

**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 AND EXCHANGE ACT OF 1934

For the quarterly period ended July 31, 2025

or

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

For the transition period from _____ to _____

Commission File Number: 001-38856

PAGERDUTY, INC.

(Exact name of registrant as specified in its charter)

Delaware

27-2793871

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification Number)

600 Townsend St., Suite 200
San Francisco, California

94103

(Address of principal executive offices)

(Zip Code)

(844) 800-3889

(Registrant's telephone number, including area 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 \$0.000005 per share	PD	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	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 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 total number of shares of common stock outstanding as of August 29, 2025, was 93,246,403.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

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

- the impact of an economic downturn or recession, rising inflation, tariffs and trade wars, or significant market volatility in the global economy on our customers, partners, employees and business;
- trends in key business metrics, including annual recurring revenue (“ARR”), number of customers and dollar-based net retention rate, and non-GAAP financial measures and their usefulness in evaluating our business;
- trends in revenue, cost of revenue, and gross margin;
- trends in operating expenses, including research and development, sales and marketing, and general and administrative expense, and expectations regarding these expenses as a percentage of revenue;
- our existing cash and cash equivalents and cash provided by sales of our subscriptions being sufficient to support working capital and capital expenditures for at least the next 12 months and our ability to meet longer-term expected future cash requirements and obligations, through a combination of cash flows from operating activities and available cash and short-term investment balances;
- our ability to effectively identify, acquire, and integrate complementary companies, technologies, and assets, including our ability to successfully integrate artificial intelligence and machine learning in our offerings;
- our ability to service the interest on our convertible notes and repay such notes, to the extent required;
- our efforts to maintain proper and effective internal controls;
- our ability to expand our operations and increase adoption of our platform internationally;
- our ability to stay abreast of new or modified laws and regulations that currently apply or become applicable to our business both in the United States and internationally; and
- other statements regarding our future operations, financial condition, and prospects and business strategies.

Such forward-looking statements are based on our expectations as of the date of this filing and are subject to a number of risks, uncertainties and assumptions, including, but not limited to, risks detailed in the “Risk Factors” section of this Form 10-Q and in our Annual Report on Form 10-K for the year ended January 31, 2025, filed with the SEC on March 17, 2025. Readers are urged to carefully review and consider the various disclosures made in this Form 10-Q and in other documents we file from time to time with the Securities and Exchange Commission (the “SEC”), that disclose risks and uncertainties that may affect our business. Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for us to predict all risks, nor can we assess the effect of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties, and assumptions, the future events and trends discussed in this Form 10-Q may not occur, and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

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

PART I. FINANCIAL INFORMATION
Item 1. Financial Statements

PAGERDUTY, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands)
(unaudited)

	July 31, 2025	January 31, 2025
Assets		
Current assets:		
Cash and cash equivalents	\$ 339,712	\$ 346,460
Investments	228,142	224,366
Accounts receivable, net of allowance for credit losses of \$1,125 and \$1,103 as of July 31, 2025 and January 31, 2025, respectively	70,401	107,350
Deferred contract costs, current	19,004	19,787
Prepaid expenses and other current assets	14,489	13,757
Total current assets	671,748	711,720
Property and equipment, net	25,211	21,335
Deferred contract costs, non-current	25,089	25,279
Lease right-of-use assets	8,266	6,806
Goodwill	137,401	137,401
Intangible assets, net	17,727	20,865
Other assets	6,089	3,860
Total assets	\$ 891,531	\$ 927,266
Liabilities, redeemable non-controlling interest, and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 7,046	\$ 7,329
Accrued expenses and other current liabilities	15,016	20,322
Accrued compensation	28,419	37,505
Deferred revenue, current	227,014	243,269
Lease liabilities, current	3,646	3,307
Convertible senior notes, net, current	—	57,426
Total current liabilities	281,141	369,158
Convertible senior notes, net, non-current	394,541	393,282
Deferred revenue, non-current	2,900	2,483
Lease liabilities, non-current	10,186	9,637
Other liabilities	5,082	4,661
Total liabilities	693,850	779,221
Commitments and contingencies (Note 10)		
Redeemable non-controlling interest (Note 3)	16,972	18,217
Stockholders' equity		
Common stock	—	—
Additional paid-in capital	774,139	725,483
Accumulated other comprehensive loss	(673)	(485)
Accumulated deficit	(592,757)	(595,170)
Total stockholders' equity	180,709	129,828
Total liabilities, redeemable non-controlling interest, and stockholders' equity	\$ 891,531	\$ 927,266

See accompanying notes to unaudited condensed consolidated financial statements.

PAGERDUTY, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)
(unaudited)

	Three months ended July 31,		Six months ended July 31,	
	2025	2024	2025	2024
Revenue	\$ 123,411	\$ 115,935	\$ 243,216	\$ 227,107
Cost of revenue	19,001	20,080	38,185	39,423
Gross profit	104,410	95,855	205,031	187,684
Operating expenses:				
Research and development	30,897	35,088	64,945	72,611
Sales and marketing	44,456	50,966	94,501	99,465
General and administrative	25,491	25,828	52,346	53,368
Total operating expenses	100,844	111,882	211,792	225,444
Income (loss) from operations	3,566	(16,027)	(6,761)	(37,760)
Interest income	6,149	7,516	12,160	14,496
Interest expense	(2,286)	(2,363)	(4,650)	(4,511)
Other income (expense), net	120	117	234	(134)
Income (loss) before provision for income taxes	7,549	(10,757)	983	(27,909)
(Benefit from) provision for income taxes	(1,865)	427	(1,052)	620
Net income (loss)	\$ 9,414	\$ (11,184)	\$ 2,035	\$ (28,529)
Net loss attributable to redeemable non-controlling interest	(161)	(272)	(378)	(478)
Net income (loss) attributable to PagerDuty, Inc.	\$ 9,575	\$ (10,912)	\$ 2,413	\$ (28,051)
Less: Adjustment attributable to redeemable non-controlling interest	(202)	2,330	(867)	9,247
Net income (loss) attributable to PagerDuty, Inc. common stockholders	\$ 9,777	\$ (13,242)	\$ 3,280	\$ (37,298)
Weighted-average shares used in calculating net income (loss) per share:				
Basic	92,600	93,289	91,997	93,082
Diluted	94,198	93,289	93,895	93,082
Net income (loss) per share attributable to PagerDuty, Inc. common stockholders				
Basic	\$ 0.11	\$ (0.14)	\$ 0.04	\$ (0.40)
Diluted	\$ 0.10	\$ (0.14)	\$ 0.03	\$ (0.40)

See accompanying notes to unaudited condensed consolidated financial statements.

PAGERDUTY, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(in thousands)
(unaudited)

	Three months ended July 31,		Six months ended July 31,	
	2025	2024	2025	2024
Net income (loss)	\$ 9,414	\$ (11,184)	\$ 2,035	\$ (28,529)
Unrealized (loss) gain on investments	(365)	505	(209)	(59)
Foreign currency translation adjustments	34	—	21	62
Total comprehensive income (loss)	\$ 9,083	\$ (10,679)	\$ 1,847	\$ (28,526)
Less: comprehensive loss attributable to redeemable non-controlling interest				
Net loss attributable to redeemable non-controlling interest	(161)	(272)	(378)	(478)
Comprehensive loss attributable to redeemable non-controlling interest	(161)	(272)	(378)	(478)
Comprehensive income (loss) attributable to PagerDuty, Inc.	\$ 9,244	\$ (10,407)	\$ 2,225	\$ (28,048)

See accompanying notes to unaudited condensed consolidated financial statements.

PAGERDUTY, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands, except share data)
(unaudited)

Three months ended July 31, 2025						
	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount				
Balance as of April 30, 2025	92,154,287	\$ —	\$ 748,331	\$ (342)	\$ (602,332)	\$ 145,657
Issuance of common stock upon exercise of stock options	19,758	—	208	—	—	208
Vesting of restricted stock units, net of employee payroll taxes	686,682	—	(6,411)	—	—	(6,411)
Issuance of common stock in connection with the employee stock purchase plan	377,811	—	4,618	—	—	4,618
Other comprehensive loss	—	—	—	(331)	—	(331)
Stock-based compensation	—	—	27,191	—	—	27,191
Adjustment to redeemable non-controlling interest	—	—	202	—	—	202
Net income attributable to PagerDuty, Inc.	—	—	—	—	9,575	9,575
Balance as of July 31, 2025	93,238,538	\$ —	\$ 774,139	\$ (673)	\$ (592,757)	\$ 180,709

Six months ended July 31, 2025						
	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount				
Balance as of January 31, 2025	91,082,604	\$ —	\$ 725,483	\$ (485)	\$ (595,170)	\$ 129,828
Issuance of common stock upon exercise of stock options	473,951	—	3,810	—	—	3,810
Vesting of restricted stock units and performance stock units, net of employee payroll taxes	1,304,172	—	(13,968)	—	—	(13,968)
Issuance of common stock in connection with employee stock purchase plan	377,811	—	4,618	—	—	4,618
Other comprehensive loss	—	—	—	(188)	—	(188)
Stock-based compensation	—	—	53,329	—	—	53,329
Adjustment to redeemable non-controlling interest	—	—	867	—	—	867
Net income attributable to PagerDuty, Inc.	—	—	—	—	2,413	2,413
Balance as of July 31, 2025	93,238,538	\$ —	\$ 774,139	\$ (673)	\$ (592,757)	\$ 180,709

Three months ended July 31, 2024								
	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive (Loss) Income	Accumulated Deficit	Treasury stock		Total Stockholders' Equity
	Shares	Amount				Shares	Amount	
Balance as of April 30, 2024	95,599,725	\$ —	\$ 794,842	\$ (1,235)	\$ (569,574)	(2,331,002)	\$ (50,000)	\$ 174,033
Issuance of common stock upon exercise of stock options	90,011	—	513	—	—	—	—	513
Vesting of restricted stock units, net of employee payroll taxes	595,985	—	(7,576)	—	—	—	—	(7,576)
Issuance of common stock in connection with the employee stock purchase plan	312,660	—	5,735	—	—	—	—	5,735
Other comprehensive income	—	—	—	505	—	—	—	505
Repurchases of common stock	—	—	—	—	—	(1,313,248)	(28,063)	(28,063)
Retirement of treasury stock	(3,565,486)	—	(76,364)	—	—	3,565,486	76,364	—
Stock-based compensation	—	—	32,779	—	—	—	—	32,779
Adjustment to redeemable non-controlling interest	—	—	(2,330)	—	—	—	—	(2,330)
Net income (loss) attributable to PagerDuty, Inc.	—	—	—	—	(10,912)	—	—	(10,912)
Balance as of July 31, 2024	93,032,895	\$ —	\$ 747,599	\$ (730)	\$ (580,486)	(78,764)	\$ (1,699)	\$ 164,684

Six months ended July 31, 2024								
	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive (Loss) Income	Accumulated Deficit	Treasury stock		Total Stockholders' Equity
	Shares	Amount				Shares	Amount	
Balance as of January 31, 2024	95,068,187	\$ —	\$ 774,768	\$ (733)	\$ (552,435)	(2,331,002)	\$ (50,000)	\$ 171,600
Issuance of common stock upon exercise of stock options	131,886	—	804	—	—	—	—	804
Vesting of restricted stock units and performance stock units, net of employee payroll taxes	1,085,648	—	(14,128)	—	—	—	—	(14,128)
Issuance of common stock in connection with the employee stock purchase plan	312,660	—	5,735	—	—	—	—	5,735
Other comprehensive income	—	—	—	3	—	—	—	3
Repurchases of common stock	—	—	—	—	—	(1,313,248)	(28,063)	(28,063)
Retirement of treasury stock	(3,565,486)	—	(76,364)	—	—	3,565,486	76,364	—
Stock-based compensation	—	—	66,031	—	—	—	—	66,031
Adjustment to redeemable non-controlling interest	—	—	(9,247)	—	—	—	—	(9,247)
Net income (loss) attributable to PagerDuty, Inc.	—	—	—	—	(28,051)	—	—	(28,051)
Balance as of July 31, 2024	93,032,895	\$ —	\$ 747,599	\$ (730)	\$ (580,486)	(78,764)	\$ (1,699)	\$ 164,684

See accompanying notes to unaudited condensed consolidated financial statements.

