			
Depreciation	9,022	7,864	7,319
Amortization	51,942	58,457	72,792
Share-based compensation	57,784	222,478	71,151
Deferred income taxes	(7,036)	(46,221)	(34,214)
Other	1,845	6,129	(1,140)
Net change in operating assets and liabilities:			
Accounts receivable	(81,992)	(44,021)	17,979
Deferred commissions	(16,323)	(20,107)	(19,968)
Prepaid expenses and other assets	5,669	(57,588)	(12,401)
Accounts payable and accrued expenses	26,592	53,004	34,787
Operating leases, net	731	—	—
Deferred revenue	96,488	91,367	127,030
Net cash provided by (used in) operating activities	220,436	(142,455)	147,141
<b>Cash flows from investing activities:</b>			
Purchase of property and equipment	(14,076)	(19,721)	(7,377)
Capitalized software costs	197	(892)	(1,873)
Net cash used in investing activities	(13,879)	(20,613)	(9,250)
<b>Cash flows from financing activities:</b>			
Proceeds from initial public offering, net of underwriters' discounts and commissions	—	590,297	—
Settlement of deferred offering costs	—	(5,000)	—
Proceeds from term loans	—	—	1,120,000
Debt issuance costs	—	(866)	(16,288)
Repayment of term loans	(120,000)	(515,189)	(83,871)
Payments to related parties	—	—	(1,177,021)
Contribution for tax associated with reorganization	—	265,000	—
Proceeds from employee stock purchase plan	9,195	—	—
Proceeds from exercise of stock options	13,052	—	—
Equity repurchases	(49)	(156)	(649)
Installments related to acquisitions	—	(4,694)	(3,653)
Net cash (used in) provided by financing activities	(97,802)	329,392	(161,482)
Effect of exchange rates on cash and cash equivalents	3,037	(4,468)	(2,676)
Net increase (decrease) in cash and cash equivalents	111,792	161,856	(26,267)
Cash and cash equivalents, beginning of year	213,170	51,314	77,581
Cash and cash equivalents, end of year	\$ 324,962	\$ 213,170	\$ 51,314
<b>Supplemental cash flow data:</b>			
Cash paid for interest	\$ 12,475	\$ 39,568	\$ 40,969
Cash (received from) paid for tax, net	\$ (7,337)	\$ 266,708	\$ 5,928
<b>Noncash investing and financing activities:</b>			
Reclassification of related party payable upon reorganization	\$ —	\$ 600,622	\$ —
Transactions with related parties	\$ —	\$ —	\$ 14,263
Modification of MIU Plan awards	\$ —	\$ 278,248	\$ —

See accompanying notes to consolidated financial statements

**DYNATRACE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**1. Description of the Business**

***Business***

Dynatrace, Inc. (“Dynatrace”, or the “Company”) offers an observability platform, purpose-built for modern multicloud environments. The Company designed its all-in-one Dynatrace® Software Intelligence Platform to address the growing complexity faced by technology and digital business teams as these enterprises further embrace the cloud to effect their digital transformation. The Company’s platform does so by utilizing artificial intelligence at its core and continuous automation to deliver precise answers about the performance and security of applications, the underlying infrastructure, and the experience of its customers’ users to enable organizations to innovate faster, operate more efficiently, and improve user experiences for consistently better business outcomes.

Thoma Bravo (“TB”), a private equity investment firm, completed its acquisition of Compuware Corporation on December 15, 2014. Following the acquisition, Compuware Corporation was restructured following which Compuware Parent, LLC became the owner of Dynatrace Holding Corporation (“DHC”), under which the Compuware and Dynatrace businesses were separated, establishing Dynatrace as a standalone business. Following the corporate reorganization described below, Dynatrace became wholly owned by Dynatrace, Inc. (formerly Dynatrace Holdings LLC).

***Fiscal year***

The Company’s fiscal year ends on March 31. References to fiscal 2021, for example, refer to the fiscal year ended March 31, 2021.

**2. Significant Accounting Policies**

***Basis of presentation and consolidation***

Prior to July 30, 2019, Dynatrace Holdings LLC, a Delaware limited liability company, was an indirect equity holder of DHC that indirectly and wholly owned Dynatrace, LLC. On July 31, 2019, Dynatrace Holdings LLC (i) converted into a Delaware corporation with the name Dynatrace, Inc. and (ii) through a series of corporate reorganization steps, became the parent company of DHC. Additionally, as part of the reorganization, two wholly owned subsidiaries of DHC, Compuware Corporation (“Compuware”) and SIGOS LLC (“SIGOS”), were spun out from the corporate structure to the DHC shareholders. As a result of these transactions, DHC is a wholly owned indirect subsidiary of Dynatrace, Inc. These reorganization steps are collectively referred to as the “reorganization.” In connection with the reorganization, the equity holders of Compuware Parent, LLC received 222,021,708 units of Dynatrace Holdings LLC in exchange for their equity interests in Compuware Parent, LLC based on the fair value of a unit of Dynatrace Holdings LLC on July 30, 2019, which was determined to be \$16.00 per unit by a committee of the board of managers of Dynatrace Holdings LLC, and all of the outstanding units of Dynatrace Holdings LLC then converted into shares of Dynatrace, Inc. Additionally, 19,525,510 units of Dynatrace Holdings LLC were issued upon exchange of Dynatrace, LLC Management Incentive Units (“MIUs”) and Appreciation Units (“AUs”) for a total of 241,547,218 outstanding units in Dynatrace Holdings LLC immediately prior to the closing of the Company’s initial public offering (“IPO”).

The reorganization was completed between entities that were under common control since December 15, 2014. Therefore, these consolidated financial statements retroactively reflect DHC and Dynatrace, Inc. on a consolidated basis for the periods presented. The spin-offs of Compuware Corporation and SIGOS LLC from DHC have been accounted for retroactively as a change in reporting entity and accordingly, these consolidated financial statements exclude their accounts and results.

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). All intercompany balances and transactions have been eliminated in the accompanying consolidated financial statements. The income tax amounts in the accompanying consolidated financial statements have been calculated based on a separate return methodology and presented as if the Company’s operations were separate taxpayers in the respective jurisdictions.

As described in Note 16, prior to the reorganization the consolidated financial statements reflected the debt and debt service associated with subordinated demand promissory notes payable to a related party. The consolidated financial statements also reflect certain expenses incurred by the Company for certain functions including shared services for the periods prior to the reorganization, which are immaterial to these consolidated financial statements. These expenses were allocated to Dynatrace on the basis of direct usage when identifiable, and for resources indirectly used by Dynatrace. Allocations were based on a proportional cost allocation methodology to reflect estimated usage by Dynatrace. Management considers the allocation methodology and results to be reasonable for all periods presented. However, the financial information presented in these consolidated financial statements may not reflect the consolidated financial position, operating results and cash flows of Dynatrace had the Dynatrace business been a separate stand-alone entity during

all of the periods presented. Actual costs that would have been incurred if Dynatrace had been a stand-alone company would depend on multiple factors, including organizational structure and strategic decisions made in various areas.

#### ***Initial Public Offering***

On August 1, 2019, the Company completed its initial public offering, in which it sold and issued 38,873,174 shares of common stock, inclusive of the underwriters' option to purchase additional shares that was exercised in full, at an issue price of \$16.00 per share. The Company received a total of \$622.0 million in gross proceeds from the offering, or approximately \$585.3 million in net proceeds after deducting approximately \$36.7 million for underwriting discounts, commissions and offering-related expenses.

The IPO also included the sale of 2.1 million shares of common stock, by selling stockholders, inclusive of the underwriters' option to purchase additional shares that was exercised in full. The Company did not receive any proceeds from the sale of common stock by the selling stockholders.

Prior to the closing of the IPO, the 241,547,218 outstanding units of Dynatrace Holdings LLC were converted on a one-for-one basis into shares of common stock in accordance with the terms of the certificate of incorporation.

#### ***Foreign currency translation***

The reporting currency of the Company is the U.S. dollar ("USD"). The functional currency of the Company's principal foreign subsidiaries is the currency of the country in which each entity operates. Accordingly, assets and liabilities in the consolidated balance sheet have been translated at the rate of exchange at the balance sheet date, and revenues and expenses have been translated at average exchange rates prevailing during the period the transactions occurred. Translation adjustments have been excluded from the results of operations and are reported as accumulated other comprehensive loss within the consolidated statements of shareholders' equity / member's deficit.

Transaction gains and losses generated by the effect of changes in foreign currency exchange rates on recorded assets and liabilities denominated in a currency different than the functional currency of the applicable entity are recorded in "Other income (expense), net" in the consolidated statements of operations.

#### ***Use of estimates***

The preparation of consolidated financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, the disclosure of contingent assets and liabilities as of the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Management periodically evaluates such estimates and assumptions for continued reasonableness. In particular, the Company makes estimates with respect to the stand-alone selling price for each distinct performance obligation in customer contracts with multiple performance obligations, the uncollectible accounts receivable, the fair value of tangible and intangible assets acquired, valuation of long-lived assets, the period of benefit for deferred commissions and material rights, income taxes, equity-based compensation expense, and the determination of the incremental borrowing rate used for operating lease liabilities, among other things. Appropriate adjustments, if any, to the estimates used are made prospectively based upon such periodic evaluation. Actual results could differ from those estimates.

In March 2020, the World Health Organization declared the recent outbreak of the novel coronavirus disease, or COVID-19, a global pandemic. The extent of the impact of the COVID-19 pandemic on the Company's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and impact on the Company's customers and its sales cycles, which are uncertain and cannot be predicted. As of the date of the consolidated financial statements, the Company is not aware of any specific event or circumstance that would require an update to its estimates, judgments or a revision of the carrying value the Company's 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 the consolidated financial statements.

#### ***Segment information***

The Company operates as one operating segment. The Company's chief operating decision maker 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.

#### ***Business combinations***

When the Company acquires a business, management allocates the purchase price to the net tangible and identifiable intangible assets acquired. Any residual purchase price is recorded as goodwill. The allocation of the purchase price requires management to make

significant estimates in determining the fair values of assets acquired and liabilities assumed, especially with respect to intangible assets. 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.

### **Revenue recognition**

The Company sells software licenses, subscriptions, maintenance and support, and professional services together in contracts with its customers, which include end-customers and channel partners. The Company's software license agreements provide customers with a right to use software perpetually or for a defined term. As required under applicable accounting principles, the goods and services that the Company promises to transfer to a customer are accounted for separately if they are distinct from one another. Promised items that are not distinct are bundled as a combined performance obligation. The transaction price is allocated to the performance obligations based on the relative estimated standalone selling prices of those performance obligations.

The Company recognizes revenue from contracts with customers under Accounting Standards Codification ("ASC") Topic 606 ("Topic 606").

The Company determines revenue recognition through the following steps:

1. **Identification of the contract, or contracts, with a customer**  
The Company considers the terms and conditions of the contract in identifying the contracts. The Company determines a contract with a customer to exist when the contract is approved, each party's rights regarding the services to be transferred can be identified, the payment terms for the services can be identified, it has been determined the customer has the ability and intent to pay, and the contract has commercial substance. At contract inception, the Company will evaluate whether two or more contracts should be combined and accounted for as a single contract and whether the combined or single contract includes more than one performance obligation. The Company applies judgment in determining the customer's ability and intent to pay, which is based on a variety of factors, including the customer's historical payment experience or, in the case of a new customer, credit, and financial information pertaining to the customer.
2. **Identification of the performance obligations in the contract**  
Performance obligations promised in a contract are identified based on the services and the products that will be transferred to the customer that are both capable of being distinct, whereby the customer can benefit from the service either on its own or together with other resources that are readily available from third parties or from the Company, and are distinct in the context of the contract, whereby the transfer of the services and the products is separately identifiable from other promises in the contract. In identifying performance obligations, the Company reviews contractual terms, considers whether any implied rights exist, and evaluates published product and marketing information. The Company's performance obligations consist of (i) software licenses, (ii) subscription services, (ii) maintenance and support for software licenses, and (iv) professional services.
3. **Determination of the transaction price**  
The transaction price is determined based on the consideration to which the Company expects to be entitled in exchange for transferring services to the customer. Variable consideration is included in the transaction price if, in the Company's judgment, it is probable that a significant future reversal of cumulative revenue under the contract will not occur. The Company's contracts do not contain a significant financing component.
4. **Allocation of the transaction price to the performance obligations in the contract**  
If the contract contains a single performance obligation, the entire transaction price is allocated to the single performance obligation. Contracts that contain multiple performance obligations require an allocation of the transaction price to each performance obligation based on a relative standalone selling price ("SSP") for arrangements not including software licenses or subscription services. The Company has determined that its pricing for software licenses and subscription services is highly variable and therefore allocates the transaction price to those performance obligations using the residual approach.
5. **Recognition of revenue when, or as a performance obligation is satisfied**  
Revenue is recognized at the time the related performance obligation is satisfied by transferring the control of the promised service to a customer. Revenue is recognized when control of the service is transferred to the customer, in an amount that reflects the consideration that the Company expects to receive in exchange for those services.

#### *Subscription*

Subscription revenue relates to performance obligations for which the Company recognizes revenue over time as control of the product or service is transferred to the customer. Subscription revenue includes arrangements that permit customers to access and utilize the Company's hosted software delivered on a software-as-a-service ("SaaS") basis, term-based and perpetual licenses of the Company's Dynatrace Software, as well as maintenance. The when-and-if available updates of the Dynatrace Software, which are part of the maintenance agreement, are critical to the continued utility of the Dynatrace Software; therefore, the Company has determined the Dynatrace Software and the related when-and-if available updates to be a combined performance obligation. Accordingly, when Dynatrace Software is sold under a term-based license, the revenue associated with this combined performance obligation is recognized ratably over the license term as maintenance is included for the duration of the license term. The Company has determined that perpetual licenses of Dynatrace Software provide customers with a material right to acquire additional goods or services that they would not receive without entering into the initial contract as the renewal option for maintenance services allows the customer to extend the utility of the Dynatrace Software without having to again make the initial payment of the perpetual software license fee. The associated material right is deferred and recognized ratably over the term of the expected optional maintenance renewals.

Subscription revenue also includes maintenance services relating to the Company's Classic offerings as that revenue is recognized over time given that the obligation is a stand-ready obligation to provide customer support and when-and-if available updates to the Classic software as well as certain other stand-ready obligations.

#### *License*

License revenue relates to performance obligations for which the Company recognizes revenue at the point that the license is transferred to the customer. License revenue includes these perpetual and term-based licenses that relate to the Company's Classic offerings ("Classic Software Licenses"), which are focused on traditional customer approaches to building, operating and monitoring software in less dynamic environments. The Company requires customers purchasing perpetual licenses of Classic Software and Dynatrace Software, as defined below, to also purchase maintenance services covering at least one year from the beginning of the perpetual license. The Company has determined that the Classic Software Licenses and the related maintenance services are separate performance obligations with different patterns of recognition. Revenue from Classic Software Licenses is recognized upon delivery of the license. Revenue from maintenance is recognized over the period of time of the maintenance agreement and is included in "Subscription".

#### *Service*

The Company offers implementation, consulting and training services for the Company's software solutions and SaaS offerings. Services fees are generally based on hourly rates. Revenues from services are recognized in the period the services are performed, provided that collection of the related receivable is reasonably assured.

#### *Deferred commissions*

Deferred sales commissions earned by the Company's sales force are considered incremental and recoverable costs of obtaining a contract with a customer. Sales commissions for new contracts are deferred and then amortized on a straight-line basis over a period of benefit which the Company has estimated to be three years. The period of benefit has been determined by taking into consideration the duration of customer contracts, the life of the technology, renewals of maintenance and other factors. Sales commissions for renewal contracts are deferred and then amortized on a straight-line basis over the related contractual renewal period. Amortization expense is included in "Sales and marketing" expenses on the consolidated statements of operations.

The Company periodically reviews these deferred costs to determine whether events or changes in circumstances have occurred that could impact the period of benefit of these deferred commissions. There were no impairment losses recorded during the periods presented.

#### *Deferred revenue*

Deferred revenue consists primarily of billed subscription and maintenance fees related to the future service period of subscription and maintenance agreements in effect at the reporting date. Deferred licenses are also included in deferred revenue for those billed arrangements that are being recognized over time. Short-term deferred revenue represents the unearned revenue that will be earned within twelve months of the balance sheet date; whereas, long-term deferred revenue represents the unearned revenue that will be earned after twelve months from the balance sheet date.

#### *Payment terms*

Payment terms and conditions vary by contract type, although the Company's terms generally include a requirement of payment within 30 to 60 days. In instances where the timing of revenue recognition differs from the timing of payment, the Company has

determined that its contracts do not include a significant financing component. The primary purpose of invoicing terms is to provide customers with simplified and predictable ways of purchasing products and services, not to receive financing from customers or to provide customers with financing.

*Contract modification*

Contract modifications are assessed to determine (i) if the additional goods and services are distinct from the goods and services in the original arrangement; and (ii) if the amount of the consideration expected for the added goods and services reflects the stand-alone selling price of those goods and services, as adjusted for contract-specific circumstances. The Company's additional goods and services offered have historically been distinct. A contract modification meeting both criteria is accounted for as a separate contract. A contract modification not meeting both criteria is considered a change to the original contract, which the Company accounts for on a prospective basis as the termination of the existing contract and the creation of a new contract.

