UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended February 28, 2022
or

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

For the transition period from _____to _____.
Commission File Number: **0-19417**

PROGRESS SOFTWARE CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**04-2746201**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

14 Oak Park
Bedford, Massachusetts 01730
(Address of principal executive offices) (Zip code)

(781) 280-4000
(Registrant’s telephone number, including area code)

Not applicable
(Former name or former address, if changed since last report.)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.01 par value per share	**PRGS**	**The Nasdaq Stock Market LLC**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒		Accelerated filer	☐
Non-accelerated filer	☐	(Do not check if a smaller reporting company)	Smaller reporting company	☐
Emerging growth company	☐			

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of March 29, 2022, there were 43,766,260 shares of the registrant’s common stock, $.01 par value per share, outstanding.

PROGRESS SOFTWARE CORPORATION

FORM 10-Q

FOR THE QUARTERLY PERIOD ENDED FEBRUARY 28, 2022

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

Condensed Consolidated Balance Sheets

(In thousands, except share data)	February 28, 2022	November 30, 2021
Assets		
Current assets:		
Cash and cash equivalents	$ 171,666	$ 155,406
Short-term investments	1,656	1,967
Total cash, cash equivalents and short-term investments	173,322	157,373
Accounts receivable (less allowances of $748 and $634, respectively)	86,601	99,815
Unbilled receivables and contract assets	27,043	25,816
Other current assets	40,401	39,549
Assets held for sale	15,255	15,255
Total current assets	342,622	337,808
Long-term unbilled receivables and contract assets	16,233	17,464
Property and equipment, net	13,933	14,345
Intangible assets, net	271,290	287,185
Goodwill	673,036	671,152
Right-of-use lease assets	23,604	25,253
Deferred tax assets	3,795	1,415
Other assets	8,603	8,915
Total assets	$ 1,353,116	$ 1,363,537
Liabilities and stockholders' equity		
Current liabilities:		
Current portion of long-term debt, net	$ 6,234	$ 25,767
Accounts payable	8,041	9,683
Accrued compensation and related taxes	24,889	47,116
Dividends payable to stockholders	8,062	7,925
Short-term operating lease liabilities	8,075	7,926
Other accrued liabilities	18,658	19,491
Short-term deferred revenue	209,771	205,021
Total current liabilities	283,730	322,929
Long-term debt, net	263,896	239,992
Convertible senior notes, net	351,038	294,535
Long-term operating lease liabilities	21,230	23,130
Long-term deferred revenue	51,771	47,359
Deferred tax liabilities	5,931	14,163
Other noncurrent liabilities	7,197	8,940
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $0.01 par value; authorized, 10,000,000 shares; issued, none	—	—
Common stock, $0.01 par value, and additional paid-in capital; authorized, 200,000,000 shares; issued and outstanding, 43,766,260 shares in 2022 and 44,146,193 shares in 2021	438	441
Additional paid-in capital	303,240	354,235
Retained earnings	93,661	90,256
Accumulated other comprehensive loss	(29,016)	(32,443)
Total stockholders' equity	368,323	412,489
Total liabilities and stockholders' equity	$ 1,353,116	$ 1,363,537

See notes to unaudited condensed consolidated financial statements.

Condensed Consolidated Statements of Operations

(In thousands, except per share data)	Three Months Ended February 28, 2022	Three Months Ended February 28, 2021
Revenue:		
Software licenses	$ 42,750	$ 33,317
Maintenance and services	102,172	87,963
Total revenue	144,922	121,280
Costs of revenue:		
Cost of software licenses	2,609	1,151
Cost of maintenance and services	15,145	13,319
Amortization of acquired intangibles	5,458	3,521
Total costs of revenue	23,212	17,991
Gross profit	121,710	103,289
Operating expenses:		
Sales and marketing	33,469	29,469
Product development	28,673	24,548
General and administrative	16,991	13,424
Amortization of acquired intangibles	11,722	6,879
Restructuring expenses	511	1,157
Acquisition-related expenses	912	396
Total operating expenses	92,278	75,873
Income from operations	29,432	27,416
Other (expense) income:		
Interest expense	(3,703)	(2,514)
Interest income and other, net	589	119
Foreign currency loss, net	(366)	(257)
Total other expense, net	(3,480)	(2,652)
Income before income taxes	25,952	24,764
Provision for income taxes	5,498	5,803
Net income	$ 20,454	$ 18,961
Earnings per share:		
Basic	$ 0.47	$ 0.43
Diluted	$ 0.46	$ 0.42
Weighted average shares outstanding:		
Basic	43,981	44,108
Diluted	44,708	44,652
Cash dividends declared per common share	$ 0.175	$ 0.175

See notes to unaudited condensed consolidated financial statements.

Condensed Consolidated Statements of Comprehensive Income

(In thousands)	Three Months Ended February 28, 2022	Three Months Ended February 28, 2021
Net income	$ 20,454	$ 18,961
Other comprehensive income (loss), net of tax:		
Foreign currency translation adjustments	1,781	1,225
Unrealized gain on hedging activity, net of tax provision of $522 and $271 for the first quarter of 2022 and 2021, respectively	1,653	837
Unrealized (loss) gain on investments, net of tax benefit of $3 and $42 for the first quarter of 2022 and 2021, respectively	(7)	14
Total other comprehensive income, net of tax	3,427	2,076
Comprehensive income	$ 23,881	$ 21,037

See notes to unaudited condensed consolidated financial statements.

Condensed Consolidated Statements of Stockholders' Equity

	Three Months Ended February 28, 2022					
	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
(in thousands)	Number of Shares	Amount				
Balance, December 1, 2021	44,146	$ 441	$ 354,235	$ 90,256	$ (32,443)	$ 412,489
Cumulative effect of adoption of ASU 2020-06	—	—	(47,456)	4,893	—	(42,563)
Issuance of stock under employee stock purchase plan	63	1	1,826	—	—	1,827
Exercise of stock options	19	—	635	—	—	635
Vesting of restricted stock units and release of deferred stock units	90	1	(1)	—	—	—
Withholding tax payments related to net issuance of RSUs	—	—	(3,139)	—	—	(3,139)
Stock-based compensation	—	—	8,114	—	—	8,114
Dividends declared	—	—	—	(7,921)	—	(7,921)
Treasury stock repurchases and retirements	(552)	(5)	(10,974)	(14,021)	—	(25,000)
Net income	—	—	—	20,454	—	20,454
Other comprehensive income	—	—	—	—	3,427	3,427
Balance, February 28, 2022	43,766	$ 438	$ 303,240	$ 93,661	$ (29,016)	$ 368,323

	Three Months Ended February 28, 2021					
	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
(in thousands)	Number of Shares	Amount				
Balance, December 1, 2020	44,241	$ 442	$ 305,802	$ 72,547	$ (32,778)	$ 346,013
Issuance of stock under employee stock purchase plan	56	1	1,544	—	—	1,545
Exercise of stock options	28	—	917	—	—	917
Vesting of restricted stock units and release of deferred stock units	28	—	—	—	—	—
Withholding tax payments related to net issuance of RSUs	—	—	(892)	—	—	(892)
Stock-based compensation	—	—	6,784	—	—	6,784
Dividends declared	—	—	—	(7,851)	—	(7,851)
Treasury stock repurchases and retirements	(353)	(3)	(2,458)	(12,539)	—	(15,000)
Net income	—	—	—	18,961	—	18,961
Other comprehensive income	—	—	—	—	2,076	2,076
Balance, February 28, 2021	44,000	$ 440	$ 311,697	$ 71,118	$ (30,702)	$ 352,553

Condensed Consolidated Statements of Cash Flows

(In thousands)	Three Months Ended February 28, 2022	Three Months Ended February 28, 2021
Cash flows from operating activities:		
Net income	$ 20,454	$ 18,961
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of property and equipment	1,207	1,315
Amortization of acquired intangibles and other	17,486	10,547
Amortization of debt discount and issuance costs on Notes	525	—
Stock-based compensation	8,114	6,784
Non-cash lease expense	2,075	2,138
Loss on disposal of property and equipment	4	3
Deferred income taxes	2,218	656
Allowances for bad debt and sales credits	145	(382)
Changes in operating assets and liabilities:		
Accounts receivable	13,192	10,841
Other assets	(1,081)	215
Inventories	418	—
Accounts payable and accrued liabilities	(27,448)	(17,762)
Lease liabilities	(2,146)	(2,258)
Income taxes payable	3	(1,469)
Deferred revenue	8,927	15,099
Net cash flows from operating activities	44,093	44,688
Cash flows from (used in) investing activities:		
Sales and maturities of investments	300	1,300
Purchases of property and equipment	(831)	(1,166)
Decrease in escrow receivable and other	—	2,130
Net cash flows (used in) from investing activities	(531)	2,264
Cash flows from (used in) financing activities:		
Proceeds from stock-based compensation plans	4,094	3,485
Payments for taxes related to net share settlements of equity awards	(3,139)	(892)
Repurchases of common stock	(25,000)	(15,000)
Dividend payments to stockholders	(7,784)	(7,854)
Proceeds from the issuance of debt	7,474	—
Payment of principal on long-term debt	(1,719)	(18,763)
Payment of debt issuance costs	(1,957)	—
Net cash flows used in financing activities	(28,031)	(39,024)
Effect of exchange rate changes on cash	729	1,780
Net increase in cash and cash equivalents	16,260	9,708
Cash and cash equivalents, beginning of period	155,406	97,990
Cash and cash equivalents, end of period	$ 171,666	$ 107,698

Condensed Consolidated Statements of Cash Flows, continued

	Three Months Ended	
	February 28, 2022	February 28, 2021
Supplemental disclosure:		
Cash paid for income taxes, net of refunds of $307 in 2022 and $434 in 2021	$ 2,389	$ 3,703
Cash paid for interest	$ 1,432	$ 2,283
Non-cash investing and financing activities:		
Total fair value of restricted stock awards, restricted stock units and deferred stock units on date vested	$ 7,346	$ 2,088
Dividends declared	$ 8,062	$ 7,901

See notes to unaudited condensed consolidated financial statements.

Notes to Condensed Consolidated Financial Statements

Note 1: Basis of Presentation

Company Overview - Progress Software Corporation ("Progress," the "Company," "we," "us," or "our") is dedicated to propelling business forward in a technology-driven world. Progress helps businesses drive faster cycles of innovation, fuel momentum and accelerate their path to success. As the trusted provider of the leading products to develop, deploy and manage high-impact applications, Progress enables customers to develop the applications and experiences the need, deploy where and how they want and manage it all safely and securely. Hundreds of thousands of enterprises, including 1,700 software companies and 3.5 million developers depend on Progress to achieve their goals—with confidence.

Our products are generally sold as perpetual licenses, but certain products also use term licensing models and our cloud-based offerings use a subscription-based model. More than half of our worldwide license revenue is realized through relationships with indirect channel partners, principally ISVs, original equipment manufacturers ("OEMs"), distributors and value-added resellers. ISVs develop and market applications using our technology and resell our products in conjunction with sales of their own products that incorporate our technology. OEMs are companies that embed our products into their own software products or devices. Value-added resellers are companies that add features or services to our product, then resell it as an integrated product or complete "turn-key" solution.

We operate in North America and Latin America (the "Americas"); Europe, the Middle East and Africa ("EMEA"); and the Asia Pacific region, through local subsidiaries as well as independent distributors.

Basis of Presentation and Significant Accounting Policies - We prepared the accompanying unaudited condensed consolidated financial statements pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") regarding interim financial reporting. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America ("GAAP") for complete financial statements and these unaudited financial statements should be read in conjunction with the audited financial statements included in our Annual Report on Form 10-K for the fiscal year ended November 30, 2021, as amended by Form 10-K/A filed on March 30, 2022 (together, the "2021 10-K").

We made no material changes in the application of our significant accounting policies that were disclosed in our 2021 10-K. We have prepared the accompanying unaudited condensed consolidated financial statements on the same basis as the audited financial statements included in our 2021 10-K, and these financial statements include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the results of the interim periods presented. The operating results for the interim periods presented are not necessarily indicative of the results expected for the full fiscal year.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. On an on-going basis, management evaluates its estimates and records changes in estimates in the period in which they become known. These estimates are based on historical data and experience, as well as various other assumptions that management believes to be reasonable under the circumstances. The most significant estimates relate to: the timing and amount of revenue recognition, including the determination of the nature and timing of the satisfaction of performance obligations, the standalone selling price of performance obligations, and the transaction price allocated to performance obligations; the realization of tax assets and estimates of tax liabilities; fair values of investments in marketable securities; intangible assets and goodwill valuations; the recognition and disclosure of contingent liabilities; the collectability of accounts receivable; and assumptions used to determine the fair value of stock-based compensation. Actual results could differ from those estimates.

Recent Accounting Pronouncements

Recently Adopted Accounting Pronouncements

Income Taxes

In December 2019, the Financial Accounting Standards Board issued Accounting Standards Update No. 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes ("ASU 2019-12"). ASU 2019-12 updates specific areas of ASC 740, Income Taxes, to reduce complexity while maintaining or improving the usefulness of the information provided to users of financial statements. The Company adopted this standard effective December 1, 2021. The adoption of this standard did not have a material effect on the Company's condensed consolidated financial position and results of operations.

Convertible Debt

On December 1, 2021, we early adopted Accounting Standards Update No. 2020-06, Accounting for Convertible Instruments and Contracts in an Entity's Own Equity ("ASU 2020-06") on a modified retrospective basis. Under ASU 2020-06, we no longer separate the convertible senior notes into liability and equity components. We recognized the cumulative effect of initially applying this new standard as of December 1, 2021 as an adjustment to the December 1, 2021 opening balance of retained earnings. The conversion option that was previously accounted for in equity under the cash conversion model was recombined into the convertible debt outstanding, and as a result, additional paid in capital and the related unamortized debt discount on the convertible senior notes were reduced. The removal of the remaining debt discount recorded for this previous separation has the effect of increasing our net debt balance. We recorded a $47.5 million decrease to additional paid-in capital, a $56.0 million decrease to debt discount, a $4.9 million increase to retained earnings, and a $13.4 million decrease to long-term deferred tax liabilities. There was no impact to the Company's statements of cash flows as the result of the adoption of ASU 2020-06. The prior period consolidated financial statements have not been retrospectively adjusted and continue to be reported under the accounting standards in effect for those periods. See "Note 8: Debt" for additional information regarding the terms of the Convertible Senior Notes (the "Notes").

The new standard requires the use of the "if-converted" method to calculate the diluted earnings per common share. Refer to Note 16: Earnings Per Share for effect of the convertible notes on diluted earnings per common share.

Note 2: Cash, Cash Equivalents and Investments

A summary of our cash, cash equivalents and available-for-sale investments at February 28, 2022 is as follows (in thousands):

	Amortized Cost Basis	Unrealized Gains	Unrealized Losses	Fair Value
Cash	$ 146,323	$ —	$ —	$ 146,323
Money market funds	25,343	—	—	25,343
U.S. treasury bonds	749	4	—	753
Corporate bonds	901	2	—	903
Total	$ 173,316	$ 6	$ —	$ 173,322

A summary of our cash, cash equivalents and available-for-sale investments at November 30, 2021 is as follows (in thousands):

	Amortized Cost Basis	Unrealized Gains	Unrealized Losses	Fair Value
Cash	$ 130,371	$ —	$ —	$ 130,371
Money market funds	25,035	—	—	25,035
U.S. treasury bonds	748	9	—	757
Corporate bonds	1,203	7	—	1,210
Total	$ 157,357	$ 16	$ —	$ 157,373

Such amounts are classified on our condensed consolidated balance sheets as follows (in thousands):

	February 28, 2022		November 30, 2021	
	Cash and Equivalents	Short-Term Investments	Cash and Equivalents	Short-Term Investments
Cash	$ 146,323	$ —	$ 130,371	$ —
Money market funds	25,343	—	25,035	—
U.S. treasury bonds	—	753	—	757
Corporate bonds	—	903	—	1,210
Total	$ 171,666	$ 1,656	$ 155,406	$ 1,967

The fair value of debt securities by contractual maturity due in one year or less was $1.7 million and $2.0 million as of February 28, 2022 and November 30, 2021, respectively. There were no debt securities by contractual maturity due after one year as of February 28, 2022 or November 30, 2021.

We did not hold any investments with continuous unrealized losses as of February 28, 2022 or November 30, 2021.

Note 3: Derivative Instruments

Cash Flow Hedge

On July 9, 2019, we entered into an interest rate swap contract with an initial notional amount of $150.0 million to manage the variability of cash flows associated with approximately one-half of our variable rate debt. The contract matures on April 30, 2024 and requires periodic interest rate settlements. Under this interest rate swap contract, we receive a floating rate based on the greater of 1-month LIBOR or 0.00%, and pay a fixed rate of 1.855% on the outstanding notional amount.

We have designated the interest rate swap as a cash flow hedge and assess the hedge effectiveness both at the onset of the hedge and at regular intervals throughout the life of the derivative. To the extent that the interest rate swap is highly effective in offsetting the variability of the hedged cash flows, changes in the fair value of the derivative are included as a component of other comprehensive loss on our condensed consolidated balance sheets. Although we have determined at the onset of the hedge that the interest rate swap will be a highly effective hedge throughout the term of the contract, any portion of the fair value swap subsequently determined to be ineffective will be recognized in earnings. On January 25, 2022, we amended our prior credit facility (see *Note 8: Debt)*. We reassessed the hedge in connection with the debt amendment and determined that it is still highly effective. As of February 28, 2022, the fair value of the hedge was a loss of $0.9 million, which was included in other noncurrent liabilities on our condensed consolidated balance sheets.