PAGERDUTY, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Six months ended July 31,	
	2025	2024
Cash flows from operating activities:		
Net income (loss) attributable to PagerDuty, Inc. common stockholders	\$ 3,280	\$ (37,298)
Net loss and adjustment attributable to redeemable non-controlling interest	(1,245)	8,769
Net income (loss)	2,035	(28,529)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	7,084	10,455
Amortization of deferred contract costs	11,217	10,706
Amortization of debt issuance costs	1,332	1,279
Stock-based compensation	51,713	65,306
Non-cash lease expense	893	1,635
Other	(1,367)	(2,465)
Changes in operating assets and liabilities:		
Accounts receivable	36,529	33,157
Deferred contract costs	(10,243)	(10,130)
Prepaid expenses and other assets	(2,256)	(2,862)
Accounts payable	(459)	779
Accrued expenses and other liabilities	(5,190)	(829)
Accrued compensation	(9,332)	(821)
Deferred revenue	(15,930)	(10,316)
Lease liabilities	(1,382)	(2,949)
Net cash provided by operating activities	64,644	64,416
Cash flows from investing activities:		
Purchases of property and equipment	(1,315)	(1,094)
Capitalized software costs	(4,136)	(2,941)
Purchases of available-for-sale investments	(92,317)	(98,400)
Proceeds from maturities of available-for-sale investments	88,910	93,577
Proceeds from sales of available-for-sale investments	1,248	2,237
Purchases of non-marketable equity investments	(1,250)	—
Net cash used in investing activities	(8,860)	(6,621)
Cash flows from financing activities:		
Cash paid for debt issuance costs	—	(403)
Repurchases of common stock	—	(27,213)
Repayments of convertible senior notes	(57,500)	—
Proceeds from employee stock purchase plan	4,618	5,735
Proceeds from issuance of common stock upon exercise of stock options	3,810	804
Employee payroll taxes paid related to net share settlement of restricted stock units	(13,968)	(14,128)
Net cash used in financing activities	(63,040)	(35,205)
Effects of foreign currency exchange rates on cash, cash equivalents, and restricted cash	113	(23)
Net change in cash, cash equivalents, and restricted cash	(7,143)	22,567
Cash, cash equivalents, and restricted cash at beginning of period	348,328	366,667
Cash, cash equivalents, and restricted cash at end of period	\$ 341,185	\$ 389,234
Reconciliation of cash, cash equivalents, and restricted cash to the condensed consolidated balance sheets:		
Cash and cash equivalents	\$ 339,712	\$ 385,673
Restricted cash in other long-term assets	1,473	3,561
Total cash, cash equivalents, and restricted cash	\$ 341,185	\$ 389,234

Supplemental cash flow data:

Cash paid for income taxes	\$	961	\$	345
Cash paid for interest	\$	3,378	\$	4,866
Non-cash investing and financing activities:				
Purchase of property and equipment, accrued but not yet paid	\$	403	\$	199
Stock-based compensation capitalized in software costs	\$	1,900	\$	848
Bonuses capitalized in software costs	\$	237	\$	137
Repurchases of common stock in transit	\$	—	\$	850

See accompanying notes to unaudited condensed consolidated financial statements.

PAGERDUTY, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

Note 1. Description of Business and Basis of Presentation

Description of Business

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

PagerDuty, Inc., together with its wholly-owned subsidiaries and subsidiaries in which PagerDuty, Inc. holds a controlling interest (collectively, the “Company”), provides a digital operations management platform that manages urgent and mission-critical work for a modern, digital business (the “PagerDuty Platform”). The PagerDuty Platform collects data and digital signals from virtually any software-enabled system or device and leverages powerful machine learning to correlate, process, and predict opportunities and issues. Using incident response, event management, and automation, the Company brings together the right people with the right information so they can resolve issues and act on opportunities in minutes or seconds from wherever they are.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with United States (“U.S.”) generally accepted accounting principles (“U.S. GAAP” or “GAAP”), and applicable rules and regulations of the Securities and Exchange Commission (“SEC”) regarding interim financial reporting. The condensed consolidated balance sheet as of January 31, 2025 was derived from the audited consolidated financial statements as of that date but does not include all of the information and notes required by GAAP for complete financial statements. Certain information and footnote disclosures normally included in the financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. Therefore, these condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the related notes thereto as of and for the year ended January 31, 2025, included in the Company’s Annual Report on Form 10-K.

The condensed consolidated financial statements include the results of PagerDuty, Inc., its wholly-owned subsidiaries, and subsidiaries in which the Company holds a controlling interest. All intercompany balances and transactions have been eliminated in consolidation.

In the opinion of management, the information contained herein reflects all adjustments necessary for a fair statement of the Company’s financial position, results of operations and comprehensive income (loss), stockholders’ equity, and cash flows. The results of operations for the three and six months ended July 31, 2025 are not necessarily indicative of the results to be expected for the full year ending January 31, 2026 or for any other interim period, or for any future year.

The Company’s fiscal year ends on January 31. References to fiscal 2026 refer to the fiscal year ending January 31, 2026.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make, on an ongoing basis, estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from these estimates. The Company’s most significant estimates and judgments involve the period of benefit for amortizing deferred contract costs, the determination of the fair value of acquired assets and assumed liabilities, stock-based compensation, redemption value of redeemable non-controlling interests, and estimates related to the Company’s revenue recognition, such as the assessment of performance obligations in the Company’s revenue arrangements and the fair value assigned to each performance obligation, among others. Management bases its estimates on historical experience and on various other assumptions which management believes to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities.

Note 2. Summary of Significant Accounting Policies

Concentrations of Risk and Significant Customers

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

No single customer accounted for 10% or more of the total accounts receivable balance as of July 31, 2025 or January 31, 2025. No single customer accounted for 10% or more of revenue for the three and six months ended July 31, 2025 or 2024.

Segment Information

The Company manages its operations and allocates resources as one operating segment at the consolidated level. The Company's chief operating decision maker ("CODM") is its chief executive officer. The CODM uses consolidated net income (loss) to measure segment profit or loss, allocate resources, make operating decisions, and assess performance through monitoring and evaluation of forecast versus actual results. Further, the CODM reviews and utilizes functional expenses (cost of revenue, sales and marketing, research and development, and general and administrative) at the consolidated level to manage the Company's operations. Net income (loss) is the Company's primary measure of profit or loss. Significant expenses within net income (loss) include cost of revenue, research and development, sales and marketing, and general and administrative, which each are separately presented on the condensed consolidated statements of operations. Stock-based compensation expense is also a significant expense within net income (loss). Refer to [Note 12. Common Stock and Stockholders' Equity](#) for additional information about the Company's stock-based compensation expense. Other segment items include interest income, interest expense, other expense, net, and provision for (benefit from) income taxes on the condensed consolidated statements of operations. Refer to [Note 15. Geographic Information](#) for information regarding the Company's long-lived assets and revenue by geography.

Related Party Transactions

Certain members of the Company's Board of Directors serve as directors of, or are executive officers of, and in some cases are investors in, companies that are customers or vendors of the Company. The Company had no material related party transactions in the three and six months ended July 31, 2025. In the six months ended July 31, 2024, the Company billed \$4.0 million to entities associated with related parties. Other related party transactions for the three and six months ended July 31, 2024 were not significant.

Significant Accounting Policies

There have been no material changes to the Company's significant accounting policies from those described in the Company's Annual Report on Form 10-K.

Restricted Cash

The Company has classified cash that is not available for use in its operations as restricted cash. Restricted cash consists primarily of collateral for letters of credit related to security deposits for the Company's office facility lease arrangements. As of July 31, 2025 and January 31, 2025, the Company had restricted cash of \$1.5 million and \$1.9 million, respectively, all of which was classified as non-current and included in other assets on the condensed consolidated balance sheets.

Recent Accounting Pronouncements Not Yet Adopted

In December 2023, the FASB issued ASU No. 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*. This ASU requires disaggregated information about a reporting entity's effective tax rate reconciliation as well as information on income taxes paid. This ASU is effective for fiscal years beginning after December 15, 2024. The Company is currently evaluating the impact of the new guidance on its condensed consolidated financial statements.

In November 2024, the FASB issued ASU No. 2024-03, Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses. In January 2025, the FASB issued ASU No. 2025-01 to clarify the effective date of ASU 2024-03. ASU 2024-03 requires that at each interim and annual reporting period, an entity discloses the amounts of certain expenses included in each relevant expense caption. The newly required expense disclosures include certain amounts that are already required to be disclosed under current GAAP in the same disclosure as the other disaggregation requirements. The amendment also requires that an entity discloses a qualitative description of the amounts remaining in relevant expense captions that are not separately disaggregated quantitatively and disclose the total amount of selling expenses and, in annual reporting periods, an entity's definition of selling expenses. This ASU is effective for fiscal years beginning after December 15, 2026. The Company is currently evaluating the impact of the new guidance on its condensed consolidated financial statements.

In November 2024, the FASB issued ASU No. 2024-04, Debt - Debt with Conversion and Other Options (Subtopic 470-20): Induced Conversion of Convertible Debt Instruments. This ASU clarifies the requirements for determining whether certain settlements of convertible debt instruments should be accounted for as an induced conversion. The amendments in this update are effective for all entities for annual reporting periods beginning after December 15, 2025. The Company is currently evaluating the impact of the new guidance on its condensed consolidated financial statements.

Note 3. Redeemable Non-Controlling Interest

In May 2022, the Company established a joint venture, PagerDuty K.K. The Company obtained a 51% controlling interest and has consolidated the financial results of the joint venture.

The agreements with the non-controlling interest holders of PagerDuty K.K. contain redemption features whereby the interest held by the non-controlling interest holders is redeemable either: (i) at the option of the non-controlling interest holders; or (ii) at the option of the Company, both beginning on the tenth anniversary of the initial capital contribution. The balance of the redeemable non-controlling interest is reported at the greater of the initial carrying amount adjusted for the redeemable non-controlling interest's share of earnings or losses and other comprehensive income or loss, or its redemption value, which is determined based on a prescribed formula derived from multiple metrics including the Company's enterprise value and the annual recurring revenue of PagerDuty K.K. The resulting changes in the estimated redemption amount are recorded with corresponding adjustments against additional paid-in capital due to the absence of retained earnings. The carrying amount of the redeemable non-controlling interest is recorded on the Company's condensed consolidated balance sheets as temporary equity.

The following table summarizes the activity in the redeemable non-controlling interest for the periods indicated (in thousands):

	Three months ended July 31,		Six months ended July 31,	
	2025	2024	2025	2024
Balance at beginning of period	\$ 17,335	\$ 14,004	\$ 18,217	\$ 7,293
Net loss attributable to redeemable non-controlling interest	(161)	(272)	(378)	(478)
Adjustments to redeemable non-controlling interest	(202)	2,330	(867)	9,247
Balance at end of period	<u>\$ 16,972</u>	<u>\$ 16,062</u>	<u>\$ 16,972</u>	<u>\$ 16,062</u>

Note 4. Cash, Cash Equivalents, and Investments

Cash, cash equivalents, and investments consisted of the following as of the dates indicated (in thousands):

	July 31, 2025	January 31, 2025
Cash and cash equivalents:		
Cash	\$ 49,605	\$ 47,523
Money market funds	290,107	298,937
Total cash and cash equivalents	<u>\$ 339,712</u>	<u>\$ 346,460</u>
Available-for-sale investments:		
U.S. Treasury securities	\$ 58,919	\$ 58,665
Commercial paper	6,011	7,446
Corporate debt securities	132,511	125,811
U.S. Government agency securities	30,701	32,444
Total available-for-sale investments	<u>\$ 228,142</u>	<u>\$ 224,366</u>

The following tables summarize the amortized cost, net unrealized gains (losses), and fair value of the Company's investments by significant investment category as of the dates indicated (in thousands). Gross realized gains or losses from sales of available-for-sale securities were not material for the three and six months ended July 31, 2025 and 2024.

