



## Section 2 – Financial Information

### Item 2.02 Results of Operations and Financial Condition

On September 29, 2020, Progress Software Corporation ("Progress") issued a press release announcing its financial results for the fiscal third quarter ended August 31, 2020. A copy of the press release is attached to this Current Report on Form 8-K as Exhibit 99.1 and is incorporated herein by reference.

This information shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not deemed incorporated by reference into any other filing of the company, 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](http://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, and the related tax effects of the preceding items. We also provide guidance on adjusted free cash flow, which is equal to cash flows from operating activities less purchases of property and equipment, plus restructuring payments.

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

- *Acquisition-related revenue* - In all periods presented, we include acquisition-related revenue, which constitutes revenue reflected as pre-acquisition deferred revenue that would otherwise have been recognized but for the purchase accounting treatment of acquisitions. The acquisition-related revenue in our results relates to Ipswitch, which we acquired on April 30, 2019. The acquisition-related revenue in our guidance also includes estimates for Chef, which we announced on September 8, 2020. Since GAAP accounting requires the elimination of this revenue, GAAP results alone do not fully capture all of our economic activities. We believe these adjustments are useful to management and investors as a measure of the ongoing performance of the business because, although we cannot be certain that customers will renew their contracts, we have historically experienced high renewal rates on maintenance and support agreements and other customer contracts. Additionally, although acquisition-related revenue adjustments are non-recurring with respect to past acquisitions, we expect to incur these adjustments in connection with any future acquisitions.
- *Amortization of acquired intangibles* - In all periods presented, we exclude amortization of acquired intangibles because those expenses are unrelated to our core operating performance and the intangible assets acquired vary significantly based on the timing and magnitude of our acquisition transactions and the maturities of the businesses acquired.
- *Stock-based compensation* - In all periods presented, we exclude stock-based compensation to be consistent with the way management and the financial community evaluates our performance and the methods used by analysts to

calculate consensus estimates. The expense related to stock-based awards is generally not controllable in the short-term and can vary significantly based on the timing, size and nature of awards granted. As such, we do not include these charges in operating plans. Stock-based compensation will continue in future periods.

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

*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.

## Section 7 – Regulation FD

### 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 99.3 to this Current Report will be available on the Progress website within the investor relations section prior to the live conference call.

## Section 9 – Financial Statements and Exhibits

### Item 9.01 Financial Statements and Exhibits

(d) Exhibits.

Exhibit No.	Description
99.1	<a href="#">Press release issued by Progress Software Corporation dated September 29, 2020</a>
99.3	<a href="#">Q3 2020 Supplemental Data</a>

**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: September 29, 2020

Progress Software Corporation

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

**PRESS ANNOUNCEMENT**

**Progress Announces Third Quarter 2020 Financial Results**

**Revenue Above Top End of Guidance Range  
Pending Acquisition of Chef Supports Long-Term Growth Strategy**

**BEDFORD, MA, September 29, 2020 (GlobeNewswire)** — Progress (NASDAQ: PRGS), the leading provider of application development and digital experience technologies, today announced financial results for its fiscal third quarter ended August 31, 2020, which are consistent with the preliminary results it announced on September 8, 2020.

Third Quarter 2020 Highlights:

- Revenue of \$109.7 million increased 3% year-over-year on an actual and constant currency basis.
- Non-GAAP revenue of \$110.9 million decreased 4% on an actual and constant currency basis.
- Operating margin was 30% and Non-GAAP operating margin was 42%.
- Diluted earnings per share was \$0.53 compared to \$0.30 in the same quarter last year, an increase of 77%.
- Non-GAAP diluted earnings per share was \$0.78 compared to \$0.75 in the same quarter last year, an increase of 4%.
- On September 8, 2020, we announced a definitive agreement to acquire Chef Software, a global leader in the growing Dev Ops and DevSecOps markets.

