Progress Software Corporation
Reconciliation of GAAP to Non-GAAP Financial Measures
February 28, 2018

Progress Software Corporation provides non-GAAP supplemental information to its financial results.

We use this non-GAAP information to evaluate our period-over-period operating performance because our management believes the information helps illustrate underlying trends in our business and provides us with a more comparable measure of our continuing business, as well as a greater understanding of the results from the primary operations of our business, by excluding the effects of certain items that do not reflect the ordinary earnings of our operations. Management also uses this non-GAAP financial information to establish budgets and operational goals, which are communicated internally and externally, evaluate performance, and allocate resources. In addition, compensation of our executives and non-executive employees is based in part on the performance of our business evaluated using this same non-GAAP information.

However, this non-GAAP information is not in accordance with, or an alternative to, generally accepted accounting principles in the United States (GAAP) and should be considered in conjunction with our GAAP results as the items excluded from the non-GAAP information often have a material impact on Progress' financial results. A reconciliation of non-GAAP adjustments to Progress' GAAP financial results is included in the tables below and is available on the Progress website at www.progress.com within the investor relations section.

As described in more detail below, non-GAAP revenue, non-GAAP costs of sales and operating expenses, non-GAAP income from operations and operating margin, non-GAAP net income, and non-GAAP diluted earnings per share exclude the effect of purchase accounting on the fair value of acquired deferred revenue, amortization of acquired intangible assets, stock-based compensation expense, fees related to shareholder activist, restructuring charges, acquisition-related expenses, certain identified non-operating gains and losses, and the related tax effects of the preceding items. We also provide guidance on adjusted free cash flow, which is equal to cash flows from operating activities less purchases of property and equipment, plus restructuring payments.

In the noted fiscal periods, we adjusted for the following items from our GAAP financial results to arrive at our non-GAAP financial measures:

- *Acquisition-related revenue* - In all periods presented, we include acquisition-related revenue, which constitutes revenue reflected as pre-acquisition deferred revenue that would otherwise have been recognized but for the purchase accounting treatment of acquisitions. The acquisition-related revenue relates to Telerik, which we acquired on December 2, 2014, and Kinvey, which we acquired on June 1, 2017. Since GAAP accounting requires the elimination of this revenue, GAAP results alone do not fully capture all of our economic activities. We believe these adjustments are useful to management and investors as a measure of the ongoing performance of the business because, although we cannot be certain that customers will renew their contracts, we have historically experienced high renewal rates on maintenance and support agreements and other customer contracts. Additionally, although acquisition-related revenue adjustments are non-recurring with respect to past acquisitions, we expect to incur these adjustments in connection with any future acquisitions.

- *Amortization of acquired intangibles* - In all periods presented, we exclude amortization of acquired intangibles because those expenses are unrelated to our core operating performance and the intangible assets acquired vary significantly based on the timing and magnitude of our acquisition transactions and the maturities of the businesses acquired.

- *Stock-based compensation* - In all periods presented, we exclude stock-based compensation to be consistent with the way management and the financial community evaluates our performance and the methods used by analysts to calculate consensus estimates. The expense related to stock-based awards is generally not controllable in the short-term and can vary significantly based on the timing, size and nature of awards granted. As such, we do not include these charges in operating plans. Stock-based compensation will continue in future periods.

- *Fees related to shareholder activist* - In September 2017, Praesidium Investment Management publicly announced in a Schedule 13D filed with the Securities and Exchange Commission its disagreement with our strategy and stated that it was seeking changes in the composition of our Board of Directors. We have incurred professional and other fees relating to Praesidium's actions. We exclude these fees because they distort trends and are not part of our core operating results. We do not expect to incur additional professional and other fees related to this matter.

- *Restructuring expenses* - In all periods presented, we exclude restructuring expenses incurred because those expenses distort trends and are not part of our core operating results.

