



Progress Financial Results

Q2 2020 Supplemental Data



Legal Notice

This presentation contains statements that are “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Progress has identified some of these forward-looking statements with words like “believe,” “may,” “could,” “would,” “might,” “should,” “expect,” “intend,” “plan,” “target,” “anticipate” and “continue,” the negative of these words, other terms of similar meaning or the use of future dates. Forward-looking statements in this presentation include, but are not limited to, statements regarding Progress’s strategy; acquisitions; future revenue growth, operating margin and cost savings; strategic partnering and marketing initiatives; and other statements regarding the future operation, direction, prospects and success of Progress’s business.

There are a number of factors that could cause actual results or future events to differ materially from those anticipated by the forward-looking statements, including, without limitation:

- Economic, geopolitical and market conditions can adversely affect our business, results of operations and financial condition, including our revenue growth and profitability, which in turn could adversely affect our stock price.
- We may fail to achieve our financial forecasts due to such factors as delays or size reductions in transactions, fewer large transactions in a particular quarter, fluctuations in currency exchange rates, or a decline in our renewal rates for contracts.
- Our ability to successfully manage transitions to new business models and markets, including an increased emphasis on a cloud and subscription strategy, may not be successful.
- If we are unable to develop new or sufficiently differentiated products and services, or to enhance and improve our existing products and services in a timely manner to meet market demand, partners and customers may not purchase new software licenses or subscriptions or purchase or renew support contracts.
- We depend upon our extensive partner channel and we may not be successful in retaining or expanding our relationships with channel partners.
- Our international sales and operations subject us to additional risks that can adversely affect our operating results, including risks relating to foreign currency gains and losses.
- If the security measures for our software, services or other offerings are compromised or subject to a successful cyber-attack, or if such offerings contain significant coding or configuration errors, we may experience reputational harm, legal claims and financial exposure.
- We have made acquisitions, including our recent acquisition of Ipswitch, and may make acquisitions in the future, and those acquisitions may not be successful, may involve unanticipated costs or other integration issues or may disrupt our existing operations. The coronavirus disease (COVID-19) outbreak and the impact it could have on our employees, customers, partners, and the global financial markets could adversely affect our business, results of operations and financial condition

For further information regarding risks and uncertainties associated with our business, please refer to our filings with the Securities and Exchange Commission. Progress undertakes no obligation to update any forward-looking statements, which speak only as of the date of this presentation, except for statements relating to Progress' projected results for the quarter ended August 31, 2020 and fiscal year ended November 30, 2020, which speak only as of June 25, 2020.

Finally, during this presentation we will be referring to non-GAAP financial measures such as non-GAAP revenue, non-GAAP income from operations and operating margin, adjusted free cash flow and non-GAAP diluted earnings per share. These non-GAAP measures are not prepared in accordance with generally accepted accounting principles. A reconciliation between non-GAAP and the most directly comparable GAAP financial measures appears in our earnings press release for the fiscal quarter ended May 31, 2020 and is available in the Investor Relations section of our Web site.

Conference Call Details

What:	Progress Q2 2020 Financial Results Conference Call
When:	Thursday, June 25 th , 2020
Time:	5:00 p.m. ET
Live Call:	1-800-458-4121, pass code 5687996
Live / Recorded Webcast:	<u>http://investors.progress.com</u>

Summary Highlights

- Delivered strong financial results
 - Revenue above high end of guidance, EPS near high-end and strong cash flows
 - Increased full year guidance for revenue and EPS
- Successfully navigating economic challenges resulting from COVID-19
 - Entire global work force working from home for over 3 months without missing a beat
 - Recurring revenue and customer retention not materially impacted
 - Velocity of product releases uninterrupted; OpenEdge 12.2, MOVEit 2020 and DevTools products
 - Actively growing M&A pipeline despite uncertainty
- Hired Jeremy Segal as SVP of Corporate Development
- Committed to donating to causes that fight racial inequality

M&A Framework

--- Goal is to double the size of the company in 5 years ---

Accretive M&A enables us to add scale and cash flows, and generate strong shareholder returns

- Target acquisition profile:
 - Complementary to our business (product, audience & growth profile)
 - Significant recurring revenue and excellent retention rates
 - Cost synergistic and accretive
 - Operating margins after synergies that are consistent with our overall margins
 - ROIC above our weighted average cost of capital

