

**Dynatrace Limited**

Report and Financial Statements

Year Ended

31 March 2020

Company Number 01522537



# **Dynatrace Limited**

**Report and financial statements  
for the year ended 31 March 2020**

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## **Directors**

R Bowers  
C Newfield

## **Secretary and registered office**

Francesca Jones, 60 Norden Road, Quantum, Maidenhead, Berkshire, SL6 4AY

## **Company number**

01522537

## **Auditors**

BDO LLP, Level 12, Thames Tower, Station Road, Reading, Berkshire, RG1 1LX

# Dynatrace Limited

## Strategic report for the year ended 31 March 2020

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The directors present their strategic report together with the audited financial statements for the year ended 31 March 2020.

### Business review

Thoma Bravo, a US Private Equity firm, acquired Compuware Corporation on 15th December 2014. Subsequently on 1st April 2015, the mainframe division was divested through a group reconstruction to a separate fellow subsidiary resulting in two separate entities Dynatrace LLC (the Application Performance Management division, called APM) and Compuware LLC (the Mainframe division).

Dynatrace, Inc. advertises itself using the following motto: “Software Intelligence for the Enterprise Cloud. Cloud monitoring reinvented. Easy, Automatic, AI-Powered”. In order to remain market leader in its field, Dynatrace continues to invest heavily in new product development and enhanced technologies in all of its labs worldwide.

The scale, complexity, and dynamic nature of the emerging enterprise cloud environment, including the applications that run on it, require a comprehensive monitoring strategy that we refer to as “software intelligence.” Starting in 2014, we leveraged the knowledge and experience of the same engineering team that founded Dynatrace to develop a solution to address the disruptive shift to the enterprise cloud.

These efforts resulted in the creation of a new platform, the Dynatrace Software Intelligence Platform, or Dynatrace®. Dynatrace® leverages an automatic instrumentation technology that we call OneAgent®, a real-time dependency mapping system we call SmartScape®, our transaction-centric code analysis technology that we call PurePath®, and an open artificial intelligence, or AI, engine that we call Davis™ for instant answers to degradations in service, anomalies in behavior, and user impact.

Dynatrace® simplifies the complexity of the enterprise cloud for cloud architects, application teams and operations teams, while providing actionable insights that accelerate cloud migrations, cloud adoption, and DevOps success. Dynatrace latest motto is: “Tame modern cloud complexity with observability, automation, and intelligence in one platform”.

Early 2020, Gartner published its 2020 Magic Quadrant for Application Performance Monitoring Suites, and for the 10th year in a row, Dynatrace was positioned in the Leaders Quadrant ahead of rivals such as Cisco/AppDynamics and New Relic.

Dynatrace offers an AI analytics engine that captures every container, every piece of code, and every interaction to not only auto-discover and speed up MTTR, but also predict and help self-heal across entire ecosystems. We also roll out 26+ releases a year that tackle all the big challenges of today; hybrid ecosystems; hyperscale cloud environments; the pressure to innovate faster.

### Our Growth Strategy

- Extend our technology and market leadership position. We intend to maintain our position as the market-leading software intelligence platform through increased investment in research and development and continued innovation. We expect to focus on expanding the functionality of Dynatrace® and investing in capabilities that address new market opportunities. We believe this strategy will enable new growth opportunities and allow us to continue to deliver differentiated high-value outcomes to our customers.
- Grow our customer base. We intend to drive new customer growth by expanding our direct sales force focused on the largest 15,000 global enterprise accounts, which generally have annual revenues in excess of \$750 million. In addition, we expect to leverage our global partner ecosystem to add new customers in geographies where we have direct coverage and work jointly with our partners.
- Increase penetration within existing customers. We plan to continue to increase penetration within our existing customers by expanding the breadth of our platform capabilities to provide for continued cross-selling opportunities. In addition, we believe the ease of implementation for Dynatrace® provides us the opportunity to expand adoption within our existing enterprise customers, across new customer applications, and into additional business units or divisions. Once customers are on the Dynatrace® platform, we have seen significant dollar-based net expansion due to the ease of use and power of our new platform.

Dynatrace went public on August 1<sup>st</sup> 2019. It is now listed at the New York Stock Exchange (NYSE) under the code: DT.

# Dynatrace Limited

## Strategic report for the year ended 31 March 2020

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### Key Performance Indicators

The directors consider the key financial performance indicators ('KPIs') of the company to be sales, operating profit before tax and the cash position. These have been reviewed above as part of the business review.

The results for the year show an operating profit before tax of £2,459,387 (2019 restated – £1,341,392) with sales of £31,717,180 (2019 restated - £24,543,500). The company had cash of £5,849,606 at 31 March 2020 (2019 - £2,620,974).

The directors' consider that the business has performed well against the above KPIs.

