

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

**FORM 10-Q**

(Mark One)

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

For the quarterly period ended **September 30, 2022**

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)

**1601 Trapelo Road, Suite 116**  
**Waltham MA**  
(Address of principal executive offices)

Registrant's telephone number, including area code: **(781) 530-1000**

N/A

(Former name, former address and former fiscal year, if changed since last report)

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

**02451**

(Zip Code)

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

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

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, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<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 is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The registrant had 287,852,993 shares of common stock outstanding as of October 31, 2022.

## SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q (“Quarterly 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 Quarterly 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 elsewhere in this Quarterly Report and in our Annual Report on Form 10-K for the year ended March 31, 2022 (“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 Quarterly 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;
- 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;
- our ability to service our debt obligations;
- our expectations regarding the potential impact of the novel coronavirus (“COVID-19”) pandemic, or other future health pandemics and any related economic downturns, on our business, operations, and the markets in which we and our partners and customers operate; and
- certain macroeconomic factors facing the global economies, including rising inflation and changing interest rates.

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

You should not rely upon forward-looking statements as predictions of future events. We have based the forward-looking statements contained in this Quarterly 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 the Annual Report and as filed with the SEC and “Risk Factors” in Part II, Item 1A in this Quarterly Report and elsewhere in this Quarterly 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 Quarterly 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.

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**PART I. FINANCIAL INFORMATION**

**ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

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

	<u>September 30, 2022</u>	<u>March 31, 2022</u>
	(unaudited)	
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 563,430	\$ 462,967
Accounts receivable, net	185,728	350,666
Deferred commissions, current	62,861	62,601
Prepaid expenses and other current assets	39,259	72,188
Total current assets	<u>851,278</u>	<u>948,422</u>
Property and equipment, net	45,717	45,271
Operating lease right-of-use assets, net	61,374	58,849
Goodwill	1,279,535	1,281,876
Other intangible assets, net	84,380	105,736
Deferred tax assets, net	24,958	28,106
Deferred commissions, non-current	60,292	63,435
Other assets	14,451	9,615
<b>Total assets</b>	<u>\$ 2,421,985</u>	<u>\$ 2,541,310</u>
<b>Liabilities and shareholders' equity</b>		
Current liabilities:		
Accounts payable	\$ 4,587	\$ 22,715
Accrued expenses, current	129,976	141,556
Deferred revenue, current	561,474	688,554
Operating lease liabilities, current	12,876	12,774
Total current liabilities	<u>708,913</u>	<u>865,599</u>
Deferred revenue, non-current	16,950	25,783
Accrued expenses, non-current	25,243	19,409
Operating lease liabilities, non-current	54,255	52,070
Deferred tax liabilities	—	85
Long-term debt, net	214,947	273,918
<b>Total liabilities</b>	<u>1,020,308</u>	<u>1,236,864</u>
Commitments and contingencies (Note 8)		
Shareholders' equity:		
Common shares, \$0.001 par value, 600,000,000 shares authorized, 287,812,653 and 286,053,276 shares issued and outstanding at September 30, 2022 and March 31, 2022, respectively	288	286
Additional paid-in capital	1,874,488	1,792,197
Accumulated deficit	(448,708)	(461,348)
Accumulated other comprehensive loss	(24,391)	(26,689)
<b>Total shareholders' equity</b>	<u>1,401,677</u>	<u>1,304,446</u>
<b>Total liabilities and shareholders' equity</b>	<u>\$ 2,421,985</u>	<u>\$ 2,541,310</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

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

	Three Months Ended September 30,		Six Months Ended September 30,	
	2022	2021	2022	2021
<b>Revenue:</b>				
Subscription	\$ 261,306	\$ 212,601	\$ 510,864	\$ 409,121
License	—	—	—	50
Service	18,020	13,753	35,735	26,923
Total revenue	<u>279,326</u>	<u>226,354</u>	<u>546,599</u>	<u>436,094</u>
<b>Cost of revenue:</b>				
Cost of subscription	35,764	27,135	68,502	52,117
Cost of service	16,052	10,668	31,220	20,689
Amortization of acquired technology	3,888	3,864	7,780	7,694
Total cost of revenue	<u>55,704</u>	<u>41,667</u>	<u>107,502</u>	<u>80,500</u>
Gross profit	<u>223,622</u>	<u>184,687</u>	<u>439,097</u>	<u>355,594</u>
<b>Operating expenses:</b>				
Research and development	51,907	37,908	100,389	72,633
Sales and marketing	104,669	86,301	209,684	166,783
General and administrative	40,074	31,689	76,395	58,611
Amortization of other intangibles	6,573	7,539	13,146	15,079
Restructuring and other	—	(1)	(10)	25
Total operating expenses	<u>203,223</u>	<u>163,436</u>	<u>399,604</u>	<u>313,131</u>
Income from operations	20,399	21,251	39,493	42,463
Interest expense, net	(513)	(2,651)	(2,688)	(5,508)
Other (expense) income, net	(1,214)	(1,299)	(3,464)	12
Income before income taxes	18,672	17,301	33,341	36,967
Income tax (expense) benefit	(8,146)	6,340	(20,701)	(32)
Net income	<u>\$ 10,526</u>	<u>\$ 23,641</u>	<u>\$ 12,640</u>	<u>\$ 36,935</u>
<b>Net income per share:</b>				
Basic	\$ 0.04	\$ 0.08	\$ 0.04	\$ 0.13
Diluted	\$ 0.04	\$ 0.08	\$ 0.04	\$ 0.13
<b>Weighted average shares outstanding:</b>				
Basic	287,190	283,923	286,699	283,295
Diluted	290,601	291,177	290,433	290,254

The accompanying notes are an integral part of these condensed consolidated financial statements.

**DYNATRACE, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**(Unaudited - In thousands)**

	<u>Three Months Ended September 30,</u>		<u>Six Months Ended September 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Net income	\$ 10,526	\$ 23,641	\$ 12,640	\$ 36,935
Other comprehensive income				
Foreign currency translation adjustment	1,818	2,394	2,298	736
Total other comprehensive income	1,818	2,394	2,298	736
Comprehensive income	<u>\$ 12,344</u>	<u>\$ 26,035</u>	<u>\$ 14,938</u>	<u>\$ 37,671</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

**DYNATRACE, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**  
(Unaudited - In thousands)

Three Months Ended September 30, 2022						
	Common Shares		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Shareholders' Equity
	Shares	Amount				
Balance, June 30, 2022	287,259	\$ 287	\$ 1,830,782	\$ (459,234)	\$ (26,209)	\$ 1,345,626
Foreign currency translation					1,818	1,818
Restricted stock units vested	378	1	(1)			—
Exercise of stock options	176	—	3,057			3,057
Share-based compensation			40,654			40,654
Equity repurchases			(4)			(4)
Net income				10,526		10,526
Balance, September 30, 2022	287,813	\$ 288	\$ 1,874,488	\$ (448,708)	\$ (24,391)	\$ 1,401,677

Three Months Ended September 30, 2021						
	Common Shares		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Shareholders' Equity
	Shares	Amount				
Balance, June 30, 2021	284,218	\$ 284	\$ 1,687,044	\$ (500,505)	\$ (27,869)	\$ 1,158,954
Foreign currency translation					2,394	2,394
Restricted stock units vested	301	—				—
Restricted stock awards forfeited	(19)	—				—
Exercise of stock options	525	1	10,453			10,454
Share-based compensation			25,575			25,575
Equity repurchases			(16)			(16)
Net income				23,641		23,641
Balance, September 30, 2021	285,025	\$ 285	\$ 1,723,056	\$ (476,864)	\$ (25,475)	\$ 1,221,002

The accompanying notes are an integral part of these condensed consolidated financial statements.

**DYNATRACE, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**  
(Unaudited - In thousands)

Six Months Ended September 30, 2022						
	Common Shares		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Shareholders' Equity
	Shares	Amount				
Balance, March 31, 2022	286,053	\$ 286	\$ 1,792,197	\$ (461,348)	\$ (26,689)	\$ 1,304,446
Foreign currency translation					2,298	2,298
Restricted stock units vested	1,264	2	(2)			—
Restricted stock awards forfeited	(14)	—				—
Issuance of common stock related to employee stock purchase plan	266	—	8,627			8,627
Exercise of stock options	244	—	4,332			4,332
Share-based compensation			69,349			69,349
Equity repurchases			(15)			(15)
Net income				12,640		12,640
Balance, September 30, 2022	287,813	\$ 288	\$ 1,874,488	\$ (448,708)	\$ (24,391)	\$ 1,401,677

Six Months Ended September 30, 2021						
	Common Shares		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Shareholders' Equity
	Shares	Amount				
Balance, March 31, 2021	283,130	\$ 283	\$ 1,653,328	\$ (513,799)	\$ (26,211)	\$ 1,113,601
Foreign currency translation					736	736
Restricted stock units vested	797	1	(1)			—
Restricted stock awards forfeited	(19)	—				—
Issuance of common stock related to employee stock purchase plan	204	—	6,593			6,593
Exercise of stock options	913	1	18,339			18,340
Share-based compensation			44,827			44,827
Equity repurchases			(30)			(30)
Net income				36,935		36,935
Balance, September 30, 2021	285,025	\$ 285	\$ 1,723,056	\$ (476,864)	\$ (25,475)	\$ 1,221,002

The accompanying notes are an integral part of these condensed consolidated financial statements.



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

	<b>Six Months Ended September 30,</b>	
	<b>2022</b>	<b>2021</b>
<b>Cash flows from operating activities:</b>		
Net income	\$ 12,640	\$ 36,935
Adjustments to reconcile net income to cash provided by operations:		
Depreciation	5,746	5,049
Amortization	21,068	23,057
Share-based compensation	69,349	44,827
Other	4,484	1,010
Net change in operating assets and liabilities:		
Accounts receivable	153,512	92,314
Deferred commissions	(3,618)	(6,347)
Prepaid expenses and other assets	25,128	(16,456)
Accounts payable and accrued expenses	(14,428)	(9,118)
Operating leases, net	44	401
Deferred revenue	(101,429)	(69,904)
Net cash provided by operating activities	<u>172,496</u>	<u>101,768</u>
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(11,237)	(7,612)
Acquisition of businesses, net of cash acquired	—	(13,004)
Net cash used in investing activities	<u>(11,237)</u>	<u>(20,616)</u>
<b>Cash flows from financing activities:</b>		
Repayment of term loans	(60,000)	(60,000)
Proceeds from employee stock purchase plan	8,627	6,593
Proceeds from exercise of stock options	4,332	18,339
Equity repurchases	(15)	(30)
Net cash used in financing activities	<u>(47,056)</u>	<u>(35,098)</u>
Effect of exchange rates on cash and cash equivalents	(13,740)	(697)
Net increase in cash and cash equivalents	100,463	45,357
Cash and cash equivalents, beginning of period	462,967	324,962
Cash and cash equivalents, end of period	<u>\$ 563,430</u>	<u>\$ 370,319</u>
<b>Supplemental cash flow data:</b>		
Cash paid for interest	\$ 4,743	\$ 4,560
Cash (received from) paid for tax, net	\$ (23,567)	\$ 12,382

The accompanying notes are an integral part of these condensed consolidated financial statements.

**DYNATRACE, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

**1. Description of the Business**

***Business***

Dynatrace, Inc. (“Dynatrace”, or the “Company”) designed its all-in-one Dynatrac<sup>®</sup> 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 that enables organizations to innovate faster, operate more efficiently, and improve user experiences for consistently better business outcomes.

***Fiscal year***

The Company’s fiscal year ends on March 31. References to fiscal 2023, for example, refer to the fiscal year ended March 31, 2023.