The following table presents our interest rate swap contract where the notional amount reflects the quarterly amortization of the interest rate swap, which is equal to approximately one-half of the corresponding reduction in the balance of our term loan as we make scheduled principal payments. The fair value of the derivative represents the discounted value of the expected future discounted cash flows for the interest rate swap, based on the amortization schedule and the current forward curve for the remaining term of the contract, as of the date of each reporting period (in thousands):

	February 28, 2022		November 30, 2021	
	Notional Value	Fair Value	Notional Value	Fair Value
Interest rate swap contracts designated as cash flow hedges	$ 130,313	$ (903)	$ 133,125	$ (3,078)

Forward Contracts

We generally use forward contracts that are not designated as hedging instruments to hedge economically the impact of the variability in exchange rates on intercompany accounts receivable and loans receivable denominated in certain foreign currencies. We generally do not hedge the net assets of our international subsidiaries.

All forward contracts are recorded at fair value on the consolidated balance sheets at the end of each reporting period and expire between 30 days and 3 years from the date the contract was entered. At February 28, 2022, $0.1 million and $0.4 million was recorded in noncurrent assets and current liabilities on our condensed consolidated balance sheets. At November 30, 2021, $0.3 million and $0.1 million were recorded in other noncurrent liabilities and other accrued liabilities, respectively, on our condensed consolidated balance sheets.

In the three months ended February 28, 2022 and February 28, 2021, realized and unrealized gains of $0.3 million and $1.7 million, respectively, from our forward contracts were recognized in foreign currency loss, net, on our condensed consolidated statements of operations. These gains were substantially offset by realized and unrealized losses in the offsetting positions.

The table below details outstanding foreign currency forward contracts where the notional amount is determined using contract exchange rates (in thousands):

	February 28, 2022		November 30, 2021	
	Notional Value	Fair Value	Notional Value	Fair Value
Forward contracts to sell U.S. dollars	$ 87,147	$ (319)	$ 79,777	$ (371)
Forward contracts to purchase U.S. dollars	28	—	119	(1)
Total	$ 87,175	$ (319)	$ 79,896	$ (372)

Note 4: Fair Value Measurements

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following table details the fair value measurements within the fair value hierarchy of our financial assets and liabilities at February 28, 2022 (in thousands):

		Fair Value Measurements Using		
	Total Fair Value	Level 1	Level 2	Level 3
Assets				
Money market funds	$ 25,343	$ 25,343	$ —	$ —
U.S. treasury bonds	753	—	753	—
Corporate bonds	903	—	903	—
Liabilities				
Foreign exchange derivatives	(319)	—	(319)	—
Interest rate swap	$ (903)	$ —	$ (903)	$ —

The following table details the fair value measurements within the fair value hierarchy of our financial assets and liabilities at November 30, 2021 (in thousands):

		Fair Value Measurements Using		
	Total Fair Value	Level 1	Level 2	Level 3
Assets				
Money market funds	$ 25,035	$ 25,035	$ —	$ —
U.S. treasury bonds	757	—	757	—
Corporate bonds	1,210	—	1,210	—
Liabilities				
Foreign exchange derivatives	(372)	—	(372)	—
Interest rate swap	$ (3,078)	$ —	$ (3,078)	$ —

When developing fair value estimates, we maximize the use of observable inputs and minimize the use of unobservable inputs. When available, we use quoted market prices to measure fair value. The valuation technique used to measure fair value for our Level 1 and Level 2 assets is a market approach, using prices and other relevant information generated by market transactions involving identical or comparable assets. If market prices are not available, the fair value measurement is based on models that use primarily market-based parameters including yield curves, volatilities, credit ratings and currency rates. In certain cases where market rate assumptions are not available, we are required to make judgments about assumptions market participants would use to estimate the fair value of a financial instrument.

Fair Value of the Convertible Senior Notes

The Notes' fair value, inclusive of the conversion feature embedded in the Notes, was $356.0 million as of February 28, 2022. The fair value was determined based on the Notes' quoted price in an over-the-counter market on the last trading day of the reporting period and classified within Level 1 in the fair value hierarchy. See *Note 8: Debt* for additional information.

Note 5: Inventories

The components of inventories were as follows (in thousands):

	February 28, 2022	November 30, 2021
Raw materials	$ 1,192	$ 1,920
Work in process	—	—
Finished goods	1,979	1,631
Total	$ 3,171	$ 3,551

At February 28, 2022 and November 30, 2021, the inventories balances of $3.2 million and $3.6 million were recorded in other current assets on the condensed consolidated balance sheets.

Note 6: Intangible Assets and Goodwill

Intangible Assets

Intangible assets are comprised of the following significant classes (in thousands):

	February 28, 2022			November 30, 2021		
	Gross Carrying Amount	Accumulated Amortization	Net Book Value	Gross Carrying Amount	Accumulated Amortization	Net Book Value
Purchased technology	$ 212,700	$ (134,257)	$ 78,443	$ 212,700	$ (128,797)	$ 83,903
Customer-related	306,308	(128,519)	177,789	306,308	(119,357)	186,951
Trademarks and trade names	37,611	(22,664)	14,947	37,611	(21,556)	16,055
Non-compete agreement	2,000	(1,889)	111	2,000	(1,724)	276
Total	$ 558,619	$ (287,329)	$ 271,290	$ 558,619	$ (271,434)	$ 287,185

In the first quarter of fiscal years 2022 and 2021, amortization expense related to intangible assets was $17.2 million and $10.4 million, respectively.

Future amortization expense for intangible assets as of February 28, 2022, is as follows (in thousands):

Remainder of 2022	$ 52,019
2023	68,895
2024	56,079
2025	45,569
2026	35,877
Thereafter	12,851
Total	$ 271,290

Goodwill

Changes in the carrying amount of goodwill in the three months ended February 28, 2022 are as follows (in thousands):

Balance, November 30, 2021	$ 671,152
Measurement period adjustments	1,886
Translation adjustments	(2)
Balance, February 28, 2022	$ 673,036

Note 7: Business Combinations

Kemp Acquisition

On November 1, 2021, we completed the acquisition of the parent company of Kemp Technologies, Inc. (“Kemp”) pursuant to the Stock Purchase Agreement (the “Purchase Agreement”), dated as of September 23, 2021. The acquisition was completed for a base purchase price of $258.0 million, subject to certain customary adjustments as further described in the Purchase Agreement (the “Aggregate Consideration”), which was paid in cash from existing cash balances. Pursuant to the Purchase Agreement, $2.0 million of the Aggregate Consideration was deposited into an escrow account to secure certain potential obligations of the former Kemp equity holders.

Kemp is an application experience company that helps enterprises deliver, optimize and secure applications and networks across any cloud or hybrid environment. With this acquisition, we extended our portfolio of industry-leading products in DevOps/DevSecOps, Application Development, Data Connectivity and Digital Experience, adding Application Experience Management (AX). Kemp Loadmaster and Flowmon Network Visibility products monitor application performance, and distribute and balance traffic and workloads across servers, in the cloud or on premise, ensuring high performance and availability.

The Aggregate Consideration has been preliminarily allocated to Kemp’s tangible assets, identifiable intangible assets, and assumed liabilities based on their estimated fair values. The preliminary fair value estimates of the net assets acquired are based upon preliminary calculations and valuations, and those estimates and assumptions are subject to change as we obtain additional information for those estimates during the measurement period (up to one year from the acquisition date). The excess of the total consideration over the tangible assets, identifiable intangible assets, and assumed liabilities was recorded as goodwill.

We recorded measurement period adjustments based on our ongoing valuation and purchase price allocation procedures. We are still finalizing the valuation and purchase price allocation as it relates to the net working capital amount in the table below.

The allocation of the purchase price is as follows (in thousands):

	Initial Purchase Price Allocation	Measurement Period Adjustments	Adjusted Purchase Price Allocation	Life
Net working capital	$ 27,075	$ (772)	$ 26,303	
Property, plant and equipment	803	(8)	795	
Purchased technology	39,400	—	39,400	5 years
Trade name	7,200	—	7,200	5 years
Customer relationships	75,500	—	75,500	5 years
Other assets	170	27	197	
Other noncurrent liabilities	(604)	(1,133)	(1,737)	
Deferred taxes	(23,187)	—	(23,187)	
Deferred revenue	(29,997)	—	(29,997)	
Goodwill	179,521	1,886	181,407	
Net assets acquired	$ 275,881	$ —	$ 275,881	

The fair value of the intangible assets was estimated using the income approach in which the after-tax cash flows are discounted to present value. The cash flows are based on estimates used to value the acquisition, and the discount rates applied were benchmarked with reference to the implied rate of return from the transaction model as well as the weighted average cost of capital. The valuation assumptions take into consideration our estimates of customer attrition, technology obsolescence, and revenue growth projections. Based on the preliminary valuation, the acquired intangible assets are comprised of customer relationships of approximately $75.5 million, existing technology of approximately $39.4 million, and trade names of approximately $7.2 million.

Tangible assets acquired and assumed liabilities were recorded at fair value. As described in Note 1: Nature of Business and Summary of Significant Accounting Policies, we adopted ASU 2021-08, which amended ASC 805 to require acquiring entities to apply Topic 606 to recognize and measure contract assets and contract liabilities in a business combination. We determined the acquisition date deferred revenue balance based on our assessment of the individual contracts acquired and our application of Topic 606. A significant portion of the deferred revenue is expected to be recognized in the 12 months following the acquisition.

We recorded the excess of the purchase price over the identified tangible and intangible assets as goodwill. We believe that the investment value of the future enhancement of our product and solution offerings created as a result of this acquisition has principally contributed to a purchase price that resulted in the recognition of $181.4 million of goodwill, which is not deductible for tax purposes.

Acquisition-related transaction costs (e.g., legal, due diligence, valuation, and other professional fees) and certain acquisition restructuring and related charges are not included as a component of consideration transferred but are required to be expensed as incurred. During the three months ended February 28, 2022, we incurred approximately $0.4 million of acquisition-related costs, which are included in acquisition-related expenses on our consolidated statement of operations.

We determined that disclosing the amount of Kemp related earnings included in the consolidated statements of operations is impracticable, as certain operations of Kemp were integrated into the operations of the Company from the date of acquisition.

Pro Forma Information

The following pro forma financial information presents the combined results of operations of Progress and Kemp as if the acquisition had occurred on December 1, 2019, after giving effect to certain pro forma adjustments. The pro forma adjustments reflected herein include only those adjustments that are directly attributable to the Kemp acquisition and factually supportable. These pro forma adjustments include: (i) an increase in revenue from Kemp as a result of the application of Topic 606 to recognize and measure contract assets and contract liabilities in the business combination, (ii) a net increase in amortization expense to record amortization expense relating to the $122.1 million of acquired identifiable intangible assets, (iii) a decrease in interest expense to remove the interest expense associated with Kemp's debt obligations, and (iv) the income tax effect of the adjustments made at the statutory tax rate of the U.S. (approximately 24.5%).

The pro forma financial information does not reflect any adjustments for anticipated expense savings resulting from the acquisition and is not necessarily indicative of the operating results that would have actually occurred had the transaction been consummated on December 1, 2019. These results are prepared in accordance with ASC 606.

(in thousands, except per share data)		Pro Forma Three Months Ended February 28, 2021
Revenue	$	135,522
Net income	$	17,178
Net income per basic share	$	0.39
Net income per diluted share	$	0.38

Chef Acquisition

On October 5, 2020, we completed the acquisition of Chef Software Inc. ("Chef") pursuant to the Agreement and Plan of Merger (the "Merger Agreement"), dated as of September 4, 2020. The acquisition was completed for a base purchase price of $220.0 million, subject to certain customary adjustments as further described in the Merger Agreement (the "Aggregate Consideration"), which was paid in cash. Pursuant to the Merger Agreement, $12.0 million of the Aggregate Consideration was deposited into an escrow account to secure certain indemnification and other potential obligations of the former Chef equity holders.

Chef is a global leader in DevOps and DevSecOps, providing complete infrastructure automation to build, deploy, manage and secure applications in modern multi-cloud and hybrid environments, as well as on-premises. Chef has enhanced our position as a trusted provider of the leading products to develop, deploy and manage high-impact business applications by providing industry-leading compliance and application automation products for multi-cloud and on-prem infrastructure. The acquisition bolstered our core offerings, enabling customers to respond faster to business demands and improve efficiency. We funded the acquisition through a combination of existing cash resources and by drawing down $98.5 million from our then-existing revolving credit facility (Note 8).

The Aggregate Consideration has been allocated to Chef's tangible assets, identifiable intangible assets, and assumed liabilities based on their estimated fair values. The excess of the total consideration over the tangible assets, identifiable intangible assets, and assumed liabilities was recorded as goodwill.

We recorded measurement period adjustments in accordance with FASB's guidance regarding business combinations in the third and fourth quarters of fiscal year 2021 based on our valuation and purchase price allocation procedures. The measurement period adjustments were completed during the fourth quarter of fiscal year 2021.

The allocation of the purchase price is as follows (in thousands):

	Initial Purchase Price Allocation	Measurement Period Adjustments	Final Purchase Price Allocation	Life
Net working capital	$ 52,330	$ 147	$ 52,477	
Property, plant and equipment	498	—	498	
Purchased technology	38,300	—	38,300	5 years
Trade name	5,700	—	5,700	5 years
Customer relationships	97,300	—	97,300	7 years
Other assets	122	—	122	
Other noncurrent liabilities	(841)	—	(841)	
Lease liabilities, net	(1,810)	—	(1,810)	
Deferred taxes	(7,817)	126	(7,691)	
Deferred revenue	(12,525)	—	(12,525)	
Goodwill	59,858	(273)	59,585	
Net assets acquired	$ 231,115	$ —	$ 231,115	

The fair value of the intangible assets was estimated using the income approach in which the after-tax cash flows are discounted to present value. The cash flows are based on estimates used to value the acquisition, and the discount rates applied were benchmarked with reference to the implied rate of return from the transaction model as well as the weighted average cost of capital. The valuation assumptions take into consideration our estimates of customer attrition, technology obsolescence, and revenue growth projections.

Tangible assets acquired and assumed liabilities were recorded at fair value. The valuation of the assumed deferred revenue was based on our contractual commitment to provide post-contract customer support to Chef customers and future contractual performance obligations under existing hosting arrangements. The fair value of this assumed liability was based on the estimated cost plus a reasonable margin to fulfill these service obligations. A significant portion of the deferred revenue was expected to be recognized in the 12 months following the acquisition.

We recorded the excess of the purchase price over the identified tangible and intangible assets as goodwill. We believe that the investment value of the future enhancement of our product and solution offerings created as a result of this acquisition has principally contributed to a purchase price that resulted in the recognition of $59.6 million of goodwill, which is not deductible for tax purposes.

Acquisition-related transaction costs (e.g., legal, due diligence, valuation, and other professional fees) and certain acquisition restructuring and related charges are not included as a component of consideration transferred but are required to be expensed as incurred. During the three months ended February 28, 2022, we incurred minimal acquisition-related costs, which are included in acquisition-related expenses on our consolidated statement of operations.

The operations of Chef were included in our operating results beginning on the date of acquisition. We determined that disclosing the amount of Chef related earnings included in the consolidated statements of operations is impracticable, as certain operations of Chef were integrated into the operations of the Company from the date of acquisition.

Note 8: Debt

The Company adopted ASU 2020-06 on December 1, 2021. See Note 1 for further discussion of this recently adopted accounting policy. As of February 28, 2022, future maturities of the Company's long-term debt were as follows:

(In thousands)	2026 Notes	Revolving Credit Facility	Total
Remainder of 2022	$ —	$ 5,156	$ 5,156
2023	—	6,875	6,875
2024	—	13,750	13,750
2025	—	20,625	20,625
2026	—	20,625	20,625
2027	360,000	206,250	566,250
Total face value of long-term debt	360,000	273,281	633,281
Unamortized discount and issuance costs	(8,962)	(3,151)	(12,113)
Less current portion of long-term debt, net	—	(6,234)	(6,234)
Long-term debt	$ 351,038	$ 263,896	$ 614,934

Notes Payable

Convertible Senior Notes and Capped Calls

In April 2021, the Company issued, in a private placement to certain initial purchasers in reliance upon the exemption from registration provided by Section 4(a)(2) of the Securities Act in transactions not involving any public offering, for resale by the initial purchasers to persons whom the initial purchasers believe are qualified institutional buyers pursuant to Rule144A under the Securities Act, the Notes with an aggregate principal amount of $325 million, due April 15, 2026, unless earlier repurchased, redeemed or converted. The proceeds from the Notes were used or are anticipated to be used for the Capped Call Transactions (described below), working capital, and other general corporate purposes, including acquisitions. There are no required principal payments prior to maturity. In addition, the Company also granted the initial purchasers of the Notes an option to purchase up to an additional $50.0 million aggregate principal amount of the Notes, for settlement within a 13-day period beginning on, and including, April 13, 2021, of which $35 million of additional Notes were purchased for total proceeds of $360 million. The Notes bear interest at an annual rate of 1%, payable semi-annually in arrears on April 15 and October 15 of each year, beginning on October 15, 2021. The Company incurred approximately $10.8 million in issuance cost for the issuance of the Notes. During the three months ended February 28, 2022, the Company did not enter into any new or amended Notes.

Conversion Rights

The Company will satisfy its conversion obligations by paying cash up to the aggregate principal amount of Notes to be converted, by issuing shares of its common stock or a combination of cash and shares of its common stock, at its election. The initial conversion rate is 17.4525 shares of common stock per $1,000 principal amount of the Notes, representing an initial conversion price of approximately $57.30 per share of common stock. The conversion rate will be adjusted upon the occurrence of certain events, including spin-offs, tender offers, exchange offers, make-whole fundamental change and certain stockholder distributions.

