pd-
2024073100015681001/312025Q2false0.024950.03656P3Y0.0249507457457xbrli:sharesiso4217:USDiso4217:USDxbrli:sharespd:segmentxbrli:purepd:securitypd:daypd:purchase_period0001568
02-012024-07-3100015681002024-08-2900015681002024-07-3100015681002024-01-3100015681002024-05-012024-07-3100015681002023-05-012023-07-3100015681002023-02-012023-07-
310001568100us-gaap:CommonStockMember2024-04-300001568100us-gaap:AdditionalPaidInCapitalMember2024-04-300001568100us-
gaap:AccumulatedOtherComprehensiveIncomeMember2024-04-300001568100us-gaap:RetainedEarningsMember2024-04-300001568100us-gaap:TreasuryStockCommonMember2024-04-
3000015681002024-04-300001568100us-gaap:CommonStockMember2024-05-012024-07-310001568100us-gaap:AdditionalPaidInCapitalMember2024-05-012024-07-310001568100us-
gaap:AccumulatedOtherComprehensiveIncomeMember2024-05-012024-07-310001568100us-gaap:TreasuryStockCommonMember2024-05-012024-07-310001568100us-
gaap:RetainedEarningsMember2024-05-012024-07-310001568100us-gaap:CommonStockMember2024-07-310001568100us-gaap:AdditionalPaidInCapitalMember2024-07-310001568100us-
gaap:AccumulatedOtherComprehensiveIncomeMember2024-07-310001568100us-gaap:RetainedEarningsMember2024-07-310001568100us-gaap:TreasuryStockCommonMember2024-07-
310001568100us-gaap:CommonStockMember2024-01-310001568100us-gaap:AdditionalPaidInCapitalMember2024-01-310001568100us-
gaap:AccumulatedOtherComprehensiveIncomeMember2024-01-310001568100us-gaap:RetainedEarningsMember2024-01-310001568100us-gaap:TreasuryStockCommonMember2024-01-
310001568100us-gaap:CommonStockMember2024-02-012024-07-310001568100us-gaap:AdditionalPaidInCapitalMember2024-02-012024-07-310001568100us-
gaap:AccumulatedOtherComprehensiveIncomeMember2024-02-012024-07-310001568100us-gaap:TreasuryStockCommonMember2024-02-012024-07-310001568100us-
gaap:RetainedEarningsMember2024-02-012024-07-310001568100us-gaap:CommonStockMember2023-04-300001568100us-gaap:AdditionalPaidInCapitalMember2023-04-300001568100us-
gaap:AccumulatedOtherComprehensiveIncomeMember2023-04-300001568100us-gaap:RetainedEarningsMember2023-04-3000015681002023-04-300001568100us-
gaap:CommonStockMember2023-05-012023-07-310001568100us-gaap:AdditionalPaidInCapitalMember2023-05-012023-07-310001568100us-
gaap:AccumulatedOtherComprehensiveIncomeMember2023-05-012023-07-310001568100us-gaap:RetainedEarningsMember2023-05-012023-07-310001568100us-
gaap:CommonStockMember2023-07-310001568100us-gaap:AdditionalPaidInCapitalMember2023-07-310001568100us-gaap:AccumulatedOtherComprehensiveIncomeMember2023-07-
310001568100us-gaap:RetainedEarningsMember2023-07-3100015681002023-07-310001568100us-gaap:CommonStockMember2023-01-310001568100us-
gaap:AdditionalPaidInCapitalMember2023-01-310001568100us-gaap:AccumulatedOtherComprehensiveIncomeMember2023-01-310001568100us-gaap:RetainedEarningsMember2023-01-
3100015681002023-01-310001568100us-gaap:CommonStockMember2023-02-012023-07-310001568100us-gaap:AdditionalPaidInCapitalMember2023-02-012023-07-310001568100us-
gaap:AccumulatedOtherComprehensiveIncomeMember2023-02-012023-07-310001568100us-gaap:RetainedEarningsMember2023-02-012023-07-310001568100srt:DirectorMember2024-02-
012024-07-310001568100srt:DirectorMember2023-02-012023-07-310001568100us-gaap:VariableInterestEntityPrimaryBeneficiaryMember2022-05-012022-05-310001568100us-
gaap:USTreasurySecuritiesMember2024-07-310001568100us-gaap:USTreasurySecuritiesMember2024-01-310001568100us-gaap:CommercialPaperMember2024-07-310001568100us-
gaap:CommercialPaperMember2024-01-310001568100us-gaap:CorporateDebtSecuritiesMember2024-07-310001568100us-gaap:CorporateDebtSecuritiesMember2024-01-310001568100us-
gaap:USGovernmentDebtSecuritiesMember2024-07-310001568100us-gaap:USGovernmentDebtSecuritiesMember2024-01-310001568100us-
gaap:USGovernmentAgenciesDebtSecuritiesMember2024-07-310001568100us-gaap:USGovernmentAgenciesDebtSecuritiesMember2024-01-310001568100us-
gaap:MoneyMarketFundsMemberus-gaap:FairValueInputsLevel1Memberus-gaap:FairValueMeasurementsRecurringMember2024-07-310001568100us-gaap:MoneyMarketFundsMemberus-
gaap:FairValueInputsLevel2Memberus-gaap:FairValueMeasurementsRecurringMember2024-07-310001568100us-gaap:MoneyMarketFundsMemberus-gaap:FairValueInputsLevel3Memberus-
gaap:FairValueMeasurementsRecurringMember2024-07-310001568100us-gaap:MoneyMarketFundsMemberus-gaap:FairValueMeasurementsRecurringMember2024-07-310001568100us-
gaap:FairValueInputsLevel1Memberus-gaap:FairValueMeasurementsRecurringMemberus-gaap:USTreasurySecuritiesMember2024-07-310001568100us-gaap:FairValueInputsLevel2Memberus-
gaap:FairValueMeasurementsRecurringMemberus-gaap:USTreasurySecuritiesMember2024-07-310001568100us-gaap:FairValueInputsLevel3Memberus-
gaap:FairValueMeasurementsRecurringMemberus-gaap:USTreasurySecuritiesMember2024-07-310001568100us-gaap:FairValueMeasurementsRecurringMemberus-
gaap:USTreasurySecuritiesMember2024-07-310001568100us-gaap:FairValueInputsLevel1Memberus-gaap:FairValueMeasurementsRecurringMemberus-gaap:CommercialPaperMember2024-
07-310001568100us-gaap:FairValueInputsLevel2Memberus-gaap:FairValueMeasurementsRecurringMemberus-gaap:CommercialPaperMember2024-07-310001568100us-
gaap:FairValueInputsLevel3Memberus-gaap:FairValueMeasurementsRecurringMemberus-gaap:CommercialPaperMember2024-07-310001568100us-
gaap:FairValueMeasurementsRecurringMemberus-gaap:CommercialPaperMember2024-07-310001568100us-gaap:FairValueInputsLevel1Memberus-
gaap:FairValueMeasurementsRecurringMemberus-gaap:CorporateDebtSecuritiesMember2024-07-310001568100us-gaap:FairValueInputsLevel2Memberus-
gaap:FairValueMeasurementsRecurringMemberus-gaap:CorporateDebtSecuritiesMember2024-07-310001568100us-gaap:FairValueInputsLevel3Memberus-
gaap:FairValueMeasurementsRecurringMemberus-gaap:CorporateDebtSecuritiesMember2024-07-310001568100us-gaap:FairValueMeasurementsRecurringMemberus-
gaap:CorporateDebtSecuritiesMember2024-07-310001568100us-gaap:FairValueInputsLevel1Memberus-gaap:FairValueMeasurementsRecurringMemberus-
gaap:USGovernmentAgenciesDebtSecuritiesMember2024-07-310001568100us-gaap:FairValueInputsLevel2Memberus-gaap:FairValueMeasurementsRecurringMemberus-
gaap:USGovernmentAgenciesDebtSecuritiesMember2024-07-310001568100us-gaap:FairValueInputsLevel3Memberus-gaap:FairValueMeasurementsRecurringMemberus-
gaap:USGovernmentAgenciesDebtSecuritiesMember2024-07-310001568100us-gaap:FairValueMeasurementsRecurringMemberus-gaap:USGovernmentAgenciesDebtSecuritiesMember2024-07-
310001568100us-gaap:FairValueInputsLevel1Memberus-gaap:FairValueMeasurementsRecurringMember2024-07-310001568100us-gaap:FairValueInputsLevel2Memberus-
gaap:FairValueMeasurementsRecurringMember2024-07-310001568100us-gaap:FairValueInputsLevel3Memberus-gaap:FairValueMeasurementsRecurringMember2024-07-310001568100us-
gaap:FairValueMeasurementsRecurringMember2024-07-310001568100us-gaap:MoneyMarketFundsMemberus-gaap:FairValueInputsLevel1Memberus-
gaap:FairValueMeasurementsRecurringMember2024-01-310001568100us-gaap:MoneyMarketFundsMemberus-gaap:FairValueInputsLevel2Memberus-
gaap:FairValueMeasurementsRecurringMember2024-01-310001568100us-gaap:MoneyMarketFundsMemberus-gaap:FairValueInputsLevel3Memberus-
gaap:FairValueMeasurementsRecurringMember2024-01-310001568100us-gaap:MoneyMarketFundsMemberus-gaap:FairValueMeasurementsRecurringMember2024-01-310001568100us-
gaap:FairValueInputsLevel1Memberus-gaap:FairValueMeasurementsRecurringMemberus-gaap:USTreasurySecuritiesMember2024-01-310001568100us-gaap:FairValueInputsLevel2Memberus-
gaap:FairValueMeasurementsRecurringMemberus-gaap:USTreasurySecuritiesMember2024-01-310001568100us-gaap:FairValueInputsLevel3Memberus-
gaap:FairValueMeasurementsRecurringMemberus-gaap:USTreasurySecuritiesMember2024-01-310001568100us-gaap:FairValueMeasurementsRecurringMemberus-
gaap:USTreasurySecuritiesMember2024-01-310001568100us-gaap:FairValueInputsLevel1Memberus-gaap:FairValueMeasurementsRecurringMemberus-gaap:CommercialPaperMember2024-
01-310001568100us-gaap:FairValueInputsLevel2Memberus-gaap:FairValueMeasurementsRecurringMemberus-gaap:CommercialPaperMember2024-01-310001568100us-
gaap:FairValueInputsLevel3Memberus-gaap:FairValueMeasurementsRecurringMemberus-gaap:CommercialPaperMember2024-01-310001568100us-
gaap:FairValueMeasurementsRecurringMemberus-gaap:CommercialPaperMember2024-01-310001568100us-gaap:FairValueInputsLevel1Memberus-
gaap:FairValueMeasurementsRecurringMemberus-gaap:CorporateDebtSecuritiesMember2024-01-310001568100us-gaap:FairValueInputsLevel2Memberus-
gaap:FairValueMeasurementsRecurringMemberus-gaap:CorporateDebtSecuritiesMember2024-01-310001568100us-gaap:FairValueInputsLevel3Memberus-
gaap:FairValueMeasurementsRecurringMemberus-gaap:CorporateDebtSecuritiesMember2024-01-310001568100us-gaap:FairValueMeasurementsRecurringMemberus-
gaap:CorporateDebtSecuritiesMember2024-01-310001568100us-gaap:FairValueInputsLevel1Memberus-gaap:FairValueMeasurementsRecurringMemberus-
gaap:USGovernmentAgenciesDebtSecuritiesMember2024-01-310001568100us-gaap:FairValueInputsLevel2Memberus-gaap:FairValueMeasurementsRecurringMemberus-
gaap:USGovernmentAgenciesDebtSecuritiesMember2024-01-310001568100us-gaap:FairValueInputsLevel3Memberus-gaap:FairValueMeasurementsRecurringMemberus-
gaap:USGovernmentAgenciesDebtSecuritiesMember2024-01-310001568100us-gaap:FairValueMeasurementsRecurringMemberus-gaap:USGovernmentAgenciesDebtSecuritiesMember2024-01-
310001568100us-gaap:FairValueInputsLevel1Memberus-gaap:FairValueMeasurementsRecurringMember2024-01-310001568100us-gaap:FairValueInputsLevel2Memberus-
gaap:FairValueMeasurementsRecurringMember2024-01-310001568100us-gaap:FairValueInputsLevel3Memberus-gaap:FairValueMeasurementsRecurringMember2024-01-310001568100us-
gaap:FairValueMeasurementsRecurringMember2024-01-310001568100pd:A2025ConvertibleSeniorNotesMemberus-gaap:ConvertibleDebtMember2024-07-310001568100us-
gaap:FairValueInputsLevel2Memberpd:A2025ConvertibleSeniorNotesMemberus-gaap:FairValueMeasurementsRecurringMember2024-07-310001568100pd:ConvertibleNotes2028Memberus-
gaap:ConvertibleDebtMember2024-07-310001568100us-gaap:FairValueInputsLevel2Memberpd:ConvertibleNotes2028Memberus-gaap:FairValueMeasurementsRecurringMember2024-07-
310001568100us-gaap:LeaseholdImprovementsMember2024-07-310001568100us-gaap:LeaseholdImprovementsMember2024-01-310001568100us-gaap:ComputerEquipmentMember2024-07-
310001568100us-gaap:ComputerEquipmentMember2024-01-310001568100us-gaap:FurnitureAndFixturesMember2024-07-310001568100us-gaap:FurnitureAndFixturesMember2024-01-
310001568100us-gaap:SoftwareDevelopmentMember2024-07-310001568100us-gaap:SoftwareDevelopmentMember2024-01-310001568100us-gaap:ConstructionInProgressMember2024-07-
310001568100us-gaap:ConstructionInProgressMember2024-01-310001568100us-gaap:LeaseholdImprovementsMember2023-05-012023-07-310001568100us-
gaap:LeaseholdImprovementsMember2023-02-012023-07-310001568100us-gaap:LeaseholdImprovementsMember2024-02-012024-07-310001568100us-
gaap:LeaseholdImprovementsMember2024-05-012024-07-310001568100pd:A2025ConvertibleSeniorNotesMemberus-gaap:ConvertibleDebtMember2020-06-300001568100us-
gaap:ConvertibleDebtMember2020-06-300001568100pd:A2025ConvertibleSeniorNotesMember2023-10-012023-10-310001568100pd:A2025ConvertibleSeniorNotesMemberus-
gaap:ConvertibleDebtMember2023-10-310001568100pd:ConvertibleNotes2028Memberus-gaap:ConvertibleDebtMember2023-10-130001568100us-gaap:ConvertibleDebtMember2023-10-
132023-10-130001568100us-gaap:ConvertibleDebtMember2023-10-310001568100us-gaap:ConvertibleDebtMember2024-07-310001568100pd:A2025ConvertibleSeniorNotesMemberus-
gaap:ConvertibleDebtMember2024-01-310001568100pd:ConvertibleNotes2028Memberus-gaap:ConvertibleDebtMember2024-01-310001568100us-gaap:ConvertibleDebtMember2024-01-
310001568100us-gaap:ConvertibleDebtMember2024-05-012024-07-310001568100us-gaap:ConvertibleDebtMember2023-05-012023-07-310001568100us-gaap:ConvertibleDebtMember2024-02-
012024-07-310001568100us-gaap:ConvertibleDebtMember2023-02-012023-07-310001568100pd:A2025CappedCallsMemberus-gaap:ConvertibleDebtMember2020-06-012020-06-
300001568100pd:A2028CappedCallsMemberus-gaap:ConvertibleDebtMember2023-10-012023-10-310001568100pd:A2025CappedCallsMemberus-gaap:ConvertibleDebtMemberus-
gaap:CallOptionMember2020-06-012020-06-300001568100pd:A2025CappedCallsMemberus-gaap:ConvertibleDebtMemberus-gaap:CallOptionMember2020-06-
300001568100pd:A2028CappedCallsMemberus-gaap:ConvertibleDebtMemberus-gaap:CallOptionMember2023-10-012023-10-310001568100pd:A2028CappedCallsMemberus-
gaap:ConvertibleDebtMemberus-gaap:CallOptionMember2023-10-310001568100pd:A2025ConvertibleSeniorNotesMember2020-06-012020-06-
300001568100pd:ConvertibleNotes2028Member2023-10-012023-10-310001568100us-gaap:ShortTermContractWithCustomerMember2024-08-012024-07-310001568100us-
gaap:LongTermContractWithCustomerMember2024-08-012024-07-3100015681002023-10-3100015681002023-10-012023-10-3100015681002024-05-
310001568100pd:EmployeeStockOptionRestrictedStockUnitsRSUAndPerformanceStockUnitsPSUMember2024-07-310001568100us-gaap:EmployeeStockMember2024-07-310001568100us-
gaap:EmployeeStockOptionMember2024-02-012024-07-310001568100us-gaap:RestrictedStockUnitsRSUMember2024-01-310001568100us-gaap:RestrictedStockUnitsRSUMember2024-02-
012024-07-310001568100us-gaap:RestrictedStockUnitsRSUMember2024-07-310001568100us-gaap:PerformanceSharesMember2024-02-012024-07-310001568100us-
gaap:PerformanceSharesMembersrt:MinimumMember2024-07-310001568100us-gaap:PerformanceSharesMembersrt:MaximumMember2024-07-310001568100us-
gaap:PerformanceSharesMember2024-01-310001568100us-gaap:PerformanceSharesMember2024-07-310001568100us-gaap:EmployeeStockMember2024-02-012024-07-310001568100us-
gaap:EmployeeStockMember2024-05-012024-07-310001568100us-gaap:EmployeeStockMember2023-05-012023-07-310001568100us-gaap:EmployeeStockMember2023-02-012023-07-
310001568100us-gaap:EmployeeStockMember2023-07-310001568100us-gaap:CostOfSalesMember2024-05-012024-07-310001568100us-gaap:CostOfSalesMember2023-05-012023-07-
310001568100us-gaap:CostOfSalesMember2024-02-012024-07-310001568100us-gaap:CostOfSalesMember2023-02-012023-07-310001568100us-
gaap:ResearchAndDevelopmentExpenseMember2024-05-012024-07-310001568100us-gaap:ResearchAndDevelopmentExpenseMember2023-05-012023-07-310001568100us-
gaap:ResearchAndDevelopmentExpenseMember2024-02-012024-07-310001568100us-gaap:ResearchAndDevelopmentExpenseMember2023-02-012023-07-310001568100us-
gaap:SellingAndMarketingExpenseMember2024-05-012024-07-310001568100us-gaap:SellingAndMarketingExpenseMember2023-05-012023-07-310001568100us-
gaap:SellingAndMarketingExpenseMember2024-02-012024-07-310001568100us-gaap:SellingAndMarketingExpenseMember2023-02-012023-07-310001568100us-
gaap:GeneralAndAdministrativeExpenseMember2024-05-012024-07-310001568100us-gaap:GeneralAndAdministrativeExpenseMember2023-05-012023-07-310001568100us-
gaap:GeneralAndAdministrativeExpenseMember2024-02-012024-07-310001568100us-gaap:GeneralAndAdministrativeExpenseMember2023-02-012023-07-310001568100us-
gaap:StockCompensationPlanMember2024-02-012024-07-310001568100us-gaap:StockCompensationPlanMember2023-02-012023-07-
310001568100pd:RestrictedStockIssuedInBusinessCombinationMember2024-02-012024-07-310001568100pd:RestrictedStockIssuedInBusinessCombinationMember2023-02-012023-07-
310001568100us-gaap:EmployeeStockMember2024-02-012024-07-310001568100us-gaap:EmployeeStockMember2023-02-012023-07-
310001568100pd:A2025ConvertibleSeniorNotesMember2024-02-012024-07-310001568100country:US2024-05-012024-07-310001568100country:US2023-05-012023-07-
310001568100country:US2024-02-012024-07-310001568100country:US2023-02-012023-07-310001568100us-gaap:NonUsMember2024-05-012024-07-310001568100us-
gaap:NonUsMember2023-05-012023-07-310001568100us-gaap:NonUsMember2024-02-012024-07-310001568100us-gaap:NonUsMember2023-02-012023-07-310001568100country:USus-
gaap:GeographicConcentrationRiskMemberpd:LongLivedAssetsMember2024-02-012024-07-310001568100country:CAus-
gaap:GeographicConcentrationRiskMemberpd:LongLivedAssetsMember2024-02-012024-07-310001568100country:PTus-
gaap:GeographicConcentrationRiskMemberpd:LongLivedAssetsMember2024-02-012024-07-310001568100country:GBus-
gaap:GeographicConcentrationRiskMemberpd:LongLivedAssetsMember2024-02-012024-07-310001568100country:CLus-
gaap:GeographicConcentrationRiskMemberpd:LongLivedAssetsMember2024-02-012024-07-310001568100country:USus-
gaap:GeographicConcentrationRiskMemberpd:LongLivedAssetsMember2023-02-012023-10-310001568100country:CAus-
gaap:GeographicConcentrationRiskMemberpd:LongLivedAssetsMember2023-02-012023-10-310001568100country:PTus-
gaap:GeographicConcentrationRiskMemberpd:LongLivedAssetsMember2023-02-012023-10-310001568100country:GBus-
gaap:GeographicConcentrationRiskMemberpd:LongLivedAssetsMember2023-02-012023-10-310001568100country:CLus-
gaap:GeographicConcentrationRiskMemberpd:LongLivedAssetsMember2023-02-012023-10-310001568100pd:ShelleyWebbMember2024-02-012024-07-
310001568100pd:ShelleyWebbMember2024-05-012024-07-310001568100pd:ShelleyWebbMember2024-07-310001568100pd:MitraRezvanMember2024-02-012024-07-