### *Principal risks and uncertainties*

#### *Competition*

Competition in the APM industry continues to grow with an increasing number of start-up companies entering the market with niche products that compete against Dynatrace's portfolio. Predominant competitors continue to be Appnatics, Splunk and New Relic.

#### *Staff attrition*

Competitors are keen to recruit skilled Dynatrace staff for their knowledge of the industry and the products.

#### *Global economy and cloud computing*

Cloud Computing means that the servers are not always installed in the UK and therefore one of the compelling reasons to purchase from a UK supplier has been removed. The company had a very limited impact as a result of Brexit as the Dynatrace group had an existing presence across Europe.

#### *Going concern*

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report. The company had net current assets of £17.1m (2019 - £14.8m) and net assets of £19.1m (2019 - £13.0m) at 31 March 2020.

The directors have considered the effects of COVID-19 on the going concern status of the company. There has been minimal impact on the revenues of the business and the company is well-positioned for the current economic challenges due to the importance of our testing to key customers and sectors, continuity planning, and support provided by Dynatrace, Inc.

The directors have prepared cash flow forecasts covering a period including 12 months from the date of signing these financial statements. Those forecasts show that applying any reasonable foreseeable sensitivity to the key assumptions of revenue generation and customer payment periods, the company can continue to operate using the resources available to it during that period.

The group of which the company is a member has considerable financial resources and the company has contracts with a number of large, established customers in the UK and suppliers across different geographic areas. In addition, Dynatrace, Inc. is consistently reporting on the growth of its unlevered Free Cash Flow. The company has no bank borrowings, and bank balances are deposited with the group treasury function when significant. As a result, the company is able to call on support from the wider Dynatrace Group for its working capital requirements if required. Dynatrace, Inc. issued a non-legally binding letter of support confirming its intention to support the company, should the need arise for a period of at least 12 months from the date of the approval of the financial statements. However, no such requirement is foreseen during the period for which the cash flows have been prepared.

As a result the directors believe that there are no material uncertainties that lead to significant doubt upon the company's ability to continue as a going concern and that it is appropriate to prepare the financial statements on the going concern basis.

# Dynatrace Limited

Strategic report  
for the year ended 31 March 2020

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## Strategy, objectives and business model

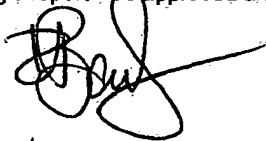
Dynatrace will continue to focus solely on the APM market with targets of ambitious growth through focussing on volume based consumption sales as well as retaining the enterprise anchor deals. New products are pushing our products into a more cloud-based solution, which continues to present Dynatrace as the Market Leader in APM software.

Growth and controls within the Shared Service Centre in the UK will continue to be a focus, along with constant efforts for increased automation in finance, human resources and license management in order to present an increasingly scalable back office which overall assists in improved products being pushed into the market.

## Approval

This strategic report was approved and signed on behalf of the Board on

R Bowers  
Director



Date: 31/3/21

# Dynatrace Limited

## Directors' report for the year ended 31 March 2020

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The directors present their report together with the audited financial statements for the year ended 31 March 2020.

### Results and dividends

The statement of comprehensive income is set out on page 10 and shows the profit for the year (2019 - profit).

The directors did not recommend the payment of a dividend (2019 - Nil).

### Principal activities

The principal activity of the company continues to be the selling of computer software systems and solutions.

### Financial risk management objectives and policies

#### *Cash flow risk*

The company's activities expose it primarily to the financial risk of changes in foreign currency exchange rates. The only hedging performed in the UK is natural hedging between currencies to ensure sufficient funds are available to match any potential cash outflows.

Interest bearing assets and liabilities are held at fixed rate to ensure certainty of cash flows.

#### *Credit risk*

The company's principal financial assets are bank balances and cash and trade and other receivables.

The company's credit risk is solely attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss-making event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The company has no significant concentration of credit risk, with exposure spread over a large number of customers.

#### *Liquidity risk*

The company is cash positive and does not need to enter into any financing to maintain positive liquidity.

#### *Technological risk*

Technology change and upgrade continues to be a risk to the business. Management continue to monitor and invest in product development to mitigate this risk.

### Directors

The directors of the company during the year were:

R Bowers  
C Newfield

# Dynatrace Limited

## Directors' report for the year ended 31 March 2020

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### Directors' indemnities

The company has made qualifying third party indemnity provisions for the benefit of its directors.

### Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

### Employee consultation

The company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the company. This is achieved through formal and informal meetings and the company magazine.

### Directors' responsibilities

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# Dynatrace Limited

Directors' report  
for the year ended 31 March 2020

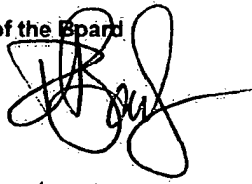
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## Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO LLP have expressed their willingness to continue in office and a resolution to re-appoint them as auditors will be proposed at the next annual general meeting.