**2. Significant Accounting Policies**

***Basis of presentation and consolidation***

The condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) and applicable rules and regulations of the Securities and Exchange Commission (“SEC”) regarding interim financial reporting. All intercompany balances and transactions have been eliminated in the accompanying condensed consolidated financial statements.

Certain reclassifications of prior period amounts have been made in the Company’s condensed consolidated financial statements to conform to the current period presentation. These reclassifications had no effect on the reported results of operations.

There were no new recently issued accounting pronouncements that were expected to have a material impact on the condensed consolidated financial statements and related notes.

***Unaudited interim consolidated financial information***

The accompanying interim condensed consolidated balance sheet as of September 30, 2022 and the interim condensed consolidated statements of operations, statements of comprehensive income, and statements of shareholders’ equity for the three and six months ended September 30, 2022 and 2021, statements of cash flows for the six months ended September 30, 2022 and 2021, and the related disclosures, are unaudited. In management’s opinion, the unaudited interim condensed consolidated financial statements have been prepared on the same basis as the audited consolidated financial statements and includes all normal and recurring adjustments necessary for the fair presentation of the Company’s financial position as of September 30, 2022, its results of operations for the three and six months ended September 30, 2022 and 2021, and its cash flows for the six months ended September 30, 2022 and 2021 in accordance with U.S. GAAP. The results for the three and six months ended September 30, 2022 are not necessarily indicative of the results to be expected for the full fiscal year or any other interim period.

These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes in the Company’s Annual Report on Form 10-K for the fiscal year ended March 31, 2022 (“Annual Report”).

***Use of estimates***

The preparation of unaudited condensed 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 unaudited condensed 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 allowance for credit losses, the fair value of tangible and intangible assets acquired, the 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.

### Significant accounting policies

The Company's significant accounting policies are discussed in Note 2, "Significant Accounting Policies" in the Company's Annual Report. There have been no changes to the Company's significant accounting policies described in the Company's Annual Report that have had a material impact on its condensed consolidated financial statements and related notes.

### 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):

	Three Months Ended September 30,				Six Months Ended September 30,			
	2022		2021		2022		2021	
	Amount	%	Amount	%	Amount	%	Amount	%
North America	\$ 167,755	60 %	\$ 123,892	54 %	\$ 324,504	59 %	\$ 236,664	54 %
Europe, Middle East and Africa	69,597	25 %	69,347	31 %	139,745	26 %	136,391	31 %
Asia Pacific	27,446	10 %	23,939	11 %	53,541	10 %	46,075	11 %
Latin America	14,528	5 %	9,176	4 %	28,809	5 %	16,964	4 %
Total revenue	<u>\$ 279,326</u>		<u>\$ 226,354</u>		<u>\$ 546,599</u>		<u>\$ 436,094</u>	

For the three and six months ended September 30, 2022 and 2021, the United States was the only country that represented more than 10% of the Company's revenue in any period, constituting \$158.3 million and 57% and \$115.1 million and 51% of total revenue during the three months ended September 30, 2022 and 2021, respectively, and \$305.8 million and 56% and \$219.6 million and 50% of total revenue during the six months ended September 30, 2022 and 2021, respectively.

#### Deferred revenue

Revenue recognized during the three months ended September 30, 2022 and 2021, which was included in the deferred revenue balance at the beginning of each respective period, was \$192.0 million and \$151.6 million, respectively. Revenue recognized during the six months ended September 30, 2022 and 2021, which was included in the deferred revenue balance at the beginning of each respective period, was \$425.7 million and \$336.7 million, respectively.

#### Remaining performance obligations

As of September 30, 2022, the aggregate amount of the transaction price allocated to remaining performance obligations was \$1,534.0 million, which consists of both billed consideration in the amount of \$578.4 million and unbilled consideration in the amount of \$955.6 million that the Company expects to recognize as subscription and service revenue. The Company expects to recognize 57% of this amount as revenue over the next twelve months and the remainder thereafter.

### 4. Goodwill and Other Intangible Assets, Net

Changes in the carrying amount of goodwill on a consolidated basis for the six months ended September 30, 2022 consists of the following (in thousands):

	September 30, 2022
Balance, beginning of period	\$ 1,281,876
Foreign currency impact	(2,341)
Balance, end of period	<u>\$ 1,279,535</u>

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

	Weighted Average Useful Life (in months)	September 30, 2022	March 31, 2022
Capitalized software	107	\$ 191,508	\$ 191,900
Customer relationships	120	351,555	351,555
Trademarks and tradenames	120	55,003	55,003
Total intangible assets		598,066	598,458
Less: accumulated amortization		(513,686)	(492,722)
Total other intangible assets, net		<u>\$ 84,380</u>	<u>\$ 105,736</u>

Amortization of other intangible assets totaled \$10.5 million and \$11.6 million for the three months ended September 30, 2022 and 2021, respectively, and \$21.1 million and \$23.1 million for the six months ended September 30, 2022 and 2021, respectively.

## 5. Income Taxes

The Company computes its interim provision for income taxes by applying the estimated annual effective tax rate to income from operations and adjusts the provision for discrete tax items occurring in the period. The Company's effective tax rate for the three months ended September 30, 2022 was 43.6% compared to negative 36.6% for the three months ended September 30, 2021. The Company's effective tax rate for the six months ended September 30, 2022 was 62.1% compared to 0.1% for the six months ended September 30, 2021. The increase in the effective tax rate for both the three months ended September 30, 2022 and 2021 and the six months ended September 30, 2022 and 2021 is primarily due to a decrease in share-based compensation windfall benefits as well as effects of the new requirement under Section 174 of the Internal Revenue Code ("IRC") to capitalize and amortize research and development expenses in the U.S. The capitalization of research and development expenses resulted in an increase to the Company's taxable income and foreign derived intangible income ("FDII"), resulting in a corresponding increase in the Company's FDII deduction. However, no tax benefit is recognized for the deferred tax asset established for these capitalized research and development expenses due to the Company's valuation allowance position in the U.S. The effective tax rate for the six months ended September 30, 2021 also included a \$2.1 million one-time benefit related to anticipated tax refunds resulting from a favorable Polish research and development ruling.

Based on the Company's review of both positive and negative evidence regarding the realizability of deferred tax assets at September 30, 2022, a valuation allowance continues to be recorded against certain deferred tax assets based upon the conclusion that it was more likely than not that these assets would not be realized. The valuation allowance at September 30, 2022 relates primarily to capitalized development costs, share-based compensation, accrued interest and foreign tax credits. 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 ability to generate U.S. taxable earnings and utilization of deferred tax assets.

## 6. Long-term Debt

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

	September 30, 2022		March 31, 2022	
	Amount	Effective Rate	Amount	Effective Rate
First Lien Term Loan	\$ 221,125	5.4 %	\$ 281,125	2.7 %
Revolving credit facility	—		—	
Total principal	221,125		281,125	
Unamortized discount and debt issuance costs	(6,178)		(7,207)	
Total debt	214,947		273,918	
Less: Current portion of long-term debt	—		—	
Long-term debt	<u>\$ 214,947</u>		<u>\$ 273,918</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. There were \$15.1 million and \$15.6 million letters of credit issued as of September 30, 2022 and March 31, 2022, respectively. The Company had \$44.9 million and \$44.4 million of availability under the Revolving Facility as of September 30, 2022 and March 31, 2022, respectively.

Borrowings under the First Lien Term Loan and the 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. The Company has satisfied all required principal payments under the First Lien Term Loan and the remainder is due at maturity. Interest payments are due quarterly, or more frequently, based on the terms of the credit agreement.

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.

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 September 30, 2022, the Company was in compliance with all applicable covenants.

### 7. Leases

The Company leases office space under non-cancelable operating leases which expire at various dates from fiscal 2023 to 2033. As of September 30, 2022, the weighted average remaining lease term was 6.0 years and the weighted average discount rate was 5.0%. The Company does not have any finance leases as of September 30, 2022.

The Company has a sublease of a former office which expires in fiscal 2025. Sublease income from operating leases, which is recorded as a reduction of rental expense, was \$0.5 million for both the three months ended September 30, 2022 and 2021, and \$1.1 million for both the six months ended September 30, 2022 and 2021.

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

	Three Months Ended September 30,		Six Months Ended September 30,	
	2022	2021	2022	2021
Operating lease expense <sup>(1)</sup>	\$ 3,071	\$ 2,612	\$ 5,995	\$ 5,081
Short-term lease expense	\$ 429	\$ 238	\$ 851	\$ 433
Variable lease expense	\$ 164	\$ 386	\$ 376	\$ 547

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

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

	Six Months Ended September 30,	
	2022	2021
Cash paid for amounts included in the measurement of lease liabilities	\$ 7,563	\$ 6,513
Operating lease assets obtained in exchange for new operating lease liabilities <sup>(1)</sup>	\$ 13,713	\$ 22,877

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

As of September 30, 2022, remaining maturities of lease liabilities were as follows (in thousands):

Fiscal Years Ending March 31,	Amount
2023	\$ 7,724
2024	15,830
2025	13,327
2026	10,484
2027	9,684
Thereafter	19,125
Total operating lease payments <sup>(1)</sup>	76,174
Less: imputed interest	(9,043)
Total operating lease liabilities	<u>\$ 67,131</u>

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

As of September 30, 2022, the Company had commitments of \$25.1 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 years ended March 31, 2023 through March 31, 2025 with lease terms ranging from 2 to 10 years.

## 8. 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.

## 9. Share-based Compensation

### 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 (the "2019 Plan") which was subsequently approved by the Company's shareholders and was later amended and restated by the Board in January 2021.

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 September 30, 2022, 44,261,855 shares of common stock were available for future issuance under the 2019 Plan.

### Stock options

The following table summarizes activity for stock options during the period ended September 30, 2022:

	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, 2022	6,968	\$ 21.87	7.6	\$ 176,839
Exercised	(244)	17.82		
Forfeited or expired	(399)	25.12		
Balance, September 30, 2022	<u>6,325</u>	\$ 21.82	6.5	\$ 86,079
Options vested and expected to vest at September 30, 2022	<u>6,325</u>	\$ 21.82	6.5	\$ 86,079
Options vested and exercisable at September 30, 2022	<u>3,942</u>	\$ 20.60	6.1	\$ 57,495

As of September 30, 2022, the total unrecognized compensation expense related to non-vested stock options is \$9.7 million and is expected to be recognized over a weighted average period of 1.2 years. The Company recognized \$4.0 million and \$4.6 million of share-based compensation expense related to stock options for the three months ended September 30, 2022 and 2021, respectively, and \$9.2 million and \$9.3 million of share-based compensation expense related to stock options for the six months ended September 30, 2022 and 2021, respectively.

#### *Restricted shares and units*

The following table provides a summary of the changes in the number of restricted stock awards (“RSAs”) and restricted stock units (“RSUs”) for the period ended September 30, 2022:

	<b>Number of RSAs</b>	<b>Weighted Average Grant Date Fair Value</b>	<b>Number of RSUs</b>	<b>Weighted Average Grant Date Fair Value</b>
	(in thousands)	(per share)	(in thousands)	(per share)
Balance, March 31, 2022	202	\$ 16.00	5,180	\$ 42.43
Granted	—	—	5,680	40.62
Vested	(150)	16.00	(1,264)	38.70
Forfeited	(14)	16.00	(510)	42.93
Balance, September 30, 2022	<u>38</u>	<u>\$ 16.00</u>	<u>9,086</u>	<u>\$ 41.71</u>

RSUs outstanding as of September 30, 2022 were comprised of 8.0 million RSUs with only service conditions and 1.1 million RSUs with both service and performance conditions (“PSUs”).

