# 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 October 31, 2023**

**or**

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

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

**Commission File Number: 001-38856**

# PAGERDUTY, INC.
**(Exact name of registrant as specified in its charter)**

| | |
|---|---|
| **Delaware** | **27-2793871** |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification Number) |

**600 Townsend St., Suite 200**
**San Francisco, CA 94103**
**(844) 800-3889**
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

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

| Title of each class | Trading symbol(s) | Name of each exchange on which registered |
|---|---|---|
| **Common Stock, $0.000005 par value** | **PD** | **New York Stock Exchange** |

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 November 29, 2023, was 91,892,322.

# PAGERDUTY, INC.

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## PART I - FINANCIAL INFORMATION



## Part II - OTHER INFORMATION

## SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q (this "Form 10-Q") contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act, which statements involve substantial risk and uncertainties. All statements contained in this 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 statement 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 or significant market volatility in the global economy on our customers, partners, employees and business;
- trends in key business metrics, including number of customers and dollar-based net retention rate, and non-GAAP financial measures and their usefulness in evaluating our business;
- trends in revenue, cost of revenue, and gross margin;
- trends in operating expenses, including research and development, sales and marketing, and general and administrative expense, and expectations regarding these expenses as a percentage of revenue;
- our existing cash and cash equivalents and cash provided by sales of our 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;
- anticipated charges and future cost savings in connection with our real estate rationalization;
- 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;
- the increased expenses and administrative workload associated with being a public company; and
- other statements regarding our future operations, financial condition, and prospects and business strategies.

Such forward-looking statements are based on our expectations as of the date of this filing and are subject to a number of risks, uncertainties and assumptions, including but not limited to, risks detailed in the "Risk Factors" section of this Form 10-Q and in our Annual Report on Form 10-K for the year ended January 31, 2023, filed with the SEC on March 16, 2023 ("Annual Report"). 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, or the SEC, that disclose risks and uncertainties that may affect our business. Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for us to predict all risks, nor can we assess the effect of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties, and assumptions, the future events and trends discussed in this Form 10-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 (unaudited)

**PAGERDUTY, INC.**

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

| | As of October 31, 2023 | As of January 31, 2023 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 380,307 | $ 274,019 |
| Investments | 195,006 | 202,948 |
| Accounts receivable, net of allowance for credit losses of $1,285 and $2,014 as of October 31, 2023 and January 31, 2023, respectively | 71,106 | 91,345 |
| Deferred contract costs, current | 18,893 | 18,674 |
| Prepaid expenses and other current assets | 15,742 | 13,350 |
| Total current assets | 681,054 | 600,336 |
| Property and equipment, net | 18,746 | 18,390 |
| Deferred contract costs, non-current | 24,495 | 27,715 |
| Lease right-of-use assets | 10,120 | 13,982 |
| Goodwill | 118,862 | 118,862 |
| Intangible assets, net | 28,807 | 37,224 |
| Other assets | 4,646 | 1,364 |
| **Total assets** | $ 886,730 | $ 817,873 |
| **Liabilities, redeemable non-controlling interest, and stockholders' equity** | | |
| Current liabilities: | | |
| Accounts payable | $ 6,763 | $ 7,398 |
| Accrued expenses and other current liabilities | 13,323 | 11,804 |
| Accrued compensation | 28,833 | 41,834 |
| Deferred revenue, current | 192,920 | 204,137 |
| Lease liabilities, current | 6,088 | 5,904 |
| Total current liabilities | 247,927 | 271,077 |
| Convertible senior notes, net | 447,389 | 282,908 |
| Deferred revenue, non-current | 3,499 | 4,914 |
| Lease liabilities, non-current | 8,391 | 12,704 |
| Other liabilities | 4,933 | 4,184 |
| Total liabilities | 712,139 | 575,787 |
| Commitments and contingencies (Note 10) | | |
| Redeemable non-controlling interest (Note 3) | 5,472 | 1,108 |
| Stockholders' equity: | | |
| Common stock, $0.000005 par value; 1,000,000,000 shares authorized; 94,219,644 and 91,178,671 shares issued and 91,888,642 and 91,178,671 outstanding as of October 31, 2023 and January 31, 2023, respectively | — | — |
| Additional paid-in capital | 745,114 | 719,816 |
| Accumulated other comprehensive loss | (1,712) | (1,592) |
| Accumulated deficit | (524,283) | (477,246) |
| Treasury stock at cost, 2,331,002 and — shares as of October 31, 2023 and January 31, 2023, respectively | (50,000) | — |
| Total stockholders' equity | 169,119 | 240,978 |
| **Total liabilities, redeemable non-controlling interest, and stockholders' equity** | $ 886,730 | $ 817,873 |

See Notes to Condensed Consolidated Financial Statements

# PAGERDUTY, INC.

## Condensed Consolidated Statements of Operations
## (in thousands, except per share data)
## (unaudited)

| | Three Months Ended October 31, | | Nine Months Ended October 31, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Revenue | $ 108,720 | $ 94,203 | $ 319,582 | $ 269,827 |
| Cost of revenue | 19,705 | 18,007 | 57,474 | 52,090 |
| Gross profit | 89,015 | 76,196 | 262,108 | 217,737 |
| Operating expenses: | | | | |
| Research and development | 34,272 | 35,004 | 104,221 | 100,307 |
| Sales and marketing | 49,630 | 47,118 | 143,155 | 143,001 |
| General and administrative | 25,955 | 26,616 | 77,547 | 77,316 |
| Total operating expenses | 109,857 | 108,738 | 324,923 | 320,624 |
| Loss from operations | (20,842) | (32,542) | (62,815) | (102,887) |
| Interest income | 4,522 | 1,382 | 11,300 | 2,760 |
| Interest expense | (1,454) | (1,360) | (4,184) | (4,072) |
| Gain on partial extinguishment of convertible senior notes | 3,970 | — | 3,970 | — |
| Other income (expense), net | 673 | (172) | 2,982 | (1,326) |
| Loss before (provision) benefit from income taxes | (13,131) | (32,692) | (48,747) | (105,525) |
| (Provision) benefit from income taxes | 41 | (112) | 197 | 1,302 |
| Net loss | $ (13,090) | $ (32,804) | $ (48,550) | $ (104,223) |
| Net loss attributable to redeemable non-controlling interest | (324) | (262) | (1,513) | (362) |
| Net loss attributable to PagerDuty, Inc. | $ (12,766) | $ (32,542) | $ (47,037) | $ (103,861) |
| Adjustment attributable to redeemable non-controlling interest | 2,359 | — | 4,088 | — |
| Net loss attributable to PagerDuty, Inc. common stockholders | $ (15,125) | $ (32,542) | $ (51,125) | $ (103,861) |
| Net loss per share, basic and diluted, attributable to PagerDuty, Inc. common stockholders | $ (0.16) | $ (0.36) | $ (0.55) | $ (1.18) |
| Weighted average shares used in calculating net income (loss) per share, basic and diluted | 93,104 | 89,285 | 92,257 | 88,200 |

See Notes to Condensed Consolidated Financial Statements

**PAGERDUTY, INC.**

**Condensed Consolidated Statements of Comprehensive Loss**
**(in thousands)**
**(unaudited)**

| | Three Months Ended October 31, | | Nine Months Ended October 31, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Net loss | $ (13,090) | $ (32,804) | $ (48,550) | $ (104,223) |
| Unrealized gain (loss) on investments | 227 | (1,050) | 295 | (1,952) |
| Foreign currency translation adjustments | (151) | (374) | (415) | (515) |
| Total comprehensive loss | $ (13,014) | $ (34,228) | $ (48,670) | $ (106,690) |
| Less comprehensive loss attributable to redeemable non-controlling interest: | | | | |
| Net loss attributable to redeemable non-controlling interest | (324) | (262) | (1,513) | (362) |
| Foreign currency translation adjustments, attributable to redeemable non-controlling interest | 6 | 2 | 8 | 5 |
| Comprehensive loss attributable to redeemable non-controlling interest | (318) | (260) | (1,505) | (357) |
| Comprehensive loss attributable to PagerDuty, Inc. | $ (12,696) | $ (33,968) | $ (47,165) | $ (106,333) |

**PAGERDUTY, INC.**

**Condensed Consolidated Statements of Stockholders' Equity**
**(in thousands, except share data)**
**(unaudited)**

| | Three Months Ended October 31, 2023 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Common Stock | | Additional Paid-in Capital | Accumulated Other Comprehensive Loss | Accumulated Deficit | Treasury Stock | | Total Stockholders' Equity |
| | Shares | Amount | | | | Shares | Amount | |
| **Balances as of July 31, 2023** | 93,249,291 | $ — | $ 779,192 | $ (1,788) | $ (511,517) | — | $ — | $ 265,887 |
| Issuance of common stock upon exercise of stock options | 245,778 | — | 973 | — | — | — | — | 973 |
| Vesting of restricted stock units, net of employee payroll taxes | 724,575 | — | (9,786) | — | — | — | — | (9,786) |
| Other comprehensive income | — | — | — | 76 | — | — | — | 76 |
| Purchases of capped calls related to convertible senior notes | — | — | (55,102) | — | — | — | — | (55,102) |
| Common stock repurchased | — | — | — | — | — | (2,331,002) | (50,000) | (50,000) |
| Stock-based compensation | — | — | 32,196 | — | — | — | — | 32,196 |
| Adjustment to redeemable non-controlling interest | — | — | (2,359) | — | — | — | — | (2,359) |
| Net loss attributable to PagerDuty, Inc. | — | — | — | — | (12,766) | — | — | (12,766) |
| **Balances as of October 31, 2023** | 94,219,644 | $ — | $ 745,114 | $ (1,712) | $ (524,283) | (2,331,002) | $ (50,000) | $ 169,119 |

| | Nine Months Ended October 31, 2023 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Common Stock | | Additional Paid-in Capital | Accumulated Other Comprehensive Loss | Accumulated Deficit | Treasury Stock | | Total Stockholders' Equity |
| | Shares | Amount | | | | Shares | Amount | |
| **Balances as of January 31, 2023** | 91,178,671 | $ — | $ 719,816 | $ (1,592) | $ (477,246) | — | $ — | $ 240,978 |
| Issuance of common stock upon exercise of stock options | 1,026,320 | — | 7,954 | — | — | — | — | 7,954 |
| Vesting of restricted stock units, net of employee payroll taxes | 1,688,670 | — | (25,772) | — | — | — | — | (25,772) |
| Issuance of common stock in connection with the Employee Stock Purchase Plan | 325,983 | — | 6,292 | — | — | — | — | 6,292 |
| Other comprehensive loss | — | — | — | (120) | — | — | — | (120) |
| Purchases of capped calls related to convertible senior notes | — | — | (55,102) | — | — | — | — | (55,102) |
| Common stock repurchased | — | — | — | — | — | (2,331,002) | (50,000) | (50,000) |
| Stock-based compensation | — | — | 96,014 | — | — | — | — | 96,014 |
| Adjustment to redeemable non-controlling interest | — | — | (4,088) | — | — | — | — | (4,088) |
| Net loss attributable to PagerDuty, Inc. | — | — | — | — | (47,037) | — | — | (47,037) |
| **Balances as of October 31, 2023** | 94,219,644 | $ — | $ 745,114 | $ (1,712) | $ (524,283) | (2,331,002) | $ (50,000) | $ 169,119 |

| | Three Months Ended October 31, 2022 | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Common Stock | | | Additional Paid-in Capital | | Accumulated Other Comprehensive Loss | | Accumulated Deficit | | Total Stockholders' Equity | |
| | Shares | Amount | | | | | | | | | |
| **Balances as of July 31, 2022** | 88,928,089 | $ | — | $ | 672,126 | $ | (1,712) | $ | (420,142) | $ | 250,272 |
| Issuance of common stock upon exercise of stock options | 328,471 | | — | | 2,137 | | — | | — | | 2,137 |
| Vesting of restricted stock units, net of employee payroll taxes | 709,089 | | — | | (9,864) | | — | | — | | (9,864) |
| Other comprehensive loss | — | | — | | — | | (1,424) | | — | | (1,424) |
| Stock-based compensation | — | | — | | 31,770 | | — | | — | | 31,770 |
| Net loss attributable to PagerDuty, Inc. | — | | — | | — | | — | | (32,542) | | (32,542) |
| **Balances as of October 31, 2022** | 89,965,649 | $ | — | $ | 696,169 | $ | (3,136) | $ | (452,684) | $ | 240,349 |

| | Nine Months Ended October 31, 2022 | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Common Stock | | | Additional Paid-in Capital | | Accumulated Other Comprehensive Loss | | Accumulated Deficit | | Total Stockholders' Equity | |
| | Shares | Amount | | | | | | | | | |
| **Balances as of January 31, 2022** | 86,758,380 | $ | — | $ | 616,467 | $ | (669) | $ | (348,823) | $ | 266,975 |
| Issuance of common stock upon exercise of stock options | 1,513,581 | | — | | 8,728 | | — | | — | | 8,728 |
| Vesting of restricted stock units, net of employee payroll taxes | 1,349,991 | | — | | (22,187) | | — | | — | | (22,187) |
| Shares issued related to an asset acquisition | 62,972 | | — | | — | | — | | — | | — |
| Issuance of common stock in connection with the Employee Stock Purchase Plan | 280,725 | | — | | 5,736 | | — | | — | | 5,736 |
| Other comprehensive loss | — | | — | | — | | (2,467) | | — | | (2,467) |
| Stock-based compensation | — | | — | | 87,425 | | — | | — | | 87,425 |
| Net loss attributable to PagerDuty, Inc. | — | | — | | — | | — | | (103,861) | | (103,861) |
| **Balances as of October 31, 2022** | 89,965,649 | $ | — | $ | 696,169 | $ | (3,136) | $ | (452,684) | $ | 240,349 |

See Notes to Condensed Consolidated Financial Statements

**PAGERDUTY, INC.**

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

| | Nine Months Ended October 31, | |
|---|---|---|
| | **2023** | **2022** |
| **Cash flows from operating activities** | | |
| Net loss attributable to PagerDuty, Inc. common stockholders | $ (51,125) | $ (103,861) |
| Net loss and adjustment attributable to redeemable non-controlling interest (Note 3) | 2,575 | (362) |
| Net loss | (48,550) | (104,223) |
| Adjustments to reconcile net loss to net cash provided by (used in) operating activities: | | |
| Depreciation and amortization | 15,016 | 12,778 |
| Amortization of deferred contract costs | 15,286 | 14,178 |
| Amortization of debt issuance costs | 1,456 | 1,376 |
| Gain on partial extinguishment of convertible senior notes | (3,970) | — |
| Stock-based compensation | 94,910 | 86,478 |
| Non-cash lease expense | 3,425 | 2,913 |
| Tax benefit related to release of valuation allowance | — | (1,330) |
| Other | (1,426) | 1,686 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | 18,983 | 3,048 |
| Deferred contract costs | (12,285) | (16,323) |
| Prepaid expenses and other assets | (2,674) | (2,934) |
| Accounts payable | (1,002) | (1,117) |
| Accrued expenses and other liabilities | 767 | (1,350) |
| Accrued compensation | (13,086) | (624) |
| Deferred revenue | (12,547) | 8,635 |
| Lease liabilities | (4,484) | (3,783) |
| **Net cash provided by (used in) operating activities** | 49,819 | (592) |
| **Cash flows from investing activities** | | |
| Purchases of property and equipment | (1,193) | (3,755) |
| Capitalization of internal-use software costs | (3,812) | (2,725) |
| Business acquisition, net of cash acquired | — | (66,262) |
| Asset acquisition | — | (1,845) |
| Purchases of available-for-sale investments | (151,984) | (155,310) |
| Proceeds from maturities of available-for-sale investments | 164,064 | 149,625 |
| Purchases of non-marketable equity investments | (200) | — |
| **Net cash provided by (used in) investing activities** | 6,875 | (80,272) |
| **Cash flows from financing activities** | | |
| Proceeds from issuance of convertible senior notes, net of issuance costs | 391,543 | — |
| Purchases of capped calls related to convertible senior notes | (55,102) | — |
| Repurchases of convertible senior notes | (223,471) | — |
| Investment from redeemable non-controlling interest holder | 1,781 | 1,908 |
| Proceeds from employee stock purchase plan | 6,292 | 5,736 |
| Proceeds from issuance of common stock upon exercise of stock options | 8,390 | 8,459 |
| Employee payroll taxes paid related to net share settlement of restricted stock units | (25,772) | (22,187) |
| Repurchase of common stock | (50,000) | — |
| **Net cash provided by (used in) financing activities** | 53,661 | (6,084) |
| Effects of foreign currency exchange rates on cash, cash equivalents, and restricted cash | (451) | (504) |
| Net increase (decrease) in cash, cash equivalents, and restricted cash | 109,904 | (87,452) |
| Cash, cash equivalents, and restricted cash at beginning of period | 274,019 | 349,785 |
| **Cash, cash equivalents, and restricted cash at end of period** | $ 383,923 | $ 262,333 |
| Reconciliation of cash, cash equivalents, and restricted cash to the condensed consolidated balance sheets | | |
| Cash and cash equivalents | 380,307 | 262,333 |
| Restricted cash in other long-term assets | 3,616 | — |
| **Total cash, cash equivalents and restricted cash** | $ 383,923 | $ 262,333 |
| | | |
| **Supplemental cash flow data:** | | |
| Cash paid for income taxes | $ 507 | $ 130 |
| Cash paid for interests | $ 1,797 | $ 1,797 |
| **Non-cash investing and financing activities:** | | |
| Purchase of property and equipment, accrued but not yet paid | $ 991 | $ 828 |
| Stock-based compensation capitalized in internal use software | $ 1,105 | $ 947 |
| Bonuses capitalized in internal use software | $ 111 | $ 263 |
| Issuance costs included in accrued expenses | $ 965 | $ — |
| Receivables for cash in-transit on stock options | $ — | $ 269 |

See Notes to Condensed Consolidated Financial Statements

**PAGERDUTY, INC.**

**Notes to Condensed Consolidated Financial Statements**

**(unaudited)**

## 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 is a digital operations management platform that manages urgent and mission-critical work for a modern, digital business. PagerDuty 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.

As used herein, “PagerDuty”, “we”, “our”, “the Company” and similar terms include PagerDuty, Inc., unless the context indicates otherwise.

***Basis of Presentation***

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“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, 2023 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 note 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, 2023, included in the Annual Report.

The condensed consolidated financial statements include the results of the Company, 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 loss, statements of stockholders’ equity, and cash flows. The results of operations for the three and nine months ended October 31, 2023 are not necessarily indicative of the results to be expected for the full year ending January 31, 2024 or for any other interim period, or for any future year.

The Company’s fiscal year ends on January 31. References to fiscal 2024, for example, refer to the fiscal year ending January 31, 2024.

***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, 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.

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

No single customer accounted for more than 10% of the total accounts receivable balance as of October 31, 2023 or January 31, 2023. No single customer represented 10% or more of revenue for the three and nine months ended October 31, 2023 or 2022.

***Segment Information***

The Company manages its operations and allocates resources as one operating segment. The Company's chief operating decision maker ("CODM") is its chief executive officer, who reviews financial information presented on a consolidated basis for purposes of making operating decisions, assessing financial performance, and allocating resources. Refer to Note 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 billed \$3.8 million and \$1.6 million to entities associated with related parties during the nine months ended October 31, 2023 and 2022, respectively. Other related party transactions were not material for the three and nine months ended October 31, 2023 and 2022.

***Significant Accounting Policies***

There have been no significant changes to the Company's significant accounting policies as compared to those described in the Annual Report, other than as set forth below.