310001568100pd:MitraRezvanMember2024-05-012024-07-310001568100pd:MitraRezvanMember2024-07-31UNITED STATESSECURITIES AND EXCHANGE COMMISSIONWASHINGTON,

D.C. 20549________________________FORM 10-Q ________________________(Mark One)â˜’QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES AND EXCHANGE ACT OF 1934For the quarterly period ended July 31, 2024 orâ˜TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934For the transition period from Â to Â Commission File Number: 001-38856 ________________________PAGERDUTY, INC. ________________________(Exact name of registrant as specified in its charter)Delaware27-2793871(State or other jurisdiction ofincorporation or organization)(I.R.S. EmployerIdentification Number)600 Townsend St. , Suite 200San Francisco, California94108(Address of principal executive offices)(Zip Code)(844) 800-3889 (Registrantâ€™s telephone number, including area code)________________________Securities registered pursuant to SectionÂ 12(b) of the Act:Title of each classTrading Symbol(s)Name of each exchange on which registeredCommon Stock, par value $0.000005 per sharePDNew York Stock ExchangeIndicate by check mark whether the registrant: (1)Â has filed all reports required to be filed by SectionÂ 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)Â has been subject to such filing requirements for the past 90 days.Â Â Â Â YesÂ Â x NoÂ Â oIndicate 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 (Â§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).Â Â Â Â YesÂ Â x NoÂ Â oIndicate 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 â€œlarge accelerated filer,â€ â€œaccelerated filer,â€ â€œsmaller reporting company,â€ and â€œemerging growth companyâ€ in Rule 12b-2 of the Exchange Act.Large accelerated filerxAccelerated filerâ˜Non-accelerated filer â˜Smaller reporting companyâ˜Emerging growth company â˜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. â˜ Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).Â Â Â Â YesÂ Â â˜Â Â Â NoÂ Â x The total number of shares of common stock outstanding as of AugustÂ 29, 2024, was 93,058,132.Table of ContentsTABLE OF CONTENTSPageTable of ContentsSPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTSThis Quarterly Report on Form 10-Q (â€œForm 10-Qâ€) 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 â€œbelieve,â€ â€œmay,â€ â€œwill,â€ â€œestimate,â€ â€œcontinue,â€ â€œanticipate,â€ â€œintend,â€ â€œexpect,â€ â€œcould,â€ â€œwould,â€ â€œproject,â€ â€œplan,â€ â€œpotentially,â€ â€œlikely,â€ â€œtarget,â€ and similar expressions are intended to identify forward-looking statements. Forward-looking statements contained in this Form 10-Q include, but are not limited to, statements about our expectations regarding:â€¢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;â€ ¢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;â€¢trends in revenue, cost of revenue, and gross margin;â€¢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;â€¢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; â€¢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;â€¢our ability to service the interest on our convertible notes and repay such notes, to the extent required;â€¢our efforts to maintain proper and effective internal controls;â€¢our ability to expand our operations and increase adoption of our platform internationally;â€¢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; andâ€¢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 â€œRisk Factorsâ€ section of this Form 10-Q and in our Annual Report on Form 10-K/A for the year ended JanuaryÂ 31, 2024, filed with the SEC on March 18, 2024. Readers are urged to carefully review and consider the various disclosures made in this Form 10-Q and in other documents we file from time to time with the Securities and Exchange Commission (the â€œSECâ€), that disclose risks and uncertainties that may affect our business.Â 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.Table of ContentsPART I. FINANCIAL INFORMATIONItem 1. Financial StatementsPAGERDUTY, INC.CONDENSED CONSOLIDATED BALANCE SHEETS(in thousands) (unaudited)July 31, 2024January 31, 2024AssetsCurrent assets:Cash and cash equivalents$385,673Â $363,011Â Investments213,640Â 208,178Â Accounts receivable, net of allowance for credit losses of $948 and $1,382 as of JulyÂ 31, 2024 and January 31, 2024, respectively66,804Â 100,413Â Deferred contract costs, current19,676Â 19,502Â Prepaid expenses and other current assets14,683Â 12,094Â Total current assets700,476Â 703,198Â Property and equipment, net18,239Â 17,632Â Deferred contract costs, non-current24,373Â 25,118Â Lease right-of-use assets3,339Â 3,789Â Goodwill137,401Â 137,401Â Intangible assets, net26,530Â 32,616Â Other assets5,648Â 5,552Â Total assets$916,006Â $925,306Â Liabilities, redeemable non-controlling interest, and stockholdersâ€™ equityCurrent liabilities:Accounts payable$6,940Â $6,242Â Accrued expenses and other current liabilities16,104Â 15,472Â Accrued compensation29,547Â 30,239Â Deferred revenue, current214,494Â 223,522Â Lease liabilities, current4,603Â 6,180Â Convertible senior notes, net, current57,241Â â€”Â Total current liabilities328,929Â 281,655Â Convertible senior notes, net, non-current392,098Â 448,030Â Deferred revenue, non-current3,395Â 4,639Â Lease liabilities, non-current6,622Â 6,809Â Other liabilities4,216Â 5,280Â Total liabilities735,260Â 746,413Â Commitments and contingencies (Note 10)Redeemable non-controlling interest (Note 3)16,062Â 7,293Â Stockholders' equityCommon stockâ€”Â â€”Â Additional paid-in capital747,599Â 774,768Â Accumulated other comprehensive loss(730)(733)Accumulated deficit(580,486)(552,435)Treasury stock(1,699)(50,000)Total stockholdersâ€™ equity164,684Â 171,600Â Total liabilities, redeemable non-controlling interest, and stockholders' equity$916,006Â $925,306Â See accompanying notes to unaudited condensed consolidated financial statements.5Table of ContentsPAGERDUTY, INC.CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS(in thousands, except per share data) (unaudited)Three months ended July 31,Six months ended July 31,2024202320242023Revenue$115,935Â $107,616Â $227,107Â $210,862Â Cost of revenue20,080Â 19,833Â 39,423Â 37,769Â Gross profit95,855Â 87,783Â 187,684Â 173,093Â Operating expenses:Research and development35,088Â 36,441Â 72,611Â 69,949Â Sales and marketing50,966Â 49,724Â 99,465Â 93,525Â General and administrative25,828Â 27,791Â 53,368Â 51,592Â Total operating expenses111,882Â 113,956Â 225,444Â 215,066Â Loss from operations(16,027)(26,173)(37,760)(41,973)Interest income7,516Â 5,011Â 14,496Â 9,214Â Interest expense(2,363)(1,396)(4,511)(2,730)Other income (expense), net117Â (114)(134)(127)Loss before (provision for) benefit from income taxes(10,757)(22,672)(27,909)(35,616)(Provision for) benefit from income taxes(427)50Â (620)156Â Net loss$(11,184)$(22,622)$(28,529)$(35,460)Net loss attributable to redeemable non-controlling interest(272)(569)(478)(1,189)Net loss attributable to PagerDuty, Inc.$(10,912)$(22,053)$(28,051)$(34,271)Less: Adjustment attributable to redeemable non-controlling interest2,330Â 1,729Â 9,247Â 1,729Â Net loss attributable to PagerDuty, Inc. common stockholders$(13,242)$(23,782)$(37,298)$(36,000)Weighted average shares used in calculating net loss per share, basic and diluted93,289Â 92,542Â 93,082Â 92,041Â Net loss per share, basic and diluted, attributable to PagerDuty, Inc. common stockholders(0.14)(0.26)(0.40)(0.39)See accompanying notes to unaudited condensed consolidated financial statements.6Table of ContentsPAGERDUTY, INC.CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS(in thousands) (unaudited)Three months ended July 31,Six months ended July 31,2024202320242023Net loss$(11,184)$(22,622)$(28,529)$(35,460)Unrealized gain (loss) on investments505Â (312)(59)68Â Foreign currency translation adjustmentsâ€”Â (198)62Â (264)Total comprehensive loss$(10,679)$(23,132)$(28,526)$(35,656)Less: comprehensive loss attributable to redeemable non-controlling interestNet loss attributable to redeemable non-controlling interest(272)(569)(478)(1,189)Foreign currency translation adjustments attributable to redeemable non-controlling interestâ€”Â (2)â€”Â 2Â Comprehensive loss attributable to redeemable non-controlling interest(272)(571)(478)(1,187)Comprehensive loss attributable to PagerDuty, Inc.$(10,407)$(22,561)$(28,048)$(34,469)See accompanying notes to unaudited condensed consolidated financial statements.7Table of ContentsPAGERDUTY, INC.CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERSâ€™ EQUITY(in thousands, except share data)(unaudited)Three months ended July 31, 2024Common StockAdditionalPaid-inCapitalAccumulated Other Comprehensive (Loss) IncomeAccumulatedDeficitTreasury StockTotalStockholdersâ€™EquitySharesAmountSharesAmountBalance as of April 30, 202495,599,725Â $â€”Â $794,842Â $(1,235)$(569,574)(2,331,002)$(50,000)$174,033Â Issuance of common stock upon exercise of stock options90,011Â â€”Â 513Â â€”Â â€”Â â€”Â â€”Â 513Â Vesting of restricted stock units, net of employee payroll taxes595,985Â â€”Â (7,576)â€”Â â€”Â â€”Â â€”Â (7,576)Issuance of common stock in connection with the employee stock purchase plan312,660Â â€”Â 5,735Â â€”Â â€”Â â€”Â â€”Â 5,735Â Other comprehensive incomeâ€”Â â€”Â â€”Â 505Â â€”Â â€”Â â€”Â 505Â Repurchases of common stockâ€”Â â€”Â â€”Â â€”Â â€”Â (1,313,248)(28,063)(28,063)Retirement of treasury stock(3,565,486)â€”Â (76,364)â€”Â â€”Â 3,565,486Â 76,364Â â€”Â Stock-based compensationâ€”Â â€”Â 32,779Â â€”Â â€”Â â€”Â â€”Â 32,779Â Adjustment to redeemable non-controlling interestâ€”Â â€”Â (2,330)â€”Â â€”Â â€”Â â€”Â (2,330)Net loss attributable to PagerDuty, Inc.â€”Â â€”Â â€”Â â€”Â (10,912)â€”Â â€”Â (10,912)Balance as of July 31, 202493,032,895Â $â€”Â $747,599Â (730)(580,486)(78,764)$(1,699)$164,684Â Six months ended July 31, 2024Common StockAdditionalPaid-inCapitalAccumulated Other Comprehensive (Loss) IncomeAccumulated DeficitTreasury stockTotalStockholdersâ€™EquitySharesAmountSharesAmountBalance as of January 31, 202495,068,187Â $â€”Â $774,768Â (733)(552,435)(2,331,002)$(50,000)$171,600Â Issuance of common stock upon exercise of stock options131,886Â â€”Â 804Â â€”Â â€”Â â€”Â â€”Â 804Â Vesting of restricted stock units, net of employee payroll taxes1,085,648Â â€”Â (14,128)â€”Â â€”Â â€”Â â€”Â (14,128)Issuance of common stock in connection with employee stock purchase plan312,660Â â€”Â 5,735Â â€”Â â€”Â â€”Â â€”Â 5,735Â Other comprehensive incomeâ€”Â â€”Â â€”Â 3Â â€”Â â€”Â â€”Â 3Â Repurchases of common stockâ€”Â â€”Â â€”Â â€”Â â€”Â (1,313,248)(28,063)(28,063)Retirement of treasury stock(3,565,486)â€”Â (76,364)â€”Â â€”Â 3,565,486Â 76,364Â â€”Â Stock-based compensationâ€”Â â€”Â 66,031Â â€”Â â€”Â â€”Â â€”Â 66,031Â Adjustment to redeemable non-controlling interestâ€”Â â€”Â (9,247)â€”Â â€”Â â€”Â â€”Â (9,247)Net loss attributable to PagerDuty, Inc.â€”Â â€”Â â€”Â â€”Â (28,051)â€”Â â€”Â (28,051)Balance as of July 31, 202493,032,895Â $â€”Â $747,599Â (730)(580,486)(78,764)$(1,699)$164,684Â 8Table of ContentsPAGERDUTY, INC.CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERSâ€™ EQUITY (continued)(in thousands, except share data)(unaudited)Three months ended July 31, 2023Common StockAdditionalPaid-inCapitalAccumulated Other Comprehensive LossAccumulatedDeficitTotalStockholdersâ€™EquitySharesAmountBalance as of April 30, 202392,094,542Â $â€”Â $743,218Â $(1,278)$(489,464)$252,476Â Issuance of common stock upon exercise of stock options260,690Â â€”Â 2,649Â â€”Â â€”Â 2,649Â Vesting of restricted stock units, net of employee payroll taxes568,076Â â€”Â (7,166)â€”Â â€”Â (7,166)Issuance of common stock in connection with employee stock purchase plan325,983Â â€”Â 6,292Â â€”Â â€”Â 6,292Â Other comprehensive lossâ€”Â â€”Â â€”Â (510)â€”Â (510)Stock-based compensationâ€”Â â€”Â 35,928Â â€”Â â€”Â 35,928Â Adjustment to redeemable non-controlling interestâ€”Â â€”Â (1,729)â€”Â â€”Â (1,729)Net loss attributable to PagerDuty, Inc.â€”Â â€”Â â€”Â â€”Â (22,053)(22,053)Balance as of July 31, 202393,249,291Â $â€”Â $779,192Â $(1,788)$(511,517)$265,887Â Six months ended July 31, 2023Common StockAdditionalPaid-inCapitalAccumulated Other Comprehensive LossAccumulatedDeficitTotalStockholdersâ€™EquitySharesAmountBalance as of January 31, 202391,178,671Â $â€”Â $719,816Â $(1,592)$(477,246)$240,978Â Issuance of common stock upon exercise of stock options780,542Â â€”Â 6,981Â â€”Â â€”Â 6,981Â Vesting of restricted stock units, net of employee payroll taxes964,095Â â€”Â (15,986)â€”Â â€”Â (15,986)Issuance of common stock in connection with employee stock purchase planÂ Â Â 325,983Â â€”Â 6,292Â â€”Â â€”Â 6,292Â Other comprehensive lossâ€”Â â€”Â â€”Â (196)â€”Â (196)Stock-based compensationâ€”Â â€”Â 63,818Â â€”Â â€”Â 63,818Â Adjustment to redeemable non-controlling interestâ€”Â â€”Â (1,729)â€”Â â€”Â (1,729)Net loss attributable to PagerDuty, Inc.â€”Â â€”Â â€”Â â€”Â (34,271)(34,271)Balance as of July 31, 202393,249,291Â $â€”Â $779,192Â $(1,788)$(511,517)$265,887Â See accompanying notes to unaudited condensed consolidated financial statements.9Table of ContentsPAGERDUTY, INC.CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS(in thousands)(unaudited)Six months ended July 31,20242023Cash flows from operating activities:Net loss attributable to PagerDuty, Inc. common stockholders$(37,298)$(36,000)Net loss and adjustment attributable to redeemable non-controlling interest8,769Â 540Â Net loss(28,529)(35,460)Adjustments to reconcile net loss to net cash provided by operating activities:Depreciation and amortization10,455Â 9,991Â Amortization of deferred contract costs10,706Â 10,163Â Amortization of debt issuance costs1,279Â 933Â Stock-based compensation65,306Â 63,082Â Non-cash lease expense1,635Â 2,319Â Other(2,465)98Â Changes in operating assets and liabilities:Accounts receivable33,157Â 24,404Â Deferred contract costs(10,130)(6,765)Prepaid expenses and other assets(2,862)(1,385)Accounts payable779Â (245)Accrued expenses and other liabilities(829)(15)Accrued compensation(821)(18,792)Deferred revenue(10,316)(12,428)Lease liabilities(2,949)(2,998)Net cash provided by operating activities64,416Â 32,902Â Cash flows from investing activities:Purchases of property and equipment(1,094)(948)Capitalized internal-use software costs(2,941)(2,371)Purchases of available-for-sale investments(98,400)(108,057)Proceeds from maturities of available-for-sale investments93,577Â 107,564Â Proceeds from sales of available-for-sale investments2,237Â â€”Â Purchases of non-marketable equity investmentsâ€”Â (200)Net cash used in investing activities(6,621)(4,012)Cash flows from financing activities:Investment from redeemable non-controlling interest holderâ€”Â 1,781Â Cash paid for debt issuance costs(403)â€”Â Repurchases of common stock(27,213)â€”Â Proceeds from employee stock purchase plan5,735Â 6,292Â Proceeds from issuance of common stock upon exercise of stock options804Â 7,417Â Employee payroll taxes paid related to net share settlement of restricted stock units(14,128)(15,986)Net cash used in financing activities(35,205)(496)Effects of foreign currency exchange rates on cash, cash equivalents, and restricted cash(23)(274)Net change in cash, cash equivalents, and restricted cash22,567Â 28,120Â Cash, cash equivalents, and restricted cash at beginning of period366,667Â 274,019Â Cash, cash equivalents, and restricted cash at end of period$389,234Â $302,139Â Reconciliation of cash, cash equivalents, and restricted cash to the condensed consolidated balance sheets:Cash and cash equivalents$385,673Â $298,558Â Restricted cash in other long-term assets3,561Â 3,581Â Total cash, cash equivalents, and restricted cash$389,234Â $302,139Â Supplemental cash flow data:Cash paid for income taxes$345Â $141Â Cash paid for interest$4,866Â $1,797Â Non-cash investing and financing activities:Purchase of property and equipment, accrued but not yet paid$199Â $92Â Stock-based compensation capitalized in internal use software$848Â $736Â Unpaid bonus capitalized in internal use software$137Â $99Â Repurchases of common stock in transit$850Â $â€”Â See accompanying notes to unaudited condensed consolidated financial statements.10Table of ContentsPAGERDUTY, INC.NOTES TO CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS(unaudited)Note 1. Description of Business and Basis of PresentationDescription of BusinessPagerDuty, Inc. was incorporated under the laws of the state of Delaware in May 2010.PagerDuty, Inc., together with its wholly-owned subsidiaries and subsidiaries in which PagerDuty, Inc. holds a controlling interest (collectively, the â€œCompanyâ€), provides a digital operations management platform that manages urgent and mission-critical work for a modern, digital business (the â€œPagerDuty Platformâ€). The PagerDuty Platform collects data and digital signals from