*Cost of revenue*

*Cost of subscription*

Cost of subscription revenue includes all direct costs to deliver the Company's subscription products including salaries, benefits, share-based compensation and related expenses such as employer taxes, allocated overhead for facilities, IT, third-party hosting fees related to the Company's cloud services, and amortization of internally developed capitalized software technology. The Company recognizes these expenses as they are incurred.

*Cost of service*

Cost of service revenue includes salaries, benefits, share-based compensation and related expenses such as employer taxes for our services organization, allocated overhead for depreciation of equipment, facilities and IT, and amortization of acquired intangible assets. The Company recognizes expense related to its services organization as they are incurred.

*Amortization of acquired technology*

Amortization of acquired technology includes amortization expense for technology acquired in business combinations.

*Research and development*

Research and development ("R&D") costs, which primarily include the cost of programming personnel, including share-based compensation, amounted to \$11.4 million, \$119.3 million, and \$76.8 million during the years ended March 31, 2021, 2020 and 2019, respectively. R&D costs related to the Company's software solutions are reported as "Research and development" in the consolidated statements of operations.

*Advertising*

Advertising costs are expensed as incurred and are included in "Sales and marketing" expense in the consolidated statements of operations. Advertising expense was \$26.4 million, \$5.7 million, and \$2.1 million during the years ended March 31, 2021, 2020 and 2019, respectively.

*Leases*

Leases arise from contractual obligations that convey the right to control the use of identified property, plant or equipment for a period of time in exchange for consideration. At the inception of the contract, the Company determines if an arrangement contains a lease based on whether there is an identified asset and whether the Company controls the use of the identified asset. The Company also determines the classification of that lease, between financing and operating, at the lease commencement date. The Company accounts for and allocates consideration to the lease and non-lease components as a single lease component.

A right-of-use asset represents the Company's right to use an underlying asset and a lease liability represents the Company's obligation to make payments during the lease term. Right-of-use assets are recorded and recognized at commencement for the lease liability amount, adjusted for initial direct costs incurred and lease incentives received. Lease liabilities are recorded at the present value of the future lease payments over the lease term at commencement. The discount rate used to determine the present value is the incremental borrowing rate unless the interest rate implicit in the lease is readily determinable. As the implicit rate for the operating leases is generally not determinable, the Company uses an incremental borrowing rate as the discount rate at the lease commencement date to determine the present value of lease payments. The Company determines the discount rate of the leases by considering various factors, such as the credit rating, interest rates of similar debt instruments of entities with comparable credit ratings, jurisdictions, and the lease term.

The Company's operating leases typically include non-lease components such as common-area maintenance costs, utilities, and other 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.

The Company's lease terms may include options to extend or terminate the lease. The Company generally uses the base, non-cancelable, lease term when recognizing the lease assets and liabilities, unless it is reasonably certain that the Company will exercise those options. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The Company's right-of-use assets are included in "Operating lease right-of-use asset, net" and the current and non-current portions of the lease liabilities are included in "Operating lease liabilities, current" and "Operating lease liabilities, non-current," respectively, on the consolidated balance sheets. The Company does not record leases with terms of 12 months or less on the consolidated balance sheets. Lease expense is recognized on a straight-line basis over the expected lease term.

***Restructuring expense***

The Company defines restructuring expense as costs directly associated with exit or disposal activities. Such costs include employee severance and termination benefits, contract termination fees and penalties, and other exit or disposal costs. In general, the Company records involuntary employee-related exit and disposal costs when there is a substantive plan for employee severance and related costs are probable and estimable. For one-time termination benefits (i.e., no substantive plan) and employee retention costs, expense is recorded when the employees are entitled to receive such benefits and the amount can be reasonably estimated. Contract termination fees and penalties and other exit and disposal costs are generally recorded when incurred.

***Concentration of credit risk***

Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash and cash equivalents and accounts receivable. The Company maintains its cash in bank deposit accounts that, at times, may exceed federally insured limits. There is presently no concentration of credit risk for customers as no individual entity represented more than 10% of the balance in accounts receivable as of March 31, 2021, 2020 and 2019 or 10% of revenue for the years ended March 31, 2021, 2020 and 2019.

***Cash and cash equivalents***

All highly-liquid investments with a maturity of three months or less when purchased are considered cash and cash equivalents.

***Accounts receivable, net***

Trade accounts receivable are recorded at the invoiced amount. Prior to the Company's adoption of Topic 326, the accounts receivable balance was reduced by an allowance for doubtful accounts that was determined based on the Company's assessment of the collectability of customer accounts. Under Topic 326, accounts receivable are recorded at the invoiced amount, net of allowance for credit losses. The Company regularly reviews the adequacy of the allowance for credit losses based on a combination of factors. In establishing any required allowance, management considers historical losses adjusted for current market conditions, the Company's customers' financial condition, the amount of any receivables in dispute, the current receivables aging, current payment terms and expectations of forward-looking loss estimates. Allowance for credit losses was \$1.3 million as of March 31, 2021 and allowance for doubtful accounts was \$3.1 million as of March 31, 2020, and is classified as "Accounts receivable, net" in the consolidated balance sheets. See "Recently adopted accounting pronouncements" section below for information pertaining to the adoption of ASU 2016-13, Financial Instruments - Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments.

***Property and equipment, net***

The Company states property and equipment, net, at the acquisition cost less accumulated depreciation. Depreciation is recorded using the straight-line method over the estimated useful lives of the related assets. Leasehold improvements are depreciated over the shorter of the useful lives of the assets or the related lease. The following table presents the estimated useful lives of the Company's property and equipment:

Computer equipment and software	3 - 5 years
Furniture and fixtures	5 - 10 years
Leasehold improvements	Shorter of the useful life of the asset or the lease term

Property and equipment are reviewed for impairment whenever events or circumstances indicate their carrying value may not be recoverable. When such events or circumstances arise, an estimate of future undiscounted cash flows produced by the asset, or the appropriate grouping of assets, is compared to the asset's carrying value to determine if an impairment exists. If the asset is

determined to be impaired, the impairment loss is measured based on the excess of its carrying value over its fair value. Assets to be disposed of are reported at the lower of carrying value or net realizable value. There was no impairment of property and equipment during the years ended March 31, 2021, 2020 and 2019.

#### ***Goodwill and other intangible assets***

The Company's goodwill and intangible assets primarily relate to the push-down of such assets relating to Thoma Bravo's December 15, 2014 acquisition of Compuware Corporation based on their relative fair values at the date of acquisition.

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

Intangible assets consist primarily of customer relationships, developed technology, trade names and trademarks, all of which have a finite useful life, as well as goodwill. Intangible assets are amortized based on either the pattern in which the economic benefits of the intangible assets are estimated to be realized or on a straight-line basis, which approximates the manner in which the economic benefits of the intangible asset will be consumed.

#### ***Capitalized software***

The Company's capitalized software includes the costs of internally developed software technology and software technology purchased through acquisition. Internally developed software technology consists of development costs associated with software products to be sold ("software products") and internal use software associated with hosted software.

Costs associated with the development of software technology are expensed prior to the establishment of technological feasibility and capitalized thereafter until the related software technology is available for general release to customers. Technological feasibility is established when management has authorized and committed to funding a project and it is probable that the project will be completed, and the software will be used to perform the function intended. For internal use software, capitalization begins during the application development stage. The Company capitalized \$0.3 million for internally developed software technology during the year ended March 31, 2021, offset by \$0.5 million of derecognized software costs. The Company capitalized \$0.9 million, and \$1.9 million for internally developed software technology during the years ended March 31, 2020 and 2019, respectively, and is recorded within "Other intangible assets, net" in the consolidated balance sheets.

The amortization of capitalized software technology is computed on a project-by-project basis. The annual amortization is the greater of the amount computed using (a) the ratio of current gross revenues compared with the total of current and anticipated future revenues for the software technology or (b) the straight-line method over the remaining estimated economic life of the software technology, including the period being reported on. Amortization begins when the software technology is available for general release to customers. The amortization period for capitalized software is generally three to five years. Amortization of internally developed capitalized software technology is \$1.9 million, \$1.7 million, and \$6.8 million during the years ended March 31, 2021, 2020 and 2019, respectively, and is recorded within "Cost of subscription" in the consolidated statements of operations.

#### ***Impairment of long-lived assets***

Long-lived assets, including amortized intangibles, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset be tested for possible impairment, the Company first compares undiscounted cash flows expected to be generated by an asset to the carrying value of the asset. If the carrying value of the long-lived asset is not recoverable on an undiscounted cash flow basis, impairment is recognized to the extent that the carrying value exceeds its fair value. Fair value is estimated by the Company using discounted cash flows and other market-related valuation models, including earnings multiples and comparable asset market values. If circumstances change or events occur to indicate that the Company's fair market value has fallen below book value, the Company will compare the estimated fair value of long-lived assets (including goodwill) to its book value. If the book value exceeds the estimated fair value, the Company will recognize the difference as an impairment loss in the consolidated statements of operations. The Company has not incurred any impairment losses during the years ended March 31, 2021, 2020 and 2019.

#### ***Income taxes***

The Company accounts for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Under this method, deferred tax assets and liabilities are determined based on the differences between the financial statements and tax bases of assets and

liabilities and net operating loss and credit carryforwards using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in the period that includes the enactment date. The Company has the ability to permanently reinvest any earnings in its foreign subsidiaries and therefore does not recognize any deferred tax liabilities that arise from outside basis differences in its investment in subsidiaries.

The Company records net deferred tax assets to the extent it believes these assets will more likely than not be realized. These deferred tax assets are subject to periodic assessments as to recoverability and if it is determined that it is more likely than not that the benefits will not be realized, valuation allowances are recorded which would reduce deferred tax assets. In making such determination, the Company considers all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax planning strategies and recent financial operations.

Interest and penalties related to uncertain income tax positions are included in the income tax provision.

#### ***Fair value of assets and liabilities***

Assets and liabilities recorded at fair value in the financial statements are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Hierarchical levels which are directly related to the amount of subjectivity associated with the inputs to the valuation of these assets or liabilities are as follows:

- Level 1: Observable inputs that reflect quoted prices for identical assets or liabilities in active markets;
- Level 2: Observable inputs, other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and
- Level 3: Unobservable inputs reflecting the Company's own assumptions incorporated in valuation techniques used to determine fair value. These assumptions are required to be consistent with market participant assumptions that are reasonably available.

The Company's carrying amounts of financial instruments, including cash and cash equivalents, accounts receivable, accounts payable, and other current liabilities approximate their fair values due to their short maturities.

#### ***Share-based compensation***

Prior to the IPO, certain employees were granted management incentive units and appreciation units which made a holder eligible to participate in distributions of cash, property, or securities of Compuware Parent LLC made in respect of the Company (whether by way of dividend, repurchase, recapitalization, or otherwise). In the event the employee was no longer employed by the Company, including due to a change in control, as defined, all the MIUs and AUs were subject to a repurchase arrangement, at the discretion of the Company, Compuware Parent LLC, or Thoma Bravo and certain Thoma Bravo affiliated funds that held equity in Compuware Parent LLC (collectively, "TB"). There were no distributions during the years ended March 31, 2020 and 2019. The MIUs and AUs were settled in cash and were accounted for as liability-based awards. Liabilities for awards under these plans were required to be measured at fair value at each reporting date until the date of settlement. The fair value of the equity units underlying the MIUs and AUs was determined by the board of managers as there was no public market for the equity units. The board of managers determined the fair value of the Company's equity units by considering a number of objective and subjective factors including: the valuation of comparable companies, the Company's operating and financial performance, the lack of liquidity of common stock, and general and industry specific economic outlook, amongst other factors. In connection with the reorganization during the second quarter of fiscal 2020, the Company converted all outstanding MIUs and AUs into common stock, restricted stock, or restricted stock units ("RSUs") of Dynatrace, Inc.

After the IPO, the Company uses the publicly quoted price as reported on the New York Stock Exchange as the fair value of its common stock. The Company measures the cost of employee services received in exchange for an award of equity instruments, including stock options, restricted stock, RSUs, and the purchase rights under the employee stock purchase plan (the "ESPP"), based on the estimated grant-date fair value of the award. The fair value is recognized as an expense following the straight-line attribution method over the requisite service period of the entire award for stock options, restricted stock, and RSUs; and over the offering period for the purchase rights issued under the ESPP.

The Company calculates the fair value of stock options and the purchase rights under the ESPP using the Black-Scholes option-pricing model. This requires the input of assumptions, including the fair value of the Company's underlying common stock, the expected term of stock options and purchase rights, the expected volatility of the price of the Company's common stock, risk-free interest rates, and the expected dividend yield of the Company's common stock. The assumptions used in the Company's option-pricing model represent its best estimates. These estimates involve inherent uncertainties and the application of management's judgment. If factors change and different assumptions are used, the Company's share-based compensation expense could be materially different in the future. The

resulting fair value, net of actual forfeitures, is recognized on a straight-line basis over the period during which an employee is required to provide service in exchange for the award.

Excess tax benefits from vested restricted stock units and exercised stock options are recognized as an income tax benefit in the income statement and reflected in operating activities in the statement of cash flows. Share-based compensation cost that has been included in income from continuing operations amounted to \$7.8 million, \$22.5 million, and \$71.2 million for the years ended March 31, 2021, 2020 and 2019, respectively. The total income tax benefit recognized in the consolidated statements of operations for share-based compensation arrangements was \$21.3 million for the year ended March 31, 2021, \$3.9 million for the year ended March 31, 2020, and \$4.8 million for the year ended March 31, 2019.

***Net income (loss) per share***

Basic net income (loss) per share is calculated by dividing the net income (loss) for the period by the weighted-average number of common shares outstanding during the period, without consideration of potentially dilutive securities. Diluted net income (loss) per share includes the dilutive effect of common share equivalents and is calculated using the weighted-average number of common shares and the common share equivalents outstanding during the reporting period. An anti-dilutive impact is an increase in net income per share or a reduction in net loss per share resulting from the conversion, exercise, or contingent issuance of certain securities. For the years ended March 31, 2020 and 2019, basic and diluted net income (loss) per share have been retroactively adjusted to reflect the reorganization transactions described in Note 2.

***Immaterial revision of previously issued consolidated financial statements***

During the fourth quarter of fiscal 2021, the Company identified an immaterial error in the calculation of its income tax provision for the year ended March 31, 2020. Accordingly, the results for the year ended March 31, 2020 have been adjusted to incorporate the revised amounts, where applicable, as further described in Note 7.

***Recently adopted accounting pronouncements***

In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-02, Leases (Topic 842). The amendments supersede current lease requirements in Topic 840 which require lessees to recognize most leases on their balance sheets as lease liabilities with corresponding right-of-use assets. The objective of Topic 842 is to establish the principles that lessees and lessors shall apply to report useful information to users of financial statements about the amount, timing, and uncertainty of cash flows arising from a lease. This new guidance is effective for public companies for annual reporting periods beginning after December 15, 2018, and interim periods within those periods, except for certain emerging growth companies and smaller reporting companies who may elect to adopt the standard for annual reporting periods beginning after December 15, 2020.

The Company early adopted the new standard as of April 1, 2020 and recognized a cumulative-effect adjustment to the opening balance of accumulated deficit as of the adoption date. The Company elected the optional transition approach to not apply Topic 842 in the comparative periods presented. The Company elected the package of practical expedients to not 1) reassess whether any expired or existing contracts are considered or contain leases; 2) reassess the lease classification for any expired or existing leases; and 3) reassess the initial direct costs for any existing leases. The adoption of Topic 842 resulted in the recognition of total right-of-use assets of \$50.6 million, total lease liabilities of \$50.7 million, and a cumulative effect adjustment to accumulated deficit of \$0.3 million as of the adoption date, with the most significant impact related to the office space leases. Additionally, the Company derecognized \$3.3 million in deferred rent upon adoption of this standard which was offset against the right-of-use asset. The adoption of Topic 842 did not have a material impact to the consolidated statements of operations or consolidated statements of cash flows.

The Company has updated the accounting policies, systems, processes and internal controls, and have allocated internal and external resources to assist during the implementation efforts.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, which replaces the existing incurred loss impairment model with an expected credit loss model and requires a financial asset measured at amortized cost to be presented at the net amount expected to be collected. ASU 2016-13 is effective for annual periods, and interim periods within those years, beginning after December 15, 2019, except for emerging growth companies who may elect to adopt the standard for annual reporting periods beginning after December 15, 2022. The Company adopted the new standard on a modified retrospective basis as of April 1, 2020. The adoption did not have a material impact and did not result in any cumulative effect adjustment on the consolidated financial statements.