“I am very pleased with our financial and operating results in the third quarter,” said Yogesh Gupta, CEO at Progress. “We delivered results that were above the top end of our guidance range and raised our 2020 outlook for revenue and Non-GAAP earnings per share. Our success in Q3 was driven by the incredible work and dedication of our employees under the challenging circumstances created by the continuing COVID-19 crisis. In addition, we are excited about our pending acquisition of Chef, which demonstrates continued execution of our growth strategy, and our closing and integration plans are moving forward as planned.”

Additional financial highlights included:

<i>(In thousands, except percentages and per share amounts)</i>	Three Months Ended					
	GAAP			Non-GAAP		
	August 31, 2020	August 31, 2019	% Change	August 31, 2020	August 31, 2019	% Change
Revenue	\$ 109,699	\$ 106,716	3 %	\$ 110,882	\$ 115,521	(4) %
Income from operations	\$ 33,193	\$ 15,960	108 %	\$ 47,117	\$ 45,835	3 %
Operating margin	30 %	15 %	100 %	42 %	40 %	5 %
Net income	\$ 23,977	\$ 13,557	77 %	\$ 35,605	\$ 33,849	5 %
Diluted earnings per share	\$ 0.53	\$ 0.30	77 %	\$ 0.78	\$ 0.75	4 %
Cash from operations (GAAP) /Adjusted free cash flow (Non-GAAP)	\$ 31,112	\$ 26,766	16 %	\$ 30,101	\$ 27,394	10 %

Other fiscal third quarter 2020 metrics and recent results included:

- Cash, cash equivalents and short-term investments were \$230.1 million at the end of the quarter;
- DSO was 49 days compared to 53 days in the fiscal third quarter of 2019 and 47 days in the fiscal second quarter of 2020; and
- On September 22, 2020, our Board of Directors declared a quarterly dividend of \$0.175 per share of common stock that will be paid on December 15, 2020 to shareholders of record as of the close of business on December 1, 2020. This represents an increase of 6% to the Company's quarterly dividend.

Anthony Folger, CFO, said: “Our strong financial results for the third quarter were delivered against the backdrop of a major global pandemic, demonstrating the durability of our business model and disciplined approach to investing in our operations.

With more than \$230 million in cash at the end of the quarter and a net leverage ratio of 0.3X, we are well positioned to continue to execute our strategy, support our core business and increase our quarterly dividend for the third straight year.”

## 2020 Business Outlook

Progress provides the following updated guidance for the fiscal year ending November 30, 2020 and the fiscal fourth quarter ending November 30, 2020, which, in the case of the guidance for the fiscal year ending November 30, 2020, is consistent with the preliminary guidance it provided on September 8, 2020:

	Prior FY 2020 Guidance (June 25, 2020)		Updated FY 2020 Guidance (September 29, 2020)	
	GAAP	Non-GAAP	GAAP	Non-GAAP
<i>(In millions, except percentages and per share amounts)</i>				
Revenue	\$425 - \$435	\$433 - \$443	\$438 - \$442	\$452 - \$456
Diluted earnings per share	\$1.81 - \$1.85	\$2.82 - \$2.86	\$1.63 - \$1.66	\$2.94 - \$2.97
Operating margin	27%	40%	24%	40%
Cash from operations (GAAP) / Adjusted free cash flow (Non-GAAP)	\$129 - \$139	\$125 - \$135	\$138 - \$143	\$135 - \$140
Effective tax rate	22 %	21 %	21 %	20 %
Q4 2020 Guidance				
<i>(In millions, except per share amounts)</i>				
Revenue			GAAP \$119 - \$123	Non-GAAP \$125 - \$129
Diluted earnings per share			\$0.26 - \$0.29	\$0.76 - \$0.79

The expected economic impact of the COVID-19 crisis on our current 2020 business outlook is a reduction of approximately \$8 to \$11 million on GAAP and non-GAAP revenue, and an increase of approximately \$0.03 to \$0.05 on GAAP and non-GAAP earnings per share.