***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 October 31, 2023, the Company had restricted cash of $3.6 million, all of which was classified as non-current. The Company had no restricted cash as of January 31, 2023.

***Redeemable Non-Controlling Interest***

During the quarter ended July 31, 2022, the Company established a joint venture with Japan Cloud Computing II L.P. (the "Investor") in Japan ("PagerDuty K.K."), which is a variable interest entity, obtaining a 51% controlling interest. The Company 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. 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. During the three and nine months ended October 31, 2023, the Company recorded an adjustment attributable to the redeemable non-controlling interest of $2.4 million and $4.1 million. There were no adjustments attributable to the redeemable non-controlling interest recorded during the three and nine months ended October 31, 2022.

**3. Redeemable Non-Controlling Interest**

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

The following table summarizes the activity in the redeemable non-controlling interest for the period indicated below:

| | Three Months Ended October 31, | | Nine Months Ended October 31, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| | (in thousands) | | | |
| Balance at beginning of period | $ 3,431 | $ 1,811 | $ 1,108 | $ — |
| Investment by redeemable non-controlling interest | — | — | 1,781 | 1,908 |
| Net loss attributable to redeemable non-controlling interest | (324) | (262) | (1,513) | (362) |
| Adjustment to redeemable non-controlling interest | 2,359 | — | 4,088 | — |
| Foreign currency translation adjustments | 6 | 2 | 8 | 5 |
| Balance at end of period | $ 5,472 | $ 1,551 | $ 5,472 | $ 1,551 |

**PAGERDUTY, INC.**

**Notes to Condensed Consolidated Financial Statements**

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### 4. Cash, Cash Equivalents, and Investments

Cash, cash equivalents, and investments consisted of the following:

| | As of October 31, 2023 | As of January 31, 2023 |
|---|---|---|
| | (in thousands) | |
| **Cash and cash equivalents** | | |
| Cash | $ 72,035 | $ 67,151 |
| Money market funds | 297,294 | 206,868 |
| Commercial paper | 8,978 | — |
| U.S. Treasury securities | 2,000 | — |
| Total cash and cash equivalents | $ 380,307 | $ 274,019 |
| **Available-for-sale investments:** | | |
| U.S. Treasury securities | $ 50,516 | $ 51,387 |
| Commercial paper | 12,617 | 34,798 |
| Corporate debt securities | 113,620 | 108,827 |
| U.S. Government agency securities | 18,253 | 7,936 |
| Total available-for-sale investments | $ 195,006 | $ 202,948 |

The following tables summarize the Company's investments' adjusted cost, net unrealized losses, and fair value by significant investment category as of October 31, 2023 and January 31, 2023. Gross realized gains or losses from sales of available-for-sale securities were not material for the three and nine months ended October 31, 2023.

| | As of October 31, 2023 | | |
|---|---|---|---|
| | Cost Basis | Unrealized Loss, Net | Estimated Fair Value |
| | (in thousands) | | |
| **Available-for-sale investments:** | | | |
| U.S. Treasury securities | $ 50,519 | $ (3) | $ 50,516 |
| Commercial paper | 12,622 | (5) | 12,617 |
| Corporate debt securities | 114,616 | (996) | 113,620 |
| U.S. Government agency securities | 18,393 | (140) | 18,253 |
| Total available-for-sale investments | $ 196,150 | $ (1,144) | $ 195,006 |

| | As of January 31, 2023 | | |
|---|---|---|---|
| | Cost Basis | Unrealized Loss, Net | Estimated Fair Value |
| | (in thousands) | | |
| **Available-for-sale investments:** | | | |
| U.S. Treasury securities | $ 51,400 | $ (13) | $ 51,387 |
| Commercial paper | 34,926 | (128) | 34,798 |
| Corporate debt securities | 110,063 | (1,236) | 108,827 |
| U.S. Government agency securities | 8,000 | (64) | 7,936 |
| Total available-for-sale investments | $ 204,389 | $ (1,441) | $ 202,948 |

The following tables present the Company’s available-for-sale securities by contractual maturity date as of October 31, 2023 and January 31, 2023:

| | As of October 31, 2023 | |
|---|---|---|
| | Cost Basis | Recorded Basis |
| | (in thousands) | |
| Due within one year | $ 141,549 | $ 140,839 |
| Due between one to five years | 54,601 | 54,167 |
| Total | $ 196,150 | $ 195,006 |

| | As of January 31, 2023 | |
|---|---|---|
| | Cost Basis | Recorded Basis |
| | (in thousands) | |
| Due within one year | $ 139,443 | $ 138,625 |
| Due between one to five years | 64,946 | 64,323 |
| Total | $ 204,389 | $ 202,948 |

As of October 31, 2023, the Company had 104 securities in an unrealized loss position with an aggregate fair value of $199.1 million, of which $44.5 million were in a continuous unrealized loss position for more than 12 months. As of January 31, 2023, the Company had 81 securities in an unrealized loss position with an aggregate fair value of $174.1 million, of which $39.9 million were in a continuous unrealized loss position for more than 12 months.

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. The Company has not recorded an allowance for credit losses, as the Company believes any such losses would be immaterial based on the high-grade credit rating for each of its marketable securities as of the end of each period.

## 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 October 31, 2023 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| | (in thousands) | | | |
| Money market funds | $ 297,294 | $ — | $ — | $ 297,294 |
| U.S. Treasury securities | — | 52,516 | — | 52,516 |
| Commercial paper | — | 21,595 | — | 21,595 |
| Corporate debt securities | — | 113,620 | — | 113,620 |
| U.S. Government agency securities | | 18,253 | — | 18,253 |
| Total | $ 297,294 | $ 205,984 | $ — | $ 503,278 |
| Included in cash equivalents | | | | $ 308,272 |
| Included in investments | | | | $ 195,006 |

| | As of January 31, 2023 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| | (in thousands) | | | |
| Money market funds | $ 206,868 | $ — | $ — | $ 206,868 |
| U.S. Treasury securities | — | 51,387 | — | 51,387 |
| Commercial paper | — | 34,798 | — | 34,798 |
| Corporate debt securities | — | 108,827 | — | 108,827 |
| U.S. Government agency securities | — | 7,936 | — | 7,936 |
| Total | $ 206,868 | $ 202,948 | $ — | $ 409,816 |
| Included in cash equivalents | | | | $ 206,868 |
| Included in investments | | | | $ 202,948 |

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 October 31, 2023 and January 31, 2023, the Company’s Level 2 securities were priced by pricing vendors. These pricing vendors utilize observable market information in pricing these securities or, if specific prices are not available for these securities, use other observable inputs like market transactions involving identical or comparable securities.

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

***Convertible Senior Notes***

As of October 31, 2023, the estimated fair value of our outstanding 1.25% Convertible Senior Notes due 2025 (the “2025 Notes”) was approximately $53.5 million and the estimated fair value of our 1.5% Convertible Senior Notes due 2028 (the “2028 Notes” and, together with the 2025 Notes, the “Notes”) was approximately $395.3 million. The fair values were determined based on the quoted price for the Notes in an inactive market on the last trading day of the reporting period and is considered as Level 2 in the fair value hierarchy.

## 6. Property and Equipment, Net

Property and equipment, net, consisted of the following:

| | As of October 31, 2023 | As of January 31, 2023 |
|---|---|---|
| | (in thousands) | |
| Leasehold improvements | $ 11,445 | $ 15,585 |
| Computers and equipment | 8,817 | 9,426 |
| Furniture and fixtures | 3,796 | 4,730 |
| Capitalized internal-use software | 15,998 | 10,971 |
| Gross property and equipment [1] | 40,056 | 40,712 |
| Accumulated depreciation and amortization | (21,310) | (22,322) |
| Property and equipment, net | $ 18,746 | $ 18,390 |

[1] Gross property and equipment includes construction-in-progress for leasehold improvements and capitalized internal-use software of $5.4 million and $6.0 million that had not yet been placed in service as of October 31, 2023 and January 31, 2023, 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 $2.1 million and $1.8 million for the three months ended October 31, 2023 and 2022, respectively. Depreciation and amortization expense was $6.3 million and $5.1 million for the nine months ended October 31, 2023 and 2022, respectively.

In the nine months ended October 31, 2023, the Company recorded an impairment charge of $0.4 million related to leasehold improvements abandoned in the period. The impairment charge was recorded in general and administrative expenses on the consolidated statement of operations. In the nine months ended October 31, 2022, the Company recorded an impairment charge of $0.7 million on its capitalized internal-use software included in construction-in-progress. It was determined that the developed technology would not be placed in service as the technology was replaced with the acquired technology of Catalytic.

## 7. Deferred Contract Costs

Deferred contract costs, which primarily consist of deferred sales commissions, were $43.4 million and $46.4 million as of October 31, 2023 and January 31, 2023, respectively. Amortization expense for deferred contract costs was $5.1 million and $4.9 million for the three months ended October 31, 2023 and 2022, respectively. Amortization expense for deferred contract costs was $15.3 million and $14.2 million for the nine months ended October 31, 2023 and 2022, respectively. There was no impairment charge related to the costs capitalized for the periods presented.

## 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 2029. The operating lease agreements generally provide for rental payments on a graduated basis and for options to renew, which could increase future minimum lease payments if exercised.

**PAGERDUTY, INC.**

**Notes to Condensed Consolidated Financial Statements**

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

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

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

In the nine months ended October 31, 2023, the Company entered into a sublease of one office location. The sublease has a remaining lease term of less than two years. Sublease income, which is recorded as a reduction of rent expense, was immaterial for the nine months ended October 31, 2023.

The following table presents information about leases on the condensed consolidated balance sheet.

| | As of October 31, 2023 | As of January 31, 2023 |
|---|---|---|
| | (in thousands) | |
| **Assets** | | |
| Lease right-of-use assets | $ 10,120 | $ 13,982 |
| **Liabilities** | | |
| Lease liabilities | 6,088 | 5,904 |
| Lease liabilities, non-current | 8,391 | 12,704 |

As of October 31, 2023, the weighted average remaining lease term was 3.3 years and the weighted average discount rate used to determine the net present value of the lease liabilities was 3.7%.

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

| | Three Months Ended October 31, | | Nine Months Ended October 31, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| | (in thousands) | | | |
| Operating lease expense | $ 1,089 | $ 1,371 | $ 3,760 | $ 4,293 |
| Short-term lease expense | 567 | 484 | 1,335 | 1,342 |
| Variable lease expense | 270 | 285 | 867 | 957 |

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

| | Three Months Ended October 31, | | Nine Months Ended October 31, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| | (in thousands) | | | |
| Cash paid for amounts included in the measurement of lease liabilities | $ 1,612 | $ 1,601 | $ 4,934 | $ 4,840 |

In the nine months ended October 31, 2023, the Company recorded an impairment charge of $0.8 million to the right-of-use asset associated with the subleased office, which is the amount by which the carrying value of the right-of-use asset exceeded its estimated fair value. The estimated fair value was based on the present value of the estimated cash flows that could be generated from subleasing the property for the remaining lease term. The impairment charge was recorded in general and administrative expenses on our condensed consolidated statement of operations. There were no impairment charges recorded in the three months ended October 31, 2023 and 2022 and there were no impairment charges recorded in the nine months ended October 31, 2022.

**9. Debt and Financing Arrangements**

***2025 Convertible Senior Notes***

On June 25, 2020, the Company issued an aggregate principal amount of $287.5 million of 2025 Notes in a private offering pursuant to an Indenture dated June 25, 2020 (the "2025 Indenture").

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

In October 2023, the Company provided written notice to the trustee and the note holders of the 2025 Notes that it had irrevocably elected to settle the principal amount of its convertible senior notes in cash 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 2025 Notes being converted.

In October 2023, the Company paid $223.5 million to repurchase $230.0 million of aggregate principal amount of the 2025 Notes with a carrying value of $227.5 million, net of unamortized issuance costs of $2.6 million. The Company recorded a gain on partial extinguishment of the 2025 Notes in the three and nine months ended October 31, 2023 of $4.0 million in the condensed consolidated statements of operations.

***2028 Convertible Senior Notes***

In October 2023, the Company issued an aggregate principal amount of $402.5 million 2028 Notes 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 debt issuance costs of $12.0 million, paid or payable by the Company, 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.

***Additional Terms of the Notes***

Holders of the Notes may convert all or any portion of their Notes at their option at any time prior to the close of business on April 1, 2025, with respect to the 2025 Notes, or June 15, 2028, with respect to the 2028 Notes, only under the following circumstances:

- During any fiscal quarter commencing after the fiscal quarter ended October 31, 2020, with respect to the 2025 Notes, or the fiscal quarter ending January 31, 2024, with respect to the 2028 Notes (and only during such fiscal quarter), if the last reported sale price of the Company's common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding fiscal quarter is greater than or equal to 130% of the relevant conversion price on each applicable trading day;
- During the five business day period after any ten consecutive trading day period (the measurement period) in which the "trading price" (as defined in the relevant Indenture) per $1,000 principal amount of 2028 Notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price of the Company's common stock and the relevant conversion rate on each such trading day;
- If the Company calls such Notes for redemption, at any time prior to the close of business on the scheduled trading day immediately preceding the redemption date; or
- Upon the occurrence of specified corporate events, as noted in the Indenture.

On or after April 1, 2025, with respect to the 2025 Notes, or June 15, 2028, with respect to the 2028 Notes, until the close of business on the second scheduled trading day immediately preceding the relevant maturity date, holders of the Notes may convert all or any portion of their Notes at any time, regardless of the foregoing circumstances.

The initial conversion rate for the 2025 Notes is 24.95 shares of common stock per $1,000 principal amount of 2025 Notes, which is equivalent to an initial conversion price of approximately $40.08 per share of common stock. The initial conversion rate for the 2028 Notes is 36.56 shares of common stock per $1,000 principal amount of 2028 Notes, which is equivalent to an initial conversion price of approximately $27.35 per share of common stock. The conversion rate for the Notes is subject to adjustment under certain circumstances in accordance with the terms of the relevant Indenture, but will not be adjusted for accrued and unpaid interest. In addition, following certain corporate events that occur prior to the maturity date, or if the Company delivers a notice of redemption, the Company will, in certain circumstances, increase the conversion rate for a holder who elects to convert its Notes in connection with such a corporate event or convert its notes called (or deemed called) for redemption during the related redemption period (as defined in the relevant Indenture), as the case may be.

The Company may not redeem 2025 Notes prior to July 6, 2023 or the 2028 Notes prior to October 20, 2026. The Company may redeem for cash all or any portion of the Notes, at its option, with respect to the 2025 Notes, on a redemption date occurring on or after July 6, 2023 and prior to the 41st scheduled trading day immediately preceding the maturity date of the 2025 Notes, or with respect to the 2028 Notes, on a redemption date occurring on or after October 20, 2026 and prior to the 61st scheduled trading day immediately preceding the maturity date of the 2028 Notes, if the last reported sale price of the common stock has been at least 130% of the relevant conversion price for the Notes then in effect for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading day period (including the last trading day of such period) ending on, and including the trading day immediately preceding the date on which the Company provides notice of redemption at a redemption price equal to 100% of the principal amount to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date. No sinking fund is provided for the 2025 Notes or the 2028 Notes.

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

The Indentures governing the Notes contain customary terms and covenants, including that upon certain events of default occurring and continuing, the trustee or the holders of at least 25% in aggregate principal amount of the outstanding 2025 Notes or 2028 Notes may declare the entire principal of all such 2025 Notes or 2028 Notes plus accrued and unpaid interest to be immediately due and payable.

***Accounting for Notes***

The Company accounts for the Notes each as a single liability in accordance with Accounting Standards Update 2020-06 “Accounting for Convertible Instruments and Contracts in an Entity’s Own Equity.” The Notes are classified as long-term liabilities as of October 31, 2023. Issuance costs are being amortized to interest expense over the contractual term of the Notes at an effective interest rate of 2.13% for the 2028 Notes and 1.91% for the 2025 Notes.

The net carrying amount of the Notes as of October 31, 2023 and as of January 31, 2023 was as follows:

| | As of October 31, 2023 | | | As of January 31, 2023 |
|---|---|---|---|---|
| | (in thousands) | | | |
| | 2025 Notes | 2028 Notes | Total | 2025 Notes |
| Principal | $ 57,500 | $ 402,500 | $ 460,000 | $ 287,500 |
| Less: unamortized issuance costs | (621) | (11,990) | (12,611) | (4,592) |
| Net carrying amount | $ 56,879 | $ 390,510 | $ 447,389 | $ 282,908 |

Interest expense recognized related to the Notes is as follows:

| | Three Months Ended October 31, | | Nine Months Ended October 31, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| | (in thousands) | | | |
| Contractual interest expense | $ 931 | $ 899 | $ 2,728 | $ 2,696 |
| Amortization of debt issuance costs | 523 | 461 | 1,456 | 1,376 |
| Total interest expense related to the Notes | $ 1,454 | $ 1,360 | $ 4,184 | $ 4,072 |

***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 and in connection with the offering of the 2028 Notes, the Company entered into separate privately negotiate 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 2025 Notes or the 2028 Notes, as applicable, with such reduction or offset, as the case may be, 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 2025 Notes or the 2028 Notes, as applicable. The Capped Calls are recorded in stockholders’ equity and are not accounted for as derivatives. The cost of $35.7 million incurred to purchase the 2025 Capped Calls and the cost of $55.1 million incurred to purchase the 2028 Capped Calls were each recorded as a reduction to additional paid-in capital in the accompanying condensed consolidated balance sheet. The Capped Calls will not be remeasured as long as they continue to meet the conditions for equity classification.

The 2025 Capped Calls each have an initial strike price of approximately $40.08 per share, subject to certain adjustments, which corresponds to the initial conversion price of the 2025 Notes. The 2025 Capped Calls have an initial cap price of $61.66 per share, subject to certain adjustments. The 2025 Capped Calls cover, subject to anti-dilution adjustments, approximately $7.20 million shares of our common stock. The 2025 Capped Calls are subject to automatic exercise over a 40 trading day period commencing on May 2, 2025, subject to earlier termination under certain circumstances.

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. The 2028 Capped Calls have 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 our 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.

## 10. Commitments and Contingencies

***Legal Matters***

From time to time in the normal course of business, the Company may be subject to various claims and other legal matters arising in the ordinary course of business. The Company investigates these claims as they arise and accrues estimates for resolution of legal and other contingencies when losses are probable and estimable. The Company is not currently a party to any 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 and comprehensive loss, or consolidated statements of cash flows.

## 11. Deferred Revenue and Performance Obligations

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

| | Three Months Ended October 31, | | Nine Months Ended October 31, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| | (in thousands) | | | |
| Deferred revenue, beginning of period | $ 196,605 | $ 169,534 | $ 209,051 | $ 170,224 |
| Billings | 108,534 | 104,384 | 306,950 | 278,462 |
| Deferred revenue assumed in the Catalytic acquisition | — | — | — | 856 |
| Revenue recognized | (108,720) | (94,203) | (319,582) | (269,827) |
| Deferred revenue, end of period | $ 196,419 | $ 179,715 | $ 196,419 | $ 179,715 |

For the three months ended October 31, 2023 and 2022, the majority of revenue recognized was from the deferred revenue balances at the beginning of each quarter. For the nine months ended October 31, 2023 and 2022, approximately half of revenue recognized was from the deferred revenue balance at the beginning of the period.