Progress Investment Highlights



Durable, predictable financial model



High quality revenue base and highly recurring revenue model



Accretive M&A and operational efficiencies driving margin improvement



Track record of successful acquisition integration and synergy achievement



Delivering meaningful earnings per share and free cash flow growth

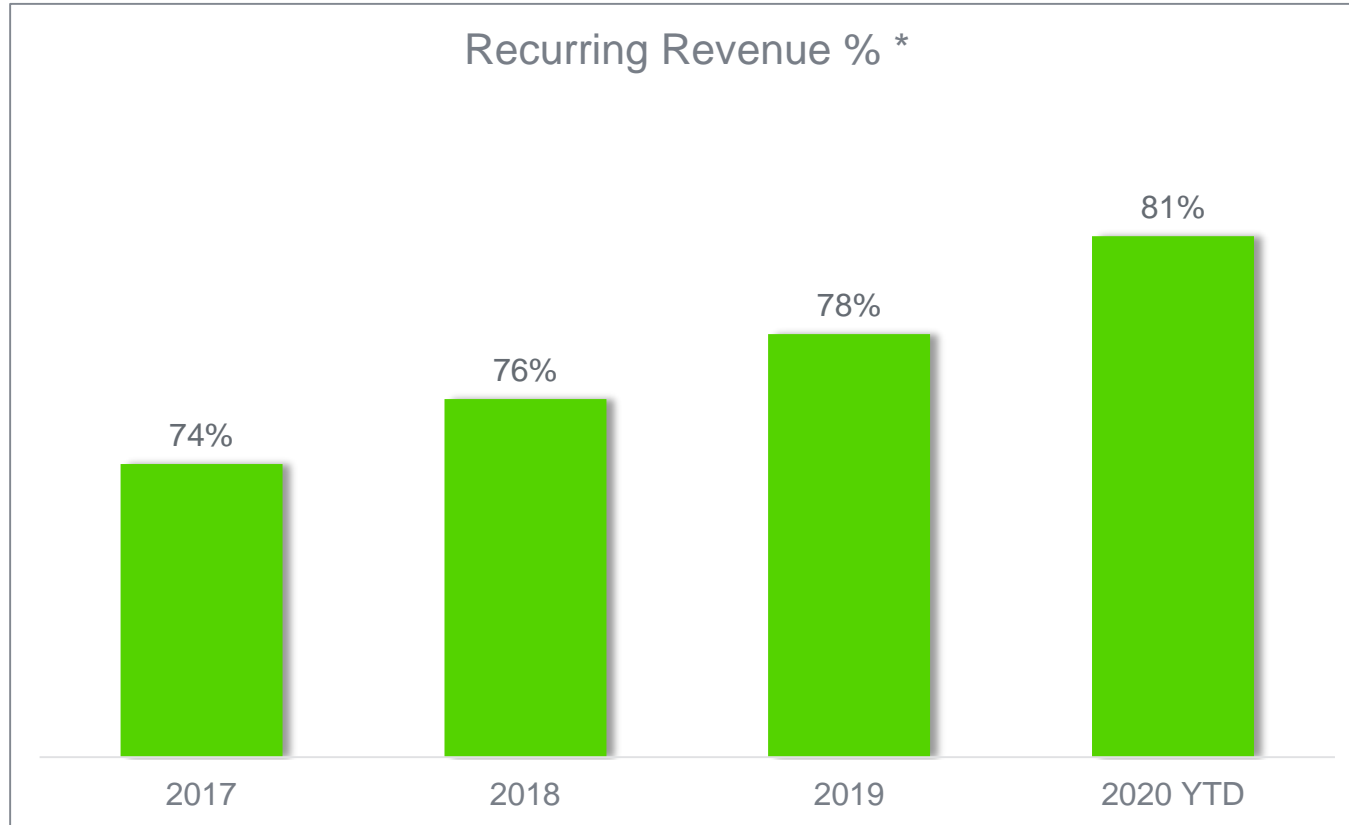


Disciplined capital allocation strategy

Summary Q2 2020 Financial Results

	Q2 2020 Outlook (3/26/2020)	Q2 2020 Results
GAAP Revenue	\$93 M - \$99 M	\$100.4 M (+0% YoY)
Non-GAAP Revenue	\$95 M - \$101 M	\$102.5 M (-1% YoY)
GAAP earnings per share (Diluted)	\$0.36 - \$0.40	\$0.37 (+106%)
Non-GAAP earnings per share (Diluted)	\$0.60 - \$0.64	\$0.63 (-3%)
GAAP Operating Margin	<i>Not guided</i>	25% (+1,000 Bps YoY)
Non-GAAP Operating Margin	<i>Not guided</i>	39% (+100 Bps YoY)
Adjusted Free Cash Flow	<i>Not guided</i>	\$38 M (-5% YoY)