- *Acquisition-related and transition expenses* - In all periods presented, we exclude acquisition-related expenses because those expenses distort trends and are not part of our core operating results. In recent years, we have completed a number of acquisitions, which result in our incurring operating expenses which would not otherwise have been incurred. By excluding certain transition, integration and other acquisition-related expense items in connection with acquisitions, this provides more meaningful comparisons of the financial results to our historical operations and forward-looking guidance and the financial results of less acquisitive peer companies. We consider these types of costs and adjustments, to a great extent, to be unpredictable and dependent on a significant number of factors that are outside of our control. Furthermore, we do not consider these acquisition-related costs and adjustments to be related to the organic continuing operations of the acquired businesses and are generally not relevant to assessing or estimating the long-term performance of the acquired assets. In addition, the size, complexity and/or volume of past acquisitions, which often drives the magnitude of acquisition-related costs, may not be indicative of the size, complexity and/or volume of future acquisitions.

- *Income tax adjustment* - In all periods presented, we adjust our income tax provision by excluding the tax impact of the non-GAAP adjustments discussed above.

RECONCILIATIONS OF GAAP TO NON-GAAP SELECTED FINANCIAL MEASURES
(Unaudited)

(In thousands, except per share data)	Three Months Ended February 28, 2018		Three Months Ended February 28, 2017		% Change Non-GAAP
Adjusted revenue:					
GAAP revenue	$ 94,047		$ 90,970		
Acquisition-related revenue (1)	147		233		
Non-GAAP revenue	$ 94,194	100 %	$ 91,203	100 %	*3 %*
Adjusted gross margin:					
GAAP gross margin	$ 77,144	82 %	$ 75,212	83 %	
Amortization of acquired intangibles	5,818	6 %	3,678	4 %	
Stock-based compensation	246	— %	256	— %	
Acquisition-related revenue (1)	147	— %	233	— %	
Non-GAAP gross margin	$ 83,355	88 %	$ 79,379	87 %	*5 %*
Adjusted operating expenses:					
GAAP operating expenses	$ 59,376	63 %	$ 73,990	81 %	
Amortization of acquired intangibles	(3,319)	(4)%	(3,179)	(3)%	
Fees related to shareholder activist	(1,258)	(1)%	—	— %	
Restructuring expenses	(1,821)	(2)%	(17,139)	(19)%	
Acquisition-related expenses	(43)	— %	(49)	— %	
Stock-based compensation	(4,324)	(4)%	(1,374)	(2)%	
Non-GAAP operating expenses	$ 48,611	52 %	$ 52,249	57 %	*(7)%*
Adjusted income from operations:					
GAAP income from operations	$ 17,768	19 %	$ 1,222	1 %	
Amortization of acquired intangibles	9,137	10 %	6,857	8 %	
Fees related to shareholder activist	1,258	1 %	—	— %	
Restructuring expenses	1,821	2 %	17,139	19 %	
Stock-based compensation	4,570	5 %	1,630	2 %	
Acquisition-related	190	— %	282	— %	
Non-GAAP income from operations	$ 34,744	37 %	$ 27,130	30 %	*28 %*
Adjusted diluted earnings per share:					
GAAP diluted earnings (loss) per share	$ 0.27		$ (0.01)		
Amortization of acquired intangibles	0.19		0.14		
Fees related to shareholder activist	0.03		—		
Restructuring expenses	0.04		0.35		
Stock-based compensation	0.10		0.03		
Acquisition-related	—		—		
Provision for income taxes	(0.09)		(0.17)		
Non-GAAP diluted earnings per share	$ 0.54		$ 0.34		*59 %*
Non-GAAP weighted avg shares outstanding - diluted	47,476		49,034		*(3)%*

(1) Acquisition-related revenue constitutes revenue reflected as pre-acquisition deferred revenue that would otherwise have been recognized but for the purchase accounting treatment of acquisitions. Since GAAP accounting requires the elimination of this revenue, GAAP results alone do not fully capture all of our economic activities. Note that acquisition-related revenue adjustments relate to Progress' OpenEdge and Application Development and Deployment business segments for Kinvey and Telerik, respectively.