As of October 31, 2023, future estimated revenue related to performance obligations for cloud-hosted and term-license software subscriptions with terms of more than one year that are unsatisfied or partially unsatisfied at the end of the reporting periods was approximately $206.0 million. The Company expects to satisfy the substantial majority of these unsatisfied performance obligations over the next 24 months and the remainder thereafter. The Company applied the optional exemption for subscriptions with terms of less than one year.

## 12. Common Stock and Stockholders' Equity

### *Equity Incentive Plans*

The Company has two equity incentive plans: the 2010 Stock Plan (the "2010 Plan") and the 2019 Equity Incentive Plan (the "2019 Plan", collectively the "Stock Plans"). Upon completion of the Company's initial public offering ("IPO") in April 2019, the Company ceased granting awards under the 2010 Plan, and all shares that remained available for future issuance under the 2010 Plan at that time were transferred to the 2019 Plan. The 2019 Plan superseded and replaced the 2010 Plan. As of October 31, 2023 and January 31, 2023, the Company was authorized to grant up to 31,519,241 shares and 28,881,327 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 October 31, 2023 and January 31, 2023, there were 17,224,509 shares and 13,581,239 shares available for future issuance under the Stock Plans, respectively.

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

| | October 31, 2023 |
|---|---|
| Outstanding stock options and unvested RSUs and PSUs | 13,886,605 |
| Available for future stock option, RSU, and PSU grants | 17,224,509 |
| Available for Employee Stock Purchase Plan ("ESPP") | 3,557,026 |
| Total common stock reserved at October 31, 2023 | 34,668,140 |

### *Common Stock Repurchase*

In October 2023, the Company repurchased a total of 2,331,002 shares of the Company's common stock through open market purchases at an average per share price of $21.45 for a total repurchase price of $50.0 million. The cost of repurchased shares are recorded as Treasury Stock in the condensed consolidated balance sheets.

**PAGERDUTY, INC.**

**Notes to Condensed Consolidated Financial Statements**

**(unaudited)**

***Stock Option Activity***

Stock option activity is as follows:

| | Number of Shares | Weighted Average Exercise Price | Weighted Average Remaining Contractual Term | Aggregate Intrinsic Value |
|---|---|---|---|---|
| | | | | (in thousands) |
| Outstanding at January 31, 2023 | 6,150,981 | $ 10.61 | 5.3 years | $ 117,986 |
| Granted | — | $ — | | |
| Exercised | (1,026,320) | $ 7.75 | | |
| Canceled | (71,995) | $ 33.51 | | |
| Outstanding at October 31, 2023 | 5,052,666 | $ 10.86 | 4.7 years | $ 52,696 |
| Vested as of October 31, 2023 | 4,843,446 | $ 10.24 | 4.6 years | $ 52,052 |

No stock options were granted during the three and nine months ended October 31, 2023. The aggregate intrinsic value of stock options exercised during the three months ended October 31, 2023 and 2022 was $4.9 million and $6.4 million, respectively. The aggregate intrinsic value of stock options exercised during the nine months ended October 31, 2023 and 2022 was $20.9 million and $37.0 million, respectively.

The intrinsic value for options exercised is the difference between the market value of the stock and the exercise price of the stock option at the date of exercise.

As of October 31, 2023, there was approximately $2.7 million of total unrecognized compensation cost related to unvested stock options granted under the Stock Plans, which will be recognized over a weighted average period of 1.3 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, 2023 | 8,012,482 | $ 32.55 |
| Granted | 4,008,591 | $ 31.52 |
| Vested | (1,671,952) | $ 32.51 |
| Forfeited or canceled | (2,599,165) | $ 33.23 |
| Outstanding at October 31, 2023 | 7,749,956 | $ 31.80 |

The fair value of RSUs 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 October 31, 2023, there was $234.1 million of unrecognized stock-based compensation expense related to unvested RSUs, which is expected to be recognized over a weighted average period of 2.4 years based on vesting under the award service conditions.

***Performance and Market Stock Units***

The Company grants PSUs to certain employees of the Company for which the ultimate number of units that will vest are determined based on the achievement of market and/or performance conditions at the end of the stated performance period.

In April 2023, the Company granted shares of PSUs to certain employees of the Company, which are to vest based on the level of achievement of a Company target related to PagerDuty'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.

During the three months ended April 30, 2023, the compensation committee of the Board certified the results of PagerDuty's operating plan for the fiscal year ended January 31, 2023. Based on the results, the PSUs granted in April 2022 ("2022 PSU Awards") were cancelled as the target was not met.

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, 2023 | 825,058 | $ 33.27 |
| Granted[(1)] | 594,290 | $ 34.98 |
| Vested | (16,718) | $ 41.17 |
| Forfeited or canceled | (152,606) | $ 35.71 |
| Performance adjustment for 2022 PSU Awards | (698,983) | $ 29.22 |
| Outstanding at October 31, 2023 | 551,041 | $ 35.18 |

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

As of October 31, 2023, total unrecognized stock-based compensation cost related to PSUs was $6.9 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 ESPP allows eligible employees to purchase shares of the Company's common stock through payroll deductions over 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 (1) the fair market value of the Company's common stock as of the beginning of the offering period or (2) the fair market value of the Company's common stock on the purchase date, as defined in the ESPP.

During the three months ended October 31, 2023 and 2022, the Company recognized $1.3 million and $1.2 million, respectively, of stock-based compensation expense related to the ESPP. During the nine months ended October 31, 2023 and 2022, the Company recognized $4.7 million and $3.4 million, respectively, of stock-based compensation expense related to the ESPP.

**PAGERDUTY, INC.**

**Notes to Condensed Consolidated Financial Statements**

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During the three months ended October 31, 2023 and 2022, the Company withheld $2.0 million and $2.1 million, respectively, in contributions from employees. During the nine months ended October 31, 2023 and 2022, the Company withheld $7.8 million and $7.7 million, respectively, in contributions from employees.

During the three and nine months ended October 31, 2023, 325,983 shares of common stock were issued under the ESPP at a weighted average purchase price of $19.30 per share. During the three and nine months ended October 31, 2022, 280,725 shares of common stock were issued under the ESPP at a weighted average purchase price of $20.43 per share.

***Stock-Based Compensation***

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

| | Three Months Ended October 31, | | Nine Months Ended October 31, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| | (in thousands) | | | |
| Cost of revenue | $ 1,820 | $ 1,937 | $ 5,860 | $ 4,948 |
| Research and development | 11,128 | 10,824 | 34,002 | 30,066 |
| Sales and marketing | 8,094 | 8,004 | 22,362 | 22,533 |
| General and administrative | 10,786 | 10,679 | 32,686 | 28,931 |
| Total | $ 31,828 | $ 31,444 | $ 94,910 | $ 86,478 |

## 13. Net Loss per Share

The following table presents the calculation of basic and diluted net loss per share attributable to PagerDuty, Inc. common stockholders:

| | Three Months Ended October 31, | | Nine Months Ended October 31, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| | (in thousands, except per share data) | | | |
| Numerator: | | | | |
| Net loss attributable to PagerDuty, Inc. common stockholders | $ (15,125) | $ (32,542) | $ (51,125) | $ (103,861) |
| Denominator: | | | | |
| Weighted average shares used in calculating net income (loss) per share, basic and diluted | 93,104 | 89,285 | 92,257 | 88,200 |
| Net loss per share, basic and diluted, attributable to PagerDuty, Inc. | $ (0.16) | $ (0.36) | $ (0.55) | $ (1.18) |

Since the Company was in a loss position for the periods presented, basic net loss per share is the same as diluted net loss per share as the inclusion of all potential common 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:

| | As of October 31, | |
|---|---|---|
| | 2023 | 2022 |
| | (in thousands) | |
| Shares subject to outstanding common stock awards | 13,354 | 16,970 |
| Restricted stock issued to acquire key personnel | 44 | 63 |
| Shares issuable pursuant to the ESPP | 188 | 202 |

Additionally, as of October 31, 2022, using the conversion rate of 24.9507 shares of common stock per $1,000 principal amount of notes, the potentially dilutive shares that were not included in the diluted per share calculations related to the 2025 Notes was 7,173 million.

In October 2023, the Company provided written notice to the trustee and the note holders of the 2025 Notes that it had irrevocably elected to settle the principal amount of its convertible senior notes in cash 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 2025 Notes being converted. As described in Note 9, "Debt and Financing Arrangements," upon conversion of the 2028 Notes, 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. As of October 31, 2023, 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.

## 14. Income Taxes

The Company's 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 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 our U.S. losses for which no benefit will be realized, our 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 an immaterial income tax benefit for the three months ended October 31, 2023 and an income tax expense of $0.1 million for the three months ended October 31, 2022, respectively. The Company recorded an income tax benefit of $0.2 million and $1.3 million for the nine months ended October 31, 2023 and 2022, respectively. The income tax benefit for the nine months ended October 31, 2022 was primarily due to the deferred tax benefit of $1.3 million associated with the Company's acquisition in the prior period.

**PAGERDUTY, INC.**

**Notes to Condensed Consolidated Financial Statements**

**(unaudited)**

## 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:

| | Three Months Ended October 31, | | Nine Months Ended October 31, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| | (in thousands) | | | |
| United States | $ 79,487 | $ 72,267 | $ 232,576 | $ 206,127 |
| International | 29,233 | 21,936 | 87,006 | 63,700 |
| Total | $ 108,720 | $ 94,203 | $ 319,582 | $ 269,827 |

Other than the United States, no other individual country accounted for 10% or more of revenue for the three and nine months ended October 31, 2023 or 2022. As of October 31, 2023, 84% of the Company's long-lived assets, including property and equipment and right-of-use lease assets, were located in the United States, 13% were located in Canada, 2% were located in Portugal, and 1% were located in the United Kingdom. As of January 31, 2023, 88% of the Company's long-lived assets, including property and equipment and right-of-use lease assets, were located in the United States, 10% were located in Canada, 1% were located in Portugal, and 1% were located in the United Kingdom.

## 16. Subsequent Events

On November 15, 2023, the Company acquired all of the shares outstanding of Jeli, Inc. ("Jeli") in a 100% cash deal for an approximate purchase price of $27 million. Jeli with PagerDuty will help customers turn incidents into opportunities by applying learnings to reduce the impact of future incidents.

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

*The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our condensed consolidated financial statements and related notes thereto included elsewhere in this Form 10-Q and in our Annual Report. You should review the sections titled “Special Note Regarding Forward-Looking Statements” above in this 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, those identified below, and those discussed in the section titled “Risk Factors” included in our Annual Report. The last day of our fiscal year is January 31. Our fiscal quarters end on April 30, July 31, October 31 and January 31.*

### Overview

PagerDuty is a digital operations management platform that manages urgent and mission critical work for a modern, digital enterprise. We empower teams to respond rapidly to incidents to resolve or avoid customer issues, reduce noise, predict and avoid performance degradation, improve productivity, and accelerate digital transformation.

Today, nearly every business is a digital business. As such, organizations are under pressure to enhance their digital operations in order to meet escalating customer expectations, resolve incidents proactively and free up time for innovation projects. This means critical, time sensitive, and unpredictable work needs to be detected and orchestrated.

We collect data and digital signals from virtually any software-enabled system or device and leverage powerful machine learning to correlate, process, and predict opportunities and issues. Using incident response, event management, and automation, we bring 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.

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 silos into IT operations, security, customer service, and executive stakeholder roles across the organization. We have evolved from an on-call tool into the platform for digital operations, which resides at the center of a company’s technology ecosystem.

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 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 subscription fees. We also generate revenue from term-license software subscription fees. We have a land-and-expand business model that leads to viral adoption of our products and subsequent expansion. Our online self-service model is the primary mechanism for landing new customers and enabling teams to get started without assistance. We complement our self-service model with high-velocity inside sales focused on small and medium businesses, a commercial team focused on mid-market customers, and a field sales team focused on enterprise customers. Our mid-market and enterprise customers account for the majority of our revenue today. These teams drive expansion to additional users, new use cases, and add-on products, as well as upsell to higher value plans.

### Macroeconomic Environment

Our business and financial performance may be subject to the effects of the worldwide macroeconomic conditions, including, but not limited to global inflation and the rise in interest rates, existing and new laws and regulations, recession or economic downturn globally or in the jurisdictions in which we do business, the COVID-19 pandemic, volatility in foreign currency exchange rates, and recent bank failures.

We continuously monitor geopolitical conflicts around the world and their effects on our business. While we do not believe the ongoing Russia-Ukraine conflict or the conflict in Israel and surrounding areas will have a material impact on our business and results of operations, our business and results of operations could be materially impacted if these conflicts continue or worsen, leading to greater global economic disruptions and uncertainty. Our customers in Russia represented an immaterial portion of our net assets as of October 31, 2023 and January 31, 2023, and of our total consolidated revenues for each of the three and nine months ended October 31, 2023 and 2022.

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

Our key metrics include the results of Catalytic, Inc. (“Catalytic”) to the extent applicable, beginning on the acquisition date of March 8, 2022.

### *Number of Customers*

We believe that the number of customers using our platform, particularly those that have subscription agreements for more than $100,000 in annual recurring revenue (“ARR”), are indicators of our market penetration, particularly within enterprise accounts, the growth of our business, and our potential future business opportunities. We define ARR as the annualized recurring value of all active contracts at the end of a reporting period. We define a customer as a separate legal entity, such as a company or an educational or government institution, that has an active subscription with us or one of our partners to access our platform. In situations where an organization has multiple subsidiaries or divisions, we treat the parent entity as the customer instead of treating each subsidiary or division as a separate customer. 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.

| | As of October 31, | |
|---|---|---|
| | 2023 | 2022 |
| Customers | 15,049 | 15,265 |
| Customers greater than $100,000 in ARR | 778 | 710 |

### *Dollar-based Net Retention Rate*

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

We calculate dollar-based net retention rate as of a period end by starting with the ARR from the cohort of all customers as of 12 months prior to such period end (“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 calculation of dollar-based net retention rate includes the Current Period ARR of Catalytic customers to the extent that they were PagerDuty customers as of 12 months prior to period end.

| | Last 12 Months Ended October 31, | |
|---|---|---|
| | 2023 | 2022 |
| Dollar-based net retention rate for all customers | 110 % | 123 % |

**Components of Results of Operations**

***Revenue***

We generate revenue primarily from cloud-hosted software subscription fees with the majority of our revenue from such arrangements. We also generate revenue from term-license software subscription fees. 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 been immaterial to date.

***Cost of Revenue***

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

***Gross Profit and Gross Margin***

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

***Operating Expenses***

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

*Research and development*

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

*Sales and marketing*

Sales and marketing expenses consist primarily of personnel costs, costs of general marketing activities and promotional activities, travel related expenses, amortization of acquired intangible assets, allocated overhead costs, and bad debt expense. Sales commissions earned by our sales force that are considered incremental and recoverable costs of obtaining a subscription with a customer are deferred and amortized on a straight-line basis over the expected period of benefit, which we have determined to be four years. We expect that our sales and marketing expenses will 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.

*General and administrative*

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

***Interest Income***

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

***Interest Expense***

Interest expense consists primarily of contractual interest expense and amortization of debt issuance costs on our 1.25% Convertible senior notes that were outstanding from the beginning of the year through their partial extinguishment in October 2023. Interest expense for the three months ended October 31, 2023 also includes 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.

***Gain on Partial Extinguishment of Convertible Senior Notes***

During the three months ended October 31, 2023, the Company recorded a gain on partial extinguishment of convertible senior notes as a result of the October 2023 repurchase of the 2025 Notes. Refer to Note 9, “Debt and Financing Arrangements” for additional details.

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

Other income (expense), net primarily consists of accretion income and amortization expense on our available-for-sale investments and foreign currency transaction gains and losses.

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

(Provision) benefit from income taxes consists primarily of income taxes in certain foreign jurisdictions in which we conduct business. We maintain a full valuation allowance on our net federal and state deferred tax assets as we have concluded that it is more likely than not that the deferred tax assets will not be realized. (Provision) benefit from income taxes also includes the benefit associated with the reduction in our valuation allowance from the increase in the deferred tax liability associated with acquired intangible assets from our acquisition during the nine months ended October 31, 2022.

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**Results of Operations**

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

| | Three Months Ended October 31, | | Nine Months Ended October 31, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| | (in thousands) | | | |
| Revenue | $ 108,720 | $ 94,203 | $ 319,582 | $ 269,827 |
| Cost of revenue[(1)] | 19,705 | 18,007 | 57,474 | 52,090 |
| Gross profit | 89,015 | 76,196 | 262,108 | 217,737 |
| Operating expenses: | | | | |
| Research and development[(1)] | 34,272 | 35,004 | 104,221 | 100,307 |
| Sales and marketing[(1)] | 49,630 | 47,118 | 143,155 | 143,001 |
| General and administrative[(1)] | 25,955 | 26,616 | 77,547 | 77,316 |
| Total operating expenses | 109,857 | 108,738 | 324,923 | 320,624 |
| Loss from operations | (20,842) | (32,542) | (62,815) | (102,887) |
| Interest income | 4,522 | 1,382 | 11,300 | 2,760 |
| Interest expense | (1,454) | (1,360) | (4,184) | (4,072) |
| Gain on partial extinguishment of convertible senior notes | 3,970 | — | 3,970 | — |
| Other income (expense), net | 673 | (172) | 2,982 | (1,326) |
| Loss before (provision) benefit from income taxes | (13,131) | (32,692) | (48,747) | (105,525) |
| (Provision) benefit from income taxes | 41 | (112) | 197 | 1,302 |
| Net loss | $ (13,090) | $ (32,804) | $ (48,550) | $ (104,223) |
| Net loss attributable to redeemable non-controlling interest | (324) | (262) | (1,513) | (362) |
| Net loss attributable to PagerDuty, Inc. | $ (12,766) | $ (32,542) | $ (47,037) | $ (103,861) |
| Adjustment attributable to redeemable non-controlling interest | 2,359 | — | 4,088 | — |
| Net loss attributable to PagerDuty, Inc. common stockholders | $ (15,125) | $ (32,542) | $ (51,125) | $ (103,861) |

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

| | Three Months Ended October 31, | | Nine Months Ended October 31, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| | (in thousands) | | | |
| Cost of revenue | $ 1,820 | $ 1,937 | $ 5,860 | $ 4,948 |
| Research and development | 11,128 | 10,824 | 34,002 | 30,066 |
| Sales and marketing | 8,094 | 8,004 | 22,362 | 22,533 |
| General and administrative | 10,786 | 10,679 | 32,686 | 28,931 |
| Total | $ 31,828 | $ 31,444 | $ 94,910 | $ 86,478 |

The following table sets forth our condensed consolidated statements of operations data expressed as a percentage of revenue:

| | Three Months Ended October 31, | | Nine Months Ended October 31, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Revenue | 100 % | 100 % | 100 % | 100 % |
| Cost of revenue | 18 | 19 | 18 | 19 |
| Gross profit | 82 % | 81 % | 82 % | 81 % |
| Operating expenses: | | | | |
| Research and development | 32 | 37 | 33 | 37 |
| Sales and marketing | 46 | 50 | 45 | 53 |
| General and administrative | 24 | 28 | 24 | 29 |
| Total operating expenses | 101 | 115 | 102 | 119 |
| Loss from operations | (19) | (35) | (20) | (38) |
| Interest income | 4 | 1 | 4 | 1 |
| Interest expense | (1) | (1) | (1) | (2) |
| Gain on partial extinguishment of convertible senior notes | 4 | — | 1 | — |
| Other income (expense), net | 1 | — | 1 | — |
| Loss before (provision) benefit from income taxes | (12) | (35) | (15) | (39) |
| (Provision) benefit from income taxes | — | — | — | — |
| Net loss | (12) | (35) | (15) | (39) |
| Net loss attributable to redeemable non-controlling interest | — | — | — | — |
| Net loss attributable to PagerDuty, Inc. | (12) | (35) | (15) | (38) |
| Adjustment attributable to redeemable non-controlling interest | 2 | — | 1 | — |
| Net loss attributable to PagerDuty, Inc. common stockholders | (14)% | (35)% | (16)% | (38)% |

Note: Certain figures may not sum due to rounding.