	July 31, 2025		
	Amortized Cost	Unrealized Gain (Loss), Net	Estimated Fair Value
Available-for-sale investments:			
U.S. Treasury securities	\$ 58,947	\$ (28)	\$ 58,919
Commercial paper	6,016	(5)	6,011
Corporate debt securities	132,597	(86)	132,511
U.S. Government agency securities	30,724	(23)	30,701
Total available-for-sale investments	<u>\$ 228,284</u>	<u>\$ (142)</u>	<u>\$ 228,142</u>
	January 31, 2025		
	Amortized Cost	Unrealized Gain (Loss), Net	Estimated Fair Value
Available-for-sale investments:			
U.S. Treasury securities	\$ 58,620	\$ 45	\$ 58,665
Commercial paper	7,446	—	7,446
Corporate debt securities	125,792	19	125,811
U.S. Government agency securities	32,441	3	32,444
Total available-for-sale investments	<u>\$ 224,299</u>	<u>\$ 67</u>	<u>\$ 224,366</u>

The following tables present the Company's available-for-sale securities by contractual maturity date as of the dates indicated (in thousands):

	July 31, 2025	
	Amortized Cost	Fair Value
Due within one year	\$ 150,736	\$ 150,680
Due between one to five years	77,548	77,462
Total	\$ 228,284	\$ 228,142

	January 31, 2025	
	Amortized Cost	Fair Value
Due within one year	\$ 143,797	\$ 143,944
Due between one to five years	80,502	80,422
Total	\$ 224,299	\$ 224,366

As of July 31, 2025, there were 95 securities in an unrealized loss position with an aggregate fair value of \$166.8 million, none of which were in a continuous unrealized loss position for more than 12 months. As of January 31, 2025, there were 49 securities in an unrealized loss position with an aggregate fair value of \$77.2 million, 1 of which was in a continuous unrealized loss position for more than 12 months. The unrealized loss related to the 1 security was not material.

When evaluating investments for impairment, the Company reviews factors such as the extent to which fair value has been below cost basis, the financial condition of the issuer and any changes thereto, and the Company's intent to sell, or whether it is more likely than not that the Company will be required to sell, the investment before recovery of the investment's amortized cost. No impairment loss has been recorded on the securities included in the tables above, as the Company believes that any decrease in fair value of these securities is temporary and the Company expects to recover at least up to the initial cost of the investment for these securities. The Company has not recorded an allowance for credit losses, as the Company believes any such losses would not be material based on the high-grade credit rating for each of its marketable securities as of the end of each period.

Note 5. Fair Value Measurements

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

- Level 1—Valuations based on observable inputs that reflect quoted prices for identical assets or liabilities in active markets.
- Level 2—Valuations based on inputs that are directly or indirectly observable in the marketplace.
- Level 3—Valuations based on unobservable inputs that are supported by little or no market activity.

The following tables present information about the Company's financial assets that are required to be measured or disclosed at fair value using the above input categories as of the dates indicated (in thousands):

	As of July 31, 2025			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 290,107	\$ —	\$ —	\$ 290,107
U.S. Treasury securities	—	58,919	—	58,919
Commercial paper	—	6,011	—	6,011
Corporate debt securities	—	132,511	—	132,511
U.S. Government agency securities	—	30,701	—	30,701
Total	\$ 290,107	\$ 228,142	\$ —	\$ 518,249
Included in cash equivalents				\$ 290,107
Included in investments				\$ 228,142

	As of January 31, 2025			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 298,937	\$ —	\$ —	\$ 298,937
U.S. Treasury securities	—	58,665	—	58,665
Commercial paper	—	7,446	—	7,446
Corporate debt securities	—	125,811	—	125,811
U.S. Government agency securities	—	32,444	—	32,444
Total	\$ 298,937	\$ 224,366	\$ —	\$ 523,303
Included in cash equivalents				\$ 298,937
Included in investments				\$ 224,366

The Company's assets that are measured by management at fair value on a recurring basis are generally classified within Level 1 or Level 2 of the fair value hierarchy.

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. As of July 31, 2025 and January 31, 2025, the Company's Level 2 securities are measured at fair value and classified within Level 2 in the fair value hierarchy because the Company uses quoted market prices for similar instruments or nonbinding market prices that are corroborated by observable market data or alternative pricing sources and models using market observable inputs to determine fair value.

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

Convertible Senior Notes

As of July 31, 2025, the estimated fair value of the Company's 1.50% Convertible Senior Notes due 2028 (the "2028 Notes") was approximately \$386.9 million. The fair value was determined based on the quoted price for the 2028 Notes in an inactive market on the last trading day of the reporting period and are considered as Level 2 in the fair value hierarchy.

Note 6. Property and Equipment, Net

Property and equipment, net, consisted of the following as of the dates indicated (in thousands):

	July 31, 2025	January 31, 2025
Leasehold improvements	\$ 7,984	\$ 7,629
Computers and equipment	7,965	7,511
Furniture and fixtures	4,317	3,936
Capitalized software	34,207	27,934
Gross property and equipment ⁽¹⁾	54,473	47,010
Accumulated depreciation and amortization	(29,262)	(25,675)
Property and equipment, net	\$ 25,211	\$ 21,335

(1) Gross property and equipment includes construction-in-progress for leasehold improvements and capitalized software of \$15.3 million and \$9.0 million that had not yet been placed in service as of July 31, 2025 and January 31, 2025, respectively. The costs associated with construction-in-progress are not amortized until the asset is available for its intended use.

Depreciation and amortization expense was \$1.8 million and \$2.1 million for the three months ended July 31, 2025 and 2024, respectively, and \$3.9 million and \$4.2 million for the six months ended July 31, 2025 and 2024, respectively.

Note 7. Deferred Contract Costs

Deferred contract costs, which primarily consist of deferred sales commissions, were \$44.1 million and \$45.1 million as of July 31, 2025 and January 31, 2025, respectively. Amortization expense for deferred contract costs was \$5.7 million and \$5.4 million for the three months ended July 31, 2025 and 2024, respectively, and \$11.2 million and \$10.7 million for the six months ended July 31, 2025 and 2024, respectively. There was no impairment charge related to the costs capitalized for the periods presented.

Note 8. Leases

Operating Leases

The Company has entered into various non-cancellable operating leases for its office spaces with lease periods expiring between fiscal 2026 and fiscal 2032. The operating lease agreements generally provide for rental payments on a graduated basis and for options to renew, which could increase future minimum lease payments if exercised.

Lease right-of-use assets and liabilities are recognized at the lease's commencement date based on the present value of lease payments over the lease term. As the implicit rate of the Company's leases is not readily determinable, the Company uses its incremental borrowing rate based on the information available on the commencement date to determine the present value of lease payments. The lease right-of-use assets also include any lease payments made and exclude lease incentives such as tenant improvement allowances.

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

Leases with a term of one year or less are not recognized on the Company's condensed consolidated balance sheets, but rather are expensed on a straight-line basis over the lease term.

In June 2023, the Company entered into a sublease for a portion of its San Francisco office location. The sublease term ended during the six months ended July 31, 2025. Sublease income, which was recorded as a reduction of rent expense, was zero for the three months ended July 31, 2025 and was not material for the six months ended July 31, 2025 and three and six months ended July 31, 2024.

The following table presents information about leases on the condensed consolidated balance sheet as of the dates indicated (in thousands):

	July 31, 2025		January 31, 2025	
Assets:				
Lease right-of-use assets	\$	8,266	\$	6,806
Liabilities:				
Lease liabilities, current	\$	3,646	\$	3,307
Lease liabilities, non-current	\$	10,186	\$	9,637

As of July 31, 2025, the weighted average remaining lease term was 3.7 years and the weighted average discount rate used to determine the net present value of the lease liabilities was 5.6%.

The following table presents information about leases on the condensed consolidated statement of operations for the periods indicated (in thousands):

	Three months ended July 31,		Six months ended July 31,	
	2025	2024	2025	2024
Operating lease expense	\$ 814	\$ 873	\$ 1,400	\$ 1,702
Short-term lease expense	341	658	922	1,052
Variable lease expense	379	170	608	380

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

	Three months ended July 31,		Six months ended July 31,	
	2025	2024	2025	2024
Cash paid for amounts included in the measurement of lease liabilities	\$ 875	\$ 1,641	\$ 2,273	\$ 3,269

Note 9. Debt and Financing Arrangements

2025 Convertible Senior Notes

In June 2020, the Company issued an aggregate principal amount of \$287.5 million of convertible senior notes due in 2025 (the "2025 Notes") in a private offering pursuant to an indenture dated June 25, 2020 (the "2025 Indenture").

During the three months ended July 31, 2025, the Company repaid in cash \$57.5 million in aggregate principal amount of the 2025 Notes, prior to the maturity date of July 1, 2025.

2028 Convertible Senior Notes

In October 2023, the Company issued an aggregate principal amount of \$402.5 million of convertible senior notes due in 2028 in a private offering pursuant to an indenture dated October 13, 2023 (the "2028 Indenture" and, together with the 2025 Indenture, the "Indentures"). The total net proceeds from the debt offering, after deducting initial purchasers' discounts and debt issuance costs of \$12.0 million, were \$390.4 million.

The 2028 Notes are senior, unsecured obligations of the Company and accrue interest payable semiannually in arrears on April 15 and October 15 of each year, beginning on April 15, 2024, at a rate of 1.50% per year. The 2028 Notes will mature on October 15, 2028, unless such notes are converted, redeemed or repurchased earlier. Upon conversion, the Company will pay cash up to the aggregate principal amount of the 2028 Notes to be converted and pay or deliver, as the case may be, cash, shares of common stock or a combination of cash and shares of common stock, at the Company's election, in respect to the remainder, if any, of the Company's conversion obligation in excess of the aggregate principal amount of the 2028 Notes being converted, in the manner and subject to the terms and conditions provided in the 2028 Indenture.

Accounting for the 2025 Notes and the 2028 Notes

The 2028 Notes are, and the 2025 Notes, prior to their repayment were, accounted for as a single liability measured at their amortized cost, as no other embedded features require bifurcation and recognition as derivatives. As of July 31, 2025, the 2028 Notes are classified as non-current liabilities. Issuance costs are amortized to interest expense over the contractual term of the Notes at an effective interest rate of 2.13% for the 2028 Notes.

The net carrying amount of the Notes was as follows as of the dates indicated (in thousands):

	As of July 31, 2025			As of January 31, 2025		
	2025 Notes	2028 Notes	Total	2025 Notes	2028 Notes	Total
Principal	\$ —	\$ 402,500	\$ 402,500	\$ 57,500	\$ 402,500	\$ 460,000
Unamortized issuance costs	—	(7,959)	(7,959)	(74)	(9,218)	(9,292)
Net carrying amount	\$ —	\$ 394,541	\$ 394,541	\$ 57,426	\$ 393,282	\$ 450,708

Interest expense recognized related to the Notes was as follows for the periods indicated (in thousands):

	Three months ended July 31,		Six months ended July 31,	
	2025	2024	2025	2024
Contractual interest expense	\$ 1,632	\$ 1,691	\$ 3,318	\$ 3,232
Amortization of debt issuance costs	654	672	1,332	1,279
Total interest expense related to the Notes	\$ 2,286	\$ 2,363	\$ 4,650	\$ 4,511

Capped Call Transactions

In connection with the offering of the 2025 Notes, the Company entered into privately negotiated capped call transactions (the "2025 Capped Calls") with certain financial institution counterparties. In connection with the offering of the 2028 Notes, the Company entered into separate privately negotiated capped call transactions (the "2028 Capped Calls" and, together with the 2025 Capped Calls, the "Capped Calls"). The Capped Calls are generally intended to reduce or offset the potential dilution to the common stock upon any conversion of the Notes, subject to a cap based on the cap price of such Capped Calls. For accounting purposes, the Capped Calls are separate transactions, and not part of the terms of the Notes. The Capped Calls are recorded in stockholders' equity and are not accounted for as derivatives. The costs incurred to purchase the 2025 Capped Calls and the 2028 Capped Calls of \$35.7 million and \$55.1 million, respectively, were recorded as a reduction to additional paid-in capital in the accompanying condensed consolidated balance sheets. The Capped Calls will not be remeasured as long as they continue to meet the conditions for equity classification.