In August 2018, the FASB issued ASU 2018-15, Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract; Disclosures for Implementation Costs Incurred for Internal-Use Software and Cloud Computing Arrangements, which aligns the accounting for implementation costs incurred in a hosting arrangement that is a service contract with the accounting for implementation costs incurred to develop or obtain internal-use software under ASC 350-40, in order to determine which costs to capitalize and recognize as an asset. ASU 2018-15 is effective for annual periods, and interim periods within those years, beginning after December 15, 2019, except for emerging growth companies who may elect to adopt the standard for annual reporting periods beginning after December 15, 2020, and can be applied either prospectively to implementation costs incurred after the date of adoption or retrospectively to all arrangements. The Company adopted the new standard on a prospective basis as of April 1, 2020. The adoption did not have a material impact on the consolidated financial statements.

#### **Recently issued accounting pronouncements**

In December 2019, the FASB issued ASU 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes, which removes certain exceptions for investments, intraperiod allocations and interim calculations, and adds guidance to reduce complexity in accounting for income taxes. ASU 2019-12 is effective for annual periods, and interim periods within those years, beginning after December 15, 2020. The Company expects to adopt the standard during the first quarter of fiscal 2022 and does not expect the standard to have a material effect on its consolidated financial statements.

### **3. Revenue Recognition**

#### **Disaggregation of revenue**

The following table is a summary of the Company's total revenue by geographic region (in thousands, except percentages):

	<b>Fiscal Year Ended March 31,</b>					
	<b>2021</b>		<b>2020</b>		<b>2019</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
North America	\$ 388,188	55 %	\$ 318,299	58 %	\$ 248,012	57 %
Europe, Middle East and Africa	216,647	31 %	150,418	28 %	125,615	29 %
Asia Pacific	78,295	11 %	60,418	11 %	45,563	11 %
Latin America	20,379	3 %	16,668	3 %	11,776	3 %
<b>Total revenue</b>	<b>\$ 703,509</b>		<b>\$ 545,803</b>		<b>\$ 430,966</b>	

For the years ended March 31, 2021, 2020 and 2019, the United States was the only country that represented more than 10% of the Company's revenues in any period, constituting \$362.1 million and 51%, \$299.5 million and 55% and \$233.3 million and 54% of total revenue, respectively.

#### **Deferred commissions**

The following table represents a rollforward of the Company's deferred commissions (in thousands):

	<b>Fiscal Year Ended March 31,</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
Beginning balance	\$ 78,245	\$ 59,250	\$ 39,282
Additions to deferred commissions	63,627	54,969	43,212
Amortization of deferred commissions	(44,248)	(35,974)	(23,244)
Ending Balance	\$ 97,624	\$ 78,245	\$ 59,250
Deferred commissions, current	48,986	38,509	27,705
Deferred commissions, non-current	48,638	39,736	31,545
<b>Total deferred commissions</b>	<b>\$ 97,624</b>	<b>\$ 78,245</b>	<b>\$ 59,250</b>

#### **Deferred revenue**

Revenue recognized during the years ended March 31, 2021, 2020, and 2019 which was included in the deferred revenue balances at the beginning of each respective period, was \$504.7 million, \$274.7 million, and \$211.4 million.

**Remaining performance obligations**

As of March 31, 2021, the aggregate amount of the transaction price allocated to remaining performance obligations was \$1,190.1 million, which consists of both billed consideration in the amount of \$556.8 million and unbilled consideration in the amount of \$633.3 million that the Company expects to recognize as subscription and service revenue. The Company expects to recognize 57% of this amount as revenue in the year ended March 31, 2022 and the remainder thereafter.

**4. Prepaid Expenses and Other Current Assets**

Prepaid expenses and other current assets consists of the following (in thousands):

	March 31,	
	2021	2020
Prepaid expenses	\$ 20,308	\$ 13,189
Income taxes refundable	41,875	65,341
Other	2,072	510
Prepaid expenses and other current assets	<u>\$ 64,255</u>	<u>\$ 79,040</u>

**5. Property and Equipment, Net**

The following table summarizes, by major classification, the components of property and equipment (in thousands):

	March 31,	
	2021	2020
Computer equipment and software	\$ 23,134	\$ 19,550
Furniture and fixtures	9,804	7,679
Leasehold improvements	27,961	21,562
Other	864	3,111
Total property and equipment	<u>61,763</u>	<u>51,902</u>
Less: accumulated depreciation and amortization	<u>(24,847)</u>	<u>(20,394)</u>
Property and equipment, net	<u>\$ 36,916</u>	<u>\$ 31,508</u>

Depreciation and amortization of property and equipment totaled \$9.0 million, \$7.9 million, and \$7.3 million for the years ended March 31, 2021, 2020, and 2019, respectively.

**6. Goodwill and Other Intangible Assets, Net**

Changes in the carrying amount of goodwill on a consolidated basis for fiscal 2021 consists of the following (in thousands):

	March 31, 2021
Balance, beginning of year	\$ 1,270,733
Foreign currency impact	462
Balance, end of year	<u>\$ 1,271,195</u>

Other intangible assets, net excluding goodwill consists of the following (in thousands):

	Weighted Average Useful Life (in months)	March 31,	
		2021	2020
Capitalized software	107	\$ 189,398	\$ 189,554
Customer relationships	120	351,555	351,555
Trademarks and tradenames	120	55,003	55,003
Total intangible assets		<u>595,956</u>	<u>596,112</u>
Less: accumulated amortization		<u>(446,472)</u>	<u>(394,520)</u>
Total other intangible assets, net		<u>\$ 149,484</u>	<u>\$ 201,592</u>

Amortization of other intangible assets totaled \$51.9 million, \$58.5 million, and \$72.8 million for the years ended March 31, 2021, 2020, and 2019, respectively.

As of March 31, 2021, the estimated future amortization expense of the Company's other intangible assets in the table above is as follows (in thousands):

	Fiscal Year Ended March 31,			
	2022	2023	2024	2025
Capitalized software	\$ 15,876	\$ 15,522	\$ 15,221	\$ 10,632
Customer relationships	24,660	20,794	17,534	10,473
Trademarks and tradenames	5,501	5,501	4,753	3,017
Total amortization	<u>\$ 46,037</u>	<u>\$ 41,817</u>	<u>\$ 37,508</u>	<u>\$ 24,122</u>

## 7. Income Taxes

### Income tax provision

Income (loss) before income taxes and the income tax (expense) benefit includes the following (in thousands):

	Fiscal Year Ended March 31,		
	2021	2020	2019
Domestic	\$ 37,368	\$ (245,177)	\$ (163,385)
Foreign	40,485	26,644	23,474
Total	<u>\$ 77,853</u>	<u>\$ (218,533)</u>	<u>\$ (139,911)</u>

The income tax provision includes the following (in thousands):

	Fiscal Year Ended March 31,		
	2021	2020	2019
Income tax expense (benefit)			
Federal	\$ (3,835)	\$ 180,402	\$ 3,213
State	(2,071)	48,045	575
Foreign	15,110	13,058	5,920
Total current tax position	<u>9,204</u>	<u>241,505</u>	<u>9,708</u>
Federal	(3,027)	(37,731)	(29,021)
State	(615)	(5,689)	(5,464)
Foreign	(3,423)	(2,801)	1,060
Total deferred tax provision	<u>(7,065)</u>	<u>(46,221)</u>	<u>(33,425)</u>
Total income tax expense (benefit)	<u>\$ 2,139</u>	<u>\$ 195,284</u>	<u>\$ (23,717)</u>

The Company's income tax expense of \$2.1 million for the year ended March 31, 2021 differed from the amount computed on pre-tax income at the U.S. federal income tax rate of 21%, primarily due to the impact of tax return to provision true-ups resulting from changes in estimates to the reorganization transaction tax and the corresponding impact to the uncertain tax positions. In addition, the difference was due to the vesting of share-based compensation that generated excess tax benefits, the foreign-derived intangible income deduction, and the utilization of U.S. foreign tax credits generated in the current year as well as the carryforward from previous years.

The Company's income tax expense of \$195.3 million for the year ended March 31, 2020 differed from the amount computed on pre-tax loss at the U.S. federal income tax rate of 21% because of the effects of the reorganization transaction, non-deductible share-based compensation, and the foreign-derived intangible income deduction. The transaction produced a gain on the difference between the fair market value of the Compuware assets distributed and the adjusted tax basis in such assets, generating a tax liability that was only partially offset by U.S. foreign tax credits that previously were subject to a valuation allowance.

The Company's income tax benefit of \$23.7 million for the year ended March 31, 2019 differed from the amount computed on pre-tax loss at the U.S. federal income tax rate of 21% primarily because of non-deductible share-based compensation, the effects of which were partially offset by U.S. tax credits generated during this year as well as the foreign-derived intangible income deduction.

The tax rate reconciliation is as follows (in thousands, certain prior year amounts have been reclassified to conform to the current year's presentation):

	Fiscal Year Ended March 31,		
	2021	2020	2019
Income tax expense (benefit) at U.S. federal statutory income tax rate	\$ 16,349	\$ (45,892)	\$ (29,381)
State and local tax expense	(580)	(2,897)	(4,890)
Foreign tax rate differential	1,939	3,521	2,051
Branch income	4,830	1,601	1,824
Non-deductible expenses	3,459	5,976	840
Tax credits	(9,316)	(57,277)	(13,233)
Foreign derived intangibles deduction	(4,775)	(3,901)	(1,790)
Tax associated with reorganization	—	239,990	—
Share-based compensation	(6,424)	48,129	10,967
Prior year tax return to provision true-ups	(11,464)	—	—
Changes in uncertain tax positions	(1,102)	13,204	234
Changes in valuation allowance	2,091	(9,472)	6,087
Foreign withholding tax	6,992	4,231	3,086
Other adjustments	140	(1,929)	488
Total income tax expense (benefit)	<u>\$ 2,139</u>	<u>\$ 195,284</u>	<u>\$ (23,717)</u>

#### *Deferred tax assets and liabilities*

Management assesses the available positive and negative evidence to estimate if sufficient future taxable income will be generated to use the existing deferred tax assets. A significant piece of objective negative evidence evaluated was the jurisdictional cumulative loss incurred over the three-year period ended March 31, 2021. Such objective evidence limits the ability to consider other subjective evidence such as the Company's projections for future growth.

Based on this evaluation, a valuation allowance of \$24.3 million and \$22.2 million has been recorded as of March 31, 2021 and 2020, respectively. Only the portion of the deferred tax asset that is more likely than not to be realized has been recorded. Given the Company's current earnings and anticipated future earnings, it is reasonably possible that within the next twelve months sufficient positive evidence may become available to allow the Company to conclude that a significant portion of the valuation allowance will no longer be needed. Release of the valuation allowance would result in the recognition of certain deferred tax assets. However, the exact timing and amount of the valuation allowance release are subject to change based on the Company's growth and profitability.

Temporary differences and carryforwards that give rise to a significant portion of deferred tax assets and liabilities are as follows (in thousands, certain prior year amounts have been reclassified to conform to the current year's presentation):

	March 31,	
	2021	2020
Deferred revenue	\$ 17,050	\$ 23,185
Capitalized research and development costs	10,834	11,140
Accrued expenses	8,882	6,217
Share-based compensation	8,367	5,251
Lease liabilities	8,321	—
Net operating loss carryforwards	4,637	4,468
Other tax carryforwards, primarily foreign tax credits	20,479	18,215
Other	2,272	2,590
Total deferred tax assets before valuation allowance	<u>80,842</u>	<u>71,066</u>
Less: valuation allowance	(24,297)	(22,206)
Net deferred tax assets	<u>56,545</u>	<u>48,860</u>
Intangible assets	30,525	40,270
Right-of-use assets	7,388	—
Other	2,835	1,185
Total deferred tax liabilities	<u>40,748</u>	<u>41,455</u>
Net deferred tax assets	<u>\$ 15,797</u>	<u>\$ 7,405</u>

At March 31, 2021, the Company had non-U.S. net operating loss carryforwards of \$22.8 million of which \$1.8 million expires in periods through 2033 if not utilized, and the remaining balance of \$21.0 million may be carried forward indefinitely. The Company had U.S. net operating loss carryforwards and tax credit carryforwards of \$21.5 million which expire in periods through 2040 if not utilized.

The Company has not provided for taxes on the excess of the amount for financial reporting over the tax basis of investments in foreign subsidiaries that is indefinitely reinvested. Generally, these earnings will be treated as previously taxed income from either the one-time transition tax or GILTI (“Global Intangible Low Taxed Income”), or they will be offset with a 100% dividend received deduction. The income taxes applicable to repatriating such earnings are not readily determinable. As of March 31, 2021, the Company had no plans which would subject these basis differences to income taxes in the United States or elsewhere.

***Uncertain tax positions***

The amount of gross unrecognized tax benefits was \$15.1 million and \$16.6 million as of March 31, 2021 and 2020, respectively, all of which would favorably affect the Company’s effective tax rate if recognized in future periods.

The following is a tabular reconciliation of the total amounts of unrecognized tax benefits for the years ended March 31, 2021, 2020, and 2019 (in thousands):

	<b>Fiscal Year Ended March 31,</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
Gross unrecognized tax benefit, beginning of year	\$ 16,648	\$ 9,653	\$ 9,143
Gross increases to tax positions for prior periods	1,223	438	20
Gross decreases to tax positions for prior periods	(2,654)	(6,986)	(70)
Gross increases to tax positions for current period	—	13,543	560
Settlements	(10)	—	—
Lapse of statutes of limitations	(132)	—	—
Gross unrecognized tax benefit, end of year	<u>\$ 15,075</u>	<u>\$ 16,648</u>	<u>\$ 9,653</u>

As of March 31, 2021 and 2020, the net interest and penalties payable associated with its uncertain tax positions was \$0.9 million and \$0.3 million, respectively. During the years ended March 31, 2021 and 2020, the Company recognized expense related to interest and penalties of \$0.6 million and \$0.2 million, respectively. During the year ended March 31, 2019, the Company recognized an immaterial amount of net interest expense.

The Company files tax returns in the U.S. federal, state, and foreign jurisdictions and the tax returns are subject to examination by various domestic and international tax authorities. As of March 31, 2021, the Internal Revenue Services has completed the examinations of the Company’s fiscal 2018 federal income tax return. The settlement from this examination was not material to the Company’s financial statements, including cash flow and effective tax rate. The Company has open years in all significant federal, state, and foreign jurisdictions back to 2011 in certain locations. These open years contain matters that could be subject to differing interpretations of applicable tax laws and regulations due to the amount, timing or inclusion of revenue and expenses. The Company does not anticipate a significant impact to the gross unrecognized tax benefits within the next twelve months related to these open years.

***Tax legislation***

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act was signed into law. The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased limitations on qualified charitable contributions, and technical corrections to tax depreciation methods for qualified improvement property. The Company is required to recognize the effects of tax law changes in the period of enactment. The CARES Act did not materially impact the Company’s tax provision as of March 31, 2021 and 2020.

***Immaterial revision of previously issued consolidated financial statements***

During the fourth quarter of fiscal 2021, in conjunction with the Company’s completion of the tax return to provision process, the Company identified an immaterial error in the calculation of its income tax provision for the year ended March 31, 2020. The error was primarily related to adjustments to tax attributes related to the reorganization and stock-based compensation.

The Company evaluated the materiality of the error, considering both quantitative and qualitative factors, and determined that the related impact was not material to its consolidated financial statements for the year ended March 31, 2020, the three months ended June 30, 2020, the three and six months ended September 30, 2020, and the three and nine months ended December 31, 2020.

The Company has decided to correct the prior year presentation to provide comparability to the fiscal 2021 consolidated financial statements. Accordingly, the results for the year ended March 31, 2020 have been adjusted to incorporate the revised amounts, where applicable. The adjustments below related to the consolidated balance sheet as of March 31, 2020 are also required for June 30, 2020, September 30, 2020, and December 31, 2020.