During the six months ended September 30, 2022, the Company granted PSUs to certain key employees that generally vest 33% one year after the grant date and the remaining 67% vest ratably on a quarterly basis over the following two years (the “Annual PSUs”). The number of shares that may be earned pursuant to the Annual PSUs is based on specific company metrics related to the Company’s fiscal year ending March 31, 2023. No Annual PSUs will be earned with respect to any metric if the applicable “threshold” percentage of the specific metric is not achieved, and the overall number of shares that may be earned shall not exceed 150% of the target award. Once the Annual PSUs are earned, they are then also subject to time-based vesting, with 33% of the earned Annual PSUs vesting on the first anniversary of the grant date, and with the remaining 67% vesting in eight equal quarterly installments over the following two years, and provided that the executive officer remains employed by the Company through the applicable vesting date.

As of September 30, 2022, the total unrecognized compensation expense related to unvested restricted stock awards is \$0.5 million and is expected to be recognized over a weighted average period of 0.5 years. As of September 30, 2022, the total unrecognized compensation expense related to unvested restricted stock units is \$23.0 million and is expected to be recognized over a weighted average period of 2.5 years. The Company recognized \$34.7 million and \$19.6 million of share-based compensation expense related to restricted shares and units for the three months ended September 30, 2022 and 2021, respectively, and \$56.7 million and \$33.1 million of share-based compensation expense related to restricted shares and units for the six months ended September 30, 2022 and 2021, respectively.

#### *Employee Stock Purchase Plan*

In July 2019, the Board adopted, and the Company’s shareholders approved, the 2019 Employee Stock Purchase Plan (“ESPP”). 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 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 six months ended September 30, 2022, 265,681 shares of common stock were purchased under the ESPP. As of September 30, 2022, 13,782,205 shares of common stock were available for future issuance under the ESPP.

As of September 30, 2022, there was approximately \$1.5 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 \$2.0 million and \$1.3 million of share-based compensation expense related to the ESPP for the three months ended September 30, 2022 and 2021, respectively, and \$3.5 million and \$2.4 million of share-based compensation expense related to the ESPP for the six months ended September 30, 2022 and 2021, respectively.

### Share-based compensation

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

	Three Months Ended September 30,		Six Months Ended September 30,	
	2022	2021	2022	2021
Cost of revenue	\$ 5,235	\$ 3,485	\$ 9,125	\$ 6,137
Research and development	10,997	5,456	18,282	9,423
Sales and marketing	13,938	9,612	24,014	17,220
General and administrative	10,484	7,022	17,928	12,047
Total share-based compensation	\$ 40,654	\$ 25,575	\$ 69,349	\$ 44,827

### 10. Net Income Per Share

Basic net income per share is calculated by dividing the net income for the period by the weighted-average number of common shares outstanding during the period, without consideration of potentially dilutive securities. Diluted net income 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.

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

	Three Months Ended September 30,		Six Months Ended September 30,	
	2022	2021	2022	2021
Numerator:				
Net income	\$ 10,526	\$ 23,641	\$ 12,640	\$ 36,935
Denominator:				
Weighted average shares outstanding, basic	287,190	283,923	286,699	283,295
Dilutive effect of stock-based awards	3,411	7,254	3,734	6,959
Weighted average shares outstanding, diluted	290,601	291,177	290,433	290,254
Net income per share, basic	\$ 0.04	\$ 0.08	\$ 0.04	\$ 0.13
Net income per share, diluted	\$ 0.04	\$ 0.08	\$ 0.04	\$ 0.13

The effect of certain common share equivalents were excluded from the computation of weighted-average diluted shares outstanding for the three and six months ended September 30, 2022 and 2021 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):

	Three Months Ended September 30,		Six Months Ended September 30,	
	2022	2021	2022	2021
Stock options	892	148	1,070	159
Unvested RSAs and RSUs	2,089	23	1,217	27

### 11. 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 table presents property and equipment by geographic region for the periods presented (in thousands):

	September 30, 2022	March 31, 2022
North America	\$ 18,560	\$ 15,462
Europe, Middle East and Africa	24,654	28,195
Asia Pacific	2,373	1,429
Latin America	130	185
Total property and equipment, net	<u>\$ 45,717</u>	<u>\$ 45,271</u>

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the condensed consolidated financial statements and related notes appearing elsewhere in this Quarterly Report on Form 10-Q. 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" included elsewhere in this Form 10-Q and our 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, and our interim results are not necessarily indicative of the results we expect for the full fiscal year or any other period.*

### Overview

We offer the market-leading software intelligence platform, purpose-built for dynamic hybrid, multicloud environments. As enterprises and public sector institutions embrace the cloud to effect their digital transformation, we designed our unified platform to address the growing complexity faced by IT, development, security, and business operations teams. With automation and intelligence at its core, our platform delivers precise answers about the performance and security of applications, the underlying infrastructure and the experience of all users to enable teams to innovate faster, simplify cloud complexity, collaborate more efficiently, and secure cloud-native applications. We designed our 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 September 30, 2022, our products are trusted by more than 3,400 Dynatrace customers in over 90 countries in diverse industries such as banking, insurance, retail, manufacturing, travel and software.

We market Dynatrace® through a combination of our global direct sales team and a network of partners, including cloud service providers (Amazon, Microsoft, and Google), resellers, and system integrators. We target the largest 15,000 global 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 more than 3,400 as of September 30, 2022 from approximately 3,100 as of September 30, 2021.

## COVID-19 Update

We continue to monitor, analyze, and respond to evolving developments regarding the ongoing COVID-19 pandemic which has had significant impacts around the globe and in many locations in which we operate. While the impacts have not caused a material adverse financial impact to our business to date, the future impacts remain uncertain. 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.

Throughout the pandemic we have continued to make investments to support business growth and product development, including investments in research and development as we continue to introduce new products and applications to extend the functionality of our products, sales and marketing to support customer growth, and other critical functions to ensure the highest levels of customer service and support as well as ensuring that we maintain the required infrastructure to be a public company. We expect to continue to make these investments.

See the section titled "Risk Factors" included under Part II, Item 1A for further discussion of the possible impact of the ongoing COVID-19 pandemic, or other future health pandemics and any related economic downturns, 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 accounts, which generally have annual revenues in excess of \$1 billion. 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, 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 customers, across new customer applications, and into additional business units or divisions. We have sustained our Dynatrace® net expansion rate at or above 120% for eighteen consecutive quarters.
- **Enhance our strategic partner ecosystem.** Our strategic partners include industry-leading global 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 with global system integrators, including Deloitte and DXC, and hyperscaler cloud providers, including AWS, Microsoft, Azure, Google Cloud Platform, and Red Hat.

## 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:

	September 30,	
	2022	2021
Total ARR (in thousands)	1,064,951	863,863
Dynatrace® Net Expansion Rate	120%+	120%+

**Annual Recurring Revenue "ARR":** We define 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.

**Dynatrace® Net Expansion Rate:** We define the Dynatrace® net expansion rate as the ARR derived from the Dynatrace® platform 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. Beginning in fiscal 2023, this calculation excludes the headwind associated with the Dynatrace perpetual license ARR given diminishing impact of perpetual license ARR. We present Dynatrace® net expansion rate on a constant currency basis to provide a framework for assessing how our business performed excluding the effects of foreign currency rate fluctuations.

## 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 our 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. Our Classic products were sunset as of April 1, 2021.

*Service.* Service revenue consists of revenue from helping our customers deploy our software in highly complex operational environments and training 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, third-party hosting fees related to our cloud services, allocated overhead for facilities, IT, 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 the Company in 2014. To the extent significant future acquisitions are consummated, we expect that our amortization of acquired technologies may increase due to additional non-cash charges associated with the amortization of intangible assets acquired.

### 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 subscription, 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 in absolute dollars 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 in absolute dollars 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 as we continue to invest in the growth of our operations, as well as incur ongoing costs of compliance associated with being a publicly traded company.

*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, and amortization of debt issuance costs.

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

Our income tax expense, 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) foreign earnings taxed at rates higher than the U.S. statutory tax rate, (2) the inability to realize certain tax benefits subject to a valuation allowance in the U.S., (3) foreign withholding taxes, partially offset by (4) the foreign derived intangibles deduction, and (5) the utilization of U.S. foreign tax credits generated in the current year. We expect this fluctuation in income tax rates, as well as its potential impact on our results of operations, to continue.

#### ***Internal Revenue Code ("IRC") Section 174***

For tax years beginning on or after January 1, 2022, the Tax Cuts and Jobs Act of 2017 ("TCJA") eliminates the option to currently deduct research and development expenses and requires taxpayers to capitalize and amortize them over five years for research activities performed in the United States and 15 years for research activities performed outside the United States pursuant to IRC Section 174. Although Congress is considering legislation that would repeal or defer this capitalization and amortization requirement, it is not certain that this provision will be repealed or otherwise modified. If the requirement is not repealed or replaced, it will increase our U.S. federal and state cash taxes and reduce cash flows in fiscal year 2023 and future years.

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

The tax effects of the accounting for share-based compensation may significantly impact our effective tax rate from period to period. In periods in which our share price differs from the grant price of the share-based awards vesting or exercised in that period, we will recognize excess tax benefits or deficiencies that will impact our effective tax rate. The amount and value of share-based compensation issued relative to our earnings in a particular period will also affect the magnitude of the impact of share-based compensation on our effective tax rate. These tax effects are dependent on our share price, which we do not control, and a decline in our share price could significantly increase our effective tax rate and adversely affect our financial results.

## Results of Operations

The following tables set forth our results of operations for the periods presented. The period-to-period comparison of financial results is not necessarily indicative of financial results to be achieved in future periods.

### Comparison of the Three Months Ended September 30, 2022 and 2021

	Three Months Ended September 30,			
	2022		2021	
	Amount	Percent	Amount	Percent
	(in thousands, except percentages)			
<b>Revenue:</b>				
Subscription	\$ 261,306	94 %	\$ 212,601	94 %
Service	18,020	6 %	13,753	6 %
Total revenue	279,326	100 %	226,354	100 %
<b>Cost of revenue:</b>				
Cost of subscription	35,764	13 %	27,135	11 %
Cost of service	16,052	6 %	10,668	5 %
Amortization of acquired technology	3,888	1 %	3,864	2 %
Total cost of revenue <sup>(1)</sup>	55,704	20 %	41,667	18 %
Gross profit	223,622	80 %	184,687	82 %
<b>Operating expenses:</b>				
Research and development <sup>(1)</sup>	51,907	19 %	37,908	17 %
Sales and marketing <sup>(1)</sup>	104,669	37 %	86,301	38 %
General and administrative <sup>(1)</sup>	40,074	14 %	31,689	14 %
Amortization of other intangibles	6,573	2 %	7,539	3 %
Restructuring and other	—		(1)	
Total operating expenses	203,223		163,436	
Income from operations	20,399		21,251	
Other expense, net	(1,727)		(3,950)	
Income before income taxes	18,672		17,301	
Income tax (expense) benefit	(8,146)		6,340	
Net income	\$ 10,526		\$ 23,641	

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

	Three Months Ended September 30,	
	2022	2021
	(in thousands)	
Cost of revenue	\$ 5,235	\$ 3,485
Research and development	10,997	5,456
Sales and marketing	13,938	9,612
General and administrative	10,484	7,022
Total share-based compensation	\$ 40,654	\$ 25,575

## Revenue

	Three Months Ended September 30,		Change	
	2022	2021	Amount	Percent
	(in thousands, except percentages)			
Subscription	\$ 261,306	\$ 212,601	\$ 48,705	23 %
Service	18,020	13,753	4,267	31 %
Total revenue	\$ 279,326	\$ 226,354	\$ 52,972	23 %

### Subscription

Subscription revenue increased by \$48.7 million, or 23%, for the three months ended September 30, 2022 as compared to the three months ended September 30, 2021, primarily due to the growing adoption of the Dynatrace® platform by new customers combined with existing customers expanding their use of our solutions.