During the three months ended July 31, 2025, and in connection with the repayment of the 2025 Notes, the 2025 Capped Calls expired.

The 2028 Capped Calls each have an initial strike price of approximately \$27.35 per share, subject to certain adjustments, which corresponds to the initial conversion price of the 2028 Notes, and an initial cap price of \$42.90 per share, subject to certain adjustments. The 2028 Capped Calls cover, subject to anti-dilution adjustments, approximately 14.7 million shares of the Company's common stock. The 2028 Capped Calls are subject to automatic exercise over a 60 trading day period commencing on July 20, 2028, subject to earlier termination under certain circumstances and may be settled in cash, shares of common stock or a combination of cash and shares of common stock, at the Company's election. The 2028 Capped Calls remain outstanding as of July 31, 2025.

Note 10. Commitments and Contingencies

Legal Matters

From time to time, the Company may be subject to various claims and other legal matters arising in the ordinary course of business. The Company investigates these claims as they arise and accrues estimates for resolution of legal and other contingencies when losses are probable and estimable. The Company is not currently a party to any material legal proceedings nor is it aware of any pending or threatened litigation that could reasonably be expected to have a material adverse effect on its business, financial condition, results of operations, or cash flows.

Warranties and Indemnification

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

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

Note 11. Deferred Revenue and Performance Obligations

The following table presents the changes to the Company's deferred revenue for the periods indicated (in thousands):

	Three months ended July 31,		Six months ended July 31,	
	2025	2024	2025	2024
Deferred revenue, beginning of period	\$ 239,712	\$ 223,593	\$ 245,752	\$ 228,161
Billings	113,613	110,231	227,378	216,835
Revenue recognized	(123,411)	(115,935)	(243,216)	(227,107)
Deferred revenue, end of period	<u>\$ 229,914</u>	<u>\$ 217,889</u>	<u>\$ 229,914</u>	<u>\$ 217,889</u>

For the three and six months ended July 31, 2025 and 2024, the majority of revenue recognized was from the deferred revenue balances at the beginning of each period.

The transaction price allocated to the remaining performance obligations represents all future, non-cancelable contracted revenue that has not yet been recognized, inclusive of deferred revenue that has been invoiced and non-cancelable amounts that will be invoiced and recognized as revenue in future periods. The Company estimates its remaining performance obligations at a point in time. Actual amounts and timing of revenue recognition may differ from these estimates largely due to contract renewals and modifications.

As of July 31, 2025, total transaction price allocated to remaining non-cancelable performance obligations under cloud-hosted and term-license software subscription contracts with customers was approximately \$425 million. Of this amount, the Company expects to recognize revenue of approximately \$295 million, or 69%, over the next 12 months, \$100 million, or 24%, over months 13 to 24, and the remainder thereafter.

Note 12. Common Stock and Stockholders' Equity

Common Stock Repurchases

In May 2024, the Company's Board of Directors authorized a share repurchase program to repurchase up to \$100.0 million of the Company's common stock (the "2024 Share Repurchase Program"). Under the 2024 Share Repurchase Program, the Company repurchased a total of 5,223,071 shares of the Company's common stock through open market purchases at an average per share price of \$19.15 for a total repurchase price of \$100.0 million. During the year ended January 31, 2025, these shares were retired.

In March 2025, the Company's Board of Directors authorized a share repurchase program to repurchase up to \$150.0 million of the Company's common stock (the "2025 Share Repurchase Program"). The 2025 Share Repurchase Program does not obligate the Company to acquire a specified number of shares, and may be suspended, modified, or terminated at any time, without prior notice. The repurchases are expected to be executed from time to time through March 2027, subject to general business and market conditions and other investment opportunities, through open market purchases or other legally permissible means, including through Rule 10b5-1 plans. During the three and six months ended July 31, 2025, the Company repurchased no shares under the 2025 Share Repurchase Program. As of July 31, 2025, \$150.0 million of the total amount authorized to be repurchased remained available.

Equity Incentive Plan

In 2019, the Company adopted the 2019 Equity Incentive Plan (the "2019 Plan"). As of July 31, 2025 and January 31, 2025, the Company was authorized to grant up to 40,658,856 shares and 36,096,964 shares of common stock, respectively, under the 2019 Plan.

The Company currently uses authorized and unissued shares to satisfy stock award exercises and settlement of restricted stock units ("RSUs") and performance stock units ("PSUs"). As of July 31, 2025 and January 31, 2025, there were 22,170,659 shares and 20,028,092 shares, respectively, available for future issuance under the 2019 Plan.

Shares of common stock reserved for future issuance as of the end of the period noted are as follows:

	July 31, 2025
Outstanding stock options and unvested RSUs and PSUs	13,371,561
Available for future stock option, RSU, and PSU grants	22,170,659
Available for Employee Stock Purchase Plan ("ESPP")	4,328,094
Total common stock reserved for future issuance	39,870,314

Stock Options

As of July 31, 2025, there was approximately \$0.2 million of total unrecognized compensation cost related to unvested stock options granted under the 2019 Plan, which will be recognized over a weighted average period of 0.5 years.

Restricted Stock Units

A summary of the Company's RSU activity and related information is as follows:

	Number of RSUs	Weighted Average Grant Date Fair Value Per Share
Outstanding at January 31, 2025	7,114,964	\$ 24.78
Granted	4,116,662	\$ 17.85
Vested	(1,897,492)	\$ 26.04
Forfeited or canceled	(1,273,267)	\$ 24.44
Outstanding at July 31, 2025	8,060,867	\$ 21.00

The fair value of the Company's RSUs is expensed ratably over the vesting period, and is based on the fair value of the underlying shares on the date of grant. The Company accounts for forfeitures as they occur.

As of July 31, 2025, there was \$161.2 million of unrecognized stock-based compensation expense related to unvested RSUs, which is expected to be recognized over a weighted average period of 2.2 years based on vesting under the award service conditions.

Performance Stock Units

The Company grants PSUs to certain employees of the Company, which, in the current fiscal year, are to vest based on the level of achievement of certain targets related to the Company's operating plan over the one-year performance period. In prior periods, PSUs vested based on both the level of achievement of certain targets related to the Company's operating plan and the relative growth of the per share price of the Company's common stock as compared to the S&P Software & Services Select Index over the one-year performance period. The PSUs vest over a three-year period, subject to continuous service with the Company. The number of shares of the Company's common stock that will vest based on the performance and market conditions can range from 0% to 200% of the target amount. Compensation expense for PSUs with performance conditions is measured using the fair value at the date of grant, and may be adjusted over the vesting period based on interim estimates of performance against the performance condition. Compensation expense for PSUs with market conditions is measured using a Monte Carlo simulation approach. Expense is recorded over the vesting period under the graded-vesting attribution method.

In the six months ended July 31, 2025, the Compensation Committee of the Company's Board of Directors certified the results of the Company's operating plan for the fiscal year ended January 31, 2025. Based on the results, the PSUs granted in April 2024 ("2024 PSU Awards") were earned at an attainment of 76.3%.

A summary of the Company's PSU activity and related information is as follows:

	Number of PSUs	Weighted Average Grant Date Fair Value Per Share
Outstanding at January 31, 2025	761,739	\$ 21.62
Granted ⁽¹⁾	640,646	\$ 18.23
Vested	(227,342)	\$ 21.62
Forfeited or canceled	(58,616)	\$ 21.62
Performance adjustment for 2024 PSU Awards	(171,354)	\$ 21.62
Outstanding at July 31, 2025	945,073	\$ 19.32

(1) This amount represents awards granted at 100% attainment.

During the three and six months ended July 31, 2025, the Company recorded stock-based compensation expense for the number of PSUs considered probable of vesting based on the attainment of the performance targets.

As of July 31, 2025, total unrecognized stock-based compensation cost related to PSUs was \$7.8 million. This unrecognized stock-based compensation cost is expected to be recognized using the accelerated attribution method over a weighted-average period of approximately 1.3 years.

Employee Stock Purchase Plan

The Company's ESPP generally provides for 24-month offering periods beginning June 15 and December 15 of each year, with each offering period consisting of four six-month purchase periods. On each purchase date, eligible employees will purchase the shares at a price per share equal to 85% of the lesser of: (i) the fair market value of the Company's stock as of the beginning of the offering period; or (ii) the fair market value of the Company's stock on the purchase date, as defined in the ESPP.

During the three months ended July 31, 2025 and 2024, the Company recognized \$0.5 million and \$0.9 million, respectively, of stock-based compensation expense related to the ESPP. During the six months ended July 31, 2025 and 2024, the Company recognized \$1.5 million and \$2.6 million, respectively, of stock-based compensation expense related to the ESPP.

During the three months ended July 31, 2025 and 2024, the Company withheld \$1.2 million and \$2.1 million, respectively, in contributions from employees. During the six months ended July 31, 2025 and 2024, the Company withheld \$3.9 million and \$5.2 million, respectively, in contributions from employees.

During the three and six months ended July 31, 2025, 377,811 shares of common stock were issued under the ESPP at a weighted average purchase price of \$12.22 per share. During the three and six months ended July 31, 2024, 312,660 shares of common stock were issued under the ESPP at a weighted average purchase price of \$18.34 per share.

Stock-Based Compensation

Stock-based compensation expense included in the Company's condensed consolidated statements of operations was as follows for the periods indicated (in thousands):

	Three months ended July 31,		Six months ended July 31,	
	2025	2024	2025	2024
Cost of revenue	\$ 1,213	\$ 1,508	\$ 2,310	\$ 3,264
Research and development	9,560	11,842	19,400	23,064
Sales and marketing	5,285	8,116	11,504	16,063
General and administrative	9,902	10,900	18,499	22,915
Total stock-based compensation expense	<u>\$ 25,960</u>	<u>\$ 32,366</u>	<u>\$ 51,713</u>	<u>\$ 65,306</u>

Note 13. Net Income (Loss) per Share

Net income (loss) used for the purpose of determining basic and diluted net income (loss) per share is determined by taking net income (loss) attributable to PagerDuty, Inc., less the redeemable non-controlling interests redemption value adjustment.

The following table presents the calculation of basic and diluted net income (loss) per share attributable to PagerDuty, Inc. common stockholders for the periods indicated (in thousands, except number of shares and per share data):

	Three months ended July 31,		Six months ended July 31,	
	2025	2024	2025	2024
Numerator:				
Net income (loss) attributable to PagerDuty, Inc.	\$ 9,575	\$ (10,912)	\$ 2,413	\$ (28,051)
Less: Adjustment attributable to redeemable non-controlling interest	(202)	2,330	(867)	9,247
Net income (loss) attributable to PagerDuty, Inc. common stockholders	<u>\$ 9,777</u>	<u>\$ (13,242)</u>	<u>\$ 3,280</u>	<u>\$ (37,298)</u>
Denominator:				
Weighted-average shares used in calculating net income (loss) per share:				
Basic	<u>92,600</u>	<u>93,289</u>	<u>91,997</u>	<u>93,082</u>
Diluted	<u>94,198</u>	<u>93,289</u>	<u>93,895</u>	<u>93,082</u>
Net income (loss) per share attributable to PagerDuty, Inc. common stockholders				
Basic	<u>\$ 0.11</u>	<u>\$ (0.14)</u>	<u>\$ 0.04</u>	<u>\$ (0.40)</u>
Diluted	<u>\$ 0.10</u>	<u>\$ (0.14)</u>	<u>\$ 0.03</u>	<u>\$ (0.40)</u>

Since the Company was in a loss position for the three and six months ended July 31, 2024, basic net loss per share and diluted net loss per share are the same, as the inclusion of all potential common stock outstanding would have been anti-dilutive.