**Comparison of the Three Months Ended October 31, 2023 and 2022**

***Revenue***

| | Three Months Ended October 31, | | Change | % Change |
|---|---|---|---|---|
| | 2023 | 2022 | | |
| | (dollars in thousands) | | | |
| Revenue | $ 108,720 | $ 94,203 | $ 14,517 | 15 % |

Revenue increased by $14.5 million, or 15%, for the three months ended October 31, 2023 compared to the three months ended October 31, 2022. The increase in revenue was attributable to a combination of growth from both new and existing customers. Growth from existing customers was attributable to both increases in the number of users and upsell of additional products and services.

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

| | Three Months Ended October 31, | | Change | % Change |
|---|---|---|---|---|
| | 2023 | 2022 | | |
| | (dollars in thousands) | | | |
| Cost of revenue | $ 19,705 | $ 18,007 | $ 1,698 | 9 % |
| Gross margin | 82 % | 81 % | | |

Cost of revenue increased by $1.7 million, or 9%, for the three months ended October 31, 2023 compared to the three months ended October 31, 2022, primarily due to an increase of $0.5 million in outside services spend for the customer service team, an increase of $0.5 million in amortization of internally developed software, and an increase of $0.4 million in hosting, software, and telecom costs.

***Research and Development***

| | Three Months Ended October 31, | | Change | % Change |
|---|---|---|---|---|
| | 2023 | 2022 | | |
| | (dollars in thousands) | | | |
| Research and development | $ 34,272 | $ 35,004 | $ (732) | (2)% |
| Percentage of revenue | 32 % | 37 % | | |

Research and development expenses decreased by $0.7 million, or 2%, for the three months ended October 31, 2023 compared to the three months ended October 31, 2022. The decrease was primarily driven by a decrease in personnel expenses of $0.9 million due to a decrease in bonuses and a $0.9 million decrease in outside services spend due to higher leverage of internal resources through hiring. This was partially offset by an increase of $0.8 million in costs to support the business and related infrastructure, which include allocated overhead costs.

***Sales and Marketing***

| | Three Months Ended October 31, | | Change | % Change |
|---|---|---|---|---|
| | 2023 | 2022 | | |
| | (dollars in thousands) | | | |
| Sales and marketing | $ 49,630 | $ 47,118 | $ 2,512 | 5 % |
| Percentage of revenue | 46 % | 50 % | | |

Sales and marketing expenses increased by $2.5 million, or 5%, for the three months ended October 31, 2023 compared to the three months ended October 31, 2022. This increase was primarily due to an increase of $1.5 million in marketing expenses due to marketing campaigns during the period, an increase of $1.4 million in training and travel-related costs, and an increase of $0.8 million in costs to support the business and related infrastructure, which include allocated overhead costs. This was partially offset by a decrease of $0.7 million in personnel expenses due to a decrease in commissions.

***General and Administrative***

| | Three Months Ended October 31, | | Change | % Change |
|---|---|---|---|---|
| | 2023 | 2022 | | |
| | (dollars in thousands) | | | |
| General and administrative | $ 25,955 | $ 26,616 | $ (661) | (2)% |
| Percentage of revenue | 24 % | 28 % | | |

General and administrative expenses remained relatively flat for the three months ended October 31, 2023 compared to the three months ended October 31, 2022 due to a decrease of $0.3 million in outside services spend due to higher leverage of internal resources through hiring.

***Interest Expense***

| | Three Months Ended October 31, | | | |
|---|---|---|---|---|
| | 2023 | 2022 | Change | % Change |
| | (dollars in thousands) | | | |
| Interest expense | $ 1,454 | $ 1,360 | $ 94 | 7 % |

Interest expense for the three months ended October 31, 2023 remained relatively consistent for the three months ended October 31, 2023 compared to the three months ended October 31, 2022 as a result of contractual interest and amortization of debt issuance costs for the 2025 Notes that were partially extinguished in October 2023 and therefore outstanding for most of the comparative three month periods. The three months ended October 31, 2023 also includes contractual interest and amortization of debt issuance costs for the 2028 Notes that were issued in October 2023.

***Interest Income, Gain on Partial Extinguishment of Convertible Senior Notes, and Other Income (Expense), Net***

| | Three Months Ended October 31, | | | |
|---|---|---|---|---|
| | 2023 | 2022 | Change | % Change |
| | (dollars in thousands) | | | |
| Interest income | $ 4,522 | $ 1,382 | $ 3,140 | 227 % |
| Gain on partial extinguishment of convertible senior notes | $ 3,970 | $ — | $ 3,970 | 100 % |
| Other income (expense), net | $ 673 | $ (172) | $ 845 | 491 % |

Interest income increased by $3.1 million and other income, net increased by $0.8 million for the three months ended October 31, 2023 compared to the three months ended October 31, 2022. The increase in interest income was primarily due to higher interest rates and accretion on our cash, cash equivalent and investment balances in the current year. The increase in other income (expense), net was due to changes in foreign currency rates.

During the three months ended October 31, 2023, the Company recorded a $4.0 million gain on partial extinguishment of convertible senior notes that was generated from the October 2023 repurchase $230.0 million of aggregate principal amount of the 2025 Notes with a carrying value of $223.7 million, net of unamortized issuance costs.

**Comparison of the Nine Months Ended October 31, 2023 and 2022**

***Revenue***

| | Nine Months Ended October 31, | | | |
|---|---|---|---|---|
| | 2023 | 2022 | Change | % Change |
| | (dollars in thousands) | | | |
| Revenue | $ 319,582 | $ 269,827 | $ 49,755 | 18 % |

Revenue increased by $49.8 million, or 18%, for the nine months ended October 31, 2023 compared to the nine months ended October 31, 2022. The increase in revenue was primarily attributable to a combination of growth from both new and existing customers. Growth from existing customers was largely driven by both increases in the number of users and upsell of additional products and services.

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

| | Nine Months Ended October 31, | | | |
|---|---|---|---|---|
| | 2023 | 2022 | Change | % Change |
| | (dollars in thousands) | | | |
| Cost of revenue | $ 57,474 | $ 52,090 | $ 5,384 | 10 % |
| Gross margin | 82 % | 81 % | | |

Cost of revenue increased by $5.4 million, or 10%, for the nine months ended October 31, 2023 compared to the nine months ended October 31, 2022, primarily due to an increase of $1.9 million in personnel expenses as a result of increased headcount and salaries, an increase of $1.2 million in amortization of internally developed software, an increase of $0.9 million in amortization of acquired intangible assets related to acquisitions, and an increase of $0.9 million in hosting, software, and telecom costs.

***Research and Development***

| | Nine Months Ended October 31, | | | |
|---|---|---|---|---|
| | 2023 | 2022 | Change | % Change |
| | (dollars in thousands) | | | |
| Research and development | $ 104,221 | $ 100,307 | $ 3,914 | 4 % |
| Percentage of revenue | 33 % | 37 % | | |

Research and development expenses increased by $3.9 million, or 4%, for the nine months ended October 31, 2023 compared to the nine months ended October 31, 2022. The increase was primarily driven by an increase in personnel expenses of $4.5 million as a result of increased headcount and salaries to support our continued investment in our platform and an increase of $1.5 million in costs to support the business and related infrastructure, which include allocated overhead costs. This was partially offset by a $1.7 million decrease in the outside services spend due to higher leverage of internal resources through hiring, and a decrease of $0.7 million in the impairment charge related to software development not placed in service in the prior period.

***Sales and Marketing***

| | Nine Months Ended October 31, | | | |
|---|---|---|---|---|
| | 2023 | 2022 | Change | % Change |
| | (dollars in thousands) | | | |
| Sales and marketing | $ 143,155 | $ 143,001 | $ 154 | — % |
| Percentage of revenue | 45 % | 53 % | | |

Sales and marketing expenses increased by $0.2 million, or 0%, for the nine months ended October 31, 2023 compared to the nine months ended October 31, 2022. This increase was primarily due to an increase of $1.0 million in training related costs, and an increase of $0.6 million in marketing expenses. This was partially offset by a decrease of $1.3 million in personnel expenses due to a decrease in commissions.

***General and Administrative***

| | Nine Months Ended October 31, | | | |
|---|---|---|---|---|
| | 2023 | 2022 | Change | % Change |
| | (dollars in thousands) | | | |
| General and administrative | $ 77,547 | $ 77,316 | $ 231 | — % |
| Percentage of revenue | 24 % | 29 % | | |

General and administrative expenses increased by $0.2 million, or 0%, for the nine months ended October 31, 2023 compared to the nine months ended October 31, 2022. The increase was primarily driven by an increase of $5.7 million in personnel expenses as a result of increased headcount and salaries, an increase of $1.2 million in real estate impairment charges and $0.5 million transaction costs incurred for the acquisition of Jolt. This was partially offset by a decrease of $3.5 million in outside services related to higher leverage of internal resources through hiring and due to transaction costs for the acquisition of Catalytic in the prior year, a decrease of $2.1 million in costs to support the business and related infrastructure, which include allocated overhead costs, a decrease of $0.5 million related to travel, and a decrease of $0.5 million in insurance, business taxes, and licenses.

***Interest Expense***

| | Nine Months Ended October 31, | | | |
|---|---|---|---|---|
| | 2023 | 2022 | Change | % Change |
| | (dollars in thousands) | | | |
| Interest expense | $ 4,184 | $ 4,072 | $ 112 | 3 % |

Interest expense for the nine months ended October 31, 2023 remained relatively consistent for the nine months ended October 31, 2023 compared to the nine months ended October 31, 2022 and related to contractual interest and amortization of debt issuance costs for the 2025 Notes.

***Interest Income, Gain on Partial Extinguishment of Convertible Senior Notes, and Other Income (Expense), Net***

| | Nine Months Ended October 31, | | | |
|---|---|---|---|---|
| | 2023 | 2022 | Change | % Change |
| | (dollars in thousands) | | | |
| Interest income | $ 11,300 | $ 2,760 | $ 8,540 | 309 % |
| Gain on partial extinguishment of convertible senior notes | 3,970 | — | $ 3,970 | 100 % |
| Other income (expense), net | 2,982 | (1,326) | $ 4,308 | 325 % |

Interest income increased by $8.5 million and other income, net increased by $4.3 million for the nine months ended October 31, 2023 compared to the nine months ended October 31, 2022. The increase in interest income was primarily due to higher interest rates and accretion on our cash, cash equivalent and investment balances in the current year. The increase in other income (expense) was due to higher accretion on our cash, cash equivalent and investment balances in the current year and due to changes in foreign currency rates.

During the three months ended October 31, 2023, the Company recorded a $4.0 million gain on partial extinguishment of convertible senior notes that was generated from the October 2023 repurchase $230.0 million of aggregate principal amount of the 2025 Notes with a carrying value of $223.7 million, net of unamortized issuance costs.

**Non-GAAP Financial Measures**

In addition to our results determined in accordance with U.S. 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.

***Non-GAAP Gross Profit and Non-GAAP Gross Margin***

We define non-GAAP gross profit as gross profit excluding 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.

| | Three Months Ended October 31, | | Nine Months Ended October 31, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| | (in thousands) | | | |
| Gross profit | $ 89,015 | $ 76,196 | $ 262,108 | $ 217,737 |
| Add: | | | | |
| Stock-based compensation | 1,820 | 1,937 | 5,860 | 4,948 |
| Employer taxes related to employee stock transactions | 21 | 38 | 138 | 79 |
| Amortization of acquired intangible assets | 2,087 | 1,949 | 6,260 | 5,314 |
| Restructuring costs | — | — | 137 | — |
| Non-GAAP gross profit | $ 92,943 | $ 80,120 | $ 274,503 | $ 228,078 |
| | | | | |
| Gross margin | 82 % | 81 % | 82 % | 81 % |
| Non-GAAP gross margin | 85 % | 85 % | 86 % | 85 % |

***Non-GAAP Operating Income (Loss) and Non-GAAP Operating Margin***

We define non-GAAP operating income (loss) 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, and restructuring costs, which are not necessarily reflective of operational performance during a given period. We define non-GAAP operating margin as non-GAAP operating income (loss) as a percentage of revenue.

| | Three Months Ended October 31, | | Nine Months Ended October 31, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| | (in thousands) | | | |
| Loss from operations | $ (20,842) | $ (32,542) | $ (62,815) | $ (102,887) |
| Add: | | | | |
| Stock-based compensation | 31,828 | 31,444 | 94,910 | 86,478 |
| Employer taxes related to employee stock transactions | 415 | 583 | 2,315 | 1,756 |
| Amortization of acquired intangible assets | 2,806 | 2,628 | 8,417 | 7,431 |
| Acquisition-related expenses | 691 | 902 | 1,014 | 4,554 |
| Restructuring costs | 132 | — | 1,534 | — |
| Non-GAAP operating income (loss) | $ 15,030 | $ 3,015 | $ 45,375 | $ (2,668) |
| | | | | |
| Operating margin | (19)% | (35)% | (20)% | (38)% |
| Non-GAAP operating margin | 14 % | 3 % | 14 % | (1)% |

***Non-GAAP Net Income (Loss) Attributable to PagerDuty, Inc. Common Stockholders***

We define non-GAAP net income (loss) attributable to PagerDuty, Inc. common stockholders as net 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, adjustment attributable to redeemable non-controlling interest, gain on partial extinguishment of convertible senior notes, and the associated tax impact of these items, where applicable, which are not necessarily reflective of operational performance during a given period.

| | Three Months Ended October 31, | | Nine Months Ended October 31, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| | (in thousands) | | | |
| Net loss attributable to PagerDuty, Inc. common stockholders | $ (15,125) | $ (32,542) | $ (51,125) | $ (103,861) |
| Add (Less): | | | | |
| Stock-based compensation | 31,828 | 31,444 | 94,910 | 86,478 |
| Employer taxes related to employee stock transactions | 415 | 583 | 2,315 | 1,756 |
| Amortization of debt issuance costs | 523 | 461 | 1,456 | 1,376 |
| Amortization of acquired intangible assets | 2,806 | 2,628 | 8,417 | 7,431 |
| Acquisition-related expenses | 691 | 902 | 1,014 | 4,554 |
| Restructuring costs | 132 | — | 1,534 | — |
| Adjustment attributable to redeemable non-controlling interest | 2,359 | — | 4,088 | — |
| Gain on partial extinguishment of convertible senior notes | (3,970) | — | (3,970) | — |
| Income tax effect of non-GAAP adjustments | (466) | — | (1,920) | (1,330) |
| Non-GAAP net income (loss) attributable to PagerDuty, Inc. attributable to common stockholders | $ 19,193 | $ 3,476 | $ 56,719 | $ (3,596) |

***Free Cash Flow***

We define free cash flow as net cash provided by (used in) operating activities, less cash used for purchases of property and equipment and capitalization of internal-use 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, and to assess its liquidity.

There are a number of limitations related to the use of free cash flow as compared to net cash provided by (used in) 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.

| | Three Months Ended October 31, | | Nine Months Ended October 31, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| | | (in thousands) | | |
| Net cash provided by (used in) operating activities | $ 16,917 | $ (448) | $ 49,819 | $ (592) |
| Less: | | | | |
| Purchases of property and equipment | (245) | (815) | (1,193) | (3,755) |
| Capitalization of internal-use software costs | (1,441) | (988) | (3,812) | (2,725) |
| Free cash flow | $ 15,231 | $ (2,251) | $ 44,814 | $ (7,072) |
| Net cash used in investing activities | $ 10,887 | $ (7,220) | $ 6,875 | $ (80,272) |
| Net cash provided by (used in) financing activities | $ 54,157 | $ (7,965) | $ 53,661 | $ (6,084) |

**Liquidity and Capital Resources**

Since inception, we have financed operations primarily through sales of our cloud-hosted software subscriptions, net proceeds we have received from sales of equity securities, and the issuance of the 2025 Notes and the 2028 Notes.

On April 15, 2019, upon the closing of our IPO, we received net proceeds of $213.7 million, after deducting underwriters' discounts and commissions of $16.6 million and other issuance costs of $6.4 million.

On June 25, 2020, we issued $287.5 million aggregate principal amount of the 2025 Notes in a private placement to qualified institutional buyers pursuant to Rule 144A under the Securities Act. The total net proceeds from the sale of the Notes, after deducting the initial purchasers’ discounts and debt issuance costs of $9.3 million, and purchases of the Capped Calls of $35.7 million, were $242.5 million.

On October 13, 2023, we issued $402.5 million aggregate principal amount of the 2028 Notes in a private placement to qualified institutional buyers pursuant to Rule 144A under the Securities Act. The total net proceeds from the sale of the 2028 Notes, after deducting the initial purchasers’ discounts and debt issuance costs of $12.1 million, and purchases of the Capped Calls of $55.1 million, were $335.3 million.

In October 2023, we entered into multiple privately negotiated purchase agreements with the holders of our 2025 Notes to repurchase $230.0 million in aggregate principal of the existing notes, resulting in cash payments of $223.5 million. In October 2023, we also repurchased $50.0 million in common stock through open market purchases related to the issuance of the 2028 Notes

As of October 31, 2023, our principal sources of liquidity were cash and cash equivalents and investments totaling $575.3 million. We believe that our existing cash and cash equivalents, investments, and cash provided by sales of our subscriptions will be sufficient to support working capital and capital expenditure requirements for at least the next 12 months. We believe we will 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 future capital requirements will depend on many factors, including the effects of the worldwide macroeconomic conditions, including but not limited to, global inflation and the rise in interest rates, existing and new laws and regulations, recession or economic downturn globally or in the jurisdictions in which we do business, ongoing geopolitical conflict in Ukraine, Israel and surrounding areas and other regions in the world, the COVID-19 pandemic, bank failures, volatility in foreign currency exchange rates, our subscription growth rate, subscription renewal activity, including the timing and the amount of cash received from customers, the timing and extent of spending to support development efforts, the expansion of sales and marketing activities, the introduction of new and enhanced product offerings, and the continuing market adoption of our platform. We may in the future enter into arrangements to acquire or invest in complementary businesses, services, and technologies. We may be required to seek additional equity or debt financing. In the event that we require additional financing, we may not be able to raise such financing on terms acceptable to us or at all. If we are unable to raise additional capital or generate cash flows necessary to expand our operations and invest in continued innovation, we may not be able to compete successfully, which would harm our business, operations, and financial condition.

A significant majority of our customers pay in advance for our cloud-hosted 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 October 31, 2023, we had deferred revenue of $196.4 million, of which $192.9 million was recorded as a current liability and expected to be recorded as revenue in the next 12 months, provided all other revenue recognition criteria have been met.

**Cash Flows**

The following table shows a summary of our cash flows for the periods presented:

| | Nine Months Ended October 31, | |
|---|---|---|
| | 2023 | 2022 |
| | (in thousands) | |
| Net cash provided by (used in) operating activities | $ 49,819 | $ (592) |
| Net cash used in investing activities | $ 6,875 | $ (80,272) |
| Net cash (used in) provided by financing activities | $ 53,661 | $ (6,084) |

***Operating Activities***

Our largest source of operating cash is cash collection from sales of our cloud-hosted and term license software subscriptions to our customers. Our primary uses of cash from operating activities are for personnel expenses, marketing expenses and hosting and software expenses. In the last several years, we have had periods in which we generated negative cash flows from operating activities and have supplemented working capital requirements through net proceeds from both private and public sales of equity securities and issuance of the 2025 Notes.