### Service

Service revenue increased by \$4.3 million, or 31%, for the three months ended September 30, 2022 as compared to the three months ended September 30, 2021. We generally recognize the revenues associated with professional services as we deliver the services.

## Cost of Revenue

	Three Months Ended September 30,		Change	
	2022	2021	Amount	Percent
	(in thousands, except percentages)			
Cost of subscription	\$ 35,764	\$ 27,135	\$ 8,629	32 %
Cost of service	16,052	10,668	5,384	50 %
Amortization of acquired technology	3,888	3,864	24	1 %
Total cost of revenue	\$ 55,704	\$ 41,667	\$ 14,037	34 %

### Cost of subscription

Cost of subscription increased by \$8.6 million, or 32%, for the three months ended September 30, 2022 compared to the three months ended September 30, 2021. The increase is primarily due to higher personnel costs to support the growth of our subscription cloud-based offering of \$4.8 million and increased cloud-based hosting costs of \$1.9 million. Also contributing to this increase were increased allocated overhead costs of \$0.8 million and higher share-based compensation of \$0.8 million.

### Cost of service

Cost of service increased by \$5.4 million, or 50%, for the three months ended September 30, 2022 as compared to the three months ended September 30, 2021. The increase is primarily the result of higher personnel costs of \$3.2 million, higher share-based compensation of \$0.9 million, and higher partner enablement costs of \$0.8 million. Also contributing to the increase were increased allocated overhead costs of \$0.3 million.

### Amortization of acquired technologies

For the three months ended September 30, 2022 and 2021, 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

	Three Months Ended September 30,		Change	
	2022	2021	Amount	Percent
(in thousands, except percentages)				
Gross profit:				
Subscription	\$ 225,542	\$ 185,466	\$ 40,076	22 %
Service	1,968	3,085	(1,117)	(36 %)
Amortization of acquired technology	(3,888)	(3,864)	(24)	1 %
Total gross profit	<u>\$ 223,622</u>	<u>\$ 184,687</u>	<u>\$ 38,935</u>	<u>21 %</u>
Gross margin:				
Subscription	86 %	87 %		
Service	11 %	22 %		
Amortization of acquired technology	(100 %)	(100 %)		
Total gross margin	<u>80 %</u>	<u>82 %</u>		

### Subscription

Subscription gross profit increased by \$40.1 million, or 22%, during the three months ended September 30, 2022 compared to the three months ended September 30, 2021. The increase in gross profit is primarily due to the growth of the Dynatrace® platform by new customers combined with existing customers expanding their use of our solutions. Subscription gross margin decreased from 87% to 86% for the three months ended September 30, 2022 compared to the three months ended September 30, 2021, primarily due to higher personnel and share-based compensation costs to support the growth of our subscription cloud-based offering.

### Service

Service gross profit decreased by \$1.1 million, or 36%, during the three months ended September 30, 2022 compared to the three months ended September 30, 2021. Service gross margin was 11% for the three months ended September 30, 2022 compared to 22% for the three months ended September 30, 2021. The decrease in gross profit and gross margin is primarily due to higher partner enablement costs as well as higher share-based compensation of \$0.9 million.

## Operating Expenses

	Three Months Ended September 30,		Change	
	2022	2021	Amount	Percent
(in thousands, except percentages)				
Operating expenses:				
Research and development	\$ 51,907	\$ 37,908	\$ 13,999	37 %
Sales and marketing	104,669	86,301	18,368	21 %
General and administrative	40,074	31,689	8,385	26 %
Amortization of other intangibles	6,573	7,539	(966)	(13 %)
Restructuring and other	—	(1)	1	(100 %)
Total operating expenses	<u>\$ 203,223</u>	<u>\$ 163,436</u>	<u>\$ 39,787</u>	<u>24 %</u>

### Research and development

Research and development expenses increased by \$14.0 million, or 37%, for the three months ended September 30, 2022 as compared to the three months ended September 30, 2021. The increase is due to increased personnel and other costs of \$5.3 million to expand our product offerings and higher share-based compensation of \$5.5 million. Further contributing to the increase were increased allocated overhead costs of \$1.3 million to support the growth of the business and related infrastructure and higher cloud-based hosting costs and subscriptions of \$1.0 million.

#### *Sales and marketing*

Sales and marketing expenses increased by \$18.4 million, or 21%, for the three months ended September 30, 2022 as compared to the three months ended September 30, 2021, primarily driven by an increase in personnel costs of \$13.2 million and higher share-based compensation of \$4.3 million. Further contributing to the increase were \$1.2 million of higher travel expenses and \$1.1 million of increased allocated overhead costs to support the growth of the business and related infrastructure. Slightly offsetting this increase was a decrease in advertising expenses of \$1.9 million.

#### *General and administrative*

General and administrative expenses increased \$8.4 million, or 26%, for the three months ended September 30, 2022 as compared to the three months ended September 30, 2021, primarily due to an increase in personnel costs of \$6.0 million, as well as higher share-based compensation of \$3.5 million. Further contributing to the increase were increased cloud-based hosting costs and subscriptions of \$1.5 million, and higher IT and facility expenses of \$1.0 million primarily related to new offices and expansions. Slightly offsetting this increase were decreased allocated overhead costs of \$3.6 million.

#### *Amortization of other intangibles*

Amortization of other intangibles decreased by \$1.0 million, or 13%, for the three months ended September 30, 2022 as compared to the three months ended September 30, 2021. 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.

#### ***Other Expense, Net***

Other expense, net decreased by \$2.2 million, or 56%, for the three months ended September 30, 2022 as compared to the three months ended September 30, 2021. The decrease is primarily the result of higher interest income on cash equivalents.

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

Income tax expense for the three months ended September 30, 2022 of \$8.1 million represented a \$14.5 million increase as compared to a benefit of \$6.3 million for the three months ended September 30, 2021. This increase was primarily due to a decrease in share-based compensation windfall benefits. Also, the income tax benefit for the three months ended September 30, 2021 included a one-time tax benefit from a favorable Polish research and development ruling.



Comparison of the Six Months Ended September 30, 2022 and 2021

	Six Months Ended September 30,			
	2022		2021	
	Amount	Percent	Amount	Percent
	(in thousands, except percentages)			
<b>Revenue:</b>				
Subscription	\$ 510,864	93 %	\$ 409,121	94 %
License	—	— %	50	— %
Service	35,735	7 %	26,923	6 %
Total revenue	<u>546,599</u>	<u>100 %</u>	<u>436,094</u>	<u>100 %</u>
<b>Cost of revenue:</b>				
Cost of subscription	68,502	13 %	52,117	11 %
Cost of service	31,220	6 %	20,689	5 %
Amortization of acquired technology	7,780	1 %	7,694	2 %
Total cost of revenue <sup>(1)</sup>	<u>107,502</u>	<u>20 %</u>	<u>80,500</u>	<u>18 %</u>
Gross profit	<u>439,097</u>	<u>80 %</u>	<u>355,594</u>	<u>82 %</u>
<b>Operating expenses:</b>				
Research and development <sup>(1)</sup>	100,389	18 %	72,633	17 %
Sales and marketing <sup>(1)</sup>	209,684	38 %	166,783	38 %
General and administrative <sup>(1)</sup>	76,395	14 %	58,611	13 %
Amortization of other intangibles	13,146	2 %	15,079	3 %
Restructuring and other	(10)		25	
Total operating expenses	<u>399,604</u>		<u>313,131</u>	
Income from operations	39,493		42,463	
Other expense, net	(6,152)		(5,496)	
Income before income taxes	33,341		36,967	
Income tax expense	(20,701)		(32)	
Net income	<u>\$ 12,640</u>		<u>\$ 36,935</u>	

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

	Six Months Ended September 30,			
	2022		2021	
	(in thousands)			
Cost of revenue	\$ 9,125	\$ 6,137		
Research and development	18,282	9,423		
Sales and marketing	24,014	17,220		
General and administrative	17,928	12,047		
Total share-based compensation	<u>\$ 69,349</u>	<u>\$ 44,827</u>		

**Revenue**

	Six Months Ended September 30,		Change	
	2022	2021	Amount	Percent
	(in thousands, except percentages)			
Subscriptions	\$ 510,864	\$ 409,121	\$ 101,743	25 %
License	—	50	(50)	(100 %)
Services	35,735	26,923	8,812	33 %
Total revenue	<u>\$ 546,599</u>	<u>\$ 436,094</u>	<u>\$ 110,505</u>	<u>25 %</u>

### *Subscription*

Subscription revenue increased by \$101.7 million, or 25%, for the six months ended September 30, 2022, as compared to the six months ended September 30, 2021, primarily due to the growing adoption of the Dynatrace® platform by new customers combined with existing customers expanding their use of our solutions.

### *License*

License revenue decreased by \$0.1 million, or 100%, for the six months ended September 30, 2022 as compared to the six months ended September 30, 2021. We are no longer selling our Classic products.

### *Service*

Service revenue increased by \$8.8 million, or 33%, for the six months ended September 30, 2022, as compared to the six months ended September 30, 2021. We generally recognize the revenues associated with professional services as we deliver the services.

### **Cost of Revenue**

	<b>Six Months Ended September 30,</b>		<b>Change</b>	
	<b>2022</b>	<b>2021</b>	<b>Amount</b>	<b>Percent</b>
	(in thousands, except percentages)			
Cost of subscriptions	\$ 68,502	\$ 52,117	\$ 16,385	31 %
Cost of services	31,220	20,689	10,531	51 %
Amortization of acquired technology	7,780	7,694	86	1 %
Total cost of revenue	<u>\$ 107,502</u>	<u>\$ 80,500</u>	<u>\$ 27,002</u>	<u>34 %</u>

### *Cost of subscriptions*

Cost of subscriptions increased \$16.4 million, or 31%, for the six months ended September 30, 2022 as compared to the six months ended September 30, 2021. The increase is primarily due to higher personnel costs to support the growth of our subscription cloud-based offering of \$8.4 million and increased cloud-based hosting costs and subscriptions of \$3.6 million, as well as higher share-based compensation of \$1.3 million. Also contributing to the increase were increased allocated overhead costs of \$1.8 million to support the growth of the business and related infrastructure and higher travel costs of \$0.9 million.

### *Cost of services*

Cost of services increased by \$10.5 million, or 51%, for the six months ended September 30, 2022 as compared to the six months ended September 30, 2021. The increase was the result of higher personnel costs of \$6.9 million, higher share-based compensation of \$1.7 million, increased allocated overhead costs of \$0.7 million, and increased travel costs of \$0.5 million.

### *Amortization of acquired technologies*

For the six months ended September 30, 2022 and 2021, amortization of acquired technologies is primarily related to amortization expense for technology acquired in connection with Thoma Bravo's acquisition of the Company in 2014.

## Gross Profit and Gross Margin

	Six Months Ended September 30,		Change	
	2022	2021	Amount	Percent
(in thousands, except percentages)				
<b>Gross profit:</b>				
Subscriptions	\$ 442,362	\$ 357,004	\$ 85,358	24 %
License	—	50	(50)	(100 %)
Services	4,515	6,234	(1,719)	(28 %)
Amortization of acquired technology	(7,780)	(7,694)	(86)	1 %
Total gross profit	<u>\$ 439,097</u>	<u>\$ 355,594</u>	<u>\$ 83,503</u>	<u>23 %</u>
<b>Gross margin:</b>				
Subscriptions	87 %	87 %		
License	— %	100 %		
Services	13 %	23 %		
Amortization of acquired technology	(100 %)	(100 %)		
Total gross margin	<u>80 %</u>	<u>82 %</u>		

### Subscriptions

Subscriptions gross profit increased by \$85.4 million, or 24%, during the six months ended September 30, 2022 compared to the six months ended September 30, 2021. Subscription gross margin remained consistent at 87% during the six months ended September 30, 2022 and the six months ended September 30, 2021. The increase in gross profit is primarily due to the growing adoption of the Dynatrace® platform by new customers combined with existing customers expanding their use of our solutions.

