

Item 2.02 Results of Operations and Financial Condition

On June 28, 2022, Progress Software Corporation ("Progress") issued a press release announcing its financial results for the fiscal second quarter ended May 31, 2022. A copy of the press release is attached as Exhibit 99.1 and is incorporated herein by reference.

The information furnished pursuant to this Item 2.02, including Exhibit 99.1, shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liability of that Section, and shall not be incorporated by reference into any other filing by Progress under the Securities Act of 1933, as amended (the "Securities Act"), or the Exchange Act, whether made before or after the date of this report, regardless of any general incorporation language in the filing.

Non-GAAP Financial Information - Progress provides non-GAAP supplemental information to its financial results. We use this non-GAAP information to evaluate our period-over-period operating performance because our management believes the information helps illustrate underlying trends in our business and provides us with a more comparable measure of our continuing business, as well as a greater understanding of the results from the primary operations of our business, by excluding the effects of certain items that do not reflect the ordinary earnings of our operations. Management also uses this non-GAAP financial information to establish budgets and operational goals, which are communicated internally and externally, evaluate performance, and allocate resources. In addition, compensation of our executives and non-executive employees is based in part on the performance of our business evaluated using this same non-GAAP information. We believe this non-GAAP financial information enhances investors' overall understanding of our current financial performance and our prospects for the future by providing more transparency for certain financial measures and providing a level of disclosure that helps investors understand how we plan and measure our business. We believe that providing this non-GAAP information affords investors a view of our operating results that may be more easily compared to our peer companies and enables investors to consider our operating results on both a GAAP and non-GAAP basis during and following the integration period of our acquisitions.

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

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

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

- **Acquisition-related revenue** - In all periods presented, we include acquisition-related revenue, which constitutes revenue reflected as pre-acquisition deferred revenue that would have been recognized prior to our adoption of Accounting Standards Update No. 2021-08, *Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers* ("ASU 2021-08") during the fourth quarter of fiscal year 2021. The acquisition-related revenue in our results relates to Chef Software, Inc. and Ipswitch, Inc., which we acquired on October 5, 2020 and April 30, 2019, respectively. Since GAAP accounting required the elimination of this revenue prior to the adoption of ASU 2021-08, GAAP results alone do not fully capture all of our economic activities. We believe these adjustments are useful to management and investors as a measure of the ongoing performance of the business because, although we cannot be certain that customers will renew their contracts, we have historically experienced high renewal rates on maintenance and support agreements and other customer contracts.
- **Amortization of acquired intangibles** - In all periods presented, we exclude amortization of acquired intangibles because those expenses are unrelated to our core operating performance and the intangible assets acquired vary significantly based on the timing and magnitude of our acquisition transactions and the maturities of the businesses acquired.
- **Stock-based compensation** - In all periods presented, we exclude stock-based compensation to be consistent with the way management and the financial community evaluates our performance and the methods used by analysts to calculate consensus estimates. The expense related to stock-based awards is generally not controllable in the short-

term and can vary significantly based on the timing, size and nature of awards granted. As such, we do not include these charges in operating plans. Stock-based compensation will continue in future periods.

- *Restructuring expenses* - In all periods presented, we exclude restructuring expenses incurred because those expenses distort trends and are not part of our core operating results.
- *Acquisition-related and transition expenses* - In all periods presented, we exclude acquisition-related expenses because those expenses distort trends and are not part of our core operating results. In recent years, we have completed a number of acquisitions, which result in our incurring operating expenses which would not otherwise have been incurred. By excluding certain transition, integration and other acquisition-related expense items in connection with acquisitions, this provides more meaningful comparisons of the financial results to our historical operations and forward-looking guidance and the financial results of less acquisitive peer companies. We consider these types of costs and adjustments, to a great extent, to be unpredictable and dependent on a significant number of factors that are outside of our control. Furthermore, we do not consider these acquisition-related costs and adjustments to be related to the organic continuing operations of the acquired businesses and are generally not relevant to assessing or estimating the long-term performance of the acquired assets. In addition, the size, complexity and/or volume of past acquisitions, which often drives the magnitude of acquisition-related costs, may not be indicative of the size, complexity and/or volume of future acquisitions.
- *Amortization of the discount on our convertible senior notes* - In April 2021, in a private offering, we issued 1.0% Convertible Senior Notes with an aggregate principal amount of \$360 million, including the over allotment, due April 15, 2026, unless earlier repurchased, redeemed or converted (the "Notes"). We exclude the portion of amortization of debt discount that relates to the equity component of the Notes as they are non-cash and have no direct correlation to the operations of our business. 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.
- *Gain on sale of assets held for sale* - We exclude the gain on sale of assets held for sale in fiscal year 2022 associated with the sale of our Bedford, Massachusetts headquarters. We don't believe such gains are part of our core operating results because they are inconsistent in amount and frequency and therefore may distort operating trends. We believe that eliminating these amounts, when significant and not reflective of ongoing business and operating results, facilitates a more meaningful evaluation of our current operating performance and comparisons to our operating performance in other periods.
- *Income tax adjustment* - In all periods presented, we adjust our income tax provision by excluding the tax impact of the non-GAAP adjustments discussed above.

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 present revenue growth rates on a constant currency basis, which helps improve the understanding of our revenue results and 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.

Annual Recurring Revenue ("ARR") - We provide 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 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 revenue and deferred revenue and is not intended to be combined with or to replace 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.

Item 7.01 Regulation FD Disclosure

In connection with the issuance of the press release attached hereto as Exhibit 99.1, the supplemental data attached as Exhibit 99.2 to this Current Report will be available on the Progress website within the investor relations section prior to the live conference call.

The information furnished pursuant to this Item 7.01, including Exhibit 99.2, shall not be deemed "filed" for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that Section, and shall not be incorporated by reference into any other filing by Progress under the Securities Act or the Exchange Act, whether made before or after the date of this report, regardless of any general incorporation language in the filing.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits.