Potentially dilutive securities that were not included in the diluted per share calculations because they would be anti-dilutive were as follows (in thousands):

	Three months ended July 31,		Six months ended July 31,	
	2025	2024	2025	2024
Shares subject to outstanding common stock awards	9,052	14,054	7,850	14,054
Shares issuable pursuant to the ESPP	317	80	226	80
Total	<u>9,369</u>	<u>14,134</u>	<u>8,076</u>	<u>14,134</u>

As described in [Note 9. Debt and Financing Arrangements](#), upon conversion of the Notes, the Company will pay cash up to the aggregate principal amount of the Notes to be converted and pay or deliver, as the case may be, cash, shares of common stock or a combination of cash and shares of common stock, at the Company's election, in respect to the remainder, if any, of the Company's conversion obligation in excess of the aggregate principal amount of the Notes being converted. As of July 31, 2025 and 2024, the conversion options of the Notes were out of money and as a result, there were no potentially dilutive shares related to the conversion of the Notes.

Note 14. Income Taxes

The Company's (benefit from) provision for income taxes for interim periods is determined using an estimate of its annual effective tax rate, adjusted for discrete items, if any, that arise during the period. Each quarter, the Company updates its estimate of the annual effective tax rate, and if the estimated annual effective tax rate changes, the Company makes a cumulative adjustment in such period.

The Company's quarterly tax (benefit) provision, and estimate of its annual effective tax rate, is subject to variation due to several factors, including variability in pre-tax income (or loss), the mix of jurisdictions to which such income (or loss) relates, changes in how the Company does business, and tax law developments. The Company's estimated effective tax rate for the year differs from the U.S. statutory rate of 21% as a result of the Company's U.S. losses for which no benefit will be realized, the Company's foreign operations which are subject to tax rates that differ from those in the U.S., as well as the benefit for non-U.S. income tax credits.

The Company recorded a benefit from income taxes of \$1.9 million and \$1.1 million for the three and six months ended July 31, 2025, respectively, and a provision for income taxes of \$0.4 million and \$0.6 million for the three and six months ended July 31, 2024, respectively.

On July 4, 2025, the U.S. enacted tax reform legislation through the One Big Beautiful Bill Act ("OBBBA"). Included in this legislation are provisions that allow for the immediate expensing of domestic research and development expenses, immediate expensing of certain capital expenditures, and other changes to the U.S. taxation of profits derived from foreign operations. The provisions in the legislation are generally effective beginning in fiscal 2026. The Company will continue to evaluate the impact of OBBBA, but management currently does not expect it to have a material impact on the consolidated financial statements in fiscal 2026.

The Company maintains a valuation allowance for its net U.S. deferred tax assets, including federal and state net operating loss carryforwards, tax credits, and intangible assets. The Company expects to maintain these valuation allowances until it becomes more likely than not that the benefit of its deferred tax assets will be realized by way of expected future taxable income in the United States. The Company regularly assesses all available evidence, including cumulative historic losses and forecasted earnings. Given current earnings and anticipated future earnings, the Company believes there is a reasonable possibility that within the next 12 months, sufficient positive evidence may become available to reach a conclusion that the U.S. valuation allowance will no longer be needed. Release of the valuation allowance would result in the recognition of material U.S. federal and state deferred tax assets and a corresponding decrease to income tax expense in the period the release is recorded. The exact timing and amount of the valuation allowance release are subject to change on the basis of the level of sustained U.S. profitability that the Company is able to actually achieve, as well as the amount of tax deductible stock compensation dependent upon the Company's publicly traded share price, foreign currency movements, and macroeconomic conditions, among other factors.

Note 15. Geographic Information

Revenue by location is generally determined by the billing address of the customer. The following table sets forth revenue by geographic area for the periods indicated (in thousands):

	Three months ended July 31,		Six months ended July 31,	
	2025	2024	2025	2024
United States	\$ 88,081	\$ 84,315	\$ 174,112	\$ 165,107
International	35,330	31,620	69,104	62,000
Total	\$ 123,411	\$ 115,935	\$ 243,216	\$ 227,107

Other than the United States, no other individual country accounted for 10% or more of revenue for the three and six months ended July 31, 2025 or 2024.

As of July 31, 2025, 72% of the Company's long-lived assets, including property and equipment and right-of-use lease assets, were located in the United States, 15% were located in Canada, 11% were located in Portugal, 1% were located in the United Kingdom, and 1% were located in Chile.

As of January 31, 2025, 69% of the Company's long-lived assets, including property and equipment and right-of-use lease assets, were located in the United States, 17% were located in Canada, 12% were located in Portugal, 1% were located in the United Kingdom, and 1% were located in Chile.

Note 16. Subsequent Events

In August 2025, the Company's Board of Directors authorized an additional \$50.0 million under the 2025 Share Repurchase Program, thus allowing for the repurchase of shares of the Company's common stock in an aggregate amount of up to \$200.0 million. Share repurchases under the 2025 Share Repurchase Program may be made from time to time through open market purchases, privately negotiated transactions, or other legally permissible means, including pursuant to Rule 10b5-1 trading plans. The 2025 Share Repurchase Program expires in March 2027, unless extended or shortened by the Board of Directors, and does not obligate the Company to acquire a specified number of shares, and may be suspended, modified, or terminated at any time, without prior notice. The number of shares to be repurchased will depend on market conditions and other factors.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of the financial condition and results of operations of PagerDuty, Inc. and its wholly-owned subsidiaries, and subsidiaries in which PagerDuty, Inc. holds a controlling interest (“PagerDuty,” “we,” “us” or “our”) should be read in conjunction with our unaudited consolidated financial statements and related notes thereto included elsewhere in this Quarterly Report on Form 10-Q and with our audited financial statements and related notes in our Annual Report on Form 10-K for the year ended January 31, 2025. You should review the sections titled “Special Note Regarding Forward-Looking Statements” above in this Quarterly Report on Form 10-Q for a discussion of forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those discussed below. Factors that could cause or contribute to such differences include, but are not limited to, adverse effects on our business and general economic conditions as identified below, and those discussed in the section titled “Risk Factors” included in our Annual Report on Form 10-K. The last day of our fiscal year is January 31. Our fiscal quarters end on April 30, July 31, October 31 and January 31. Except as otherwise noted, all references to fiscal 2026 refer to the year ended January 31, 2026.

Overview and Business Model

PagerDuty, Inc. is a global leader in digital operations management, enabling customers to achieve operational efficiency at scale and transform critical work for modern enterprises. The PagerDuty Operations Cloud combines artificial intelligence (“AI”) operations (“AIOps”), automation, customer service operations, and incident management with a generative AI assistant to create a flexible, resilient, and scalable platform to protect revenue and improve customer experience, accelerate innovation, improve operational efficiency, and mitigate risk of operational failures.

Today, nearly every business is a digital business. From retail to financial services, from travel and entertainment to supply chain logistics, everyday commerce relies on an incredibly complex network of digital infrastructure, systems, software, and teams. And while that complexity is only increasing, the need for those digital operations to be resilient is also rising, as organizations face pressure to meet escalating customer expectations, resolve incidents proactively, and deliver innovation without increasing costs. In this environment, the ability to anticipate, orchestrate, and resolve time-sensitive, critical and unplanned work before it escalates is a critical requirement for success.

Since our founding in 2009, we have expanded our capabilities from a single product focused on on-call management for developers to a multi-product platform that crosses the silos of development, information technology (“IT”) infrastructure and operations, security, customer service, and business operations and reaches executive stakeholder roles across an organization. Today, we collect data and digital signals from virtually any software-enabled system or device and leverage AI and machine learning to correlate, process, and predict opportunities and incidents. Using incident management, automation, AI operations, and customer service operations, our platform for digital operations brings together the right people with the right information so they can resolve issues and act on opportunities in minutes or seconds from wherever they are. In addition, our generative AI capabilities allow organizations to manage mission-critical tasks smarter and faster.

We have spent more than a decade building deep product integrations to our platform, and our ecosystem now includes over 700 direct integrations to enable our customers to gather and correlate digital signals from virtually any software-enabled system or device. This allows technical teams to collect digital signals from nearly any system or platform in their environment, and without the effects of context switching. Those same integrations connect with popular collaboration tools and business applications, as well as all types of technology stacks to drive automation of work.

We generate revenue primarily from cloud-hosted software subscription fees. We also generate revenue from term-license software subscription fees. PagerDuty has a land-and-expand business model that leads to viral adoption and expansion of our products. Although the PagerDuty platform can be used by any size of company, from small to mid-market to enterprise companies, we have increasingly focused our go-to-market motion, including our field sales team, on serving enterprise customers.

The PagerDuty sales and customer success teams drive expansion to additional users, new use cases, and additional products, as well as upgrades to higher-value plans. Our enterprise customers account for the majority of our revenue today. The PagerDuty platform is central to customer initiatives targeted at incident management transformation, operations center modernization, automation standardization, and customer experience operations. Our platform provides the technology to solve the customer problems underlying these and many other business initiatives.

Macroeconomic Environment

Our business and financial performance has and may continue to be subject to the effects of worldwide macroeconomic conditions, including, but not limited to, global inflation and heightened interest rates, tariffs and trade wars, existing and new laws and regulations, and economic uncertainty and volatility globally and in the jurisdictions in which we do business.

We will continue to monitor the direct and indirect impacts of these or similar circumstances on our business and financial results. For additional information on the potential impact of macroeconomic conditions on our business, see Part II, Item 1A, Risk Factors.

Key Business Metrics

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

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

Annual Recurring Revenue (“ARR”)

We believe ARR is a key metric to measure our business performance because it is an indication of our ability to maintain and expand our relationships with existing customers and generate new business. We define ARR as the annualized recurring revenue of all active contracts at the end of a reporting period.

ARR was as follows as of the dates indicated (in millions):

	As of July 31,	
	2025	2024
ARR	\$ 498.9	\$ 474.0

Number of Customers

We believe that the number of customers using our platform, particularly those that have subscription agreements for more than \$100.0 thousand in ARR, are indicators of our market penetration, particularly within enterprise accounts, the growth of our business, and our potential future business opportunities. We define a customer as a separate legal entity, such as a company or an educational or government institution, that has an active subscription with us or one of our partners to access our platform. In situations where an organization has multiple subsidiaries or divisions, we treat the parent entity as the customer instead of treating each subsidiary or division as a separate customer. Increasing awareness of our platform and its broad range of capabilities, coupled with the fact that the world is always on and powered by increasingly complex technology, has expanded the diversity of our customer base to include organizations of all sizes across virtually all industries. Over time, enterprise and mid-market customers have constituted a greater share of our revenue. The total number of paid customers and the number of customers with greater than \$100.0 thousand in ARR were as follows as of the dates indicated:

	As of July 31,	
	2025	2024
Customers	15,322	15,044
Customers with greater than \$100.0 thousand in ARR	868	820

Dollar-based Net Retention Rate

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

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

	Last 12 months ended July 31,	
	2025	2024
Dollar-based net retention rate	102 %	106 %

Results of Operations

Three months ended July 31, 2025 compared to three months ended July 31, 2024

The following table sets forth our results of operations for the periods indicated and as a percentage of revenue (in thousands, except percentages):