On behalf of the Board



R Bowers  
Director

Date: 31/3/21

# Dynatrace Limited

## Independent auditor's report

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### INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF DYNATRACE LIMITED

#### Opinion

We have audited the financial statements of Dynatrace Limited ("the Company") for the year ended 31 March 2020 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity, and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

#### Other information

The Directors are responsible for the other information. The other information comprises the information included in the Strategic report and the Directors' report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

# Dynatrace Limited

## Independent auditor's report *(continued)*

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We have nothing to report in this regard.

### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and Directors' report have been prepared in accordance with applicable legal requirements.

### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

### **Responsibilities of Directors**

As explained more fully in the Directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

## Dynatrace Limited

### Independent auditor's report (continued)

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A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at:  
<https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

#### Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP

Christopher Pooles (Senior Statutory Auditor)  
For and on behalf of BDO LLP, Statutory Auditor  
Reading, UK

Date: 31 March 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

## Dynatrace Limited

### Statement of comprehensive income for the year ended 31 March 2020

	Note	2020 £	Restated 2019 £
Turnover	4	31,717,180	24,543,500
Cost of sales		<u>(7,463,793)</u>	<u>(6,465,247)</u>
<b>Gross profit</b>		<b>24,253,387</b>	<b>18,078,253</b>
Administrative expenses		<u>(22,482,755)</u>	<u>(17,321,867)</u>
<b>Operating profit before goodwill impairment</b>		<b>1,770,632</b>	<b>981,892</b>
Exceptional cost – impairment of goodwill		-	(225,506)
<b>Operating profit</b>	<b>6</b>	<b>1,770,632</b>	<b>756,386</b>
Interest receivable and other income	7	<u>688,755</u>	<u>585,006</u>
<b>Profit on ordinary activities before taxation</b>		<b>2,459,387</b>	<b>1,341,392</b>
Taxation on profit on ordinary activities	8	<u>(2,206,981)</u>	<u>(60,594)</u>
<b>Profit and total comprehensive income for the year</b>		<b>252,406</b>	<b>1,280,798</b>

The results stated above are derived from continuing activities.

The notes on pages 13 to 27 form part of these financial statements.

## Dynatrace Limited

### Balance sheet at 31 March 2020

<b>Company number 01522537</b>	<b>Note</b>	<b>2020 £</b>	<b>2020 £</b>	<b>Restated 2019 £</b>	<b>Restated 2019 £</b>
<b>Fixed assets</b>					
Intangible assets	9		-		-
Tangible assets	10		1,005,211		912,608
<b>Total Fixed assets</b>			<b>1,005,211</b>		<b>912,608</b>
<b>Other non current assets</b>					
Debtors – amounts due after more than one year	12		3,212,780		2,096,548
<b>Total non current assets</b>			<b>4,217,991</b>		<b>3,009,156</b>
<b>Current assets</b>					
Debtors – amounts due within one year	11	45,375,155		35,709,138	
Cash at bank and in hand		5,849,606		2,620,974	
			<b>51,224,761</b>		<b>38,330,112</b>
Creditors: amounts falling due within one year	13	(34,102,671)		(23,561,390)	
<b>Net current assets</b>			<b>17,122,090</b>		<b>14,768,722</b>
<b>Total assets less current liabilities</b>			<b>21,340,081</b>		<b>17,777,878</b>
Creditors: amounts falling due after more than one year	14		(1,957,353)		(4,633,101)
Provisions for liabilities	16		(241,424)		(143,656)
<b>Net assets</b>			<b>19,141,304</b>		<b>13,001,121</b>
<b>Capital and reserves</b>					
Called up share capital	18		13,863		13,863
Capital contribution reserve	19		11,042,460		5,154,683
Profit and loss account			8,084,981		7,832,575
<b>Shareholders' funds</b>			<b>19,141,304</b>		<b>13,001,121</b>

The financial statements were approved by the Board of Directors and authorised for issue on 31 March 2021

R Bowers  
Director

The notes on pages 13 to 27 form part of these financial statements.