### License

License gross profit decreased by \$0.1 million, or 100%, during the six months ended September 30, 2022 compared to the six months ended September 30, 2021. The decrease was the result of a decline in sales of our Classic products.

### Services

Services gross profit decreased by \$1.7 million, or 28%, during the six months ended September 30, 2022 compared to the six months ended September 30, 2021. Services gross margin decreased from 23% to 13% during the six months ended September 30, 2022 compared to the six months ended September 30, 2021. The decrease in gross profit and gross margin was primarily due to higher share-based compensation costs.

## Operating Expenses

	Six Months Ended September 30,		Change	
	2022	2021	Amount	Percent
(in thousands, except percentages)				
<b>Operating expenses:</b>				
Research and development	\$ 100,389	\$ 72,633	\$ 27,756	38 %
Sales and marketing	209,684	166,783	42,901	26 %
General and administrative	76,395	58,611	17,784	30 %
Amortization of other intangibles	13,146	15,079	(1,933)	(13 %)
Restructuring and other	(10)	25	(35)	(140 %)
Total operating expenses	<u>\$ 399,604</u>	<u>\$ 313,131</u>	<u>\$ 86,473</u>	<u>28 %</u>

### *Research and development*

Research and development expenses increased \$27.8 million, or 38%, for the six months ended September 30, 2022 as compared to the six months ended September 30, 2021. The increase is primarily attributable to increased personnel and other costs to expand our product offerings of \$10.7 million and higher share-based compensation of \$8.9 million. The increase is also attributable to higher allocated overhead costs of \$3.6 million to support the growth of the business and related infrastructure, increased cloud-based hosting costs and subscriptions of \$1.8 million, and higher travel costs of \$1.1 million.

### *Sales and marketing*

Sales and marketing expenses increased \$42.9 million, or 26%, for the six months ended September 30, 2022, as compared to the six months ended September 30, 2021, primarily driven by an increase of \$25.4 million in personnel costs and higher share-based compensation of \$6.8 million. Further contributing to the increase were increased travel expenses of \$7.2 million primarily related to our annual sales kick-off event held in person in the first quarter of fiscal 2023, higher allocated overhead costs of \$2.5 million to support the growth of the business and related infrastructure, and increased cloud-based hosting costs and subscriptions of \$1.4 million. Slightly offsetting the increase was a decrease in advertising costs of \$2.4 million.

### *General and administrative*

General and administrative expenses increased \$17.8 million, or 30%, for the six months ended September 30, 2022, as compared to the six months ended September 30, 2021, primarily due to an increase in personnel costs of \$10.5 million, higher share-based compensation of \$5.9 million, higher facilities and IT expenses related to new offices and expansions of \$2.9 million, increased software and subscription costs of \$2.7 million, and increased professional fees of \$2.4 million.

### *Amortization of other intangibles*

Amortization of other intangibles decreased by \$1.9 million, or 13%, for the six months ended September 30, 2022 as compared to the six months ended September 30, 2021. The decline 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.

### ***Other Expense, Net***

Other expense, net increased by \$0.7 million, or 12%, for the six months ended September 30, 2022 as compared to the six months ended September 30, 2021. The increase in other expense was primarily a result of higher net foreign currency losses, partially offset by higher interest income on cash equivalents.

### ***Income Tax Expense***

Income tax expense for the six months ended September 30, 2022 of \$20.7 million represented a \$20.7 million increase as compared to an expense of approximately zero for the six months ended September 30, 2021. This increase was primarily driven by a decrease in share-based compensation tax windfall benefits and effects of the new requirement under Section 174 of the IRC to capitalize and amortize research and development expenses in the U.S., generating current tax expense with no offsetting deferred tax benefit due to our valuation allowance position.

## **Liquidity and Capital Resources**

As of September 30, 2022, we had \$563.4 million of cash and cash equivalents and \$44.9 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. 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.

Our material cash requirements from known contractual and other obligations consist of our long-term debt agreements, rent payments required under operating lease agreements, and interest obligations on our term loan. As of September 30, 2022, total contractual

commitments were \$332.1 million, with \$19.8 million committed within the next twelve months. For further information see Notes 6 and 7 of the notes to the condensed consolidated financial statements in this Quarterly Report.

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” under Part II, Item 1A in this Quarterly Report and our Annual Report. However, we believe that our existing cash, cash equivalents, funds available under our debt agreement, and cash generated from operations, will be sufficient to meet our cash 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 September 30, 2022, the balance outstanding under our first lien term loan was \$221.1 million and is included in long-term debt on our condensed consolidated balance sheets. We had \$44.9 million available under the revolving credit facility after considering \$15.1 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 September 30, 2022, we were in compliance with all applicable covenants pertaining to the First Lien Credit Agreement. Our credit facilities are discussed further in Note 6 of the notes to the condensed consolidated financial statements in this Quarterly Report.

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

	<b>Six Months Ended September 30,</b>	
	<b>2022</b>	<b>2021</b>
	(in thousands)	
Cash provided by operating activities <sup>(1)</sup>	\$ 172,496	\$ 101,768
Cash used in investing activities	(11,237)	(20,616)
Cash used in financing activities	(47,056)	(35,098)
Effect of exchange rate changes on cash and cash equivalents	(13,740)	(697)
Net increase in cash and cash equivalents	<u>\$ 100,463</u>	<u>\$ 45,357</u>

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

	<b>Six Months Ended September 30,</b>	
	<b>2022</b>	<b>2021</b>
	(in thousands)	
Cash paid for interest	\$ 4,743	\$ 4,560
Cash (received from) paid for tax, net	\$ (23,567)	\$ 12,382

#### ***Operating Activities***

For the six months ended September 30, 2022, cash provided by operating activities was \$172.5 million as a result of net income of \$12.6 million, and adjusted by non-cash charges of \$100.6 million and a change of \$59.2 million in our operating assets and liabilities. The non-cash charges are primarily comprised of share-based compensation of \$69.3 million and depreciation and amortization of \$26.8 million. The change in our net operating assets and liabilities was primarily the result of a decrease in accounts receivable of \$153.5 million due to the timing of receipts of payments from customers and a decrease in prepaid expenses and other assets of \$25.1 million driven by timing of payments in advance of future services. Partially offsetting this was a decrease in deferred revenue of \$101.4 million due to seasonality in our sales cycle, which is higher in the third and fourth quarters of our fiscal year, and a decrease in accounts payable and accrued expenses of \$14.4 million driven by timing of payments.

For the six months ended September 30, 2021, cash provided by operating activities was \$101.8 million as a result of net income of \$36.9 million, and adjusted by non-cash charges of \$73.9 million and a change of \$9.1 million in our operating assets and liabilities. The non-cash charges are primarily comprised of share-based compensation of \$44.8 million and depreciation and amortization of \$28.1 million. The change in our net operating assets and liabilities was primarily the result of a decrease in accounts receivable of \$92.3 million due to the timing of receipts of payments from customers. Partially offsetting this was a decrease in deferred revenue of \$69.9 million due to the timing of billings in advance of revenue recognition primarily for subscription sales, a decrease in accounts payable and accrued expenses of \$9.1 million driven by timing of payments, and an increase in deferred commissions of \$6.3 million due to commissions paid on new bookings.

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

Cash used in investing activities during the six months ended September 30, 2022 was \$11.2 million as a result of the purchases of property and equipment.

Cash used in investing activities during the six months ended September 30, 2021 was \$20.6 million, as a result of two acquisitions made in the first half of fiscal 2022 of \$13.0 million and the purchases of property and equipment of \$7.6 million.

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

Cash used in financing activities during the six months ended September 30, 2022 was \$47.1 million, primarily as a result of repayments of our term loan of \$60.0 million, partially offset by proceeds from our employee stock purchase plan of \$8.6 million and proceeds from the exercise of our stock options of \$4.3 million.

Cash used in financing activities during the six months ended September 30, 2021 was \$35.1 million, primarily as a result of repayments of our term loans of \$60.0 million, partially offset by the proceeds from the exercise of our stock options of \$18.3 million and proceeds from our employee stock purchase plan of \$6.6 million.

### **Critical Accounting Policies and Estimates**

We prepare our condensed consolidated financial statements in accordance with generally accepted accounting principles in the United States. The preparation of condensed 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.

For a full discussion of these estimates and policies, see “Critical Accounting Policies and Estimates” within “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our Annual Report.

### **Recent Accounting Pronouncements**

For a description of recent accounting pronouncements, if any, and the impact of these pronouncements on our consolidated financial statements, if any, see Note 2, “Significant Accounting Policies” to our condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q.

### **ITEM 3. 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 and interest rates. We do not hold or issue financial instruments for trading purposes.

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

Our international operations have provided and are expected to provide a significant portion of our consolidated revenue and expenses in U.S. dollars. 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.

#### *Translation exposure*

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. As a result, our consolidated revenues and expenses are affected and will continue to be affected by changes in the U.S. dollar against major foreign currencies, particularly the Euro. Fluctuations in foreign currencies impact the amount of total assets, liabilities, earnings and cash flows that we report for our foreign subsidiaries upon the translation of these amounts into U.S. dollars. In particular, the strengthening of the U.S. dollar generally will reduce the reported amount of our foreign-denominated cash and cash equivalents, total revenues and total expenses that we translate into U.S. dollars and report in our condensed consolidated financial statements. These gains or losses are recorded as a component of accumulated other comprehensive loss within shareholders' equity.

#### *Transaction exposure*

We transact business in multiple currencies. As a result, our results of operations and cash flows are subject to fluctuations due to changes in foreign currency exchange rates on transactions denominated in currencies other than the functional currencies of our subsidiaries. These gains or losses are recorded within "Other (expense) income, net" in our condensed consolidated statements of operations.

#### **Interest Rate Risk**

We had cash and cash equivalents of \$563.4 million and \$463.0 million as of September 30, 2022 and March 31, 2022, respectively, consisting of bank deposits, commercial paper, and money market funds. These interest-earning instruments carry a degree of interest rate risk which may affect our interest income. 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. A hypothetical 10% change in interest rates during any of the periods presented would not have had a material impact on our condensed consolidated financial statements.

As of September 30, 2022, we also had in place a \$60.0 million revolving credit facility, with availability of \$44.9 million, and \$221.1 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 5.4% at September 30, 2022. A hypothetical 10% change in interest rates during any of the periods presented would not have had a material impact on our condensed consolidated financial statements.

### **ITEM 4. 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 and Exchange Act of 1934 (the "Exchange Act")) as of the end of the period covered by this Quarterly Report. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures, as of September 30, 2022, 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.

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

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 September 30, 2022 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.

## PART II. OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

From time to time, we may become involved in legal proceedings or be subject to claims arising in the ordinary course of our business. We are not currently a party to, nor is our property currently subject to, any material legal proceedings, nor are we involved in any legal proceedings the outcome of which we believe would be material to our financial condition or results of operations. We are not aware of any governmental inquiries or investigations into our business.

### 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 Quarterly Report on Form 10-Q, including the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our condensed 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.*

#### 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 observability, 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.
- 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 IT infrastructures, 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 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 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.
- The effects of the ongoing COVID-19 pandemic have materially affected how we and our customers are operating our businesses, and the duration and extent to which this or other future health pandemics and any related economic downturns will impact our future results of operations and overall financial performance remains uncertain.
- 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.