virtually any software-enabled system or device and leverages powerful machine learning to correlate, process, and predict opportunities and issues. Using incident response, event management, and automation, the Company brings together the right people with the right information so they can resolve issues and act on opportunities in minutes or seconds from wherever they are.Basis of PresentationThe accompanying unaudited condensed consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles (â€œU.S. GAAPâ€ or â€œGAAPâ€), and applicable rules and regulations of the Securities and Exchange Commission (â€œSECâ€) regarding interim financial reporting. The condensed consolidated balance sheet as of JanuaryÂ 31, 2024 was derived from the audited consolidated financial statements as of that date but does not include all of the information and notes required by GAAP for complete financial statements. Certain information and footnote disclosures normally included in the financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. Therefore, these condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the related notes thereto as of and for the year ended JanuaryÂ 31, 2024, included in the Companyâ€™s Annual Report on Form 10-K/A. The condensed consolidated financial statements include the results of PagerDuty, Inc., its wholly-owned subsidiaries, and subsidiaries in which the Company holds a controlling interest. All intercompany balances and transactions have been eliminated in consolidation.In the opinion of management, the information contained herein reflects all adjustments necessary for a fair statement of the Companyâ€™s financial position, results of operations and comprehensive loss, stockholdersâ€™ equity, and cash flows. The results of operations for the three and six months ended July 31, 2024 are not necessarily indicative of the results to be expected for the full year ending JanuaryÂ 31, 2025 or for any other interim period, or for any future year. The Companyâ€™s fiscal year ends on JanuaryÂ 31. References to fiscal 2025 refer to the fiscal year ending JanuaryÂ 31, 2025.ReclassificationCertain reclassifications of prior period amounts have been made in the Companyâ€™s condensed consolidated statements of operations to conform to the current period presentation. The Company has reclassified a portion of other income to the interest income line item on the accompanying condensed consolidated statements of operations. These reclassifications had no effect on the reported results of operations.11Table of ContentsÂ Â Â Â Use of EstimatesThe 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 Companyâ€™s most significant estimates and judgments involve the period of benefit for amortizing deferred contract costs, the determination of the fair value of acquired assets and assumed liabilities, stock-based compensation, redemption value of redeemable non-controlling interests, and estimates related to the Companyâ€™s revenue recognition, such as the assessment of performance obligations in the Companyâ€™s revenue arrangements and the fair value assigned to each performance obligation, among others. Management bases its estimates on historical experience and on various other assumptions which management believes to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities.Note 2. Summary of Significant Accounting PoliciesConcentrations of Risk and Significant CustomersThe Companyâ€™s financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents, available-for-sale investments, and accounts receivable. All of the Companyâ€™s cash equivalents and investments are invested in money market funds, United States (â€œU.S.â€) Treasury securities, commercial paper, corporate debt securities, or U.S. Government agency securities that management believes to be of high credit quality. The Companyâ€™s cash, cash equivalents, and available-for-sale investments are spread across several different financial institutions.No single customer accounted for 10% or more of the total accounts receivable balance as of JulyÂ 31, 2024 or JanuaryÂ 31, 2024. No single customer accounted for 10% or more of revenue for the three and six months ended July 31, 2024 or 2023.Segment Information The Company manages its operations and allocates resources as one operating segment. The Companyâ€™s chief operating decision maker (â€œCODMâ€) 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 TransactionsCertain members of the Companyâ€™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 $4.0Â million and $3.8Â million to entities associated with related parties in the six months ended July 31, 2024 and 2023, respectively. Accounts receivable associated with related parties as of JulyÂ 31, 2024 and 2023 and revenue recognized from related party transactions for the three and six months ended July 31, 2024 and 2023 were not significant.Significant Accounting PoliciesThere have been no material changes to the Companyâ€™s significant accounting policies from those described in the Companyâ€™s Annual Report on Form 10-K/A.12Table of ContentsÂ Â Â Â Restricted CashThe 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 Companyâ€™s office facility lease arrangements. At JulyÂ 31, 2024 and JanuaryÂ 31, 2024, the Company had restricted cash of $3.6Â million and $3.7Â million, respectively, all of which was classified as non-current. Recent Accounting Pronouncements Not Yet AdoptedIn November 2023, the Financial Accounting Standards Board (the â€œFASBâ€) issued Accounting Standards Update (â€œASUâ€) No. 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures. This ASU expands public entitiesâ€™ segment disclosures by requiring disclosure of significant segment expenses that are regularly provided to the chief operating decision maker and included within each reported measure of segment profit or loss, an amount and description of its composition for other segment items, and interim disclosures of a reportable segmentâ€™s profit or loss and assets. All disclosure requirements under ASU 2023-07 are also required for public entities with a single reportable segment. This ASU is effective for fiscal years beginning after December 15, 2023 and interim periods within fiscal years beginning after December 15, 2024 and requires retrospective application to all prior periods. The Company is currently evaluating the impact of the new guidance on its consolidated financial statements.In December 2023, the FASB issued ASU No. 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures. This ASU requires disaggregated information about a reporting entityâ€™s effective tax rate reconciliation as well as information on income taxes paid. This ASU is effective for fiscal years beginning after December 15, 2024. The Company is currently evaluating the impact of the new guidance on its consolidated financial statements.Note 3. Redeemable Non-Controlling InterestIn May 2022, the Company established a joint venture, PagerDuty K.K. The Company obtained a 51% controlling interest and has consolidated the financial results of the joint venture. The agreements with the non-controlling interest holders of PagerDuty K.K. contain redemption features whereby the interest held by the non-controlling interest holders is redeemable either: (i) at the option of the non-controlling interest holders; or (ii) at the option of the Company, both beginning on the tenth anniversary of the initial capital contribution. The balance of the redeemable non-controlling interest is reported at the greater of the initial carrying amount adjusted for the redeemable non-controlling interest's share of earnings or losses and other comprehensive income or loss, or its redemption value, which is determined based on a prescribed formula derived from multiple metrics including the annual recurring revenue of PagerDuty K.K. The resulting changes in the estimated redemption amount are recorded with corresponding adjustments against additional paid-in capital due to the absence of retained earnings. The carrying amount of the redeemable non-controlling interest is recorded on the Company's condensed consolidated balance sheets as temporary equity. The following table summarizes the activity in the redeemable non-controlling interest for the periods indicated (in thousands):Three months ended July 31,Six months ended July 31,2024202320242023Balance at beginning of period$14,004Â $492Â $7,293Â $1,108Â Investment by redeemable non-controlling interestâ€”Â 1,781Â â€”Â 1,781Â Net loss attributable to redeemable non-controlling interest(272)(569)(478)(1,189)Adjustments to redeemable non-controlling interest2,330Â 1,729Â 9,247Â 1,729Â Foreign currency translation adjustmentsâ€”Â (2)â€”Â 2Â Balance at end of period$16,062Â $3,431Â $16,062Â $3,431Â 13Table of ContentsÂ Â Â Â Note 4. Cash, Cash Equivalents, and InvestmentsCash, cash equivalents, and investments consisted of the following as of the dates indicated (in thousands):July 31, 2024January 31, 2024Cash and cash equivalents:Cash$45,024Â $55,736Â Money market funds335,167Â 305,283Â Commercial paper5,482Â 994Â U.S. Treasury securitiesâ€”Â 998Â Total cash and cash equivalents$385,673Â $363,011Â Available-for-sale investments:Â Â Â U.S. Treasury securities $56,694Â $50,036Â Â Â Â Commercial paper20,192Â 2,886Â Â Â Â Corporate debt securities106,043Â 131,259Â U.S. Government agency securities30,711Â 23,997Â Total available-for-sale investments$213,640Â $208,178Â The following tables summarize the amortized cost, net unrealized gains (losses), and fair value of the Companyâ€™s investments by significant investment category as of the dates indicated (in thousands). Gross realized gains or losses from sales of available-for-sale securities were not material for the three and six months ended July 31, 2024 and 2023.July 31, 2024Amortized CostUnrealized Gain (Loss), NetEstimated Fair ValueAvailable-for-sale investments:U.S. Treasury securities$56,683Â $11Â $56,694Â Commercial paper20,205Â (13)20,192Â Corporate debt securities106,150Â (107)106,043Â U.S. Government agency securities30,760Â (49)30,711Â Total available-for-sale investments$213,798Â (158)213,640Â January 31, 2024Amortized CostUnrealized Gain (Loss), NetEstimated Fair ValueAvailable-for-sale investments:U.S. Treasury securities$50,012Â $24Â $50,036Â Commercial paper2,887Â (1)2,886Â Corporate debt securities131,395Â (136)131,259Â U.S. Government agency securities23,983Â 14Â 23,997Â Total available-for-sale investments$208,277Â (99)208,178Â 14Table of ContentsÂ Â Â Â The following tables present the Companyâ€™s available-for-sale securities by contractual maturity date as of the dates indicated (in thousands):July 31, 2024Amortized CostFair ValueDue within one year$173,611Â $173,416Â Due between one to five years40,187Â 40,224Â Total$213,798Â $213,640Â January 31, 2024Amortized CostFair ValueDue within one year$155,423Â $155,158Â Due between one to five years52,854Â 53,020Â Total$208,277Â $208,178Â As of JulyÂ 31, 2024, there were 84 securities in an unrealized loss position with an aggregate fair value of $148.6Â million, 23 of which were in a continuous unrealized loss position for more than 12 months. The total unrealized loss related to the 23 securities was $0.1Â million. As of JanuaryÂ 31, 2024, there were 70 securities in an unrealized loss position with an aggregate fair value of $108.7Â million, 33 of which were in a continuous unrealized loss position for more than 12 months. The unrealized loss related to the 33 securities was $0.2Â million. 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 Companyâ€™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 investmentâ€™s amortized cost. No impairment loss has been recorded on the securities included in the tables above, as the Company believes that any decrease in fair value of these securities is temporary and the Company expects to recover at least up to the initial cost of the investment for these securities. The Company has not recorded an allowance for credit losses, as the Company believes any such losses would be immaterial based on the high-grade credit rating for each of its marketable securities as of the end of each period.Note 5. Fair Value MeasurementsThe 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 instrumentâ€™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 1â€”Valuations based on observable inputs that reflect quoted prices for identical assets or liabilities in active markets.Level 2â€”Valuations based on inputs that are directly or indirectly observable in the marketplace.Level 3â€”Valuations based on unobservable inputs that are supported by little or no market activity.15Table of ContentsÂ Â Â Â The following tables present information about the Companyâ€™s financial assets that are required to be measured or disclosed at fair value using the above input categories as of the dates indicated (in thousands):As of July 31, 2024Level 1Level 2Level 3TotalMoney market funds$335,167Â $â€”Â $â€”Â $335,167Â U.S. Treasury securitiesâ€”Â 56,694Â â€”Â 56,694Â Commercial paperâ€”Â 25,674Â â€”Â 25,674Â Corporate debt securitiesâ€”Â 106,043Â â€”Â 106,043Â U.S. Government agency securitiesâ€”Â 30,711Â â€”Â 30,711Â Total$335,167Â $219,122Â $â€”Â $554,289Â Included in cash equivalents$340,649Â Included in investments$213,640Â As of January 31, 2024Level 1Level 2Level 3TotalMoney market funds$305,283Â $â€”Â $â€”Â $305,283Â U.S. Treasury securitiesâ€”Â 51,034Â â€”Â 51,034Â Commercial paperâ€”Â 3,880Â â€”Â 3,880Â Corporate debt securitiesâ€”Â 131,259Â â€”Â 131,259Â U.S. Government agency securitiesâ€”Â 23,997Â â€”Â 23,997Â Total$305,283Â $210,170Â $â€”Â $515,453Â Included in cash equivalents$307,275Â Included in investments$208,178Â The Companyâ€™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 JulyÂ 31, 2024 and JanuaryÂ 31, 2024, the Companyâ€™s Level 2 securities are measured at fair value and classified within Level 2 in the fair value hierarchy because the Company uses quoted market prices for similar instruments or nonbinding market prices that are corroborated by observable market data or alternative pricing sources and models using market observable inputs to determine fair value.The carrying amounts of certain financial instruments, including cash held in banks, accounts receivable, and accounts payable approximate fair value due to their short-term maturities and are excluded from the fair value table above.Convertible Senior NotesAs of JulyÂ 31, 2024, the estimated fair value of the Companyâ€™s outstanding 1.25% Convertible Senior Notes due 2025 (the â€œ2025 Notesâ€) was approximately $55.3Â million and the estimated fair value of the Companyâ€™s 1.50% Convertible Senior Notes due 2028 (the â€œ2028 Notesâ€) was approximately $415.4Â million. The fair values were determined based on the quoted price for the 2025 Notes and the 2028 Notes (collectively, the â€œNotesâ€) in an inactive market on the last trading day of the reporting period and are considered as Level 2 in the fair value hierarchy.16Table of ContentsÂ Â Â Â Note 6. Property and Equipment, NetProperty and equipment, net, consisted of the following as of the dates indicated (in thousands): July 31, 2024January 31, 2024Leasehold improvements$6,851Â $11,334Â Computers and equipment9,907Â 9,135Â Furniture and fixtures3,906Â 3,989Â Capitalized internal-use software22,183Â 18,257Â Gross property and equipment(1)42,847Â 42,715Â Accumulated depreciation and amortization (24,608)(25,083)Property and equipment, net$18,239Â $17,632Â (1) Gross property and equipment includes construction-in-progress for leasehold improvements and capitalized internal-use software of $6.3 million and $4.2 millionÂ that had not yet been placed in service as of JulyÂ 31, 2024Â and JanuaryÂ 31, 2024, 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 $2.4 million for the three months ended JulyÂ 31, 2024 and 2023, respectively, and $4.2 million and $4.2 million for the six months ended JulyÂ 31, 2024 and 2023, respectively. In the three and six months ended JulyÂ 31, 2023, the Company recorded an impairment charge of $0.4 million related to leasehold improvements abandoned during the period. The impairment charge was recorded in general and administrative expenses on the condensed consolidated statement of operations. No such impairment charges were recorded during the three and six months ended JulyÂ 31, 2024.Note 7. Deferred Contract CostsDeferred contract costs, which primarily consist of deferred sales commissions, were $44.0 million and $44.6 million as of JulyÂ 31, 2024 and JanuaryÂ 31, 2024, respectively. Amortization expense for deferred contract costs was $5.4 million and $5.2 million for the three months ended July 31, 2024 and 2023, respectively, and $10.7 million and $10.2 million for the six months ended JulyÂ 31, 2024 and 2023, respectively. There was no impairment charge related to the costs capitalized for the periods presented.Note 8. LeasesOperating LeasesThe 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. Lease right-of-use assets and liabilities are recognized at the leaseâ€™s 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 Companyâ€™s operating leases typically include non-lease components such as common-area maintenance costs. The Company has elected a practical expedient that allows it to include non-lease components with lease payments for the purpose of calculating lease right-of-use assets and liabilities, to the extent that they are fixed. Non-lease components that are not fixed are expensed as incurred as variable lease payments. Leases with a term of one year or less are not recognized on the Companyâ€™s condensed consolidated balance sheets, but rather are expensed on a straight-line basis over the lease term. In June 2023, the Company entered into a sublease for a portion of its San Francisco office location. The sublease has a remaining lease term of less than one year. Sublease income, which is recorded as a reduction of rent expense, was not material for the three and six months ended July 31, 2024. 17The following table presents information about leases on the condensed consolidated balance sheet as of the dates indicated (in thousands): July 31, 2024January 31, 2024Assets:Lease right-of-use assets$3,339Â $3,789Â Liabilities:Lease liabilities, current4,603Â 6,180Â Lease liabilities, non-current6,622Â 6,809Â As of JulyÂ 31, 2024, the weighted average remaining lease term was 2.7