Recurring Revenue Contributing to Stability



Mission critical nature of the applications we power

+

Net revenue retention rate on maintenance – well over 90%

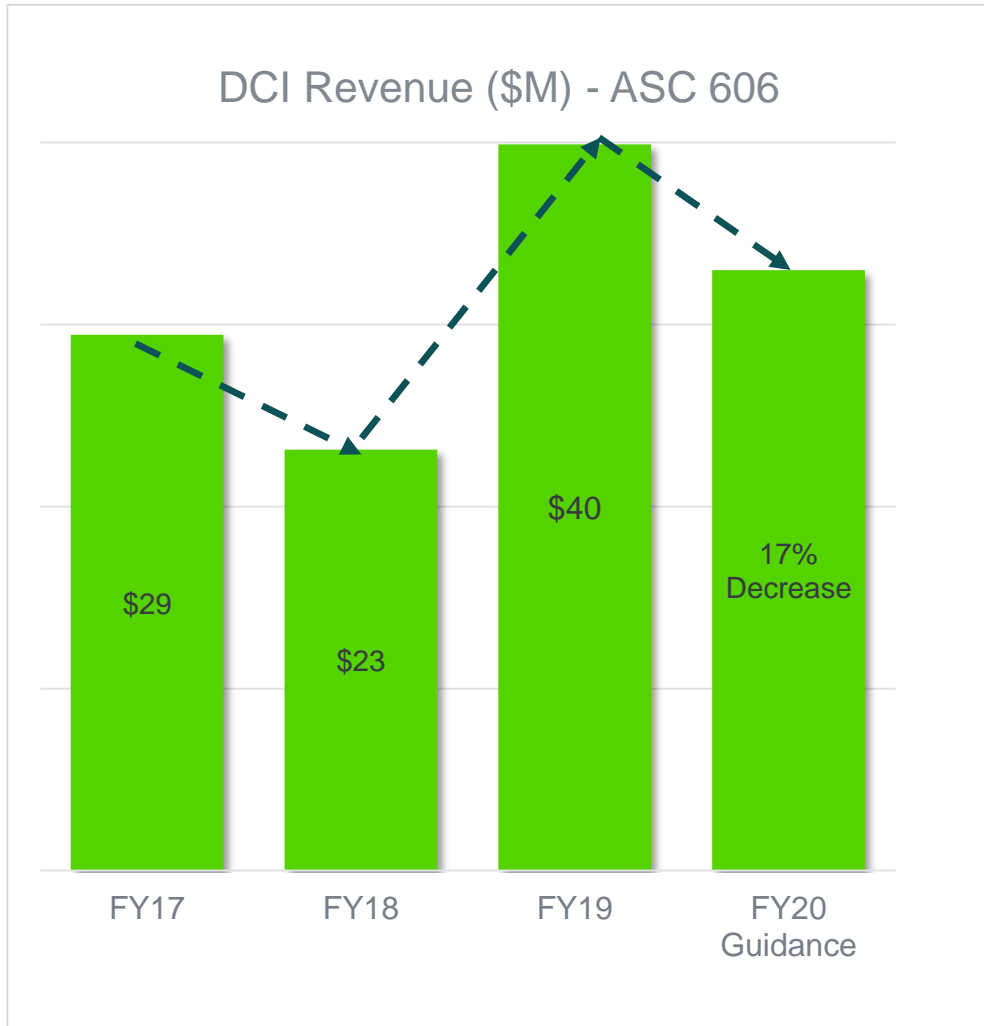
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High percentage of recurring revenue and durability during uncertain times

Recurring Revenue includes: Maintenance Revenue, Revenue derived from hosted/SaaS solutions and subscription revenue derived from subscription or term license arrangements

* Excludes impact of FX by using constant exchange rates for all years.