The expected contribution resulting from the acquisition of Chef on our current 2020 business outlook is approximately \$5 to \$7 million of GAAP revenue and \$10 to \$12 million of non-GAAP revenue, and a negative impact of \$0.27 to \$0.31 to GAAP earnings per share and \$0.00 to \$0.04 to non-GAAP earnings per share.

Based on current exchange rates, the expected negative currency translation impact on Progress' fiscal year 2020 business outlook compared to 2019 exchange rates is approximately \$1.3 million on GAAP and non-GAAP revenue, and approximately \$0.02 on GAAP and non-GAAP diluted earnings per share. The expected positive currency translation impact on Progress' fiscal Q4 2020 business outlook compared to 2019 exchange rates on GAAP and non-GAAP revenue is approximately \$1.0 million. The expected impact on Q4 2020 earnings per share is not meaningful. 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 third quarter of 2020 at 5:00 p.m. ET on Tuesday, September 29, 2020. The call can be accessed on the investor relations section of the company's website, located at [www.progress.com](http://www.progress.com). Additionally, you can listen to the call by telephone by dialing 888-204-4368 or 323-994-2093, passcode 7969757. 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](http://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 or other offerings are compromised or subject to a successful cyber-attack, or if such offerings contain significant coding or configuration errors, we may experience reputational harm, legal claims and financial exposure. (8) We have made acquisitions, and may make acquisitions in the future, including our pending acquisition of Chef, 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 consummate the proposed acquisition of Chef or to realize the expected synergies and benefits of the acquisition could negatively impact our future results of operations and financial condition. (10) The coronavirus disease (COVID-19) outbreak and the impact it could have on our employees, customers, partners, and the global financial markets could adversely affect our business, results of operations and financial condition. For further information regarding risks and uncertainties associated with 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, 2019. Progress undertakes no obligation to update any forward-looking statements, which speak only as of the date of this press release.

## About Progress

[Progress](#) (NASDAQ: PRGS) offers the leading platform for developing and deploying strategic business applications. We enable customers and partners to deliver modern, high-impact digital experiences with a fraction of the effort, time and cost. Progress offers powerful tools for easily building adaptive user experiences across any type of device or touchpoint, the flexibility of a cloud-native app dev platform to deliver modern apps, leading data connectivity technology, web content management, business rules, secure file transfer, network monitoring, plus award-winning machine learning that enables cognitive capabilities to be a part of any application. Over 1,700 independent software vendors, 100,000 enterprise customers, and two million developers rely on Progress to power their applications. Learn about Progress at [www.progress.com](http://www.progress.com) or +1-800-477-6473.

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**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Unaudited)