	Three months ended July 31,			
	2025		2024	
Revenue	\$	123,411	100.0 %	\$ 115,935 100.0 %
Cost of revenue ⁽¹⁾		19,001	15.4 %	20,080 17.3 %
Gross profit		104,410	84.6 %	95,855 82.7 %
Operating expenses:				
Research and development ⁽¹⁾		30,897	25.0 %	35,088 30.3 %
Sales and marketing ⁽¹⁾		44,456	36.0 %	50,966 44.0 %
General and administrative ⁽¹⁾		25,491	20.7 %	25,828 22.3 %
Total operating expenses		100,844	81.7 %	111,882 96.5 %
Income (loss) from operations		3,566	2.9 %	(16,027) (13.8)%
Interest income		6,149	5.0 %	7,516 6.5 %
Interest expense		(2,286)	(1.9)%	(2,363) (2.0)%
Other income (expense), net		120	0.1 %	117 0.1 %
Income (loss) before provision for income taxes		7,549	6.1 %	(10,757) (9.3)%
(Benefit from) provision for income taxes		(1,865)	(1.5)%	427 0.4 %
Net income (loss)	\$	9,414	7.6 %	\$ (11,184) (9.6)%
Net loss attributable to redeemable non-controlling interest		(161)	(0.1)%	(272) (0.2)%
Net income (loss) attributable to PagerDuty, Inc.	\$	9,575	7.8 %	\$ (10,912) (9.4)%
Less: Adjustment attributable to redeemable non-controlling interest		(202)	(0.2)%	2,330 2.0 %
Net income (loss) attributable to PagerDuty, Inc. common stockholders	\$	9,777	7.9 %	\$ (13,242) (11.4)%

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

	Three months ended July 31,	
	2025	2024
Cost of revenue	\$ 1,213	\$ 1,508
Research and development	9,560	11,842
Sales and marketing	5,285	8,116
General and administrative	9,902	10,900
Total	\$ 25,960	\$ 32,366

Revenue

We generate revenue primarily from cloud-hosted software subscription fees. We also generate revenue from term-license software subscription fees. Revenue generated from term-license software subscription fees is not material. Our subscriptions are typically one year in duration but can range from monthly to multi-year. Subscription fees are driven primarily by the number of customers, the number of users per customer, and the level of subscription purchased. We generally invoice customers in advance in annual installments for subscriptions to our software. Revenue related to our cloud-hosted software subscriptions is recognized ratably over the related contractual term beginning on the date that our platform is made available to a customer. For our term-license software subscriptions, we recognize license revenue upon delivery, and software maintenance revenue ratably, typically beginning on the start of the contractual term of the arrangement.

Due to the low complexity of implementation and integration of our platform with our customers' existing infrastructure, revenue from professional services has not been material to date.

The following sets forth our revenue for the periods indicated (in thousands, except percentages):

	Three months ended July 31,		Change	
	2025	2024	\$	%
Revenue	\$ 123,411	\$ 115,935	\$ 7,476	6.4 %

Revenue increased primarily due to growth from existing customers, which was driven by an increase in the number of users and upsell of additional products and services.

Cost of Revenue and Gross Margin

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

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

The following sets forth our cost of revenue and gross margin for the periods indicated (in thousands, except percentages):

	Three months ended July 31,		Change	
	2025	2024	\$	%
Cost of revenue	\$ 19,001	\$ 20,080	\$ (1,079)	(5.4)%
Gross margin	84.6 %	82.7 %		

The decrease in cost of revenue is primarily due to: (i) a decrease of \$1.7 million in amortization of acquired intangible assets; and (ii) a decrease of \$1.1 million in outside services spend for the customer service team; offset by (iii) an increase of \$1.0 million in hosting, software, and telecom costs; and (iv) an increase of \$0.6 million in personnel costs as a result of an increase in headcount.

Operating Expenses

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

The following table sets forth our operating expenses for the periods indicated (in thousands, except percentages):

	Three months ended July 31,		Change	
	2025	2024	\$	%
Operating expenses:				
Research and development	\$ 30,897	\$ 35,088	\$ (4,191)	(11.9)%
Sales and marketing	44,456	50,966	(6,510)	(12.8)%
General and administrative	25,491	25,828	(337)	(1.3)%
Total operating expenses	\$ 100,844	\$ 111,882	\$ (11,038)	(9.9)%

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

Research and development expenses decreased primarily due to a decrease of \$4.1 million in personnel costs as a result of a decrease in headcount and a decrease in stock-based compensation.

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

Sales and marketing expenses decreased primarily due to: (i) a decrease of \$3.1 million in personnel costs, driven largely by a decrease in stock-based compensation; (ii) a decrease of \$1.9 million in outside services spend due to higher leverage of internal resources; and (iii) a decrease of \$1.3 million in training and travel-related costs; and (iv) a decrease of \$0.5 million in marketing costs for media campaigns during the current period; offset by (v) an increase of \$0.3 million in costs to support the business and related infrastructure, which include allocated overhead costs.

General and administrative: General and administrative expenses consist primarily of personnel costs and outside services fees for finance, legal, human resources, information technology, and other administrative functions. In addition, general and administrative expenses include non-personnel costs, such as legal, accounting, and other professional fees, hardware and software costs, certain tax, license and insurance-related expenses, acquisition-related expenses, and allocated overhead costs. We expect that our general and administrative expenses will increase in dollar value as our business grows. However, we expect that our general and administrative expenses will decrease as a percentage of our revenue over the longer term, as we expect our investments to allow for improved efficiency for future growth in the business.

General and administrative expenses decreased primarily due to: (i) a decrease of \$0.3 million in training and travel-related costs; (ii) a decrease of \$0.1 million in insurance, business taxes and licenses costs; (iii) a decrease of \$0.1 million in personnel costs, driven largely by a decrease in stock-based compensation; and (iv) a decrease of \$0.1 million in outside services spend due to higher leverage of internal resources; offset by (v) an increase of \$0.3 million in costs to support the business and related infrastructure, which include allocated overhead costs.

Non-Operating Expenses

The following table sets forth our non-operating income (expenses) for the periods indicated (in thousands, except percentages):

	Three months ended July 31,		Change	
	2025	2024	\$	%
Interest income	\$ 6,149	\$ 7,516	\$ (1,367)	(18.2)%
Interest expense	\$ (2,286)	\$ (2,363)	\$ 77	(3.3)%
Other income, net	\$ 120	\$ 117	\$ 3	2.6 %
(Benefit from) provision for income taxes	\$ (1,865)	\$ 427	\$ (2,292)	(536.8)%

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

Interest income decreased primarily due to a decrease in interest-earning cash balances in the current quarter.

Interest expense: Interest expense consists primarily of contractual interest expense and amortization of debt issuance costs on our 1.25% Convertible senior notes due 2025 (the “2025 Notes”) that were repaid during the three months ended July 31, 2025 and the contractual interest expense and amortization of debt issuance costs on our 1.50% Convertible Senior Notes due 2028 (the “2028 Notes”) that were issued in October 2023.

Interest expense decreased primarily due to an decrease in interest expense related to the Convertible Notes, driven by the repayment of the 2025 Notes during the three months ended July 31, 2025.

Other income, net: Other income, net primarily consists of foreign currency transaction gains and losses.

The change in other income (expense), net was due to fluctuations in foreign currency during the period.

(Benefit from) provision for income taxes: (Benefit from) provision for income taxes consists primarily of income taxes in certain foreign and U.S. jurisdictions in which we conduct business. We maintain a full valuation allowance on our net federal and state deferred tax assets as we have concluded that it is more likely than not that the deferred tax assets will not be realized for all years presented.

The change in (benefit from) provision for income taxes was primarily driven by foreign, federal, and state income taxes. The provision may fluctuate to the extent the mix of earnings fluctuates between jurisdictions with different tax rates.

Six months ended July 31, 2025 compared to six months ended July 31, 2024

The following table sets forth our results of operations for the periods indicated and as a percentage of revenue (in thousands, except percentages):

	Six months ended July 31,			
	2025		2024	
Revenue	\$ 243,216	100.0 %	\$ 227,107	100.0 %
Cost of revenue ⁽¹⁾	38,185	15.7 %	39,423	17.4 %
Gross profit	205,031	84.3 %	187,684	82.6 %
Operating expenses:				
Research and development ⁽¹⁾	64,945	26.7 %	72,611	32.0 %
Sales and marketing ⁽¹⁾	94,501	38.9 %	99,465	43.8 %
General and administrative ⁽¹⁾	52,346	21.5 %	53,368	23.5 %
Total operating expenses	211,792	87.1 %	225,444	99.3 %
Loss from operations	(6,761)	(2.8)%	(37,760)	(16.6)%
Interest income	12,160	5.0 %	14,496	6.4 %
Interest expense	(4,650)	(1.9)%	(4,511)	(2.0)%
Other income (expense), net	234	0.1 %	(134)	(0.1)%
Income (loss) before provision for income taxes	983	0.4 %	(27,909)	(12.3)%
(Benefit from) provision for income taxes	(1,052)	(0.4)%	620	0.3 %
Net income (loss)	\$ 2,035	0.8 %	\$ (28,529)	(12.6)%
Net loss attributable to redeemable non-controlling interest	(378)	(0.2)%	(478)	(0.2)%
Net income (loss) attributable to PagerDuty, Inc.	\$ 2,413	1.0 %	\$ (28,051)	(12.4)%
Less: Adjustment attributable to redeemable non-controlling interest	(867)	(0.4)%	9,247	4.1 %
Net income (loss) attributable to PagerDuty, Inc. common stockholders	\$ 3,280	1.3 %	\$ (37,298)	(16.4)%

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

	Six months ended July 31,	
	2025	2024
Cost of revenue	\$ 2,310	\$ 3,264
Research and development	19,400	23,064
Sales and marketing	11,504	16,063
General and administrative	18,499	22,915
Total	\$ 51,713	\$ 65,306

Revenue

The following sets forth our revenue for the periods indicated (in thousands, except percentages):

	Six months ended July 31,		Change	
	2025	2024	\$	%
Revenue	\$ 243,216	\$ 227,107	\$ 16,109	7.1 %

Revenue increased primarily due to growth from existing customers, which was driven by an increase in the number of users and upsell of additional products and services.

Cost of Revenue and Gross Margin

The following sets forth our cost of revenue and gross margin for the periods indicated (in thousands, except percentages):

	Six months ended July 31,		Change	
	2025	2024	\$	%
Cost of revenue	\$ 38,185	\$ 39,423	\$ (1,238)	(3.1)%
Gross margin	84.3 %	82.6 %		

The decrease in cost of revenue is primarily due to: (i) a decrease of \$2.8 million in amortization of acquired intangible assets; and (ii) a decrease of \$1.6 million in outside services spend for the customer service team; offset by (iii) an increase of \$1.2 million in personnel costs as a result of an increase in headcount; (iv) an increase of \$0.9 million in hosting, software, and telecom costs; (v) an increase of \$0.5 million in costs to support the business and related infrastructure, which include allocated overhead costs; and (vi) an increase of \$0.3 million in amortization of capitalized software.

Operating Expenses

The following table sets forth our operating expenses for the periods indicated (in thousands, except percentages):

	Six months ended July 31,		Change	
	2025	2024	\$	%
Operating expenses:				
Research and development	\$ 64,945	\$ 72,611	\$ (7,666)	(10.6)%
Sales and marketing	94,501	99,465	(4,964)	(5.0)%
General and administrative	52,346	53,368	(1,022)	(1.9)%
Total operating expenses	\$ 211,792	\$ 225,444	\$ (13,652)	(6.1)%

Research and development: Research and development expenses decreased primarily due to: (i) a decrease of \$7.1 million in personnel costs as a result of a decrease in headcount and a decrease in stock-based compensation; and (ii) a decrease of \$0.9 million in costs to support the business and related infrastructure, which include allocated overhead costs; offset by (iii) an increase of \$0.4 million in training and travel-related costs.

Sales and marketing: Sales and marketing expenses decreased primarily due to: (i) a decrease of \$4.0 million in outside services spend due to higher leverage of internal resources; (ii) a decrease of \$2.3 million in personnel costs primarily due to a decrease in stock-based compensation; (iii) a decrease of \$1.3 million in training and travel-related costs; offset by (iv) an increase of \$2.0 million in marketing costs for media campaigns during the current period; and (v) an increase of \$0.8 million in costs to support the business and related infrastructure, which include allocated overhead costs.