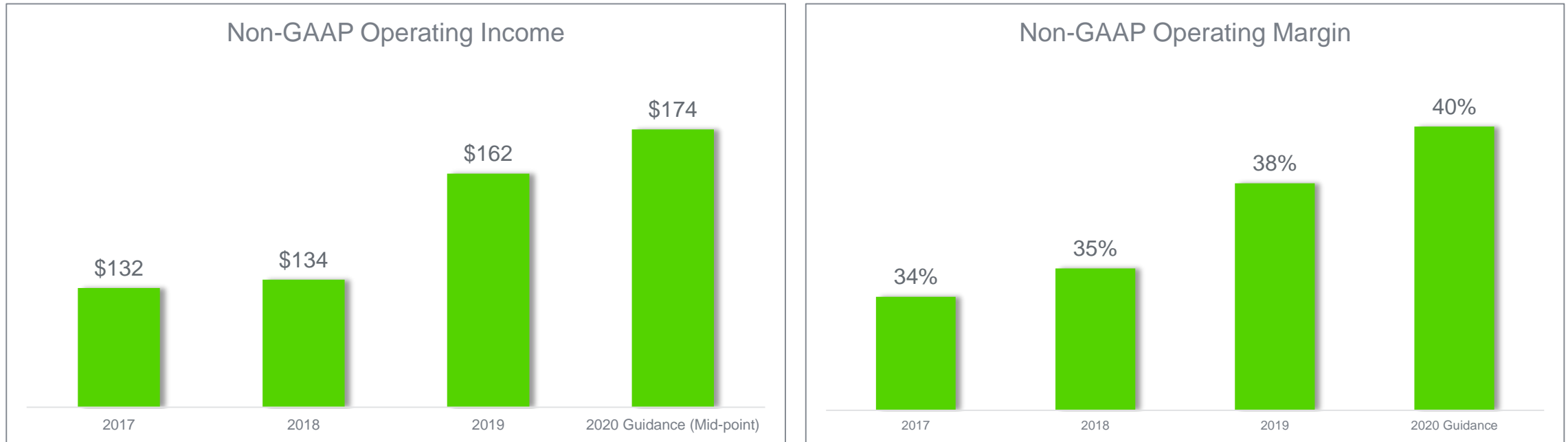
DCI Revenue vs. ACV the impact of ASC 606



- Variability in revenue primarily caused by multi-year term license contracts
- Annual Contract Value shows consistent performance