Exhibit No.	Description
99.1	Press release issued by Progress Software Corporation dated June 28, 2022
99.2	Q2 2022 Supplemental Data
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

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 hereunto duly authorized.

Date: June 28, 2022

Progress Software Corporation

By: /s/ ANTHONY FOLGER
Anthony Folger
Chief Financial Officer

P R E S S A N N O U N C E M E N T

Progress Announces Second Quarter 2022 Financial Results

Revenue and EPS Exceed Prior Guidance

BURLINGTON, Mass, June 28, 2022 (GlobeNewswire) — Progress (Nasdaq: PRGS), the trusted provider of infrastructure software, today announced financial results for its fiscal second quarter ended May 31, 2022.

Second Quarter 2022 Highlights:

- Revenue of \$148.7 million increased 21% year-over-year on an actual currency basis, and 24% on a constant currency basis.
- Non-GAAP revenue of \$150.9 million increased 17% on an actual currency basis, and 19% on a constant currency basis.
- Annualized Recurring Revenue (ARR) of \$486 million increased 13% year-over-year on a constant currency basis.
- Operating margin was 27% and Non-GAAP operating margin was 41%.
- Diluted earnings per share was \$0.66 compared to \$0.30 in the same quarter last year, an increase of 120%.
- Non-GAAP diluted earnings per share was \$1.04 compared to \$0.82 in the same quarter last year, an increase of 27%.

“Once again, we are very pleased to report excellent quarterly results, especially during so much market turmoil and global uncertainty,” said Yogesh Gupta, CEO at Progress. “Progress again performed exceptionally well across the board, exceeding revenue and EPS guidance, which was driven by a Total Growth Strategy that layers accretive M&A over a highly profitable and predictable business with strong recurring revenue and very high retention rates. Despite a tumultuous market and an economy with increasing risks, Progress remains well positioned to continue our steady execution for the remainder of 2022 and beyond.”

Additional financial highlights included⁽¹⁾:

(In thousands, except percentages and per share amounts)	Three Months Ended					
	GAAP			Non-GAAP		
	May 31, 2022	May 31, 2021	% Change	May 31, 2022	May 31, 2021	% Change
Revenue	\$ 148,747	\$ 122,488	21 %	\$ 150,879	\$ 129,198	17 %
Income from operations	\$ 40,235	\$ 22,282	81 %	\$ 61,298	\$ 49,712	23 %
Operating margin	27 %	18 %	900bps	41 %	38 %	300bps
Net income	\$ 29,110	\$ 13,557	115 %	\$ 45,886	\$ 36,513	26 %
Diluted earnings per share	\$ 0.66	\$ 0.30	120 %	\$ 1.04	\$ 0.82	27 %
Cash from operations (GAAP) / Adjusted free cash flow (Non-GAAP)	\$ 68,260	\$ 54,690	25 %	\$ 68,038	\$ 55,411	23 %

⁽¹⁾See Legal Notice Regarding Non-GAAP Financial Information

Other fiscal second quarter 2022 metrics and recent results included:

- Cash, cash equivalents and short-term investments were \$225.9 million at the end of the quarter.
- DSO was 39 days compared to 44 days in the fiscal second quarter of 2021 and 52 days in the fiscal first quarter of 2022.
- On June 21, 2022, our Board of Directors declared a quarterly dividend of \$0.175 per share of common stock that will be paid on September 15, 2022 to shareholders of record as of the close of business on September 1, 2022.

Anthony Folger, CFO, said: “Despite the recent challenges in the global economy, our business continues to perform well across virtually all product lines. Our integration of Kemp is on track, our balance sheet continues to strengthen, and the recurring nature of our revenues and our strong retention rates will continue to serve us well in this environment.”

2022 Business Outlook

Progress provides the following guidance for the fiscal year ending November 30, 2022 and the fiscal third quarter ending August 31, 2022:

<i>(In millions, except percentages and per share amounts)</i>	Updated FY 2022 Guidance (June 28, 2022)		Prior FY 2022 Guidance (March 29, 2022)	
	GAAP	Non-GAAP	GAAP	Non-GAAP
Revenue	\$601 - \$609	\$609 - \$617	\$601 - \$609	\$609 - \$617
Diluted earnings per share	\$2.11 - \$2.21	\$4.05 - \$4.11	\$2.16 - \$2.23	\$4.01 - \$4.09
Operating margin	22% - 23%	39% - 40%	23%	39% - 40%
Cash from operations (GAAP) / Adjusted free cash flow (Non-GAAP)	\$188 - \$193	\$185 - \$190	\$188 - \$193	\$185 - \$190
Effective tax rate	21 %	20% - 21%	21 %	20% - 21%

<i>(In millions, except per share amounts)</i>	Q3 2022 Guidance	
	GAAP	Non-GAAP
Revenue	\$145 - \$148	\$147 - \$150
Diluted earnings per share	\$0.46 - \$0.48	\$0.96 - \$0.98

Based on current exchange rates, the expected negative currency translation impact on Progress' fiscal year 2022 business outlook compared to 2021 exchange rates is approximately \$11.7 million on GAAP and non-GAAP revenue, and approximately \$0.04 on GAAP and non-GAAP diluted earnings per share. The expected negative currency translation impact on Progress' fiscal Q3 2022 business outlook compared to 2021 exchange rates on GAAP and non-GAAP revenue is approximately \$3.6 million. The expected negative impact on GAAP and non-GAAP diluted Q3 2022 earnings per share is \$0.02. To the extent that there are changes in exchange rates versus the current environment, this may have an impact on Progress' business outlook.

Conference Call

Progress will hold a conference call to review its financial results for the fiscal second quarter of 2022 at 5:00 p.m. ET on Tuesday, June 28, 2022. The call can be accessed on the investor relations section of the company's website, located at www.progress.com. Additionally, you can listen to the call by telephone by dialing 866-374-5140 or +1 404-400-0571, passcode 186-83-835#. The conference call will include comments followed by questions and answers. An archived version of the conference call and supporting materials will be available on the Progress website within the investor relations section after the live conference call.