#### **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, 2021 to the year ended March 31, 2022, our subscription revenue grew 33% from \$655.2 million to \$870.4 million, respectively. From the six months ended September 30, 2021 to the six months ended September 30, 2022, our subscription revenue grew 25% from \$409.1 million to \$510.9 million, 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, and the length of the sales cycles, particularly larger purchases;
- fluctuations in the rate of utilization by customers of the cloud to manage their business needs, or a slow-down in the migration of enterprise systems to the cloud;
- the impact of recessionary pressures or uncertainties in global economy or in the economies of the countries in which we operate on our customer's purchasing decisions and the length of our sales cycles;
- 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 intelligence, monitoring, application security, 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, including regional or geopolitical conflicts or other disruptions to commerce;
- 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 observability, 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 the Dynatrace® platform, for observability, 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 observability, application performance monitoring (“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 accounts worldwide, and the purchase of our solutions by such organizations is often discretionary. In recent months, we have observed increased economic uncertainty in the United States and abroad and lengthening sales cycles. In an economic downturn or during periods of economic or political instability, we believe that our customers or prospects 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 ongoing COVID-19 pandemic have materially affected how we and our customers are operating our businesses, and the duration and extent to which this or other future health epidemics and any related economic downturns will impact our future results of operations and overall financial performance remains uncertain.***

The global COVID-19 pandemic and virus containment measures taken, or proposed to be taken, by federal and state governments have resulted in, and may continue to result in, business slowdowns or shutdowns, weakened economic conditions, economic uncertainty, volatility in the financial markets, both regionally and worldwide, and disruptions to the normal operations of our business and many of our customers' businesses.

As a result of the ongoing COVID-19 pandemic, we limited occupancy or temporarily closed our global offices, have had many employees work from home, suspended or limited company-related travel, and changed many previously in-person employee, customer or industry events to virtual-only. We also changed how we spend on marketing and lead generation activities, putting an increased focus on digital, on-line marketing and lead generation. The long-term effect of these changes are still unknown and could adversely affect our culture and business. More recently, we are returning to in-person events, such as Sales Kickoff 2022, and reopening our offices, although many employees globally continue to work from home for a substantial portion of the time. An increasing number of in-person events, where a large number of our employees are gathered in a single venue and may be exposed to or infected by the coronavirus, could have a negative impact on our productivity.

Impacts to our business from health epidemics depends on multiple factors that cannot be accurately predicted, such as the duration and scope of the epidemic, the extent and effectiveness of containment actions, the disruption caused by such actions, and the efficacy and rates of vaccines. Future health epidemics could have severe impacts on our business and our customers' and prospective customers' businesses, for example, by adversely impacting their timing, ability or willingness to spend on software platforms or purchase our offerings. Negative effects of health epidemics on our customers or prospective customers could lead to pricing discounts or extended payment terms, reductions in the amount or duration of customers' subscription contracts or term licenses, or increase customer attrition rates. Further, any vaccine requirements applicable to our workforce could subject us to additional legal claims for non-compliance, and we may be required to suspend or terminate non-compliant individuals or they may resign. Any of the foregoing could adversely affect our productivity, employee morale, future sales, operating results and overall financial performance.

Health epidemics may also have the effect of heightening many of the other risks described in this "Risk Factors" section.

***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 and in developing our Grail™ core technology. Our new solutions and solution enhancements, including our new application security offering and our current and future offerings based on our Grail™ core technology, could fail to attain sufficient market acceptance for many reasons, including:

- delays in developing and 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.

In addition to developing new solutions or enhancements using internal resources, we may acquire technologies from a third party, or acquire another company. Such acquisition(s) could be unsuccessful for a variety of reasons, require significant management attention, disrupt our business, dilute stockholder value and adversely affect our results of operations. For a description of risks related to potential acquisitions, see below under "Risks Related to Legal, Regulatory, Accounting, and Tax Matters".

To the extent we are not able to continue to execute on our business model to timely and effectively develop or acquire 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 marketplaces and other partners including strategic alliances and cloud-focused partnerships with global system integrators, including Deloitte and DXC, and 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, customer concerns about macroeconomic trends, 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 observability vendors such as Datadog and Splunk, 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 (“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 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 global accounts, 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 also have partnerships with global system integrators, including Deloitte and DXC, and hyperscalers such as Amazon Web Services, Google Cloud Platform, Microsoft Azure, IBM Red Hat and others, on which many of our customers depend, and through which our customers may be able to procure and deploy our solution. 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, and 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. Many of our customers are also customers of hyperscalers such as Amazon Web Services, Google Cloud Platform, Microsoft Azure, IBM Red Hat. If our solutions fail to interoperate effectively with the hyperscalers' products, or if our partnership(s) with one or more of these hyperscalers is not successful or is terminated, our ability to sell additional products to these customers and our ability to grow our business 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 accounts, whose purchasing decisions, budget cycles and constraints and evaluation processes are unpredictable and out of our control. During recessionary times, or when there is volatility or uncertainty in the global economy or in the economies of the countries in which we operate, our sales cycles may be elongated and our customer's purchasing decisions may be delayed or cancelled. 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 Chief Executive Officer and other executive officers. All 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, our Chief Executive Officer or any other member of our senior management team could terminate his or her employment with us at any time, which could disrupt our operations and negatively impact employee morale and our culture. After his or her termination, such person could go to work for one of our competitors, after the expiration of any applicable non-compete period, and the restrictions on non-competition may in any case be difficult to enforce depending on the circumstances. The loss of our Chief Executive Officer or other senior executive officers or one or more members of our senior management team, particularly if closely grouped, could disrupt our operations, negatively impact employee morale and our culture, and 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 significant 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, and the substantial increase in the proportion of employees who work from home versus in our offices along with recent restrictions and requirements on our workplaces imposed by various governments and health authorities, 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 September 30, 2022, we had approximately \$250.0 million of aggregate indebtedness, as defined in the Credit Agreement, consisting of \$221.1 million outstanding under our first lien term loan facility, \$15.1 million outstanding under a \$25.0 million letter of credit sub-facility and \$6.2 million in unamortized debt issuance fees. Under our first lien term loan facility, we were required to repay approximately \$2.4 million of principal at the end of each quarter and are required to pay accrued interest on the last day of each interest accrual period. 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 \$4.7 million for the six months ended September 30, 2022.

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 6 to our condensed 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 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, such as recent interest rate increases;
- 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 continued increases to 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 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 ("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. 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.

A majority of our employees have the ability to work either partially or fully remote. Certain security systems in homes or other remote workplaces may be less secure than those used in our offices, which may subject us to increased security risks, including cybersecurity-related events, and expose us to risks of data or financial loss and associated disruptions to our business operations. We may also be exposed to risks associated with the locations of remote workers, including exposure to compromised internet infrastructure. If we are unable to effectively manage the cybersecurity and other risks of remote work, our business could be harmed or otherwise negatively impacted.

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, and we are expanding to include other cloud infrastructure providers such as Microsoft and Google. 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, actual or threatened public health emergencies (e.g. COVID-19), 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, and in some countries there may not be sufficient legal processes available to us, in a timely fashion or at all, to enable us to effectively protect our intellectual property. In expanding our international activities, our exposure to unauthorized copying and use of our technology and proprietary information may increase.

As of September 30, 2022, we had 100 issued patents, 77 of which are in the United States, and 39 pending applications, of which 24 are in the United States. Our issued patents expire at various dates through July 2041. 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 often licensed to the project managers and to all other contributing parties without material 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/or 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 for noncompliance. 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 that engages in 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.

In addition, further to the UK's exit from the EU on January 31, 2020, the GDPR ceased to apply in the UK at the end of the transition period on December 31, 2020. However, as of January 1, 2021, the UK's European Union (Withdrawal) Act 2018 incorporated the GDPR (as it existed on December 31, 2020 but subject to certain UK specific amendments) into UK law, referred to as the UK GDPR. The UK GDPR and the UK Data Protection Act 2018 set out the UK's data protection regime, which is independent from but aligned to the EU's data protection regime. Non-compliance with the UK GDPR may result in monetary penalties of up to £17.5 million or 4% of worldwide revenue, whichever is higher.

In addition to the GDPR, the EU also is considering the Regulation on Privacy and Electronic Communications ("ePrivacy Regulation") which 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 proposed 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. Even without the new ePrivacy Regulation in force, EU regulators have, in recent months, demonstrated increased scrutiny of companies' compliance with cookie consent requirements, with the French Commission Nationale de l'informatique et des Libertés, recently fining Google and Facebook up to a combined 210 million euros for cookie violations under the ePrivacy Directive. Regulatory enforcement activity appears likely to increase in the future, especially following enactment of the ePrivacy Regulation.

Additionally, the GDPR and the UK GDPR impose strict rules on the transfer of personal data outside of the EU/UK to countries that do not ensure an adequate level of protection, like the United States (so-called "third countries"). Recent Guidance from the Court of Justice of the European Union has stated that, although cross-border data transfers may be legitimized through use of the Standard Contractual Clauses (SCCs) approved by the European Commission or binding corporate rules, transfers made pursuant to these and other alternative transfer mechanisms 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. There continue to be concerns about whether these transfer mechanisms will face additional challenges, and European regulators have issued recent guidance 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. 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.

Additionally, on June 4, 2021, the EC issued new forms of standard contractual clauses for data transfers from controllers or processors in the EU/EEA (or otherwise subject to the GDPR) to controllers or processors established outside the EU/EEA (and not subject to the GDPR). The new standard contractual clauses replace the standard contractual clauses that were adopted previously under the EU Data Protection Directive. The UK is not subject to the EC's new standard contractual clauses but has adopted a UK-specific transfer mechanism, which enables transfers from the UK. We are required to implement these new safeguards when conducting restricted data transfers under the EU and UK GDPR and doing so may require significant effort and cost.

Most recently on March 25, 2022, EU Commission and the U.S. White House announced that an agreement on Privacy Shield 2.0 has been reached. However, it is too soon to tell how the future of Privacy Shield 2.0 will evolve and what impact it will have on our cross-border activities.

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.

Additionally, a new California ballot initiative, the California Privacy Rights Act (“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 anticipate that more states will increasingly enact legislation similar to the CCPA. The CCPA has prompted a number of proposals for new federal and state-level privacy legislation and in some states efforts to pass comprehensive privacy laws have been successful. For example, on March 2, 2021, Virginia enacted the Consumer Data Protection Act (or “CDPA”). The CDPA will become effective January 1, 2023. The CDPA will regulate how businesses (which the CDPA refers to as “controllers”) collect and share personal information. While the CDPA incorporates many similar concepts of the CCPA and CPRA, there are also several key differences in the scope, application, and enforcement of the law that will change the operational practices of controllers. The new law will impact how controllers collect and process personal sensitive data, conduct data protection assessments, transfer personal data to affiliates, and respond to consumer rights requests.

Also, on July 8, 2021, Colorado’s governor signed the Colorado Privacy Act, or CPA, into law. The CPA is similar to Virginia’s CDPA but also contains additional requirements. The new measure applies to companies conducting businesses in Colorado or who produce or deliver commercial products or services intentionally targeted to residents of the state that either: (1) control or process the personal data of at least 100,000 consumers during a calendar year; or (2) derive revenue or receive a discount on the price of goods and services from the sale of personal data and process or control the personal data of at least 25,000 consumers. Moreover, in March 2022, Utah’s governor signed the Utah Consumer Privacy Act (“UCPA”) into law and in May 2022, Connecticut Governor Lamont signed the Connecticut Data Privacy Act (“CTDPA”) into law. The UCPA and CTDPA draw heavily upon their predecessors in Virginia and Colorado.

With the CTDPA, Connecticut became the fifth state to enact a comprehensive privacy law. A number of additional other states have proposed bills for comprehensive consumer privacy laws and it is quite possible that certain of these bills will pass. The existence of comprehensive privacy laws in different states in the country, if enacted, will 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 has resulted in and will result in increased compliance costs and/or changes in business practices and policies.

At the federal level, there is a significant and potentially transformative bipartisan bill being debated. If passed, this proposed legislation, the American Data Privacy and Protection Act, would help to streamline certain of our privacy obligations, but would also introduce new stringent privacy and data security obligations that would apply to personal data collected from throughout the United States.