The following tables summarize the effect of this revision (in thousands, except per share data):

	<b>March 31, 2020</b>		
	<b>As Previously Reported</b>	<b>Adjustment</b>	<b>As Revised</b>
<b>Consolidated Balance Sheets Items:</b>			
Prepaid expenses and other current assets	\$ 61,188	\$ 17,852	\$ 79,040
Total current assets	469,925	17,852	487,777
Deferred tax assets, net	20,460	(13,055)	7,405
Total assets	2,042,080	4,797	2,046,877
Accrued expenses, current	93,728	1,283	95,011
Total current liabilities	488,900	1,283	490,183
Accrued expenses, non-current	20,987	(693)	20,294
Total liabilities	1,080,583	590	1,081,173
Accumulated deficit	(594,026)	4,207	(589,819)
Total shareholders' equity	961,497	4,207	965,704
Total liabilities and shareholders' equity	\$ 2,042,080	\$ 4,797	\$ 2,046,877

	<b>Fiscal Year Ended March 31, 2020</b>		
	<b>As Previously Reported</b>	<b>Adjustment</b>	<b>As Revised</b>
<b>Consolidated Statements of Operations Items:</b>			
Income tax expense	\$ (199,491)	\$ 4,207	\$ (195,284)
Net loss	(418,024)	4,207	(413,817)
Net loss per share:			
Basic and diluted	\$ (1.58)	\$ 0.02	\$ (1.56)

	<b>Fiscal Year Ended March 31, 2020</b>		
	<b>As Previously Reported</b>	<b>Adjustment</b>	<b>As Revised</b>
<b>Consolidated Statements of Comprehensive Income (Loss) Items:</b>			
Net loss	\$ (418,024)	\$ 4,207	\$ (413,817)
Comprehensive loss	\$ (406,419)	\$ 4,207	\$ (402,212)

	<b>March 31, 2020</b>		
	<b>As Previously Reported</b>	<b>Adjustment</b>	<b>As Revised</b>
<b>Consolidated Statements of Shareholders' Equity / Member's Deficit Items:</b>			
Net loss	\$ (418,024)	\$ 4,207	\$ (413,817)
Total shareholders' equity, balance at March 31, 2020	\$ 961,497	\$ 4,207	\$ 965,704

	Fiscal Year Ended March 31, 2020		
	As Previously Reported	Adjustment	As Revised
<b>Consolidated Statements of Cash Flow Items:</b>			
Net loss	\$ (418,024)	\$ 4,207	\$ (413,817)
Deferred income taxes	(59,276)	13,055	(46,221)
Prepaid expenses and other assets	(39,737)	(17,851)	(57,588)
Accounts payable and accrued expenses	52,415	589	53,004
Net cash used in operating activities	\$ (142,455)	\$ —	\$ (142,455)

The following table represents revisions to the Company's current and deferred tax expense (in thousands):

	Fiscal Year Ended March 31, 2020		
	As Previously Reported	Adjustment	As Revised
<b>Income tax provision:</b>			
Income tax expense			
Federal	\$ 198,307	\$ (17,905)	\$ 180,402
State	47,992	53	48,045
Foreign	12,468	590	13,058
Total current tax position	258,767	(17,262)	241,505
Federal	(50,086)	12,355	(37,731)
State	(5,839)	150	(5,689)
Foreign	(3,351)	550	(2,801)
Total deferred tax provision	(59,276)	13,055	(46,221)
Total income tax expense	\$ 199,491	\$ (4,207)	\$ 195,284

The following table represents revisions to the Company's deferred tax balances, which were largely offset by revisions to the income taxes refundable on the consolidated balance sheet (in thousands):

	March 31, 2020		
	As Previously Reported	Adjustment	As Revised
<b>Temporary differences and carryforwards:</b>			
Deferred revenue	\$ 27,681	\$ (4,496)	\$ 23,185
Capitalized research and development costs	11,140	—	11,140
Accrued expenses	6,625	(408)	6,217
Share-based compensation	16,660	(11,409)	5,251
Fixed assets	279	(279)	—
Net operating loss carryforwards	4,046	422	4,468
Other tax carryforwards, primarily foreign tax credits	14,603	3,612	18,215
Other	2,823	(233)	2,590
Total deferred tax assets before valuation allowance	83,857	(12,791)	71,066
Less: valuation allowance	(21,996)	(210)	(22,206)
Net deferred tax assets	61,861	(13,001)	48,860
Intangible assets	40,270	—	40,270
State taxes	251	(251)	—
Other	880	305	1,185
Total deferred tax liabilities	41,401	54	41,455
Net deferred tax assets	\$ 20,460	\$ (13,055)	\$ 7,405

The Company has also made corresponding changes to Notes 4 and 8.

## 8. Accrued Expenses

Accrued expenses, current consists of the following (in thousands):

	March 31,	
	2021	2020
Accrued employee - related expenses	\$ 63,890	\$ 40,687
Accrued tax liabilities	23,001	13,350
Accrued restructuring	—	1,065
Accrued professional fees	3,275	2,103
Income taxes payable	9,117	22,040
Other	20,244	15,766
<b>Total accrued expenses, current</b>	<b>\$ 119,527</b>	<b>\$ 95,011</b>

## 9. Long-term Debt

Long-term debt consists of the following (in thousands, except percentages):

	March 31, 2021		March 31, 2020	
	Amount	Effective Rate	Amount	Effective Rate
First Lien Term Loan	\$ 401,125	2.4 %	\$ 521,125	3.2 %
Revolving credit facility	—		—	
Total principal	401,125		521,125	
Unamortized discount and debt issuance costs	(9,212)		(11,140)	
Total debt	391,913		509,985	
Less: Current portion of long-term debt	—		—	
Long-term debt	<u>\$ 391,913</u>		<u>\$ 509,985</u>	

### First lien credit facilities

The Company's First Lien Credit Agreement, as amended, provides for a term loan facility, or the First Lien Term Loan, in an aggregate principal amount of \$950.0 million and a senior secured revolving credit facility, or the Revolving facility, in an aggregate amount of \$ 60.0 million. The Revolving Facility includes a \$25.0 million letter of credit sub-facility. The First Lien Term Loan and Revolving Facility mature on August 23, 2025 and August 23, 2023, respectively. As of March 31, 2021 and 2020, there were \$ 15.6 million and \$15.3 million of letters of credit issued, respectively. The Company had \$44.4 million and \$44.7 million of availability under the Revolving Facility as of March 31, 2021 and 2020, respectively.

Debt issuance costs and original issuance discount were incurred in connection with the First Lien Credit Agreement. These debt issuance costs and original issuance discount are included as a reduction of the debt balance in the consolidated balance sheets and will be amortized into interest expense over the contractual term of the loans. The Company recognized \$1.9 million, \$1.7 million, and \$1.0 million of amortization of debt issuance costs and original issuance discount for the years ended March 31, 2021, 2020 and 2019, respectively, which is included in the accompanying consolidated statements of operations.

Borrowings under the First Lien Term Loan and Revolving Facility currently bear interest, at the Company's election, at either (i) the Alternative Base Rate, as defined per the credit agreement, plus 1.25% per annum, or (ii) LIBOR plus 2.25% per annum. Interest payments are due quarterly, or more frequently, based on the terms of the credit agreement. The Company has satisfied all required principal payments under the First Lien Term Loan and the remainder is due at maturity.

The Company incurs fees with respect to the Revolving Facility, including (i) a commitment fee of 0.25% per annum of unused commitments under the Revolving Facility, (ii) facility fees equal to the applicable margin in effect for Eurodollar Rate Loans, as defined per the credit agreement, times the average daily stated amount of letters of credit, (iii) a fronting fee equal to either (a) 0.125% per annum on the stated amount of each letter of credit or (b) such other rate per annum as agreed to by the parties subject to the letters of credit, and (iv) customary administrative fees.

The First Lien Term Loan requires prepayments in the case of certain events including: property or asset sale in excess of \$.0 million, proceeds in excess of \$5.0 million from an insurance settlement, or proceeds from a new debt agreement. An additional prepayment may be required under the First Lien Term Loan related to excess cash flow for the respective measurement periods.

All of the indebtedness under the First Lien Credit Agreement is and will be guaranteed by the Company’s existing and future material domestic subsidiaries and is and will be secured by substantially all of the assets of the Company and such guarantors. The First Lien Credit Agreement contains customary negative covenants. At March 31, 2021, the Company was in compliance with all applicable covenants.

**Second lien credit facility**

On August 23, 2018, the Company entered into the Second Lien Credit Agreement (the “Second Lien Term Loan”) in which the Company borrowed an aggregate principal amount of \$170.0 million. Borrowings under the Second Lien Term Loan bore interest, at the Company’s election, at either (i) the Alternative Base Rate, as defined per the credit agreement, plus 6.00% per annum, or (ii) LIBOR plus 7.00% per annum. The maturity date on the Second Lien Term Loan was August 23, 2026, with principal payment due in full on the maturity date. Interest payments were due quarterly, or more frequently, based on the terms of the credit agreement. The Company recognized \$0.1 million and \$0.2 million of amortization of debt issuance costs and original issuance discount for the years ended March 31, 2020 and 2019, respectively, which is included in the accompanying consolidated statements of operations. During the second quarter of fiscal 2020, the Company repaid all outstanding borrowings, including accrued interest, under the Second Lien Term Loan and the remaining unamortized debt issuance costs and original issuance discount, aggregating to \$2.7 million, was recognized as a loss on debt extinguishment within “Interest expense, net” in the consolidated statements of operations during the year ended March 31, 2020.

**Debt maturities**

The maturities of outstanding debt are as follows (in thousands):

Fiscal year	Amount
2022	\$ —
2023	—
2024	—
2025	—
2026	401,125
Thereafter	—
<b>Total future payments</b>	<b>\$ 401,125</b>

**10. Leases**

The Company leases office space under non-cancelable operating leases which expire at various dates from fiscal 2022 to 2032. As of March 31, 2021, the weighted average remaining lease term was 5.5 years and the weighted average discount rate was 7.6%. The Company does not have any finance leases as of March 31, 2021.

The Company also has subleases of former offices which expire at various dates from fiscal 2022 to fiscal 2025. Sublease income from operating leases, which is recorded as a reduction of rental expense, was \$3.9 million, \$4.5 million and \$4.3 million for the years ended March 31, 2021, 2020 and 2019, respectively.

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

	Fiscal Year Ended March 31, 2021
Operating lease expense <sup>(1)</sup>	\$ 10,436
Short-term lease expense	\$ 752
Variable lease expense	\$ 674

<sup>(1)</sup> Presented gross of sublease income.

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

	Fiscal Year Ended March 31, 2021
Cash paid for amounts included in the measurement of lease liabilities	\$ 13,478
Operating lease assets obtained in exchange for new operating lease liabilities <sup>(1)</sup>	\$ 5,260

<sup>(1)</sup> Includes the impact of new leases as well as remeasurements and modifications of existing leases.

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

<b>Fiscal Years Ending March 31,</b>	<b>Amount</b>
2022	\$ 12,290
2023	11,871
2024	10,886
2025	7,620
2026	5,017
Thereafter	10,206
Total operating lease payments <sup>(1)</sup>	57,890
Less: imputed interest	(10,196)
Total operating lease liabilities	<u>\$ 47,694</u>

<sup>(1)</sup> Presented gross of sublease income.

As of March 31, 2021, the Company had commitments of \$1.2 million for operating leases that have not yet commenced, and therefore are not included in the right-of-use assets or operating lease liabilities. These operating leases are expected to commence during the fiscal year ended March 31, 2022, with lease terms ranging from 1 to 10 years.

Under previous lease accounting standard ASC 840, the aggregate future non-cancelable minimum rental payments on its operating leases, as of March 31, 2020, were as follows (in thousands):

<b>Fiscal Years Ending March 31,</b>	<b>Amount</b>
2021	\$ 14,210
2022	11,663
2023	11,235
2024	10,864
2025	8,020
Thereafter	16,331
Total future contractual payments <sup>(1)</sup>	<u>\$ 72,323</u>

<sup>(1)</sup> Presented gross of sublease income.

Under ASC 840, total rent expense under operating leases during the years ended March 31, 2020 and 2019 were \$4.0 million and \$11.3 million, respectively.

## 11. Restructuring Activities

The Company has undertaken various restructuring activities to achieve its strategic and financial objectives. Restructuring activities include, but are not limited to product offering cancellation and termination of related employees, office relocation, administrative cost structure realignment and consolidation of resources. The Company expects to finance restructuring programs through cash on hand and cash generated from operations. Restructuring costs are estimated based on information available at the time such charges are recorded. In general, management anticipates that restructuring activities will be completed within a time frame such that significant changes to the plan are not likely. Due to the inherent uncertainty involved in estimating restructuring expenses, actual amounts paid for such activities may differ from amounts initially estimated. The Company recorded no restructuring expenses during the year ended March 31, 2021. The Company recorded restructuring expenses of \$0.9 million and \$1.7 million during the years ended March 31, 2020 and 2019, respectively, within "Restructuring and other" on the consolidated statements of operations.

### *Transformation activities*

During the year ended March 31, 2020, the Company announced a restructuring program designed to better align employee resources with its product offerings and future plans. Accordingly, the Company calculated and recorded a liability of the estimated termination benefits of \$0.9 million.

### *Restructuring reserves*

A restructuring reserve balance of \$1.1 million as of March 31, 2020 is classified as "Accrued expenses, current" on the consolidated balance sheets. The activities associated with the restructuring reserve as of March 31, 2020 were complete by the end of fiscal 2021 and there was not a restructuring reserve as of March 31, 2021.

## 12. Commitments and Contingencies

### *Legal matters*

From time to time, the Company may be a party to lawsuits and legal proceedings arising in the ordinary course of business. In the opinion of the Company's management, these matters, individually and in the aggregate, will not have a material adverse effect on the financial condition and results of the future operations of the Company.

## 13. Share-based Compensation

### *Management Incentive Unit Plan*

Under the Management Incentive Unit Plan (the "MIU Plan"), Compuware Parent LLC's board of managers had authorized the issuance of MIUs and AUs to certain executive officers and key employees. The MIUs and AUs consisted of two types of units which were classified as performance-vested units and time-vested units.

In connection with the reorganization transactions described in Note 2, outstanding awards granted under the MIU Plan were converted into shares of common stock, restricted stock, and restricted stock units which were granted under the 2019 Plan (as defined below). Upon conversion, the MIUs and AUs were modified and ceased to be classified as liability awards. This modification impacted 306 participants and resulted in the recognition of incremental share-based compensation expense of \$145.3 million to record the liability awards at fair value immediately prior to the modification during the year ended March 31, 2020. Upon modification, the liability balance of \$278.2 million related to these MIUs and AUs was reclassified into additional paid-in capital.

The fair value of the equity units underlying the MIUs and AUs had historically been determined by the board of directors as there was no public market for the equity units. The board of directors determined the fair value of the Company's equity units by considering a number of objective and subjective factors including: the valuation of comparable companies, the Company's operating and financial performance, the lack of liquidity of common stock, and general and industry specific economic outlook, amongst other factors.

The participation threshold was determined by the board of directors, based on the fair market value on the grant issuance date upon vesting or settlement, the value associated with the MIUs and AUs was the difference between the fair value of the unit and the associated participation threshold. Prior to the modification, the awards were marked to market at the balance sheet date. Upon modification, the awards were marked to market immediately prior to the modification. The weighted average grant date fair value of units granted during the years ended March 31, 2020 and 2019 was \$7.71 and \$3.62, respectively. The total fair value of vested units during the years ended March 31, 2020 and 2019 was \$278.2 million and \$92.0 million, respectively.

The following key assumptions were used to determine the fair value of the MIUs and AUs for fiscal 2020 and 2019:

	March 31,	
	2020	2019
Expected dividend yield	—	—
Expected volatility	35% - 55%	50% - 60%
Expected term (years)	0.5 - 1.25	1.0 - 1.5
Risk-free interest rate	1.86% - 2.09%	2.33% - 2.40%

### *Amended and Restated 2019 Equity Incentive Plan*

In July 2019, the Company's board of directors (the "Board"), upon the recommendation of the compensation committee of the board of directors, adopted the 2019 Equity Incentive Plan, as amended and restated, or the 2019 Plan, which was subsequently approved by the Company's shareholders. In January 2021, the Board amended and restated the 2019 Plan to permit tolling vesting during leaves of absence for certain employees.

The Company initially reserved 52,000,000 shares of common stock, or the Initial Limit, for the issuance of awards under the 2019 Plan. The 2019 Plan provides that the number of shares reserved and available for issuance under the plan will automatically increase each April 1, beginning on April 1, 2020, by 4% of the outstanding number of shares of the Company's common stock on the immediately preceding March 31 or such lesser number determined by the compensation committee. This number is subject to adjustment in the event of a stock split, stock dividend or other change in the Company's capitalization. As of March 31, 2021, 29,898,274 shares of common stock were available for future issuance under the 2019 Plan.

The awards granted under the 2019 Plan have varying terms but generally vest over a four-year period upon satisfaction of a service-based vesting condition. From time to time, the Company also grants performance-based shares to certain key employees. The performance criteria for the performance-based shares include four performance targets which vest 25% after each fiscal year end,

upon the board of director's confirmation that the performance target was met for such fiscal year. These shares have a requisite service period that varies based on the grant date, but the service period begins on the grant date and ends on achievement of the final fiscal year performance target. The performance criterion for vesting of performance shares has been based on certain company financial performance targets established and approved by the Company's board of directors for each fiscal year. Shares that are vested based upon performance for any given year for which the target was not met shall not vest; provided, that if the target is not met for a given year, but the target for the subsequent year is met, the unvested performance-based shares for the previous year shall become vested when the target for the subsequent year was met.

*Stock options*

The following table summarizes activity for stock options during the period ended March 31, 2021:

	Number of Options (in thousands)	Weighted Average Exercise Price (per share)	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value (in thousands)
Balance, March 31, 2020	7,147	\$ 16.26	9.3	\$ 54,423
Granted	2,396	34.26		
Exercised	(800)	16.32		
Forfeited	(350)	18.29		
Balance, March 31, 2021	<u>8,393</u>	\$ 21.31	8.6	\$ 226,438
Options vested and expected to vest at March 31, 2021	<u>8,393</u>	\$ 21.31	8.6	\$ 226,438
Options vested and exercisable at March 31, 2021	<u>1,783</u>	\$ 16.16	8.3	\$ 57,193

As of March 31, 2021, the total unrecognized compensation expense related to non-vested stock options is \$0.8 million and is expected to be recognized over a weighted average period of 2.7 years. The Company recognized \$16.8 million and \$7.2 million of share-based compensation expense related to stock options for the years ended March 31, 2021 and 2020, respectively.