Repurchase Rights

On or after April 20, 2024, and on or before the 50th scheduled trading day immediately before the maturity date, the Company may redeem for cash all or part of the Notes, subject to the partial redemption limitation, at a repurchase price equal to 100% of the principal amount, plus accrued and unpaid interest, if the last reported sale price per share of the Company’s common stock exceeded 130% of the conversion price on (1) each of at least 20 trading days (whether or not consecutive) during any 30 consecutive trading day period ending on, and including, the trading day immediately preceding the date on which the Company provides a redemption notice and (2) the trading day immediately before the date the Company sends such notice. Pursuant to the partial redemption limitation, the Company may not elect to redeem less than all of the outstanding Notes unless at least $100.0 million aggregate principal amount of Notes are outstanding and not subject to redemption as of the time it sends the related redemption notice.

If certain corporate events that constitute a “fundamental change” (as described below) occur at any time, holders may, subject to certain exceptions, require the Company to purchase their Notes in whole or in part for cash at a price equal to the principal amount of the Notes to be repurchased, plus accrued and unpaid interest, if any, to, but excluding, the fundamental change repurchase date. A fundamental change relates to events such as business combination transactions involving the Company and certain de-listing events with respect to the Company’s common stock.

Capped Call Transactions

On April 8, 2021, in connection with the pricing of the Notes, the Company entered into privately negotiated capped call transactions (“Capped Call Transactions”) with one or more of the initial purchasers and/or their respective affiliates and/or other financial institutions. The Capped Call Transactions cover, subject to anti-dilution adjustments substantially similar to those applicable to the Notes, approximately 6.3 million shares (representing the number of shares of common stock initially underlying the Notes) of the Company’s common stock. The Capped Call Transactions are generally expected to reduce potential dilution to our common stock upon any conversion of Notes and/or offset any potential cash payments the Company is required to make in excess of the principal amount of converted Notes, as the case may be, with such reduction and/or offset subject to a cap. The cap price of the Capped Call Transactions will initially be $89.88 per share of common stock, which represents a premium of 100% over the last reported sale price of the common stock of $44.94 per share on April 8, 2021, and is subject to certain adjustments under the terms of the Capped Call Transactions. The cost of the purchased capped calls of $43.1 million was recorded as a reduction to additional paid-in-capital.

We elected to integrate the capped call options with the applicable Notes for federal income tax purposes pursuant to applicable U.S. Treasury Regulations. Accordingly, the $43.1 million gross cost of the purchased capped calls will be deductible for income tax purposes as original discount interest over the term of the Notes. We recorded deferred tax assets of $10.6 million with respect to the capped calls which represents the tax benefit of these deductions with an offsetting entry to additional paid-in capital.

Accounting for the Notes

In accounting for the transaction, prior to the adoption of ASU 2020-06, the Notes were separated into liability and equity components.

- The conversion option of the Notes does not require bifurcation as an embedded derivative.
- The initial carrying amount of the liability component was calculated by measuring the fair value of a similar debt instrument that does not have an associated conversion feature. The excess of the Notes’ principal amount over the initial carrying amount of the liability component, referred to as the debt discount, is amortized as interest expense over the Notes’ contractual term - at an effective interest rate of 5.7%.
- The equity component, which represents the difference between the gross proceeds and the initial liability component, was recorded as an increase to additional paid-in capital and is not remeasured as long as it continues to meet the conditions for equity classification.

The Company incurred issuance costs of $10.8 million related to the Notes, allocated between the Notes’ liability and equity components proportionate to the initial carrying amount of the liability and equity components prior to the adoption of ASU 2020-06.

- Issuance costs attributable to the liability component of $8.9 million are recorded as an offset to the Notes’ principal balance. They are amortized as interest expense using the effective interest method over the contractual term of the Notes.
- Issuance costs attributable to the equity component of $1.9 million are recorded as an offset to the equity component in additional paid-in capital and are not amortized.

Upon adoption of ASU 2020-06 on December 1, 2021, the Company reversed the separation of the debt and equity components and accounted for the Notes wholly as debt. The Company also reversed the amortization of the debt discount that was due to the equity component, with a cumulative adjustment to retained earnings on the adoption date. Further, the Company reversed the allocation of the issuance costs to the equity component and accounted for the entire amount as debt issuance cost that will be amortized as interest expense over the remaining term at an effective interest rate of 1.63% with a cumulative adjustment to retained earnings on the adoption date.

Refer to Note 1, Basis of Presentation for further details on the impact of adoption.

Interest expense related to the Notes:

(In thousands)	Three Months Ended February 28, 2022	Three Months Ended February 28, 2021
Contractual interest expense (1% coupon)	$ 880	$ —
Amortization of debt discount and issuance costs	525	—
	$ 1,405	$ —

Prior to adoption of ASU 2020-06, the effective interest rate for the Notes was 5.71%. After the adoption of ASU 2020-06, the effective interest rates for the Notes is 1.63%.

Credit Facility

On January 25, 2022, the Company entered into an amended and restated credit agreement (the "Credit Agreement"), which provides for a $275.0 million secured term loan and a $300.0 million secured revolving line of credit. The revolving credit facility may be increased, and new term loan commitments may be entered into, by up to an additional amount up to the sum of (A) the greater of (x) $260.0 million and (y) 100% of Consolidated EBITDA (as defined in the Credit Agreement) and (B) an unlimited additional amount subject to pro forma compliance with a Consolidated Senior Secured Net Leverage Ratio of no greater than 3.75 to 1.00 if the existing or additional lenders are willing to make such increased commitments. The revolving line of credit has sublimits for swing line loans up to $25.0 million and for the issuance of standby letters of credit in a face amount up to $25.0 million. This new credit facility replaces our prior secured credit facility dated April 30, 2019.

The amount of the term loan outstanding under our prior secured credit facility was incorporated into the amended and restated credit facility.

Interest rates for the Credit Agreement are determined by reference to a term benchmark rate or a base rate at our option and would range from 1.00% to 2.00% above the term benchmark rate or would range from 0.00% to 1.00% above the defined base rate for base rate borrowings, in each case based upon our leverage ratio. Additionally, we may borrow certain foreign currencies at rates set in the same range above the respective term benchmark rates for those currencies, based on our leverage ratio. We will incur a quarterly commitment fee on the undrawn portion of the revolving credit facility, ranging from 0.125% to 0.275% per annum, based upon our leverage ratio. At closing of the revolving credit facility, the applicable interest rate and commitment fee are at the third lowest rate in each range.

The Credit Agreement matures on the earlier of (i) January 25, 2027, and (ii) the date that is 181 days prior to the maturity date of our Notes subject to certain conditions as set forth in the Credit Agreement, including the repayment of the Notes, the refinancing of the Notes including a maturity date that is at least 181 days after January 25, 2027 and compliance with a liquidity test when all amounts outstanding will be due and payable in full. The revolving line of credit does not require amortization of principal. The outstanding balance of the term loan as of February 28, 2022 was $273.3 million, with $6.9 million due in the next 12 months. The term loan requires repayment of principal at the end of each fiscal quarter, beginning with the fiscal quarter ended February 28, 2022. The principal repayment amounts are in accordance with the following schedule: (i) eight payments of $1.7 million each, (ii) four payments of $3.4 million each, (iii) eight payments of $5.2 million each, and (iv) the last payment is of the remaining principal amount. Any amounts outstanding under the term loan thereafter would be due on the maturity date. The term loan may be prepaid before maturity in whole or in part at our option without penalty or premium. As of February 28, 2022, the carrying value of the term loan approximates the fair value, based on Level 2 inputs (observable market prices in less than active markets), as the interest rate is variable over the selected interest period and is similar to current rates at which we can borrow funds. The interest rate as of February 28, 2022 was 1.79%.

Costs incurred to obtain our long-term debt of $3.2 million, including $1.1 million of unamortized debt issuance costs related to the previous credit agreement, are recorded as debt issuance costs as a direct deduction from the carrying value of the long-term debt liability on our condensed consolidated balance sheets as of February 28, 2022. These costs are being amortized over the term of the Credit Agreement using the effective interest rate method. Amortization expense related to the debt issuance costs was $0.3 million and $0.1 million, for the three months ended February 28, 2022 and February 28, 2021, respectively. These amounts are recorded in interest expense on our condensed consolidated statements of operations.

The revolving line of credit may be borrowed, repaid, and reborrowed until January 25, 2027, at which time all amounts outstanding must be repaid. As of February 28, 2022, there were no amounts outstanding under the revolving line of credit and $2.2 million of letters of credit outstanding.

Note 9: Leases

Upon adoption of ASC 842, there were a number of optional practical expedients to apply in transition. The Company elected the package of practical expedients, which does not require the reassessment of prior conclusions about lease identification, lease classification and initial direct costs. Further, the Company elected the practical expedients to combine lease and non-lease components. Contracts may be comprised of lease components, non-lease components, and elements that are not components. Each lease component represents a lessee's right to use an underlying asset in the contract if the lessee can benefit from the right-of-use of the asset either on its own or together with other readily available resources and if the right-of-use is neither highly dependent or highly interrelated with other rights-of-use. Non-lease components include items such as common area maintenance and utilities provided by the lessor. We also elected the practical expedient to not recognize right-of-use assets and lease liabilities for short-term leases. Leases with an initial term of 12 months or less are classified as short-term leases.

Consideration in the contract is comprised of any fixed payments and variable payments that depend on an index or rate. Payments in the Company's operating lease arrangements primarily consist of base office rent. In accordance with ASC 842, variable payments in an agreement that are not dependent on an index or rate are excluded from the calculation of ROU assets and lease liabilities. The Company makes variable payments on certain of its leases related to taxes, insurance, common area maintenance, and utilities, among other things.

The Company has operating leases for administrative, product development, and sales and marketing facilities, vehicles, and equipment under various non-cancelable lease agreements. The Company's leases have remaining lease terms ranging from 1 year to 8 years. The Company's lease terms may include options to extend or terminate the lease where it is reasonably certain that the Company will exercise those options. The Company considers several economic factors when making the determination as to whether the Company will exercise options to extend or terminate the lease, including but not limited to, the significance of leasehold improvements incurred in the office space, the difficulty in replacing the asset, underlying contractual obligations, or specific characteristics unique to a particular lease. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The components of operating lease cost for the three months ended February 28, 2022 and February 28, 2021 were as follows (in thousands):

	Three Months Ended February 28, 2022	Three Months Ended February 28, 2021
Lease costs under long-term operating leases	$ 1,764	$ 2,135
Lease costs under short-term operating leases	14	15
Variable lease cost under short-term and long-term operating leases[(1)]	121	115
Total operating lease cost	$ 1,899	$ 2,265

[(1)] Lease costs that are not fixed at lease commencement.

The table below presents supplemental cash flow information related to leases during the three months ended February 28, 2022 and February 28, 2021 (in thousands):

	Three Months Ended	
	February 28, 2022	February 28, 2021
Cash paid for leases	$ 2,146	$ 2,258
Right-of-use assets recognized for new leases and amendments (non-cash)	$ 221	$ 2,338

Weighted average remaining lease term in years and weighted average discount rate are as follows:

	February 28, 2022	November 30, 2021
Weighted average remaining lease term in years	3.93	4.15
Weighted average discount rate	2.6 %	2.6 %

Future payments under non-cancellable leases are as follows (in thousands):

	February 28, 2022
Remainder of 2022	$ 6,635
2023	8,201
2024	7,817
2025	5,104
2026	1,832
Thereafter	1,314
Total lease payments	30,903
Less imputed interest[1]	(1,598)
Present value of lease liabilities	$ 29,305

[1] Lease liabilities are measured at the present value of the remaining lease payments using a discount rate determined at lease commencement unless the discount rate is updated as a result of a lease reassessment event.

Note 10: Common Stock Repurchases

In January 2020, our Board of Directors increased the total share repurchase authorization from $75 million to $250 million. In the three months ended February 28, 2022 and February 28, 2021, we repurchased and retired 0.6 million shares for $25.0 million and 0.4 million shares for $15.0 million, respectively. The shares were repurchased in both periods as part of our Board of Directors authorized share repurchase program. As of February 28, 2022, there was $130.0 million remaining under the current authorization.

Note 11: Stock-Based Compensation

Stock-based compensation expense reflects the fair value of stock-based awards, less the present value of expected dividends when applicable, measured at the grant date and recognized over the relevant service period. We estimate the fair value of each stock-based award on the measurement date using the current market price of the stock, the Black-Scholes option valuation model, or the Monte Carlo Simulation valuation model.

In 2020, 2021 and 2022, we granted performance-based restricted stock units that include two performance metrics under our Long-Term Incentive Plan ("LTIP") where the performance measurement period is three years. Vesting of the LTIP awards on the 2020 plan is based on the following: (i) 50% is based on our level of attainment of specified total stockholder return ("TSR") targets relative to the percentage appreciation of a specified index of companies for the respective three-year periods, and (ii) 50% is based on achievement of a three-year cumulative performance condition (operating income). For the 2021 and 2022 plan, the vesting terms were changed to the following: (i) 25% is based on our level of attainment of specified TSR targets relative to the percentage appreciation of a specified index of companies for the respective three-year periods, and (ii) 75% is based on achievement of a three-year cumulative operating income. In order to estimate the fair value of such awards, we used a Monte Carlo Simulation valuation model for the market condition portion of the award, and used the closing price of our common stock on the date of grant for the portion related to the performance condition.

The Black-Scholes and Monte Carlo Simulation valuation models incorporate assumptions as to stock price volatility, the expected life of options or awards, a risk-free interest rate and dividend yield. We recognize stock-based compensation expense related to options and restricted stock units on a straight-line basis over the service period of the award, which is generally 4 years for options and 3 years for restricted stock units. We recognize stock-based compensation expense related to our employee stock purchase plan using an accelerated attribution method.

The following table provides the classification of stock-based compensation as reflected on our condensed consolidated statements of operations (in thousands):

	Three Months Ended	
	February 28, 2022	February 28, 2021
Cost of maintenance and services	$ 411	$ 392
Sales and marketing	1,402	1,503
Product development	2,222	1,919
General and administrative	4,079	2,970
Total stock-based compensation	$ 8,114	$ 6,784

Note 12: Accumulated Other Comprehensive Loss

The following table summarizes the changes in accumulated balances of other comprehensive loss during the three months ended February 28, 2022 (in thousands):

	Foreign Currency Translation Adjustment	Unrealized (Losses) on Investments	Unrealized (Losses) Gains on Hedging Activity	Accumulated Other Comprehensive Loss
Balance, December 1, 2021	$ (30,055)	$ (49)	$ (2,339)	$ (32,443)
Other comprehensive income before reclassifications, net of tax	1,781	(7)	1,653	3,427
Balance, February 28, 2022	$ (28,274)	$ (56)	$ (686)	$ (29,016)

The tax effect on accumulated unrealized (losses) gains on hedging activity and unrealized (losses) on investments was $0.2 million and $0.7 million as of February 28, 2022 and November 30, 2021, respectively.

Note 13: Revenue Recognition

Timing of Revenue Recognition

Our revenues are derived from licensing our products, and from related services, which consist of maintenance, hosting services, and consulting and education. Information relating to revenue from external customers by revenue type is as follows (in thousands):

	Three Months Ended	
(In thousands)	February 28, 2022	February 28, 2021
Performance obligations transferred at a point in time:		
Software licenses	$ 42,750	$ 33,317
Performance obligations transferred over time:		
Maintenance	89,963	76,977
Services	12,209	10,986
Total revenue	$ 144,922	$ 121,280

Geographic Revenue

In the following table, revenue attributed to North America includes sales to customers in the U.S. and sales to certain multinational organizations. Revenue from EMEA, Latin America and the Asia Pacific region includes sales to customers in each region plus sales from the U.S. to distributors in these regions. Information relating to revenue from external customers from different geographical areas is as follows (in thousands):

	Three Months Ended	
(In thousands)	February 28, 2022	February 28, 2021
North America	$ 78,093	$ 71,505
EMEA	53,702	40,240
Latin America	3,883	3,493
Asia Pacific	9,244	6,042
Total revenue	$ 144,922	$ 121,280

No single customer, partner, or country outside of the U.S. has accounted for more than 10% of our total revenue for the three months ended February 28, 2022 and February 28, 2021.

Contract Balances

Unbilled Receivables and Contract Assets

The timing of revenue recognition may differ from the timing of customer invoicing. When revenue is recognized prior to invoicing and the right to the amount due from customers is conditioned only on the passage of time, we record an unbilled receivable on our condensed consolidated balance sheets. Our multi-year term license arrangements, which are typically billed annually, result in revenue recognition in advance of invoicing and the recognition of unbilled receivables.

As of February 28, 2022, invoicing of our long-term unbilled receivables is expected to occur as follows (in thousands):

2023	$ 8,685
2024	4,026
2025	725
Total	$ 13,436

Contract assets, which arise when revenue is recognized prior to invoicing and the right to the amount due from customers is conditioned on something other than the passage of time, such as the completion of a related performance obligation, were $3.3 million as of February 28, 2022 and $5.0 million as of November 30, 2021. These amounts are included in unbilled receivables or long-term unbilled receivables on our condensed consolidated balance sheets.

Deferred Revenue

Deferred revenue is recorded when revenue is recognized subsequent to customer invoicing. Our deferred revenue balance is primarily made up of deferred maintenance.

As of February 28, 2022, the changes in deferred revenue were as follows (in thousands):

Balance, December 1, 2021	$ 252,380
Billings and other	154,084
Revenue recognized	(144,922)
Balance, February 28, 2022	$ 261,542

Transaction price allocated to remaining performance obligations represents contracted revenue that has not yet been recognized, which includes deferred revenue and amounts that will be invoiced and recognized as revenue in future periods. As of February 28, 2022, transaction price allocated to remaining performance obligations was $276 million. We expect to recognize approximately 78% of the revenue within the next year and the remainder thereafter.