General and administrative: General and administrative expenses decreased primarily due to: (i) a decrease of \$2.8 million in personnel costs, driven largely by a decrease in stock-based compensation; (ii) a decrease of \$0.3 million in in training and travel-related costs; and (iii) a decrease of \$0.2 million in insurance, business taxes and licenses costs; offset by (iv) an increase of \$1.9 million in outside services spend; and (v) an increase of \$0.6 million in costs to support the business and related infrastructure, which include allocated overhead costs.

Non-Operating Expenses

The following table sets forth our non-operating income (expenses) for the periods indicated (in thousands, except percentages):

	Six months ended July 31,		Change	
	2025	2024	\$	%
Interest income	\$ 12,160	\$ 14,496	\$ (2,336)	(16.1)%
Interest expense	\$ (4,650)	\$ (4,511)	\$ (139)	3.1 %
Other income (expense), net	\$ 234	\$ (134)	\$ 368	(274.6)%
(Benefit from) provision for income taxes	\$ (1,052)	\$ 620	\$ (1,672)	(269.7)%

Interest income: Interest income decreased primarily due to a decrease in interest-earning cash balances in the current quarter.

Interest expense: Interest expense decreased primarily due to an decrease in interest expense related to the Convertible Notes, driven by the repayment of the 2025 Notes during the three months ended July 31, 2025.

Other income (expense), net: The change in other income (expense), net was due to fluctuations in foreign currency during the period.

(Benefit from) provision for income taxes: The change in (benefit from) provision for income taxes was primarily driven by foreign, federal, and state income taxes. The provision may fluctuate to the extent the mix of earnings fluctuates between jurisdictions with different tax rates.

Non-GAAP Financial Measures

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

Specifically, we exclude the following from historical and prospective non-GAAP financial measures, as applicable:

Stock-based compensation: PagerDuty utilizes stock-based compensation to attract and retain employees. It is principally aimed at aligning their interests with those of its stockholders and at long-term retention, rather than to address operational performance for any particular period. As a result, stock-based compensation expenses vary for reasons that are generally unrelated to financial and operational performance in any particular period.

Employer taxes related to employee stock transactions: PagerDuty views the amount of employer taxes related to its employee stock transactions as an expense that is dependent on its stock price, employee exercise and other award disposition activity, and other factors that are beyond PagerDuty’s control. As a result, employer taxes related to employee stock transactions vary for reasons that are generally unrelated to financial and operational performance in any particular period.

Amortization of acquired intangible assets: PagerDuty views amortization of acquired intangible assets as items arising from pre-acquisition activities determined at the time of an acquisition. While these intangible assets are evaluated for impairment regularly, amortization of the cost of purchased intangibles is an expense that is not typically affected by operations during any particular period.

Acquisition-related expenses: PagerDuty views acquisition-related expenses, such as transaction costs, acquisition-related retention payments, and acquisition-related asset impairment, as events that are not necessarily reflective of operational performance during a period. In particular, PagerDuty believes the consideration of measures that exclude such expenses can assist in the comparison of operational performance in different periods which may or may not include such expenses.

Amortization of debt issuance costs: The imputed interest rates of the Company's convertible senior notes (the "2025 Notes" and the "2028 Notes" or, collectively, the "Notes") was approximately 1.91% for the 2025 Notes and 2.13% for the 2028 Notes. This is a result of the debt issuance costs, which reduce the carrying value of the convertible debt instruments. The debt issuance costs are amortized as interest expense. The expense for the amortization of the debt issuance costs is a non-cash item, and we believe the exclusion of this interest expense will provide for a more useful comparison of our operational performance in different periods.

Restructuring costs: PagerDuty views restructuring costs, such as employee severance-related costs and real estate impairment costs, as events that are not necessarily reflective of operational performance during a period. In particular, PagerDuty believes the consideration of measures that exclude such expenses can assist in the comparison of operational performance in different periods which may or may not include such expenses.

Shareholder matters: PagerDuty views certain charges, including third-party legal, consulting, and advisory fees, related to shareholder activity that are outside of the ordinary course of our business and expenses related to a cooperation agreement as events that are not necessarily reflective of operational performance during a period. PagerDuty believes that such charges do not have a direct correlation to the operations of the Company's business and may vary in size depending on the timing, results, and resolution of such shareholder matters. The consideration of measures that exclude such expenses can assist in the comparison of operational performance in periods which may or may not include such expenses.

Adjustment attributable to redeemable non-controlling interest: PagerDuty adjusts the value of redeemable non-controlling interest of its joint venture PagerDuty K.K. according to the operating agreement. PagerDuty believes this adjustment is not reflective of operational performance during a period and exclusion of such adjustments can assist in comparison of operational performance in different periods.

Income tax effects and adjustments: Based on PagerDuty's financial outlook for fiscal 2026, PagerDuty is utilizing a projected non-GAAP tax rate of 22%. PagerDuty uses a projected non-GAAP tax rate in order to provide better consistency across the interim reporting periods by eliminating the impact of non-recurring and period specific items, which can vary in size and frequency. PagerDuty's estimated tax rate on non-GAAP income is determined annually and may be adjusted during the year to take into account events or trends that PagerDuty believes materially impact the estimated annual rate including, but not limited to, significant changes resulting from tax legislation, material changes in the geographic mix of revenue and expenses and other significant events.

Non-GAAP gross profit and non-GAAP gross margin

We define non-GAAP gross profit as gross profit excluding the following expenses typically included in cost of revenue: stock-based compensation expense, employer taxes related to employee stock transactions, amortization of acquired intangible assets, and restructuring costs. We define non-GAAP gross margin as non-GAAP gross profit as a percentage of revenue.

The following table presents the calculation of non-GAAP gross profit and non-GAAP gross margin for the periods indicated (in thousands):

	Three months ended July 31,		Six months ended July 31,	
	2025	2024	2025	2024
Gross profit	\$ 104,410	\$ 95,855	\$ 205,031	\$ 187,684
Add:				
Stock-based compensation	1,213	1,508	2,310	3,264
Employer taxes related to employee stock transactions	30	39	68	83
Amortization of acquired intangible assets	601	2,268	1,874	4,675
Restructuring costs	—	(2)	—	(2)
Non-GAAP gross profit	\$ 106,254	\$ 99,668	\$ 209,283	\$ 195,704
Revenue	\$ 123,411	\$ 115,935	\$ 243,216	\$ 227,107
Gross margin	84.6 %	82.7 %	84.3 %	82.6 %
Non-GAAP gross margin	86.1 %	86.0 %	86.0 %	86.2 %

Non-GAAP operating income and non-GAAP operating margin

We define non-GAAP operating income as loss from operations excluding stock-based compensation expense, employer taxes related to employee stock transactions, amortization of acquired intangible assets, acquisition-related expenses, which include transaction costs, acquisition-related retention payments, and asset impairment, restructuring costs, and shareholder matters, which are not necessarily reflective of operational performance during a given period. We define non-GAAP operating margin as non-GAAP operating income as a percentage of revenue.

The following table presents the calculation of non-GAAP operating income and non-GAAP operating margin for the periods indicated (in thousands):

	Three months ended July 31,		Six months ended July 31,	
	2025	2024	2025	2024
Income (loss) from operations	\$ 3,566	\$ (16,027)	\$ (6,761)	\$ (37,760)
Add:				
Stock-based compensation	25,960	32,366	51,713	65,306
Employer taxes related to employee stock transactions	461	574	1,179	1,277
Amortization of acquired intangible assets	1,233	2,937	3,139	6,085
Acquisition-related expenses	35	259	263	522
Restructuring costs	73	2	3,884	10
Shareholder matters	79	—	2,349	—
Non-GAAP operating income	\$ 31,407	\$ 20,111	\$ 55,766	\$ 35,440
Revenue	\$ 123,411	\$ 115,935	\$ 243,216	\$ 227,107
Operating margin	2.9 %	(13.8)%	(2.8)%	(16.6)%
Non-GAAP operating margin	25.4 %	17.3 %	22.9 %	15.6 %

Non-GAAP net income attributable to PagerDuty, Inc. common stockholders

We define non-GAAP net income attributable to PagerDuty, Inc. common stockholders as net income (loss) attributable to PagerDuty, Inc. common stockholders excluding stock-based compensation expense, employer taxes related to employee stock transactions, amortization of debt issuance costs, amortization of acquired intangible assets, acquisition-related expenses, which include transaction costs, acquisition-related retention payments and asset impairment, restructuring costs, shareholder matters, adjustment attributable to redeemable non-controlling interest, and income tax adjustments, which are not necessarily reflective of operational performance during a given period.

The following table presents the calculation of non-GAAP net income attributable to PagerDuty, Inc. common stockholders for the periods indicated (in thousands):

	Three months ended July 31,		Six months ended July 31,	
	2025	2024	2025	2024
Net income (loss) attributable to PagerDuty, Inc. common stockholders	\$ 9,777	\$ (13,242)	\$ 3,280	\$ (37,298)
Add:				
Stock-based compensation	25,960	32,366	51,713	65,306
Employer taxes related to employee stock transactions	461	574	1,179	1,277
Amortization of debt issuance costs	655	671	1,332	1,279
Amortization of acquired intangible assets	1,233	2,937	3,139	6,085
Acquisition-related expenses	35	259	263	522
Restructuring costs	73	2	3,884	10
Shareholder matters	79	—	2,349	—
Adjustment attributable to redeemable non-controlling interest	(202)	2,330	(867)	9,247
Income tax effects and adjustments	(9,795)	(5,566)	(15,317)	(10,092)
Non-GAAP net income attributable to PagerDuty, Inc. common stockholders	<u>\$ 28,276</u>	<u>\$ 20,331</u>	<u>\$ 50,955</u>	<u>\$ 36,336</u>

Free cash flow

We define free cash flow as net cash provided by operating activities, less cash used for purchases of property and equipment and capitalization of software costs. In addition to the reasons stated above, we believe that free cash flow is useful to investors as a liquidity measure because it measures our ability to generate or use cash in excess of our capital investments in property and equipment in order to enhance the strength of our balance sheet and further invest in our business and potential strategic initiatives. A limitation of the utility of free cash flow as a measure of our liquidity is that it does not represent the total increase or decrease in our cash balance for the period. We use free cash flow in conjunction with traditional U.S. GAAP measures as part of our overall assessment of our liquidity, including the preparation of our annual operating budget and quarterly forecasts and to evaluate the effectiveness of our business strategies. There are a number of limitations related to the use of free cash flow as compared to net cash provided by operating activities, including that free cash flow includes capital expenditures, the benefits of which are realized in periods subsequent to those when expenditures are made.

The following table presents the calculation of free cash flow for the periods indicated (in thousands):

	Three months ended July 31,		Six months ended July 31,	
	2025	2024	2025	2024
Net cash provided by operating activities	\$ 33,974	\$ 35,769	\$ 64,644	\$ 64,416
Purchases of property and equipment	(874)	(637)	(1,315)	(1,094)
Capitalization of software costs	(2,893)	(1,849)	(4,136)	(2,941)
Free cash flow	\$ 30,207	\$ 33,283	\$ 59,193	\$ 60,381
Net cash used in investing activities	\$ (7,178)	\$ (3,800)	\$ (8,860)	\$ (6,621)
Net cash used in financing activities	\$ (59,085)	\$ (28,944)	\$ (63,040)	\$ (35,205)

Liquidity and Capital Resources

Sources and Uses of Liquidity

As of July 31, 2025, our principal sources of liquidity were cash and cash equivalents and investments totaling \$567.9 million. We believe that our existing cash and cash equivalents, investments, and net cash generated from our operating activities will be sufficient to support working capital and capital expenditure requirements for at least the next 12 months. Since inception, we have financed operations primarily through sales of our cloud-hosted software subscriptions, net proceeds received from sales of equity securities, and the issuance of our 2028 Notes. We believe we will meet long-term expected future cash requirements and obligations through a combination of cash flows from operating activities and available cash and short-term investment balances.