Driving Operating Leverage

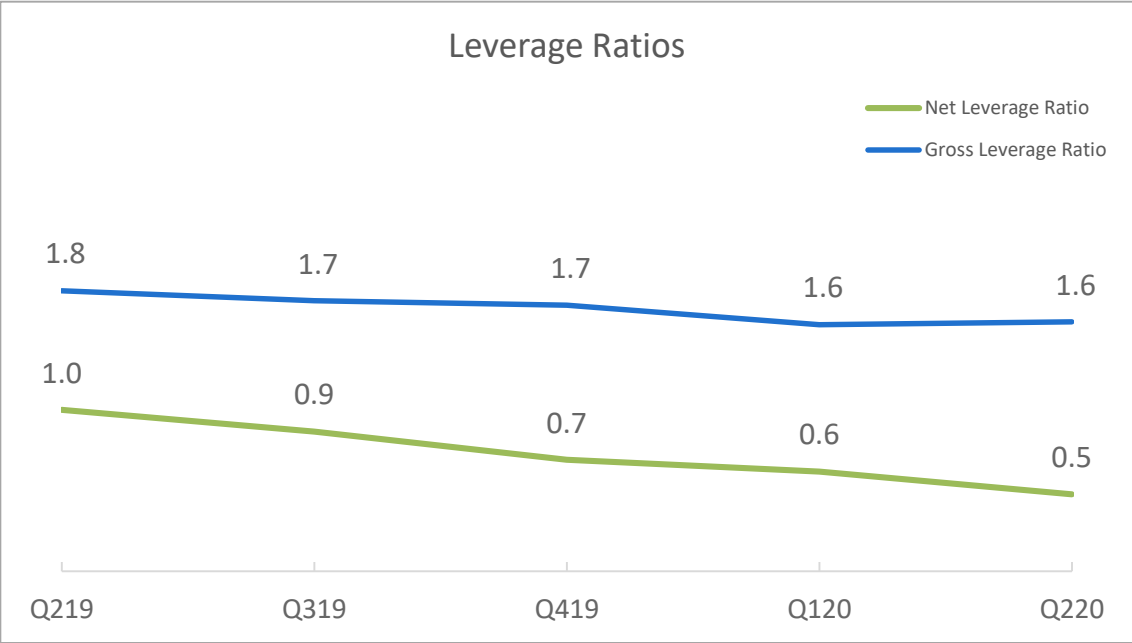
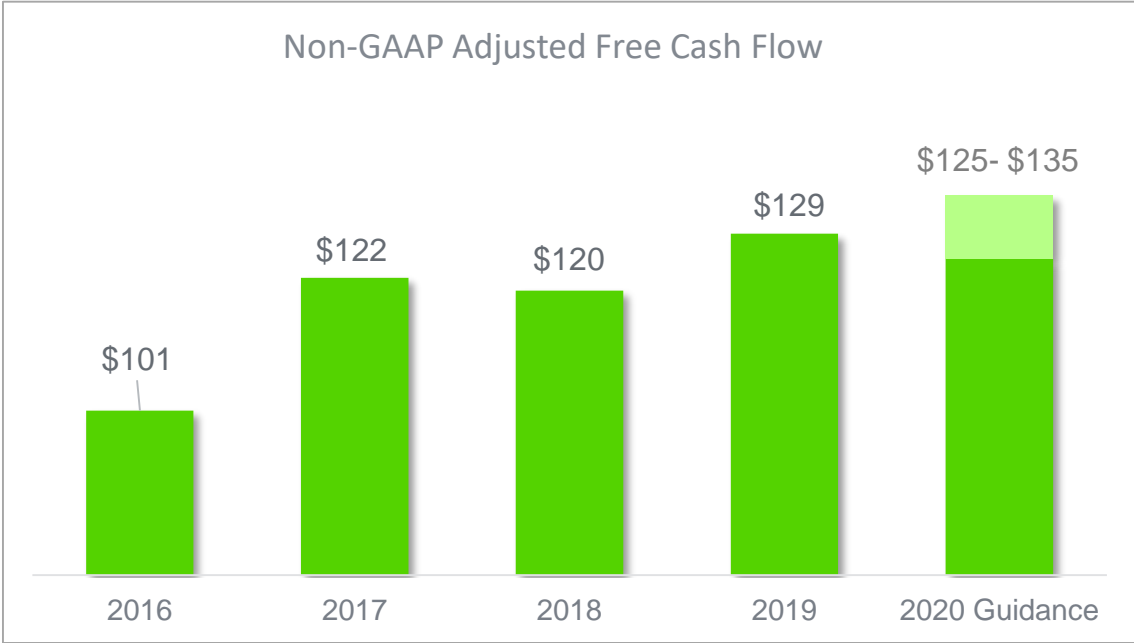
(% of non-GAAP revenue)



Focus on cost management and running a lean, profitable business

Integrating acquisitions into our operating model drives more scale in operating margin (Ipswitch in May 2019)

Strong Liquidity/Debt Capacity



Strong free cash flow and low leverage ratios allow for greater financing flexibility