Deferred Contract Costs

Deferred contract costs, which include certain sales incentive programs, are incremental and recoverable costs of obtaining a contract with a customer. Incremental costs of obtaining a contract with a customer are recognized as an asset if the expected benefit of those costs is longer than one year. We have applied the practical expedient to expense costs as incurred for costs to obtain a contract with a customer when the amortization period would have been one year or less. These costs include a large majority of our sales incentive programs as we have determined that annual compensation is commensurate with annual sales activities.

Certain of our sales incentive programs meet the requirements to be capitalized. Depending upon the sales incentive program and the related revenue arrangement, such capitalized costs are amortized over the longer of (i) the product life, which is generally three to five years; or (ii) the term of the related revenue contract. We determined that a three to five year product life represents the period of benefit that we receive from these incremental costs based on both qualitative and quantitative factors, which include customer contracts, industry norms, and product upgrades. Total deferred contract costs were $7.8 million and $7.9 million as of February 28, 2022 and November 30, 2021, respectively, and are included in other current assets and other assets on our condensed consolidated balance sheets. Amortization of deferred contract costs is included in sales and marketing expense on our condensed consolidated statement of operations and was minimal in all periods presented.

Note 14: Restructuring Charges

The following table provides a summary of activity for our restructuring actions, which are detailed further below (in thousands):

	Excess Facilities and Other Costs	Employee Severance and Related Benefits	Total
Balance, December 1, 2021	$ 4,483	$ 1,889	$ 6,372
Costs incurred	108	403	511
Cash disbursements	(257)	(1,162)	(1,419)
Translation adjustments and other	—	6	6
Balance, February 28, 2022	$ 4,334	$ 1,136	$ 5,470

During the fourth quarter of fiscal year 2021, we restructured our operations in connection with the acquisition of Kemp (Note 7). This restructuring resulted in a reduction in redundant positions, primarily within the administrative functions of Kemp.

For the three months ended February 28, 2022, we incurred expenses of $0.4 million, related to this restructuring. The expenses are recorded as restructuring expenses in the consolidated statements of operations.

A summary of activity for this restructuring action is as follows (in thousands):

	Excess Facilities and Other Costs	Employee Severance and Related Benefits	Total
Balance, December 1, 2021	$ —	$ 1,882	$ 1,882
Costs incurred	—	403	403
Cash disbursements	—	(1,155)	(1,155)
Translation adjustments and other	—	6	6
Balance, February 28, 2022	$ —	$ 1,136	$ 1,136

Cash disbursements for expenses incurred to date under this restructuring are expected to be made through fiscal year 2022. Accordingly, the balance of the restructuring reserve of $1.1 million is included in other accrued liabilities on the consolidated balance sheet at February 28, 2022.

We expect to incur additional expenses as part of this action related to employee costs during fiscal year 2022, but we do not expect these costs to be material.

During the fourth quarter of fiscal year 2020, we restructured our operations in connection with the acquisition of Chef (Note 7). This restructuring resulted in a reduction in redundant positions, primarily within administrative functions of Chef.

For the three months ended February 28, 2022, we incurred expenses of $0.1 million, related to this restructuring. The expenses are recorded as restructuring expenses in the consolidated statements of operations.

A summary of activity for this restructuring action is as follows (in thousands):

	Excess Facilities and Other Costs	Employee Severance and Related Benefits	Total
Balance, December 1, 2021	$ 4,483	$ 7	$ 4,490
Costs incurred	108	—	108
Cash disbursements	(257)	(7)	(264)
Balance, February 28, 2022	$ 4,334	$ —	$ 4,334

Cash disbursements for expenses incurred to date under this restructuring are expected to be made through fiscal year 2022. Accordingly, the balance of the restructuring reserve of $4.3 million is included in other accrued liabilities, and short-term and long-term lease liabilities on the consolidated balance sheet at February 28, 2022.

We expect to incur additional expenses as part of this action related to employee costs and facility closures as we consolidate offices in various locations during fiscal year 2022, but we do not expect these costs to be material.

Note 15: Income Taxes

Our income tax provision for the first quarter of fiscal years 2022 and 2021 reflects our estimate of the effective tax rates expected to be applicable for the full fiscal years, adjusted for any discrete events, which are recorded in the period in which they occur. The estimates are reevaluated each quarter based on our estimated tax expense for the full fiscal year.

Our effective tax rate was 21% in the first fiscal quarter of 2022, compared to 23% in the first fiscal quarter of 2021. The decrease is due primarily to discrete tax expense related to the vesting of our Long-Term Incentive Plan ("LTIP") in the first fiscal quarter of 2021. There were no significant discrete tax items in the first fiscal quarter of 2022.

Our federal income tax returns have been examined or are closed by statute for all years prior to fiscal year 2018. Our state income tax returns have been examined or are closed by statute for all years prior to fiscal year 2017.

Tax authorities for certain non-U.S. jurisdictions are also examining returns. With some exceptions, we are generally not subject to tax examinations in non-U.S. jurisdictions for years prior to fiscal year 2016 because they are closed by statute.

Note 16: Earnings per share

We compute basic earnings per share using the weighted average number of common shares outstanding. We compute diluted earnings per share using the weighted average number of common shares outstanding plus the effect of outstanding dilutive stock options, restricted stock units and deferred stock units, using the treasury stock method. The following table sets forth the calculation of basic and diluted earnings per share on an interim basis (in thousands, except per share data):

	Three Months Ended	
	February 28, 2022	February 28, 2021
Net income	$ 20,454	$ 18,961
Weighted average shares outstanding	43,981	44,108
Basic earnings per common share	0.47	0.43
Diluted earnings per common share:		
Net income	20,454	18,961
Weighted average shares outstanding	43,981	44,108
Effect of dilution from common stock equivalents	727	544
Diluted weighted average shares outstanding	44,708	44,652
Diluted earnings per share	$ 0.46	$ 0.42

We excluded stock awards representing approximately 1,536,000 and 1,078,000 shares of common stock from the calculation of diluted earnings per share in the three months ended February 28, 2022 and February 28, 2021, respectively, as these awards were anti-dilutive.

As a result of our adoption of ASU 2020-06 on December 1, 2021, the dilutive impact of the Notes on our calculation of diluted net income per share is considered using the if-converted method. However, because the principal amount of the Notes must be settled in cash, the dilutive impact of applying the if-converted method is limited to the in-the-money portion, if any, of the Notes. During the three months ended February 28, 2022, we did not include the Notes in our diluted earnings per share calculation because the conversion feature in the Notes was out of the money. For periods prior to our December 1, 2021 adoption of ASU 2020-06, we applied the treasury stock method to account for the dilutive impact of the Notes for diluted earnings per share purposes.

Note 17: Segment Information

Operating segments are components of an enterprise that engage in business activities for which discrete financial information is available and regularly reviewed by the chief operating decision maker ("CODM") in deciding how to allocate resources and assess performance. Our CODM is our Chief Executive Officer.

Beginning in the second quarter of fiscal year 2021, we operate as one operating segment: software products to develop, deploy, and manage high-impact business applications. Our CODM evaluates financial information on a consolidated basis. As we operate as one operating segment, the required financial segment information can be found in the condensed consolidated financial statements.

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

Critical Accounting Policies

Management's discussion and analysis of financial condition and results of operations are based upon our consolidated financial statements which have been prepared in accordance with GAAP. We make estimates and assumptions in the preparation of our consolidated financial statements that affect the reported amounts of assets and liabilities, revenue and expenses and related disclosures of contingent assets and liabilities. We base our estimates on historical experience and various other assumptions that are believed to be reasonable under the circumstances. However, actual results may differ from these estimates. The most significant estimates relate to: the timing and amounts of revenue recognition, including the determination of the nature and timing of the satisfaction of performance obligations, the standalone selling price of performance obligations, and the transaction price allocated to performance obligations; the realization of tax assets and estimates of tax liabilities; fair values of investments in marketable securities; assets held for sale; intangible assets and goodwill valuations; the recognition and disclosure of contingent liabilities; the collectability of accounts receivable; and assumptions used to determine the fair value of stock-based compensation. This listing is not a comprehensive list of all of our accounting policies. For further information regarding the application of these and other accounting policies, see Note 1 to our Consolidated Financial Statements in Item 8 of our 2021 10-K.

Cautionary Note Regarding Forward-Looking Statements

The Private Securities Litigation Reform Act of 1995 contains certain safe harbor provisions regarding forward-looking statements. This Form 10-Q, and other information provided by us or statements made by our directors, officers or employees from time to time, may contain “forward-looking” statements and information, which involve risks and uncertainties. Actual future results may differ materially. Statements indicating that we “believe,” “may,” “could,” “would,” “might,” “should,” “expect,” “intend,” “plan,” “target,” “anticipate” and “continue,” are forward-looking, as are other statements concerning future financial results, product offerings or other events that have not yet occurred. 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: (1) 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. (2) 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. (3) 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. (4) 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. (5) We depend upon our extensive partner channel and we may not be successful in retaining or expanding our relationships with channel partners. (6) 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. (7) If the security measures for our software, services, other offerings or our internal information technology infrastructure are compromised or subject to a successful cyber-attack, or if our software offerings contain significant coding or configuration errors, we may experience reputational harm, legal claims and financial exposure. (8) We have made acquisitions, 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. (9) Delay or failure to realize the expected synergies and benefits of the Kemp acquisition could negatively impact our future results of operations and financial condition; (10) The continuing impact of the coronavirus disease (COVID-19) outbreak on our employees, customers, partners, and the global financial markets could adversely affect our business, results of operations and financial condition. (11) Russia's recent invasion of Ukraine, and the international community's response, have created substantial political and economic disruption, uncertainty, and risk. For further information regarding risks and uncertainties associated with Progress' business, please refer to Part II, Item 1A (Risk Factors) in this Quarterly Report on Form 10-Q, and in Part I, Item 1A (Risk Factors) in our 2021 10-K. Although we have sought to identify the most significant risks to our business, we cannot predict whether, or to what extent, any of such risks may be realized. We also cannot assure you that we have identified all possible issues which we might face. We undertake no obligation to update any forward-looking statements that we make.

Use of Constant Currency

Revenue from our international operations has historically represented a substantial portion of our total revenue. As a result, our revenue results have been impacted, and we expect will continue to be impacted, by fluctuations in foreign currency exchange rates. For example, if the local currencies of our foreign subsidiaries strengthen, our consolidated results stated in U.S. dollars are positively impacted.

As exchange rates are an important factor in understanding period to period comparisons, we believe the presentation of revenue growth rates on a constant currency basis enhances the understanding of our revenue results and evaluation of our performance in comparison to prior periods. The constant currency information presented is calculated by translating current period results using prior period weighted average foreign currency exchange rates. These results should be considered in addition to, not as a substitute for, results reported in accordance with GAAP.

Impact of COVID-19

In March 2020, the World Health Organization declared the outbreak of COVID-19 as a pandemic, which continues to impact the U.S. and the world. We are unable to accurately predict the full impact that COVID-19 will have due to numerous uncertainties, including the duration of the outbreak, actions that may be taken by governmental authorities, the impact to the business of our customers and partners, the risk of additional, currently-unknown COVID-19 variations necessitating further measures to mitigate risk and seek to protect employee and vendor health and safety, and other factors identified in Part II, Item 1A "Risk Factors" in this Form 10-Q. We will continue to evaluate the scope and extent of the impact to our business, consolidated results of operations, and financial condition.

Overview

Progress Software Corporation ("Progress," the "Company," "we," "us," or "our") is dedicated to propelling business forward in a technology-driven world. As the trusted provider of the leading products to develop, deploy and manage high-impact applications, Progress enables customers to develop the applications and experiences the need, deploy where and how they want and manage it all safely and securely. Beginning in the second quarter of fiscal year 2021, we operate as one operating segment.

The key tenets of our strategic plan and operating model are as follows:

Trusted Partner of the Best Products to Develop, Deploy and Manage High Impact Business Applications. A key element of our strategy is centered on providing the platform and tools enterprises need to build, deploy, and manage modern, strategic business applications. We offer these products and tools to both new customers and partners as well as our existing partner and customer ecosystems. This strategy builds on our vast experience in application development that we've acquired over the past 40 years.

Focus on Customer and Partner Retention to Drive Recurring Revenue and Profitability. Our organizational philosophy and operating principles focus primarily on customer and partner retention and success and a streamlined operating approach in order to more efficiently drive, predictable and stable recurring revenue and high levels of profitability.

Total Growth Strategy Driven by Accretive M&A. We are pursuing a total growth strategy driven by accretive acquisitions of businesses within the infrastructure software space, with products that appeal to both IT organizations and individual developers. These acquisitions must meet strict financial and other criteria, which help further our goal to provide significant stockholder returns by providing scale and increased cash flows. In April 2019, we acquired Ipswitch, Inc., in October 2020, we acquired Chef Software, Inc., and, as described below, in November 2021, we acquired Kemp Technologies. These acquisitions met our strict financial criteria.

Kemp is the always-on application experience company that helps enterprises deliver, optimize and secure applications and networks across any cloud or hybrid environment. The purchase price for Kemp was $258 million and we funded the purchase price with existing cash balances. With this acquisition, we extended our portfolio of market-leading products in DevOps/DevSecOps, Application Development, Data Connectivity and Digital Experience, adding Application Experience Management (AX). Kemp Loadmaster and Flowmon Network Visibility products monitor application performance, and distribute and balance traffic and workloads across servers, in the cloud or on premise, ensuring high performance and availability.

Multi-Faceted Capital Allocation Approach. Our capital allocation policy emphasizes accretive M&A, which allows us to expand our business and drive significant stockholder returns, and utilizes dividends and share repurchases to return capital to stockholders. We intend to repurchase our shares in sufficient quantities to offset dilution from our equity plans. Lastly, we return a significant portion of our annual cash flows from operations to stockholders in the form of dividends.

In the first fiscal quarter of 2022, we repurchased and retired 0.6 million shares of our common stock for $25.0 million. As of February 28, 2022, there was $130.0 million remaining under share repurchase authorization. The timing and amount of any shares repurchased will be determined by management based on its evaluation of market conditions and other factors, and the Board of Directors may choose to suspend, expand or discontinue the repurchase program at any time.

We began paying quarterly cash dividends of $0.125 per share of common stock to Progress stockholders in December 2016 and increased the quarterly cash dividend annually in fiscal years 2017, 2018 and 2019. On September 22, 2020, our Board of Directors approved an additional increase of 6% to our quarterly cash dividend from $0.165 to $0.175 and declared a quarterly dividend of $0.175 per share of common stock. Future declarations of dividends and the establishment of future record and payment dates are subject to the final determination of our Board of Directors.

We will continue to pursue acquisitions meeting our financial criteria and designed to expand our business and drive significant stockholder returns. As a result, our expected uses of cash could change, our cash position could be reduced, and we may incur additional debt obligations to the extent we complete additional acquisitions. However, we believe that existing cash balances, together with funds generated from operations and amounts available under our credit facility, will be sufficient to finance our operations and meet our foreseeable cash requirements, including quarterly cash dividends and stock repurchases to Progress stockholders, as applicable, through at least the next twelve months.

We also believe that our financial resources have allowed, and will continue to allow us to manage the impact of COVID-19 on our business operations for the foreseeable future. The challenges posed by COVID-19 on our business continue to evolve. Consequently, we will continue to evaluate our financial position in light of future developments, particularly those relating to COVID-19. We derive a significant portion of our revenue from international operations, which are primarily conducted in foreign currencies. As a result, changes in the value of these foreign currencies relative to the U.S. dollar have significantly impacted our results of operations and may impact our future results of operations. Since approximately one-third of our revenue is denominated in foreign currency, and given the volatility in the global economy created by COVID-19, our revenue results in the first fiscal quarter of 2022 were impacted by fluctuations in foreign currency exchange rates.

Results of Operations

Revenue

	Three Months Ended		% Change	
(In thousands)	February 28, 2022	February 28, 2021	As Reported	Constant Currency
Revenue	$ 144,922	$ 121,280	19 %	21 %

Total revenue increased compared to the same quarter last year primarily due to our acquisition of Kemp in the fourth quarter of fiscal year 2021, as well as increases in our Chef, OpenEdge, and DevTools product offerings.

Software License Revenue

	Three Months Ended		% Change	
(In thousands)	February 28, 2022	February 28, 2021	As Reported	Constant Currency
Software licenses	$ 42,750	$ 33,317	28 %	31 %
As a percentage of total revenue	*29 %*	*27 %*		

Software license revenue increased compared to the same quarter last year primarily due to our acquisition of Kemp in the fourth quarter of fiscal year 2021.

Maintenance and Services Revenue

	Three Months Ended		% Change	
(In thousands)	February 28, 2022	February 28, 2021	As Reported	Constant Currency
Maintenance	$ 89,963	$ 76,977	17 %	19 %
As a percentage of total revenue	*62 %*	*63 %*		
Services	12,209	10,986	11 %	12 %
As a percentage of total revenue	*9 %*	*10 %*		
Total maintenance and services revenue	$ 102,172	$ 87,963	16 %	18 %
As a percentage of total revenue	*71 %*	*73 %*		

Maintenance and services revenue increased compared to the same quarter last year primarily due to our acquisition of Kemp in the fourth quarter of fiscal year 2021, as well as increases in our Chef, Ipswitch, DevTools, and OpenEdge product offerings.