Debt and Financing Arrangements

Refer to [Note 9. Debt and Financing Arrangements](#), in the notes to our unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q for discussion of our debt arrangements, including the timing of expected maturity of such arrangements. The \$57.5 million principal of our 2025 Notes was repaid by us in cash at maturity during the three months ended July 31, 2025.

Deferred Revenue

A significant majority of our customers pay in advance for our cloud-hosted and term-license software subscriptions. Therefore, a substantial source of our cash is from our deferred revenue, which is included in the liabilities section of our condensed consolidated balance sheet. Deferred revenue consists of the unearned portion of customer billings, which is recognized as revenue in accordance with our revenue recognition policy. As of July 31, 2025, we had deferred revenue of \$229.9 million, of which \$227.0 million was recorded as a current liability and expected to be recorded as revenue in the next 12 months, provided all other revenue recognition criteria are met.

Share Repurchase Programs

In March 2025, we announced that our Board of Directors approved a share repurchase program (the “2025 Share Repurchase Program”) for the repurchase of shares of our common stock in an aggregate amount of up to \$150.0 million. The 2025 Share Repurchase Program does not obligate us to acquire a specified number of shares, and may be suspended, modified, or terminated at any time, without prior notice. The repurchases are expected to be executed from time to time through March 2027, subject to general business and market conditions and other investment opportunities, through open market purchases or other legally permissible means, including through Rule 10b5-1 plans. As of July 31, 2025, no shares had been repurchased under the 2025 Share Repurchase Program and \$150.0 million of the total amount authorized to be repurchased remained available.

In August 2025, our Board of Directors approved an additional \$50.0 million under the 2025 Share Repurchase Program, thus allowing for the repurchase of shares of the Company’s common stock in an aggregate amount of up to \$200.0 million. No other changes were made to the program.

The 2025 Share Repurchase Program replaces the share repurchase program approved by our Board of Directors in May 2024 (the “2024 Share Repurchase Program”) for the repurchase of shares of our common stock in an aggregate amount of up to \$100.0 million. The 2024 Share Repurchase Program did not obligate us to acquire a specified number of shares, and could be suspended, modified, or terminated at any time, without prior notice. Under the 2024 Share Repurchase Program, the Company repurchased a total of 5,223,071 shares of common stock through open market purchases, including through 10b5-1 plans, at an average per share price of \$19.15 for a total repurchase price of \$100.0 million. During the year ended January 31, 2025, these shares were retired.

Future Contractual Obligations

Our estimated future obligations as of July 31, 2025 include both current and long-term obligations. Our debt obligations total \$394.5 million, all of which is long-term. Additionally, we had \$1.4 million of irrevocable standby letters of credit outstanding which were fully collateralized by our restricted cash, all of which represents a long-term cash obligation. Under our operating leases, we had a current obligation of \$3.6 million and a long-term obligation of \$10.2 million. Operating lease obligations primarily represent the initial contracted term for leases that have commenced as of July 31, 2025, not including any future optional renewal periods.

Effect of Exchange Rates

Our changes in cash can be impacted by the effect of fluctuating exchange rates. Foreign exchange had a negative effect on cash in the six months ended July 31, 2024, decreasing our total cash balance by \$23.0 thousand as of July 31, 2024, and a positive effect on cash in the six months ended July 31, 2025, increasing our total cash balance by \$0.1 million as of July 31, 2025.

Cash Flow Information

The following table sets forth our cash flows for the periods indicated (in thousands):

	Six months ended July 31,		\$ Change
	2025	2024	
Net cash provided by operating activities	\$ 64,644	\$ 64,416	\$ 228
Net cash used in investing activities	(8,860)	(6,621)	(2,239)
Net cash used in financing activities	(63,040)	(35,205)	(27,835)
Effects of foreign currency exchange rates on cash, cash equivalents, and restricted cash	113	(23)	136
Net change in cash, cash equivalents, and restricted cash	\$ (7,143)	\$ 22,567	\$ (29,710)

Operating Activities

Net cash provided by operating activities improved, primarily due to improvements in our operating loss performance due to the 7.1% increase in revenue, along with our 6.1% decrease in operating expenses. Cash provided by operating activities is subject to variability period-over-period as a result of timing differences, including with respect to the collection of receivables and payments of accounts payable, and other items.

Investing Activities

Net cash used in investing activities increased, primarily due to a decrease in purchases of available-for-sale investments, offset by a decrease in proceeds from maturities of available-for-sale investments and proceeds from sales of available-for-sale investments, along with an increase in capitalized software costs and an increase in purchases of non-marketable equity investments.

Financing Activities

Net cash used in financing activities increased, primarily due to the repayment of our 2025 Convertible Notes during the three months ended July 31, 2025.

Off-Balance Sheet Arrangements

Indemnification Agreements

See [Note 10. Commitments and Contingencies](#), in the notes to our unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q for a description of our indemnification agreements.

Letters of Credit

We had \$1.4 million of irrevocable standby letters of credit outstanding as of July 31, 2025. Letters of credit are primarily used as a form of security deposits for the spaces we lease.

Critical Accounting Estimates

For a description of our critical accounting estimates, refer to Part II, Item 7, Critical Accounting Estimates in our Annual Report on Form 10-K for the year ended January 31, 2025. There have been no material changes to our critical accounting policies and estimates since our Annual Report on Form 10-K for the year ended January 31, 2025.

Recent Accounting Pronouncements

See [Note 2. Summary of Significant Accounting Policies](#), in the notes to our unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q for a description of recently adopted accounting pronouncements and recently issued accounting pronouncements not yet adopted.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

There have been no material changes in our market risk from the information provided in Part II, Item 7A, Quantitative and Qualitative Disclosures About Market Risk, in our Annual Report on Form 10-K for the year ended January 31, 2025.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) are designed to ensure that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms, and that such information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Our management, with the participation and supervision of our chief executive officer and our chief financial officer, have evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on such evaluation, our chief executive officer and chief financial officer have concluded that as of such date, our disclosure controls and procedures were, in design and operation, effective at a reasonable assurance level.

Limitations on the Effectiveness of Controls

The effectiveness of any system of internal control over financial reporting, including ours, is subject to inherent limitations, including the exercise of judgment in designing, implementing, operating, and evaluating the controls and procedures, and the inability to eliminate misconduct completely. Accordingly, in designing and evaluating the disclosure controls and procedures, management recognizes that any system of internal control over financial reporting, including ours, no matter how well designed and operated, can only provide reasonable, not absolute assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs. Moreover, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. We intend to continue to monitor and upgrade our internal controls as necessary or appropriate for our business but cannot assure you that such improvements will be sufficient to provide us with effective internal control over financial reporting.

Changes in Internal Controls Over Financial Reporting

There were no changes in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the quarter ended July 31, 2025 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

We are not a party to any material pending legal proceedings. From time to time, we may be subject to legal proceedings and claims arising in the ordinary course of business.

Item 1A. Risk Factors

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

There have been no material changes from the risk factors described in Part I. Item 1A., “Risk Factors” in our Annual Report on Form 10-K for year ended January 31, 2025, as updated by the “Risk Factors” described under “Part I—Item 1A. Risk Factors” in our Quarterly Report on Form 10-Q for the quarter ended April 30, 2025.

Item 2. Unregistered Sales of Equity Securities, Use of Proceeds, and Issuer Purchases of Equity Securities

Unregistered Sales of Equity Securities

None.

Use of Proceeds

None.

Issuer Purchases of Equity Securities

The following table presents information with respect to our repurchases of common stock during the three months ended July 31, 2025:

Period	Total number of shares purchased ⁽¹⁾	Average price paid per share ⁽²⁾	Total number of shares purchased as part of publicly announced program ⁽¹⁾	Approximate dollar value of shares that may yet be purchased under publicly announced program (in thousands) ⁽¹⁾
May 1 - 31, 2025	—	\$ —	—	—
June 1 - 30, 2025	—	\$ —	—	—
July 1 - 31, 2025	—	\$ —	—	—
Total	—	—	—	—

(1) In March 2025, our Board of Directors authorized a stock repurchase program of up to \$150.0 million of our common stock., which was subsequently increased to \$200.0 million in August 2025. Share repurchases under share repurchase program may be made from time to time on the open market, pursuant to Rule 10b5-1 trading plans, or other legally permissible means. The share repurchase program does not obligate us to acquire a specified number of shares, and may be suspended, modified, or terminated at any time, without prior notice. The number of shares to be repurchased will depend on market conditions and other factors. The share repurchase program is expected to continue through March 2027, unless extended or shortened by the Board of Directors. See [Note 12. Common Stock and Stockholders' Equity](#) elsewhere in this Quarterly Report on Form 10-Q for additional information related to share repurchases.

(2) Average price paid per share excludes cash paid for commissions.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Rule 10b5-1 Trading Arrangements

On May 14, 2025, Shelley Webb, our former Senior Vice President, Chief Legal and People Officer, terminated a trading plan for the sale of the Company's common stock that is intended to satisfy the affirmative defense of Rule 10b5-1(c). The trading plan was adopted on July 10, 2024 and was set to expire on October 10, 2025. The trading plan provided for the sale of up to 62,962 shares of common stock, all of which are subject to the Company's stock price reaching certain price thresholds.

Item 6. Exhibits

The following exhibits are filed as part of this report or hereby incorporated by references to filings previously made with the SEC.

Exhibit Number	Description	Incorporated by Reference				Filed or Furnished Herewith
		Form	File No.	Exhibit	Filing Date	
3.1	Amended and Restated Certificate of Incorporation of PagerDuty, Inc.	8-K	001-38856	3.1	April 15, 2019	
3.2	Amended and Restated Bylaws of PagerDuty, Inc.	8-K	001-38856	3.2	April 15, 2019	
10.1	Cooperation Agreement dated as of April 28, 2025, by and among PagerDuty, Inc. and Scalar Gauge Fund, LP, and certain other parties	8-K	001-38856	10.1	April 28, 2025	
31.1	Certification of the Chief Executive Officer pursuant to Exchange Act Rule 13a-14 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					X
31.2	Certification of the Chief Financial Officer pursuant to Exchange Act Rule 13a-14 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					X
32.1*	Certification of the Chief Executive Officer and the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					X
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.					X
101.SCH	XBRL Taxonomy Extension Schema Document.					X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.					X
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.					X
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.					X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.					X
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)					X

* The certifications furnished in Exhibit 32.1 hereto are deemed to accompany this 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.

† Indicates a management contract or compensatory plan.

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.

September 3, 2025 _____ Date	PAGERDUTY, INC. (registrant)
September 3, 2025 _____ Date	/s/ Jennifer G. Tejada _____ Jennifer G. Tejada Chief Executive Officer (Principal Executive Officer)
September 3, 2025 _____ Date	/s/ Owen Howard Wilson _____ Owen Howard Wilson Chief Financial Officer (Principal Financial Officer)
September 3, 2025 _____ Date	/s/ Paul Underwood _____ Paul Underwood Chief Accounting Officer (Principal Accounting 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, Jennifer G. Tejada, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of PagerDuty, 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(s) 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(s) 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: September 03, 2025

/s/ Jennifer G. Tejada
Jennifer G. Tejada
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, Owen Howard Wilson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of PagerDuty, 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(s) 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(s) 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: September 3, 2025

/s/ Owen Howard Wilson
Owen Howard Wilson
Chief Financial Officer
(Principal Financial Officer)

**CERTIFICATIONS 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, Jennifer G. Tejada, the Chief Executive Officer of PagerDuty, Inc., certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of PagerDuty, Inc. for the fiscal quarter ended July 31, 2025 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 PagerDuty, Inc.

Date: September 3, 2025

/s/ Jennifer G. Tejada

Jennifer G. Tejada
Chief Executive Officer
(Principal Executive Officer)

I, Owen Howard Wilson, the Chief Financial Officer of PagerDuty, Inc., certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of PagerDuty, Inc. for the fiscal quarter ended July 31, 2025 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 PagerDuty, Inc.

Date: September 3, 2025

/s/ Owen Howard Wilson

Owen Howard Wilson
Chief Financial Officer
(Principal Financial Officer)