years and the weighted average discount rate used to determine the net present value of the lease liabilities was 3.9%.The following table presents information about leases on the condensed consolidated statement of operations for the periods indicated (in thousands):Three months ended July 31,Six months ended July 31,2024202320242023Operating lease expense$873Â $1,313Â $1,702Â $2,671Â Short-term lease expense658Â 1971,052Â 768Variable lease expense170Â 242380Â 597The following table presents supplemental cash flow information about the Companyâ€™s leases for the periods indicated (in thousands):Three months ended July 31,Six months ended July 31,2024202320242023Cash paid for amounts included in the measurement of lease liabilities$1,641Â $1,665Â $3,269Â $3,322Â In the three and six months ended JulyÂ 31, 2023, the Company recorded an impairment charge of $0.8Â million to the right-of-use asset associated with the subleased office, which is the amount that 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 the condensed consolidated statement of operations. There were no impairment charges recorded in the three and six months ended JulyÂ 31, 2024. .Note 9. Debt and Financing Arrangements2025 Convertible Senior NotesIn June 2020, the Company issued an aggregate principal amount of $287.5Â million of 2025 Notes in a private offering pursuant to an indenture dated June 25, 2020 (the â€œ2025 Indentureâ€). 18The 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 JulyÂ 1, 2025, unless such notes are converted, redeemed or repurchased earlier. The 2025 Notes are convertible into cash, shares of the Companyâ€™s common stock or a combination of cash and shares of the Companyâ€™s common stock, at the Companyâ€™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 Companyâ€™s election, in respect to the remainder, if any, of the Companyâ€™s conversion obligation in excess of the aggregate principal amount of the 2025 Notes being converted.In October 2023, the Company paid $223.7 million to repurchase an aggregate principal amount of $230.0 million of the 2025 Notes with a carrying value of $227.5 million, net of unamortized issuance costs of $2.6 million. 2028 Convertible Senior NotesIn October 2023, the Company issued an aggregate principal amount of $402.5 million of convertible senior notes in a private offering pursuant to an indenture dated October 13, 2023 (the â€œ2028 Indentureâ€ and, together with the 2025 Indenture, the â€œIndenturesâ€). The total net proceeds from the debt offering, after deducting initial purchasersâ€™ discounts and debt issuance costs of $12.0 million, were $390.4Â 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 OctoberÂ 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 Companyâ€™s election, in respect to the remainder, if any, of the Companyâ€™s conversion obligation in excess of the aggregate principal amount of the 2028 Notes being converted, in the manner and subject to the terms and conditions provided in the 2028 Indenture.Accounting for the 2025 Notes and the 2028 NotesThe Notes are accounted for as a single liability measured at their amortized cost, as no other embedded features require bifurcation and recognition as derivatives. As of JulyÂ 31, 2024, the 2025 Notes are classified in current liabilities and the 2028 Notes are classified as non-current liabilities. Issuance costs are amortized to interest expense over the contractual term of the Notes at an effective interest rate of 1.91% for the 2025 Notes and 2.13% for the 2028 Notes.The net carrying amount of the Notes was as follows as of the dates indicated (in thousands):As of July 31, 2024As of January 31, 20242025 Notes2028 NotesTotal2025 Notes2028 NotesTotalPrincipal$57,500Â $402,500Â $460,000Â $57,500Â $402,500Â $460,000Â Less: unamortized issuance costs(259)(10,402)(10,661)(597)(11,373)(11,970)Net carrying amount$57,241Â $392,098Â $449,339Â $56,903Â $391,127Â $448,030Â Interest expense recognized related to the Notes was as follows for the periods indicated (in thousands):Three months ended July 31,Six months ended July 31,2024202320242023Contractual interest expense$1,691Â $918Â $3,232Â $1,797Â Amortization of debt issuance costs672Â 478Â 1,279Â 933Â Total interest expense related to the Notes$2,363Â $1,396Â $4,511Â $2,730Â 19Capped Call TransactionsIn connection with the offering of the 2025 Notes, the Company entered into privately negotiated capped call transactions (the â€œ2025 Capped Callsâ€) with certain financial institution counterparties. In connection with the offering of the 2028 Notes, the Company entered into separate privately negotiated capped call transactions (the â€œ2028 Capped Callsâ€ and, together with the 2025 Capped Calls, the â€œCapped Callsâ€). The Capped Calls are generally intended to reduce or offset the potential dilution to the common stock upon any conversion of the Notes, subject to a cap based on the cap price of such Capped Calls. For accounting purposes, the Capped Calls are separate transactions, and not part of the terms of the Notes. The Capped Calls are recorded in stockholdersâ€™ equity and are not accounted for as derivatives. The costs incurred to purchase the 2025 Capped Calls and the 2028 Capped Calls of $35.7 million and $55.1Â million, respectively, were recorded as a reduction to additional paid-in capital in the accompanying condensed consolidated balance sheets. The Capped Calls will not be remeasured as long as they continue to meet the conditions for equity classification.The 2025 Capped Calls 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, and an initial cap price of $61.66 per share, subject to certain adjustments. The 2025 Capped Calls cover, subject to anti-dilution adjustments, approximately 7.2Â million shares of the Companyâ€™s 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 and may be settled in cash, shares of common stock or a combination of cash and shares of common stock, at the Companyâ€™s election. The 2025 Capped Calls remain outstanding as of JulyÂ 31, 2024.The 2028 Capped Calls have an initial strike price of approximately $27.35 per share, subject to certain adjustments, which corresponds to the initial conversion price of the 2028 Notes, and an initial cap price of $42.90 per share, subject to certain adjustments. The 2028 Capped Calls cover, subject to anti-dilution adjustments, approximately 14.7Â million shares of the Companyâ€™s common stock. The 2028 Capped Calls are subject to automatic exercise over a 60 trading day period commencing on July 20, 2028, subject to earlier termination under certain circumstances and may be settled in cash, shares of common stock or a combination of cash and shares of common stock, at the Companyâ€™s election.Note 10. Commitments and ContingenciesLegal MattersFrom time to time, the Company may be subject to various claims and other legal matters arising in the ordinary course of business. The Company investigates these claims as they arise and accrues estimates for resolution of legal and other contingencies when losses are probable and estimable. The Company is not currently a party to any material legal proceedings nor is it aware of any pending or threatened litigation that could reasonably be expected to have a material adverse effect on its business, financial condition, results of operations, or cash flows.Warranties and IndemnificationThe Company has entered into service-level agreements with a portion of its customers defining levels of uptime reliability and performance and permitting those customers to receive credits if the Company fails to meet the defined levels of uptime. To date, the Company has not experienced any significant failures to meet defined levels of uptime reliability and performance as a result of those agreements and, as a result, the Company has not incurred or accrued any material liabilities related to these agreements in the financial statements.In the ordinary course of business, the Company may agree to indemnify customers, vendors, lessors, business partners, and other parties with respect to certain matters, including, but not limited to, losses arising out of the breach of such agreements, services to be provided by the Company, or from intellectual property infringement claims made by third parties. As permitted under Delaware law, the Company has entered into indemnification agreements with its directors and certain officers and employees that will require the Company, among other things, to indemnify them against certain liabilities that may arise by reason of their status or service as directors, officers, or employees. No demands have been made upon the Company to provide indemnification under such agreements, and there are no claims that the Company is aware of that could have a material effect on its consolidated balance sheets, consolidated statements of operations, consolidated statements of comprehensive loss, or consolidated statements of cash flows.20Note 11. Deferred Revenue and Performance ObligationsThe following table presents the changes to the Companyâ€™s deferred revenue for the periods indicated (in thousands): Three months ended July 31,Six months ended July 31,2024202320242023Deferred revenue, beginning of period$223,593Â $201,805Â $228,161Â $209,051Â Billings110,231Â 102,416Â 216,835Â 198,416Â Revenue recognized(115,935)(107,616)(227,107)(210,862)Deferred revenue, end of period$217,889Â $196,605Â $217,889Â $196,605Â For the three and six months ended JulyÂ 31, 2024 and 2023, the majority of revenue recognized was from the deferred revenue balances at the beginning of each period. The transaction price allocated to the remaining performance obligations represents all future, non-cancelable contracted revenue that has not yet been recognized, inclusive of deferred revenue that has been invoiced and non-cancelable amounts that will be invoiced and recognized as revenue in future periods.Beginning in the first quarter of fiscal 2025, the Company began to include contracts with an original term of less than 12 months in this disclosure. Such contracts comprised $128 million of remaining non-cancelable performance obligations as of JulyÂ 31, 2024. As of JulyÂ 31, 2024, total remaining non-cancelable performance obligations under cloud-hosted and term-license software subscription contracts with customers was approximately $403 million. Of this amount, the Company expects to recognize revenue of approximately $280 million, or 69.5%, over the next 12 months with the balance to be recognized as revenue thereafter.Note 12. Common Stock and Stockholdersâ€™ EquityCommon Stock Repurchases In October 2023, the Company repurchased a total of 2,331,002 shares of the Companyâ€™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. During the three months ended July 31, 2024, these shares were retired.In May 2024, the Companyâ€™s Board of Directors authorized a share repurchase program to repurchase up to $100.0 million of the Companyâ€™s common stock (the â€œ2024 Share Repurchase Programâ€). The 2024 Share Repurchase Program does not obligate the Company to acquire a specified number of shares, and may be suspended, modified, or terminated at any time, without prior notice. The repurchases are expected to be executed from time to time through May 2026, subject to general business and market conditions and other investment opportunities, through open market purchases or other legally permissible means, including through Rule 10b5-1 plans. As of JulyÂ 31, 2024, the Company had repurchased a total of 1,313,248 shares, and subsequently retired 1,234,484 of those shares. The cost of the remaining 78,764 shares is recorded as treasury stock in the condensed consolidated balance sheets. As of JulyÂ 31, 2024, $72.0 million of the total amount authorized to be repurchased remained available.Equity Incentive PlanIn 2019, the Company adopted the 2019 Equity Incentive Plan (the â€œ2019 Planâ€). As of JulyÂ 31, 2024 and JanuaryÂ 31, 2024, the Company was authorized to grant up to 36,093,524 shares and 31,519,553 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 (â€œRSUsâ€) and performance stock units (â€œPSUsâ€). As of JulyÂ 31, 2024 and JanuaryÂ 31, 2024, there were 19,919,771 shares and 17,178,454 shares, respectively, available for future issuance under the 2019 Plan.21Shares of common stock reserved for future issuance are as follows:July 31, 2024Outstanding stock options and unvested RSUs and PSUs14,835,965Â Available for future stock option, RSU, and PSU grants19,919,771Â Available for Employee Stock Purchase Plan (â€œESPPâ€)3,984,879Â Total common stock reserved for future issuance as of JulyÂ 31, 202438,740,615Â Stock Options As of JulyÂ 31, 2024, there was approximately $1.0 million of total unrecognized compensation cost related to unvested stock options granted under the 2019 Plan, which will be recognized over a weighted average period of 1.4 years. Restricted Stock UnitsA summary of the Companyâ€™s RSU activity and related information is as follows:Number of RSUsWeightedAverage Grant Date Fair Value Per ShareOutstanding at January 31, 20247,412,056Â $31.08Â Granted3,546,546Â $21.70Â Vested(1,721,813)$29.89Â Forfeited or canceled(687,893)$31.20Â Outstanding at July 31, 20248,548,896Â $27.43Â The fair value of the Companyâ€™s RSUs is expensed ratably over the vesting period, and is based on the fair value of the underlying shares on the date of grant.