Revenue by Region

(In thousands)	Three Months Ended February 28, 2022	Three Months Ended February 28, 2021	% Change As Reported	% Change Constant Currency
North America	$ 78,093	$ 71,505	9 %	9 %
As a percentage of total revenue	*54 %*	*59 %*		
Europe, the Middle East and Africa ("EMEA")	$ 53,702	$ 40,240	34 %	38 %
As a percentage of total revenue	*37 %*	*33 %*		
Latin America	$ 3,883	$ 3,493	11 %	13 %
As a percentage of total revenue	*3 %*	*3 %*		
Asia Pacific	$ 9,244	$ 6,042	53 %	58 %
As a percentage of total revenue	*6 %*	*5 %*		

Total revenue generated in North America increased $6.6 million in the first quarter of fiscal year 2022. The increase was primarily due to our acquisition of Kemp and increased Chef maintenance revenue, partially offset by decreased revenue from our OpenEdge product offerings. The increase in revenue generated in both EMEA and Asia Pacific was due to our acquisition of Kemp, as well as increased Chef and OpenEdge revenue in both regions. Revenue in Latin America increased due to the acquisition of Kemp and higher maintenance revenue from our OpenEdge product offerings.

In the first three months of fiscal year 2022 revenue generated in markets outside North America represented 46% of total revenue compared to 47% of total revenue on a constant currency basis. In the first three months of fiscal year 2021 revenue generated in markets outside North America represented 41% of total revenue at both actual rates and on a constant currency basis.

Cost of Software Licenses

(In thousands)	Three Months Ended February 28, 2022	Three Months Ended February 28, 2021	Change	
Cost of software licenses	$ 2,609	$ 1,151	$ 1,458	127 %
As a percentage of software license revenue	*6 %*	*3 %*		
As a percentage of total revenue	*2 %*	*1 %*		

Cost of software licenses consists primarily of costs of royalties, electronic software distribution, duplication, and packaging. The year over year increase was the result of higher payments of royalties to third parties as compared to the prior period. Cost of software licenses as a percentage of software license revenue varies from period to period depending upon the relative product mix. The year over year increase is due to our acquisition of Kemp in the fourth quarter of fiscal year 2021.

Cost of Maintenance and Services

(In thousands)	Three Months Ended February 28, 2022	Three Months Ended February 28, 2021	Change	
Cost of maintenance and services	$ 15,145	$ 13,319	$ 1,826	14 %
As a percentage of maintenance and services revenue	*15 %*	*15 %*		
As a percentage of total revenue	*10 %*	*11 %*		
Components of cost of maintenance and services:				
Personnel related costs	$ 10,804	$ 9,539	$ 1,265	13 %
Contractors and outside services	2,968	2,579	389	15 %
Hosting and other	1,373	1,201	172	14 %
Total cost of maintenance and services	$ 15,145	$ 13,319	$ 1,826	14 %

Cost of maintenance and services consists primarily of costs of providing customer support, consulting, and education. The increase year over year was primarily due to increased headcount, outside services and hosting costs resulting from our acquisition of Kemp.

Amortization of Intangibles

(In thousands)	Three Months Ended		
	February 28, 2022	February 28, 2021	% Change
Amortization of intangibles	$ 5,458	$ 3,521	55 %
As a percentage of total revenue	*4 %*	*3 %*	

Amortization of intangibles included in costs of revenue primarily represents the amortization of the value assigned to technology-related intangible assets obtained in business combinations. The increase year over year is due to the acquisition of Kemp.

Gross Profit

(In thousands)	Three Months Ended		
	February 28, 2022	February 28, 2021	% Change
Gross profit	$ 121,710	$ 103,289	18 %
As a percentage of total revenue	*84 %*	*85 %*	

Our gross profit increased primarily due to the increase in revenue, offset by the increases in costs of software licenses, costs of maintenance and services and the amortization of intangibles, each as described above.

Sales and Marketing

(In thousands)	Three Months Ended			
	February 28, 2022	February 28, 2021	Change	
Sales and marketing	$ 33,469	$ 29,469	$ 4,000	14 %
As a percentage of total revenue	*23 %*	*24 %*		
Components of sales and marketing:				
Personnel related costs	$ 28,395	$ 25,891	$ 2,504	10 %
Contractors and outside services	820	388	432	111 %
Marketing programs and other	4,254	3,190	1,064	33 %
Total sales and marketing	$ 33,469	$ 29,469	$ 4,000	14 %

Sales and marketing expenses increased year over year, primarily due to increased personnel related costs associated with our acquisition of Kemp, as well as increases in contractors and outside services and marketing and sales events costs.

Product Development

(In thousands)	Three Months Ended			
	February 28, 2022	February 28, 2021	Change	
Product development costs	$ 28,673	$ 24,548	$ 4,125	17 %
As a percentage of total revenue	*20 %*	*20 %*		
Components of product development costs:				
Personnel related costs	$ 27,479	$ 23,604	$ 3,875	16 %
Contractors and outside services	1,018	725	293	40 %
Other product development costs	176	219	(43)	(20)%
Total product development costs	$ 28,673	$ 24,548	$ 4,125	17 %

Product development expenses increased year over year primarily due to increased personnel related costs associated with our acquisition of Kemp, as well as an increase in contractors and outside services costs.

General and Administrative

(In thousands)	Three Months Ended			
	February 28, 2022	February 28, 2021	Change	
General and administrative	$ 16,991	$ 13,424	$ 3,567	27 %
As a percentage of total revenue	*12 %*	*11 %*		
Components of general and administrative:				
Personnel related costs	$ 14,051	$ 11,887	$ 2,164	18 %
Contractors and outside services	2,067	1,460	607	42 %
Other general and administrative costs	873	77	796	*
Total cost of general and administrative	$ 16,991	$ 13,424	$ 3,567	27 %

*not meaningful

General and administrative expenses include the costs of our finance, human resources, legal, information systems and administrative departments. General and administrative expenses increased year over year primarily due to higher personnel costs and contractors and outside services costs associated with our acquisition of Kemp, as well as an increase in other general and administrative costs.

Amortization of Intangibles

(In thousands)	Three Months Ended		
	February 28, 2022	February 28, 2021	% Change
Amortization of intangibles	$ 11,722	$ 6,879	70 %
As a percentage of total revenue	*8 %*	*6 %*	

Amortization of intangibles included in operating expenses primarily represents the amortization of value assigned to intangible assets obtained in business combinations other than assets identified as purchased technology. Amortization of intangibles increased year over year due to the addition of Kemp intangible assets, as discussed above.

Restructuring Expenses

(In thousands)	Three Months Ended		
	February 28, 2022	February 28, 2021	% Change
Restructuring expenses	$ 511	$ 1,157	(56)%
As a percentage of total revenue	*— %*	*1 %*	

Restructuring expenses recorded in the first quarter of fiscal year 2022 primarily relates to the restructuring activities that occurred in the fourth quarters of fiscal years 2021 and 2020 resulting from the acquisitions of Kemp and Chef, respectively. Restructuring expenses recorded in the first quarter of fiscal year 2020 are comprised mostly of costs related to the Chef restructuring actions of 2020. See the Liquidity and Capital Resources section of this Item 2, Management's Discussion and Analysis of Financial Condition and Results of Operations.

Acquisition-Related Expenses

(In thousands)	Three Months Ended		
	February 28, 2022	February 28, 2021	% Change
Acquisition-related expenses	$ 912	$ 396	130 %
As a percentage of total revenue	*1 %*	*— %*	

Acquisition-related costs are expensed as incurred and include those costs incurred as a result of a business combination. These costs consist of professional service fees, including third-party legal and valuation-related fees. Acquisition-related expenses increased in the first quarter of fiscal year 2022 due to the acquisition of Kemp, as well as our pursuit of other acquisition opportunities. Acquisition-related expenses in the same period of fiscal year 2021 were primarily related to the acquisition of Chef.

Income from Operations

(In thousands)	Three Months Ended February 28, 2022	Three Months Ended February 28, 2021	% Change
Income from operations	$ 29,432	$ 27,416	7 %
As a percentage of total revenue	*20 %*	*23 %*	

Income from operations increased in both periods shown due to increases of revenue, offset by an increase in costs of revenue and operating expenses as shown above.

Other (Expense) Income, Net

(In thousands)	Three Months Ended February 28, 2022	Three Months Ended February 28, 2021	% Change
Interest expense	$ (3,703)	$ (2,514)	(47)%
Interest income and other, net	589	119	395 %
Foreign currency loss, net	(366)	(257)	(42)%
Total other expense, net	$ (3,480)	$ (2,652)	(31)%
As a percentage of total revenue	*(2)%*	*(2)%*	

Other expense, net, increased year over year primarily due to increased interest expense associated with our convertible senior notes, which we issued in April 2021. The increase in interest expense was offset by higher interest income and other, net, which resulted from the recognition of grant income during the quarter.

Provision for Income Taxes

(In thousands)	Three Months Ended February 28, 2022	Three Months Ended February 28, 2021	% Change
Provision for income taxes	$ 5,498	$ 5,803	(5)%
As a percentage of total revenue	*4 %*	*5 %*	

Our effective tax rate was 21% in the first fiscal quarter of 2022 compared to 23% in the first fiscal quarter of 2021. The decrease is due primarily to discrete tax expense related to the vesting of our Long-Term Incentive Plan ("LTIP") in the first fiscal quarter of 2021. There were no significant discrete tax items in the first fiscal quarter of 2022.

Net Income

(In thousands)	Three Months Ended February 28, 2022	Three Months Ended February 28, 2021	% Change
Net income	$ 20,454	$ 18,961	8 %
As a percentage of total revenue	*14 %*	*16 %*	

Select Performance Metrics:

Management evaluates our financial performance using a number of financial and operating metrics. These metrics are periodically reviewed and revised to reflect changes in our business.

Annual Recurring Revenue (ARR)

We are providing an ARR performance metric to help investors better understand and assess the performance of our business because our mix of revenue generated from recurring sources has increased in recent years. ARR represents the annualized contract value for all active and contractually binding term-based contracts at the end of a period. ARR includes maintenance, software upgrade rights, public cloud and on-premises subscription-based transactions and managed services. ARR mitigates fluctuations due to seasonality, contract term and the sales mix of subscriptions for term-based licenses and SaaS. ARR does not have any standardized meaning and is therefore unlikely to be comparable to similarly titled measures presented by other companies. ARR should be viewed independently of GAAP revenue and deferred revenue and is not intended to be combined with or to replace, not be superior to, either of those items. ARR is not a forecast and the active contracts at the end of a reporting period used in calculating ARR may or may not be extended or renewed by our customers.

We define ARR as the annual recurring revenue of term-based contracts from all customers at a point in time. We calculate ARR by taking monthly recurring revenue, or MRR, and multiplying it by 12. MRR for each month is calculated by aggregating, for all customers during that month, monthly revenue from committed contractual amounts, additional usage and monthly subscriptions.

Our ARR was $479.0 million and $426.0 million as of February 28, 2022 and 2021, respectively, which is an increase of 12% year-over-year. The growth in our ARR is primarily driven by the acquisition of Kemp.

Net Dollar Retention Rate

We calculate net dollar retention rate as of a period end by starting with the ARR from the cohort of all customers as of 12 months prior to such period end ("Prior Period ARR"). We then calculate the ARR from these same customers as of the current period end ("Current Period ARR"). Current Period ARR includes any expansion and is net of contraction or attrition 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 net dollar retention rate.

Our net dollar retention rates have generally ranged between 100% and 102% for all periods presented. Our high net dollar retention rates illustrate our predictable and durable top line performance.

Liquidity and Capital Resources

Cash, Cash Equivalents and Short-Term Investments

(In thousands)	February 28, 2022	November 30, 2021
Cash and cash equivalents	$ 171,666	$ 155,406
Short-term investments	1,656	1,967
Total cash, cash equivalents and short-term investments	$ 173,322	$ 157,373

The increase in cash, cash equivalents and short-term investments of $15.9 million from the end of fiscal year 2021 was due to cash inflows from operations of $44.1 million, proceeds from the issuance of debt of $7.5 million, $1.0 million in cash received from the issuance of common stock, and the effect of exchange rates on cash of $0.7 million. These cash inflows were offset by repurchases of common stock of $25.0 million, dividend payments of $7.8 million, payments of issuance costs for long-term debt of $2.0 million, payments of debt obligations of $1.7 million, and purchases of property and equipment of $0.8 million. Except as described below, there are no limitations on our ability to access our cash, cash equivalents and short-term investments.

As of February 28, 2022, $45.9 million of our cash, cash equivalents and short-term investments was held by our foreign subsidiaries. Foreign cash includes unremitted foreign earnings, which are invested indefinitely outside of the U.S. As such, it is not available to fund our domestic operations. If we were to repatriate these earnings, we may be subject to income tax withholding in certain tax jurisdictions and a portion of the repatriated earnings may be subject to U.S. income tax. However, we do not anticipate that this would have a material adverse impact on our liquidity.

Share Repurchase Program

In January 2020, our Board of Directors increased the total share repurchase authorization from $75 million to $250 million. In the three months ended February 28, 2022 and February 28, 2021, we repurchased and retired 0.6 million shares for $25.0 million and 0.4 million shares for $15.0 million, respectively. The shares were repurchased in both periods as part of our Board of Directors authorized share repurchase program. As of February 28, 2022, there was $130.0 million remaining under the current authorization.

Dividends

We began paying quarterly cash dividends to Progress stockholders in December 2016, and have paid a quarterly cash dividend since that time. On March 29, 2022, our Board of Directors declared a quarterly dividend of $0.175 per share of common stock that will be paid on June 15, 2022 to stockholders of record as of the close of business on June 1, 2022. Future declarations of dividends and the establishment of future record and payment dates are subject to the final determination of our Board of Directors.

Restructuring Activities

During the fourth quarter of fiscal year 2021, we restructured our operations in connection with the acquisition of Kemp. This restructuring resulted in a reduction in redundant positions, primarily within administrative functions of Kemp. For the three months ended February 28, 2022, we incurred expenses of $0.4 million relating to this restructuring. The expenses are recorded as restructuring expenses in the consolidated statements of operations. We expect to incur additional expenses as part of this action related to employee costs and facility closures as we consolidate offices in various locations during fiscal year 2022, but we do not expect these costs to be material. Cash disbursements for expenses incurred to date under this restructuring are expected to be made through fiscal year 2022. Accordingly, the balance of the restructuring reserve of $1.1 million is included in other accrued liabilities on the consolidated balance sheet at February 28, 2022.

During the fourth quarter of fiscal year 2020, we restructured our operations in connection with the acquisition of Chef (Note 7). This restructuring resulted in a reduction in redundant positions, primarily within administrative functions of Chef. For the three months ended February 28, 2022, we incurred expenses of $0.1 million relating to this restructuring. Cash disbursements for expenses incurred to date under this restructuring are expected to be made through fiscal year 2027. Accordingly, the balance of the restructuring reserve of $4.3 million is included in short-term and long-term lease liabilities on the condensed consolidated balance sheet at February 28, 2022. We expect to incur additional expenses as part of this action related to employee costs and facility closures as we consolidate offices in various locations during fiscal year 2022, but we do not expect these costs to be material.

Credit Facility

On January 25, 2022, we entered into an amended and restated credit agreement (the "Credit Agreement") providing for a $275.0 million secured term loan and a $300.0 million secured revolving credit facility. The revolving credit facility may be increased, and new term loan commitments may be entered into, by up to an additional amount up to the sum of (A) the greater of (x) $260.0 million and (y) 100% of our consolidated EBITDA and (B) an unlimited additional amount subject to pro forma compliance with a consolidated senior secured net leverage ratio of no greater than 3.75 to 1.00 if the existing or additional lenders are willing to make such increased commitments. This new credit facility replaces our prior secured credit facility dated April 30, 2019.

The amount of the term loan outstanding under our prior secured credit facility was incorporated into the amended and restated credit facility.

The revolving line of credit has sublimits for swing line loans up to $25.0 million and for the issuance of standby letters of credit in a face amount up to $25.0 million. We expect to use the revolving credit facility for general corporate purposes, which may include the acquisitions of other businesses, and may also use it for working capital.

Interest rates for the Credit Agreement are determined by reference to a term benchmark rate or a base rate at our option and would range from 1.00% to 2.00% above the term benchmark rate or would range from 0.00% to 1.00% above the defined base rate for base rate borrowings, in each case based upon our leverage ratio. Additionally, we may borrow certain foreign currencies at rates set in the same range above the respective term benchmark rates for those currencies, based on our leverage ratio. We will incur a quarterly commitment fee on the undrawn portion of the revolving credit facility, ranging from 0.125% to 0.275% per annum, based upon our leverage ratio. At closing of the revolving credit facility, the applicable interest rate and commitment fee are at the third lowest rate in each range.

The Credit Agreement matures on the earlier of (i) January 25, 2027 and (ii) the date that is 181 days prior to the maturity date of our Notes subject to certain conditions as set forth in the amended credit agreement, including the repayment of the Notes, the refinancing of the Notes including a maturity date that is at least 181 days after January 25, 2027 and compliance with a liquidity test, when all amounts outstanding will be due and payable in full. The revolving credit facility does not require amortization of principal. The term loan requires repayment of principal at the end of each fiscal quarter, beginning with the fiscal quarter ending February 28, 2022. The first eight payments are in the principal amount of $1.7 million each, the following four payments are in the principal amount of $3.4 million each, the following eight payments are in the principal amount of $5.2 million each and the last payment is of the remaining principal amount. Any amounts outstanding under the term loan thereafter would be due on the maturity date. The term loan may be prepaid before maturity in whole or in part at our option without penalty or premium.

We are the sole borrower under the credit facility. Our obligations under the amended credit agreement are guaranteed by each of our material domestic subsidiaries and are secured by substantially all of our assets and such material domestic subsidiaries, as well as 100% of the capital stock of our domestic subsidiaries and 65% of the capital stock of our first-tier foreign subsidiaries, in each case, subject to certain exceptions as described in the amended credit agreement. Future material domestic subsidiaries will be required to guaranty our obligations under the amended credit agreement, and to grant security interests in substantially all of their assets to secure such obligations. The amended credit agreement generally prohibits, with certain exceptions, any other liens on our assets and the assets of our subsidiaries, subject to certain exceptions as described in the amended credit agreement.