The fair value for the Company's stock options granted during the years ended March 31, 2021 and 2020 were estimated at the date of grant using a Black-Scholes option-pricing model using the following assumptions:

	March 31,	
	2021	2020
Expected dividend yield	—	—
Expected volatility	39.3% - 39.8%	37.1% - 38.9%
Expected term (years)	6.1	6.1
Risk-free interest rate	0.4% - 1.1%	0.8% - 1.9%

The weighted average grant-date fair value of options granted during 2021 and 2020 were \$13.08 and \$6.43, respectively.

The Company has not paid and does not expect to pay dividends. Consequently, the Company uses an expected dividend yield of zero. The computation of expected volatility is based on a calculation using the historical volatility of a group of publicly traded peer companies. The Company expects to continue to do so until such time as it has adequate historical data regarding the volatility of the Company's traded stock price. The computation of expected term was based on the average period the stock options are expected to remain outstanding, generally calculated as the midpoint of the stock options' remaining 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. The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant for the expected life of the award.

*Restricted shares and units*

During the year ended March 31, 2021, the Company granted an aggregate of 1,358,169 restricted stock units to certain key employees and non-employee directors. The total grants consisted of: (i) 1,323,169 time-based restricted stock units that vest 25% one year after the grant date and the remaining 75% vest ratably on a quarterly basis over 3 years and (ii) 35,000 time-based restricted stock units that vest on August 15, 2021 or at the annual shareholder meeting, if earlier.

The restricted shares are generally subject to forfeiture if employment terminates prior to the vesting date. The Company expenses the cost of the restricted shares, which is determined to be the fair market value of the shares of common stock underlying the restricted shares on the date of grant, ratably over the period during which the vesting restrictions lapse.

The following table provides a summary of the changes in the number of restricted shares for the year ended March 31, 2021:

	Number of Shares of Restricted Stock Awards	Weighted Average Grant Date Fair Value	Number of Restricted Stock Units	Weighted Average Grant Date Fair Value
	(in thousands)	(per share)	(in thousands)	(per share)
Balance, March 31, 2020	1,984	\$ 16.00	3,123	\$ 16.39
Granted	—	—	1,358	34.69
Vested	(1,146)	16.00	(1,256)	16.26
Forfeited	(110)	16.00	(184)	19.46
Balance, March 31, 2021	<u>728</u>	<u>\$ 16.00</u>	<u>3,041</u>	<u>\$ 24.44</u>

As of March 31, 2021, the total unrecognized compensation expense related to unvested restricted stock is \$0.8 million and is expected to be recognized over a weighted average period of 1.3 years. As of March 31, 2021, the total unrecognized compensation expense related to unvested restricted stock units is \$2.9 million and is expected to be recognized over a weighted average period of 2.6 years. The Company recognized \$37.3 million and \$27.9 million of share-based compensation expense related to restricted shares and units for the years ended March 31, 2021 and 2020, respectively.

#### **Employee Stock Purchase Plan**

In July 2019, the board of directors adopted, and the Company's shareholders approved, the 2019 Employee Stock Purchase Plan. The Company expects to offer, sell and issue shares of common stock under this ESPP from time to time based on various factors and conditions, although the Company is under no obligation to sell any shares under this ESPP. The ESPP provides for six-month offering periods beginning May 15 and November 15 of each year, and each offering period will consist of six-month purchase periods. On each purchase date, eligible employees will purchase shares of the Company's common stock at a price per share equal to 85% of the lesser of (1) the fair market value of the Company's common stock on the offering date or (2) the fair market value of the Company's common stock on the purchase date. For the year ended March 31, 2021, 330,738 shares of common stock were purchased under the ESPP. As of March 31, 2021, 8,727,792 shares of common stock were available for future issuance under the ESPP.

As of March 31, 2021, there was approximately \$0.7 million of unrecognized share-based compensation related to the ESPP that is expected to be recognized over the remaining term of the current offering period. The Company recognized \$3.7 million and \$0.8 million of share-based compensation expense related to the ESPP for the years ended March 31, 2021 and 2020, respectively.

The Company estimated the fair value of the ESPP purchase rights using a Black-Scholes option pricing model with the following assumptions:

	March 31,	
	2021	2020
Expected dividend yield	—	—
Expected volatility	35.9% - 55.5%	35.9 %
Expected term (years)	0.5	0.5
Risk-free interest rate	0.1% - 1.6%	1.6 %

The Company has not paid and does not expect to pay dividends. Consequently, the Company uses an expected dividend yield of zero. The computation of expected volatility is based on a calculation using the historical volatility of a group of publicly traded peer companies. The Company expects to continue to do so until such time as it has adequate historical data regarding the volatility of the Company's traded stock price. The computation of expected term was based on the offering period, which is six months. The risk-free interest rate is based on the U.S. Treasury yield curve that corresponds with the expected term at the time of grant.

### Share-based compensation

The following table summarizes the components of total share-based compensation expense included in the consolidated financial statements for each period presented (in thousands):

	Fiscal Year Ended March 31,		
	2021	2020	2019
Cost of revenue	\$ 7,307	\$ 18,685	\$ 5,777
Research and development	11,684	38,670	12,566
Sales and marketing	24,153	84,698	24,673
General and administrative	14,640	80,425	28,135
Total share-based compensation expense	<u>\$ 57,784</u>	<u>\$ 222,478</u>	<u>\$ 71,151</u>

### 14. Net Income (Loss) Per Share

On August 1, 2019, the Company completed its IPO in which the Company issued and sold 38,873,174 shares of common stock at a price to the public of \$6.00 per share. These shares are included in the common stock outstanding as of that date.

For the years ended March 31, 2020 and 2019, basic and diluted net income (loss) per share has been retrospectively adjusted to reflect the conversion of equity in connection with the reorganization transactions described in Note 2. Basic and diluted net income (loss) per share was derived from a unit conversion factor of \$16.00 per share as determined by the board of managers of Dynatrace Holdings LLC on July 30, 2019.

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

	Fiscal Year Ended March 31,		
	2021	2020	2019
Numerator:			
Net income (loss)	\$ 75,714	\$ (413,817)	\$ (116,194)
Denominator:			
Weighted average shares outstanding, basic	280,469	264,933	235,939
Dilutive effect of stock-based awards	6,040	—	—
Weighted average shares outstanding, diluted	<u>286,509</u>	<u>264,933</u>	<u>235,939</u>
Net income (loss) per share, basic	\$ 0.27	\$ (1.56)	\$ (0.49)
Net income (loss) per share, diluted	\$ 0.26	\$ (1.56)	\$ (0.49)

The effect of certain common share equivalents were excluded from the computation of weighted average diluted shares outstanding for the years ended March 31, 2021, 2020, and 2019 as inclusion would have resulted in anti-dilution. A summary of these weighted-average anti-dilutive common share equivalents is provided in the table below (in thousands):

	Fiscal Year Ended March 31,		
	2021	2020	2019
Stock options	1,901	4,763	—
Unvested restricted stock and RSUs	11	3,819	—
Shares committed under ESPP	—	64	—
Unvested equity awards	—	—	6,399

### 15. Related Party Transactions

The Company had agreements with Thoma Bravo, LLC for financial and management advisory services that terminated on August 1, 2019. During the years ended March 31, 2021, 2020, and 2019, the Company incurred zero, \$1.6 million, and \$4.9 million, respectively, related to these services. The related expense is reflected in “General and administrative” expense in the consolidated statements of operations.

During the year ended March 31, 2020, Compuware distributed \$265.0 million to the Company to fund a tax liability incurred in connection with the reorganization transactions described in Note 2.

During the year ended March 31, 2019, the Company has transfers to related parties of \$0.8 million which are included in “Additional paid-in capital” in the consolidated balance sheets.

During the year ended March 31, 2019, the Company transferred cash to related parties of \$1,177.0 million related to debt service and shared costs. Other related party settlements resulted in an increase in payables to related parties of \$14.3 million for the year ending March 31, 2019.

#### 16. Related Party Debt

On April 1, 2015, the Company entered into \$1.8 billion in subordinated demand promissory notes payable to Compuware, a former related party. The promissory notes were established in connection with Compuware's external debt financing. Interest expense on the promissory notes was zero, \$4.1 million, and \$27.4 million for the years ended March 31, 2021, 2020, and 2019, respectively, and is included in the consolidated statements of operations in "Interest expense, net." In connection with the reorganization during the second quarter of fiscal 2020, the corresponding receivable at Compuware was contributed to the Company and the payable to related party was eliminated.

#### 17. Employee Benefit Plan

The Company has established a 401(k) tax-deferred savings plan (the "401(k) Plan"), which permits participants to make contributions by salary deduction pursuant to Section 401(k) of the Code. The Company is responsible for administrative costs of the 401(k) Plan and may, at its discretion, make matching contributions to the 401(k) Plan. For the years ended March 31, 2021, 2020, and 2019, the Company made contributions of \$3.6 million, \$3.1 million and \$1.9 million to the 401(k) Plan, respectively.

#### 18. Geographic Information

##### Revenue

Revenues by geography are based on legal jurisdiction. Refer to Note 3, Revenue Recognition, for a disaggregation of revenue by geographic region.

##### Property and equipment, net

The following tables present property and equipment by geographic region for the periods presented (in thousands):

	March 31,	
	2021	2020
North America	\$ 12,129	\$ 11,296
Europe, Middle East and Africa	23,124	18,590
Asia Pacific	1,619	1,564
Latin America	44	58
Total property and equipment, net	\$ 36,916	\$ 31,508

#### ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

#### ITEM 9A. CONTROLS AND PROCEDURES

##### Evaluation of Disclosure Controls and Procedures

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

##### Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining effective internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. This system is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with U.S. GAAP.

Our management performed an assessment of the effectiveness of our internal control over financial reporting at March 31, 2021, utilizing the criteria discussed in the “Internal Control – Integrated Framework (2013)” issued by the Committee of Sponsoring Organizations of the Treadway Commission. The objective of this assessment was to determine whether our internal control over financial reporting was effective as of March 31, 2021. Based on management’s assessment, we have concluded that our internal control over financial reporting was effective as of March 31, 2021.

The effectiveness of our internal control over financial reporting has been audited by BDO USA LLP, an independent registered public accounting firm, as stated in its report which is included herein.

***Changes in Internal Control Over Financial Reporting***

As previously disclosed under the section titled “Controls and Procedures” included under Part II, Item 9A of our Annual Report on Form 10-K for the year ended March 31, 2020, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were not effective as of March 31, 2020, because of a material weakness in internal control over financial reporting. Specifically, we did not maintain effective controls over accounting for income taxes in connection with the preparation and review of our global tax provision, and particularly in the area of realizability of tax attributes such as foreign tax credits and other domestic deferred tax assets.

During the fiscal year ended March 31, 2021, management implemented our previously disclosed remediation plan that included: (1) hired tax specialists to assist in the preparation of our tax provision as needed, (2) enhanced our documentation and management review of tax balances, (3) implemented changes and improvements in our internal control over financial reporting environment. Based upon the actions taken and our testing and evaluation of the effectiveness of our internal controls, we have concluded the material weakness related to controls over the accounting for income taxes no longer existed as of March 31, 2021.

Except for the changes in connection with our implementation of the remediation plan discussed above, there were no changes to our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended March 31, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

***Inherent Limitations on Effectiveness of Controls***

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitation in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of the controls. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Due to inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

## Report of Independent Registered Public Accounting Firm

Shareholders and Board of Directors  
Dynatrace, Inc.  
Waltham, Massachusetts

### Opinion on Internal Control over Financial Reporting

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

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 March 31, 2021 and 2020, the related consolidated statements of operations, comprehensive income (loss), shareholders' equity/member's deficit, and cash flows for each of the three years in the period ended March 31, 2021, and the related notes (collectively referred to as "the consolidated financial statements") and our report dated May 28, 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 Item 9A, 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 U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

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

### Definition and Limitations of Internal Control over Financial Reporting

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

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

/s/ BDO USA, LLP

Troy, Michigan  
May 28, 2021

### ITEM 9B. OTHER INFORMATION

None.

### PART III

#### ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Our board of directors 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 officers. The full text of our code of business conduct and ethics is posted on the Investor Relations section of our website at [ir.dynatrace.com](http://ir.dynatrace.com). We will disclose any amendments to our code of business conduct and ethics, or waivers of its requirements granted to our principal executive officer, principal financial officer, principal accounting officer or controller or persons performing similar functions, on our website or in filings under the Exchange Act as required by applicable law or the listing standards of the NYSE.

The remaining information called for by this item, including information about our Directors, Executive Officers and Audit Committee, will be set forth in our Proxy Statement for the 2021 Annual Meeting of Stockholders to be filed with the SEC within 120 days of the fiscal year ended March 31, 2021 and is incorporated herein by reference.

#### ITEM 11. EXECUTIVE COMPENSATION

The information called for by this item will be set forth in our Proxy Statement for the 2021 Annual Meeting of Stockholders to be filed with the SEC within 120 days of the fiscal year ended March 31, 2021 and is incorporated herein by reference.

#### ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information called for by this item will be set forth in our Proxy Statement for the 2021 Annual Meeting of Stockholders to be filed with the SEC within 120 days of the fiscal year ended March 31, 2021 and is incorporated herein by reference.

#### ITEM 13. CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information called for by this item will be set forth in our Proxy Statement for the 2021 Annual Meeting of Stockholders to be filed with the SEC within 120 days of the fiscal year ended March 31, 2021 and is incorporated herein by reference.

#### ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information called for by this item will be set forth in our Proxy Statement for the 2021 Annual Meeting of Stockholders to be filed with the SEC within 120 days of the fiscal year ended March 31, 2021 and is incorporated herein by reference.

### PART IV

#### ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

##### (a) Listing of Documents

##### 1. Financial Statements

The following financial statements are included in Part II, Item 8 of this Form 10-K:

##### **Report of Independent Registered Public Accounting Firm**

CONSOLIDATED BALANCE SHEETS  
CONSOLIDATED STATEMENTS OF OPERATIONS  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)  
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY / MEMBER'S DEFICIT  
CONSOLIDATED STATEMENTS OF CASH FLOWS

##### 2. Financial Statement Schedules

All other schedules have been omitted because they are not required, not applicable, or the required information is otherwise included.

##### 3. Exhibits

The documents listed in the Exhibit Index of this report are incorporated by reference or are filed with this report, in each case as indicated therein (numbered in accordance with Item 601 of Regulation S-K).

#### ITEM 16. FORM 10-K SUMMARY

None.