Â The Company accounts forÂ forfeitures as they occur.As of JulyÂ 31, 2024, there was $213.0 million of unrecognized stock-based compensation expense related to unvested RSUs, which is expected to be recognized over a weighted average period of 2.3 years based on vesting under the award service conditions.Performance Stock UnitsThe Company grants PSUs to certain employees of the Company, which, in the current period, are to vest based on the level of achievement of certain targets related to the Companyâ€™s operating plan over the one-year performance period. In prior periods, PSUs vested based on both the level of achievement of certain targets related to the Companyâ€™s operating plan and the relative growth of the per share price of the Companyâ€™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 Companyâ€™s common stock that will vest based on the performance and market conditions can range from 0% to 200% of the target amount. Compensation expense for PSUs with performance conditions is measured using the fair value at the date of grant, and may be adjusted over the vesting period based on interim estimates of performance against the performance condition. Compensation expense for PSUs with market conditions is measured using a Monte Carlo simulation approach. Expense is recorded over the vesting period under the graded-vesting attribution method.In the six months ended JulyÂ 31, 2024, the Compensation Committee of the Companyâ€™s Board of Directors certified the results of the Companyâ€™s operating plan and relative growth of the per share price of the Companyâ€™s common stock as compared to the S&P Software & Services Select Index for the fiscal year ended January 31, 2024. Based on the results, the PSUs granted in April 2023 (â€œ2023 PSU Awardsâ€) were cancelled as the target was not met.22A summary of the Companyâ€™s PSU activity and related information is as follows: Number of PSUsWeightedAverage Grant Date Fair Value Per ShareOutstanding at January 31, 2024541,992Â $35.08Â Granted(1)781,813Â $21.62Â Vested(9,050)$41.17Â Forfeited or canceled(45,108)$39.02Â Performance adjustment for 2023 PSU Awards(487,834)$34.98Â Outstanding at July 31, 2024781,813Â $27.73Â (1) This amount represents awards granted at 100% attainment. During the three and six months ended JulyÂ 31, 2024, the Company recorded stock-based compensation expense for the number of PSUs considered probable of vesting based on the attainment of the performance targets.As of JulyÂ 31, 2024, total unrecognized stock-based compensation cost related to PSUs was $12.0Â million. This unrecognized stock-based compensation cost is expected to be recognized using the accelerated attribution method over a weighted-average period of approximately 1.4 years.Employee Stock Purchase PlanThe Companyâ€™s ESPP generally provides for 24-month offering periods beginning June 15 and December 15 of each year, with each offering period consisting of four six-month purchase periods. On each purchase date, eligible employees will purchase the shares at a price per share equal to 85% of the lesser of: (i) the fair market value of the Companyâ€™s stock as of the beginning of the offering period; or (ii) the fair market value of the Companyâ€™s stock on the purchase date, as defined in the ESPP. During the three months ended July 31, 2024 and 2023, the Company recognized $0.9 million and $1.6 million, respectively, of stock-based compensation expense related to the ESPP. During the six months ended JulyÂ 31, 2024 and 2023, the Company recognized $2.6Â million and $3.4Â million, respectively, of stock-based compensation expense related to the ESPP.During the three months ended July 31, 2024 and 2023, the Company withheld $2.1Â million and $2.1Â million, respectively, in contributions from employees. During the six months ended JulyÂ 31, 2024 and 2023, the Company withheld $5.2 million and $5.8 million, respectively, in contributions from employees.During the three and six months ended July 31, 2024, 312,660 shares of common stock were issued under the ESPP at a weighted average purchase price of $18.34 per share. During the three and six months ended JulyÂ 31, 2023, 325,983 shares of common stock were issued under the ESPP at a weighted average purchase price of $19.30 per share.Stock-Based CompensationStock-based compensation expense included in the Companyâ€™s condensed consolidated statements of operations was as follows for the periods indicated (in thousands): Three months ended July 31,Six months ended July 31,2024202320242023Cost of revenue$1,508Â $2,164Â $3,264Â $4,040Â Research and development11,842Â 12,773Â 23,064Â 22,874Â Sales and marketing8,116Â 8,317Â 16,063Â 14,268Â General and administrative10,900Â 12,283Â 22,915Â 21,900Â Total stock-based compensation expense$32,366Â $35,537Â $65,306Â $63,082Â 23Note 13. Net Loss per ShareNet loss used for the purpose of determining basic and diluted net loss per share is determined by taking net loss attributable to PagerDuty, Inc., less the redeemable non-controlling interests redemption value adjustment.The following table presents the calculation of basic and diluted net loss per share attributable to PagerDuty, Inc. common stockholders for the periods indicated (in thousands, except number of shares and per share data):Three months ended July 31,Six months ended July 31,2024202320242023Numerator:Net loss attributable to PagerDuty, Inc. common stockholders$(10,912)$(22,053)$(28,051)$(34,271)Less: Adjustment attributable to redeemable non-controlling interest2,330Â 1,729Â 9,247Â 1,729Â Net loss attributable to PagerDuty, Inc. common stockholders$(13,242)$(23,782)$(37,298)$(36,000)Denominator:Weighted average shares used in calculating net income (loss) per share, basic and diluted93,289Â 92,542Â 93,082Â 92,041Â Net loss per share, basic and diluted, attributable to PagerDuty, Inc. common stockholders(0.14)(0.26)(0.40)(0.39)Since the Company was in a loss position for the periods presented, basic net loss per share and diluted net loss per share are the same, as the inclusion of all potential common stock outstanding would have been anti-dilutive. Potentially dilutive securities that were not included in the diluted per share calculations because they would be anti-dilutive were as follows (in thousands):As of July 31,20242023Shares subject to outstanding common stock awards14,054Â 14,841Â Restricted stock issued to acquire key personnelâ€”Â 44Â Shares issuable pursuant to the ESPP80Â 85Â Total14,134Â 14,970Â Additionally, as of JulyÂ 31, 2023, using the conversion rate of 24.9507 shares of common stock per

$1,000 principal amount of the 2025 Notes, approximately 7.2 million potentially dilutive shares related to the 2025 Notes were not included in the diluted per share calculations. 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 Companyâ€™s election, in respect to the remainder, if any, of the Companyâ€™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 Companyâ€™s election, in respect to the remainder, if any, of the Companyâ€™s conversion obligation in excess of the aggregate principal amount of the 2028 Notes being converted. As of JulyÂ 31, 2024, the conversion options of the 2028 Notes were out of money and as a result, there were no potentially dilutive shares related to the conversion of the Notes.24Note 14. Income TaxesThe 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 the Companyâ€™s U.S. losses for which no benefit will be realized, the Companyâ€™s foreign operations which are subject to tax rates that differ from those in the U.S., as well as the benefit for non-U.S. income tax credits.The Company recorded provision for income taxes of $0.4 million and $0.6 million for the three and six months ended JulyÂ 31, 2024, respectively, and a benefit from income taxes of $0.1 million and $0.2 million for the three and six months ended JulyÂ 31, 2023, respectively. Note 15. Geographic Information Revenue by location is generally determined by the billing address of the customer. The following table sets forth revenue by geographic area for the periods indicated (in thousands):Three months ended July 31,Six months ended July 31,2024202320242023United States$84,315Â $78,255Â $165,107Â $153,089Â International31,620Â 29,361Â 62,000Â 57,773Â Total$115,935Â $107,616Â $227,107Â $210,862Â Other than the United States, no other individual country accounted for 10% or more of revenue for the three and six months ended July 31, 2024 or 2023. As of JulyÂ 31, 2024, 65% of the Companyâ€™s long-lived assets, including property and equipment and right-of-use lease assets, were located in the United States, 21% were located in Canada, 11% were located in Portugal, 2% were located in the United Kingdom and 1% were located in Chile. As of JanuaryÂ 31, 2024, 73% of the Companyâ€™s long-lived assets, including property and equipment and right-of-use lease assets, were located in the United States, 20% were located in Canada, 4% were located in Portugal, 2% were located in the United Kingdom and 1% were located in Chile. 25Table of ContentsItem 2. Managementâ€™s Discussion and Analysis of Financial Condition and Results of Operations The following discussion and analysis of the financial condition and results of operations of PagerDuty, Inc. and its wholly-owned subsidiaries, and subsidiaries in which PagerDuty, Inc. holds a controlling interest (â€œPagerDuty,â€ â€œwe,â€ â€œusâ€ or â€œourâ€) should be read in conjunction with our unaudited consolidated financial statements and related notes thereto included elsewhere in this Quarterly Report on Form 10-Q and with our audited financial statements and related notes in our Annual Report on Form 10-K/A for the year ended JanuaryÂ 31, 2024. You should review the sections titled â€œSpecial Note Regarding Forward-Looking Statementsâ€ above in this Quarterly Report on Form 10-Q for a discussion of forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those discussed below. Factors that could cause or contribute to such differences include, but are not limited to, adverse effects on our business and general economic conditions as identified below, and those discussed in the section titled â€œRisk Factorsâ€ included in our Annual Report on Form 10-K/A. The last day of our fiscal year is January 31. Our fiscal quarters end on April 30, July 31, October 31 and January 31. Except as otherwise noted, all references to 2024 refer to the year ended January 31, 2024.Overview and Business ModelPagerDuty is a global leader in digital operations management, enabling customers to achieve operational efficiency at scale and transform critical work for modern enterprises. The PagerDuty Operations Cloud combines AIOps, Automation, Incident Management, and Customer Service Operations into a flexible, resilient, and scalable platform to increase innovation velocity, protect revenue, reduce cost, and mitigate the risk of operational failure. 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, proactively resolve incidents, 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 incidents. Using incident management, process automation, AI operations, and customer service operations, 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 infrastructures and 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 companyâ€™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. PagerDuty has a land-and-expand business model that leads to viral adoption of our products and subsequent expansion. An increasing focus for our go-to-market motion, including our field sales team, is serving 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. The PagerDuty field organization is focused on selling the PagerDuty platform across IT, DevOps, and customer service operations teams. 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, health epidemics or pandemics, volatility in foreign currency exchange rates, and bank failures. 26Table of ContentsWe 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 the 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 regions impacted by conflict represented an immaterial portion of our net assets and total consolidated revenue both as of and for the three and six months ended July 31, 2024 and 2023.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 metrics are based on what we believe to be a reasonable representation of our customer base for the applicable period of measurement, we rely on a third party to validate legal entities using the best available data at period end, and therefore, these metrics are subject to change as new information becomes available. In addition, we are continually seeking to improve our methodology, which may result in future changes to our key metrics. Our key metrics include the results of Jeli, Inc. (â€œJeliâ€) to the extent applicable, beginning on the acquisition date of November 15, 2023. Number of CustomersWe believe that the number of customers using our platform, particularly those that have subscription agreements for more than $100.0 thousand in annual recurring revenue (â€œARRâ€), are indicators of our market penetration, particularly within enterprise accounts, the growth of our business, and our potential future business opportunities. We define ARR asÂ the annualized recurring revenue of all active contracts at theÂ 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. The total number of customers and the number of customers with greater than $100.0 thousand in ARR were as follows as of the dates indicated:As of July 31,20242023Customers15,044Â 15,146Â Customers with greater than $100.0 thousand in ARR820Â 773Â Dollar-based Net Retention RateWe 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.27Table of ContentsWe 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 (â€œPrior Period ARRâ€). We then calculate the ARR from these same customers as of the current period end (â€œCurrent Period ARRâ€). Current Period ARR includes any expansion and is net of downgrades or churn over the last 12 months but excludes ARR from new customers in the current period. We then divide the total Current Period ARR by the total Prior Period ARR to arrive at the dollar-based net retention rate. The dollar-based net retention rate was as follows as of the dates indicated:Last 12 months ended July 31,20242023Dollar-based net retention rate for all customers106Â %114Â %28Table of ContentsResults of OperationsThree months ended July 31, 2024 compared to three months ended July 31, 2023The following table sets forth our results of operations for the periods indicated and as a percentage of revenue (in thousands, except percentages):Three months ended July 31,20242023Revenue$115,935Â 100.0Â %$107,616Â 100.0Â %Cost of revenue(1)20,080Â 17.3Â %19,833Â 18.4Â %Gross profit95,855Â 82.7Â %87,783Â 81.6Â %Operating expenses:Research and development(1)35,088Â 30.3Â %36,441Â 33.9Â %Sales and marketing(1)50,966Â 44.0Â %49,724Â 46.2Â %General and administrative(1)25,828Â 22.3Â %27,791Â 25.8Â %Total operating expenses111,882Â 96.5Â %113,956Â 105.9Â %Loss from operations(16,027)(13.8)%(26,173)(24.3)%Interest income7,516Â 6.5Â %5,011Â 4.7Â %Interest expense(2,363)(2.0)%(1,396)(1.3)%Other income (expense), net117Â 0.1Â %(114)(0.1)%Loss before (provision for) benefit from income taxes(10,757)(9.3)%(22,672)(21.1)%(Provision for) benefit from income taxes(427)(0.4)%50Â â€"Â %Net loss$(11,184)(9.6)%$(22,622)(21.0)%Net loss attributable to redeemable non-controlling interest(272)(0.2)%(569)(0.5)%Net loss attributable to PagerDuty, Inc.$(10,912)(9.4)%$(22,053)(20.5)%Less: Adjustment attributable to redeemable non-controlling interest2,330Â 2.0Â %1,729Â 1.6Â %Net loss attributable to PagerDuty, Inc. common stockholders$(13,242)(11.4)%$(23,782)(22.1)%______________(1)Â Â Â Â Includes stock-based compensation expense as follows (in thousands):Three months ended July 31,20242023Cost of revenue$1,508Â $2,164Â Research and development11,842Â 12,773Â Sales and marketing8,116Â 8,317Â General and administrative10,900Â 12,283Â Total$32,366Â $35,537Â 29Table of ContentsRevenueWe generate revenue primarily from cloud-hosted software subscription fees. We also generate revenue from term-license software subscription fees. Our subscriptions are typically one year in duration but can range from monthly to multi-year. Subscription fees are driven primarily by the number of customers, the number of users per customer, and the level of subscription purchased. We generally invoice customers in advance in annual installments for subscriptions to our software. Revenue related to our cloud-hosted software subscriptions is recognized ratably over the related contractual term beginning on the date that our platform is made available to a customer. For our term-license software subscriptions, we recognize license revenue upon delivery, and software maintenance revenue ratably, typically beginning on the start of the contractual term of the arrangement. Due to the low complexity of implementation and integration of our platform with our customersâ€™ existing infrastructure, revenue from professional services has been immaterial to date. The following sets forth our revenue for the periods indicated (in thousands, except percentages):Three months ended July 31,Change20242023$%Revenue$115,935Â $107,616Â $8,319Â 7.7Â %Revenue increased primarily due to growth from existing customers, which was driven by an increase in the number of users and upsell of additional products and services.Cost of Revenue and Gross MarginCost of revenue primarily consists of expenses related to providing our platform to customers, including personnel expenses for operations and global support, payments to our third-party cloud infrastructure providers for hosting our software, payment processing fees, amortization of capitalized internal-use software costs, amortization of acquired developed technology, and allocated overhead costs for facilities, information technology, and other allocated overhead costs. We will continue to invest additional resources in our platform infrastructure and our customer support and success organizations to expand the capability of our platform and ensure that our customers are realizing the full benefit of our offerings. The level and timing of investment in these areas could affect our cost of revenue in the future. Gross profit represents revenue less cost of revenue. Gross margin is gross profit expressed as a percentage of revenue. Our gross margin may fluctuate from period to period as our revenue fluctuates, and as a result of the timing and amount of investments to expand the capacity of our third-party cloud infrastructure providers and our continued efforts to enhance our platform support and customer success teams. The following sets forth our cost of revenue and gross margin for the periods indicated (in thousands, except percentages):Three months ended July 31,Change20242023$%Cost of revenue$20,080Â $19,833Â $247Â 1.2Â %Gross margin82.7Â %81.6Â %The increase in cost of revenue is primarily due to: (i) an increase of $0.5 million in outside services spend for the customer service team; (ii) an increase of $0.5 million for amortization of internally developed software; (iii) an increase of $0.3 million in hosting, software, and telecom costs; and (iv) an increase of $0.2 million in amortization of acquired intangible assets; offset by (v) a decrease of $1.2 million in personnel costs as a result of changes in the components of compensation plans compared to the prior year; and (vi) a decrease of $0.4 million in costs to support the business and related infrastructure, which include allocated overhead costs. 