## Dynatrace Limited

### Statement of changes in equity for the year ended 31 March 2020

	Share capital £	Capital contribution reserve £	Profit and loss account £	Total equity £
<b>At 1 April 2018 (as previously reported)</b>	13,863	3,580,396	6,521,533	10,115,792
Change in accounting policy (note 3)	-	-	30,244	30,244
<b>1 April 2018 Restated</b>	<u>13,863</u>	<u>3,580,396</u>	<u>6,551,777</u>	<u>10,146,036</u>
<b>Comprehensive income for the year</b>				
Profit for the year (restated)	-	-	1,280,798	1,280,798
<b>Total comprehensive income for the year</b>	<u>-</u>	<u>-</u>	<u>1,280,798</u>	<u>1,280,798</u>
<b>Contributions by and distributions to owners:</b>				
Capital contributions by the parent company	-	1,574,287	-	1,574,287
<b>Total contributions by and distributions to owners</b>	<u>-</u>	<u>1,574,287</u>	<u>-</u>	<u>1,574,287</u>
<b>31 March 2019 Restated</b>	<u>13,863</u>	<u>5,154,683</u>	<u>7,832,575</u>	<u>13,001,121</u>
<b>1 April 2019 (as previously reported)</b>	13,863	5,154,683	7,864,337	13,032,883
Change in accounting policy (note 3)	-	-	(31,762)	(31,762)
<b>1 April 2019 Restated</b>	<u>13,863</u>	<u>5,154,683</u>	<u>7,832,575</u>	<u>13,001,121</u>
<b>Comprehensive income for the year</b>				
Profit for the year	-	-	252,406	252,406
<b>Total comprehensive income for the year</b>	<u>-</u>	<u>-</u>	<u>252,406</u>	<u>252,406</u>
<b>Contributions by and distributions to owners:</b>				
Capital contributions by the parent company	-	5,887,777	-	5,887,777
<b>Total contributions by and distributions to owners</b>	<u>-</u>	<u>5,887,777</u>	<u>-</u>	<u>5,887,777</u>
<b>31 March 2020</b>	<u>13,863</u>	<u>11,042,460</u>	<u>8,084,981</u>	<u>19,141,304</u>

The notes on pages 13 to 27 form part of these financial statements.

# Dynatrace Limited

## Notes forming part of the financial statements for the year ended 31 March 2020

### 1 Accounting policies

Dynatrace Limited is a company incorporated in England & Wales under the Companies Act. The address of the registered office is given on the contents page and the nature of the company's operations and its principal activities are set out in the directors' report. The financial statements have been prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies. The areas where significant judgements and estimates have been made in preparing the financial statements and their effect are disclosed in note 2.

The Company's ultimate parent undertaking, Dynatrace, Inc. includes the Company in its consolidated financial statements. The consolidated financial statements of Dynatrace, Inc. are available to the public and may be obtained from 1601 Trapelo Road, Suite 116, Waltham, MA 02451. In these financial statements, the Company is considered to be a qualifying entity and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Disclosures in respect of the details of the parent company's share-based payment arrangements have not been presented as equivalent disclosures have been provided in respect of the group as a whole

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

#### *Going concern*

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report. The company has net current assets of £17.1m (2019 - £14.8m) and net assets of £19.1m (2019 - £13.0m).

The directors have considered the effects of COVID-19 on the going concern status of the company. There has been minimal impact on the revenues of the business and the company is well-positioned for the current economic challenges due to the importance of our testing to key customers and sectors, continuity planning, and support provided by Dynatrace, Inc.

The directors have prepared cash flow forecasts covering a period including 12 months from the date of signing these financial statements. Those forecasts show that applying any reasonable foreseeable sensitivity to the key assumptions of revenue generation and customer payment periods, the company can continue to operate using the resources available to it during that period.

The group of which the company is a member has considerable financial resources and the company has contracts with a number of large, established customers in the UK and suppliers across different geographic areas. In addition, Dynatrace, Inc. is consistently reporting on the growth of its unlevered Free Cash Flow. The company has no bank borrowings, and bank balances are deposited with the group treasury function when significant. As a result, the company is able to call on support from the wider Dynatrace Group for its working capital requirements if required. Dynatrace, Inc. issued a non-legally binding letter of support confirming its intention to support the company, should the need arise for a period of at least 12 months from the date of the approval of the financial statements. However, no such requirement is foreseen during the period for which the cash flows have been prepared.

As a result the directors believe that there are no material uncertainties that lead to significant doubt upon the company's ability to continue as a going concern and that it is appropriate to prepare the financial statements on the going concern basis.

# Dynatrace Limited

## Notes forming part of the financial statements for the year ended 31 March 2020 (continued)

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### 1 Accounting policies (continued)

#### *Turnover*

Turnover (excluding maintenance) represents the recognised value of goods and services provided, and are stated net of trade discounts and Value Added Tax.

Maintenance income is credited to revenue over the period of the maintenance agreement.

For any contract that contains bundled elements of consultancy, maintenance and license fees:

- service income is split out on an individual customer basis, and deferred to the balance sheet to be recognised on an as and when utilised basis;
- maintenance income is split out based upon a fixed percentage of the net contract price excluding services. It is deferred to the balance sheet and recognised rateably on a straight line basis over the length of the maintenance contract; and
- license fees are recognised upfront for classic perpetual and term licenses, or rateably over the period of the contract for Dynatrace Managed perpetual and term licenses.