**EXHIBIT INDEX**

<b>Exhibit Number</b>	<b>Description</b>
3.1	<a href="#">Amended and Restated Limited Liability Company Agreement of Dynatrace LLC, dated as of August 23, 2018 (incorporated by reference to Exhibit 3.1 to the Company's Registration Statement on Form S-1/A, filed with the SEC on July 22, 2019).</a>
3.2	<a href="#">Amended and Restated Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3.3 to the Company's Registration Statement on Form S-1/A, filed with the SEC on July 22, 2019).</a>
3.3	<a href="#">Amended and Restated Bylaws of the Company (incorporated by reference to Exhibit 3.5 to the Company's Registration Statement on Form S-1/A, filed with the SEC on July 22, 2019).</a>
3.4	<a href="#">First Amendment to the Amended and Restated Bylaws of the Company (incorporated by reference to Exhibit 3.4 to the Company's Annual Report on Form 10-K filed with the SEC on May 27, 2020).</a>
4.1	<a href="#">Specimen Common Stock Certificate (incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-1/A, filed with the SEC on July 22, 2019).</a>
4.2	<a href="#">Registration Rights Agreement (incorporated by reference to Exhibit 4.2 to the Company's Registration Statement on Form S-1/A, filed with the SEC on July 22, 2019).</a>
4.3	<a href="#">Description of the Company's Securities (incorporated by reference to Exhibit 4.3 to the Company's Annual Report on Form 10-K filed with the SEC on May 27, 2020).</a>
10.1#*	<a href="#">2019 Equity Incentive Plan, as amended</a>
10.2#	<a href="#">Forms of award agreements under the 2019 Equity Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Registration Statement on Form S-1/A, filed with the SEC on July 30, 2019).</a>
10.3#	<a href="#">2019 Employee Stock Purchase Plan (incorporated by reference to Exhibit 10.2 to the Company's Registration Statement on Form S-1/A, filed with the SEC on July 22, 2019).</a>
10.4#	<a href="#">Annual Short-Term Incentive Plan (incorporated by reference to Exhibit 10.3 to the Company's Registration Statement on Form S-1/A, filed with the SEC on July 22, 2019).</a>
10.5	<a href="#">Non-Employee Director Compensation Policy (incorporated by reference to Exhibit 10.4 to the Company's Registration Statement on Form S-1/A, filed with the SEC on July 22, 2019).</a>
10.6#	<a href="#">Form of Indemnification Agreement between the Registrant and each of its directors and executive officers (incorporated by reference to Exhibit 10.5 to the Company's Registration Statement on Form S-1/A, filed with the SEC on July 25, 2019).</a>
10.7#	<a href="#">Executive Officer Employment Agreement, by and between Registrant and John Van Siclen (incorporated by reference to Exhibit 10.6 to the Company's Registration Statement on Form S-1/A, filed with the SEC on July 22, 2019).</a>
10.8#	<a href="#">Executive Officer Employment Agreement, by and between Registrant and Kevin Burns (incorporated by reference to Exhibit 10.7 to the Company's Registration Statement on Form S-1/A, filed with the SEC on July 22, 2019).</a>
10.9#	<a href="#">Executive Officer Employment Agreement, by and between Registrant and Stephen Pace (incorporated by reference to Exhibit 10.8 to the Company's Registration Statement on Form S-1/A, filed with the SEC on July 22, 2019).</a>
10.10	<a href="#">Senior Secured First Lien Credit Agreement, by and among Dynatrace LLC, Dynatrace Intermediate LLC, Jefferies Finance LLC and the other Lenders Parties listed thereto, dated as of August 23, 2018 (incorporated by reference to Exhibit 10.10 to the Company's Registration Statement on Form S-1, filed with the SEC on July 5, 2019).</a>
10.11	<a href="#">Senior Secured Second Lien Credit Agreement, by and among Dynatrace LLC, Dynatrace Intermediate LLC, Jefferies Finance LLC and the other Lenders Parties listed thereto, dated as of August 23, 2018 (incorporated by reference to Exhibit 10.11 to the Company's Registration Statement on Form S-1, filed with the SEC on July 5, 2019).</a>
10.12	<a href="#">Office Lease, dated July 6, 2017, by and between BP Reservoir Place LLC and Dynatrace LLC, and Declaration Affixing the Commencement Date of the Lease, dated November 15, 2017, by and between BP Reservoir Place LLC and Dynatrace LLC (incorporated by reference to Exhibit 10.12 to the Company's Registration Statement on Form S-1, filed with the SEC on July 5, 2019).</a>
10.13	<a href="#">English Translation of Lease Agreement, dated as of March 28, 2017, by and between Neunteufel GmbH and Dynatrace Austria GmbH (incorporated by reference to Exhibit 10.13 to the Company's Registration Statement on Form S-1, filed with the SEC on July 5, 2019).</a>
10.14	<a href="#">Form of Tax Matters Agreement entered into between Dynatrace Holdings LLC and Compuware Software Group LLC (incorporated by reference to Exhibit 10.13 to the Company's Registration Statement on Form S-1/A, filed with the SEC on July 25, 2019).</a>
10.15	<a href="#">Form of Master Structuring Agreement entered into by and among Dynatrace Holdings, LLC, Compuware Software Group, LLC and the other parties named therein (incorporated by reference to Exhibit 10.14 to the Company's Registration Statement on Form S-1/A, filed with the SEC on July 25, 2019).</a>
10.16	<a href="#">Second Amendment to Senior Secured First Line Credit Agreement dated February 6, 2020, by and among Dynatrace LLC, Dynatrace Intermediate LLC, the lenders party thereto and Jefferies Financing LLC as administrative agent (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed with the SEC on February 6, 2020).</a>

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21.1	<a href="#">Subsidiaries of the Registrant (incorporated by reference to Exhibit 21.1 to the Company's Registration Statement on Form S-1/A, filed with the SEC on July 22, 2019).</a>
23.1*	<a href="#">Consent of BDO USA, LLP.</a>
31.1*	<a href="#">Certification of Principal Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended.</a>
31.2*	<a href="#">Certification of Principal Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended.</a>
32.1**	<a href="#">Certification of Principal Executive Officer and Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act.</a>
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.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File - the cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.

# Indicates a management contract or any compensatory plan, contract or arrangement.

\* 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. Such certifications will not be deemed to be incorporated by reference into any filings under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that the Registrant specifically incorporates it by reference.

**SIGNATURES**

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

**DYNATRACE, INC.**

Date: May 28, 2021

By: /s/ John Van Siclen  
John Van Siclen  
Chief Executive Officer  
(Principal Executive Officer)

**POWER OF ATTORNEY**

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints John Van Siclen, Kevin Burns and Craig Newfield, and each of them, as his true and lawful attorney-in-fact and agent with full power of substitution, for him 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 attorney-in-fact, proxy, and agent 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 might or could do in person, hereby ratifying and confirming all that said attorney-in-fact, proxy and agent, or his substitute, may lawfully do or cause to be done by virtue hereof.

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Pursuant to the requirements of the Securities Act of 1934, this Annual Report on Form 10-K has been signed by the following persons in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ John Van Siclen</u> John Van Siclen	Chief Executive Officer and Director (Principal Executive Officer)	May 28, 2021
<u>/s/ Kevin Burns</u> Kevin Burns	Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer)	May 28, 2021
<u>/s/ Jill Ward</u> Jill Ward	Director, Board Chair	May 28, 2021
<u>/s/ Seth Boro</u> Seth Boro	Director	May 28, 2021
<u>/s/ Michael Capone</u> Michael Capone	Director	May 28, 2021
<u>/s/ Stephen Lifshatz</u> Stephen Lifshatz	Director	May 28, 2021
<u>/s/ James K. Lines</u> James K. Lines	Director	May 28, 2021
<u>/s/ Kenneth Virnig</u> Kenneth Virnig	Director	May 28, 2021
<u>/s/ Kirsten Wolberg</u> Kirsten Wolberg	Director	May 28, 2021
<u>/s/ Paul Zuber</u> Paul Zuber	Director	May 28, 2021

**DYNATRACE, INC.**  
**2019 EQUITY INCENTIVE PLAN**

SECTION 1. GENERAL PURPOSE OF THE PLAN; DEFINITIONS

The name of the plan is the Dynatrace, Inc. 2019 Equity Incentive Plan (the “Plan”). The purpose of the Plan is to encourage and enable the officers, employees, Non-Employee Directors and Consultants of Dynatrace, Inc. (the “Company”) and its Affiliates upon whose judgment, initiative and efforts the Company largely depends for the successful conduct of its businesses to acquire a proprietary interest in the Company. It is anticipated that providing such persons with a direct stake in the Company’s welfare will assure a closer identification of their interests with those of the Company and its stockholders, thereby stimulating their efforts on the Company’s behalf and strengthening their desire to remain with the Company or one of its Affiliates.

The following terms shall be defined as set forth below:

“*Act*” means the U.S. Securities Act of 1933, as amended, and the rules and regulations thereunder.

“*Administrator*” means either the Board or the compensation committee of the Board or a similar committee performing the functions of the compensation committee and which is comprised of not less than two NonEmployee Directors who are independent.

“*Affiliate*” means, at the time of determination, any “parent” or “subsidiary” of the Company as such terms are defined in Rule 405 of the Act. The Board will have the authority to determine the time or times at which “parent” or “subsidiary” status is determined within the foregoing definition.

“*Award*” or “*Awards*,” except where referring to a particular category of grant under the Plan, shall include Incentive Stock Options, Non-Qualified Stock Options, Stock Appreciation Rights, Restricted Stock Awards, Restricted Stock Units, Unrestricted Stock Awards, Cash-Based Awards, and Dividend Equivalent Rights.

“*Award Agreement*” means a written or electronic document setting forth the terms and provisions applicable to an Award granted under the Plan. Each Award Agreement is subject to the terms and conditions of the Plan.

“*Board*” means the Board of Directors of the Company.

“*Cash-Based Award*” means an Award entitling the recipient to receive a cash-denominated payment.

“*Code*” means the U.S. Internal Revenue Code of 1986, as amended, and any successor Code, and related rules, regulations and interpretations.

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“*Consultant*” means a consultant or adviser who provides *bona fide* services to the Company or an Affiliate as an independent contractor and who qualifies as a consultant or advisor under Instruction A.1.(a)(1) of Form S-8 under the Act.

“*Dividend Equivalent Right*” means an Award entitling the grantee to receive credits based on cash dividends that would have been paid on the shares of Stock specified in the Dividend Equivalent Right (or other award to which it relates) if such shares had been issued to and held by the grantee.

“*Effective Date*” means the date on which the Plan becomes effective as set forth in Section 19.

“*Exchange Act*” means the U.S. Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder.

“*Fair Market Value*” of the Stock on any given date means the fair market value of the Stock determined in good faith by the Administrator; provided, however, that if the Stock is listed on the National Association of Securities Dealers Automated Quotation System (“NASDAQ”), NASDAQ Global Market, The New York Stock Exchange or another national securities exchange or traded on any established market, the determination shall be made by reference to market quotations. If there are no market quotations for such date, the determination shall be made by reference to the last date preceding such date for which there are market quotations; provided further, however, that if the date for which Fair Market Value is determined is the Registration Date, the Fair Market Value shall be the “Price to the Public” (or equivalent) set forth on the cover page for the final prospectus relating to the Company’s initial public offering.

“*Incentive Stock Option*” means any Stock Option designated and qualified as an “incentive stock option” as defined in Section 422 of the Code.

“*Non-Employee Director*” means a member of the Board who is not also an employee of the Company or any Affiliate.

“*Non-Qualified Stock Option*” means any Stock Option that is not an Incentive Stock Option.

“*Option*” or “*Stock Option*” means any option to purchase shares of Stock granted pursuant to Section 5.

“*Registration Date*” means the date upon which the registration statement on Form S-1 that is filed by the Company with respect to its initial public offering is declared effective by the U.S. Securities and Exchange Commission.

“*Restricted Shares*” means the shares of Stock underlying a Restricted Stock Award that remain subject to a risk of forfeiture or the Company’s right of repurchase.

“*Restricted Stock Award*” means an Award of Restricted Shares subject to such restrictions and conditions as the Administrator may determine at the time of grant.

“*Restricted Stock Units*” means an Award of stock units subject to such restrictions and conditions as the Administrator may determine at the time of grant.

“*Sale Event*” means (i) the sale of all or substantially all of the assets of the Company on a consolidated basis to an unrelated person or entity (or group of persons or entities acting in concert), other than Thoma Bravo, LLC and its investment funds and affiliates (collectively, “*TB*”), (ii) a merger, reorganization or consolidation pursuant to which an unrelated person or entity (or group of persons or entities acting in concert), other than TB, acquires shares of capital stock of the Company (y) possessing the voting power to elect a majority of the Company’s board of directors or (z) representing more than fifty percent (50%) of the issued and outstanding shares of capital stock of the Company, (iii) the sale of more than fifty percent (50%) of the issued and outstanding shares of capital stock of the Company to an unrelated person or entity (or group of persons or entities acting in concert), other than TB, or (iv) any other transaction other than a Public Sale (as hereinafter defined) in which the owners of the Company’s outstanding voting power immediately prior to such transaction do not, directly or indirectly, own at least a majority of the outstanding voting power of the Company or any successor entity (or its ultimate parent, if applicable) immediately following completion of the transaction other than as a result of the acquisition of securities directly from the Company, excluding, in the case of each of clauses (ii), (iii) and (iv), the issuance of securities by the Company in a financing transaction approved by the Administrator. “*Public Sale*” means any sale pursuant to a registered public offering under the Securities Act or any sale to the public pursuant to Rule 144 promulgated under the Securities Act effected through a broker, dealer or market maker.

“*Sale Price*” means the value as determined by the Administrator of the consideration payable, or otherwise to be received by stockholders, per share of Stock pursuant to a Sale Event.

“*Section 409A*” means Section 409A of the Code and the regulations and other guidance promulgated thereunder.

“*Service Relationship*” means any relationship as an employee, director or Consultant of the Company or any Affiliate (e.g., a Service Relationship shall be deemed to continue without interruption in the event a grantee’s status changes without break in service from full-time employee to part-time employee or Consultant or Non-Employee Director or vice versa).

“*Stock*” means the Common Stock, par value \$0.001 per share, of the Company, subject to adjustments pursuant to Section 3.

“*Stock Appreciation Right*” means an Award entitling the recipient to receive shares of Stock (or cash, to the extent explicitly provided for in the applicable Award Agreement) having a value equal to the excess of the Fair Market Value of the Stock on the date of exercise over the exercise price of the Stock Appreciation Right multiplied by the number of shares of Stock with respect to which the Stock Appreciation Right shall have been exercised.

“*Subsidiary*” means any corporation or other entity (other than the Company) in which the Company has at least a 50 percent interest, either directly or indirectly.

“*Ten Percent Owner*” means an employee who owns or is deemed to own (by reason of the attribution rules of Section 424(d) of the Code) more than 10 percent of the combined voting power of all classes of stock of the Company or any parent or subsidiary corporation.

“*Unrestricted Stock Award*” means an Award of shares of Stock free of any restrictions.

## SECTION 2. ADMINISTRATION OF PLAN; ADMINISTRATOR AUTHORITY TO SELECT GRANTEES AND DETERMINE AWARDS

(a) Administration of Plan. The Plan shall be administered by the Administrator.

(b) Powers of Administrator. The Administrator shall have the power and authority to grant Awards consistent with the terms of the Plan, including the power and authority:

(i) to select the individuals to whom Awards may from time to time be granted;

(ii) to determine the time or times of grant, and the extent, if any, of Incentive Stock Options, Non-Qualified Stock Options, Stock Appreciation Rights, Restricted Stock Awards, Restricted Stock Units, Unrestricted Stock Awards, Cash-Based Awards, and Dividend Equivalent Rights, or any combination of the foregoing, granted to any one or more grantees;

(iii) to determine the number of shares of Stock or the cash value to be covered by any Award;

(iv) to determine and modify from time to time the terms and conditions, including restrictions, not inconsistent with the terms of the Plan, of any Award, which terms and conditions may differ among individual Awards and grantees, and to approve the forms of Award Agreements;

(v) to accelerate at any time the exercisability or vesting of all or any portion of any Award;

(vi) subject to the provisions of Section 5(c) and Section 6(d), to extend at any time the period in which Stock Options or Stock Appreciation Rights may be exercised; and

(vii) at any time to adopt, alter and repeal such rules, guidelines and practices for administration of the Plan and for its own acts and proceedings as it shall deem advisable; to interpret the terms and provisions of the Plan and any Award (including related written instruments); to make all determinations it deems advisable for the administration of the Plan; to decide all disputes arising in connection with the Plan; and to otherwise supervise the administration of the Plan.

All decisions and interpretations of the Administrator shall be binding on all persons, including the Company and Plan grantees.

(c) Delegation of Authority to Grant Awards. Subject to applicable law, the Administrator, in its discretion, may delegate to a committee consisting of one or more officers of the Company including the Chief Executive Officer of the Company all or part of the Administrator's authority and duties with respect to the granting of Awards to individuals who are (i) not subject to the reporting and other provisions of Section 16 of the Exchange Act and (ii) not members of the delegated committee. Any such delegation by the Administrator shall include a limitation as to the amount of Stock underlying Awards that may be granted during the period of the delegation and shall contain guidelines as to the determination of the exercise price and the vesting criteria. The Administrator may revoke or amend the terms of a delegation at any time but such action shall not invalidate any prior actions of the Administrator's delegate or delegates that were consistent with the terms of the Plan.

(d) Award Agreement. Awards under the Plan shall be evidenced by Award Agreements that set forth the terms, conditions and limitations for each Award which may include, without limitation, the term of an Award and the provisions applicable in the event the Service Relationship terminates.

(e) Indemnification. Neither the Board nor the Administrator, nor any member of either or any delegate thereof, shall be liable for any act, omission, interpretation, construction or determination made in good faith in connection with the Plan, and the members of the Board and the Administrator (and any delegate thereof) shall be entitled in all cases to indemnification and reimbursement by the Company in respect of any claim, loss, damage or expense (including, without limitation, reasonable attorneys' fees) arising or resulting therefrom to the fullest extent permitted by law and/or under the Company's articles or bylaws or any directors' and officers' liability insurance coverage which may be in effect from time to time and/or any indemnification agreement between such individual and the Company.

(f) Non-U.S. Award Recipients. Notwithstanding any provision of the Plan to the contrary, in order to comply with the laws in other countries in which the Company and its Affiliates operate or have employees or other individuals eligible for Awards, the Administrator, in its sole discretion, shall have the power and authority to: (i) determine which Affiliates shall be covered by the Plan; (ii) determine which individuals outside the United States are eligible to participate in the Plan; (iii) modify the terms and conditions of any Award granted to individuals outside the United States to comply with applicable laws; (iv) establish subplans and modify exercise procedures and other terms and procedures, to the extent the Administrator determines such actions to be necessary or advisable (and such subplans and/or modifications shall be attached to this Plan as appendices, and incorporated into and made part of this Plan); provided, however, that no such subplans and/or modifications shall increase the share limitations contained in Section 3(a) hereof; and (v) take any action, before or after an Award is made, that the Administrator determines to be necessary or advisable to obtain approval or comply with any local governmental regulatory exemptions or approvals. Notwithstanding the foregoing, the Administrator may not take any actions hereunder, and no Awards shall be granted, that would violate the Exchange Act or any other applicable United States securities law, the Code, or any other applicable United States governing statute or law.