OTHER NON-GAAP FINANCIAL MEASURES
(Unaudited)

Revenue by Type

(In thousands)	Q1 2018	Non-GAAP Adjustment (1)	Non-GAAP Revenue
License	$ 25,343	$ 19	$ 25,362
Maintenance	61,479	46	61,525
Services	7,225	82	7,307
Total revenue	$ 94,047	$ 147	$ 94,194

Revenue by Region

(In thousands)	Q1 2018	Non-GAAP Adjustment (1)	Non-GAAP Revenue
North America	$ 51,641	$ 147	$ 51,788
EMEA	33,014	—	33,014
Latin America	4,461	—	4,461
Asia Pacific	4,931	—	4,931
Total revenue	$ 94,047	$ 147	$ 94,194

Revenue by Segment

(In thousands)	Q1 2018	Non-GAAP Adjustment (1)	Non-GAAP Revenue
OpenEdge	$ 66,408	$ 82	$ 66,490
Data Connectivity and Integration	7,604	—	7,604
Application Development and Deployment	20,035	65	20,100
Total revenue	$ 94,047	$ 147	$ 94,194

(1) Acquisition-related revenue constitutes revenue reflected as pre-acquisition deferred revenue that would otherwise have been recognized but for the purchase accounting treatment of acquisitions. Since GAAP accounting requires the elimination of this revenue, GAAP results alone do not fully capture all of our economic activities. Note that acquisition-related revenue adjustments relate to Progress' OpenEdge and Application Development and Deployment business segments for Kinvey and Telerik, respectively.

Adjusted Free Cash Flow

(In thousands)	Q1 2018	Q1 2017	*% Change*
Cash flows from operations	$ 31,595	$ 37,300	*(15)%*
Purchases of property and equipment	(1,386)	(383)	*262 %*
Free cash flow	30,209	36,917	*(18)%*
Add back: restructuring payments	2,739	6,064	*(55)%*
Adjusted free cash flow	$ 32,948	$ 42,981	*(23)%*

Non-GAAP Bookings from Application Development and Deployment Segment
(Unaudited)

(In thousands)	Q1 2017	Q2 2017	Q3 2017	Q4 2017	FY 2017	Q1 2018
GAAP revenue	$ 19,634	$ 20,227	$ 20,188	$ 20,396	$ 80,445	$ 20,035
Add: change in deferred revenue						
Beginning balance	52,971	51,298	52,400	52,615	52,971	53,794
Ending balance	51,298	52,400	52,615	53,794	53,794	52,927
Change in deferred revenue	(1,673)	1,102	215	1,179	823	(867)
Non-GAAP bookings	$ 17,961	$ 21,329	$ 20,403	$ 21,575	$ 81,268	$ 19,168

RECONCILIATIONS OF GAAP TO NON-GAAP FINANCIAL MEASURES FOR FISCAL YEAR 2018 GUIDANCE
(Unaudited)

Fiscal Year 2018 Revenue Guidance

	Fiscal Year Ended	Fiscal Year Ending			
	November 30, 2017	November 30, 2018			
(In millions)		Low	% Change	High	% Change
GAAP revenue	$ 397.6	$ 398.3	— %	$ 403.7	2 %
Acquisition-related adjustments - revenue (1)	1.0	0.3	(70)%	0.3	(70)%
Non-GAAP revenue	$ 398.6	$ 398.6	— %	$ 404.0	1 %

(1) Acquisition-related revenue constitutes revenue reflected as pre-acquisition deferred revenue that would otherwise have been recognized but for the purchase accounting treatment of acquisitions. Since GAAP accounting requires the elimination of this revenue, GAAP results alone do not fully capture all of our economic activities. Note that acquisition-related revenue adjustments relate to Progress' OpenEdge and Application Development and Deployment business segments for Kinvey and Telerik, respectively.