(In thousands, except per share data)	Three Months Ended			Nine Months Ended		
	August 31, 2020	August 31, 2019	% Change	August 31, 2020	August 31, 2019	% Change
<b>Revenue:</b>						
Software licenses	\$ 27,514	\$ 30,686	(10) %	\$ 77,806	\$ 83,216	(7) %
Maintenance and services	82,185	76,030	8 %	241,959	213,044	14 %
Total revenue	109,699	106,716	3 %	319,765	296,260	8 %
<b>Costs of revenue:</b>						
Cost of software licenses	1,103	1,204	(8) %	3,302	3,296	— %
Cost of maintenance and services	11,971	12,163	(2) %	35,607	32,182	11 %
Amortization of acquired intangibles	1,664	7,458	(78) %	4,974	18,997	(74) %
Total costs of revenue	14,738	20,825	(29) %	43,883	54,475	(19) %
Gross profit	94,961	85,891	11 %	275,882	241,785	14 %
<b>Operating expenses:</b>						
Sales and marketing	22,186	25,177	(12) %	68,100	72,332	(6) %
Product development	20,676	23,126	(11) %	64,117	64,704	(1) %
General and administrative	13,514	13,506	— %	38,702	38,445	1 %
Amortization of acquired intangibles	4,176	7,068	(41) %	12,484	14,841	(16) %
Restructuring expenses	91	801	(89) %	1,826	3,993	(54) %
Acquisition-related expenses	1,125	253	345 %	1,439	1,360	6 %
Total operating expenses	61,768	69,931	(12) %	186,668	195,675	(5) %
Income from operations	33,193	15,960	108 %	89,214	46,110	93 %
Other expense, net	(2,962)	(3,718)	20 %	(9,206)	(8,038)	(15) %
Income before income taxes	30,231	12,242	147 %	80,008	38,072	110 %
Provision for income taxes	6,254	(1,315)	(576) %	17,947	6,932	159 %
Net income	\$ 23,977	\$ 13,557	77 %	\$ 62,061	\$ 31,140	99 %
<b>Earnings per share:</b>						
Basic	\$ 0.53	\$ 0.30	77 %	\$ 1.38	\$ 0.70	97 %
Diluted	\$ 0.53	\$ 0.30	77 %	\$ 1.37	\$ 0.69	99 %
<b>Weighted average shares outstanding:</b>						
Basic	45,036	44,716	1 %	44,941	44,761	— %
Diluted	45,364	45,303	— %	45,382	45,292	— %
Cash dividends declared per common share	\$ 0.165	\$ 0.155	6 %	\$ 0.495	\$ 0.465	6 %
*Not meaningful						
Stock-based compensation is included in the condensed consolidated statements of operations, as follows:						
Cost of revenue	\$ 322	\$ 317	2 %	\$ 979	\$ 811	21 %
Sales and marketing	1,035	968	7 %	3,195	3,205	— %
Product development	1,693	1,529	11 %	5,518	5,393	2 %
General and administrative	2,635	2,676	(2) %	7,667	8,002	(4) %
Total	\$ 5,685	\$ 5,490	4 %	\$ 17,359	\$ 17,411	— %

**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(Unaudited)

<i>(In thousands)</i>	August 31, 2020	November 30, 2019
<b>Assets</b>		
<b>Current assets:</b>		
Cash, cash equivalents and short-term investments	\$ 230,119	\$ 173,685
Accounts receivable, net	60,463	72,820
Unbilled receivables and contract assets	13,967	10,880
Other current assets	15,657	27,280
<b>Total current assets</b>	<b>320,206</b>	<b>284,665</b>
Long-term unbilled receivables and contract assets	8,740	12,492
Property and equipment, net	28,111	29,765
Goodwill and intangible assets, net	513,798	532,216
Right-of-use lease assets	24,011	—
Other assets	24,602	22,133
<b>Total assets</b>	<b>\$ 919,468</b>	<b>\$ 881,271</b>
<b>Liabilities and shareholders' equity</b>		
<b>Current liabilities:</b>		
Accounts payable and other current liabilities	\$ 53,554	\$ 72,674
Current portion of long-term debt, net	16,361	10,717
Short-term lease liability	6,271	—
Short-term deferred revenue	151,505	157,494
<b>Total current liabilities</b>	<b>227,691</b>	<b>240,885</b>
Long-term debt, net	271,261	284,002
Long-term lease liability	19,442	—
Long-term deferred revenue	19,851	19,752
Other long-term liabilities	13,057	6,350
<b>Shareholders' equity:</b>		
Common stock and additional paid-in capital	311,342	295,953
Retained earnings	56,824	34,329
<b>Total shareholders' equity</b>	<b>368,166</b>	<b>330,282</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 919,468</b>	<b>\$ 881,271</b>

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited)