### SECTION 3. STOCK ISSUABLE UNDER THE PLAN; MERGERS; SUBSTITUTION

(a) Stock Issuable. The maximum number of shares of Stock reserved and available for issuance under the Plan shall be 52,000,000 shares (the "Initial Limit"), subject to adjustment as provided in Section 3(c), plus on April 1, 2020 and each April 1 thereafter, the number of shares of Stock reserved and available for issuance under the Plan shall be cumulatively increased by 4% of the number of shares of Stock issued and outstanding on the immediately preceding March 31 or such lesser number of shares of Stock as determined by the Administrator (the "Annual Increase"). Subject to such overall limitation, the maximum aggregate number of shares of Stock that may be issued in the form of Incentive Stock Options shall not exceed the Initial Limit cumulatively increased on April 1, 2020 and on each April 1 thereafter by the lesser of the Annual Increase for such year or 14,000,000 shares of Stock, subject in all cases to adjustment as provided in Section 3(b). Shares of Stock underlying any awards under the Plan that are forfeited, canceled, held back upon exercise of an Option or settlement of an Award to cover the exercise price or tax withholding, reacquired by the Company prior to vesting, satisfied without the issuance of Stock or otherwise terminated (other than by exercise) shall be added back to the shares of Stock available for issuance under the Plan and, to the extent permitted under Section 422 of the Code and the regulations promulgated thereunder, the shares of Stock that may be issued as Incentive Stock Options. In the event the Company repurchases shares of Stock on the open market, such shares shall not be added to the shares of Stock available for issuance under the Plan. Subject to such overall limitations, shares of Stock may be issued up to such maximum number pursuant to any type or types of Award. The shares available for issuance under the Plan may be authorized but unissued shares of Stock or shares of Stock reacquired by the Company.

(b) Changes in Stock. Subject to Section 3(c) hereof, if, as a result of any reorganization, recapitalization, reclassification, stock dividend, stock split, reverse stock split or other similar change in the Company's capital stock, the outstanding shares of Stock are increased or decreased or are exchanged for a different number or kind of shares or other securities of the Company, or additional shares or new or different shares or other securities of the Company or other non-cash assets are distributed with respect to such shares of Stock or other securities, or, if, as a result of any merger or consolidation, sale of all or substantially all of the assets of the Company, the outstanding shares of Stock are converted into or exchanged for securities of the Company or any successor entity (or a parent or subsidiary thereof), the Administrator shall make an appropriate or proportionate adjustment in (i) the maximum number of shares reserved for issuance under the Plan, including the maximum number of shares that may be issued in the form of Incentive Stock Options, (ii) the number and kind of shares or other securities subject to any then outstanding Awards under the Plan, (iii) the repurchase price, if any, per share subject to each outstanding Restricted Stock Award, and (iv) the exercise price for each share subject to any then outstanding Stock Options and Stock Appreciation Rights under the Plan, without changing the aggregate exercise price (i.e., the exercise price multiplied by the number of shares subject to Stock Options and Stock Appreciation Rights) as to which such Stock Options and Stock Appreciation Rights remain exercisable. The Administrator shall also make equitable or proportionate adjustments in the number of shares subject to outstanding Awards and the exercise price and the terms of outstanding Awards to take into consideration

cash dividends paid other than in the ordinary course or any other extraordinary corporate event. The adjustment by the Administrator shall be final, binding and conclusive. No fractional shares of Stock shall be issued under the Plan resulting from any such adjustment, but the Administrator in its discretion may make a cash payment in lieu of fractional shares.

(c) Mergers and Other Transactions. In the case of and subject to the consummation of a Sale Event, the parties thereto may cause the assumption or continuation of Awards theretofore granted by the successor entity, or the substitution of such Awards with new Awards of the successor entity or parent thereof, with appropriate adjustment as to the number and kind of shares and, if appropriate, the per share exercise prices, as such parties shall agree. To the extent the parties to such Sale Event do not provide for the assumption, continuation or substitution of Awards, upon the effective time of the Sale Event, the Plan and all outstanding Awards granted hereunder shall terminate. In the event of such termination, (i) the Company shall have the option (in its sole discretion) to make or provide for a payment, in cash or in kind, to the grantees holding Options and Stock Appreciation Rights, in exchange for the cancellation thereof, in an amount equal to the difference between (A) the Sale Price multiplied by the number of shares of Stock subject to outstanding Options and Stock Appreciation Rights (to the extent then exercisable at prices not in excess of the Sale Price) and (B) the aggregate exercise price of all such outstanding Options and Stock Appreciation Rights (provided that, in the case of an Option or Stock Appreciation Right with an exercise price equal to or less than the Sale Price, such Option or Stock Appreciation Right shall be cancelled for no consideration); or (ii) each grantee shall be permitted, within a specified period of time prior to the consummation of the Sale Event as determined by the Administrator, to exercise all outstanding Options and Stock Appreciation Rights (to the extent then exercisable) held by such grantee. The Company shall also have the option (in its sole discretion) to make or provide for a payment, in cash or in kind, to the grantees holding other Awards in an amount equal to the Sale Price multiplied by the number of vested shares of Stock under such Awards.

(d) Maximum Awards to Non-Employee Directors. Notwithstanding anything to the contrary in this Plan, the value of all Awards awarded under this Plan and all other cash compensation paid by the Company to any Non-Employee Director in any calendar year shall not exceed \$750,000. For the purpose of these limitations, the value of any Award shall be its grant date fair value, as determined in accordance with ASC 718 or successor provision but excluding the impact of estimated forfeitures related to service-based vesting provisions.

#### SECTION 4. ELIGIBILITY

Grantees under the Plan will be such employees, Non-Employee Directors and Consultants of the Company and its Affiliates as are selected from time to time by the Administrator in its sole discretion; provided that Awards may not be granted to employees, Non-Employee Directors or Consultants who are providing services only to any “parent” of the Company, as such term is defined in Rule 405 of the Act, unless (i) the stock underlying the Awards is treated as “service recipient stock” under Section 409A or (ii) the Company, in consultation with its legal counsel, has determined that such Awards are exempt from or otherwise comply with Section 409A.

## SECTION 5. STOCK OPTIONS

(a) Award of Stock Options. The Administrator may grant Stock Options under the Plan. Any Stock Option granted under the Plan shall be in such form as the Administrator may from time to time approve.

Stock Options granted under the Plan may be either Incentive Stock Options or Non-Qualified Stock Options. Incentive Stock Options may be granted only to employees of the Company or any Subsidiary that is a “subsidiary corporation” within the meaning of Section 424(f) of the Code. To the extent that any Option does not qualify as an Incentive Stock Option, it shall be deemed a Non-Qualified Stock Option.

Stock Options granted pursuant to this Section 5 shall be subject to the following terms and conditions and shall contain such additional terms and conditions, not inconsistent with the terms of the Plan, as the Administrator shall deem desirable. If the Administrator so determines, Stock Options may be granted in lieu of cash compensation at the optionee’s election, subject to such terms and conditions as the Administrator may establish.

(b) Exercise Price. The exercise price per share for the Stock covered by a Stock Option granted pursuant to this Section 5 shall be determined by the Administrator at the time of grant but shall not be less than 100 percent of the Fair Market Value on the date of grant. In the case of an Incentive Stock Option that is granted to a Ten Percent Owner, the exercise price of such Incentive Stock Option shall be not less than 110 percent of the Fair Market Value on the grant date. Notwithstanding the foregoing, Stock Options may be granted with an exercise price per share that is less than 100 percent of the Fair Market Value on the date of grant (i) pursuant to a transaction described in, and in a manner consistent with, Section 424(a) of the Code, (ii) to individuals who are not subject to U.S. income tax on the date of grant, or (iii) if the Stock Option is otherwise compliant with Section 409A.

(c) Option Term. The term of each Stock Option shall be fixed by the Administrator, but no Stock Option shall be exercisable more than ten years after the date the Stock Option is granted. In the case of an Incentive Stock Option that is granted to a Ten Percent Owner, the term of such Stock Option shall be no more than five years from the date of grant.

(d) Exercisability; Rights of a Stockholder. Stock Options shall become exercisable at such time or times, whether or not in installments, as shall be determined by the Administrator at or after the grant date. The Administrator may at any time accelerate the exercisability of all or any portion of any Stock Option. An optionee shall have the rights of a stockholder only as to shares acquired upon the exercise of a Stock Option and not as to unexercised Stock Options.

(e) Method of Exercise. Stock Options may be exercised in whole or in part, by giving written or electronic notice of exercise to the Company or an agent of the Company, specifying the number of shares to be purchased. Payment of the purchase price may be made by one or more of the following methods except to the extent otherwise provided in the Option Award Agreement:

(i) In cash, by certified or bank check or other instrument acceptable to the Administrator;

(ii) Through the delivery (or attestation to the ownership following such procedures as the Company may prescribe) of shares of Stock that are not then subject to restrictions under any Company plan. Such surrendered shares shall be valued at Fair Market Value on the exercise date;

(iii) By the optionee delivering to the Company or an agent of the Company a properly executed exercise notice together with irrevocable instructions to a broker to promptly deliver to the Company cash or a check payable and acceptable to the Company for the purchase price; provided that in the event the optionee chooses to pay the purchase price as so provided, the optionee and the broker shall comply with such procedures and enter into such agreements of indemnity and other agreements as the Company shall prescribe as a condition of such payment procedure; or

(iv) With respect to Stock Options that are not Incentive Stock Options, by a “net exercise” arrangement pursuant to which the Company will reduce the number of shares of Stock issuable upon exercise by the largest whole number of shares with a Fair Market Value that does not exceed the aggregate exercise price.

Payment instruments will be received subject to collection. The transfer to the optionee on the records of the Company or of the transfer agent of the shares of Stock to be purchased pursuant to the exercise of a Stock Option will be contingent upon receipt from the optionee (or a purchaser acting in his stead in accordance with the provisions of the Stock Option) by the Company of the full purchase price for such shares and the fulfillment of any other requirements contained in the Option Award Agreement or applicable provisions of laws (including the satisfaction of any taxes that the Company or an Affiliate is obligated to withhold with respect to the optionee). In the event an optionee chooses to pay the purchase price by previously-owned shares of Stock through the attestation method, the number of shares of Stock transferred to the optionee upon the exercise of the Stock Option shall be net of the number of attested shares. In the event that the Company establishes, for itself or using the services of a third party, an automated system for the exercise of Stock Options, such as a system using an internet website or interactive voice response, then the paperless exercise of Stock Options may be permitted through the use of such an automated system.

(f) Annual Limit on Incentive Stock Options. To the extent required for “incentive stock option” treatment under Section 422 of the Code, the aggregate Fair Market Value (determined as of the time of grant) of the shares of Stock with respect to which Incentive Stock Options granted under this Plan and any other plan of the Company or its parent and subsidiary corporations become exercisable for the first time by an optionee during any calendar year shall not exceed \$100,000. To the extent that any Stock Option exceeds this limit, it shall constitute a Non-Qualified Stock Option.

## SECTION 6. STOCK APPRECIATION RIGHTS

(a) Award of Stock Appreciation Rights. The Administrator may grant Stock Appreciation Rights under the Plan. A Stock Appreciation Right is an Award entitling the recipient to receive shares of Stock (or cash, to the extent explicitly provided for in the applicable Award Agreement) having a value equal to the excess of the Fair Market Value of a share of Stock on the date of exercise over the exercise price of the Stock Appreciation Right multiplied by the number of shares of Stock with respect to which the Stock Appreciation Right shall have been exercised.

(b) Exercise Price of Stock Appreciation Rights. The exercise price of a Stock Appreciation Right shall not be less than 100 percent of the Fair Market Value of the Stock on the date of grant.

(c) Grant and Exercise of Stock Appreciation Rights. Stock Appreciation Rights may be granted by the Administrator independently of any Stock Option granted pursuant to Section 5 of the Plan.

(d) Terms and Conditions of Stock Appreciation Rights. Stock Appreciation Rights shall be subject to such terms and conditions as shall be determined on the date of grant by the Administrator. The term of a Stock Appreciation Right may not exceed ten years. The terms and conditions of each such Award shall be determined by the Administrator, and such terms and conditions may differ among individual Awards and grantees.

## SECTION 7. RESTRICTED STOCK AWARDS

(a) Nature of Restricted Stock Awards. The Administrator may grant Restricted Stock Awards under the Plan. A Restricted Stock Award is any Award of Restricted Shares subject to such restrictions and conditions as the Administrator may determine at the time of grant. Conditions may be based on continuing employment (or other Service Relationship) and/or achievement of pre-established performance goals and objectives.

(b) Rights as a Stockholder. Upon the grant of the Restricted Stock Award and payment of any applicable purchase price, a grantee shall have the rights of a stockholder with respect to the voting of the Restricted Shares and receipt of dividends; provided that if the lapse of restrictions with respect to the Restricted Stock Award is tied to the attainment of performance goals, any dividends paid by the Company during the performance period shall accrue and shall not be paid to the grantee until and to the extent the performance goals are met with respect to the Restricted Stock Award. Unless the Administrator shall otherwise determine, (i) uncertificated Restricted Shares shall be accompanied by a notation on the records of the Company or the transfer agent to the effect that they are subject to forfeiture until such Restricted Shares are vested as provided in Section 7(d) below, and (ii) certificated Restricted Shares shall remain in the possession of the Company until such Restricted Shares are vested as provided in Section 7(d) below, and the grantee shall be required, as a condition of the grant, to deliver to the Company such instruments of transfer as the Administrator may prescribe.

(c) Restrictions. Restricted Shares may not be sold, assigned, transferred, pledged or otherwise encumbered or disposed of except as specifically provided herein or in the Restricted Stock Award Agreement. Except as may otherwise be provided by the Administrator either in the Award Agreement or, subject to Section 16 below, in writing after the Award is issued, if a grantee's employment (or other Service Relationship) with the Company and its Affiliates terminates for any reason, any Restricted Shares that have not vested at the time of termination shall automatically and without any requirement of notice to such grantee from or other action by or on behalf of, the Company be deemed to have been reacquired by the Company at its original purchase price (if any) from such grantee or such grantee's legal representative simultaneously with such termination of employment (or other Service Relationship), and thereafter shall cease to represent any ownership of the Company by the grantee or rights of the grantee as a stockholder. Following such deemed reacquisition of Restricted Shares that are represented by physical certificates, a grantee shall surrender such certificates to the Company upon request without consideration.

(d) Vesting of Restricted Shares. The Administrator at the time of grant shall specify the date or dates and/or the attainment of pre-established performance goals, objectives and other conditions on which the non-transferability of the Restricted Shares and the Company's right of repurchase or forfeiture shall lapse. Subsequent to such date or dates and/or the attainment of such pre-established performance goals, objectives and other conditions, the shares on which all restrictions have lapsed shall no longer be Restricted Shares and shall be deemed "vested."

#### SECTION 8. RESTRICTED STOCK UNITS

(a) Nature of Restricted Stock Units. The Administrator may grant Restricted Stock Units under the Plan. A Restricted Stock Unit is an Award of stock units that may be settled in shares of Stock (or cash, to the extent explicitly provided for in the Award Agreement) upon the satisfaction of such restrictions and conditions at the time of grant. Conditions may be based on continuing employment (or other Service Relationship) and/or achievement of pre-established performance goals and objectives. The terms and conditions of each such Award shall be determined by the Administrator, and such terms and conditions may differ among individual Awards and grantees. Except in the case of Restricted Stock Units with a deferred settlement date that complies with Section 409A, at the end of the vesting period, the Restricted Stock Units, to the extent vested, shall be settled in the form of shares of Stock. Restricted Stock Units with deferred settlement dates are subject to Section 409A and shall contain such additional terms and conditions as the Administrator shall determine in its sole discretion in order to comply with the requirements of Section 409A.

(b) Election to Receive Restricted Stock Units in Lieu of Compensation. The Administrator may, in its sole discretion, permit a grantee to elect to receive a portion of future cash compensation otherwise due to such grantee in the form of an award of Restricted Stock Units. Any such election shall be made in writing and shall be delivered to the Company no later than the date specified by the Administrator and in accordance with Section 409A and such other rules and procedures established by the Administrator. Any such future cash compensation that the grantee elects to defer shall be converted to a fixed number of Restricted Stock Units based

on the Fair Market Value of Stock on the date the compensation would otherwise have been paid to the grantee if such payment had not been deferred as provided herein. The Administrator shall have the sole right to determine whether and under what circumstances to permit such elections and to impose such limitations and other terms and conditions thereon as the Administrator deems appropriate. Any Restricted Stock Units that are elected to be received in lieu of cash compensation shall be fully vested, unless otherwise provided in the Award Agreement.

(c) Rights as a Stockholder. A grantee shall have the rights as a stockholder only as to shares of Stock acquired by the grantee upon settlement of Restricted Stock Units; provided, however, that the grantee may be credited with Dividend Equivalent Rights with respect to the stock units underlying his Restricted Stock Units, subject to the provisions of Section 11 and such terms and conditions as the Administrator may determine.