Fiscal Year 2018 Non-GAAP Operating Margin Guidance

	Fiscal Year Ending November 30, 2018	
(In millions)	Low	High
GAAP income from operations	$ 83.3	$ 88.4
GAAP operating margins	*21%*	*22%*
Acquisition-related revenue	0.3	0.3
Acquisition-related expense	0.2	0.2
Restructuring expense	3.0	2.0
Stock-based compensation	21.1	21.1
Amortization of intangibles	36.2	36.2
Fees related to shareholder activist	1.3	1.3
Total adjustments	62.1	61.1
Non-GAAP income from operations	$ 145.4	$ 149.5
Non-GAAP operating margin	*36%*	*37%*

Fiscal Year 2018 Non-GAAP Earnings per Share and Effective Tax Rate Guidance

	Fiscal Year Ending November 30, 2018	
(In millions, except per share data)	Low	High
GAAP net income	$ 57.5	$ 61.3
Adjustments (from previous table)	62.1	61.1
Income tax adjustment (2)	(10.6)	(10.1)
Non-GAAP net income	$ 109.0	$ 112.3
GAAP diluted earnings per share	$ 1.24	$ 1.32
Non-GAAP diluted earnings per share	$ 2.36	$ 2.41
Diluted weighted average shares outstanding	46.3	46.5

(2) Tax adjustment is based on a non-GAAP effective tax rate of approximately 22% for Low and High, calculated as follows:

Non-GAAP income from operations	$ 145.4	$ 149.5
Other (expense) income	(5.6)	(5.6)
Non-GAAP income from continuing operations before income taxes	139.8	143.9
Non-GAAP net income	109.0	112.3
Tax provision	$ 30.8	$ 31.6
Non-GAAP tax rate	22%	22%

RECONCILIATIONS OF GAAP TO NON-GAAP FINANCIAL MEASURES FOR FISCAL YEAR 2018 GUIDANCE
(Unaudited)

Fiscal Year 2018 Adjusted Free Cash Flow Guidance

	Fiscal Year Ending November 30, 2018	
(In millions)	Low	High
Cash flows from operations (GAAP)	$ 115	$ 121
Purchases of property and equipment	(7)	(7)
Add back: restructuring payments	7	6
Adjusted free cash flow (non-GAAP)	$ 115	$ 120

RECONCILIATIONS OF GAAP TO NON-GAAP FINANCIAL MEASURES FOR Q2 2018 GUIDANCE
(Unaudited)

Q2 2018 Revenue Guidance

	Three Months Ended	Three Months Ending			
	May 31, 2017	May 31, 2018			
(In millions)		Low	% Change	High	% Change
GAAP revenue	$ 93.2	$ 92.9	— %	$ 95.9	3 %
Acquisition-related adjustments - revenue (1)	0.2	0.1	(50)%	0.1	(50)%
Non-GAAP revenue	$ 93.4	$ 93.0	— %	$ 96.0	3 %

(1) Acquisition-related revenue constitutes revenue reflected as pre-acquisition deferred revenue that would otherwise have been recognized but for the purchase accounting treatment of acquisitions. Since GAAP accounting requires the elimination of this revenue, GAAP results alone do not fully capture all of our economic activities. Note that acquisition-related revenue adjustments relate to Progress' OpenEdge and Application Development and Deployment business segments for Kinvey and Telerik, respectively.

Q2 2018 Non-GAAP Earnings per Share Guidance

	Three Months Ending May 31, 2018	
	Low	High
GAAP diluted earnings per share	$ 0.24	$ 0.26
Restructuring expense	0.01	0.01
Stock-based compensation	0.12	0.12
Amortization of intangibles	0.20	0.20
Total adjustments	0.33	0.33
Income tax adjustment	(0.06)	(0.06)
Non-GAAP diluted earnings per share	$ 0.51	$ 0.53