The amended credit agreement contains customary affirmative and negative covenants, including covenants that limit or restrict us and our subsidiaries' ability to, among other things, grant liens, make investments, make acquisitions, incur indebtedness, merge or consolidate, dispose of assets, pay dividends or make distributions, repurchase stock, change the nature of its business, enter into certain transactions with affiliates and enter into burdensome agreements, in each case subject to customary exceptions for a credit facility of this size and type. We are also required to maintain compliance with a consolidated interest charge coverage ratio and a consolidated total net leverage ratio.

The amended credit agreement includes customary events of default that include, among other things, non-payment defaults, covenant defaults, inaccuracy of representations and warranties, cross default to material indebtedness, bankruptcy and insolvency defaults, material judgment defaults, ERISA defaults and a change of control default. The occurrence of an event of default could result in the acceleration of the obligations under the amended credit agreement.

The outstanding balance of the term loan as of February 28, 2022 was $273.3 million, with $6.9 million due in the next 12 months. The term loan may be prepaid before maturity in whole or in part at our option without penalty or premium. The interest rate as of February 28, 2022 was 1.79%. As of February 28, 2022, there were no amounts outstanding under the revolving line of credit and $2.2 million of letters of credit outstanding (Note 8).

Convertible Senior Notes

In April 2021, we issued, in a private placement, Convertible Senior Notes (the "Notes") with an aggregate principal amount of $325 million, due April 15, 2026, unless earlier repurchased, redeemed or converted. There are no required principal payments prior to the maturity of the Notes. In addition, the Company granted the initial purchasers of the Notes an option to purchase up to an additional $50.0 million aggregate principal amount of the Notes, of which $35 million of additional Notes were purchased for total proceeds of $360 million. The Notes bear interest at an annual rate of 1%, payable semi-annually in arrears on April 15 and October 15 of each year, beginning on October 15, 2021. The adoption of ASU 2020-06 had no impact on the Company's debt covenant compliance under the current arrangement. Refer to Note 8: Debt for further discussion.

Cash Flows From Operating Activities

	Three Months Ended	
(In thousands)	February 28, 2022	February 28, 2021
Net income	$ 20,454	$ 18,961
Non-cash reconciling items included in net income	31,774	21,061
Changes in operating assets and liabilities	(8,135)	4,666
Net cash flows from operating activities	$ 44,093	$ 44,688

In the first quarter of fiscal year 2022, operating cash flows decreased due to higher compensation related payments as compared to the same period in 2021, partially offset by increased cash generated from the acquisition of Kemp and particularly strong collections of our receivables. Our gross accounts receivable as of February 28, 2022, decreased by $13.1 million from the end of fiscal year 2021 and our days sales outstanding (DSO) in accounts receivable decreased to 52 days from 53 days in the first fiscal quarter of 2021 due to the timing of billings and collections.

Cash Flows From (Used in) Investing Activities

	Three Months Ended	
(In thousands)	February 28, 2022	February 28, 2021
Net investment activity	$ 300	$ 1,300
Purchases of property and equipment	(831)	(1,166)
Decrease in escrow receivable and other	—	2,130
Net cash flows (used in) from investing activities	$ (531)	$ 2,264

Net cash outflows and inflows of our net investment activity are generally a result of the timing of our purchases and maturities of securities, which are classified as cash equivalents or short-term securities. We also purchased $0.8 million of property and equipment in the first three months of fiscal year 2022, as compared to $1.2 million in the first three months of fiscal year 2021.

Cash Flows From (Used in) Financing Activities

	Three Months Ended	
(In thousands)	February 28, 2022	February 28, 2021
Proceeds from stock-based compensation plans	$ 4,094	$ 3,485
Repurchases of common stock	(25,000)	(15,000)
Proceeds from the issuance of debt	7,474	—
Payment of debt issuance costs	(1,957)	—
Payment of principal on long-term debt	(1,719)	(18,763)
Dividend payments to stockholders	(7,784)	(7,854)
Other financing activities	(3,139)	(892)
Net cash flows from (used in) financing activities	$ (28,031)	$ (39,024)

During the first three months of fiscal year 2022, we received $5.5 million in net proceeds from the issuance of debt. We also received $4.1 million from the exercise of stock options and the issuance of shares under our employee stock purchase plan as compared to $3.5 million in the first three months of fiscal year 2021. Further, we repurchased $25.0 million of our common stock under our share repurchase plan compared to $15.0 million in the same period of the prior year. We also made payments on our long-term debt of $1.7 million in the first three months of fiscal year 2022 compared to $18.8 million in the same period of the prior year (including a $15.0 million repayment on the revolving line of credit). Finally, we made dividend payments of $7.8 million to our stockholders during the first three months of fiscal year 2022, as compared to $7.9 million in the first three months of fiscal year 2021.

Indemnification Obligations

We include standard intellectual property indemnification provisions in our licensing agreements in the ordinary course of business. Pursuant to our product license agreements, we will indemnify, hold harmless, and agree to reimburse the indemnified party for losses suffered or incurred by the indemnified party, generally business partners or customers, in connection with certain patent, copyright or other intellectual property infringement claims by third parties with respect to our products. Other agreements with our customers provide indemnification for claims relating to property damage or personal injury resulting from the performance of services by us or our subcontractors. Historically, our costs to defend lawsuits or settle claims relating to such indemnity agreements have been insignificant. Accordingly, the estimated fair value of these indemnification provisions is immaterial.

Liquidity Outlook

Cash from operations in fiscal year 2022 could be affected by various risks and uncertainties, including, but not limited to, the effects of COVID-19 and other risks detailed in Part II, Item 1A titled "Risk Factors." While the pandemic has not negatively impacted our liquidity and capital resources to date, it has led to increased disruption and volatility in capital markets and credit markets generally which could adversely affect our liquidity and capital resources in the future. However, based on our current business plan, we believe that existing cash balances, together with funds generated from operations and amounts available under our credit facility, will be sufficient to finance our operations and meet our cash requirements for the foreseeable future. We do not contemplate a need for any foreign repatriation of the earnings which are deemed invested indefinitely outside of the U.S. Our foreseeable cash needs include our planned capital expenditures, debt repayments, quarterly cash dividends, share repurchases, acquisitions, lease commitments, restructuring obligations and other long-term obligations.

Legal and Other Regulatory Matters

See discussion regarding legal and other regulatory matters in Part II, Item 1. Legal Proceedings.

Recent Accounting Pronouncements

Refer to Note 1 - Nature of Business and Basis of Presentation (Part I, Item 1 of this Form 10-Q) for further discussion.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

During the first quarter of fiscal year 2022, there were no significant changes to our quantitative and qualitative disclosures about market risk. Please refer to Part II, Item 7A. Quantitative and Qualitative Disclosures about Market Risk included in our 2021 10-K, for a more complete discussion of the market risks we encounter.

Item 4. Controls and Procedures

(a) Evaluation of disclosure controls and procedures

Our management maintains disclosure controls and procedures as defined in Rule 13a-15(e) and 15d-15(e) under the Securities and Exchange Act of 1934, as amended (the "Exchange Act") that are designed to provide reasonable assurance that information required to be disclosed in our reports filed or submitted under the Exchange Act is processed, recorded, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer (our principal executive officer and principal financial officer, respectively), as appropriate, to allow for timely decisions regarding required disclosure.

Our management, including our Chief Executive Officer and Chief Financial Officer, carried out an evaluation of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective to ensure that the information required to be disclosed in the reports filed or submitted by us under the Exchange Act was recorded, processed, summarized and reported within the requisite time periods and that such information was accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow for timely decisions regarding required disclosure.

(b) Changes in internal control over financial reporting

Our management, including our Chief Executive Officer and Chief Financial Officer, evaluated our "internal control over financial reporting" as defined in Exchange Act Rule 13a-15(f) to determine whether any changes in our internal control over financial reporting occurred during the fiscal quarter ended February 28, 2022 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. Based on that evaluation, there were no changes in our internal control over financial reporting during the fiscal quarter ended February 28, 2022 that have materially affected, or are reasonably likely to materially affect our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

We are subject to various legal proceedings and claims, either asserted or unasserted, which arise in the ordinary course of business. While the outcome of these claims cannot be predicted with certainty, management does not believe that the outcome of any of these legal matters will have a material effect on our financial position, results of operations or cash flows.

Item 1A. Risk Factors

We operate in a rapidly changing environment that involves certain risks and uncertainties, some of which are beyond our control. The risk factors set forth below that are marked with an asterisk (*) are new or contain changes to the similarly titled risk factors included in our 2021 10-K. The risks discussed below could materially affect our business, financial condition and future results. The risks described below are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition or operating results in the future.

Risks Related to Our Ability to Grow Our Business

Russia's recent invasion of Ukraine, and the international community's response, have created substantial political and economic disruption, uncertainty, and risk. In February 2022, Russia's military action in Ukraine resulted in wide-ranging sanctions and international protests, creating significant political and economic uncertainty at a global level. These and related actions, responses, and consequences may contribute to world-wide economic downturns. We have no way to predict the progress or outcome of the situation, as the conflict and government reactions are rapidly developing and beyond our control. Prolonged unrest, military activities, or broad-based sanctions could have a material adverse effect on our operations and business outlook.

Moreover, given our meaningful reliance on revenue generated outside of North America, which constituted 40% of our total revenue in fiscal 2021, and our reliance on revenue generated in EMEA, which constituted 32% of our total revenue in fiscal 2021, if the invasion of Ukraine disrupts commercial activities in these regions, our business could be harmed. Russia’s invasion of Ukraine may also elevate the risk of cyber-attacks on U.S. companies, and any such cyber-attack could similarly impact or disrupt our commercial activities. Although we cannot predict what the impacts may be, our global operations and reliance on interconnected technology increase the risk to our operations resulting from the invasion.

The ongoing COVID-19 pandemic could materially and adversely affect our business, results of operations and financial condition. In March 2020, the World Health Organization declared the outbreak of COVID-19 a pandemic, which has spread throughout the United States and the world and has resulted in authorities implementing and re-implementing numerous measures to contain the virus, including travel bans and restrictions, quarantines, shelter-in-place orders, and business limitations and shutdowns. The COVID-19 pandemic continues to evolve, and measures remain in place to varying degrees as the rate and pace of recovery from COVID-19 has differed and continues to differ by geography and industry.

Given the economic uncertainty created by the COVID-19 pandemic, we could see delays in our sales cycle, failures of customers to renew at all or to renew at the anticipated scope their subscriptions with us, requests from customers for payment term deferrals as well as pricing or bundling concessions, which, if significant, could materially and adversely affect our business, results of operations and financial condition. In addition, our third-party service providers may experience financial difficulties or business disruptions that could negatively affect their operations and their ability to supply us with services needed for our products and operations. Although these events did not have a material adverse impact on our financial results for the fiscal year ended November 30, 2021, there can be no assurance that these events will not have a material adverse impact on our financial results for the full fiscal year or future periods.

The full extent of the COVID-19 pandemic’s impact on our operations and financial performance depends on future developments that are uncertain and unpredictable, including the duration and spread of the pandemic, its impact on capital and financial markets, the timing of economic recovery, the spread of the virus to other regions, and the actions taken to contain it, among others. Any of these impacts could have a material adverse impact on our business, results of operations and financial condition and ability to execute and capitalize on our strategies. Due to the ongoing uncertainty regarding the severity and duration of the COVID-19 pandemic, we cannot predict whether our response to date or the actions we may take in the future will be effective mitigating the effects of the COVID-19 pandemic on our business, results of operations or financial condition. Accordingly, we are unable at this time to predict the future impact of the COVID-19 pandemic on our operations, liquidity, and financial results, and, depending on the magnitude and duration of the COVID-19 pandemic, such impact may be material.

Technology and customer requirements evolve rapidly in our industry, and if we do not continue to develop new products and enhance our existing products in response to these changes, our business could be harmed. Ongoing enhancements to our product sets will be required to enable us to maintain our competitive position and the competitive position of our ISVs, distributors/resellers, and OEMs. We may not be successful in developing and marketing enhancements to our products on a timely basis, and any enhancements we develop may not adequately address the changing needs of the marketplace.

Overlaying the risks associated with our existing products and enhancements are ongoing technological developments and rapid changes in customer and partner requirements. Our future success will depend upon our ability to develop and introduce new products in a timely manner that take advantage of technological advances and respond to new customer and partner requirements. We may not be successful in developing new products incorporating new technology on a timely basis, and any new products we develop may not adequately address the changing needs of the marketplace or may not be accepted by the market. Failure to develop new products and product enhancements that meet market needs in a timely manner could have a material adverse effect on our business, financial condition and operating results.

We are substantially dependent on our OpenEdge products. We derive a significant portion of our revenue from software license and maintenance revenue attributable to our OpenEdge product set. Accordingly, our future results depend on continued market acceptance of OpenEdge. If consumer demand declines, or new technologies emerge that are superior to, or are more responsive to customer requirements than, OpenEdge such that we are unable to maintain OpenEdge's competitive position within its marketplace, our business, financial condition and operating results may be materially adversely affected.

The segments of the software industry in which we participate are intensely competitive, and our inability to compete effectively could harm our business. We experience significant competition from a variety of sources with respect to the marketing and distribution of our products. Many of our competitors have greater financial, marketing or technical resources than we do and may be able to adapt more quickly to new or emerging technologies and changes in customer requirements or to devote greater resources to the promotion and sale of their products than we can. Increased competition could make it more difficult for us to maintain our market presence or lead to downward pricing pressure.

In addition, the marketplace for new products is intensely competitive and characterized by low barriers to entry. For example, an increase in market acceptance of open source software may cause downward pricing pressures. One of the characteristics of open source software is that the governing license terms generally allow liberal modifications of the code and distribution thereof to a wide group of companies and/or individuals. As a result, others could easily develop new software products or services based upon those open source programs that compete with existing open source software that we support and incorporate into our Chef products. As a result, new competitors possessing technological, marketing or other competitive advantages may emerge and develop their own open source software or hybrid proprietary and open source software offerings, potentially reducing the demand for, and putting price pressure on, our products enabling them to rapidly acquire market share. In addition, current and potential competitors may make strategic acquisitions or establish cooperative relationships among themselves or with third parties, thereby increasing their ability to deliver products that better address the needs of our prospective customers. Current and potential competitors may also be more successful than we are in having their products or technologies widely accepted. We may be unable to compete successfully against current and future competitors, and our failure to do so could have a material adverse effect on our business, prospects, financial condition and operating results.

We intend to make additional acquisitions of businesses, products or technologies that involve additional risks, which could disrupt our business or harm our financial condition, results of operations or cash flows. A key element of our strategy includes the acquisition of businesses that offer complementary products, services and technologies, augment our revenues and cash flows, and meet our strict financial and other criteria. We may not be able to identify suitable acquisition opportunities, or to consummate any such transactions. Any acquisitions that we do complete and their integration involve a number of risks, the occurrence of which could have a material adverse effect on our business, financial condition, operating results or cash flows, including:

- unexpected delays, challenges and related expenses, and the disruption of our business;
- difficulties of assimilating the operations and personnel of acquired companies;
- our potential inability to realize the value of the acquired assets relative to the price paid;
- distraction of management from our ongoing businesses;
- potential product disruptions associated with the sale of the acquired business's products;
- the potential that an acquisition may not further our business strategy as we expected, may not result in revenue and cash flow growth to the degree we expected or at all, or may not achieve expected synergies;
- the possibility of incurring significant restructuring charges and amortization expense;
- risks related to the assumption of the acquired business's liabilities or any ongoing lawsuits;

- potential impairment to assets that we recorded as a part of an acquisition, including intangible assets and goodwill; and
- to the extent that we issue stock to pay for an acquisition, dilution to existing stockholders and decreased earnings per share.

Difficulties associated with any acquisitions we may pursue, and their integration may be complicated by factors such as:

- the size of the business or entity acquired;
- geographic and cultural differences;
- lack of experience operating in the industry or geographic markets of the acquired business;
- potential loss of key employees and customers;
- the potential for deficiencies in internal controls at the acquired or combined business;
- performance problems with the acquired business's technology;
- exposure to unanticipated liabilities of the acquired business;
- insufficient revenue to offset increased expenses associated with the acquisition; and
- adverse tax consequences.

If we fail to complete an announced acquisition, our stock price could fall to the extent the price reflects an assumption that such acquisition will be completed, and we may incur significant unrecoverable costs. Further, the failure to consummate an acquisition may result in negative publicity and adversely impact our relationships with our customers, vendors and employees. We may become subject to legal proceedings relating to the acquisition and the integration of acquired businesses may not be successful. Failure to manage and successfully integrate acquired businesses, achieve anticipated levels of profitability of the acquired business, improve margins of the acquired businesses and products, or realize other anticipated benefits of an acquisition could materially harm our business, operating results and margins.

If our goodwill or amortizable intangible assets become impaired, we may be required to record a significant charge to earnings. We acquire other companies and intangible assets and may not realize all the economic benefit from those acquisitions, which could cause an impairment of goodwill or intangibles. We review our amortizable intangible assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. We test goodwill for impairment at least annually. Factors that may cause a change in circumstances, indicating that the carrying value of our goodwill or amortizable intangible assets may not be recoverable, include a decline in our stock price and market capitalization, reduced future cash flow estimates, and slower growth rates in industry segments in which we participate. We may be required to record a significant charge in our consolidated financial statements during the period in which any impairment of our goodwill or amortizable intangible assets is determined, negatively affecting our results of operations.