(d) Termination. Except as may otherwise be provided by the Administrator either in the Award Agreement or, subject to Section 16 below, in writing after the Award is issued, a grantee's right in all Restricted Stock Units that have not vested shall automatically terminate upon the grantee's termination of employment (or cessation of Service Relationship) with the Company and its Affiliates for any reason.

#### SECTION 9. UNRESTRICTED STOCK AWARDS

Grant or Sale of Unrestricted Stock. The Administrator may grant (or sell at par value or such higher purchase price determined by the Administrator) an Unrestricted Stock Award under the Plan. An Unrestricted Stock Award is an Award pursuant to which the grantee may receive shares of Stock free of any restrictions under the Plan. Unrestricted Stock Awards may be granted in respect of past services or other valid consideration, or in lieu of cash compensation due to such grantee.

#### SECTION 10. CASH-BASED AWARDS

Grant of Cash-Based Awards. The Administrator may grant Cash-Based Awards under the Plan. A Cash-Based Award is an Award that entitles the grantee to a payment in cash upon the attainment of specified performance goals, including continued employment (or other Service Relationship). The Administrator shall determine the maximum duration of the Cash-Based Award, the amount of cash to which the Cash-Based Award pertains, the conditions upon which the Cash-Based Award shall become vested or payable, and such other provisions as the Administrator shall determine. Each Cash-Based Award shall specify a cash-denominated payment amount, formula or payment ranges as determined by the Administrator. Payment, if any, with respect to a Cash-Based Award shall be made in accordance with the terms of the Award and may be made in cash.

#### SECTION 11. DIVIDEND EQUIVALENT RIGHTS

(a) Dividend Equivalent Rights. The Administrator may grant Dividend Equivalent Rights under the Plan. A Dividend Equivalent Right is an Award entitling the grantee to receive credits based on cash dividends that would have been paid on the shares of Stock specified in the

Dividend Equivalent Right (or other Award to which it relates) if such shares had been issued to the grantee. A Dividend Equivalent Right may be granted hereunder to any grantee as a component of an award of Restricted Stock Units or as a freestanding award. The terms and conditions of Dividend Equivalent Rights shall be specified in the Award Agreement. Dividend equivalents credited to the holder of a Dividend Equivalent Right may be paid currently or may be deemed to be reinvested in additional shares of Stock, which may thereafter accrue additional equivalents. Any such reinvestment shall be at Fair Market Value on the date of reinvestment or such other price as may then apply under a dividend reinvestment plan sponsored by the Company, if any. Dividend Equivalent Rights may be settled in cash or shares of Stock or a combination thereof, in a single installment or installments. A Dividend Equivalent Right granted as a component of an Award of Restricted Stock Units shall provide that such Dividend Equivalent Right shall be settled only upon settlement or payment of, or lapse of restrictions on, such other Award, and that such Dividend Equivalent Right shall expire or be forfeited or annulled under the same conditions as such other Award.

(b) Termination. Except as may otherwise be provided by the Administrator either in the Award Agreement or, subject to Section 16 below, in writing after the Award is issued, a grantee's rights in all Dividend Equivalent Rights shall automatically terminate upon the grantee's termination of employment (or cessation of Service Relationship) with the Company and its Affiliates for any reason.

#### SECTION 12. TRANSFERABILITY OF AWARDS

(a) Transferability. Except as provided in Section 12(b) below, during a grantee's lifetime, his or her Awards shall be exercisable only by the grantee, or by the grantee's legal representative or guardian in the event of the grantee's incapacity. No Awards shall be sold, assigned, transferred or otherwise encumbered or disposed of by a grantee other than by will or by the laws of descent and distribution or pursuant to a domestic relations order. No Awards shall be subject, in whole or in part, to attachment, execution, or levy of any kind, and any purported transfer in violation hereof shall be null and void.

(b) Administrator Action. Notwithstanding Section 12(a), the Administrator, in its discretion, may provide either in the Award Agreement regarding a given Award or by subsequent written approval that the grantee (who is an employee or director) may transfer his or her Non-Qualified Stock Options to his or her immediate family members, to trusts for the benefit of such family members, or to partnerships in which such family members are the only partners, provided that the transferee agrees in writing with the Company to be bound by all of the terms and conditions of this Plan and the applicable Award. In no event may an Award be transferred by a grantee for value.

(c) Family Member. For purposes of Section 12(b), "family member" shall mean a grantee's child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, including adoptive relationships, any person sharing the grantee's household (other than a tenant of the grantee), a trust in which these persons (or the grantee) have more than 50 percent of the beneficial interest, a foundation in which these persons (or the

grantee) control the management of assets, and any other entity in which these persons (or the grantee) own more than 50 percent of the voting interests.

(d) Designation of Beneficiary. To the extent permitted by the Company and valid under applicable law, each grantee to whom an Award has been made under the Plan may designate a beneficiary or beneficiaries to exercise any Award or receive any payment under any Award payable on or after the grantee's death. Any such designation shall be on a form provided for that purpose by the Administrator and shall not be effective until received by the Administrator. If no beneficiary has been designated by a deceased grantee, if the beneficiary designation is not valid or if the designated beneficiaries have predeceased the grantee, the beneficiary shall be the grantee's estate.

#### SECTION 13. TAX WITHHOLDING

(a) Payment by Grantee. Each grantee shall, no later than the date as of which the value of an Award or of any Stock or other amounts received thereunder first becomes includable in the gross income of the grantee for any tax purposes, pay to the Company or any applicable Affiliate, or make arrangements satisfactory to the Administrator regarding payment of, any U.S. and non-U.S. federal, state, or local taxes of any kind required by law to be withheld by the Company or any Affiliate with respect to such income. The Company and its Affiliates shall, to the extent permitted by law, have the right to deduct any such taxes from any payment of any kind otherwise due to the grantee or to satisfy any applicable withholding obligations by any other method of withholding that the Company and its Affiliates deem appropriate. The Company's obligation to deliver evidence of book entry (or stock certificates) to any grantee is subject to and conditioned on tax withholding obligations being satisfied by the grantee.

(b) Payment in Stock. If permitted under applicable law, any required tax withholding obligation of the Company or any Affiliate may be satisfied, in whole or in part, by withhold from shares of Stock to be issued pursuant to any Award a number of shares with an aggregate fair market value that would satisfy the withholding amount due; provided, however, that the amount withheld does not exceed the maximum statutory tax rate in the applicable jurisdiction or such lesser amount as is necessary to avoid liability accounting treatment. The tax withholding obligation may also be satisfied, in whole or in part, by an arrangement whereby a certain number of shares of Stock issued pursuant to any Award are immediately sold and proceeds from such sale are remitted to the Company or any applicable Affiliate in an amount that would satisfy the withholding amount due.

#### SECTION 14. SECTION 409A AWARDS

Awards are intended to be exempt from Section 409A to the greatest extent possible and to otherwise comply with Section 409A. The Plan and all Awards shall be interpreted in accordance with such intent. To the extent that any Award is determined to constitute "nonqualified deferred compensation" within the meaning of Section 409A (a "409A Award"), the Award shall be subject to such additional rules and requirements as specified by the Administrator from time to time in order to comply with Section 409A. In this regard, if any amount under a 409A Award is payable upon a "separation from service" (within the meaning of

Section 409A) to a grantee who is then considered a “specified employee” (within the meaning of Section 409A), then no such payment shall be made prior to the date that is the earlier of (i) six months and one day after the grantee’s separation from service, or (ii) the grantee’s death, but only to the extent such delay is necessary to prevent such payment from being subject to interest, penalties and/or additional tax imposed pursuant to Section 409A. Further, the settlement of any 409A Award may not be accelerated except to the extent permitted by Section 409A.

SECTION 15. TERMINATION OF SERVICE RELATIONSHIP, TRANSFER, LEAVE OF ABSENCE, ETC.

(a) Termination of Service Relationship. If the grantee’s Service Relationship is with an Affiliate, and such Affiliate ceases to be an Affiliate, the grantee shall be deemed to have terminated his or her Service Relationship for purposes of the Plan.

(b) For purposes of the Plan, the following events shall not be deemed a termination of the grantee’s Service Relationship:

(i) a transfer to the employment of the Company from an Affiliate or from the Company to an Affiliate, or from one Affiliate to another; or

(ii) an approved leave of absence for military service or sickness, or for any other purpose approved by the Company, if the employee’s right to re-employment is guaranteed either by a statute or by contract or under the policy pursuant to which the leave of absence was granted or if the Administrator otherwise so provides in writing.

(c) Leave of Absence. Subject to the requirements of applicable law, if a grantee is not in good standing at the time that the grantee provides notice of intention to take a leave of absence, then the vesting of the grantee’s Awards shall be suspended at the time such leave commences, to be restored in a manner determined by the Administrator if and when the grantee returns to active service and is no longer not in good standing. For purposes hereof, the term “not in good standing” means that the grantee is (1) put on garden leave by the Company as part of a termination or disciplinary process; or (2) is notified by the Company that the Company wishes for the employment to terminate, or is on a performance plan, or is the subject of an investigation into the grantee’s conduct, or is the subject of a disciplinary process or investigation that could lead to termination; or (3) otherwise determined by the Administrator in its sole discretion to be not in good standing.

SECTION 16. AMENDMENTS AND TERMINATION

The Board may, at any time, amend or discontinue the Plan and the Administrator may, at any time, amend or cancel any outstanding Award for the purpose of satisfying changes in law or for any other lawful purpose, but no such action shall adversely affect rights under any outstanding Award without the holder’s consent. Except as provided in Section 3(b) or 3(c), without prior stockholder approval, in no event may the Administrator exercise its discretion to reduce the exercise price of outstanding Stock Options or Stock Appreciation Rights or effect repricing through cancellation and re-grants or cancellation of Stock Options or Stock

Appreciation Rights in exchange for cash or other Awards. To the extent required under the rules of any securities exchange or market system on which the Stock is listed, or to the extent determined by the Administrator to be required by the Code to ensure that Incentive Stock Options granted under the Plan are qualified under Section 422 of the Code, Plan amendments shall be subject to approval by the Company stockholders entitled to vote at a meeting of stockholders. Nothing in this Section 16 shall limit the Administrator's authority to take any action permitted pursuant to Section 3(b) or 3(c).

SECTION 17.        STATUS OF PLAN

With respect to the portion of any Award that has not been exercised and any payments in cash, Stock or other consideration not received by a grantee, a grantee shall have no rights greater than those of a general creditor of the Company unless the Administrator shall otherwise expressly determine in connection with any Award or Awards. In its sole discretion, the Administrator may authorize the creation of trusts or other arrangements to meet the Company's obligations to deliver Stock or make payments with respect to Awards hereunder, provided that the existence of such trusts or other arrangements is consistent with the foregoing sentence.

SECTION 18.        GENERAL PROVISIONS

(a)    No Distribution. The Administrator may require each person acquiring Stock pursuant to an Award to represent to and agree with the Company in writing that such person is acquiring the shares without a view to distribution thereof.

(b)    Issuance of Stock. To the extent certificated, stock certificates to grantees under this Plan shall be deemed delivered for all purposes when the Company or a stock transfer agent of the Company shall have mailed such certificates in the United States mail, addressed to the grantee, at the grantee's last known address on file with the Company. Uncertificated Stock shall be deemed delivered for all purposes when the Company or a Stock transfer agent of the Company shall have given to the grantee by electronic mail (with proof of receipt) or by United States mail, addressed to the grantee, at the grantee's last known address on file with the Company, notice of issuance and recorded the issuance in its records (which may include electronic "book entry" records). Notwithstanding anything herein to the contrary, the Company shall not be required to issue or deliver any evidence of book entry or certificates evidencing shares of Stock pursuant to the exercise or settlement of any Award, unless and until the Administrator has determined, with advice of counsel (to the extent the Administrator deems such advice necessary or advisable), that the issuance and delivery is in compliance with all applicable laws, regulations of governmental authorities and, if applicable, the requirements of any exchange on which the shares of Stock are listed, quoted or traded. Any Stock issued pursuant to the Plan shall be subject to any stop-transfer orders and other restrictions as the Administrator deems necessary or advisable to comply with federal, state or foreign jurisdiction, securities or other laws, rules and quotation system on which the Stock is listed, quoted or traded. The Administrator may place legends on any Stock certificate or notations on any book entry to reference restrictions applicable to the Stock. In addition to the terms and conditions provided herein, the Administrator may require that an individual make such reasonable covenants, agreements, and representations as the Administrator, in its discretion, deems necessary or

advisable in order to comply with any such laws, regulations, or requirements. The Administrator shall have the right to require any individual to comply with any timing or other restrictions with respect to the settlement or exercise of any Award, including a window-period limitation, as may be imposed in the discretion of the Administrator.

(c) Stockholder Rights. Until Stock is deemed delivered in accordance with Section 18(b), no right to vote or receive dividends or any other rights of a stockholder will exist with respect to shares of Stock to be issued in connection with an Award, notwithstanding the exercise of a Stock Option or any other action by the grantee with respect to an Award.

(d) Other Incentive Arrangements; No Rights to Continued Service Relationship. Nothing contained in this Plan shall prevent the Board from adopting other or additional incentive arrangements, including trusts, and such arrangements may be either generally applicable or applicable only in specific cases. The adoption of this Plan and the grant of Awards do not confer upon any grantee any right to continued employment or other Service Relationship with the Company or any Affiliate.

(e) Trading Policy Restrictions. Option exercises and other Awards under the Plan shall be subject to the Company's insider trading policies and procedures, as in effect from time to time.

(f) Clawback Policy. Awards under the Plan shall be subject to the Company's clawback policy, as in effect from time to time.

#### SECTION 19. EFFECTIVE DATE OF PLAN

This Plan shall become effective upon the date immediately preceding the Registration Date subject to prior stockholder approval in accordance with applicable state law, the Company's bylaws and articles of incorporation, and applicable stock exchange rules. No grants of Stock Options and other Awards may be made hereunder after the tenth anniversary of the Effective Date and no grants of Incentive Stock Options may be made hereunder after the tenth anniversary of the date the Plan is approved by the Board.

#### SECTION 20. GOVERNING LAW

This Plan and all Awards and actions taken thereunder shall be governed by, and construed in accordance with the General Corporation Law of the State of Delaware as to matters within the scope thereof, and as to all other matters shall be governed by and construed in

accordance with the internal laws of the Commonwealth of Massachusetts, applied without regard to conflict of law principles.

*Approved by the Dynatrace, Inc. Board of Directors on July 19, 2019, approved by Dynatrace, Inc. shareholders on July 31, 2019, and amended by the Compensation Committee of the Board of Directors on January 21, 2021.*

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

Dynatrace, Inc.  
Waltham, Massachusetts

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-240287) and Form S-8 (No. 333-238732) of Dynatrace, Inc. (the "Company") of our reports dated May 28, 2021, relating to the consolidated financial statements and the effectiveness of Dynatrace, Inc.'s internal control over financial reporting, which appear in this Form 10-K.

/s/BDO USA, LLP

Troy, Michigan  
May 28, 2021

**CERTIFICATION PURSUANT TO RULE 13a-14(a) OR 15d-14(a) OF  
THE SECURITIES EXCHANGE ACT OF 1934,  
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, John Van Siclen, certify that:

1. I have reviewed this Annual Report on Form 10-K of Dynatrace, Inc.;
  2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
  3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
  4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    - b. designed such internal control over financial reporting, or cause such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    - c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    - d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
  5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
-

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

Date: May 28, 2021

Dynatrace, Inc.

By: /s/ John Van Siclen  
John Van Siclen  
*Chief Executive Officer*  
*(Principal Executive Officer)*

**CERTIFICATION PURSUANT TO RULE 13a-14(a) OR 15d-14(a) OF  
THE SECURITIES EXCHANGE ACT OF 1934,  
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Kevin C. Burns, certify that:

1. I have reviewed this Annual Report on Form 10-K of Dynatrace, Inc.;
  2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
  3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
  4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    - b. designed such internal control over financial reporting, or cause such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    - c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    - d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
  5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
-

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

Date: May 28, 2021

Dynatrace, Inc.

By: /s/ Kevin C. Burns  
Kevin C. Burns  
*Chief Financial Officer & Treasurer*  
*(Principal Financial Officer)*

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

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

Date: May 28, 2021

By: /s/ John Van Siclen

John Van Siclen  
Chief Executive Officer  
(Principal Executive Officer)

*The foregoing certification is not deemed filed with the Securities and Exchange Commission for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (Exchange Act), and is not to be incorporated by reference into any filing of Dynatrace, Inc. under the Securities Act of 1933, as amended, or the Exchange Act, whether made before or after the date hereof, regardless of any general incorporation language in such filing.*

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

Date: May 28, 2021

By: /s/ Kevin C. Burns

Kevin C. Burns  
Chief Financial Officer & Treasurer  
(Principal Financial Officer)

*The foregoing certification is not deemed filed with the Securities and Exchange Commission for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (Exchange Act), and it is not to be incorporated by reference into any filing of Dynatrace, Inc. under the Securities Act of 1933, as amended, or the Exchange Act, whether made before or after the date hereof, regardless of any general incorporation language in such filing.*