Capital Allocation



- Continue to return capital to shareholders in the form of dividends

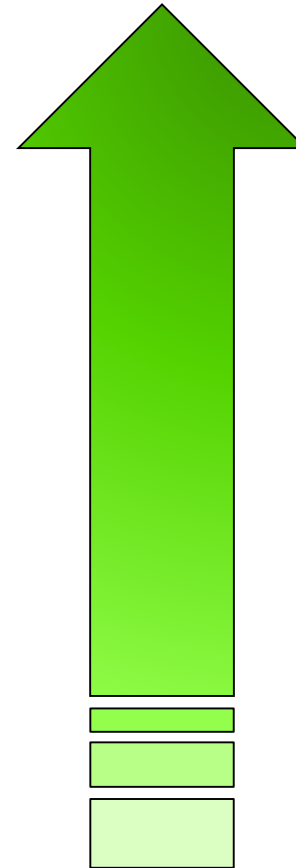


- Accretive M&A that meets our disciplined criteria

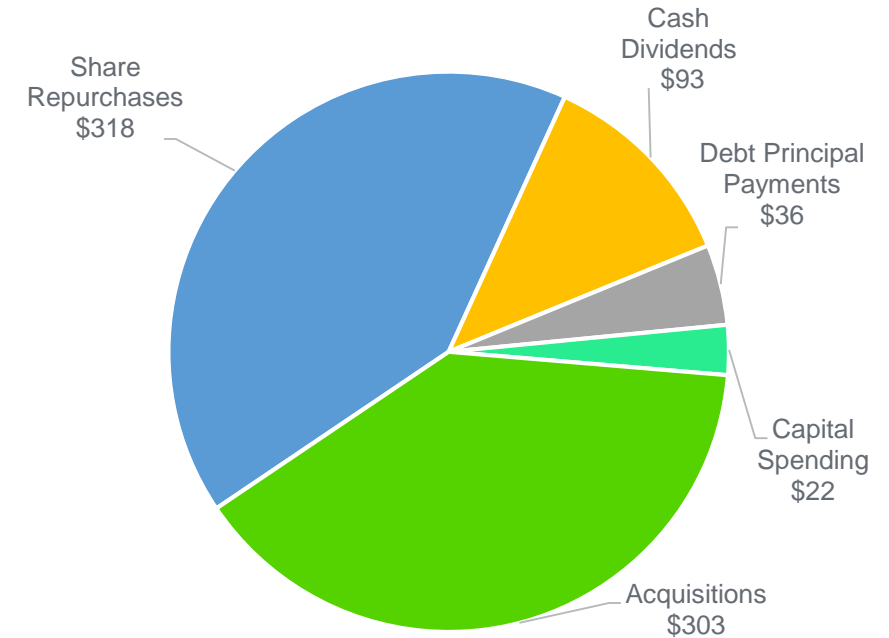


- Repurchase shares to offset dilution from our equity programs
 - Existing authorization \$250M; \$230M remaining
 - Flexibility to increase, reduce or suspend repurchases, depending on market conditions and size and timing of M&A

Primary focus






Capital Allocation 2016 – 2020



Share repurchase authorization

- Current total: \$250M
- Remaining: \$230M

Business Outlook (as of June 25, 2020)

	Q3 2020 Outlook (6/25/2020)	FY 2020 Prior Outlook (3/26/2020)	FY 2020 Current Outlook (6/25/2020)	
Non-GAAP Revenue	\$104 M - \$109 M	\$428 M – \$438 M	\$433 M – \$443 M	
Non-GAAP EPS	\$0.69 - \$0.71	\$2.73 – \$2.80	\$2.82 – \$2.86	
Non-GAAP Operating Margin	<i>Not guided</i>	39%	40%	
Non-GAAP Adjusted Free Cash Flow	<i>Not guided</i>	\$125 M – \$135 M	\$125 M – \$135 M	
Non-GAAP Effective Tax Rate	<i>Not guided</i>	21%	21%	



Supplemental Financial Information

Results of Operations by Segment

(Unaudited)

(In thousands)	Three Months Ended			Six Months Ended		
	May 31, 2020	May 31, 2019	% Change	May 31, 2020	May 31, 2019	% Change
Segment revenue:						
OpenEdge	77,735	67,820	15%	154,814	133,072	16%
Data Connectivity and Intergration	3,662	12,932	(72%)	17,347	18,932	(8%)
Application Development and Deployment	18,986	19,243	(1%)	37,905	37,540	1%
Total revenue	100,383	99,995	0%	210,066	189,544	11%
Segment costs of revenue and operating expenses:						
OpenEdge	17,876	19,097	(6%)	37,626	37,412	1%
Data Connectivity and Integration	1,629	1,806	(10%)	4,309	3,306	30%
Application Development and Deployment	6,986	5,547	26%	14,274	10,974	30%
Total costs of revenue and operating expense	26,491	26,450	0%	56,209	51,692	9%
Segment contribution:						
OpenEdge	59,859	48,723	23%	117,188	95,660	23%
Data Connectivity and Intergration	2,033	11,126	(82%)	13,038	15,626	(17%)
Application Development and Deployment	12,000	13,696	(12%)	23,631	26,566	(11%)
Total contribution	73,892	73,545	0%	153,857	137,852	12%
Other unallocated expenses	48,583	58,804	(17%)	97,836	107,702	(9%)
Income from operations	25,309	14,741	72%	56,021	30,150	86%
Other (expense) income, net	(2,847)	(2,317)	(23%)	(6,244)	(4,320)	(45%)
Income before provision for income taxes	22,462	12,424	81%	49,777	25,830	93%

(1)The following expenses are not allocated to our segments as we manage and report our business in these functional areas on a consolidated basis only: certain product development and corporate sales and marketing expenses, customer support, administration, amortization of acquired intangibles, stock-based compensation, restructuring, and acquisition-related expenses.