The existence of comprehensive privacy laws in different states in the country would make our compliance obligations more complex and costly and may increase the likelihood that we may be subject to enforcement actions or otherwise incur liability for noncompliance.

Many jurisdictions outside of Europe where we do business directly or through master resellers today and may seek to expand our business in the future, are also considering and/or have enacted comprehensive data protection or cybersecurity legislation. These include Australia, Brazil, China, Japan, Mexico and Singapore. We also continue to see jurisdictions imposing data localization laws that may, for example, require personal information of citizens to be collected, stored, and modified only within that country. These and similar regulations may interfere with our intended business activities, inhibit our ability to expand into those markets, require modifications to our products or services or prohibit us from continuing to offer services in those markets without significant additional costs.

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 laws in other jurisdictions or which our existing data management practices or the features of our services and platform capabilities. We therefore cannot yet fully determine the impact these or future laws, rules, regulations and industry standards may have on our business or operations. 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 imposition 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.

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 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), the requirement to capitalize and amortize research and development expenditures for fiscal years beginning after December 31, 2021, 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” (the “CARES Act”), which included certain changes in tax law intended to stimulate the U.S. economy in light of the ongoing 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 (the “Compuware Spin-Off”) nor the spin-off of SIGOS (the “SIGOS Spin-Off”) qualified as a tax-free spin-off under Section 355 or other provisions of the Internal Revenue Code (“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 44% and 50% for the six months ended September 30, 2022 and 2021, 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, including the recently strengthened dollar;
- volatility, uncertainties and recessionary pressures in the global economy or in the economies of the countries in which we operate;
- 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 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.

***Continued uncertainty in the U.S. and global economies, particularly Europe, along with uncertain geopolitical conditions, could negatively affect sales of our products and services and could harm our operating results.***

As our business has grown, we have become increasingly subject to the risks arising from adverse changes in the domestic and global economies. Uncertainty in the macroeconomic environment and associated global economic conditions, as well as geopolitical disruption, may result in extreme volatility in credit, equity, and foreign currency markets. These conditions may also adversely affect the buying patterns of our customers and prospective customers, including the size of transactions and length of sales cycles, which would adversely affect our overall pipeline as well as our revenue growth expectations. For example, we have recently seen lengthening sales cycles, which may affect our future revenues and results of operations. If macroeconomic or geopolitical conditions deteriorate or if the pace of recovery slows or is uneven, our overall results of operations could be adversely affected.

We continue to invest in our international operations. There are significant risks with overseas investments, and our growth prospects in these regions are uncertain. Increased volatility, further declines in the European credit, equity and foreign currency markets or geopolitical disruptions, including the military conflict between Russia and Ukraine, could cause delays in or cancellations of orders or have other negative impacts on our business operations in Europe and other regions throughout the world. If tensions between the United States, members of NATO and Russia continue to escalate and create global security concerns, it may result in an increased adverse impact on regional and global economies and increase the likelihood of cyber-attacks. Deterioration of economic or geopolitical conditions in the countries in which we do business could also cause slower or impaired collections on accounts receivable. In addition, we could experience delays in the payment obligations of our worldwide reseller customers if they experience weakness in the end-user market, which would increase our credit risk exposure and harm our financial condition.

As announced on March 7, 2022, we have suspended all business in Russia and Belarus. Although we do not have material operations in Ukraine, Russia or Belarus, geopolitical instability in the region, new sanctions and enhanced export controls may impact our ability to sell or export our platform in Ukraine, Russia, Belarus and surrounding countries. While we do not believe the overall impact to be material to our business results, if the conflict and scope of sanctions expand further or persist for an extended period of time, our business could be harmed.

***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 quarter ended September 30, 2022, 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 (“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 (“GAAP”) are subject to interpretation by the Financial Accounting Standards Board (“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, which have been increasingly prevalent alongside a strengthening U.S. dollar over recent periods, 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. Recent guidelines and regulations require that substantially all of our employees in the United States be fully vaccinated. As we enforce this policy, some of our employees who fail or refuse to comply may be suspended or terminated, which could have a negative impact on our productivity, employee morale, sales, operating results and overall financial performance. If we experience difficulties or delays in complying with these guidelines, our sales to the U.S. Federal government could be negatively impacted, and if we fail to comply we could be debarred from selling to the U.S. Federal government. 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 2021 we acquired SpectX, a provider of high-speed parsing and query analytics technology. 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, and could be disruptive to our operations. 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.

***Acquisitions and other strategic transactions could result in operating difficulties and could harm our business.***

Among other factors set forth in this “Risk Factors” section, our growth depends upon our ability to enhance our existing products and our ability to introduce new products on a timely basis. We intend to continue to address the need to develop new products and enhance existing products both through internal research and development, and also through the acquisition of other companies, product lines, technologies, and personnel. We expect to continue to consider and evaluate a wide array of potential acquisitions as part of our overall business strategy, including, but not limited to acquisitions of certain businesses, technologies, services, products and other assets and revenue streams (collectively, “Acquisitions”). At any given time, we may be engaged in discussions or negotiations with respect to one or more Acquisitions, any of which could, individually or in the aggregate, be material to our financial condition and results of operations. There can be no assurance that we will be successful in identifying, negotiating, and consummating favorable Acquisition opportunities. Acquisitions may involve additional significant challenges, uncertainties, and risks, including, but not limited to, challenges of integrating new employees, systems, technologies, and business cultures; failure to develop the acquired business adequately; disruption of our ongoing operations and diversion of our management’s attention; inadequate data security, cybersecurity and operational and information technology resilience; failure to identify, or our underestimation of, commitments, liabilities, deficiencies and other risks associated with acquired businesses or assets; inconsistency between the business models of our Company and the acquired company, and potential exposure to new or increased regulatory oversight and uncertain or evolving legal, regulatory, and compliance requirements; potential reputational risks that could arise from transactions with, or investments in, companies involved in new or developing businesses or markets, which may be subject to uncertain or evolving legal, regulatory, and compliance requirements; failure of the Acquisitions to advance our business strategy and of its anticipated benefits to materialize; potential impairment of goodwill or other acquisition-related intangible assets; and the potential for Acquisitions to result in dilutive issuances of our equity securities or significant additional debt. Acquisitions may also heighten many of the risks described in this “Risk Factors” section. Acquisitions are inherently risky, may not be successful, and may harm our business, results of operations, and financial condition.

***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 acquisition regulations and guidelines, 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 (“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 \$80.13 through September 30, 2022. 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 Chief Executive Officer, Chief Financial Officer, 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.

***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 (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 was 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 have 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 29.3% 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 29.3% of our issued and outstanding shares of common stock as of September 30, 2022. 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 20% 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 (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 of 1933, as amended (the "Securities Act" and such provision of our bylaws 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 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

None.

## **ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

Not applicable.

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

Not applicable.

## **ITEM 5. OTHER INFORMATION**

None.

## ITEM 6. EXHIBITS

The exhibits listed below are filed or incorporated by reference into this Report.

<b>Exhibit Number</b>	<b>Exhibit Title</b>
3.1(1)	Amended and Restated Certificate of Incorporation of the Registrant
3.2(2)	Amended and Restated Bylaws of the Registrant
4.1(3)	Form of Common Stock certificate of the Registrant
<a href="#">10.19##*</a>	<a href="#">Executive Officer Employment Agreement between the Company and Matthias Dollentz-Scharer</a>
<a href="#">31.1</a>	<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>
<a href="#">31.2</a>	<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>
<a href="#">32.1**</a>	<a href="#">Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act</a>
101.INS	Inline 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.

(1) Filed as Exhibit 3.3 to Registrant's Registration Statement on Form S-1 filed with the Securities and Exchange Commission on July 5, 2019, and incorporated herein by reference.

(2) Filed as Exhibit 3.5 to Registrant's Registration Statement on Form S-1 filed with the Securities and Exchange Commission on July 5, 2019, and incorporated herein by reference.

(3) Filed as Exhibit 4.1 to Registrant's Registration Statement on Form S-1 filed with the Securities and Exchange Commission on July 5, 2019, and incorporated herein by reference.

# 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 Quarterly Report on Form 10-Q 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 the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**DYNATRACE, INC.**

Date: November 2, 2022

By: /s/ Rick McConnell  
\_\_\_\_\_  
Rick McConnell  
Chief Executive Officer  
(Principal Executive Officer)

Date: November 2, 2022

By: /s/ Kevin C. Burns  
\_\_\_\_\_  
Kevin C. Burns  
Chief Financial Officer & Treasurer  
(Principal Financial Officer)

# EMPLOYMENT CONTRACT

Concluded between

**Dynatrace Austria GmbH**, FN 91482 h, Freistädterstraße 313, 4040 Linz (hereinafter referred to as „ **employer**“)

and

Mr. Mag. **Matthias Scharer**, born on [\*\*\*\*\*], living in [\*\*\*\*\*]

(hereinafter referred to as „ **employee**“). as follows:

Dynatrace/EmployCont\_

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## **I. Applicable Regulations**

The following regulations apply to the contractual relationship between employer and employee:

1. the provisions of this contract of employment;
2. the provisions of the articles of association as amended;
3. the current rules of procedures;
4. the provisions of the Limited Liability Companies Act, as amended, as well as all other statutory provisions, in particular the Salaried Employees Act.

## **II. Start and duration of employment**

1. The employment began on 08/01/2014 and is not limited in time.
2. With regard to the restructuring of the Dynatrace Group, the parties enter into this new employment contract. It replaces all previous agreements starting on 08/01/2019, unless otherwise specified in this contract.
3. There are no verbal collateral agreements in place.

## **III. Position and duties**

1. The employee is hired as an SVP for business operations.
2. The employee is obliged to perform all work related to this activity. The employer expressly reserves the right to use the employee for other activities, temporary or permanent.
3. The collective agreement for employees of companies in the field of automatic data processing and information technology services (hereinafter referred to as the "**collective agreement**") shall apply to the employment relationship.
4. The duties of the employee include in particular: SVP for business operations responsible for the management and improvement of post sales-operations, including cloud operations, customer adoption, retention and technical support and renewals, and such other responsibilities as assigned by the employee's supervisor.



5. Place of employment is the respective location of the employer, which is currently located in Linz. The employee agrees to exercise his duties at a new place of employment at the request of the employer.

#### **IV. Compensation**

1. The employee receives a monthly base salary of EUR 15,714.29.
2. Special payments are payable in accordance with the provisions of the collective agreement.
3. In addition to his monthly base salary, the employee receives an incentive compensation, the amount of which is determined by the Board of Directors (the "Board") of the parent company Dynatrace, Inc. or the Compensation Committee of the Board (the "Committee"). In the first year, the incentive compensation shall be sixty 60 % of the yearly base salary, provided that the corporate goals and other metrics such as and contribution margins that may be set by the Board or the Committee are achieved. The actual amount of the annual premium is at the sole discretion of the Board or the Committee, taking into account any internal incentive compensation plan. An incentive compensation is only due if the employee is in an employment relationship between the parties is in effect on the due date. The incentive compensation is due annually simultaneously with the base salary for the month within which the Board or the Committee formally determines that the corporate goals and any other metrics (such as contribution margin) were actually achieved for the past year.
4. The employee is obliged to check the correctness of his payroll each month. In the event of erroneously overpay, the employee is obliged to refund the surplus of the payment within two weeks of becoming aware of it, at the latest within one month of receipt.
5. All payments to the employee with regard to this employment contract shall be made to an Austrian salary bank account, which is to be disclosed by the employee. All payments are made monthly in arrears until the last day of the respective month.
6. The employee is prohibited to receive commissions, remuneration or other grants with cash value from third parties.