Cash provided by operating activities for the nine months ended October 31, 2023 of $49.8 million primarily related to our net loss of $48.6 million, adjusted for non-cash charges and gains of $124.7 million and net cash outflows of $26.3 million due to changes in our operating assets and liabilities. Non-cash charges consisted of stock-based compensation of $94.9 million, amortization of our deferred contract costs of $15.3 million, depreciation and amortization of property and equipment, capitalized implementation costs, and acquired intangible assets of $15.0 million, non-cash lease expense of $3.4 million, and amortization of debt issuance costs of $1.5 million, offset by a $4.0 million gain on partial extinguishment of convertible senior notes and other net gains of $1.4 million, which consist primarily of accretion on investments. Changes in operating assets and liabilities reflected cash outflows from a $14.1 million decrease in accounts payable and accrued compensation, a $12.5 million decrease in deferred revenue resulting from decreased billings for subscriptions, a $12.3 million additions to deferred contract costs due to commissions paid on new bookings in line with revenue growth, $4.5 million in payments for operating lease liabilities, and a $2.7 million increase in prepaid expenses and other assets related to timing of payments made in advance for future services. These amounts were offset by a $19.0 million decrease in accounts receivable due to timing of cash collections and a $0.8 million increase in accrued expenses.

***Investing Activities***

Cash provided by investing activities for the nine months ended October 31, 2023 of $6.9 million consisted primarily of proceeds from maturities of investments of $164.1 million partially offset by purchases of available-for-sale investments of $152.0 million, capitalization of internal-use software of $3.8 million, and purchases of property and equipment of $1.2 million primarily for purchases of computers for new employees.

***Financing Activities***

Cash provided by financing activities for the nine months ended October 31, 2023 of $53.7 million consisted of $391.5 million proceeds from issuance of our 2028 Notes, net of issuance costs paid, proceeds of $8.4 million from the exercise of stock options, proceeds from the ESPP purchase of $6.3 million, and $1.8 million of cash received from the non-controlling shareholder of PagerDuty K.K. These amounts were partially offset by $223.5 million in repurchases of our 2025 Notes, $55.1 million for purchase of capped calls related to convertible senior notes, $50.0 million for repurchase of common stock, and $25.8 million in employee payroll taxes paid related to vesting of restricted stock units.

**Contractual Obligations and Commitments**

Except for the 2028 Notes, there were no material changes during the nine months ended October 31, 2023 to our contractual obligations and other commitments, as disclosed in our Annual Report.

For further information on our commitments and contingencies, refer to Note 10, “Commitments and Contingencies” in the condensed consolidated financial statements contained within this Form 10-Q.

**Indemnification Agreements**

In the ordinary course of business, we 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 us, or from intellectual property infringement claims made by third parties. As permitted under Delaware law, we have entered into indemnification agreements with our directors and certain officers and employees that will require us, among other things, to indemnify them against certain liabilities that may arise by reason of their status or service as directors, officers, or employees. No demands have been made upon us to provide indemnification under such agreements, and there are no claims that we are aware of that could have a material effect on our consolidated balance sheets, consolidated statements of operations and comprehensive income (loss), or consolidated statements of cash flows.

**Critical Accounting Policies and Estimates**

Our condensed consolidated financial statements and the related notes thereto included elsewhere in this Form 10-Q are prepared in accordance with U.S. GAAP. The preparation of these condensed consolidated financial statements also requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, costs and expenses, and related disclosures. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results could differ significantly from the estimates made by management. To the extent that there are differences between our estimates and actual results, our future financial statement presentation, financial condition, results of operations, and cash flows will be affected.

There have been no significant changes to our critical accounting policies described in Part II, Item 7 in our Annual Report, that had a material impact on our condensed consolidated financial statements and related notes.

## Item 3. Quantitative and Qualitative Disclosures about Market Risk

There have been no material changes in our market risk as compared to the disclosures in Part II, Item 7A in our Annual Report .

## 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 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 October 31, 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting, other than as described above.

## 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

*Other than the risk factors below, 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 the year ended January 31, 2023 and our Quarterly Report on Form 10-Q for the quarter ended July 31, 2023. 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 Form 10-Q, including our condensed consolidated financial statements and the related notes included elsewhere in this 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.*

***Our security measures have on occasion in the past been, and may in the future be, compromised. If our information technology systems or data, or those of our customers or the third-party providers upon which we rely, are or were compromised, we could experience adverse consequences resulting from such compromise, including but not limited to regulatory investigations or actions; litigation; fines and penalties; disruption of our business operations; reputational harm; loss of revenue or profits; loss of customers or sales; decreased value of our business and common stock; and other adverse consequences.***

Our business involves the processing, storage and transmission of proprietary, sensitive, or confidential data of our customers and their employees and customers, including personal information, intellectual property, and trade secrets. Cyber-attacks, malicious internet-based activity, online and offline fraud, and other similar activities threaten the confidentiality, integrity, and availability of our sensitive information and information technology systems, and those of the third parties upon which we rely. Such threats are prevalent and continue to rise, are increasingly difficult to detect, and come from a variety of sources, including traditional computer "hackers," threat actors, "hacktivists," organized criminal threat actors, personnel (such as through theft or misuse), sophisticated nation states, and nation-state-supported actors. Some actors now engage and are expected to continue to engage in cyber-attacks, including without limitation nation-state actors for geopolitical reasons and in conjunction with military conflicts and defense activities. During times of war and other major conflicts, we, the third parties upon which we rely, and our customers may be vulnerable to a heightened risk of these attacks, including retaliatory cyber-attacks, that could materially disrupt our systems and operations, supply chain, and ability to produce, sell and distribute our goods and services. Providers of cloud-based services have frequently been targeted by such attacks. These cybersecurity challenges, including threats to our own IT infrastructure or those of our customers or third-party providers, may take a variety of forms including but not limited to malware (including as a result of advanced persistent threat intrusions), social engineering attacks (including through phishing, smishing, and vishing), ransomware attacks, man-in-the-middle attacks, session hijacking, denial-of-service attacks (such as credential stuffing), supply-chain attacks, software bugs, server malfunctions, software or hardware failures, credential harvesting, personnel misconduct or error, malicious code (such as viruses or worms), loss of data or other information technology assets, adware, telecommunications failures, "mega breaches" targeted against cloud-based services and other hosted software (which could be initiated by individual or groups of hackers or sophisticated cyber criminals), earthquakes, fires, floods, and other similar threats. For example, in 2015, a database containing certain of our user information was compromised by a hacker who bypassed several layers of authentication. We may be unable to anticipate or prevent techniques used to obtain unauthorized access or to sabotage systems because they change frequently and often are not detected until after an incident has occurred.

In particular, severe ransomware attacks, including those perpetrated by organized criminal threat actors, nation-states, and nation-state-supported actors, are becoming increasingly prevalent and severe – and can lead to significant interruptions in our operations, loss of data and income, reputational harm, and diversion of funds. Extortion payments may alleviate the negative impact of a ransomware attack, but we may be unwilling or unable to make such payments due to, for example, applicable laws or regulations prohibiting such payments.

Remote work has also become more common and has increased risks to our information technology systems and data, as more of our employees utilize network connections, computers and devices outside our premises or network, including working at home, while in transit and in public locations. Furthermore, future or past business transactions (such as acquisitions or integrations) could expose us to additional cybersecurity risks and vulnerabilities, as our systems could be negatively affected by vulnerabilities present in acquired or integrated entities' systems and technologies. We may discover security issues that were not found during due diligence of such acquired or integrated entities, and it may be difficult to integrate companies into our information technology environment and security program.

We use third-party service providers and technologies to help us deliver services and process information on our behalf in a variety of contexts, including, without limitation, encryption and authentication technology, employee email, content delivery to customers, and other functions. Our ability to monitor these third parties' information security practices is limited, and these third parties may not have adequate information security measures in place. If our third-party service providers experience a security incident or other interruption that results in data loss, deletion or destruction, unauthorized access to, loss of, unauthorized acquisition or disclosure of, or inadvertent exposure disclosure of, proprietary, sensitive, or confidential data, or any compromise related to the security, confidentiality, integrity or availability of our (or their) information technology, software, services, communications or data, it may result in adverse consequences such as litigation, indemnity obligations, interruption to our business operations, and other possible liabilities, as well as negative publicity, which would damage our reputation and business, impair our sales, and harm our customers. While we may be entitled to damages if our third-party service providers fail to satisfy their data privacy or security-related obligations to us, any award may be insufficient to cover our damages, or we may be unable to recover such award. In addition, supply-chain attacks have increased in frequency and severity, and we cannot guarantee that third parties' infrastructure in our supply chain or our third-party partners' supply chains have not been compromised.

Any of the previously identified or similar threats could cause a security incident, production downtime or other interruption that could result in unauthorized, unlawful, or accidental acquisition, modification, destruction, loss, alteration, encryption, disclosure of, or access to our sensitive information or our information technology systems, or those of the third parties upon whom we rely. A security incident or other interruption could disrupt our ability (and that of third parties upon whom we rely) to provide our service. As we increase our customer base and our brand becomes more widely known and recognized, third parties may increasingly seek to compromise our security controls or gain unauthorized access to our sensitive corporate information or our customers' data. We may be required to expend significant resources, fundamentally change our business activities and practices, or modify our services, software, operations or information technology to protect against security breaches and to mitigate, detect, and remediate actual and potential vulnerabilities. Certain data privacy and security obligations may require us to implement and maintain specific security measures or industry-standard or reasonable security measures to protect our information technology systems and sensitive information. While we have implemented security measures designed to protect against security incidents, there can be no assurance that these measures will be effective. We take steps to detect and remediate vulnerabilities, but we may not be able to detect and remediate all vulnerabilities because the threats and techniques used to exploit the vulnerability change frequently and are often sophisticated in nature. Therefore, such vulnerabilities could be exploited but may not be detected until after a security incident has occurred. These vulnerabilities pose material risks to our business. Further, we may experience delays in developing and deploying remedial measures designed to address any such identified vulnerabilities.

In addition to experiencing a security incident, third parties may gather, collect, or infer sensitive information about us from public sources, data brokers, or other means that reveals competitively sensitive details about our organization and could be used to undermine our competitive advantage or market position.

The reliability and continuous availability of our service is critical to our success. However, software such as ours can contain errors, defects, security vulnerabilities or software bugs that are difficult to detect and correct, particularly when such vulnerabilities are first introduced or when new versions or enhancements of our service are released. Additionally, even if we are able to develop a patch or other fix to address such vulnerabilities, such a fix may be difficult to push out to our customers or otherwise be delayed. Additionally, our business depends upon the appropriate and successful implementation of our service by our customers. If our customers fail to use our service according to our specifications, our customers may suffer a security incident on their own systems or other adverse consequences. Even if such an incident is unrelated to our security practices, it could result in our incurring significant economic and operational costs in investigating, remediating, and implementing additional measures to further protect our customers from their own vulnerabilities, and could result in reputational harm.

Many governments have enacted laws requiring companies to notify individuals of security incidents or unauthorized transfers involving certain types of personal information. Such notifications are costly, and the notifications or the failure to comply with requirements to provide them could lead to adverse consequences. In addition, some of our customers contractually require notification by us of any security incident. Accordingly, security incidents experienced by our competitors, our customers, us, or our service providers may lead to public disclosures, which may lead to widespread negative publicity. Any security incident or security compromise in our industry, whether actual or perceived, and attendant consequences could harm our reputation, erode customer confidence in the effectiveness of our security measures, negatively affect our ability to attract new customers, cause existing customers to stop using our services or elect not to renew their subscriptions, and subject us to government enforcement actions (for example, investigations, fines, penalties, audits, and inspections); additional reporting requirements and/or oversight; restrictions on processing sensitive information (including personal information); litigation (including class claims); indemnification obligations; negative publicity; reputational harm; monetary fund diversions; interruptions in our operations (including availability of data); financial loss; and other similar harms.

Our contracts may not contain limitations of liability, and even where they do, there can be no assurance that limitations of liability in our contracts are sufficient to protect us from liabilities, damages, or claims related to our data privacy and security obligations. While we maintain general liability insurance coverage and coverage for errors or omissions, we cannot assure you that such coverage would be adequate or would otherwise protect us from liabilities or damages with respect to claims alleging compromises of customer data, that such coverage will continue to be available to us on acceptable terms or at all, or that such coverage will pay future claims. The successful assertion of one or more large claims against us that exceeds our available insurance coverage, or results in changes to our insurance policies (including premium increases or the imposition of large deductible or co-insurance requirements), could have an adverse effect on our business.

***Servicing our debt may require a significant amount of cash. We may not have sufficient cash flow from our business to pay our indebtedness, and we may not have the ability to raise the funds necessary to settle for cash conversions of our convertible senior notes due 2025 (the "2025 Notes") or our convertible senior notes due 2028 (the "2028 Notes" and together with the 2025 Notes, the "Notes"), or to repurchase the Notes for cash upon a fundamental change, which could adversely affect our business and results of operations.***

In June 2020, we completed the private offering of 2025 Notes, issuing an aggregate principal amount of $287.5 million of 1.25% convertible senior notes due 2025. The interest rate on the 2025 Notes is fixed at 1.25% per annum and is payable semi-annually in arrears on January 1 and July 1 of each year, beginning on January 1, 2021. In October 2023, we completed the private offering of 2028 Notes, issuing an aggregate principal amount of $402.5 million of 1.50% convertible senior notes due 2028. The interest rate on the 2028 Notes is fixed at 1.50% per annum and is payable semi-annually in arrears on April 15 and October 15 of each year, beginning on April 15, 2024. Our ability to make scheduled payments of the principal of, to pay interest on, or to refinance our indebtedness, including the Notes, depends on our future performance, which is subject to economic, financial, competitive, and other factors beyond our control. Our business may not generate cash flows from operations in the future that are sufficient to service our debt and make necessary capital expenditures. If we are unable to generate such cash flows, we may be required to adopt one or more alternatives, such as selling assets, restructuring debt, or obtaining additional debt financing or equity capital on terms that may be onerous or highly dilutive. Our ability to refinance any future indebtedness will depend on the capital markets and our financial condition at such time. We may not be able to engage in any of these activities or engage in these activities on desirable terms, which could result in a default on our debt obligations. In addition, any of our future debt agreements may contain restrictive covenants that may prohibit us from adopting any of these alternatives.

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

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

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

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

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

In the event the conditional conversion feature of the Notes is triggered, holders of Notes will be entitled to convert the Notes at any time during specified periods at their option. If one or more holders elect to convert their Notes, unless, with respect to the 2025 Notes or the 2028 Notes, as the case may be, we elect to satisfy our conversion obligation by delivering solely shares of our common stock (other than paying cash in lieu of delivering any fractional share), we would be required to settle a portion or all of our conversion obligation through the payment of cash, which could adversely affect our liquidity. In addition, even if holders do not elect to convert their Notes, we could be required under applicable accounting rules to reclassify all or a portion of the outstanding principal of the Notes as a current rather than long-term liability, which would result in a material reduction of our net working capital.

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

The conversion of some or all of the Notes would dilute the ownership interests of existing stockholders to the extent we elect to deliver shares of common stock in respect of the remainder, if any, of our conversion obligation in excess of the aggregate principal amount of the Notes being converted. Our Notes may become in the future convertible at the option of their holders under certain circumstances. If holders of our Notes elect to convert their Notes, we may settle our conversion obligation by delivering to them a significant number of shares of our common stock, which would cause dilution to our existing stockholders.

In addition, in connection with the pricing of the 2025 Notes and the 2028 Notes, we entered into capped call transactions (the "Capped Calls") with certain financial institutions (the "Option Counterparties"). The Capped Calls are expected generally to reduce the potential dilution to our common stock upon any conversion or settlement of the Notes and/or offset any cash payments we are required to make in excess of the principal amount of converted Notes, as the case may be, with such reduction and/or offset subject to a cap.

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

From time to time, the Option Counterparties or their respective affiliates may modify their hedge positions by entering into or unwinding various derivative transactions with respect to our common stock and/or purchasing or selling our common stock or other securities of ours in secondary market transactions prior to the maturity of the 2025 Notes or the 2028 Notes, as the case may be, with respect to the Capped Calls corresponding to the 2025 Notes or the 2028 Notes, as applicable (and are likely to do so on each exercise date of the Capped Calls, which are scheduled to occur during the observation period relating to any conversion of the 2025 Notes on or after April 1, 2025 or any conversion of the 2028 Notes on or after June 15, 2028, in each case, that is not in connection with a redemption, or following our election to terminate any portion of the Capped Calls in connection with any repurchase, redemption, exchange or early conversion of the 2025 Notes or the 2028 Notes). This activity could cause a decrease and/or increased volatility in the market price of our common stock.

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

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

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

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

***Unregistered Sales of Equity Securities***

None.

***Issuer Purchases of Equity Securities***

In October 2023, the Company repurchased a total of 2,331,002 shares of the Company's common stock through open market purchases at an average per share price of $21.45 for a total repurchase price of $50.0 million. The cost of repurchased shares are recorded as Treasury Stock in the condensed consolidated balance sheets.

Also in October 2023, the Company paid $223.5 million to repurchase $230.0 million of aggregate principal amount of the 2025 Notes with a carrying value of $227.5 million, net of unamortized issuance costs of $2.6 million. The Company recorded a gain on partial extinguishment of the 2025 Notes in the three and nine months ended October 31, 2023 of $4.0 million in the condensed consolidated statements of operations.

| | Total Number of Shares Purchased | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Approximate Dollar Value of Shares That May Yet Be Purchased Under the Program |
|---|---|---|---|---|
| August 1, 2023 to August 31, 2023 | — | | | |
| September 1, 2023 – September 30, 2023 | — | | | |
| October 1, 2023 – October 31, 2023 | 2,331,002 | $ 21.45 | | |
| Total | 2,331,002 | | | |

**Items 3, 4, and 5 are not applicable and have been omitted.**

## Item 6. Exhibits

The documents listed in the Exhibit Index of this Form 10-Q are incorporated by reference or are filed with this Form 10-Q, in each case as indicated therein (numbered in accordance with Item 601 of Regulation S-K).