	Three Months Ended		Nine Months Ended	
	August 31, 2020	August 31, 2019	August 31, 2020	August 31, 2019
<i>(In thousands)</i>				
<b>Cash flows from operating activities:</b>				
Net income	\$ 23,977	\$ 13,557	\$ 62,061	\$ 31,140
Depreciation and amortization	7,480	16,822	22,721	40,160
Stock-based compensation	5,685	5,490	17,359	17,411
Other non-cash adjustments	655	743	8,311	(5,695)
Changes in operating assets and liabilities	(6,685)	(9,846)	(8,367)	8,867
Net cash flows from operating activities	31,112	26,766	102,085	91,883
Capital expenditures	(1,662)	(750)	(3,419)	(1,830)
Issuances of common stock, net of repurchases	1,719	2,044	(10,973)	(18,653)
Dividend payments to shareholders	(7,452)	(6,933)	(22,358)	(20,819)
Payments for acquisitions, net of cash acquired	—	—	—	(225,298)
Proceeds from the issuance of debt, net of payment of issuance costs	—	—	—	183,373
Proceeds from sale of property, plant and equipment, net	—	—	—	6,146
Payments of principal on long-term debt	(3,763)	(1,880)	(7,525)	(3,427)
Other	6,520	(2,403)	(1,376)	(5,491)
Net change in cash, cash equivalents and short-term investments	26,474	16,844	56,434	5,884
Cash, cash equivalents and short-term investments, beginning of period	203,645	128,553	173,685	139,513
Cash, cash equivalents and short-term investments, end of period	\$ 230,119	\$ 145,397	\$ 230,119	\$ 145,397

**RECONCILIATIONS OF GAAP TO NON-GAAP SELECTED FINANCIAL MEASURES - THIRD QUARTER**

(Unaudited)

	Three Months Ended				% Change Non-GAAP
	August 31, 2020		August 31, 2019		
<i>(In thousands, except per share data)</i>					
<b>Adjusted revenue:</b>					
GAAP revenue	\$	109,699		\$	106,716
Acquisition-related revenue <sup>(1)</sup>		1,183			8,805
Non-GAAP revenue	\$	110,882	100 %	\$	115,521
					100 %
					(4) %
<b>Adjusted income from operations:</b>					
GAAP income from operations	\$	33,193	30 %	\$	15,960
Amortization of acquired intangibles		5,840	5 %		14,526
Restructuring expenses and other		91	— %		801
Stock-based compensation		5,685	5 %		5,490
Acquisition-related revenue <sup>(1)</sup> and expenses		2,308	2 %		9,058
Non-GAAP income from operations	\$	47,117	42 %	\$	45,835
					40 %
					3 %
<b>Adjusted net income:</b>					
GAAP net income	\$	23,977	22 %	\$	13,557
Amortization of acquired intangibles		5,840	5 %		14,526
Restructuring expenses and other		91	— %		801
Stock-based compensation		5,685	5 %		5,490
Acquisition-related revenue <sup>(1)</sup> and expenses		2,308	2 %		9,058
Provision for income taxes		(2,296)	(2) %		(9,583)
Non-GAAP net income	\$	35,605	32 %	\$	33,849
					29 %
					5 %
<b>Adjusted diluted earnings per share:</b>					
GAAP diluted earnings per share	\$	0.53		\$	0.30
Amortization of acquired intangibles		0.12			0.32
Restructuring expenses and other		—			0.02
Stock-based compensation		0.13			0.12
Acquisition-related revenue <sup>(1)</sup> and expenses		0.05			0.20
Provision for income taxes		(0.05)			(0.21)
Non-GAAP diluted earnings per share	\$	0.78		\$	0.75
					4 %
					— %
<b>Non-GAAP weighted avg shares outstanding - diluted</b>		45,364			45,303
					— %

(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 Progress' OpenEdge business segment for Ipswitch.