Legal Notice Regarding Non-GAAP Financial Information

Progress provides non-GAAP financial information as additional information for investors. These non-GAAP measures are not in accordance with, or an alternative to, generally accepted accounting principles in the United States ("GAAP"). Progress believes that the non-GAAP results described in this release are useful for an understanding of its ongoing operations and provide additional detail and an alternative method of assessing its operating results. A reconciliation of non-GAAP adjustments to the company's GAAP financial results is included in the tables below and is available on the Progress website at www.progress.com within the investor relations section. Additional information regarding the company's non-GAAP financial information is contained in the company's Current Report on Form 8-K furnished to the Securities and Exchange Commission in connection with this press release, which is also available on the Progress website within the investor relations section.

Note Regarding Forward-Looking Statements

This press release contains statements that are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Progress has identified some of these forward-looking statements with words like "believe," "may," "could," "would," "might," "should," "expect," "intend," "plan," "target," "anticipate" and "continue," the negative of these words, other terms of similar meaning or the use of future dates.

Forward-looking statements in this press release include, but are not limited to, statements regarding Progress' business outlook and financial guidance. 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. For further information regarding risks and uncertainties associated with Progress' business, please refer to Progress' filings with the Securities and Exchange Commission, including its Annual Report on Form 10-K for the fiscal year ended November 30, 2021. Progress undertakes no obligation to update any forward-looking statements, which speak only as of the date of this press release.

About Progress

Dedicated to propelling business forward in a technology-driven world, [Progress](#) (Nasdaq: PRGS) helps businesses drive faster cycles of innovation, fuel momentum and accelerate their path to success. As the trusted provider of the best products to develop, deploy and manage high-impact applications, Progress enables customers to develop the applications and experiences they 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. Learn more at www.progress.com.

Progress and Progress Software are trademarks or registered trademarks of Progress Software Corporation and/or its subsidiaries or affiliates in the U.S. and other countries. Any other names contained herein may be trademarks of their respective owners.

Investor Contact:

Michael Micciche
Progress Software
+1 781 850 8450
Investor-Relations@progress.com

Press Contact:

Erica McShane
Progress Software
+1 781 280 4000
PR@progress.com

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

(In thousands, except per share data)	Three Months Ended			Six Months Ended		
	May 31, 2022	May 31, 2021	% Change	May 31, 2022	May 31, 2021	% Change
Revenue:						
Software licenses	\$ 44,814	\$ 30,107	49 %	\$ 87,564	\$ 63,424	38 %
Maintenance and services	103,933	92,381	13 %	206,105	180,344	14 %
Total revenue	148,747	122,488	21 %	293,669	243,768	20 %
Costs of revenue:						
Cost of software licenses	2,583	1,038	149 %	5,192	2,189	137 %
Cost of maintenance and services	15,801	14,673	8 %	30,946	27,992	11 %
Amortization of acquired intangibles	5,573	3,599	55 %	11,031	7,120	55 %
Total costs of revenue	23,957	19,310	24 %	47,169	37,301	26 %
Gross profit	124,790	103,178	21 %	246,500	206,467	19 %
Operating expenses:						
Sales and marketing	32,704	29,262	12 %	66,173	58,731	13 %
Product development	28,643	26,415	8 %	57,316	50,963	12 %
General and administrative	19,207	16,460	17 %	36,198	29,884	21 %
Amortization of acquired intangibles	11,892	7,979	49 %	23,614	14,858	59 %
Restructuring expenses	143	(64)	(323)%	654	1,093	(40)%
Acquisition-related expenses	2,736	844	224 %	3,648	1,240	194 %
Gain on sale of assets held for sale	(10,770)	—	*	(10,770)	—	*
Total operating expenses	84,555	80,896	5 %	176,833	156,769	13 %
Income from operations	40,235	22,282	81 %	69,667	49,698	40 %
Other expense, net	(3,390)	(5,218)	35 %	(6,870)	(7,870)	13 %
Income before income taxes	36,845	17,064	116 %	62,797	41,828	50 %
Provision for income taxes	7,735	3,507	121 %	13,233	9,310	42 %
Net income	\$ 29,110	\$ 13,557	115 %	\$ 49,564	\$ 32,518	52 %
Earnings per share:						
Basic	\$ 0.67	\$ 0.31	116 %	\$ 1.13	\$ 0.74	53 %
Diluted	\$ 0.66	\$ 0.30	120 %	\$ 1.11	\$ 0.73	52 %
Weighted average shares outstanding:						
Basic	43,575	43,818	(1)%	43,778	43,963	— %
Diluted	44,253	44,472	— %	44,480	44,562	— %
Cash dividends declared per common share	\$ 0.175	\$ 0.175	— %	\$ 0.350	\$ 0.350	— %
Stock-based compensation is included in the condensed consolidated statements of operations, as follows:						
Cost of revenue	\$ 472	\$ 468	1 %	\$ 883	\$ 860	3 %
Sales and marketing	690	1,752	(61)%	2,092	3,255	(36)%
Product development	2,740	2,412	14 %	4,962	4,331	15 %
General and administrative	5,455	3,730	46 %	9,534	6,700	42 %
Total	\$ 9,357	\$ 8,362	12 %	\$ 17,471	\$ 15,146	15 %

CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

<i>(In thousands)</i>	May 31, 2022	November 30, 2021
Assets		
Current assets:		
Cash, cash equivalents and short-term investments	\$ 225,913	\$ 157,373
Accounts receivable, net	64,733	99,815
Unbilled receivables and contract assets	32,735	25,816
Other current assets	32,488	39,549
Assets held for sale	—	15,255
Total current assets	<u>355,869</u>	<u>337,808</u>
Property and equipment, net	13,649	14,345
Goodwill and intangible assets, net	925,426	958,337
Right-of-use lease assets	21,364	25,253
Long-term unbilled receivables and contract assets	24,253	17,464
Other assets	14,021	10,330
Total assets	<u>\$ 1,354,582</u>	<u>\$ 1,363,537</u>
Liabilities and shareholders' equity		
Current liabilities:		
Accounts payable and other current liabilities	\$ 62,821	\$ 84,215
Current portion of long-term debt, net	6,234	25,767
Short-term operating lease liabilities	7,843	7,926
Short-term deferred revenue	207,331	205,021
Total current liabilities	<u>284,229</u>	<u>322,929</u>
Long-term debt, net	262,337	239,992
Convertible senior notes, net	351,567	294,535
Long-term operating lease liabilities	18,965	23,130
Long-term deferred revenue	51,249	47,359
Other long-term liabilities	14,089	23,103
Shareholders' equity:		
Common stock and additional paid-in capital	310,348	354,676
Retained earnings	61,798	57,813
Total shareholders' equity	<u>372,146</u>	<u>412,489</u>
Total liabilities and shareholders' equity	<u>\$ 1,354,582</u>	<u>\$ 1,363,537</u>

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Three Months Ended		Six Months Ended	
	May 31, 2022	May 31, 2021	May 31, 2022	May 31, 2021
<i>(In thousands)</i>				
Cash flows from operating activities:				
Net income	\$ 29,110	\$ 13,557	\$ 49,564	\$ 32,518
Depreciation and amortization	19,379	14,829	38,597	26,691
Gain on sale of assets held for sale	(10,770)	—	(10,770)	—
Stock-based compensation	9,357	8,362	17,471	15,146
Other non-cash adjustments	1,673	708	6,115	3,123
Changes in operating assets and liabilities	19,511	17,234	11,376	21,900
Net cash flows from operating activities	68,260	54,690	112,353	99,378
Capital expenditures	(1,148)	(950)	(1,979)	(2,116)
Issuances of common stock, net of repurchases	(22,796)	(17,185)	(43,702)	(28,700)
Dividend payments to shareholders	(7,789)	(7,763)	(15,573)	(15,617)
Proceeds from the issuance of debt, net of payment of issuance costs	—	—	5,517	—
Proceeds from sale of long-lived assets, net	—	—	—	—
Payments of principal on long-term debt	(1,716)	(87,262)	(3,435)	(106,025)
Proceeds from issuance of Notes, net of issuance costs	—	349,196	—	349,196
Purchase of capped calls	—	(43,056)	—	(43,056)
Other	17,780	619	15,359	3,605
Net change in cash, cash equivalents and short-term investments	52,591	248,289	68,540	256,665
Cash, cash equivalents and short-term investments, beginning of period	173,322	114,371	157,373	105,995
Cash, cash equivalents and short-term investments, end of period	\$ 225,913	\$ 362,660	\$ 225,913	\$ 362,660

RECONCILIATIONS OF GAAP TO NON-GAAP SELECTED FINANCIAL MEASURES - SECOND QUARTER

(Unaudited)

(In thousands, except per share data)

	Three Months Ended				% Change Non-GAAP
	May 31, 2022		May 31, 2021		
Adjusted revenue:					
GAAP revenue	\$	148,747		\$	122,488
Acquisition-related revenue ⁽¹⁾		2,132			6,710
Non-GAAP revenue	\$	150,879	100 %	\$	129,198
					100 %
					17 %
Adjusted income from operations:					
GAAP income from operations	\$	40,235	27 %	\$	22,282
Amortization of acquired intangibles		17,465	12 %		11,578
Restructuring expenses and other		143	— %		(64)
Stock-based compensation		9,357	6 %		8,362
Acquisition-related revenue ⁽¹⁾ and expenses		4,868	3 %		7,554
Gain on sale of assets held for sale		(10,770)	(7)%		—
Non-GAAP income from operations	\$	61,298	41 %	\$	49,712
					38 %
					23 %
Adjusted net income:					
GAAP net income	\$	29,110	20 %	\$	13,557
Amortization of acquired intangibles		17,465	12 %		11,578
Restructuring expenses and other		143	— %		(64)
Stock-based compensation		9,357	5 %		8,362
Acquisition-related revenue ⁽¹⁾ and expenses		4,868	3 %		7,554
Gain on sale of assets held for sale		(10,770)	(7)%		—
Amortization of discount on notes		—	— %		1,480
Provision for income taxes		(4,287)	(3)%		(5,954)
Non-GAAP net income	\$	45,886	30 %	\$	36,513
					28 %
					26 %
Adjusted diluted earnings per share:					
GAAP diluted earnings per share	\$	0.66		\$	0.30
Amortization of acquired intangibles		0.39			0.26
Stock-based compensation		0.22			0.19
Acquisition-related revenue ⁽¹⁾ and expenses		0.11			0.17
Gain on sale of assets held for sale		(0.24)			—
Amortization of discount on notes		—			0.03
Provision for income taxes		(0.10)			(0.13)
Non-GAAP diluted earnings per share	\$	1.04		\$	0.82
					27 %
					— %
Non-GAAP weighted avg shares outstanding - diluted					
		44,253			44,472
					— %

(1) Acquisition-related revenue constitutes revenue reflected as pre-acquisition deferred revenue that would otherwise have been recognized but for the purchase accounting treatment of acquisitions. Since GAAP accounting requires the elimination of this revenue, GAAP results alone do not fully capture all of our economic activities.