Risks Related to the Operation of Our Business

We recognize a substantial portion of our revenue from sales made through third parties, including our ISVs, distributors/resellers, and OEMs, and adverse developments in the businesses of these third parties or in our relationships with them could harm our revenues and results of operations. Our future results depend in large part upon our continued successful distribution of our products through our ISV, distributor/reseller, and OEM channels. The activities of these third parties are not within our direct control. Our failure to manage our relationships with these third parties effectively could impair the success of our sales, marketing and support activities. A reduction in the sales efforts, technical capabilities or financial viability of these parties, a misalignment of interest between us and them, or a termination of our relationship with a major ISV, distributor/reseller, or OEM could have a negative effect on our sales and financial results. Any adverse effect on any of our ISV's, distributors'/resellers', or OEMs' businesses related to competition, pricing and other factors could also have a material adverse effect on our business, financial condition and operating results.

****A failure of our information technology systems could have a material adverse effect on our business.*** We rely on our technology infrastructure, and the technology infrastructure of third parties, for many functions, including selling our products, supporting our ISVs and other third-party channels, fulfilling orders and billing, and collecting and making payments. This technology infrastructure may be vulnerable to damage or interruption from natural disasters, power loss, telecommunication failures, terrorist attacks, the outbreak of wars or other armed conflicts, the escalation of hostilities, geopolitical tensions or trade wars, acts of terrorism or " acts of God," particularly involving geographies in which we or third parties on whom we depend have operations, computer intrusions, vulnerabilities and viruses, software errors, computer denial-of-service attacks and other events. A significant number of the systems making up this infrastructure are not redundant, and our disaster recovery planning may not be sufficient for every eventuality. This technology infrastructure may fail or be vulnerable to damage or interruption because of actions by third parties or employee error or malfeasance. We may not carry business interruption insurance sufficient to protect us from all losses that may result from interruptions in our services as a result of technology infrastructure failures or to cover all contingencies. Any interruption in the availability of our websites and on-line interactions with customers or partners may cause a reduction in customer or partner satisfaction levels, which in turn could cause additional claims, reduced revenue or loss of customers or partners. Despite any precautions we may take, these problems could result in, among other consequences, a loss of data, loss of confidence in the stability and reliability of our offerings, damage to our reputation, and legal liability, all of which may adversely affect our business, financial condition, operating results and cash flows.

Our international operations expose us to additional risks, and changes in global economic and political conditions could adversely affect our international operations, our revenue and our net income. Approximately 40% of our total fiscal 2021 revenue, was generated from sales outside North America. Political and/or financial instability, oil price shocks and armed conflict in various regions of the world, including, but not limited to, Russia's invasion of Ukraine in February 2022, can lead to economic uncertainty and may adversely impact our business. Political instability may lead to significant, continuing volatility in global stock markets and currency exchange rate fluctuations. If customers' buying patterns, decision-making processes, timing of expected deliveries and timing of new projects unfavorably change due to economic or political conditions, there would be a material adverse effect on our business, financial condition and operating results.

Other potential risks inherent in our international business include:

- longer payment cycles;
- credit risk and higher levels of payment fraud;
- greater difficulties in accounts receivable collection;
- varying regulatory and legal requirements;
- compliance with international and local trade, labor and export control laws;
- restrictions on the transfer of funds;
- difficulties in developing, staffing, and simultaneously managing a large number of varying foreign operations as a result of distance, legal impediments and language and cultural differences;
- reduced or minimal protection of intellectual property rights in some countries;
- laws and business practices that favor local competitors or prohibit foreign ownership of certain businesses;
- changes in U.S. or foreign trade policies or practices that increase costs or restrict the distribution of products;
- seasonal reductions in business activity during the summer months in Europe and certain other parts of the world;
- economic instability in emerging markets; and
- potentially adverse tax consequences.

Any one or more of these factors could have a material adverse effect on our international operations, and, consequently, on our business, financial condition and operating results.

In addition, our business has been, and could in the future be, adversely affected by regional or global health crises, including an outbreak of contagious disease such as COVID-19. A significant outbreak of contagious diseases and other adverse public health developments, or the fear of such events that results in a widespread health crisis could adversely affect global supply chains and the economies and financial markets of many countries. Any prolonged economic disruption could affect demand for our products and services and adversely impact our results of operations and financial condition. The full impact of the coronavirus outbreak is unknown at this time. We continue to monitor developments and the potential effect on our business.

Fluctuations in foreign currency exchange rates could have an adverse impact on our financial condition and results of operations. Changes in the value of foreign currencies relative to the U.S. dollar could adversely affect our results of operations and financial position. For example, during periods in which the value of the U.S. dollar strengthens in comparison to certain foreign currencies, particularly in Europe, Brazil and Australia, our reported international revenue is reduced because foreign currencies translate into fewer U.S. dollars. As approximately one-third of our revenue is denominated in foreign currencies, our revenue results have been impacted, and we expect will continue to be impacted, by fluctuations in foreign currency exchange rates.

We seek to reduce our exposure to fluctuations in exchange rates by entering into foreign exchange forward contracts to hedge certain actual and forecasted transactions of selected currencies (mainly in Europe, Brazil, India and Australia). Our currency hedging transactions may not be effective in reducing any adverse impact of fluctuations in foreign currency exchange rates. Further, the imposition of exchange or price controls or other restrictions on the conversion of foreign currencies could have a material adverse effect on our business.

Our customers and partners may delay payment or fail to pay us in accordance with the terms of their agreements, necessitating action by us to compel payment. If customers and partners delay the payment or fail to pay us under the terms of our agreements, we may be adversely affected both from the inability to collect amounts due and the cost of enforcing the terms of our contracts, including litigation. Furthermore, some of our customers and partners may seek bankruptcy protection or other similar relief and fail to pay amounts due to us, or pay those amounts more slowly, either of which could adversely affect our operating results, financial position and cash flow. The ongoing global COVID-19 pandemic has also increased the likelihood of these risks.

We rely on the experience and expertise of our skilled employees, and must continue to attract and retain qualified technical, marketing and managerial personnel in order to succeed. Our future success will depend in large part upon our ability to attract and retain highly skilled technical, managerial, sales and marketing personnel. There is significant competition for such personnel in the software industry. We may not continue to be successful in attracting and retaining the personnel we require to develop new and enhanced products and to continue to grow and operate profitably.

Our periodic workforce restructurings can be disruptive. We have in the past restructured or made other adjustments to our workforce in response to management changes, product changes, performance issues, changes in strategy, acquisitions and other internal and external considerations. In the past, these restructurings have resulted in increased restructuring costs and have temporarily reduced productivity. These effects could recur in connection with any future restructurings or we may not achieve or sustain the expected growth or cost savings benefits of any such restructurings, or do so within the expected timeframe. As a result, our revenues and other results of operations could be negatively affected.

If our products contain software defects or security flaws, it could harm our revenues and expose us to litigation. Our products, despite extensive testing and quality control, may contain defects or security flaws, especially when we first introduce them or when new versions are released. We may need to issue corrective releases of our software products to fix any defects or errors. The detection and correction of any security flaws can be time consuming and costly. Errors in our software products could affect the ability of our products to work with other hardware or software products, delay the development or release of new products or new versions of products, adversely affect market acceptance of our products and expose us to potential litigation. If we experience errors or delays in releasing new products or new versions of products, such errors or delays could have a material adverse effect on our revenue.

****If our security measures are breached, our products and services may be perceived as not being secure, customers may curtail or stop using our products and services, and we may incur significant legal and financial exposure.*** Our products and services involve the storage and transmission of our customers' proprietary information and may be vulnerable to unauthorized access, computer viruses, cyber-attacks, distributed denial of service attacks and other disruptive problems. Due to the actions of outside parties, employee error, malfeasance, or otherwise, an unauthorized party may obtain access to our data or our customers' data, which could result in its theft, destruction or misappropriation. Security risks in recent years have increased significantly given the increased sophistication and activities of hackers, organized crime, including state-sponsored organizations and nation-states, and other outside parties. Cyber threats are continuously evolving, increasing the difficulty of defending against them. Increased risks of such attacks and disruptions also exist due to the Russian invasion of Ukraine beginning in February 2022. While we have implemented security procedures and controls to address these threats, our security measures could be compromised or could fail. Any security breach or unauthorized access could result in significant legal and financial exposure, increased costs to defend litigation, indemnity and other contractual obligations, government fines and penalties, damage to our reputation and our brand, and a loss of confidence in the security of our products and services that could potentially have an adverse effect on our business and results of operations. Breaches of our network could disrupt our internal systems and business applications, including services provided to our customers. Additionally, data breaches could compromise technical and proprietary information, harming our competitive position. We may need to spend significant capital or allocate significant resources to ensure effective ongoing protection against the threat of security breaches or to address security related concerns. If an actual or perceived breach of our security occurs, the market perception of the effectiveness of our security measures could be harmed and we could lose customers. In addition, our insurance coverage may not be adequate to cover all costs related to cybersecurity incidents and the disruptions resulting from such events.

****Catastrophic events may disrupt our business.*** We rely on our network infrastructure and enterprise applications, internal technology systems and website for our development, marketing, operations, support and sales activities. In addition, we rely on third-party hosted services, and we do not control the operation of third-party data center facilities, which increases our vulnerability. A disruption, infiltration or failure of these systems or third-party hosted services in the event of a major earthquake, fire, flood, tsunami or other weather event, power loss, telecommunications failure, software or hardware malfunctions, pandemics (including the COVID-19 pandemic), cyber-attack, war (including the Russian invasion of Ukraine), terrorist attack or other catastrophic event that our disaster recovery plans do not adequately address, could cause system interruptions, reputational harm, loss of intellectual property, delays in our product development, lengthy interruptions in our services, breaches of data security and loss of critical data. A catastrophic event that results in the destruction or disruption of any of our data centers or our critical business or information technology systems could severely affect our ability to conduct normal business operations and, as a result, our future operating results could be adversely affected, and the adverse effects of any such catastrophic event would be exacerbated if experienced at the same time as another unexpected and adverse event, such as the COVID-19 pandemic and Russian invasion of Ukraine.

Risks Related to Laws and Regulations

***We are subject to risks associated with compliance with laws and regulations globally, which may harm our business.** We are a global company subject to varied and complex laws, regulations and customs, both domestically and internationally. These laws and regulations relate to a number of aspects of our business, including trade protection, import and export control, data and transaction processing security, payment card industry data security standards, records management, user-generated content hosted on websites we operate, privacy practices, data residency, corporate governance, anti-trust and competition, employee and third-party complaints, anti-corruption, gift policies, conflicts of interest, securities regulations and other regulatory requirements affecting trade and investment. The application of these laws and regulations to our business is often unclear and may at times conflict. For example, in many foreign countries, particularly in those with developing economies, it is common to engage in business practices that are prohibited by U.S. regulations applicable to us, including the Foreign Corrupt Practices Act. We cannot provide assurance that our employees, contractors, agents and business partners will not take actions in violation of our internal policies or U.S. laws. Compliance with these laws and regulations may involve significant costs or require changes in our business practices that result in reduced revenue and profitability. Non-compliance could also result in fines, damages, criminal sanctions against us, our officers or our employees, prohibitions on the conduct of our business, and damage to our reputation. In response to the COVID-19 pandemic, federal, state, local and foreign governmental authorities have imposed, and may continue to impose, protocols and restrictions intended to contain the spread of the virus, including limitations on the size of gatherings, closures of work facilities, schools, public buildings and businesses, quarantines, lockdowns and travel restrictions. Such restrictions have disrupted and may continue to disrupt our business operations and limit our ability to perform critical functions. In response to the Russian invasion of Ukraine, new sanctions have been imposed by the U.S., Canada, the United Kingdom, the European Union, and other countries and companies and organizations against officials, individuals, regions, and industries in Russia and Ukraine. Although we have policies and procedures in place designed to ensure compliance with applicable sanctions, our employees, contractors, and agents may take actions in violation of such policies and applicable law and ultimately we could be held responsible. If we are held responsible for a violation of U.S. sanctions laws, we may be subject to various penalties, any of which could have a material adverse effect on our business, financial condition or results of operations.

Our business practices with respect to the collection, use and management of personal information could give rise to operational interruption, liabilities or reputational harm as a result of governmental regulation, legal requirements or industry standards relating to consumer privacy and data protection. As regulatory focus on privacy issues continues to increase and worldwide laws and regulations concerning the handling of personal information expand and become more complex, potential risks related to data collection and use within our business will intensify. For example, on July 16, 2020, the Court of Justice of the European Union ("CJEU") invalidated the E.U.-U.S. Privacy Shield framework – a system for complying with EU data protection requirements when transferring personal data from the European Economic Area ("EEA") to the U.S. – with immediate effect. Other data transfer mechanisms remain intact although still subject to considerable scrutiny by certain member states and their Data Protection Authorities. While legislators are still said to be considering a replacement for the Privacy Shield, no action seems imminent. As a result, we may experience reluctance or refusal by current or prospective European customers to use our products, and we may find it necessary or desirable to make further changes to our handling of personal data of EEA residents. Also, on June 4, 2021, the European Commission approved new standard contractual clauses to permit transfers of personal data from the European Union to other countries, such as the United States. The new clauses align more closely with the General Data Protection Regulation (GDPR) of 2018 by, among other things, increasing documentation responsibilities.

The regulatory environment applicable to the handling of EEA residents' personal data, which is governed by the GDPR, and our actions taken in response, may cause us to assume additional liabilities or incur additional costs, and could result in our business, operating results and financial condition being harmed. Additionally, we and our customers may face a risk of enforcement actions by data protection authorities in the EEA relating to personal data transfers to us and by us from the EEA. Any such enforcement actions could result in substantial costs and diversion of resources, distract management and technical personnel and negatively affect our business, operating results and financial condition.

In addition, U.S. and foreign governments have enacted or are considering enacting legislation or regulations, or may in the near future interpret existing legislation or regulations, in a manner that could significantly impact our ability and the ability of our customers and data partners to collect, augment, analyze, use, transfer and share personal and other information that is integral to certain services we provide. For example, in the U.S., the California Consumer Privacy Act ("CCPA") became effective in January 2020, and internationally, Brazil's data privacy law (Lei Geral de Proteção de Dados Pessoais, or LGPD), which is similar to GDPR, became effective in September 2020. The U.S. Congress is considering several privacy bills at the federal level, and other state legislatures are considering privacy laws.

The GDPR and other changes in laws or regulations associated with the enhanced protection of certain types of sensitive data, such as healthcare data or other personal information, could greatly increase our cost of providing our products and services or even prevent us from offering certain services in jurisdictions that we operate. Regulators globally are also imposing greater monetary fines for privacy violations. For example, non-compliance with the GDPR may result in monetary penalties of up to 4% of worldwide revenue.

Additionally, public perception and standards related to the privacy of personal information can shift rapidly, in ways that may affect our reputation or influence regulators to enact regulations and laws that may limit our ability to provide certain products. Any failure, or perceived failure, by us to comply with U.S. federal, state, or foreign laws and regulations, including laws and regulations regulating privacy, data security, or consumer protection, or other policies, public perception, standards, self-regulatory requirements or legal obligations, could result in lost or restricted business, proceedings, actions or fines brought against us or levied by governmental entities or others, or could adversely affect our business and harm our reputation.

We could incur substantial cost in protecting our proprietary software technology or if we fail to protect our technology, which would harm our business. We rely principally on a combination of contract provisions and copyright, trademark, patent and trade secret laws to protect our proprietary technology. Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy aspects of our products or to obtain and use information that we regard as proprietary. Policing unauthorized use of our products is difficult. Litigation may be necessary in the future to enforce our intellectual property rights, to protect our trade secrets or to determine the validity and scope of the proprietary rights of others. This litigation could result in substantial costs and diversion of resources, whether or not we ultimately prevail on the merits. The steps we take to protect our proprietary rights may be inadequate to prevent misappropriation of our technology; moreover, others could independently develop similar technology.

The value of our Chef software assets may be limited by open source development and licensing practices. Our Chef offerings incorporate software components licensed to the general public under open source licenses. We obtain many components from software developed and released by contributors to independent open source components of our offerings. Open source licenses grant licensees broad permissions to use, copy, modify and redistribute our platform. As a result, open source development and licensing practices can limit the value of our software copyright assets.

We could be subject to claims that we infringe intellectual property rights of others, which could harm our business, financial condition, results of operations or cash flows. Third parties could assert infringement claims in the future with respect to our products and technology, and such claims might be successful. Litigation relating to any such claims could result in substantial costs and diversion of resources, whether or not we ultimately prevail on the merits. Any such litigation could also result in our being prohibited from selling one or more of our products, unanticipated royalty payments, reluctance by potential customers to purchase our products, or liability to our customers and could have a material adverse effect on our business, financial condition, operating results and cash flows.

Changes in accounting principles and guidance, or their interpretation or implementation, may materially adversely affect our reported results of operations or financial position. We prepare our consolidated financial statements in accordance with accounting principles generally accepted in the United States of America ("GAAP") These principles are subject to interpretation by the SEC and various bodies formed to create and interpret appropriate accounting principles and guidance. A change in these principles or guidance, or in their interpretations, may have a significant effect on our reported results, as well as our processes and related controls.

We may have exposure to additional tax liabilities. As a multinational corporation, we are subject to income taxes in the U.S. and various foreign jurisdictions. Significant judgment is required in determining our global provision for income taxes and other tax liabilities. In the ordinary course of a global business, there are many intercompany transactions and calculations where the ultimate tax determination is uncertain. Our income tax returns are routinely subject to audits by tax authorities. Although we regularly assess the likelihood of adverse outcomes resulting from these examinations to determine our tax estimates, a final determination of tax audits that is inconsistent with such assessments or tax disputes could have an adverse effect on our financial condition, results of operations and cash flows.

We are also subject to non-income taxes, such as payroll, sales, use, value-added, net worth, property and goods and services taxes in the U.S. and various foreign jurisdictions. We are regularly under audit by tax authorities with respect to these non-income taxes and may have exposure to additional non-income tax liabilities, which could have an adverse effect on our results of operations, financial condition and cash flows.