The parent company has entered into certain global license agreements with certain customers. Although the billing of these agreements takes place within the UK entity, the revenue is recognised within the EMEA group entities in which the end license user is located.

#### *Goodwill*

Goodwill arising on acquisitions, representing the difference between the fair value of consideration and the acquired net assets, is amortised on a straight line basis over a remaining period of useful economic life of 10 years. Provision is made for any impairment.

#### *Tangible fixed assets*

Tangible fixed assets are stated at cost less depreciation and any provision for impairment. Depreciation is calculated to write off the cost less estimated residual value of all tangible fixed assets by equal annual instalments over their expected useful lives. The rates generally applicable are:

Fixtures and fittings	-	20% per annum
Computer equipment	-	33% per annum

# Dynatrace Limited

## Notes forming part of the financial statements for the year ended 31 March 2020 (continued)

### 1 Accounting policies (continued)

#### *Taxation*

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a charge attributable to an item of income or expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company's subsidiaries operate and generate taxable income.

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax.

Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

#### *Leased assets: Lessee*

Operating lease rentals are charged to the profit and loss account straight line over the lease term, even if the payments are not made on such a basis.

#### *Financial instruments*

The company has chosen to adopt Section 11 and 12 of FRS 102 in respect of recognition and measurement of financial instruments.

Basic financial assets, including trade and other debtors and cash balances are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of future receipts discounted at market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Financial liabilities are classed in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability.

# Dynatrace Limited

## Notes forming part of the financial statements for the year ended 31 March 2020 (continued)

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### 1 Accounting policies (continued)

Basic financial liabilities including trade and other creditors that are classified as debt are initially recognised at transaction price, unless the arrangement constitutes a financial transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Trade creditors are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

#### *Investments*

Investments in subsidiaries are measured as cost less accumulated impairment.

#### *Contributions to pension fund*

The company contributes to a mandatory, non-employee contributory, personal pension scheme. The assets of the scheme are administered by the trustees in a fund independent from those of the company. The pension costs charged against profits represent the amount of the contributions payable to the scheme in respect of the accounting period.

#### *Foreign exchange*

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

#### *Holiday Pay*

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the reporting date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the reporting date.

#### *Pension costs*

Contributions to the company's defined contribution pension scheme are charged to the profit or loss in the year in which they become payable.

#### *Share based payments*

The Company recognised a share based payment expense for Management Incentive Units (MIUs) and Appreciation Units (AU's) on a straight-line basis over an employee's requisite service period based on the award's fair value. Share-based awards are settled in cash and are accounted for as liability-based awards. As such, liabilities for awards under these plans are required to be measured at fair value at each reporting date until the date of settlement.

In connection with the group reorganisation transactions occurring during the year, outstanding awards granted under the MIU Plan were converted into shares of common stock, restricted stock, and restricted stock units. Upon conversion, the MIUs and AUs were modified and ceased to be classified as liability awards.

Subsequent to the reorganisation, where share options are awarded to employees, the fair value of the options at the date of grant is charged to profit or loss over the vesting period.

# Dynatrace Limited

## Notes forming part of the financial statements for the year ended 31 March 2020 (continued)

### *Share based payments (continued)*

Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the company keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period.

The Company does not provide consideration to the Parent for the MIUs, Restricted Stock Units or Restricted Stock. Therefore, the fair value of the MIUs, Restricted Stock Units or Restricted Stock are recorded as a capital contribution from the Parent in line with their recognition in the income statement.

## **2 Judgements in applying accounting policies and key sources of estimation uncertainty**

In preparing these financial statements, the directors have made the following judgements:

- Determine whether leases entered into by the company either as a lessee (see note 20) are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis;

### *Other key sources of estimation uncertainty*

- *Revenue (see note 4)*

Revenue is recognised using a stand alone selling price allocation of maintenance income which is split out based upon a fixed percentage of the net contract price excluding services.

- *Trade Debtors (see note 11)*

Trade debtors are reviewed for impairment loss on a monthly basis and provision made for any balances where there is uncertainty against the recoverability of the balance. This methodology is applied on a customer by customer basis.

- *Creditors and liabilities (see note 13)*

Liabilities are recognised at the balance sheet date and include amounts for accrued holiday pay, bonuses and legal costs. Although these amounts are reviewed on a regular basis and adjusted to reflect management's best current estimates, the judgemental nature of these items means that future amounts settled may be different from those provided.

- *Fair value of Management Incentive Units (see note 23)*

The company operated a cash settled Management Incentive Units plan during the year which converted to an equity settled share based payment. Employee services received and the corresponding increase in capital contribution are measured by reference to the fair value of the outstanding unvested units at the conversion date.