Supplemental Revenue Information

(Unaudited)

(in thousands)	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020
Revenue by Type						
License	22,802	29,728	30,686	39,336	30,629	19,663
Maintenance	59,999	62,528	67,611	68,868	70,056	71,686
Services	6,748	7,739	8,419	8,834	8,998	9,034
Total Revenue	<u>\$ 89,549</u>	<u>\$ 99,995</u>	<u>\$ 106,716</u>	<u>\$ 117,038</u>	<u>\$ 109,683</u>	<u>\$ 100,383</u>
Revenue by Region						
North America	46,498	57,060	60,208	70,145	65,413	56,564
EMEA	33,372	33,633	35,109	35,187	34,988	34,157
Latin America	4,461	4,108	5,470	5,626	4,000	3,346
Asia Pacific	5,218	5,194	5,929	6,080	5,282	6,316
Total Revenue	<u>\$ 89,549</u>	<u>\$ 99,995</u>	<u>\$ 106,716</u>	<u>\$ 117,038</u>	<u>\$ 109,683</u>	<u>\$ 100,383</u>
Revenue by Segment						
OpenEdge	65,252	67,820	78,607	85,250	77,079	77,735
Data Connectivity and Integration	6,000	12,932	8,754	12,217	13,685	3,662
Application Development and Deployment	18,297	19,243	19,355	19,571	18,919	18,986
Total Revenue	<u>\$ 89,549</u>	<u>\$ 99,995</u>	<u>\$ 106,716</u>	<u>\$ 117,038</u>	<u>\$ 109,683</u>	<u>\$ 100,383</u>

Other NON-GAAP Financial Measures

(Unaudited)

(in thousands)	Q2 2020	Non-GAAP Adjustment	Non-GAAP Revenue
Revenue by Type			
License	19,663	33	19,696
Maintenance	71,686	1,960	73,646
Services	9,034	129	9,163
Total Revenue	<u>\$ 100,383</u>	<u>\$ 2,122</u>	<u>\$ 102,505</u>
Revenue by Region			
North America	56,564	1,491	58,055
EMEA	34,157	432	34,589
Latin America	3,346	32	3,378
Asia Pacific	6,316	167	6,483
Total Revenue	<u>\$ 100,383</u>	<u>\$ 2,122</u>	<u>\$ 102,505</u>
Revenue by Segment			
OpenEdge	77,735	2,122	79,857
Data Connectivity and Integration	3,662	-	3,662
Application Development and Deployment	18,986	-	18,986
Total Revenue	<u>\$ 100,383</u>	<u>\$ 2,122</u>	<u>\$ 102,505</u>

Other NON-GAAP Financial Measures

(Unaudited)

(in thousands)	YTD GAAP Basis Q2 2020	YTD Non-GAAP Adjustment	YTD Non-GAAP Q2 2020
Revenue by Type			
License	50,292	87	50,379
Maintenance	141,742	5,783	147,525
Services	18,032	331	18,363
Total Revenue	<u>\$ 210,066</u>	<u>\$ 6,201</u>	<u>\$ 216,267</u>
Revenue by Region			
North America	121,977	4,493	126,470
EMEA	69,145	1,173	70,318
Latin America	7,346	98	7,444
Asia Pacific	11,598	437	12,035
Total Revenue	<u>\$ 210,066</u>	<u>\$ 6,201</u>	<u>\$ 216,267</u>
Revenue by Segment			
OpenEdge	154,814	6,201	161,015
Data Connectivity and Integration	17,347	-	17,347
Application Development and Deployment	37,905	-	37,905
Total Revenue	<u>\$ 210,066</u>	<u>\$ 6,201</u>	<u>\$ 216,267</u>