In addition, our future effective tax rates could be favorably or unfavorably affected by changes in tax rates, changes in the valuation of our deferred tax assets or liabilities, or changes in tax laws or their interpretation. Such changes could have a material adverse impact on our financial results.

Contracting with government entities exposes us to additional risks inherent in the government procurement process. We provide products and services, directly and indirectly, to a variety of government entities, both domestically and internationally. Risks associated with licensing and selling products and services to government entities include more extended sales and collection cycles, varying governmental budgeting processes and adherence to complex procurement regulations and other government-specific contractual requirements. We may be subject to audits and investigations relating to our government contracts and any violations could result in various civil and criminal penalties and administrative sanctions, including termination of contracts, payment of fines, and suspension or debarment from future government business, as well as harm to our reputation and financial results.

Risks Related to Financial Performance or General Economic Conditions

****Weakness in the U.S. and international economies may result in fewer sales of our products and may otherwise harm our business.*** We are subject to risks arising from adverse changes in global economic conditions, especially those in the U.S., Europe and Latin America. If global economic conditions weaken, credit markets tighten and/or financial markets become unstable, customers may delay, reduce or forego technology purchases, both directly and through our ISVs, resellers/distributors and OEMs. This could result in reductions in sales of our products, longer sales cycles, slower adoption of new technologies and increased price competition. Further, deteriorating economic conditions could adversely affect our customers and their ability to pay amounts owed to us. Due to global supply chain issues, a rise in energy prices and strong consumer demand, inflation is showing signs of acceleration in the United States and globally, which may increase our cost of labor as well as other costs, negatively affect credit and securities markets generally, and further impact customer demand for our products and ability to make payments. Any of these events would likely harm our business, results of operations, financial condition or cash flows.

Revenue forecasting is uncertain, and the failure to meet our forecasts could result in a decline in our stock price. Our revenues, particularly new software license revenues, are difficult to forecast. We use a pipeline system to forecast revenues and trends in our business. Our pipeline estimates may prove to be unreliable either in a particular quarter or over a longer period of time, in part because the conversion rate of the pipeline into contracts can be difficult to estimate and requires management judgment. A variation in the conversion rate could cause us to plan or budget incorrectly and result in a material adverse impact on our business or our planned results of operations. Furthermore, most of our expenses are relatively fixed, including costs of personnel and facilities. Thus, an unexpected reduction in our revenue, or failure to achieve the anticipated rate of growth, would have a material adverse effect on our profitability. If our operating results do not meet our publicly stated guidance or the expectations of investors, our stock price may decline.

Our revenue and quarterly results may fluctuate, which could adversely affect our stock price. We have experienced, and may in the future experience, significant fluctuations in our quarterly operating results that may be caused by many factors. These factors include:

- changes in demand for our products;
- introduction, enhancement or announcement of products by us or our competitors;
- market acceptance of our new products;
- the growth rates of certain market segments in which we compete;
- size and timing of significant orders;
- a high percentage of our revenue is generated in the third month of each fiscal quarter and any failure to receive, complete or process orders at the end of any quarter could cause us to fall short of our revenue targets;
- budgeting cycles of customers;
- mix of distribution channels;
- mix of products and services sold;
- mix of international and North American revenues;
- fluctuations in currency exchange rates;
- changes in the level of operating expenses;
- changes in management;
- restructuring programs;

- changes in our sales force;
- completion or announcement of acquisitions by us or our competitors;
- integration of acquired businesses;
- customer order deferrals in anticipation of new products announced by us or our competitors;
- general economic conditions in regions in which we conduct business; and
- other factors such as political or social unrest, terrorist attacks, other hostilities, natural disasters, and potential public health crises, such as COVID-19.

Our common stock price may continue to be volatile, which could result in losses for investors. The market price of our common stock, like that of other technology companies, is volatile and is subject to wide fluctuations in response to quarterly variations in operating results, announcements of technological innovations or new products by us or our competitors, changes in financial estimates by securities analysts or other events or factors. Our stock price may also be affected by broader market trends unrelated to our performance. As a result, purchasers of our common stock may be unable at any given time to sell their shares at or above the price they paid for them.

Risks Related to our Indebtedness and Convertible Senior Notes

Our indebtedness and liabilities could limit the cash flow available for our operations, expose us to risks that could adversely affect our business, financial condition and results of operations. As of February 28, 2022, we had approximately $621 million of consolidated indebtedness. We may also incur additional indebtedness to meet future financing needs. Our indebtedness could have significant negative consequences for our security holders and our business, results of operations and financial condition by, among other things:

a. increasing our vulnerability to adverse economic and industry conditions;
b. limiting our ability to obtain additional financing;
c. requiring the dedication of a substantial portion of our cash flow from operations to service our indebtedness, which will reduce the amount of cash available for other purposes;
d. limiting our flexibility to plan for, or react to, changes in our business;
e. diluting the interests of our existing stockholders as a result of issuing shares of our common stock upon conversion of the Notes; and
f. placing us at a possible competitive disadvantage with competitors that are less leveraged than us or have better access to capital.

Our ability to make scheduled payments of the principal of, to pay interest on or to refinance our current or future indebtedness, including the Notes, depends on our future performance, which is subject to economic, financial, competitive and other factors beyond our control. Our business may not generate sufficient funds, and we may otherwise be unable to maintain sufficient cash reserves, to pay amounts due under our current or future indebtedness, including the Notes, and our cash needs may increase in the future. In addition, our Credit Agreement contains, and any future indebtedness that we may incur may contain, financial and other restrictive covenants that limit our ability to operate our business, raise capital or make payments under our other indebtedness. If we fail to comply with these covenants or to make payments under our indebtedness when due, then we would be in default under that indebtedness, which could, in turn, result in that and our other indebtedness becoming immediately payable in full.

We are required to comply with certain financial and operating covenants under our credit facility and to make scheduled debt payments as they become due; any failure to comply with those covenants or to make scheduled payments could cause amounts borrowed under the facility to become immediately due and payable or prevent us from borrowing under the facility. In January 2022, we entered into an amended and restated credit agreement , which provides for a $275.0 million term loan and a $300.0 million revolving loan (which may be increased by an additional $260.0 million if the existing or additional lenders are willing to make such increased commitments). This agreement matures in January 2027, at which time any amounts outstanding will be due and payable in full. We may wish to borrow additional amounts under the facility in the future to support our operations, including for strategic acquisitions and share repurchases.

We are required to comply with specified financial and operating covenants and to make scheduled repayments of our term loan, which may limit our ability to operate our business as we otherwise might operate it. Our failure to comply with any of these covenants or to meet any payment obligations under the facility could result in an event of default which, if not cured or waived, would result in any amounts outstanding, including any accrued interest and unpaid fees, becoming immediately due and payable. We might not have sufficient working capital or liquidity to satisfy any repayment obligations in the event of an acceleration of those obligations. In addition, if we are not in compliance with the financial and operating covenants at the time we wish to borrow funds, we will be unable to borrow funds.

***We may be required to repay the Credit Agreement prior to the stated maturity date, if the springing maturity feature is triggered.** The Credit Agreement has a stated maturity date of January 25, 2027, but includes a springing maturity feature that will cause the stated maturity date to spring ahead to the date that is 181 days prior to the maturity date of our Notes subject to certain conditions as set forth in the amended credit agreement, including the repayment of the Notes, the refinancing of the Notes including a maturity date that is at least 181 days after January 25, 2027 and compliance with a liquidity test when all amounts outstanding will be due and payable in full. If such springing maturity feature is triggered, we will be required to pay all amounts outstanding under the credit facility sooner than they would otherwise be due, we may not have sufficient funds available to pay such amounts at that time, and we may not be able to raise additional funds to pay such amounts on a timely basis, on terms we find acceptable, or at all.

The capped call transactions may affect the value of our common stock. In connection with the issuance of the Notes, we entered into capped call transactions with certain financial institutions ("option counterparties"). The capped call transactions are generally expected to reduce the potential dilution to our common stock upon any conversion of the Notes and/or offset any cash payments we are required to make in excess of the principal amount of converted Notes, as the case may be, with such reduction and/or offset subject to a cap. From time to time, the option counterparties that are parties to the capped call transactions or their respective affiliates may modify their hedge positions by entering into or unwinding various derivative transactions with respect to our common stock and/or purchasing or selling our common stock or other securities of ours in secondary market transactions prior to the maturity of the Notes. This activity could cause a decrease in the market price of our common stock.

The conditional conversion feature of the Notes, if triggered, may adversely affect our financial condition and operating results. Noteholders may require us to repurchase their Notes following a fundamental change at a cash repurchase price generally equal to the principal amount of the Notes to be repurchased, plus accrued and unpaid interest, if any. In addition all conversions of Notes will be settled partially or entirely in cash. We may not have enough available cash or be able to obtain financing at the time we are required to repurchase the Notes or pay the cash amounts due upon conversion. In addition, applicable law, regulatory authorities and the agreements governing our other indebtedness may restrict our ability to repurchase the Notes or pay the cash amounts due upon conversion. Our failure to repurchase Notes or to pay the cash amounts due upon conversion when required will constitute a default under the indenture governing the terms of the Notes. A default under the indenture or the fundamental change itself could also lead to a default under agreements governing our other indebtedness, which may result in that other indebtedness becoming immediately payable in full. If the repayment of such other indebtedness were to be accelerated after any applicable notice or grace periods, then we may not have sufficient funds to repay that indebtedness and repurchase the Notes or make cash payments upon their conversion.

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

Provisions in the indenture could delay or prevent an otherwise beneficial takeover of us. Certain provisions in the Notes and the indenture could make a third party attempt to acquire us more difficult or expensive. For example, if a takeover constitutes a fundamental change, then Noteholders will have the right to require us to repurchase their Notes for cash. In addition, if a takeover constitutes a make-whole fundamental change, then we may be required to temporarily increase the conversion rate. In either case, and in other cases, our obligations under the Notes and the indenture could increase the cost of acquiring us or otherwise discourage a third party from acquiring us or removing incumbent management, including in a transaction that Noteholders or holders of our common stock may view as favorable.

Conversion of the Notes may dilute the ownership interest of existing stockholders. The conversion of some or all of the Notes will dilute the ownership interests of existing stockholders to the extent we deliver shares of our common stock upon conversion of any of the Notes. Any sales in the public market of the common stock issuable upon such conversion could adversely affect prevailing market prices of our common stock. In addition, the existence of the Notes may encourage short selling by market participants because the conversion of the Notes could be used to satisfy short positions, or anticipated conversion of the Notes into shares of our common stock could depress the price of our common stock.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Items 2(a) and 2(b) are not applicable.

(c) Stock Repurchases

Information related to the repurchases of our common stock by month in the first quarter of fiscal year 2022 is as follows (in thousands, except per share and share data):

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet be Purchased Under the Plans or Programs[(1)]
December 2021	—	$ —	—	$ 155,000
January 2022	413,448	45.06	413,448	136,000
February 2022	138,023	46.06	138,023	130,000
Total	551,471	$ 45.31	551,471	$ 130,000

(1) In January 2020, our Board of Directors increased the total share repurchase authorization from $75.0 million to $250.0 million. As of February 28, 2022, there was $130.0 million remaining under this authorization.

Item 5. Other Information

On March 23, 2022, the Board of Directors adopted the 2022 Fiscal Year Compensation Program for Non-Employee Directors (the "2022 Plan"), which provides for the payment of cash and equity compensation to non-employee members of our Board of Directors in connection with their service to Progress. Except as described below, the 2022 Plan is identical to the compensation plan applicable to directors in 2021.

Under the 2022 Plan, our non-employee directors will be paid an annual retainer of $275,000. This annual retainer will be paid $50,000 in cash and $225,000 in equity (with the equity paid in the form of deferred stock units which convert to shares of common stock only upon a change in control of the Company or the cessation of service on the Board of Directors). The non-executive Chairman of the Board will be paid an additional cash retainer of $75,000. These retainers are the same as the plan applicable to directors in 2021.

With respect to service on the committees of our Board of Directors, the following fees will be paid:

- Audit Committee - $25,000 for the Chairman and $20,000 for the other members (unchanged);
- Compensation Committee - $25,000 for the Chairman and $15,000 for the other members (unchanged);
- Nominating and Corporate Governance Committee - $12,500 for the Chairman and $10,000 for the other members (unchanged); and
- Mergers and Acquisitions/Strategy Committee - $25,000 for the Chairman and $15,000 for the other members (unchanged).

Item 6. Exhibits

The following exhibits are filed or furnished as part of this Quarterly Report on Form 10-Q:

Exhibit No.	Description
10.1*†	2022 Fiscal Year Compensation Plan for Non-Employee Directors
10.1***	Third Amended and Restated Credit Agreement, dated as of January 25, 2022, by and among Progress Software Corporation, each of the lenders party thereto, JPMorgan Chase Bank, N.A., as Administrative Agent, Wells Fargo Bank, N.A. and Citizens Bank, N.A., as Syndication Agents, and Bank of America, N.A., Citibank, N.A., PNC Bank, National Association, Silicon Valley Bank and TD Bank, N.A., as Documentation Agents, and JPMorgan Chase Bank, N.A., as Sole Bookrunner and Sole Lead Arranger
31.1*	Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act – Yogesh K. Gupta
31.2*	Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act – Anthony Folger
32.1**	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act
101*	The following materials from Progress Software Corporation's Quarterly Report on Form 10-Q for the three months ended February 28, 2022, formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets as of February 28, 2022 and November 30, 2021; (ii) Condensed Consolidated Statements of Income for the three months ended February 28, 2022 and 2021; (iii) Condensed Consolidated Statements of Comprehensive Income for the three months ended February 28, 2022 and 2021; (iv) Condensed Consolidated Statements of Stockholders' Equity for the three months ended February 28, 2022 and 2021; (v) Condensed Consolidated Statements of Cash Flows for the three months ended February 28, 2022 and 2021; and (vi) Notes to Condensed Consolidated Financial Statements.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Filed herewith
** Furnished herewith
*** Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on January 27, 2022.
† Indicates management compensatory plan, contract, or arrangement

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PROGRESS SOFTWARE CORPORATION
(Registrant)

Dated:	April 7, 2022	/s/ YOGESH K. GUPTA Yogesh K. Gupta President and Chief Executive Officer (Principal Executive Officer)
Dated:	April 7, 2022	/s/ ANTHONY FOLGER Anthony Folger Executive Vice President and Chief Financial Officer (Principal Financial Officer)
Dated:	April 7, 2022	/s/ DOMENIC LOCOCO Domenic LoCoco Chief Accounting Officer (Principal Accounting Officer)

PROGRESS SOFTWARE CORPORATION
2022 FISCAL YEAR COMPENSATION PROGRAM
FOR NON-EMPLOYEE DIRECTORS

A. Amounts of 2022 Fiscal Year Compensation

- Annual Board Retainer (cash): $50,000
- Additional Annual Non-Executive Chairman Retainer (cash): $75,000
- Committee fees (cash):

Audit Committee:	$25,000 for Chair $20,000 for Members
Nominating and Corporate Governance Committee:	$12,500 for Chair $10,000 for Members
Compensation Committee:	$25,000 for Chair $15,000 for Members
M&A Committee:	$25,000 for Chair $15,000 for Members

Equity Component:

- $225,000 to be delivered in one installment (as set forth below under “Timing”), consisting of Deferred Stock Units (“DSUs”).
- The number of DSUs to be issued will be determined by dividing $225,000 by the fair market value of Company common stock on the date of issuance. The DSUs will vest in a single installment on the date of the 2023 Annual Meeting, subject to continued service on the Board thru such date, with full acceleration upon a change in control.
- DSUs will accrue dividends on the same basis as Company common stock and will be reinvested in additional DSUs.
- DSUs, together with dividends credited on those DSUs, will be settled upon a Director’s separation from service from the Board of Directors or change in control, if earlier, and not upon vesting. At such time, DSUs will be paid out in the form of Company common stock.

Timing

- Annual fiscal year cash compensation will be paid in one installment at the Compensation Committee meeting in June, or such other date as determined by the Compensation Committee.

- Amounts paid will be pro-rated for partial year service, with a fractional month of service rounded to a whole month. A Director who joins the Board other than on the first day of the fiscal year will be paid a pro-rated amount of the annual fiscal year compensation. The same proration rule will also apply to any partial year service on any committee.

B. Stock Retention Guidelines

All non-employee Directors must hold a number of shares of the Corporation's common stock having a fair market value equal to at least five times the Annual Cash Retainer, which for purposes of this requirement shall include vested DSUs. Directors have five years to attain this guideline from the date of election to the Board.

C. Miscellaneous

Employee Directors shall not be entitled to participate in the 2022 Director Compensation Plan.

Exhibit 31.1

CERTIFICATION

I, Yogesh K. Gupta, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Progress Software Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer 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 control 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 registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of registrant’s board of directors (or persons performing the equivalent function):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: April 7, 2022

/s/ YOGESH K. GUPTA
Yogesh K. Gupta
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION

I, Anthony Folger, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Progress Software Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer 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 control 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 registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 7, 2022

/s/ ANTHONY FOLGER
Anthony Folger
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

Certification Pursuant To 18 U.S.C. Section 1350, As Adopted Pursuant To Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report on Form 10-Q of Progress Software Corporation (the Company) for the three months ended February 28, 2022, as filed with the Securities and Exchange Commission on the date hereof (the Report), each of the undersigned, Yogesh K. Gupta, President and Chief Executive Officer, and Anthony Folger, Chief Financial Officer, of the Company, certifies, to the best knowledge and belief of the signatory, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ YOGESH K. GUPTA	/s/ ANTHONY FOLGER
President and Chief Executive Officer	Chief Financial Officer
Date: April 7, 2022	Date: April 7, 2022