## EXHIBIT INDEX

| Exhibit Number | Description | Form | File No. | Incorporated by Exhibit Reference | 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 |
| 4.1 | Indenture, dated as of October 13, 2023, by and between PagerDuty, Inc. and U.S. Bank Trust Company, National Association, as Trustee. | 8-K | 001-38856 | 4.1 | October 13, 2023 |
| 4.2 | Form of Global Note, representing PagerDuty, Inc.'s 1.50% Convertible Senior Notes due 2028 (included as Exhibit A to the Indenture filed as Exhibit 4.1) | 8-K | 001-38856 | 4.2 | October 13, 2023 |
| 10.1 | Form of Confirmation for Capped Call Transactions | 8-K | 001-38856 | 10.1 | October 23, 2023 |
| 10.2 | Second Amended and Restated Offer Letter by and between the Company and Jennifer Tejada. | | | Filed herewith | |
| 10.3 | Amended and Restated Executive Severance and Change in Control Policy | | | Filed herewith | |
| 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 | | | Filed herewith | |
| 31.2 | Certification of the Chief Financial Officer pursuant to Exchange Act Rule 13a-14 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 | | | Filed herewith | |
| 32.1* | Certification of the Chief Executive Officer and the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 | | | Furnished herewith | |
| 101.INS | XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document. | | | Filed herewith | |
| 101.SCH | XBRL Taxonomy Extension Schema Document. | | | Filed herewith | |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document. | | | Filed herewith | |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document. | | | Filed herewith | |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase Document. | | | Filed herewith | |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document. | | | Filed herewith | |
| 104 | Cover Page Interactive Data File (formatted as inline XBRL with applicable taxonomy extension information contained in Exhibits 101.INS, 101.SCH, 101.CAL, 101.DEF, 101.LAB, and 101.PRE). | | | | |

* 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.

| | | |
|---|---|---|
| | | PAGERDUTY, INC. |
| Date: December 1, 2023 | By: | /s/ Jennifer G. Tejada |
| | | Jennifer G. Tejada<br>Chief Executive Officer<br>*(Principal Executive Officer)* |
| Date: December 1, 2023 | By: | /s/ Owen Howard Wilson |
| | | Owen Howard Wilson<br>Chief Financial Officer<br>*(Principal Financial Officer)* |
| Date: December 1, 2023 | By: | /s/ Mitra Rezvan |
| | | Mitra Rezvan<br>Senior Vice President, Finance and Chief Accounting Officer<br>*(Principal Accounting Officer)* |

October 30, 2023

Jennifer Tejada

Re: Second Amended and Restated Offer Letter

Dear Jennifer,

This letter agreement (this "**Agreement**") sets forth the terms of your continuing employment with PagerDuty, Inc. (the "**Company**") and amends and restates the Amended and Restated Offer Letter between you and the Company, dated April 1, 2019, as amended March 19, 2021 (the "**First Amended and Restated Offer Letter**").

1. **Position**.

   (a) You will continue to be Chief Executive Officer (the "**CEO**"). As the CEO, you will report directly to the Company's Board of Directors (the "**Board**").

   (b) You will continue to serve as a member of the Board, such continuing service to be subject to stockholder approval in accordance with the Company's certificate of incorporation and bylaws.

   (c) You agree that, to the best of your ability and experience, you will at all times loyally and conscientiously perform all of the duties and obligations required of and from you pursuant to the express and implicit terms hereof, and to the reasonable satisfaction of the Company. During the term of your employment, you further agree that (i) you will devote substantially all of your business time and attention to the business of the Company, (ii) the Company will be entitled to all of the benefits and profits arising from or incident to all such work services, (iii) you will not render commercial or professional services of any nature to any person or organization without the prior written approval of the Board, and (iv) you will not directly or indirectly engage or participate in any business that is competitive in any manner with the business of the Company. Notwithstanding the above, you may continue, on your own time, at your own expense and so as to not interfere with your duties and responsibilities at the Company to (i) serve as an advisory board member or Board of Directors member at other companies that are not competitive in any manner to the Company, (ii) accept speaking or presentation engagements in exchange for honoraria, and (iii) participate in civic, educational, charitable or fraternal organizations. This Agreement does not prevent you from owning no more than one percent (1%) of the outstanding equity securities of a corporation whose stock is listed on a national stock exchange and is a competitor or potential competitor of the Company.

2. **Start Date**. The effective date of your full-time employment was July 18, 2016.

3. **Compensation**.

   (a) ***Base Salary***. You will be paid a monthly salary at a rate of $50,000.00, which is equivalent to $600,000.00 on an annualized basis, which will be paid semi-monthly in accordance with the Company's normal payroll procedures and subject to applicable withholding.

(b) ***Bonus***. You will be eligible to earn an annual bonus of $600,000.00 (subject to applicable withholding) based on achievement of objective and subjective criteria agreed upon by you and the Board. The bonus will be paid as soon as reasonably practicable following the end of the applicable fiscal year (and in any event by April 15 following the end of the applicable fiscal year). You shall be eligible to receive such bonus if the applicable objectives and milestones are achieved while you remain employed by the Company, and you remain in employment with the Company until the payment date of the bonus. For the avoidance of doubt, in the event that your employment with the Company terminates for any reason prior to the payment date of a bonus, you will not earn or be paid such bonus. The Company, in its sole discretion, will determine whether you have earned a bonus (or portion thereof), and its determination will be final and binding.

(c) ***Annual Review***. Your compensation will be reviewed by the Board or the Compensation Committee (the "**Compensation Committee**") of the Board annually.

(d) ***Equity Awards***. You were previously granted equity awards (collectively, whether or not granted prior to the date hereof, the "**Equity Awards**") under the Company's 2010 Stock Plan (the "**2010 Plan**") and the Company's 2019 Equity Incentive Plan, as amended (the "**2019 Plan**," and together with the 2010 Plan and any successor plan, the "**Plans**"), which remain subject to the terms, definitions and provisions of the applicable Plan and award agreement; *provided* that in the event of a Change in Control (as defined below) in which the then unvested Equity Awards that are subject to time-based vesting are not assumed, substituted, continued or cancelled for a per-share amount (or value of property per share) payable to the holders of Common Stock (as defined in the 2019 Plan) in connection with such Change in Control and reduced, if applicable, for the per-share exercise price payable for such unvested Equity Award (such unvested Equity Awards not assumed, substituted, continued or cancelled as described above, the "**Terminating Equity Awards**"), then one hundred percent (100%) of such Terminating Equity Awards shall automatically vest and, as applicable, become exercisable immediately prior to the Change in Control (or on such prior date as the Board or Compensation Committee determines and communicates in writing to you) and contingent upon the closing or completion of the Change in Control (such acceleration, the "**Terminating Award Acceleration**"). For the avoidance of doubt, the Terminating Award Acceleration is contingent only on a Change in Control and the conditions set forth herein and does not require your termination of service. Equity Awards that are subject to performance or milestone-based vesting conditions shall be governed by their own terms with respect to treatment in connection with a Change in Control.

4. **Benefits**. As an employee, you will also be eligible to receive all standard benefits associated with salaried employees.

5. **Background Checks**. The Company reserves the right to conduct background investigations and/or reference checks on all of its potential employees in accordance with applicable law. Your job offer, therefore, was contingent upon a clearance of such a background investigation and/or reference check, if any, as well as satisfactory proof of your right to work in the United States.

6. **Termination; Severance Benefits**. You may terminate your employment with the Company at any time and for any reason whatsoever simply by notifying the Company.

Likewise, the Company may terminate your employment at any time, with or without cause or advance notice.

In the event that, prior to or after the period that commences three (3) months before and ends twenty-four (24) months after a Change in Control (such period, the "**Change in Control Period**"), (A) the Company terminates your employment for a reason other than Cause, as defined below, (B) you resign for Good Reason, as defined below, or (C) your employment terminates due to your death or Disability, as defined below, (each, an "**Involuntary Termination**"), subject to your satisfaction of the Conditions (as defined below) within the Deadline (as defined below), the Company will provide you with the following severance benefits: (a) a cash severance amount equal to the sum of your annual base salary and target annual bonus opportunity, in each case then in effect, plus an additional $12,000; (b) accelerated vesting and exercisability, as applicable, of your then outstanding Equity Awards solely subject to time-based vesting with respect to that number of shares equal to fifty percent (50%) of the number of shares originally subject to such Equity Awards; (c) a prorated amount of your target annual bonus opportunity from the beginning of the Company's fiscal year until the date of your termination of employment; and (d) provided you timely elect continued group health plan coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("**COBRA**"), the Company shall pay directly or reimburse your COBRA premiums for a period of twelve (12) months following your date of termination.

In the event of your Involuntary Termination within the Change in Control Period, the Company will provide you with the following severance benefits: (a) a cash severance amount equal to one and one-half (1.5) times the sum of your annual base salary and target annual bonus opportunity, plus an additional $12,000; (b) accelerated vesting and exercisability, as applicable, of one hundred percent (100%) of your then outstanding Equity Awards solely subject to time-based vesting; (c) a prorated amount of your target annual bonus opportunity from the beginning of the Company's fiscal year until the date of your termination of employment; and (d) provided you timely elect continued group health plan coverage under COBRA, the Company shall pay directly or reimburse your COBRA premiums for a period of eighteen (18) months following your date of termination; *provided* that in each case of clauses (a) and (c), annual base salary and target annual bonus opportunity shall be determined based on the rates in effect as of immediately prior to your termination of employment or immediately prior to the Change in Control, whichever is greater). If your Involuntary Termination occurs within the Change in Control Period and prior to the consummation of a Change in Control, then notwithstanding the terms of the Plans and applicable award agreements, your unvested, outstanding Equity Awards solely subject to time-based vesting will remain outstanding for a period of up to three (3) months to allow for the potential acceleration described in clause (b) of the preceding sentence (which, for clarity, will occur upon the Change in Control), with the treatment of Equity Awards subject to performance-based vesting remaining subject to the terms of the applicable award agreements.

The cash severance amounts payable pursuant to the two immediately preceding paragraphs (including prorated bonus amounts) are referred to hereafter as collectively, the "**Severance**." The Severance will be paid in a single lump sum on the Company's first regular payroll date (the "**Initial Payment Date**") that occurs following the effective date of the Release, *provided* that (a) the Initial Payment Date shall fall within the period necessary for the Severance to constitute short-term deferral under Section 409A, and (b) in the event your Involuntary Termination occurs within the Change in Control Period and prior to the consummation of a Change in Control, you initially shall be entitled to the severance payments and benefits applicable in the event of an Involuntary Termination outside the Change in Control Period (with any Severance payable on the

Initial Payment Date) and shall, upon the occurrence of the Change in Control, become entitled to the severance payments and benefits applicable in the event of an Involuntary Termination during the Change in Control Period to the extent not already paid or provided (for clarity, the treatment of Equity Awards in such event is set forth in the immediately preceding paragraph).

For purposes of this Agreement, "**Cause**" shall mean (i) the conviction of, or the entering a plea of guilty or no contest to or for, any felony, (ii) the commission of an act of fraud, embezzlement, misappropriation, willful misconduct or breach of fiduciary duty against the Company or other similar conduct materially harmful or potentially materially harmful to the Company's best interest, as determined by the Board, in its reasonable sole discretion, (iii) the commission of a material breach of any of the covenants, terms and provisions of the Company's At-Will Employment, Confidential Information, Invention Assignment and Arbitration Agreement (as hereinafter defined) or this Agreement or (iv) the willful and repeated failure to perform assigned duties or responsibilities as the Company's Chief Executive Officer, which failure is not corrected by you within ten (10) days of written notice from the Board thereof; *provided* that in each case of clauses (ii) through (iv), the applicable conduct must be willful (i.e., carried out in bad faith or without reasonable belief that such conduct was in the best interests of the Company and its subsidiaries) and materially and demonstrably injurious to the Company and its subsidiaries, taken as a whole. Notwithstanding the foregoing or any other provision of this Agreement to the contrary, after a Change in Control, any arbitrator, court or tribunal that adjudicates any dispute, controversy or claim in connection with this Agreement shall apply a *de novo* standard of review to any determinations made by the Board or the Company or its affiliates concerning the existence of Cause or your entitlement to severance payments or benefits. Such *de novo* standard shall apply notwithstanding the grant of full discretion hereunder to the Board or any person or characterization of any decision by the Board or by such person as final, binding or conclusive on any party.

For purposes of this Agreement, "**Good Reason**" shall mean, without your written consent, (i) a material reduction of your duties or responsibilities relative to your duties or responsibilities in effect immediately prior to such reduction; *provided*, *however*, that without limiting the foregoing, a requirement that, prior to a Change in Control, you report to a person other than the Board and in connection with or following a Change in Control, a requirement that you report to a person other than the board of directors of the publicly traded parent company of the Company shall in each case be deemed to constitute a material reduction of your duties and responsibilities for purposes of this Agreement; (ii) a material reduction by the Company of your annual base salary or target annual bonus opportunity, in each case as in effect immediately prior to such reduction; (iii) your relocation to a facility or a location more than thirty (30) miles from your then current location which increases your commute time from your principal residence; or (iv) any material breach by the Company of this Agreement.

For the purposes of this Agreement, a "**Change in Control**" shall have the meaning given to "Change in Control" in the 2019 Plan, *provided* that, notwithstanding the language in the 2019 Plan, a definition of "Change in Control" (or any analogous term) in an individual written agreement between you and the Company or any Affiliate (as defined in the 2019 Plan) will **not** supersede the foregoing definition with respect to this Agreement. If a Change in Control (based on the definition thereof as of the time of the event constituting a Change in Control) occurs, the term "Change in Control" may not be subsequently modified in a manner that would cause the event constituting a Change in Control to not so qualify.

For purposes of this Agreement, "**Disability**" shall mean that you have been unable to perform your duties hereunder as the result of incapacity due to physical or mental illness, and such inability, which continues for at least forty-five (45) consecutive calendar days or ninety (90) calendar days during any consecutive twelve-month period, if shorter, after its commencement, is determined to be total and permanent by a physician selected by the Company and its insurers and acceptable to you or to your legal representative (with such agreement on acceptability not to be unreasonably withheld).

To receive the Severance, accelerated vesting of equity awards and COBRA premium benefits described in this Section 6, you must (i) execute a general release of all claims in the form attached hereto as **<u>Exhibit A</u>** (the "**Release**"), (ii) resign as a member of the Board and (iii) return all property of the Company in your possession (with (i), (ii) and (iii) collectively, the "**Conditions**"), all occurring within twenty-one (21) days (or forty-five (45) days if required by the federal Age Discrimination in Employment Act) following the date on which you receive the Release from the Company (the "**Deadline**").

You are not required to seek other employment or to attempt in any way to reduce any amounts otherwise payable to you under this Agreement.

7. **Section 409A**. Notwithstanding anything to the contrary in the foregoing, in the event that you qualify as a specified employee of a publicly traded company, as defined by Section 409A ("**Section 409A**") of the Internal Revenue Code of 1986, as amended, and the regulations and guidance promulgated thereunder (the "**Code**"), then solely to the extent required to avoid the imposition of additional taxes on you under Section 409A, the payment of any severance pursuant to Section 6 shall be delayed until the earlier of the next regular payroll payment date that is at least six months following the date upon which you becomes entitled to such severance payment or your death. Upon the first business day after such earlier date, all payments deferred pursuant to this Section 7 shall be paid in a lump sum to you, and any remaining payments due under this Agreement shall be paid as otherwise provided herein. Payments pursuant to this Agreement (or referenced in this Agreement), and each installment thereof, are intended to constitute separate payments for purposes of Section 1.409A-2(b)(2) of the regulations under Section 409A. To the extent that any provision of this Agreement is ambiguous as to its exemption or compliance with Section 409A, the provision will be read in such a manner so that all payments hereunder are exempt from Section 409A to the maximum permissible extent, and for any payments where such construction is not tenable, that those payments comply with Section 409A to the maximum permissible extent. To the extent any payment under this Agreement may be classified as a "short-term deferral" within the meaning of Section 409A, such payment shall be deemed a short-term deferral, even if it may also qualify for an exemption from Section 409A under another provision of Section 409A. Notwithstanding any other provision of this Agreement, with respect to payments to be made upon execution of an effective release, if the release revocation period spans two calendar years, payments will be made in the second of the two calendar years to the extent necessary to avoid adverse taxation under Section 409A. Notwithstanding anything to the contrary in this Agreement, all reimbursements and in-kind benefits provided under this Agreement that are subject to Section 409A shall be made in accordance with the requirements of Section 409A, including, where applicable, the requirement that (A) any reimbursement is for expenses incurred during your lifetime (or during a shorter period of time specified in this Agreement); (B) the amount of expenses eligible for reimbursement, or in-kind benefits provided, during a calendar year may not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other calendar year; (C) the reimbursement of an eligible expense will be made no later than the last day of the calendar year following the year in which the

expense is incurred; and (D) the right to reimbursement or in-kind benefits is not subject to liquidation or exchange for another benefit. If reasonably requested by the Company or you, the parties shall amend or modify this Agreement in order to comply with the provisions of Section 409A, to the extent applicable.

8. **Section 280G**. Any provision of this Agreement to the contrary notwithstanding, if any payment or benefit you would receive from the Company pursuant to this Agreement or otherwise (a "**Payment**") would (i) constitute a "parachute payment" within the meaning of Section 280G of the Code, and (ii) but for this sentence, be subject to the excise tax imposed by Section 4999 of the Code (the "**Excise Tax**"), then such Payment will be equal to the Reduced Amount (defined below). The "**Reduced Amount**" will be either (x) the largest portion of the Payment that would result in no portion of the Payment being subject to the Excise Tax or (y) the total amount of the Payment, whichever amount, after taking into account all applicable federal, state and local employment taxes, income taxes, and the Excise Tax (all computed at the highest applicable marginal rate), results in you receiving, on an after-tax basis, of the greater economic benefit notwithstanding that all or some portion of the Payment may be subject to the Excise Tax. If a reduction in payments or benefits constituting "parachute payments" is necessary so that the Payment equals the Reduced Amount, reduction will occur in the manner that results in the greatest economic benefit to you. If more than one method of reduction will result in the same economic benefit, the items so reduced will be reduced by mutual agreement of the parties. If deemed necessary for compliance with Section 409A, any reduction will occur first with respect to amounts that are not "deferred compensation" within the meaning of Section 409A and then with respect to amounts that are. To the extent any such payment is to be made over time (e.g., in installments), then the Payments shall be reduced in reverse chronological order. In no event will the Company or any stockholder be liable to you for any amounts not paid as a result of the operation of this section. All determinations under this section shall be made by a nationally recognized certified public accounting firm or other professional organization that is selected by the Company prior to a Change in Control for the purpose of making such determinations (which firm shall not, without your consent, be a firm serving as accountant or auditor for the individual, entity or group effecting the Change in Control) and shall be binding upon the Company and you.

9. **Confidentiality Agreement**. As a Company employee, you will be expected to abide by Company rules and policies. As a condition of employment, you must sign and comply with the Company's form of At-Will Employment, Confidential Information, Invention Assignment and Arbitration Agreement, which prohibits unauthorized use or disclosure of Company proprietary information, among other obligations.

10. **Indemnification**. The Company shall indemnify you to the fullest extent allowed by law, in accordance with the terms of the Company's Certificate of Incorporation and Bylaws, subject to the terms and conditions of the Company's form of Indemnification Agreement for executive officers, and provide customary coverage for you under a directors & officers liability insurance policy to the extent such coverage and policy are provided to the other directors and officers of the Company.

11. **Miscellaneous Provisions**.

    (a) ***Choice of Law***. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of California, without giving effect to the principles of conflicts of law.

(b) ***Counterparts***. This letter may be executed in counterparts, each of which shall be deemed an original, but all of which together will constitute one and the same instrument.

(c) ***Severability***. In the event that any provision hereof becomes or is declared by a court of competent jurisdiction to be illegal, unenforceable, or void, this Agreement shall continue in full force and effect without such provision.

(d) ***Acknowledgment***. You acknowledge that you have had the opportunity to discuss this matter with and obtain advice from your private attorney, have had sufficient time to, and have carefully read and fully understand all the provisions of this Agreement, and are knowingly and voluntarily entering into this Agreement.

(e) ***Arbitration***. Except as provided below, you agree that any dispute or controversy arising out of, relating to, or in connection with this Agreement, or the interpretation, validity, construction, performance, breach, or termination thereof shall be settled by arbitration, to the extent permitted by law, to be held in San Francisco County, California in accordance with the National Rules for the Resolution of Employment Disputes then in effect of the American Arbitration Association. The arbitrator may grant injunctions or other relief in such dispute or controversy. The decision of the arbitrator shall be final, conclusive and binding on the parties to the arbitration. Judgment may be entered on the arbitrator's decision in any court having jurisdiction. The arbitrator shall apply California law to the merits of any dispute or claim, without reference to rules of conflict of law. You hereby expressly consent to the personal jurisdiction of the state and federal courts located in California for any action or proceeding arising from or relating to this Agreement and/or relating to any arbitration in which the parties are participants.