30Table of ContentsOperating ExpensesOur operating expenses consist of research and development, sales and marketing, and general and administrative expenses. Personnel expenses are the most significant component of operating expenses and consist of salaries, benefits, bonuses, stock-based compensation expense, and sales commissions. Operating expenses also include amortization of acquired intangible assets, acquisition-related expenses, allocated overhead costs for facilities, shared IT related expenses, including depreciation expense, and certain company-wide events and functions. The following table sets forth our operating expenses for the periods indicated (in thousands, except percentages):Three months ended July 31,Change20242023$%Operating expenses:Research and development$35,088Â $36,441Â $(1,353)(3.7)%Sales and marketing50,966Â 49,724Â 1,242Â 2.5Â %General and administrative25,828Â 27,791Â (1,963)(7.1)%Total operating expenses$111,882Â $113,956Â $(2,074)(1.8)%Research and development: Research and development expenses consist primarily of personnel costs for our engineering, product, and design teams. Additionally, research and development expenses include outside services, depreciation of equipment usedÂ in research and development activities, acquisition-related expenses, and allocated overhead costs. We expect that our research and development expenses will generally increase in dollar value as our business grows.Research and development expenses decreased driven primarily by: (i) a decrease in personnel costs of $0.6 million as a result of a decrease in stock-based compensation related to research and development employees and a decrease in salaries to higher capitalized time for software development projects; (ii) a decrease of $0.4 million in outside services spend due to higher leverage of internal resources; and (iii) a decrease of $0.4 million in costs to support the business and related infrastructure, which include allocated overhead costs. 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. Sales and marketing expenses increased primarily due to: (i) an increase of $1.2 million in outside services for consulting services; (ii) an increase of $1.1 million in marketing costs for media campaigns during the current period; and (iii) an increase of $0.5 million in training and travel-related costs; offset by (iv) a decrease of $1.1 million in bad debt expense; and (v) a decrease of $0.7 million in costs to support the business and related infrastructure, which include allocated overhead costs.General and administrative: General and administrative expenses consist primarily of personnel costs and outside services fees for finance, legal, human resources, information technology, and other administrative functions. In addition, general and administrative expenses include non-personnel costs, such as legal, accounting, and other professional fees, hardware and software costs, certain tax, license and insurance-related expenses, acquisition-related expenses, and allocated overhead costs. We expect that our general and administrative expenses will increase in dollar value as our business grows. However, we expect that our general and administrative expenses will decrease as a percentage of our revenue over the longer term, as we expect our investments to allow for improved efficiency for future growth in the business.General and administrative expenses decreased primarily due to: (i) a decrease of $1.3 million primarily related to prior year real estate impairment charges that did not recur in the current period; (ii) a decrease of $0.5 million in insurance, business taxes, and licenses costs; and (iii) a decrease of $0.4 million in personnel expenses, driven largely by a decrease in stock-based compensation for general and administrative employees.31Table of ContentsNon-Operating ExpensesThe following table sets forth our non-operating income (expenses) for the periods indicated (in thousands, except percentages):Three months ended July 31,Change20242023$%Interest income$7,516Â $5,011Â $2,505Â 50.0Â %Interest expense$(2,363)$(1,396)$(967)69.3Â %Other income (expense), net$117Â (114)231Â (202.6)%(Provision for) benefit from income taxes(427)50Â $(477)(954.0)%Interest income: Interest income consists of accretion income and amortization expense on our available-for-sale investments and income earned on our cash and cash equivalents and interest earned on our short-term investments which consist of U.S. Treasury securities, commercial paper, corporate debt securities, and U.S. Government agency securities.Interest income increased primarily due to higher interest rates and accretion on our cash, cash equivalent and investment balances in the current year.Interest expense: Interest expense consists primarily of contractual interest expense and amortization of debt issuance costs on our 1.25% Convertible senior notes due 2025 (the â€œ2025 Notesâ€) that were outstanding in the three and six months ended July 31, 2023 and partially extinguished in October 2023. Interest expense for the three and six months ended July 31, 2024 also includes the contractual interest expense and amortization of debt issuance costs on our 1.50% Convertible Senior Notes due 2028 (the â€œ2028 Notesâ€) that were issued in October 2023. Interest expense increased primarily due to contractual interest and amortization of debt issuance costs for the 2028 Notes that were issued in October 2023. The increase was partially offset by a decrease in the amortization of debt issuance costs and interest for the 2025 Notes that were partially extinguished in October 2023 and therefore had less of an impact on the current period.Other income (expense), net: Other income (expense), net primarily consists of foreign currency transaction gains and losses. The change in other income (expense), net was due to fluctuations in foreign currency during the period. (Provision for) benefit from income taxes: (Provision for) benefit from income taxes consists primarily of income taxes in certain foreign and U.S. jurisdictions in which we conduct business. We maintain a full valuation allowance on our net federal and state deferred tax assets as we have concluded that it is more likely than not that the deferred tax assets will not be realized for all years presented. The change in provision for income taxes was primarily driven by foreign, federal, and state income taxes. The provision may fluctuate to the extent the mix of earnings fluctuates between jurisdictions with different tax rates.32Table of ContentsSix months ended July 31, 2024 compared to six months ended July 31, 2023The following table sets forth our results of operations for the periods indicated and as a percentage of revenue (in thousands, except percentages):Six months ended July 31,20242023Revenue$227,107Â 100.0Â %$210,862Â 100.0Â %Cost of revenue(1)39,423Â 17.4Â %37,769Â 17.9Â %Gross profit187,684Â 82.6Â %173,093Â 82.1Â %Operating expenses:Research and development(1)72,611Â 32.0Â %69,949Â 33.2Â %Sales and marketing(1)99,465Â 43.8Â %93,525Â 44.4Â %General and administrative(1)53,368Â 23.5Â %51,592Â 24.5Â %Total operating expenses225,444Â 99.3Â %215,066Â 102.0Â %Loss from operations(37,760)(16.6)%(41,973)(19.9)%Interest income14,496Â 6.4Â %9,214Â 4.4Â %Interest expense(4,511)(2.0)%(2,730)(1.3)%Other expense, net(134)(0.1)%(127)(0.1)%Loss before (provision for) benefit from income taxes(27,909)(12.3)%(35,616)(16.9)%(Provision for) benefit from income taxes(620)(0.3)%156Â 0.1Â %Net loss$(28,529)(12.6)%$(35,460)(16.8)%Net loss attributable to redeemable non-controlling interest(478)(0.2)%(1,189)(0.6)%Net loss attributable to PagerDuty, Inc.$(28,051)(12.4)%$(34,271)(16.3)%Less: Adjustment attributable to redeemable non-controlling interest9,247Â 4.1Â %1,729Â 0.8Â %Net loss attributable to PagerDuty, Inc. common stockholders$(37,298)(16.4)%$(36,000)(17.1)%______________(1)Â Â Â Â Includes stock-based compensation expense as follows (in thousands):Six months ended July 31,20242023Cost of revenue$3,264Â $4,040Â Research and development23,064Â 22,874Â Sales and marketing16,063Â 14,268Â General and administrative22,915Â 21,900Â Total$65,306Â $63,082Â RevenueThe following sets forth our revenue for the periods indicated (in thousands, except percentages):Six months ended July 31,Change20242023$%Revenue$227,107Â $210,862Â $16,245Â 7.7Â %33Table of ContentsRevenue increased primarily due to growth from existing customers, which was driven by an increase in the number of users and upsell of additional products and services.Cost of Revenue and Gross MarginThe following sets forth our cost of revenue and gross margin for the periods indicated (in thousands, except percentages):Six months ended July 31,Change20242023$%Cost of revenue$39,423Â $37,769Â $1,654Â 4.4Â %Gross margin82.6Â %82.1Â %The increase in cost of revenue is primarily due to: (i) an increase of $1.3 million in outside services spend for the customer service team; (ii) an increase of $1.2 million in amortization of internally developed software; (iii) an increase of $0.6 million in hosting, software, and telecom costs; and (iv) an increase of $0.5 million in amortization of acquired intangible assets; offset by (v) a decrease of $2.2 million in personnel costs as a result of changes in the components of compensation plans compared to the prior year. Operating ExpensesThe following table sets forth our operating expenses for the periods indicated (in thousands, except percentages):Six months ended July 31,Change20242023$%Operating expenses:Research and development$72,611Â $69,949Â $2,662Â 3.8Â %Sales and marketing99,465Â 93,525Â 5,940Â 6.4Â %General and administrative53,368Â 51,592Â 1,776Â 3.4Â %Total operating expenses$225,444Â $215,066Â $10,378Â 4.8Â %Research and development: Research and development expenses increased driven primarily by: (i) an increase in personnel costs of $2.9 million as a result of increased bonuses and severance during the current period; and (ii) an increase of $0.4 million in costs to support the business and related infrastructure, which include allocated overhead costs; offset by (iii) a decrease of $0.9 million in outside services spend due to higher leverage of internal resources.Sales and marketing: Sales and marketing expenses increased primarily due to: (i) an increase in outside services of $2.5 million for consulting services; (ii) an increase of $2.1 million in marketing costs for media campaigns in the current period; (iii) an increase of $1.7 million in personnel costs, primarily related to an increase in stock-based compensation; and (iv) an increase of $1.4 million in training and travel-related costs; offset by (v) a decrease of $1.2 million in bad debt expense.General and administrative: General and administrative expenses increased primarily due to: (i) an increase of $2.3 million in personnel costs, driven by increased salaries, bonuses, and stock compensation related to general and administrative employees; (ii) an increase of $1.0 million in outside services costs; and (iii) an increase of $0.5 million in training and travel-related costs; offset by (iv) a decrease of $1.1 million in costs primarily related to prior year real estate impairment charges that did not recur in the current period; and (v) a decrease of $0.8 million in costs related to insurance, business taxes, and licenses.34Table of ContentsNon-Operating ExpensesThe following table sets forth our non-operating income (expenses) for the periods indicated (in thousands, except percentages):Six months ended July 31,Change20242023$%Interest income$14,496Â $9,214Â $5,282Â 57.3Â %Interest expense$(4,511)$(2,730)$(1,781)65.2Â %Other expense, net(134)(127)$(7)5.5Â %(Provision for) benefit from income taxes(620)156Â $(776)(497.4)%Interest income: Interest income increased primarily due to higher interest rates and accretion on our cash, cash equivalent and investment balances in the current year. Interest expense: Interest expense increased primarily due to contractual interest and amortization of debt issuance costs for the 2028 Notes that were issued in October 2023. The increase was partially offset by a decrease in the amortization of debt issuance costs and interest for the 2025 Notes that were partially extinguished in October 2023 and therefore had less of an impact on the current period.Other expense, net: The increase in other expense, net was due to fluctuations in foreign currency during the period. (Provision for) benefit from income taxes: The change in provision for income taxes was primarily driven by foreign, federal, and state income taxes. The provision may fluctuate to the extent the mix of earnings fluctuates between jurisdictions with different tax rates.Non-GAAP Financial MeasuresIn addition to our results determined in accordance with United States generally accepted accounting principles (â€œU.S. GAAPâ€ or â€œGAAPâ€), 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.Â We believe that non-GAAP financial information, when taken collectively, may be helpful to investors because it provides consistency and comparability with past financial performance and assists in comparisons with other companies, some of which use similar non-GAAP financial information to supplement their U.S. GAAP results. The non-GAAP financial information is presented for supplemental informational purposes only, should not be considered a substitute for financial information presented in accordance with U.S. GAAP, and may be different from similarly-titled non-GAAP measures used by other companies. The principal limitation of these non-GAAP financial measures is that they exclude significant expenses that are required by U.S. GAAP to be recorded in our financial statements. In addition, they are subject to inherent limitations as they reflect the exercise of judgment by our management about which expenses are excluded or included in determining these non-GAAP financial measures. A reconciliation is provided below for each non-GAAP financial measure to the most directly comparable financial measure stated in accordance with U.S. GAAP.Specifically, we exclude the following from its historical and prospective non-GAAP financial measures, as applicable:Stock-based compensation: PagerDuty utilizes stock-based compensation to attract and retain employees. It is principally aimed at aligning their interests with those of its stockholders and at long-term retention, rather than to address operational performance for any particular period. As a result, stock-based compensation expenses vary for reasons that are generally unrelated to financial and operational performance in any particular period.Employer taxes related to employee stock transactions: PagerDuty views the amount of employer taxes related to its employee stock transactions as an expense that is dependent on its stock price, employee exercise and other award disposition activity, and other factors that are beyond PagerDutyâ€™s control. As a result, employer taxes related to employee stock transactions vary for reasons that are generally unrelated to financial and operational performance in any particular period.35Table of ContentsAmortization of acquired intangible assets: PagerDuty views amortization of acquired intangible assets as items arising from pre-acquisition activities determined at the time of an acquisition. While these intangible assets are evaluated for impairment regularly, amortization of the cost of purchased intangibles is an expense that is not typically affected by operations during any particular period.Acquisition-related expenses: PagerDuty views acquisition-related expenses, such as transaction costs, acquisition-related retention payments, and