## Dynatrace Limited

### Notes forming part of the financial statements for the year ended 31 March 2020 (continued)

#### 3 Change in accounting policy - Prior year restatement

In the current year the entity aligned their revenue recognition policy with that of the group as it more appropriately represents the substance of the transactions, affecting the manner in which revenue from certain licences are recognised, and the capitalisation of costs associated with the contract.

Licence fees were recognised upfront for perpetual licences or for any fixed terms licences which were recognised rateable over the period of the licence term. License fees are now recognised upfront for classic perpetual and term licenses, or rateably over the period of the contract for Dynatrace Managed perpetual and term licenses. The costs, being sales commission and partner fees, were previously recognised upfront in profit and loss, however are now capitalised and amortised to reflect the costs over the life of the contract.

Consideration was also given to the impact on transfer pricing and taxation resulting from the change in accounting policy. The change was retrospectively applied in opening retained earnings, with the comparative figures for the year-ended 31 March 2019 being restated. The effect of the change in accounting policy can be seen below.

	Previously reported 31 March 2019	Adjustment	Restated £ 31 March 2019
	£	£	£
<b>Statement of comprehensive income</b>			
Revenue	25,288,933	745,433	24,543,500
Cost of Sales	(6,089,066)	376,181	(6,465,247)
Administrative expenses – sales commissions and partner fees	(18,381,475)	(1,059,608)	(17,321,867)
<b>Balance sheet</b>			
Debtors – Non current deferred commissions	-	2,096,548	2,096,548
Debtors – Current deferred commissions	-	1,761,643	1,761,643
Accruals and deferred income – Non-current	(2,460,976)	(2,172,125)	(4,633,101)
Accruals and deferred income - Current	(17,787,086)	(1,341,647)	(19,128,733)
Profit and loss account – 1 April 2018	(6,521,533)	(30,244)	(6,551,777)

# Dynatrace Limited

## Notes forming part of the financial statements for the year ended 31 March 2020 (continued)

### 4 Turnover

Turnover is attributable to one activity, the sale of computer software systems and solutions.

	2020 £	Restated 2019 £
An analysis of turnover by geographical market is given below:		
United Kingdom	24,798,111	16,913,098
Rest of Europe	1,925,505	2,237,542
Rest of World	4,993,564	5,392,860
	<u>31,717,180</u>	<u>24,543,500</u>

### 5 Employees

	2020 £	2019 £
Staff costs consist of:		
Wages and salaries	12,248,300	9,837,242
Social security costs	1,653,555	1,271,106
Pension costs (see note 22)	490,286	451,003
	<u>14,392,141</u>	<u>11,559,351</u>

The average number of employees, including directors, of the company during the year was 115 (2019 - 108).

	2020 £	2019 £
Remuneration in respect of directors was payable as follows:		
Directors' emoluments	212,049	193,874
Company contributions to pension schemes	35,115	33,764
	<u>247,164</u>	<u>227,638</u>

One director (2019 - one) is also a director of Compuware Corporation, a fellow group company. This director received no remuneration in respect of their services to the company in the current or prior year and is paid by the parent company. Emoluments of the highest paid director were £212,049 (2019 - £193,874). Company pension contributions of £35,115 (2019 - £33,784) were made to a pension scheme on his behalf.

The share based payment recognised in relation to directors of the company was £657,806 (2019: £95,313)

Total compensation of key management personnel during the year was £2,183,563 (2019 - £1,003,885).

# Dynatrace Limited

## Notes forming part of the financial statements for the year ended 31 March 2020 (continued)

6 Operating profit	2020 £	2019 £
This has been arrived at after charging/(crediting):		
Auditors' remuneration:		
- audit fees	50,250	51,000
- other services	-	11,650
Depreciation of owned assets	278,708	247,782
Amortisation and impairment of goodwill	-	413,244
(Profit) / loss on disposal of fixed assets	(770)	2,969
Operating lease rentals - operating leases	474,650	474,350
Exchange gains	(304,193)	(88,947)
Share based payment	5,892,028	1,574,287
	5,892,028	1,574,287
7 Interest receivable and other income	2020 £	2019 £
Bank deposit interest		
	-	1,053
Other interest		
	688,755	583,953
	688,755	585,006
Other interest relates to amounts receivable in respect of the intercompany balances held with other group companies.		
8 Taxation on profit from ordinary activities	2020 £	2019 £
<i>Current tax</i>		
UK corporation tax	1,495,538	425,307
Adjustment in respect of prior years	136,362	38,577
	1,631,900	463,884
Current tax charge		
	1,631,900	463,884
<i>Deferred tax</i>		
Origination and reversal of timing differences	634,923	(547,776)
Adjustments in respect of prior periods	-	144,486
Effect of change in tax rate	(59,842)	-
	575,081	(403,290)
Deferred tax movement		
	575,081	(403,290)
	2,206,981	60,594
Total tax charge on profit on ordinary activities		