(f) ***Legal Fees***. The Company agrees to pay as incurred (within ten (10) days following the Company's receipt of an invoice from you), at any time following a Change in Control and to the full extent permitted by law, all arbitration and legal fees and expenses that you may reasonably incur as a result of any contest (regardless of the outcome thereof) by the Company, you or others of the validity or enforceability of, or liability under, any provision of this Agreement or any guarantee of performance thereof whether such contest is between the Company and you or between either of you and any third party, plus in each case interest on any delayed payment at the applicable federal rate provided for in Section 7872(f)(2)(A) of the Code determined as of the date such legal fees and expenses were incurred; *provided* that you shall repay to the Company any such legal fees and expenses if your claims are found by a court or arbitral tribunal of competent jurisdiction to be frivolous or brought in bad faith.

YOU HAVE READ AND UNDERSTAND THESE PROVISIONS, WHICH DISCUSS ARBITRATION. YOU UNDERSTAND THAT BY SIGNING THIS AGREEMENT, YOU AGREE TO SUBMIT ANY FUTURE CLAIMS ARISING OUT OF, RELATING TO, OR IN CONNECTION WITH THIS LETTER, OR THE INTERPRETATION, VALIDITY, CONSTRUCTION, PERFORMANCE, BREACH, OR TERMINATION THEREOF TO BINDING ARBITRATION TO THE EXTENT PERMITTED BY LAW, AND THAT THIS ARBITRATION CLAUSE CONSTITUTES A WAIVER OF YOUR RIGHT TO A JURY TRIAL AND RELATES TO THE RESOLUTION OF ALL DISPUTES RELATING TO ALL ASPECTS OF THE EMPLOYER/EXECUTIVE RELATIONSHIP, INCLUDING BUT NOT LIMITED TO, THE FOLLOWING CLAIMS:

(i) ANY AND ALL CLAIMS FOR WRONGFUL DISCHARGE OF EMPLOYMENT; BREACH OF CONTRACT, BOTH EXPRESS AND IMPLIED; BREACH OF THE COVENANT OF GOOD FAITH AND FAIR DEALING, BOTH EXPRESS AND IMPLIED; NEGLIGENT OR INTENTIONAL INFLICTION OF EMOTIONAL DISTRESS; NEGLIGENT OR INTENTIONAL MISREPRESENTATION; NEGLIGENT OR INTENTIONAL INTERFERENCE WITH CONTRACT OR PROSPECTIVE ECONOMIC ADVANTAGE; AND DEFAMATION;

(ii) ANY AND ALL CLAIMS FOR VIOLATION OF ANY FEDERAL STATE OR MUNICIPAL STATUTE, INCLUDING, BUT NOT LIMITED TO, THE CIVIL RIGHTS ACT OF 1991, THE AGE DISCRIMINATION IN EMPLOYMENT ACT OF 1967, THE AMERICANS WITH DISABILITIES ACT OF 1990, THE FAIR LABOR STANDARDS ACT;

(iii) ANY AND ALL CLAIMS ARISING OUT OF ANY OTHER LAWS AND REGULATIONS RELATING TO EMPLOYMENT OR EMPLOYMENT DISCRIMINATION, SUBJECT TO APPLICABLE LAW.

To accept the terms of this Agreement, please sign and date this Agreement in the space provided below. A duplicate original is enclosed for your records. This Agreement, together with your At-Will Employment, Confidential Information, Invention Assignment and Arbitration Agreement and equity award agreements, forms the complete and exclusive statement of your employment agreement with the Company. It supersedes any other agreements or promises made to you by anyone, whether oral or written, including without limitation the First Amended and Restated Offer Letter. This Agreement, including, but not limited to, its at will employment provision, may not be modified or amended except by a written agreement signed by you and an authorized member of the Board (other than you).

**PagerDuty, Inc.**

By: __
Zachary Nelson, Chair of the Compensation Committee of the Board

Agreed and Accepted:

__
Jennifer Tejada
Date: October 30, 2023

## EXHIBIT A

## FORM OF RELEASE

In consideration for the payments and benefits to be provided pursuant to Section 6 of the Second Amended and Restated Offer Letter (the "**Agreement**") entered into by and between Jennifer Tejada ("**Executive**") and PagerDuty, Inc., a Delaware corporation (the "**Company**"), with an effective date of October 30, 2023, Executive agrees to the following:

(a) Executive represents that Executive has not filed any complaints, charges or lawsuits against the Company with any governmental agency or any court.

(b) Executive expressly waives all claims, whether known or unknown, against the Company and releases the Company, and any of the Company's past, present or future parent, affiliated, related, and/or subsidiary entities, and all of the past and present directors, stockholders, officers, general or limited partners, employees, agents, and attorneys, and agents and representatives of such entities, and employee benefit plans in which Executive is or has been a participant by virtue of his or her employment with the Company (collectively, the "**Releasees**"), from any claims that Executive may have against the Company or the Releasees. It is understood that subject to the exceptions listed below, this release includes, but is not limited to, any claims arising directly or indirectly out of, relating to, or in any other way involving in any manner whatsoever, Executive's employment with the Company or its subsidiaries or the termination thereof, including any claims for wages, employment benefits or damages of any kind whatsoever arising out of any legal restriction on the Company's right to terminate employment, or any federal, state or other governmental statute or ordinance, including, without limitation, the Employee Retirement Income Security Act of 1974, Title VII of the Civil Rights Act of 1964, the federal Age Discrimination in Employment Act, the Americans With Disabilities Act, the Family and Medical Leave Act, or any other legal limitation on the employment relationship (the "**Release**"); *provided*, *however*, notwithstanding anything to the contrary set forth herein, that this Release shall not extend to (i) benefit claims under employee pension benefit plans in which Executive is a participant by virtue of Executive's employment with the Company or its subsidiaries, benefit claims under employee welfare benefit plans for occurrences (e.g., medical care, death, or onset of disability) arising after the execution of this Release by Executive, or any rights Executive may otherwise have to receive vested amounts under any Company employee benefit plans, (ii) Executive's rights under any stock option or other equity incentive agreement between Executive and Company (or any successor thereto) or under the stock option or other equity incentive plans of the Company (or any successor thereto), (iii) any rights to ownership as a stockholder of the Company (or any successor thereto), (iv) Executive's rights under the Agreement, (v) any rights pursuant to an agreement entered into in connection with a Change in Control (as defined in the Agreement) (including, without limitation, agreements entered into between the Company and any acquirer of the Company) or otherwise accruing to Executive as a result of, or related to a Change in Control, (vi) any claims Executive may have for indemnification pursuant to the Company's certificate of incorporation, bylaws, law, contract, Company policy or any indemnification agreement between Executive and the Company, (vii) any claims for coverage under any applicable directors' and officers' insurance policy in accordance with the terms of such policy, (viii) any claims to accrued, unpaid wages or unpaid reimbursements due to Executive, (ix) any rights to file an administrative charge or complaint with, or testify, assist, or participate in an investigation, hearing, or proceeding conducted by, the Equal Employment Opportunity Commission, Securities and Exchange Commission or other similar federal or state administrative agencies or self-regulatory agencies, or (x) any claims arising from events that occur solely after the date Executive signs this Release.

Nothing herein or in the Agreement shall prohibit or restrict Executive from responding to any inquiry, or otherwise communicating with, any federal, state or local administrative or regulatory agency or authority or participating in an investigation conducted by any governmental agency or authority, or restrict Executive's rights under the whistleblower provisions of any applicable federal law or regulation, including Executive's right to receive an award for information provided to any government authority under such law or regulation.

Executive acknowledges that Executive has read and understands Section 1542 of the Civil Code of the State of California (Section 1542), which provides as follows:

> A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY.

Executive waives and relinquishes any rights and benefits which Executive may have under Section 1542 or any similar statute or common law principle of any jurisdiction. Executive acknowledges that Executive may later discover facts different from, or in addition to, those Executive now knows or believes to be true with respect to the claims released in this Release, and agrees the release herein shall be and remain in effect in all respects as a complete release as to all matters released, notwithstanding any such different or additional facts.

*Executive understands that this Release includes a release of claims arising under the Age Discrimination in Employment Act (ADEA). Executive understands and warrants that Executive has been given a period of twenty-one (21) days to review and consider this Release or forty-five (45) days if Executive's termination is part of a group reduction in force. Executive further warrants that Executive understands that, with respect to the release of age discrimination claims only, Executive has a period of seven days (7) after execution of this Release to revoke the release of age discrimination claims by notice in writing to the Company.*

**EXECUTIVE ACKNOWLEDGES ALL OF THE FOLLOWING:**

**(A) I HAVE CAREFULLY READ AND HAVE VOLUNTARILY SIGNED THIS RELEASE;**

**(B) I FULLY UNDERSTAND THE FINAL AND BINDING EFFECT OF THIS RELEASE, INCLUDING THE WAIVER OF CLAIMS UNDER THE AGE DISCRIMINATION IN EMPLOYMENT ACT; AND**

**(C) PRIOR TO SIGNING THIS RELEASE, I HAVE BEEN ADVISED OF MY RIGHT TO CONSULT, AND HAVE BEEN GIVEN ADEQUATE TIME TO REVIEW MY LEGAL RIGHTS WITH AN ATTORNEY OF MY CHOICE.**

Executive Signature

Executive Name (Print)

Date

**AMENDED AND RESTATED**
**EXECUTIVE SEVERANCE AND CHANGE IN CONTROL POLICY**
As Amended Effective October 30, 2023

This Executive Severance and Change in Control Policy (the "**Policy**") is designed to provide certain protections to a select group of key employees of PagerDuty, Inc. (the "**Company**") or any of its subsidiaries in connection with a Change in Control of the Company or in connection with the involuntary termination of their employment under the circumstances described in this Policy. Capitalized terms not otherwise defined in the text have the respective meanings set forth in the "Definitions" section below.

**Eligibility.** Each employee of the Company or any subsidiary of the Company who is designated by the Administrator (as defined below) as either a "**Tier 2 Participant**" (e.g., direct reports to the Company's Chief Executive Officer who are senior vice president level or above) or a "**Tier 3 Participant**" (e.g., senior vice presidents or above that do not report to the Company's Chief Executive Officer, vice presidents, and general managers) for the purposes of this Policy will be a participant in this Policy (each, a "**Participant**").

**CIC Qualifying Termination (Tier 2 Participants).** If a Tier 2 Participant has a CIC Qualifying Termination, the Company shall provide the Tier 2 Participant with the following severance benefits:

(i) a lump sum cash amount equal to the sum of the Tier 2 Participant's annual base salary and target annual bonus opportunity;

(ii) a prorated amount of the Tier 2 Participant's target annual bonus opportunity from the beginning of the Company's fiscal year until the date of the CIC Qualifying Termination;

*provided* that in each case of clauses (i) and (ii), annual base salary and target annual bonus opportunity shall be determined based on the rates in effect as of immediately prior to the CIC Qualifying Termination or immediately prior to the Change in Control, whichever is greater);

(iii) continuation of the health plan benefits in place for the Tier 2 Participant and the Tier 2 Participant's eligible dependents at the time of the CIC Qualifying Termination under COBRA at no cost to the Tier 2 Participant (*provided* that the Tier 2 Participant timely elects coverage under COBRA) for twelve (12) months following such CIC Qualifying Termination; *provided*, *however*, that in the event the Tier 2 Participant obtains other employment prior to the end of such period, the benefits under this clause (iii) will terminate at such time as the Tier 2 Participant is eligible to receive health benefits through such other employment; and

(iv) 100% of the Tier 2 Participant's then-unvested Equity Awards that are subject to time-based vesting shall become fully vested and, as applicable, exercisable effective as of the CIC Qualifying Termination. Equity Awards held by the Tier 2 Participant that are subject to performance-based vesting will be treated in connection with a Change in Control in accordance with applicable award agreements. In the event of the Tier 2 Participant's CIC Qualifying Termination prior to the consummation of a Change in Control, notwithstanding the terms of the 2019 Plan and applicable award agreements, the Tier 2 Participant's unvested, outstanding Equity Awards will remain outstanding for a period of up to three (3) months to allow for the potential acceleration above (which, for clarity, will occur upon the Change in Control), with the treatment of Equity Awards subject to performance-based vesting remaining subject to the terms of the applicable award agreements.

Notwithstanding the foregoing, in the event of a Change in Control in which a Tier 2 Participant's then-unvested Equity Awards that are subject to time-based vesting are not assumed, substituted, continued or cancelled for a per-share amount (or value of property per share) payable to the holders of Common Stock in connection with such Change in Control and reduced, if applicable, for the per-share exercise price payable for such unvested Equity Award (such unvested Equity Awards not assumed, substituted, continued or cancelled as described above, the "**Terminating Equity Awards**"), then one hundred percent (100%) of such Terminating Equity Awards shall automatically vest and, as applicable, become exercisable immediately prior to the Change in Control (or on such prior date as the Administrator determines and communicates in writing to all affected Participants) and contingent upon the closing or completion of the Change in Control (such acceleration, the "**Terminating Award Acceleration**"). For the avoidance of doubt, the Terminating Award Acceleration is contingent only on a Change in Control and the conditions set forth herein and does not require a Qualifying Termination or other termination of service. Equity Awards that are subject to performance or milestone-based vesting conditions shall be governed by their own terms with respect to treatment in connection with a Change in Control.

**CIC Qualifying Termination (Tier 3 Participants).** If a Tier 3 Participant has a CIC Qualifying Termination, the Company shall provide the Tier 3 Participant with the following severance benefits:

(i) a lump sum cash amount equal to one-half (0.5) times the sum of the Tier 3 Participant's annual base salary and target annual bonus opportunity;

(ii) a prorated amount of the Tier 3 Participant's target annual bonus opportunity from the beginning of the Company's fiscal year until the date of the CIC Qualifying Termination;

*provided* that in each case of clause (i) and (ii), annual base salary and target annual bonus opportunity shall be determined based on the rates in effect as of immediately prior to the CIC Qualifying Termination or immediately prior to the Change in Control, whichever is greater;

(iii) continuation of the health plan benefits in place for the Tier 3 Participant and the Tier 3 Participant's eligible dependents at the time of the CIC Qualifying Termination under COBRA at no cost to the Tier 3 Participant (*provided* that the Tier 3 Participant timely elects coverage under COBRA) for six (6) months following such CIC Qualifying Termination; *provided*, *however*, that in the event the Tier 3 Participant obtains other employment prior to the end of such period, the benefits under this clause (iii) will terminate at such time as the Tier 3 Participant is eligible to receive health benefits through such other employment; and

(iv) 50% of the Tier 3 Participant's then-unvested Equity Awards that are subject to time-based vesting shall become fully vested and, as applicable, exercisable effective as of the CIC Qualifying Termination. Equity Awards held by the Tier 3 Participant that are subject to performance-based vesting will be treated in connection with a Change in Control in accordance with applicable award agreements. In the event of the Tier 3 Participant's CIC Qualifying Termination prior to the consummation of a Change in Control, notwithstanding the terms of the 2019 Plan and applicable award agreements, 50% of the Tier 3 Participant's unvested, outstanding Equity Awards will remain outstanding for a period of up to three (3) months to allow for the potential acceleration above (which, for clarity, will occur upon the Change in Control), with the treatment of Equity Awards subject to performance-based vesting remaining subject to the terms of the applicable award agreements.

Notwithstanding the foregoing, in the event of a Change in Control in which a Tier 3 Participant's then-unvested Equity Awards that are subject to time-based vesting are Terminating Equity Awards, then one hundred percent (100%) of such Terminating Equity Awards shall be subject to the Terminating Award Acceleration. For the avoidance of doubt, the Terminating Award Acceleration is contingent only on a Change in Control and the conditions set forth herein and does not require a Qualifying Termination or other termination of service. Equity Awards that are subject to performance or milestone-based vesting conditions shall be governed by their own terms with respect to treatment in connection with a Change in Control.

**Non-CIC Qualifying Termination (Tier 2 Participants).** If a Tier 2 Participant has a Non-CIC Qualifying Termination, the Company shall provide the Tier 2 Participant with the following severance benefits:

(i) a lump sum cash amount equal to one-half (0.5) times the sum of the Tier 2 Participant's annual base salary and target annual bonus opportunity, in each case in effect at the time of the Non-CIC Qualifying Termination; and

(ii) continuation of the health plan benefits in place for the Tier 2 Participant and the Tier 2 Participant's eligible dependents at the time of the Non-CIC Qualifying Termination under COBRA at no cost to the Tier 2 Participant (*provided* that the Tier 2 Participant timely elects coverage under COBRA), for six (6) months following such Non-CIC Qualifying Termination, *provided*, *however*, that in the event the Tier 2 Participant obtains other employment prior to the end of such period, the benefits under this clause (ii) will terminate at such time as the Tier 2 Participant is eligible to receive health benefits through such other employment.

**Non-CIC Qualifying Termination (Tier 3 Participants).** If a Tier 3 Participant has a Non-CIC Qualifying Termination, the Company shall provide the Tier 3 Participant with the following severance benefits:

(i) a lump sum cash amount equal to one-half (0.5) times the sum of the Tier 3 Participant's annual base salary and target annual bonus opportunity, in each case in effect at the time of the Non-CIC Qualifying Termination; and

(ii) continuation of the health plan benefits in place for the Tier 3 Participant and the Tier 3 Participant's eligible dependents at the time of the Non-CIC Qualifying Termination under COBRA at no cost to the Tier 3 Participant (*provided* that the Tier 3 Participant timely elects coverage under COBRA), for six (6) months following such Non-CIC Qualifying Termination, *provided*, *however*, that in the event the Tier 3 Participant obtains other employment prior to the end of such period, the benefits under this clause (ii) will terminate at such time as the Tier 3 Participant is eligible to receive health benefits through such other employment.

**Death or Disability.** A termination of the Participant's employment by reason of the Participant's death or Disability shall not constitute a termination by Participant for Good Reason or a termination by the Company without Cause.

**Exclusive Benefits**. In the event of a termination of a Participant's employment with the Company or any subsidiary of the Company, the Participant shall not be entitled to any other severance pay, severance benefits, accelerated vesting with respect to Equity Awards subject to time-based vesting or any other compensation or benefits other than as set forth herein, or as required by applicable law. Notwithstanding anything herein to the contrary, each of Participant's Equity Awards subject to performance-based vesting will be eligible for any vesting acceleration benefits set forth in the equity plan and/or equity award agreement pursuant to which the Equity Award is governed.

**Release**. Notwithstanding anything herein to the contrary, as a condition of each Participant's receipt of any payments or benefits set forth in this Policy, the Participant must execute and allow to become effective a general release of claims in favor of the Company in the form attached as **Exhibit A**, with such changes as may be required due to intervening changes in applicable law (a "**General Release**"), within sixty (60) days following the Participant's Qualifying Termination. Provided that the Company timely delivers the General Release to the Participant, unless the Release is timely signed by the Participant, is delivered to the Company, and becomes effective within the required period, the Participant will not be entitled to any severance payments or benefits pursuant to this Policy.