RECONCILIATIONS OF GAAP TO NON-GAAP SELECTED FINANCIAL MEASURES - YEAR TO DATE

(Unaudited)

	Six Months Ended				% Change Non-GAAP
	May 31, 2022		May 31, 2021		
<i>(In thousands, except per share data)</i>					
Adjusted revenue:					
GAAP revenue	\$	293,669		\$	243,768
Acquisition-related revenue ⁽¹⁾		4,715			17,214
Non-GAAP revenue	\$	298,384	100 %	\$	260,982
					100 %
					14 %
Adjusted income from operations:					
GAAP income from operations	\$	69,667	24 %	\$	49,698
Amortization of acquired intangibles		34,645	12 %		21,978
Restructuring expenses and other		654	— %		1,093
Stock-based compensation		17,471	5 %		15,146
Acquisition-related revenue ⁽¹⁾ and expenses		8,363	3 %		18,454
Gain of sale of assets held for sale		(10,770)	(4)%		—
Non-GAAP income from operations	\$	120,030	40 %	\$	106,369
					41 %
					13 %
Adjusted net income:					
GAAP net income	\$	49,564	17 %	\$	32,518
Amortization of acquired intangibles		34,645	12 %		21,978
Restructuring expenses and other		654	— %		1,093
Stock-based compensation		17,471	6 %		15,146
Acquisition-related revenue ⁽¹⁾ and expenses		8,363	3 %		18,454
Gain of sale of assets held for sale		(10,770)	(4)%		—
Amortization of discount on notes		—	— %		1,480
Provision for income taxes		(10,481)	(4)%		(11,652)
Non-GAAP net income	\$	89,446	30 %	\$	79,017
					30 %
					13 %
Adjusted diluted earnings per share:					
GAAP diluted earnings per share	\$	1.11		\$	0.73
Amortization of acquired intangibles		0.78			0.49
Restructuring expenses and other		0.01			0.02
Stock-based compensation		0.40			0.35
Acquisition-related revenue ⁽¹⁾ and expenses		0.19			0.41
Gain of sale of assets held for sale		(0.24)			—
Amortization of discount on notes		—			0.03
Provision for income taxes		(0.24)			(0.26)
Non-GAAP diluted earnings per share	\$	2.01		\$	1.77
					14 %
Non-GAAP weighted avg shares outstanding - diluted					
		44,480			44,562
					— %

(1) Acquisition-related revenue constitutes revenue reflected as pre-acquisition deferred revenue that would otherwise have been recognized but for the purchase accounting treatment of acquisitions. Since GAAP accounting requires the elimination of this revenue, GAAP results alone do not fully capture all of our economic activities.

OTHER NON-GAAP FINANCIAL MEASURES

(Unaudited)

Quarter to Date Adjusted Free Cash Flow*(In thousands)*

	Q2 2022	Q2 2021	% Change
Cash flows from operations	\$ 68,260	\$ 54,690	25 %
Purchases of property and equipment	(1,148)	(950)	21 %
Free cash flow	67,112	53,740	25 %
Add back: restructuring payments	926	1,671	(45)%
Adjusted free cash flow	<u>\$ 68,038</u>	<u>\$ 55,411</u>	<u>23 %</u>

Year to Date Adjusted Free Cash Flow*(In thousands)*

	Q2 2022	Q2 2021	% Change
Cash flows from operations	\$ 112,353	\$ 99,378	13 %
Purchases of property and equipment	(1,979)	(2,116)	(6)%
Free cash flow	110,374	97,262	13 %
Add back: restructuring payments	2,345	4,664	(50)%
Adjusted free cash flow	<u>\$ 112,719</u>	<u>\$ 101,926</u>	<u>11 %</u>

RECONCILIATIONS OF GAAP TO NON-GAAP FINANCIAL MEASURES FOR FISCAL YEAR 2022 GUIDANCE
(Unaudited)

Fiscal Year 2022 Updated Revenue Guidance

	Fiscal Year Ended		Fiscal Year Ending					
	November 30, 2021		November 30, 2022					
(In millions)			Low	% Change	High	% Change		
GAAP revenue	\$	531.3	\$	600.5	13 %	\$	608.5	15 %
Acquisition-related adjustments - revenue ⁽¹⁾		26.0		8.5	(67)%		8.5	(67)%
Non-GAAP revenue	\$	557.3	\$	609.0	9 %	\$	617.0	11 %

⁽¹⁾Acquisition-related revenue constitutes revenue reflected as pre-acquisition deferred revenue that would otherwise have been recognized but for the purchase accounting treatment of acquisitions. Since GAAP accounting requires the elimination of this revenue, GAAP results alone do not fully capture all of our economic activities. Acquisition-related revenue adjustments relate to Ipswitch and Chef.

Fiscal Year 2022 Updated Non-GAAP Operating Margin Guidance

	Fiscal Year Ending November 30, 2022			
	Low		High	
GAAP income from operations	\$	133.5	\$	139.8
GAAP operating margins		22 %		23 %
Acquisition-related revenue		8.5		8.5
Acquisition-related expense		4.9		4.9
Restructuring expense		0.9		0.9
Stock-based compensation		34.4		34.4
Amortization of acquired intangibles		69.1		69.1
Gain on sale of assets held for sale		(10.8)		(10.8)
Total adjustments ⁽²⁾		107.0		107.0
Non-GAAP income from operations	\$	240.5	\$	246.8
Non-GAAP operating margin		39 %		40 %

⁽²⁾Total adjustments include preliminary estimates relating to the valuation of intangible assets acquired from Kemp and restructuring expenses. The final amounts will not be available until the Company's internal procedures and reviews are completed.

Fiscal Year 2022 Updated Non-GAAP Earnings per Share and Effective Tax Rate Guidance

	Fiscal Year Ending November 30, 2022			
	Low		High	
GAAP net income	\$	93.7	\$	98.2
Adjustments (from previous table)		107.0		107.0
Income tax adjustment ⁽³⁾		(20.7)		(22.5)
Non-GAAP net income	\$	180.0	\$	182.7
GAAP diluted earnings per share	\$	2.11	\$	2.21
Non-GAAP diluted earnings per share	\$	4.05	\$	4.11
Diluted weighted average shares outstanding		44.5		44.5
⁽³⁾ Tax adjustment is based on a non-GAAP effective tax rate of approximately 20% for Low and 21% for High, calculated as follows:				
Non-GAAP income from operations	\$	240.5	\$	246.8
Other (expense) income		(15.5)		(15.5)
Non-GAAP income from continuing operations before income taxes		225.0		231.3
Non-GAAP net income		180.0		182.7
Tax provision	\$	45.0	\$	48.6
Non-GAAP tax rate		20 %		21 %