## Dynatrace Limited

### Notes forming part of the financial statements for the year ended 31 March 2020 *(continued)*

#### 8 Taxation on profit from ordinary activities *(continued)*

The tax assessed for the year is different from the standard rate of corporation tax in the UK. The differences are explained below:

	2020	Restated 2019
	£	£
Profit on ordinary activities before tax	2,459,387	1,341,392
Profit on ordinary activities at the standard rate of corporation tax in the UK of 19.00 %	467,284	254,865
Effects of:		
Fixed asset differences	-	95,325
Expenses not deductible for tax purposes	1,127,038	207,862
Adjustments to brought forward values	(5,746)	-
Other permanent differences	(5,744)	-
Adjustments to tax charge in respect of previous periods	136,362	50,176
Deferred tax on Management Incentive Units	594,027	(445,950)
Adjustments to the opening deferred tax to the average rate of 19%	(210,275)	145,855
Adjustments to the closing deferred tax to the average rate of 19%	-	(233,845)
Deferred tax not recognised	104,035	(13,694)
Total tax charge	2,206,981	60,594

#### 9 Intangible fixed assets – goodwill

	£
<i>Cost</i>	
At 1 April 2019 and 31 March 2020	3,945,873
<i>Amortisation and impairment</i>	
At 1 April 2019 and 31 March 2020	3,945,873
<i>Net book value</i>	
At 31 March 2019 and 31 March 2020	-

## Dynatrace Limited

Notes forming part of the financial statements  
for the year ended 31 March 2020 *(continued)*

### 10 Tangible assets

	Fixtures and fittings £	Computer equipment £	Total £
<i>Cost</i>			
At 1 April 2019	1,435,174	275,368	1,710,542
Additions	17,921	353,390	371,311
Disposals	(650,441)	(84,544)	(734,985)
	<b>802,654</b>	<b>544,214</b>	<b>1,346,868</b>
<i>Depreciation</i>			
At 1 April 2019	751,347	46,587	797,934
Charge for the year	91,049	187,659	278,708
Disposals	(650,441)	(84,544)	(734,985)
	<b>191,955</b>	<b>149,702</b>	<b>341,657</b>
<i>Net book value</i>			
At 31 March 2020	<b>610,699</b>	<b>394,512</b>	<b>1,005,211</b>
At 31 March 2019	683,827	228,781	912,608

## Dynatrace Limited

### Notes forming part of the financial statements for the year ended 31 March 2020 (continued)

11 Debtors - amounts due within one year	2020 £	Restated 2019 £
Due within one year:		
Trade debtors	10,176,381	7,526,565
Amounts owed by group undertakings	31,923,200	25,342,662
Prepayments and accrued income	618,019	569,614
Deferred tax (see note 17)	-	508,654
Deferred Commissions - Short Term	2,657,555	1,761,643
	<u>45,375,155</u>	<u>35,709,138</u>
<p>The impairment loss recognised in the profit or loss for the year in respect of bad and doubtful trade debtors was £0 (2019- £157,173).</p>		
12 Debtors: amounts due after more than one year	2020 £	Restated 2019 £
Deferred Commissions – Long Term	<u>3,212,780</u>	<u>2,096,548</u>
13 Creditors: amounts falling due within one year	2020 £	Restated 2019 £
Trade creditors	1,018,376	720,695
Amounts owed to group undertakings	211,329	2,038,772
Corporation tax	1,123,394	312,478
Taxation and social security	3,689,913	1,360,712
Accruals and deferred income	28,059,659	19,128,733
	<u>34,102,671</u>	<u>23,561,390</u>
14 Creditors: amounts falling due after more than one year	2020 £	Restated 2019 £
Accruals and deferred income	<u>1,957,353</u>	<u>4,633,101</u>

# Dynatrace Limited

Notes forming part of the financial statements  
for the year ended 31 March 2020 (continued)

## 15 Financial instruments

The company's financial instruments may be analysed as follows:

	2020 £	Restated 2019 £
<b>Financial assets</b>		
Financial assets that are debt instruments measured at amortised cost	42,099,581	32,869,227
Financial assets held as cash	5,849,606	2,620,974
	<u>                    </u>	<u>                    </u>
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost	3,309,765	4,548,792
	<u>                    </u>	<u>                    </u>

Financial assets measured at amortised cost comprise trade debtors and amounts owed by group companies.

Financial liabilities measured at amortised cost comprise trade creditors, other creditors, accruals and amounts owed to group companies.

Information regarding the company's exposure to and management of credit risk, liquidity risk, cash flow, interest rate risk, and foreign exchange risk is included in the Directors' report.