#### **V. Working hours**

1. The regular weekly working hours amount to 38.5 hours. The terms of the collective agreement apply.
2. The employee expressly declares his willingness to work additional hours and over- time hours, if necessary, also on Sundays and public holidays, to the extent permitted by law. The employee will work overtime hours only at the express instruction of the employer.
3. The exact daily working hours are determined by the employer. The employer expressly reserves the right to change the daily working hours.
4. Exact working hours will be agreed upon between the employee and his supervisor.

#### **VI. Business trips**

1. For necessary business travel, the employee is entitled to compensation for the appropriate expenses in return for corresponding records which comply with the provisions of tax law.
2. The expenses are reimbursed according to the travel policies in place for the Dynatrace Group.

#### **VII. Paid leave**

1. The employee is entitled to a paid leave for holidays in the amount of 30 working days ("Werktage" = 5 weeks) each year.
2. A leave agreement requires the express written consent of the employer. A request in this respect is to be announced by the employee in a timely manner before the planned vacation starts.
3. The leave year corresponds to the work year.
4. Upon termination of the employment contract, the contracting parties agree that the employee will fully consume his remaining leave until the end date.

#### **VIII. Confidentiality**

1. The employee is obliged to treat the business and trade secrets as well as all other confidential matters of the employer with strict confidentiality and to keep them

confidential. Such knowledge shall only be used for the purposes of the employer. The same applies to other data and circumstances that require confidentiality in their nature. This obligation of the employee exists to anyone and regardless of the duration of the contractual relationship and remains upright even after termination of the employment without time limit.

2. The removal of documents, data carriers, drafts, copies, etc. from the domain of the employer is permitted only for official business purposes and may be prohibited entirely in individual cases by the employer. Upon termination of the employment, all papers and documents, including electronic data carriers, etc. in the possession of the employee, as well as any other property of the employer, including all copies, as well as all keys, must be returned immediately.
3. The employee is obliged to transmit data from data processing entrusted to him or made available to him solely on the basis of his professional occupation, only on the express order of the employer and also to keep data secrecy during and after termination of the employment.
4. Software packages purchased or leased by the employer are subject to industrial property rights of third parties. The employee is obliged to use the software packages given to him for use exclusively for his professional employment with the employer. The use of the software packages as well as the production of copies for other purposes is strictly forbidden. The employee must ensure that these software packages are not used by third parties for unauthorized purposes and that unauthorized persons are not aware of them.
5. The spying and passing on of business and trade secrets or other confidential communications of the employer shall be deemed a reason for termination with cause (§ 27 Salaried Employee Act).
6. In the event of a breach of this duty of confidentiality, the employee is obligated to pay a penalty without fault amounting to three times his last monthly gross salary, including special payments and variable remuneration components, which is due immediately upon assertion of the claims by the employer.

#### **IX. Non-competition clause/poaching of customers and coworkers/prohibition of secondary employment**

1. The employee is obliged not to engage in any dependent or self-employed activity during his employment as well as the following 12 months after termination of employment in the branch of business of the employer without his written consent. The employee is also obliged not to participate, directly or indirectly, in a business engaged in the business of the employer. This shall not apply to employee's ownership of not more than 5% of the outstanding stock of a public company.
2. Furthermore, the employee is obliged not to contact or hire customers or employees of the employer for the purpose of initiating business during his employment as well as the following 12 months after termination of employment. In particular, the employee is prohibited from employing or engaging employees of the employer in any form whatsoever.
3. In the event of a breach of this article, the employee is obliged to pay a penalty without fault amounting to three times his last monthly gross salary, including special payments and variable remuneration elements, which is due immediately upon the assertion of the claims by the employer.

#### **X. Termination of employment**

1. The employment may be terminated by the employer subject to the statutory notice period, however no less than three months, without giving a reason, in writing, effectively to the last day of each calendar month.
2. The employee may terminate the employment with a three-month notice period with effectiveness to the last day of each calendar month.
3. Both parties shall have the right to dissolve the employment relationship prematurely without observance of a notice period if there is good cause for the purpose of the Salaried Employee Act.
4. Good causes for dismissal by the employer are the following reasons in particular, but not exclusively:
  - a. Conduct of the employee constituting a material breach in regard to the performance of his contractual duties, in particular the persistent refusal to carry out orders by the CEO, dishonesty towards the CEO with respect to

material business matters and the improper use of funds or other property the employer or affiliated companies for personal purposes of the employee

- b. Criminally relevant actions of the employee, in particular fraud or embezzlement
  - c. Any conduct on the part of the employee, regardless whether or not it is made in the course of official duties, which may potentially damage the reputation of the employer or a company of the Dynatrace group
  - d. Persistent breach of duties arising from this agreement, in spite of the CEO's warning
  - e. Violation of the secondary employment prohibition by the employee
  - f. Significant violations of internal company policies
  - g. Refusal of the employee to participate in an appropriate way in an internal or external investigation of the employer, as well as the intentional destruction or improper storage of important documents
5. Good causes which entitle the employee to terminate employment prematurely are the following reasons in particular, but not exclusively:
- h. Substantial limitation of the responsibilities and powers of the employee
  - i. Repeated delay of the salary payment by the employer
  - j. Substantial change of the place of business if the distance between the main place of residence of the employee and the new place of business exceeds 40 km
  - k. Significant violations of the employment agreement by the employer

#### **XI. Severance Pay and Benefits upon Termination**

1. This section only applies if
- l. employment is terminated by the company without cause, or
  - m. employment is terminated by the employee with cause.

2. If termination of employment is not connected with a change in control, the employee will receive a voluntary termination payment amounting to 9 months of base pay in addition to his accrued statutory claims. The payment will be made in 9 equal monthly payments, starting at the end of the agreed notice period.
3. If termination of employment occurs within three months prior or within 12 months following a change in control, the employee will receive a voluntary termination payment amounting to 15 months of base pay in addition to his accrued claims. The payment will be made in one lump sum at the effective time of termination. Additionally, all outstanding equity awards shall be fully accelerated and become 100% vested, effective upon the earlier of
  - n. the date that employment is effectively terminated, or
  - o. the day that the employee goes on garden leave in lieu of notice.

In addition, with respect to equity awards issued to the employee prior to July 31, 2019, the employee and the employer agree that (i) 50% of the award that is unvested shall accelerate and become vested at the time of a Change in Control, regardless of whether the employee's employment has been terminated, and (ii) the remaining portion of the award that is unvested following the Change in Control shall accelerate and become vested at the time provided in the preceding sentence, but only if this Article XI applies as stated in paragraph (1).

4. "Change of control" for the purposes of this section has the meaning given in the Dynatrace, Inc. 2019 equity Incentive Plan, as filed with the United States Securities and Exchange Commission (SEC).
5. All benefits mentioned in this section are only granted on condition that the employee signs a separation agreement and release in a form and manner satisfactory to the employer, with the signature required before any voluntary amounts are paid or equity awards are accelerated.
6. It is pointed out expressly that all benefits mentioned in this section are granted on a voluntary basis. The employer offers the employee the possibility to receive the mentioned benefits in return to signing a separation agreement and release. This offer does not in any way oblige the employee to sign a separation agreement and release. All accrued statutory claims are granted to the employee regardless of whether a separation agreement and release is signed.

## **XII. Sick leave / leave of absence**

The employee is obliged to notify the employer of any foreseeable reason that prevents him from performing his professional duties before it occurs, any unforeseeable reason (eg illness, accident) as soon as possible, but in either case no later than 8 am on the first day of leave. In the event of an accident at work or on the way to work, the employer must be informed immediately, even if the work is not stopped. If the leave is caused by illness / accident, the employee is obliged to submit a confirmation from the sickness insurance organization or a medical professional stating the cause and expected duration of the illness no later than on the third day of leave. If the employee fails to fulfill this obligation, he loses the entitlement to compensation for the duration of the default.

## **XIII. Change of personal data**

The employee is obliged to immediately notify the employer in writing of any change in his address as well as any other changes in regard of his personal data. Any failure to do so shall make the employee liable to the Employer for any consequences thereof. The employee agrees that the employer sends him messages to his private email address.

## **XIV. Job-related inventions**

1. Job-related inventions of the employee according to § 7 (3) of the Austrian Patent Act belong to the employer. The employee is obliged to notify the employer of any inventions without delay. The employer must declare to the employee, within 4 months of receipt of the notification, whether he claims the invention as a job- related invention. If the employee omits the notification, he is liable to the employer for the compensation of any damage caused the omission, which also includes the loss of profit. The right of the employer to demand the job-related invention, which also includes the transfer of a possibly already filed patent to the employer, remains unaffected.
2. The employer also has the exclusive right of use and enjoyment of all works protected by copyright, in particular computer software, samples and other intellectual property rights, which the employee develops in the course of his official duties or in whose development he participates. This right of use and enjoyment exists for an indefinite period of time and does not expire if the employment is terminated. The employee is obliged not to disclose, use or otherwise make available to third

parties any software developed during the term of his employment or in whose development he was involved.

3. The salary of the employee agreed upon in this employment agreement covers all claims of the employee resulting from this article.

#### **XV. Voluntary benefits**

If the employer makes payments or other grants to the employee beyond the salary claims, the employee acknowledges the voluntary, noncommittal and revocable character of such benefits and declares that he expressly refrains from deriving a legal claim to the payment of such amount or even a grant in the following year, even if the benefit is paid in multiple years at the same or approximately the same level as in previous years.

#### **XVI. Employee pension fund**

The contributions to be made on the basis of the Austrian Employee Pension Fund Act (BMSVG) will be wired to the Allianz Vorsorgekasse AG - Kassenleitzahl 71500.

#### **XVII. Miscellaneous**

1. A liability of the employer for the damage or the loss of personal property of the employee which he has used in regard to his performance of the contract is adequately compensated by the salary. Therefore the obligation to indemnify according to § 1014 of the Austrian General Civil Law (ABGB) is excluded by mutual agreement. This exclusion of liability applies in particular to damage to means of transport (such as private cars) as well as to items the employee brought to his working space.
2. All reciprocal claims arising out of the employment must be asserted in writing within three months of their due date, otherwise they will be considered lapsed.
3. The employee confirms with his signature that he has been given a copy of this contract. The original remains with the employer.
4. Changes and additions to this contract must be made in writing in order to be valid. This also applies to a mutual deviation from the written form. There are no collateral agreements to this contract.



5. Should one or more provisions of this employment agreement be legally invalid, this shall not affect the validity of the remaining provisions. In place of the ineffective provision, such provisions shall be deemed to have been agreed upon, which are legally effective and come closest to the economic purpose of the invalid provision.
6. The employment agreement is subject to Austrian law. The place of jurisdiction is agreed upon to be at the registered office of the employer.

September 19, 2019 | 05:24:49 EDT

Waltham,

/s/ Matthias Scharer

.....  
Mag. **Matthias Scharer**  
born on [\*\*\*\*\*] (employee)

/s/ Craig Newfield

.....  
**Dynatrace Austria GmbH**  
FN 91482 h  
(employer)

**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, Rick McConnell, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q 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 caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    - c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    - d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
  5. The registrant's other certifying officer 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: November 2, 2022

Dynatrace, Inc.

By: /s/ Rick McConnell

Rick McConnell

*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 Quarterly Report on Form 10-Q 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 caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    - c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    - d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
  5. The registrant's other certifying officer 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: November 2, 2022

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, Rick McConnell, 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 Quarterly Report on Form 10-Q of Dynatrace, Inc. for the period ended September 30, 2022 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 Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Dynatrace, Inc.

Date: November 2, 2022

By: /s/ Rick McConnell

Rick McConnell

*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 Quarterly Report on Form 10-Q of Dynatrace, Inc. for the period ended September 30, 2022 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 Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Dynatrace, Inc.

Date: November 2, 2022

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 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.*