RECONCILIATIONS OF GAAP TO NON-GAAP FINANCIAL MEASURES FOR FISCAL YEAR 2022 GUIDANCE

(Unaudited)

Fiscal Year 2022 Adjusted Free Cash Flow Guidance

<i>(In millions)</i>	Fiscal Year Ending November 30, 2022	
	Low	High
Cash flows from operations (GAAP)	\$ 188	\$ 193
Purchases of property and equipment	(6)	(6)
Add back: restructuring payments	3	3
Adjusted free cash flow (non-GAAP)	\$ 185	\$ 190

RECONCILIATIONS OF GAAP TO NON-GAAP FINANCIAL MEASURES FOR Q3 2022 GUIDANCE

(Unaudited)

Q3 2022 Revenue Guidance

	Three Months Ended		Three Months Ending					
	August 31, 2021		August 31, 2022					
			Low	% Change	High	% Change		
<i>(In millions)</i>								
GAAP revenue	\$	147.4	\$	145.2	(1)%	\$	148.2	1 %
Acquisition-related adjustments - revenue ⁽¹⁾		5.2		1.8	(65)%		1.8	(65)%
Non-GAAP revenue	\$	152.6	\$	147.0	(4)%	\$	150.0	(2)%

⁽¹⁾Acquisition-related revenue constitutes revenue reflected as pre-acquisition deferred revenue that would otherwise have been recognized but for the purchase accounting treatment of acquisitions. Since GAAP accounting requires the elimination of this revenue, GAAP results alone do not fully capture all of our economic activities. Acquisition-related revenue adjustments relate to Ipswitch and Chef.

Q3 2022 Non-GAAP Earnings per Share Guidance

	Three Months Ending August 31, 2022			
	Low		High	
GAAP diluted earnings per share	\$	0.46	\$	0.48
Acquisition-related revenue		0.04		0.04
Acquisition-related expense		0.01		0.01
Stock-based compensation		0.19		0.19
Amortization of acquired intangibles		0.39		0.39
Total adjustments ⁽²⁾		0.63		0.63
Income tax adjustment		(0.13)		(0.13)
Non-GAAP diluted earnings per share	\$	0.96	\$	0.98

⁽²⁾Total adjustments include preliminary estimates relating to the valuation of intangible assets acquired from Kemp. The final amounts will not be available until the Company's internal procedures and reviews are completed.



Progress Financial Results

Q2 FY22 Supplemental Data

June 28, 2022



Safe Harbor

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

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

- Economic, geopolitical and market conditions can adversely affect our business, results of operations and financial condition, including our revenue growth and profitability, which in turn could adversely affect our stock price.
- We may fail to achieve our financial forecasts due to such factors as delays or size reductions in transactions, fewer large transactions in a particular quarter, fluctuations in currency exchange rates, or a decline in our renewal rates for contracts.
- Our ability to successfully manage transitions to new business models and markets, including an increased emphasis on a cloud and subscription strategy, may not be successful.
- If we are unable to develop new or sufficiently differentiated products and services, or to enhance and improve our existing products and services in a timely manner to meet market demand, partners and customers may not purchase new software licenses or subscriptions or purchase or renew support contracts.
- We depend upon our extensive partner channel, and we may not be successful in retaining or expanding our relationships with channel partners.

- Our international sales and operations subject us to additional risks that can adversely affect our operating results, including risks relating to foreign currency gains and losses.
- If the security measures for our software, services, 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.
- 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.
- 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

For further information regarding risks and uncertainties associated with our business, please refer to our filings with the Securities and Exchange Commission. Progress undertakes no obligation to update any forward-looking statements, which speak only as of the date of this presentation, except for statements relating to Progress' projected results for the quarter ended August 31, 2022, and fiscal year ended November 30, 2022, which speak only as of June 28, 2022.

Finally, in this presentation we will be referring to non-GAAP financial measures such as non-GAAP revenue, non-GAAP income from operations and operating margin, adjusted free cash flow and non-GAAP diluted earnings per share. These non-GAAP measures are not prepared in accordance with generally accepted accounting principles. A reconciliation between non-GAAP and the most directly comparable GAAP financial measures appears in our earnings press release for the fiscal quarter ended May 31, 2022 and is available in the Investor Relations section of our Web site.

Conference Call Details

What: Progress Q2 2022 Financial Results Conference Call

When: Tuesday, June 28, 2022

Time: 5:00 p.m. ET

Live Call: 866-374-5140
404-400-0571
Conf ID: 18683835#

Live / Recorded Webcast: <https://edge.media-server.com/mmc/p/ko3zzo69>

Please note: Webcast is listen-only.

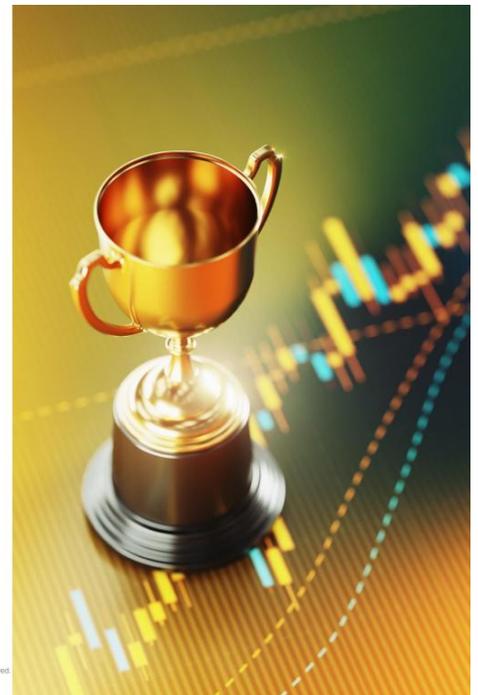
Summary Highlights Q2 FY22

Strong Revenue & EPS, ARR up 3.5%, NDRR +100%,
Kemp Integration on Course, Strong Balance Sheet

- Continued execution with reliable and predictable revenues, earnings, and cash flow.
- ARR increased to \$486M – up 12.5% year-over-year and 3.5% pro-forma, both on a constant currency basis.
- Net retention rates of >100% reflect ongoing customer reliance on Progress products.
- Balance sheet improved on \$68M in adjusted FCF (up 23% yoy), finishing Q2 with \$226M cash & equivalents, DSO at 39 days.
- Kemp integration continues on plan.