## 16 Provisions for liabilities

	£
Dilapidations recognised at 1 April 2019	143,656
Charged to the profit and loss account	31,342
	<u>                    </u>
Dilapidation balance at 31 March 2020	174,998
	<u>                    </u>
Deferred tax liability at 31 March 2020 (see note 17)	66,426
	<u>                    </u>
<b>Total provision at 31 March 2020</b>	<b>241,424</b>
	<u>                    </u>

The dilapidations balance relates to a dilapidation provision which is expected to be utilised at expiry of the associated lease.

## Dynatrace Limited

### Notes forming part of the financial statements for the year ended 31 March 2020 (continued)

#### 17 Deferred taxation

	2020 £	2019 £
Balance at 1 April	508,654	105,364
Origination and reversal of timing differences	(634,923)	403,290
Effect of change in tax rate	59,842	-
	(66,427)	508,654
	(66,427)	508,654
	2020 £	2019 £
<i>Deferred taxation asset</i>		
Accelerated capital allowances	(81,717)	(82,148)
Tax losses carried forward	-	59,304
Short term timing differences	15,290	-
Deferred tax asset on share based payments	-	531,498
	(66,427)	508,654
	(66,427)	508,654

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised on the liability settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

There is an unrecognised deferred tax asset of £1,382,717 (2019 - £1,170,813) in respect of trading losses which will be recognised when future profits against which the asset will be recovered can be foreseen with sufficient certainty.

#### 18 Share capital

	Allotted, called up and fully paid			
	2020 Number	2019 Number	2020 £	2019 £
100,000 Ordinary shares of £1 each	13,863	13,863	13,863	13,863
	13,863	13,863	13,863	13,863

#### 19 Capital contribution reserve

On 1 April 2015, Dynatrace International LLC, the parent company of Dynatrace Limited, provided a capital contribution of £3,053,950 for the waiver of an intercompany balance with Compuware UK Limited.

In addition to the above, the Management Incentive Units, Restricted Stock and Restricted Stock Units held by employees of the company are settled by the parent company, resulting in an increased capital contribution in line with the charge for the year, £5,892,028 (2019: £1,574,287). A repurchase of MIU's occurred during the year of £4,251 (2019: nil). See note 23.

# Dynatrace Limited

## Notes forming part of the financial statements for the year ended 31 March 2020 (continued)

### 20 Commitments under operating leases

The company had total future minimum lease payments under non-cancellable operating leases as set out below:

	2020 £	2019 £
Not later than 1 year	474,650	474,350
Later than 1 year and not later than 5 years	1,883,808	1,884,108
Later than 5 years	941,904	1,412,856
	<hr/>	<hr/>
Total	3,300,362	3,771,314
	<hr/>	<hr/>

### 21 Related party transactions

The ultimate parent company, controlling undertaking and head of the smallest and largest group into which the results of Dynatrace Limited is consolidated is Dynatrace, Inc. a company incorporated in the State of Delaware, United States of America.

Dynatrace's corporate headquarters is located at 1601 Trapelo Road, Suite 116, Waltham, MA 02451.

The remuneration paid to key management personnel is set out in note 5 to these financial statements.

There were no transactions with related parties during the year other than those with wholly owned members of the Compuware Corporation group.

Dynatrace Inc. shares were first traded on the NYSE on August 1, 2019 under the symbol DT. Quarterly and annual reports can be accessed in the SEC Filings section of its website, or directly from the SEC at [www.sec.gov](http://www.sec.gov).

### 22 Pensions

The company contributes to a mandatory, non-employee contributory, personal pension scheme. The assets of the scheme are administered by the trustees in a fund independent from those of the company.

The pension charge represents contributions payable by the company and amounted to £490,286 (2019 - £451,003) of which no amounts were payable at the year-end (2019 - Nil).

### 23 Share based payments

In connection with the group reorganisation transactions occurring during the year, outstanding awards granted under the MIU Plan were converted into shares of common stock, restricted stock, and restricted stock units. Upon conversion, the MIUs and AUs were modified and ceased to be classified as liability awards.

The Company granted to certain employees, rights to equity instruments of Dynatrace, Inc. its ultimate controlling party. The required disclosures are therefore included in the consolidated financial statements of Dynatrace, Inc. The Company measures its share based payment expense as a proportion of the expense recognised for the entire share based payment scheme based on the number of employees participating in the scheme. The Company recognised a total charge of £5,892,028 (2019: £1,574,287) during the year relating to this scheme.

## Dynatrace Limited

Notes forming part of the financial statements  
for the year ended 31 March 2020 *(continued)*

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### 23 Share based payments *(continued)*

Under the 2019 Equity Incentive Plan there are a total of 930,010 (2019: 807,010) restricted stock awards that have been reserved for issuance to employees of Dynatrace Limited. Employee options vest over a period of four years. The exercise price varies between \$0.04 and \$16.