acquisition-related asset impairment, as events that are not necessarily reflective of operational performance during a period. In particular, PagerDuty believes the consideration of measures that exclude such expenses can assist in the comparison of operational performance in different periods which may or may not include such expenses.Amortization of debt issuance costs: The imputed interest rates of the Company's convertible senior notes (the "2025 Notes" and the "2028 Notes" or, collectively, the "Notes") was approximately 1.91% for the 2025 Notes and 2.13% for the 2028 Notes. This is a result of the debt issuance costs, which reduce the carrying value of the convertible debt instruments. The debt issuance costs are amortized as interest expense. The expense for the amortization of the debt issuance costs is a non-cash item, and we believe the exclusion of this interest expense will provide for a more useful comparison of our operational performance in different periods. Restructuring costs: PagerDuty views restructuring costs, such as employee severance-related costs and real estate impairment costs, as events that are not necessarily reflective of operational performance during a period. In particular, PagerDuty believes the consideration of measures that exclude such expenses can assist in the comparison of operational performance in different periods which may or may not include such expenses.Gains (or losses) on partial extinguishment of convertible senior notes: PagerDuty views gains (or losses) on partial extinguishment of debt as events that are not necessarily reflective of operational performance during a period. PagerDuty believes that the consideration of measures that exclude such gain (or loss) impact can assist in the comparison of operational performance in different periods which may or may not include such gains (or losses). Adjustment attributable to redeemable non-controlling interest: PagerDuty adjusts the value of redeemable non-controlling interest of its joint venture PagerDuty K.K. according to the operating agreement. PagerDuty believes this adjustment is not reflective of operational performance during a period and exclusion of such adjustments can assist in comparison of operational performance in different periods.Income tax effects and adjustments: Based on PagerDuty's financial outlook for fiscal 2025, PagerDuty is utilizing a projected non-GAAP tax rate of 23% in order to provide better consistency across the interim reporting periods by eliminating the impact of non-recurring and period specific items, which can vary in size and frequency. PagerDuty's estimated tax rate on non-GAAP income is determined annually and may be adjusted during the year to take into account events or trends that PagerDuty believes materially impact the estimated annual rate including, but not limited to, significant changes resulting from tax legislation, material changes in the geographic mix of revenue and expenses and other significant events.Non-GAAP gross profit and non-GAAP gross marginWe define non-GAAP gross profit as gross profit excluding the following expenses typically included in cost of revenue: stock-based compensation expense, employer taxes related to employee stock transactions, amortization of acquired intangible assets, and restructuring costs. We define non-GAAP gross margin as non-GAAP gross profit as a percentage of revenue.36Table of ContentsThe following table presents the calculation of non-GAAP gross profit and non-GAAP gross margin for the periods indicated (in thousands):Three months ended July 31,Six months ended July 31,2024202320242023Gross profit$95,855Â $87,783Â $187,684Â $173,093Â Add:Stock-based compensation 1,508Â 2,164Â 3,264Â 4,040Â Employer taxes related to employee stock transactions 39Â 45Â 83Â 117Â Amortization of acquired intangible assets 2,268Â 2,086Â 4,675Â 4,173Â Restructuring costs (2)â€”Â (2)137Â Non-GAAP gross profit$99,668Â $92,078Â $195,704Â $181,560Â Revenue$115,935Â $107,616Â $227,107Â $210,862Â Gross margin82.7Â %81.6Â %82.6Â %82.1Â %Non-GAAP gross margin86.0Â %85.6Â %86.2Â %86.1Â %Non-GAAP operating income and non-GAAP operating marginWe define non-GAAP operating income as loss from operations excluding stock-based compensation expense, employer taxes related to employee stock transactions, amortization of acquired intangible assets, restructuring costs, and acquisition-related expenses, which include transaction costs, acquisition-related retention payments, and asset impairment, which are not necessarily reflective of operational performance during a given period. We define non-GAAP operating margin as non-GAAP operating income as a percentage of revenue.The following table presents the calculation of non-GAAP operating income and non-GAAP operating margin for the periods indicated (in thousands):Three months ended July 31,Six months ended July 31,2024202320242023Loss from operations$(16,027)$(26,173)$(37,760)$(41,973)Add:Stock-based compensation32,366Â 35,537Â 65,306Â 63,082Â Employer taxes related to employee stock transactions574Â 703Â 1,277Â 1,900Â Amortization of acquired intangible assets2,937Â 2,805Â 6,085Â 5,611Â Acquisition-related expenses259Â 162Â 522Â 323Â Restructuring costs2Â 1,258Â 10Â 1,402Â Non-GAAP operating income$20,111Â $14,292Â $35,440Â $30,345Â RevenueOperating margin(13.8)%(24.3)%(16.6)%(19.9)%Non-GAAP operating margin17.3Â %13.3Â %15.6Â %14.4Â %Non-GAAP net income attributable to PagerDuty, Inc. common stockholdersWe define non-GAAP net income attributable to PagerDuty, Inc. common stockholders as net loss attributable to PagerDuty, Inc. common stockholders excluding stock-based compensation expense, employer taxes related to employee stock transactions, amortization of debt issuance costs, amortization of acquired intangible assets, acquisition-related expenses, which include transaction costs, acquisition-related retention payments and asset impairment, restructuring costs, adjustment attributable to redeemable non-controlling interest, and income tax adjustments, which are not necessarily reflective of operational performance during a given period. 37Table of ContentsThe following table presents the calculation of non-GAAP net income attributable to PagerDuty, Inc. common stockholders for the periods indicated (in thousands):Three months ended July 31,Six months ended July 31,2024202320242023Net loss attributable to PagerDuty, Inc. common stockholders$(13,242)$(23,782)$(37,298)$(36,000)Add:Stock-based compensation32,366Â 35,537Â 65,306Â 63,082Â Employer taxes related to employee stock transactions574Â 703Â 1,277Â 1,900Â Amortization of debt issuance costs671Â 478Â 1,279Â 933Â Amortization of acquired intangible assets2,937Â 2,805Â 6,085Â 5,611Â Acquisition-related expenses259Â 162Â 522Â 323Â Restructuring costs2Â 1,258Â 10Â 1,402Â Adjustment attributable to redeemable non-controlling interest2,330Â 1,729Â 9,247Â 1,729Â Income tax effects and adjustments(5,566)(662)(10,092)(1,454)Non-GAAP net income attributable to PagerDuty, Inc. common stockholders$20,331Â $18,228Â $36,336Â $37,526Â Free cash flowWe define free cash flow as net cash provided by 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. There are a number of limitations related to the use of free cash flow as compared to net cash provided by operating activities, including that free cash flow includes capital expenditures, the benefits of which are realized in periods subsequent to those when expenditures are made.The following table presents the calculation of free cash flow for the periods indicated (in thousands):Three months ended July 31,Six months ended July 31,2024202320242023Net cash provided by operating activities$35,769Â $10,750Â $64,416Â $32,902Â Purchases of property and equipment(637)(713)(1,094)(948)Capitalization of internal-use software costs(1,849)(1,299)(2,941)(2,371)Free cash flow$33,283Â $8,738Â $60,381Â $29,583Â Net cash used in investing activities$(3,800)$(12,575)$(6,621)$(4,012)Net cash (used in) provided by financing activities$(28,944)$3,573Â $(35,205)$(496)38Table of ContentsLiquidity and Capital ResourcesSources and Uses of LiquidityAs of JulyÂ 31, 2024, our principal sources of liquidity were cash and cash equivalents and investments totaling $599.3 million. We believe that our existing cash and cash equivalents, investments, and net cash generated from our operating activities will be sufficient to support working capital and capital expenditure requirements for at least the next 12 months. Since inception, we have financed operations primarily through sales of our cloud-hosted software subscriptions, net proceeds received from sales of equity securities, and the issuance of our 2025 Notes and 2028 Notes. We believe we will meet long-term expected future cash requirements and obligations through a combination of cash flows from operating activities and available cash and short-term investment balances. Debt and Financing ArrangementsRefer to Note 9, Debt and Financing Arrangements, in the notes to our unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q for discussion of our debt arrangements, including the timing of expected maturity of such arrangements. Deferred RevenueA 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 JulyÂ 31, 2024, we had deferred revenue of $217.9 million, of which $214.5 million was recorded as a current liability and expected to be recorded as revenue in the next 12 months, provided all other revenue recognition criteria are met.Share Repurchase ProgramIn May 2024, we announced that our Board of Directors approved a share repurchase program (the â€œ2024 Share Repurchase Programâ€) for the repurchase of shares of our common stock in an aggregate amount of up to $100.0 million. The 2024 Share Repurchase Program does not obligate us to acquire a specified number of shares, and may be suspended, modified, or terminated at any time, without prior notice. The repurchases are expected to be executed from time to time through May 2026, subject to general business and market conditions and other investment opportunities, through open market purchases or other legally permissible means, including through Rule 10b5-1 plans. As of JulyÂ 31, 2024, we had repurchased a total of 1,313,248 shares, and subsequently retired 1,234,484 of those shares. The cost of the remaining 78,764 shares is recorded as treasury stock in the condensed consolidated balance sheets. As of JulyÂ 31, 2024, $72.0 million of the total amount authorized to be repurchased remained available.Future Contractual ObligationsOur estimated future obligations as of JulyÂ 31, 2024 include both current and long-term obligations. Our debt obligations total $449.3 million, of which $57.2 million is short-term, and the remainder is long-term. Additionally, we had $3.5 million of irrevocable standby letters of credit outstanding which were fully collateralized by our restricted cash, all of which represents a long-term cash obligation. Under our operating leases, we had a current obligation of $4.6 million and a long-term obligation of $6.6 million. Operating lease obligations primarily represent the initial contracted term for leases that have commenced as of JulyÂ 31, 2024, not including any future optional renewal periods.39Table of ContentsCash Flow InformationThe following table sets forth our cash flows for the periods indicated (in thousands):Six months ended July 31,20242023$ ChangeNet cash provided by operating activities$64,416Â $32,902Â $31,514Â Net cash used in investing activities(6,621)(4,012)(2,609)Net cash used in financing activities(35,205)(496)(34,709)Effects of foreign currency exchange rates on cash, cash equivalents, and restricted cash(23)(274)251Â Net change in cash, cash equivalents, and restricted cash$22,567Â $28,120Â $(5,553)Operating ActivitiesNet cash provided by operating activities improved, primarily due to improvements in our operating loss performance due to the 7.7% increase in revenue and the 57.3% increase in interest income. Cash provided operating activities is subject to variability period-over-period as a result of timing differences, including with respect to the collection of receivables and payments of accounts payable, and other items.Investing ActivitiesNet cash used in investing activities increased, primarily due to an increase in capitalized internal-use software costs and a lower ratio of proceeds from maturities of available-for-sale investments relative to purchases of available-for-sale investments.Financing ActivitiesNet cash used in financing activities increased, primarily as a result of repurchases of common stock, which did not occur during the six months ended July 31, 2023.Off-Balance Sheet ArrangementsIndemnification AgreementsSee Note 10, Commitments and Contingencies, in the notes to our unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q for a description of our indemnification agreements.Letters of CreditWe had $3.5 million of irrevocable standby letters of credit outstanding as of JulyÂ 31, 2024. Letters of credit are primarily used as a form of security deposits for the spaces we lease.Effect of Exchange RatesOur changes in cash can be impacted by the effect of fluctuating exchange rates. Foreign exchange had a negative effect on cash in the six months ended JulyÂ 31, 2023, decreasing our total cash balance by $0.3 million as of JulyÂ 31, 2023, and a negative effect on cash in the six months ended JulyÂ 31, 2024, decreasing our total cash balance by $23.0 thousand as of JulyÂ 31, 2024.Critical Accounting EstimatesFor a description of our critical accounting estimates, refer to Part II, Item 7, Critical Accounting Policies and Estimates in our Annual Report on Form 10-K/A for the year ended January 31, 2024. There have been no material changes to our critical accounting policies and estimates since our Annual Report on Form 10-K/A for the year ended January 31, 2024.40Table of ContentsRecent Accounting PronouncementsSee Note 2, Summary of Significant Accounting Policies, in the notes to our unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q for a description of recently adopted accounting pronouncements and recently issued accounting pronouncements not yet adopted.Item 3. Quantitative and Qualitative Disclosures about Market RiskThere have been no material changes in our market risk from the information provided in Part II, Item 7A, Quantitative and Qualitative Disclosures About Market Risk, in our Annual Report on Form 10-K/A for the year ended January 31, 2024.Item 4. Controls and ProceduresEvaluation of Disclosure Controls and ProceduresOur disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) are designed to ensure that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms, and that such information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure. Our management, with the participation and supervision of our chief executive officer and our chief financial officer, have evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on such evaluation, our chief executive officer and chief financial officer have concluded that as of such date, our disclosure controls and procedures were, in design and operation, effective at a reasonable assurance level.Limitations on the Effectiveness of ControlsThe 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 ReportingThere were no changes in our internal control over financial reporting identified in connection with the evaluation required by RuleÂ 13a-15(d)Â andÂ 15d-15(d)Â of theÂ Exchange ActÂ that occurred during the quarter ended JulyÂ 31, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.41Table of ContentsPART II. OTHER INFORMATIONItem 1. Legal ProceedingsWe 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 FactorsOther than the risk factors below, there have been no material changes from the risk factors described in Part I. Item 1A., â€œRisk Factorsâ€ in our Annual Report on Form 10-K/A for the year ended January 31, 2024. Our business involves significant risks, some of which are described below. You should carefully consider the following risks, together with all of the other information in this Quarterly Report on Form 10-Q, including our condensed consolidated financial statements and the related notes thereto included elsewhere in this Quarterly Report on Form 10-Q. Any of the following risks could have an adverse effect on our business, results of operations, financial condition or prospects, and could cause the trading price of our common stock to decline. Our business, results of operations, financial condition or prospects could also be harmed by risks and uncertainties not currently known to us or that we currently do not believe are material.Issues relating to the responsible use of our technologies, including AI in our offerings, may result