© 2022 Progress Software Corporation and/or its subsidiaries or affiliates. All rights reserved.



Updated Guidance[#]

--- FY22E ---

Revenue:	\$613M
EPS:	\$4.08
Adjusted FCF:	\$188M
Operating margin:	39.5%
Effective Tax Rate:	20.5%

--- Q3 FY22E ---

Q3E Revenue:	\$149M
Q3E EPS:	\$0.97

[#] Guidance provided/updated June 28, 2022, non-GAAP, midpoint of guidance shown.



Results Overview

All results shown are for Q2 FY22, non-GAAP, as reported June 28, 2022

\$1.04

Q2 FY22 Earnings Per Share

\$150.9M

Revenue

17%*

YoY Revenue Growth

\$486M

ARR

~80%

Recurring Revenue

\$68.0M

Adjusted FCF

41%

Operating Margin

*Revenues grew 19% in constant currency

© 2022 Progress Software Corporation and/or its subsidiaries or affiliates. All rights reserved.

Annualized Recurring Revenue Trend ("pro-forma")

Kemp ARR ~\$40M

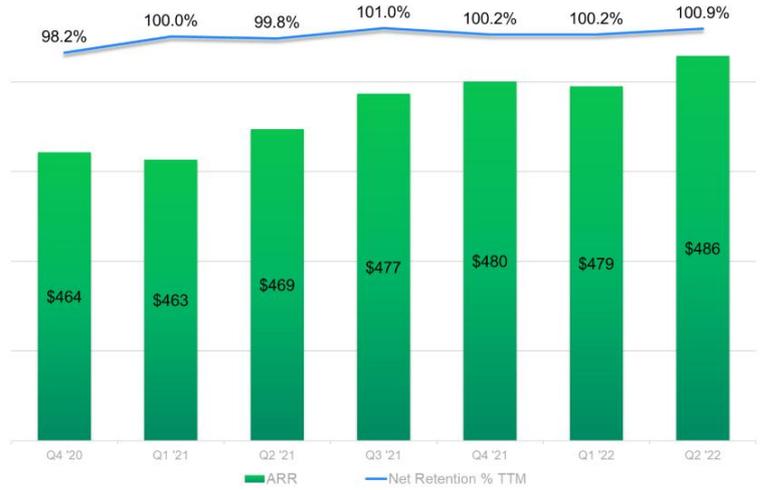
ARR growth = 3.5% year-over-year

+

Net Retention Rate between 98%-101%

=

Predictable and durable top line performance

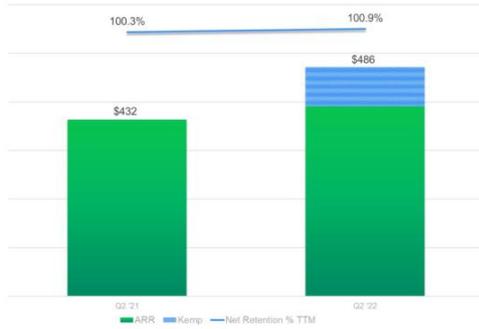


© 2022 Progress Software Corporation and/or its subsidiaries or affiliates. All rights reserved.

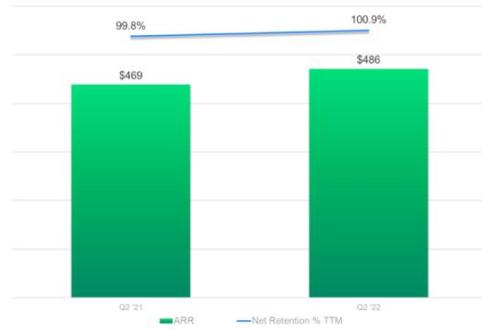
All periods reported in constant currency, using current year budgeted exchange rates

Annualized Recurring Revenue (amounts reported in constant currency)

“As Reported”
 Kemp adds ~\$40M of ARR
 ARR growth = 12.5% year-over-year
 Net Retention Rate has ranged between 100%-102%



“Pro Forma”
 Kemp ARR included in both periods presented
 ARR growth = 3.5% year-over-year
 Net Retention Rate has ranged between 100%-101%



Note: ARR is a Non-GAAP operating metric and does not have a standardized definition. It is therefore unlikely to be comparable to similarly titled measures presented by other companies. ARR should be viewed independently of revenue and deferred revenue and is not intended to be combined with or to replace 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.

Growing Profitability

Consistent Growth in operating income FY'18 – FY'22(F)*

Best-in-class operating margins consistently above 35%



* Represents the mid-point of our FY'22 guidance range updated June 28, 2022

Total Growth Strategy Continues to Produce Results



Deploy Capital To Produce Highest Shareholder Return

- Disciplined, accretive acquisitions
- Opportunistic share repurchases
- Ample financing at favorable rates



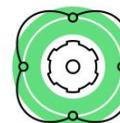
Strengthen Profitable Core Business

- Invest in products to improve retention
- Optimize integrations to existing infrastructure
- Maximize cash flows