Notwithstanding anything herein to the contrary, none of the severance payments or benefits under this Policy will be made prior to the first payroll date following the effective date of the General Release (the "**Initial Payment Date**"); *provided* that Initial Payment Date shall fall within the period necessary for the severance payments to constitute short-term deferral under Section 409A. On the Initial Payment Date, any lump sum severance payment or prorated bonus severance payment (to the extent applicable) that the Participant is entitled to receive under this Policy will be fully paid to the Participant; *provided* that, if a Participant's CIC Qualifying Termination occurs prior to the consummation of a Change in Control, the Participant initially shall be entitled to the severance payments and benefits applicable in the event of a Non-CIC Qualifying Termination (with any lump sum severance payment payable on the Initial Payment Date) and shall, upon the occurrence of the Change in Control, become entitled to the severance payments and benefits applicable in the event of a CIC Qualifying Termination to the extent not already paid or provided (for clarity, the treatment of Equity Awards in the event of a CIC Qualifying Termination prior to the consummation of a Change in Control is set forth in the applicable "CIC Qualifying Termination" section).

**Section 409A.** Notwithstanding any provision to the contrary in this Policy, if a Participant is deemed by the Company at the time of the Participant's Separation from Service to be a "specified employee" for purposes of Section 409A of the Code ("**Section 409A**"), then to the extent delayed commencement of any portion of the severance benefits to which the Participant is entitled under this Policy is required in order to avoid adverse taxation under Section 409A, such portion of the Participant's benefits shall not be provided to Participant prior to the earlier of (i) the expiration of the six-month period measured from the date of the Participant's Separation from Service with the Company or (ii) the date of the Participant's death. Upon the first business day after such earlier date, all payments deferred pursuant to this paragraph shall be paid in a lump sum to the Participant, and any remaining payments due under this Policy shall be paid as otherwise provided herein. Payments pursuant to this Policy (or referenced in this Policy), and each installment thereof, are intended to constitute separate payments for purposes of Section 1.409A-2(b)(2) of the regulations under Section 409A. To the extent that any provision of this Policy is ambiguous as to its exemption or compliance with Section 409A, the provision will be read in such a manner so that all payments hereunder are exempt from Section 409A to the maximum permissible extent, and for any payments where such construction is not tenable, that those payments comply with Section 409A to the maximum permissible extent. To the extent any payment under this Policy may be classified as a "short-term deferral" within the meaning of Section 409A, such payment shall be deemed a short-term deferral, even if it may also qualify for an exemption from Section 409A under another provision of Section 409A. Notwithstanding any other provision of this Policy, with respect to payments to be made upon execution of an effective release, if the release revocation period spans two calendar years, payments will be made in the second of the two calendar years to the extent necessary to avoid adverse taxation under Section 409A. Notwithstanding anything to the contrary in this Policy, all reimbursements and in-kind benefits provided under this Policy that are subject to Section 409A shall be made in accordance with the requirements of Section 409A, including, where applicable, the requirement that (A) any reimbursement is for expenses incurred during the Participant's lifetime (or during a shorter period of time specified in this Policy); (B) the amount of expenses eligible for reimbursement, or in-kind benefits provided, during a calendar year may not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other calendar year; (C) the reimbursement of an eligible expense will be made no later than the last day of the calendar year following the year in which the expense is incurred; and (D) the right to reimbursement or in-kind benefits is not subject to liquidation or exchange for another benefit.

**Section 280G.** Any provision of this Policy to the contrary notwithstanding, if any payment or benefit a Participant would receive from the Company pursuant to this Policy or otherwise (a "**Payment**") would (i) constitute a "parachute payment" within the meaning of Section 280G of the Code, and (ii) but for this sentence, be subject to the excise tax imposed by Section 4999 of the Code (the "**Excise Tax**"), then such Payment will be equal to the Reduced Amount (defined below). The "**Reduced Amount**" will be either (x) the largest portion of the Payment that would result in no portion of the Payment being subject to the Excise Tax or (y) the total amount of the Payment, whichever amount, after taking into account all applicable federal, state and local employment taxes, income taxes, and the Excise Tax (all computed at the highest applicable marginal rate), results in the Participant's receipt, on an after-tax basis, of the greater economic benefit notwithstanding that all or some portion of the Payment may be subject to the Excise Tax. If a reduction in payments or benefits constituting "parachute payments" is necessary so that the Payment equals the Reduced Amount, reduction will occur in the manner that results in the greatest economic benefit to the Participant. If more than one method of reduction will result in the same economic benefit, the items so reduced will be reduced by mutual agreement of the parties. If deemed necessary for compliance with Section 409A, any reduction will occur first with respect to amounts that are not "deferred compensation" within the meaning of Section 409A and then with respect to amounts that are. To the extent any such payment is to be made over time (e.g., in installments), then the Payments shall be reduced in reverse chronological order. In no event will the Company or any stockholder be liable to the Participant for any amounts not paid as a result of the operation of this section. All determinations under this section shall be made by a nationally recognized certified public accounting firm or other professional organization that is selected by the Company prior to a Change in Control for the purpose of making such determinations (which firm shall not, without the applicable Participant's consent, be a firm serving as accountant or auditor for the individual, entity or group effecting the Change in Control) and shall be binding upon the Company and the applicable Participant.

**Choice of Law.** The laws of the State of Delaware will govern all questions concerning the construction, validity and interpretation of this Policy, without regard to that state's conflict of laws provisions.

**Effective Date; Term of Policy.** This Policy is effective as of October 30, 2023 (the "**Effective Date**") and shall have an initial term of three (3) years, subject to automatic renewal for one (1) additional year upon each anniversary of the Effective Date (unless the Company determines otherwise and gives notice to Participants at least sixty (60) days prior to the scheduled renewal); *provided*, that if on the date this Policy is set to expire the Company has entered into an agreement that would cause a Change in Control to occur, then, this Policy shall remain in effect until at least the eighteen (18)-month anniversary of the consummation of the transaction constituting a Change in Control. In no event shall the expiration of this Policy result in the forfeiture of any payments or benefits to any Participant whose Qualifying Termination occurred on or prior to the date of such expiration.

**Successors.** Any successor to the Company of all or substantially all of the Company's business and/or assets (whether direct or indirect and whether by purchase, merger, consolidation, liquidation or other transaction) will assume the obligations under this Policy and agree expressly to perform the obligations under this Policy in the same manner and to the same extent as the Company would be required to perform such obligations in the absence of a succession. For all purposes under this Policy, the term "**Company**" will include any successor to the Company's business and/or assets which becomes bound by the terms of this Policy by operation of law, or otherwise.

**Tax Obligations.** All payments and benefits under this Policy will be paid less applicable withholding taxes. The Company is authorized to withhold from any payments or benefits all federal, state, local and/or foreign taxes required to be withheld therefrom and any other required payroll deductions. The Company will not pay any Participant's taxes arising from or relating to any payments or benefits under this Policy. The Participant will be solely responsible for the payment of all personal tax liability that is incurred as a result of the payments and benefits received under this Policy, and the Participant will not be reimbursed by the Company for any such payments.

**Administration.** This Policy will be administered by the Compensation Committee of the Company's Board of Directors or its delegate (in each case, an "**Administrator**"). The Administrator will have full discretion to administer and interpret this Policy. Any decision made or other action taken by the Administrator with respect to this Policy and any interpretation by the Administrator of any term or condition of this Policy, or any related document, will be conclusive and binding on all persons and be given the maximum possible deference allowed by law. Notwithstanding the foregoing or any other provision of this Policy to the contrary, after a Change in Control, any arbitrator, court or tribunal that adjudicates any dispute, controversy or claim in connection with this Policy will apply a *de novo* standard of review to any determinations made by the Administrator or the Company or its affiliates. Such *de novo* standard shall apply notwithstanding the grant of full discretion hereunder to the Administrator or any person or characterization of any decision by the Administrator or by such person as final, binding or conclusive on any party.

**At-will Employment**. Nothing in this Policy shall be construed as giving any Participant any right to be retained in the employ of the Company or any subsidiary of the Company or shall affect the terms and conditions of a Participant's employment with the Company or a subsidiary of the Company. A Participant's employment with the Company or any subsidiary of the Company is employment "at-will" and may be terminated at any time and for any reason, with or without notice.

**No Mitigation.** A Participant is not required to seek other employment or to attempt in any way to reduce any amounts otherwise payable to the Participant under this Policy.

**Amendment or Termination.** The Company may amend or terminate this Policy at any time or from time to time, but no such amendment or termination shall adversely affect the rights of any Participant without the Participant's written consent.

**Legal Fees.** The Company agrees to pay as incurred (within ten (10) days following the Company's receipt of an invoice from Participant), at any time following a Change in Control and to the full extent permitted by law, all legal fees and expenses that Participant may reasonably incur as a result of any contest (regardless of the outcome thereof) by the Company, Participant or others of the validity or enforceability of, or liability under, any provision of this Policy or any guarantee of performance thereof whether such contest is between the Company and Participant or between either of them and any third party, plus in each case interest on any delayed payment at the applicable federal rate provided for in Section 7872(f)(2)(A) of the Code determined as of the date such legal fees and expenses were incurred; *provided* that Participant shall repay to the Company any such legal fees and expenses if Participant's claims are found by a court of competent jurisdiction to be frivolous or brought in bad faith.

**Definitions:**

"**2019 Plan**" shall mean the Company's 2019 Equity Incentive Plan as in effect on the date hereof and, unless otherwise noted, as subsequently amended or any successor plan.

"**Cause**" shall mean with respect to a Participant, the occurrence of any of the following events: (i) such Participant's conviction of or plea of guilty or *nolo contendere* to any felony or any crime involving fraud or dishonesty under the laws of the United States, any state thereof, or any applicable foreign jurisdiction; (ii) such Participant's commission of, or knowing participation in, a fraud against the Company or any subsidiary of the Company; (iii) such Participant's intentional, material violation of any contract or agreement between the Participant and the Company or any subsidiary of the Company or of any statutory duty owed to the Company or any subsidiary of the Company; (iv) such Participant's unauthorized use or disclosure of the Company's or any of its subsidiaries' confidential information or trade secrets; or (v) such Participant's gross misconduct; *provided* that in each case of clauses (iii) through (v), the applicable conduct must be willful (i.e., carried out in bad faith or without reasonable belief that such conduct was in the best interests of the Company and its subsidiaries) and materially and demonstrably injurious to the Company and its subsidiaries, taken as a whole. Subject to the "Administration" section above, the determination that a termination of a Participant's employment is either for Cause or without Cause shall be made by the Company in its sole discretion.

"**Change in Control**" shall have the meaning given to such term in the 2019 Plan; *provided* that, notwithstanding the language in the 2019 Plan, a definition of Change in Control (or any analogous term) in an individual written agreement between the Company or any Affiliate (as defined in the 2019 Plan) and the Participant will **not** supersede the foregoing definition with respect to this Policy. If a Change in Control (based on the definition thereof as of the time of the event constituting a Change in Control) occurs, the term "Change in Control" may not be subsequently modified in a manner that would cause the event constituting a Change in Control to not so qualify.

"**Change in Control Period**" shall mean the period commencing three (3) months before the effective date of a Change in Control and ending eighteen (18) months following the Change in Control.

"**CIC Qualifying Termination**" shall mean a Participant's employment is terminated by the Company, or any acquirer or successor in interest thereof, without Cause or by the Participant for Good Reason during the Change in Control Period.

"**COBRA**" shall mean the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended.

"**Code**" shall mean the Internal Revenue Code of 1986, as amended, and the regulations and guidance promulgated thereunder.

“**Common Stock**” shall have the meaning given to such term in the 2019 Plan.

“**Disability**” shall have the meaning given to permanent and total disability under Section 22(e)(3) of the Code.

“**Equity Awards**” shall mean Company options, restricted stock, restricted stock units and any other Company equity awards.

“**Good Reason**” shall mean one or more of the following events occurring without the Participant’s written consent: (i) a material reduction of the Participant’s primary job duties or level of responsibility (collectively, “**Duties**”) relative to the Participant’s duties that were in effect immediately prior to such reduction; *provided*, *however*, that for purposes of this clause, a material reduction in the Participant’s Duties will *not* be deemed to occur (A) if the Company is acquired and made a division or business unit of a larger entity, and following the consummation of the Change in Control, the Participant retains substantially similar Duties for such division or business unit of the acquiring corporation, but not for the entire acquiring corporation, *provided* that this clause (A) shall not apply to any Participant holding the title of Chief Financial Officer, General Counsel or Chief Human Resources Officer (or a Participant performing equivalent duties) or (B) solely because of a change in title; *provided*, *further*, that any Participant holding the title of Chief Financial Officer, General Counsel or Chief Human Resources Officer (or a Participant performing equivalent duties) shall have Good Reason if such Participant does not report directly to the chief executive officer of a publicly traded company; (ii) a material reduction in then-current annual base salary or target annual bonus opportunity; or (iii) relocation of the Participant’s principal place of employment to a place that increases the Participant’s one-way commute by more than fifty (50) miles as compared to the Participant’s then current principal place of employment immediately prior to such relocation. For clarity, with respect to any Participant holding the title of Chief Financial Officer, General Counsel or Chief Human Resources Officer (or a Participant performing equivalent duties), the circumstances set forth in section (i)(A) of this Good Reason definition shall constitute Good Reason. With respect to each of subsection (i), (ii), and (iii) above, the Participant must provide notice to the Company of the condition giving rise to “Good Reason” within thirty (30) days of the initial existence of such condition, and the Company will have thirty (30) days following such notice to remedy such condition. The Participant must resign his or her employment no later than fifteen (15) days following expiration of the Company’s thirty (30) day cure period or written receipt from the Company of its intent not to cure.

“**Non-CIC Qualifying Termination**” shall mean a Participant’s employment is terminated by the Company, or any acquirer or successor in interest thereof, without Cause outside of the Change in Control Period.

“**Qualifying Termination**” shall mean a CIC Qualifying Termination or a Non-CIC Qualifying Termination.

“**Separation from Service**” shall have the meaning set forth under Treasury Regulation Section 1.409A-1(h).

*   *   *

## EXHIBIT A

## FORM OF RELEASE

In consideration for the payments and benefits to be provided pursuant to the Amended and Restated Executive Severance and Change in Control Policy (the "**Policy**") of PagerDuty, Inc. (the "**Company**"), with an effective date of October 30, 2023, the undersigned participant in the Policy (the "**Executive**") agrees to the following (capitalized terms used but not defined herein have the meanings set forth in the Policy):

(a) Executive represents that Executive has not filed any complaints, charges or lawsuits against the Company with any governmental agency or any court.

(b) Executive expressly waives all claims, whether known or unknown, against the Company and releases the Company, and any of the Company's past, present or future parent, affiliated, related, and/or subsidiary entities, and all of the past and present directors, stockholders, officers, general or limited partners, employees, agents, and attorneys, and agents and representatives of such entities, and employee benefit plans in which Executive is or has been a participant by virtue of his or her employment with the Company (collectively, the "**Releasees**"), from any claims that Executive may have against the Company or the Releasees. It is understood that subject to the exceptions listed below, this release includes, but is not limited to, any claims arising directly or indirectly out of, relating to, or in any other way involving in any manner whatsoever, Executive's employment with the Company or its subsidiaries or the termination thereof, including any claims for wages, employment benefits or damages of any kind whatsoever arising out of any legal restriction on the Company's right to terminate employment, or any federal, state or other governmental statute or ordinance, including, without limitation, the Employee Retirement Income Security Act of 1974, Title VII of the Civil Rights Act of 1964, the federal Age Discrimination in Employment Act, the Americans With Disabilities Act, the Family and Medical Leave Act, or any other legal limitation on the employment relationship (the "**Release**"); *provided*, *however*, notwithstanding anything to the contrary set forth herein, that this Release shall not extend to (i) benefit claims under employee pension benefit plans in which Executive is a participant by virtue of Executive's employment with the Company or its subsidiaries, benefit claims under employee welfare benefit plans for occurrences (e.g., medical care, death, or onset of disability) arising after the execution of this Release by Executive, or any rights Executive may otherwise have to receive vested amounts under any Company employee benefit plans, (ii) Executive's rights under any stock option or other equity incentive agreement between Executive and Company (or any successor thereto) or under the stock option or other equity incentive plans of the Company (or any successor thereto), (iii) any rights to ownership as a stockholder of the Company (or any successor thereto), (iv) Executive's rights under the Policy, (v) any rights pursuant to an agreement entered into in connection with a Change in Control (including, without limitation, agreements entered into between the Company and any acquirer of the Company) or otherwise accruing to Executive as a result of, or related to a Change in Control, (vi) any claims Executive may have for indemnification pursuant to the Company's certificate of incorporation, bylaws, law, contract, Company policy or any indemnification agreement between Executive and the Company, (vii) any claims for coverage under any applicable directors' and officers' insurance policy in accordance with the terms of such policy, (viii) any claims to accrued, unpaid wages or unpaid reimbursements due to Executive, (ix) any rights to file an administrative charge or complaint with, or testify, assist, or participate in an investigation, hearing, or proceeding conducted by, the Equal Employment Opportunity Commission, Securities and Exchange Commission or other similar federal or state administrative agencies or self-regulatory agencies, or (x) any claims arising from events that occur solely after the date Executive signs this Release.

Nothing herein or in the Policy shall prohibit or restrict Executive from responding to any inquiry, or otherwise communicating with, any federal, state or local administrative or regulatory agency or authority or participating in an investigation conducted by any governmental agency or authority, or restrict Executive's rights under the whistleblower provisions of any applicable federal law or regulation, including Executive's right to receive an award for information provided to any government authority under such law or regulation.

Executive acknowledges that Executive has read and understands Section 1542 of the Civil Code of the State of California (Section 1542), which provides as follows:

> A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY.

Executive waives and relinquishes any rights and benefits which Executive may have under Section 1542 or any similar statute or common law principle of any jurisdiction. Executive acknowledges that Executive may later discover facts different from, or in addition to, those Executive now knows or believes to be true with respect to the claims released in this Release, and agrees the release herein shall be and remain in effect in all respects as a complete release as to all matters released, notwithstanding any such different or additional facts.

*Executive understands that this Release includes a release of claims arising under the Age Discrimination in Employment Act (ADEA). Executive understands and warrants that Executive has been given a period of twenty-one (21) days to review and consider this Release or forty-five (45) days if Executive's termination is part of a group reduction in force. Executive further warrants that Executive understands that, with respect to the release of age discrimination claims only, Executive has a period of seven days (7) after execution of this Release to revoke the release of age discrimination claims by notice in writing to the Company.*

**EXECUTIVE ACKNOWLEDGES ALL OF THE FOLLOWING:**

**(A) I HAVE CAREFULLY READ AND HAVE VOLUNTARILY SIGNED THIS RELEASE;**

**(B) I FULLY UNDERSTAND THE FINAL AND BINDING EFFECT OF THIS RELEASE, INCLUDING THE WAIVER OF CLAIMS UNDER THE AGE DISCRIMINATION IN EMPLOYMENT ACT; AND**

**(C) PRIOR TO SIGNING THIS RELEASE, I HAVE BEEN ADVISED OF MY RIGHT TO CONSULT, AND HAVE BEEN GIVEN ADEQUATE TIME TO REVIEW MY LEGAL RIGHTS WITH AN ATTORNEY OF MY CHOICE.**

Executive Signature

Executive Name (Print)

Date

**Exhibit 31.1**

**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)) 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) 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

   (c) 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: December 1, 2023

/s/ Jennifer G. Tejada
Jennifer G. Tejada
Chief Executive Officer
*(Principal Executive Officer)*

**Exhibit 31.2**

**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)) 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) 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

   (c) 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: December 1, 2023

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

**Exhibit 32.1**

**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 October 31, 2023 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: December 1, 2023

/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 October 31, 2023 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: December 1, 2023

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