in reputational and/or financial harm and liability.We are increasingly building AI capabilities into many of our products and services. Concerns relating to the responsible use of new and evolving technologies, such as AI, in our offerings may result in reputational and/or financial harm and liability and may cause us to incur costs to resolve such issues. For example, AL/ML technologies may be insufficient, biased, inaccurate or of poor quality, which could result in customer rejection or skepticism of our products, affect our reputation and brand, and negatively affect our financial results. Furthermore, AI poses emerging legal, social, and ethical issues and presents risks and challenges that could affect its adoption, and therefore our business. If our offerings draw controversy due to their perceived or actual impact on society, such as AI solutions that have unintended consequences or are controversial because of their impact on human rights, privacy, employment, or other social, economic, or political issues, or if we are unable to develop and implement effective internal policies and frameworks relating to the responsible development and use of AI models and systems, we may experience brand, reputational, and/or competitive harm, or could face legal liability. Complying with multiple regulations from different jurisdictions related to AI could increase our cost of doing business, may change the way that we operate in certain jurisdictions, or may impede our ability to offer certain products and services in certain jurisdictions if we are unable to comply with regulations. Our failure to address concerns and regulation relating to the responsible use of AI could slow adoption of AI in our products and services or cause reputational and/or financial harm.Cyber-attacks, security incidents, and other threats, have occurred and may continue to occur that could allow unauthorized access to our systems or data or our customersâ€™ systems or data, and could cause us to experience adverse consequences, including, but not limited to, significant costs, litigation and regulatory investigations and actions, and harm to our business and reputation.Our business involves the processing of personal data and other sensitive information, including proprietary and confidential business data, trade secrets, intellectual property, sensitive third-party data, business plans, transactions, and financial information (collectively, â€œsensitive dataâ€), including sensitive data of our customers and their respective employees. Cyber-attacks, malicious internet-based activity, online and offline fraud, and other similar activities threaten the confidentiality, integrity, and availability of our or our customersâ€™ sensitive data 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 â€œhackers,â€ threat actors, â€œhacktivists,â€ organized criminal threat actors, personnel (such as through theft or misuse), sophisticated nation-states, and nation-state 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.42Table of ContentsLike other companies, we and the third parties we rely on have experienced and will continue to experience cyber-attacks and other incidents, and are exposed to threats, that have resulted and could in the future result in, adverse consequences to our business including but not limited to regulatory investigations or actions; litigation; fines and penalties; disruptions of our business operations; reputational harm; loss of revenue or profits; and other adverse consequences. We face increasing risks of cyber-attacks and other security incidents, and our systems and those of our third-party service providers have been and may continue to be subject to a variety of attacks and threats including malware (including as a result of advanced persistent threat intrusions), social engineering attacks (including through deep fakes, which may be increasingly more difficult to identify as fake, and phishing attacks), ransomware attacks (which are becoming increasingly severe and prevalent), denial-of-service attacks, such as credential stuffing attacks, credential harvesting, supply-chain attacks, software bugs, server malfunctions, software or hardware failures, personnel misconduct or error, malicious code (such as viruses or worms), loss of data or other information technology assets, adware, telecommunications failures, earthquakes, fires, floods, attacks enhanced or facilitated by AI, and other similar threats. We may be unable to anticipate or prevent techniques used to obtain unauthorized access or to sabotage systems because they change frequently, are increasing in their sophistication and often are not detected until after an incident has occurred.During times of war and other major conflicts, we (and the third parties upon which we rely) may be vulnerable to a heightened risk of cybersecurity threats, including retaliatory cyber-attacks, that could materially disrupt our systems and operations, supply chain, and ability to produce, sell and distribute our services.Remote work has 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 entitiesâ€™ systems and technologies. Additionally, 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.In addition, our reliance on third-party service providers could introduce new cybersecurity risks and vulnerabilities, including supply-chain attacks, and other threats to our business operations. We rely on third-party service providers and technologies to operate critical business systems to process sensitive data in a variety of contexts, including, without limitation, encryption and authentication technology, employee email, cloud-based infrastructure, data center facilities, content delivery to customers, and other functions. We also rely on third-party service providers to provide other products, services, parts, or otherwise to operate our business. Our ability to monitor these third partiesâ€™ 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, we could experience adverse consequences.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 partiesâ€™ infrastructure in our supply chain or our third-party partnersâ€™ 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 or our customersâ€™ sensitive data 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 services.We may expend significant resources, or modify our business activities to try to protect against incidents. Additionally, 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 data.43Table of ContentsWhile 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. Any unremediated high risk or critical vulnerabilities may pose material risks to our business.Further, we may experience delays in developing and deploying remedial measures designed to address any such identified vulnerabilities. Even if we have issued or otherwise made available patches or information for vulnerabilities in our software applications, products or services, our customers may be unwilling or unable to deploy such patches and use such information effectively and in a timely manner for measures that require customer action.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 customer-facing services 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. Applicable data privacy and security obligations may require us to notify relevant stakeholders of security incidents. Such disclosures are costly, and the disclosure or the failure to comply with such requirements could lead to adverse consequences.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.If we (or a third party upon whom we rely) experience a security incident or are perceived to have experienced a security incident, we may experience adverse consequences, such as government enforcement actions (for example, investigations, fines, penalties, audits, and inspections); additional reporting requirements and/or oversight; restrictions on processing sensitive data (including personal data); 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. Security incidents and attendant consequences may prevent or cause customers to stop using our services, deter new customers from using our services, and negatively impact our ability to grow and operate our business.Additionally, our sensitive data or those of our customers could be leaked, disclosed, or revealed as a result of or in connection with our employeeâ€™s, personnelâ€™s, or vendorâ€™s use of generative AI technologies, including our own. Any sensitive data (including confidential, competitive, proprietary, or personal data) that is inputted into a generative AI/ML platform could be leaked or disclosed to others, including if sensitive information is used to train third partiesâ€™ AI/ML model. Additionally, where an AI/ML model ingests personal data and makes connections using such data, those technologies may reveal other personal or sensitive data generated by the model.44Table of ContentsItem 2.Â Â Â Â Unregistered Sales of Equity Securities, Use of Proceeds, and Issuer Purchases of Equity SecuritiesUnregistered Sales of Equity SecuritiesNone.Use of ProceedsNone.Issuer Purchases of Equity SecuritiesThe following table presents information with respect to our repurchases of common stock during the three months ended JulyÂ 31, 2024:PeriodTotal number of shares purchased(1)Average price paid per share(2)Total number of shares purchased as part of publicly announced program(1)Approximate dollar value of shares that may yet be purchased under publicly announced program (in thousands)(1)May 1 - 31, 2024â€”Â $â€”Â â€”Â 100,000Â June 1 - 30, 2024434,343Â $21.53Â 434,343Â 90,650Â July 1 - 31, 2024878,905Â $21.26Â 878,905Â 71,963Â Total1,313,248Â 1,313,248Â (1) In May 2024, our Board of Directors authorized a stock repurchase program of up to $100.0 million of our common stock. Share repurchases under share repurchase program may be made from time to time on the open market, pursuant to Rule 10b5-1 trading plans, or other legally permissible means. The share repurchase program does not obligate us to acquire a specified number of shares, and may be suspended, modified, or terminated at any time, without prior notice. The number of shares to be repurchased will depend on market conditions and other factors. The share repurchase program is expected to continue through MayÂ 29, 2026, unless extended or shortened by the Board of Directors. See Note 12, Common Stock and Stockholdersâ€™ Equity elsewhere this Quarterly Report on Form 10-Q for additional information related to share repurchases.(2) Average price paid per share excludes cash paid for commissions.Item 3.Â Â Â Â Defaults Upon Senior SecuritiesNone.Item 4.Â Â Â Â Mine Safety DisclosuresNot applicable.Item 5.Â Â Â Â Other InformationRule 10b5-1 Trading ArrangementsOn JulyÂ 10, 2024, Shelley Webb, our Senior Vice President, Chief Legal and People Officer, adopted a trading plan for the sale of the Companyâ€™s common stock that is intended to satisfy the affirmative defense of Rule 10b5-1(c). The trading plan is set to expire on OctoberÂ 10, 2025 and provides for the sale of up to 62,962 shares of common stock, all of which are subject to the Companyâ€™s stock price reaching certain price thresholds.On JulyÂ 10, 2024, Mitra Rezvan, our Chief Accounting Officer, adopted a trading plan for the sale of the Companyâ€™s common stock that is intended to satisfy the affirmative defense of Rule 10b5-1(c). The trading plan is set to expire on OctoberÂ 10, 2025 and provides for the sale of up to 60,594 shares of common stock, all of which are subject to the Companyâ€™s stock price reaching certain price thresholds.45Table of ContentsItem 6. ExhibitsThe following exhibits are filed as part of this report or hereby incorporated by references to filings previously made with the SEC.Incorporated by ReferenceExhibit NumberDescriptionFormFile No.ExhibitFiling DateFiled or Furnished Herewith3.1Amended and Restated Certificate of Incorporation of PagerDuty, Inc.8-K001-388563.1April 15, 20193.2Amended and Restated Bylaws of PagerDuty, Inc.8-K001-388563.2April 15, 201910.3Amended and Restated Executive Severance and Change in Control Policy10-Q001-38856 10.3December 1, 202331.1Certification of the Chief Executive Officer pursuant to Exchange Act Rule 13a-14 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002X31.2Certification of the Chief Financial Officer pursuant to Exchange Act Rule 13a-14 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002X32.1*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 2002X101.INSXBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.X101.SCHXBRL Taxonomy Extension Schema Document.X101.CALXBRL Taxonomy Extension Calculation Linkbase Document.X101.DEFXBRL Taxonomy Extension Definition Linkbase Document.X101.LABXBRL Taxonomy Extension Label Linkbase Document.X101.PREXBRL Taxonomy Extension Presentation Linkbase Document.X104Cover Page Interactive Data File (embedded within the Inline XBRL document)X* The certifications furnished in Exhibit 32.1 hereto are deemed to accompany this Form 10-Q and will not be deemed â€œfiledâ€ 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.â€ Indicates a management contract or compensatory plan.46Table of ContentsSIGNATURESPursuant 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.(registrant)Â Â Â SeptemberÂ 3, 2024/s/ Jennifer G. TejadaDateÂ Jennifer G. TejadaÂ Â Chief Executive OfficerÂ Â (Principal Executive Officer)Â Â Â SeptemberÂ 3, 2024/s/ Owen Howard WilsonDateÂ Owen Howard WilsonÂ Â Chief Financial OfficerÂ Â (Principal Financial Officer)SeptemberÂ 3, 2024/s/ Mitra RezvanDateMitra RezvanSenior Vice President, Finance and Chief Accounting Officer(Principal Accounting Officer)47DocumentExhibit 31.1CERTIFICATION PURSUANT TO RULEÂ 13a-14(a)Â ORÂ 15d-14(a)Â OFTHE SECURITIES EXCHANGE ACT OF 1934,AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002I, 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 registrantâ€™s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:a.Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;b.Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;c.Evaluated the effectiveness of the registrantâ€™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; andd.Disclosed in this report any change in the registrantâ€™s internal control over financial reporting that occurred during the registrantâ€™s most recent fiscal quarter (the registrantâ€™s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrantâ€™s internal control over financial reporting; and5.The registrantâ€™s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrantâ€™s auditors and the audit committee of the registrantâ€™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 registrantâ€™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 registrantâ€™s internal control over financial reporting.Date: SeptemberÂ 03, 2024/s/ Jennifer G. TejadaJennifer G. TejadaChief Executive Officer(Principal Executive Officer)DocumentExhibit 31.2CERTIFICATION PURSUANT TO RULEÂ 13a-14(a)Â ORÂ 15d-14(a)Â OFTHE SECURITIES EXCHANGE ACT OF 1934,AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002I, 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 registrantâ€™s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:a.Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;b.Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;c.Evaluated the effectiveness of the registrantâ€™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; andd.Disclosed in this report any change in the registrantâ€™s internal control over financial reporting that occurred during the registrantâ€™s most recent fiscal quarter (the registrantâ€™s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrantâ€™s internal control over financial reporting; and5.The registrantâ€™s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrantâ€™s auditors and the audit committee of the registrantâ€™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 registrantâ€™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 registrantâ€™s internal control over financial reporting.Date: SeptemberÂ 3, 2024/s/ Owen Howard WilsonOwen Howard WilsonChief Financial Officer(Principal Financial Officer)DocumentExhibit 32.1CERTIFICATIONS OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICERPURSUANT TO18 U.S.C. SECTION 1350,AS ADOPTED PURSUANT TOSECTION 906 OF THE SARBANES-OXLEY ACT OF 2002I, 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 endedÂ JulyÂ 31, 2024Â 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.Â Date: SeptemberÂ 3, 2024/s/ Jennifer G. TejadaJennifer G. TejadaChief 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 endedÂ JulyÂ 31, 2024Â 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.Â Â Date: SeptemberÂ 3, 2024/s/ Owen Howard WilsonOwen Howard WilsonChief Financial Officer(Principal Financial Officer)Â