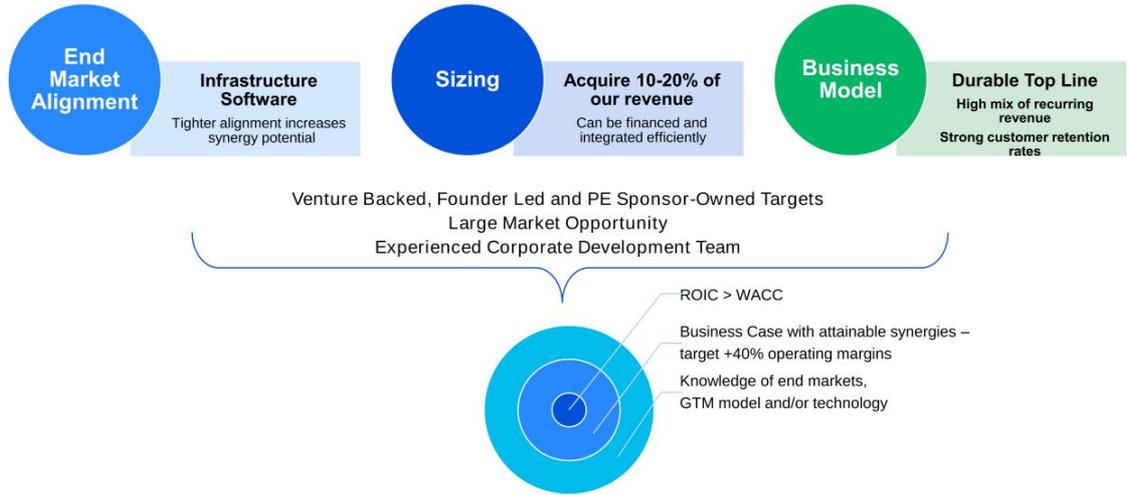
Operational Excellence and Execution

- Rapid Integration
- Best in class Op Margins
- Strong balance sheet



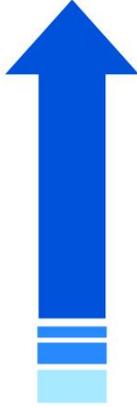
Pillars of our Total Growth Strategy

M&A Approach



Capital Allocation Strategy

PRIMARY
FOCUS



Continue to prioritize **accretive M&A** opportunities that meet our disciplined criteria



Repurchase shares to offset dilution from our equity programs only to the extent that doing so does not constrain our M&A capabilities

- Existing authorization \$250M; \$104M remaining
- In 2Q FY22, we repurchased 567,193 shares, or \$26.5M.
- Flexibility to increase, reduce or suspend repurchases, depending on market conditions and size and timing of M&A



Continue **returning capital to shareholders** in the form of dividends, only to the extent that doing so does not constrain our M&A capabilities

Summary Q2 2022 Financial Results

	Q2 2022 Results	Prior Q2 2022 Outlook (provided on March 29, 2022)
GAAP Revenue	<i>\$148.7M</i>	\$143M - \$146M
Non-GAAP Revenue	<i>\$150.9M</i>	\$145M - \$148M
GAAP earnings per share (Diluted)	<i>\$0.66</i>	\$0.62 - \$0.64
Non-GAAP earnings per share (Diluted)	<i>\$1.04</i>	\$0.94 - \$0.96
GAAP Operating Margin	<i>27%</i>	Not guided
Non-GAAP Operating Margin	<i>41%</i>	Not guided
Adjusted Free Cash Flow	<i>\$68.0 M</i>	Not guided

Business Outlook (as of June 28, 2022)

	Q3 2022 Current Outlook <small>(As of June 28, 2022)</small>	FY 2022 Prior Outlook <small>(Provided on March 29, 2022)</small>	FY 2022 Current Outlook <small>(As of June 28, 2022)</small>
Non-GAAP Revenue	\$147M - 150M	\$609M - \$617M	\$609M - \$617M
Non-GAAP EPS	\$0.96 - \$0.98	\$4.01 - \$4.09	\$4.05 - \$4.11
Non-GAAP Operating Margin	Not guided	39% - 40%	39% - 40%
Non-GAAP Adjusted Free Cash Flow	Not guided	\$185M - \$190M	\$185M - \$190M
Non-GAAP Effective Tax Rate	Not guided	20% - 21%	20% - 21%

Supplemental Financial Information *

* The following supplemental financial information is presented on a GAAP basis.

A reconciliation of non-GAAP financial measures to the most directly comparable GAAP numbers can be found in the financial results press release that we issued today.

Supplemental Revenue Information

(Unaudited)

(in thousands)	QTD GAAP Basis					
	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022
Revenue by Type						
License	33,317	30,107	51,930	41,236	42,750	44,814
Maintenance	76,977	80,069	82,875	85,942	89,963	91,331
Services	10,986	12,312	12,612	12,950	12,209	12,602
Total Revenue	\$ 121,280	\$ 122,488	\$ 147,417	\$ 140,128	\$ 144,922	\$ 148,747
Revenue by Region						
North America	71,505	71,094	93,880	81,335	78,093	85,394
EMEA	40,240	41,321	40,999	46,775	53,702	49,634
Latin America	3,493	3,753	5,298	4,492	3,883	4,678
Asia Pacific	6,042	6,320	7,240	7,526	9,244	9,041
Total Revenue	\$ 121,280	\$ 122,488	\$ 147,417	\$ 140,128	\$ 144,922	\$ 148,747

Supplemental Revenue Information

(Unaudited)

(in thousands)	QTD GAAP Basis Q2 2022	QTD Non-GAAP Adjustment	QTD Non-GAAP Q2 2022	YTD GAAP Basis Q2 2022	YTD Non-GAAP Adjustment	YTD Non-GAAP Q2 2022
Revenue by Type						
License	44,814	59	44,873	87,564	191	87,755
Maintenance	91,331	2,067	93,398	181,294	4,500	185,794
Services	12,602	6	12,608	24,811	24	24,835
Total Revenue	<u>\$ 148,747</u>	<u>\$ 2,132</u>	<u>\$ 150,879</u>	<u>\$ 293,669</u>	<u>\$ 4,715</u>	<u>\$ 298,384</u>
Revenue by Region						
North America	85,394	1,374	86,768	163,487	3,143	166,630
EMEA	49,634	563	50,197	103,336	1,165	104,501
Latin America	4,678	2	4,680	8,561	9	8,570
Asia Pacific	9,041	193	9,234	18,285	398	18,683
Total Revenue	<u>\$ 148,747</u>	<u>\$ 2,132</u>	<u>\$ 150,879</u>	<u>\$ 293,669</u>	<u>\$ 4,715</u>	<u>\$ 298,384</u>