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

	Nine Months Ended				% Change Non-GAAP
	August 31, 2020		August 31, 2019		
<i>(In thousands, except per share data)</i>					
<b>Adjusted revenue:</b>					
GAAP revenue	\$	319,765		\$	296,260
Acquisition-related revenue <sup>(1)</sup>		7,384			12,285
Non-GAAP revenue	\$	327,149	100 %	\$	308,545
					100 %
					6 %
<b>Adjusted income from operations:</b>					
GAAP income from operations	\$	89,214	28 %	\$	46,110
Amortization of acquired intangibles		17,458	5 %		33,838
Restructuring expenses and other		1,826	— %		3,969
Stock-based compensation		17,359	5 %		17,411
Acquisition-related revenue <sup>(1)</sup> and expenses		8,823	3 %		13,645
Non-GAAP income from operations	\$	134,680	41 %	\$	114,973
					37 %
					17 %
<b>Adjusted net income:</b>					
GAAP net income	\$	62,061	19 %	\$	31,140
Amortization of acquired intangibles		17,458	5 %		33,838
Restructuring expenses and other		1,826	— %		3,969
Stock-based compensation		17,359	5 %		17,411
Acquisition-related revenue <sup>(1)</sup> and expenses		8,823	3 %		13,645
Provision for income taxes		(8,563)	(2)%		(13,978)
Non-GAAP net income	\$	98,964	30 %	\$	86,025
					28 %
					15 %
<b>Adjusted diluted earnings per share:</b>					
GAAP diluted earnings per share	\$	1.37		\$	0.69
Amortization of acquired intangibles		0.38			0.75
Restructuring expenses and other		0.04			0.09
Stock-based compensation		0.39			0.38
Acquisition-related revenue <sup>(1)</sup> and expenses		0.19			0.30
Provision for income taxes		(0.19)			(0.31)
Non-GAAP diluted earnings per share	\$	2.18		\$	1.90
					15 %
<b>Non-GAAP weighted avg shares outstanding - diluted</b>					
		45,382			45,292
					— %

(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 Progress' OpenEdge business segment for Ipswitch.

**OTHER NON-GAAP FINANCIAL MEASURES**  
(Unaudited)

**Quarter to Date Adjusted Free Cash Flow**

<i>(In thousands)</i>	Q3 2020	Q3 2019	% Change
Cash flows from operations	\$ 31,112	\$ 26,766	16 %
Purchases of property and equipment	(1,662)	(750)	122 %
Free cash flow	29,450	26,016	13 %
Add back: restructuring payments	651	1,378	(53) %
Adjusted free cash flow	\$ 30,101	\$ 27,394	10 %

**Year to Date Adjusted Free Cash Flow**

<i>(In thousands)</i>	YTD 2020	YTD Q3 2019	% Change
Cash flows from operations	\$ 102,085	\$ 91,883	11 %
Purchases of property and equipment	(3,419)	(1,830)	87 %
Free cash flow	98,666	90,053	10 %
Add back: restructuring payments	3,131	2,135	47 %
Adjusted free cash flow	\$ 101,797	\$ 92,188	10 %

**RECONCILIATIONS OF GAAP TO NON-GAAP FINANCIAL MEASURES FOR FISCAL YEAR 2020 GUIDANCE**  
(Unaudited)

**Fiscal Year 2020 Updated Revenue Guidance**

	Fiscal Year Ended	Fiscal Year Ending			
	November 30, 2019	November 30, 2020		November 30, 2020	
		Low	% Change	High	% Change
<i>(In millions)</i>					
GAAP revenue	\$ 413.3	\$ 438.3	6 %	\$ 442.3	7 %
Acquisition-related adjustments - revenue <sup>(1)</sup>	18.7	13.7	(27)%	13.7	(27)%
Non-GAAP revenue	\$ 432.0	\$ 452.0	5 %	\$ 456.0	6 %

<sup>(1)</sup>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 Progress' OpenEdge business segment for Ipswich and Progress' Application Development and Deployment segment for Chef.

**Fiscal Year 2020 Updated Non-GAAP Operating Margin Guidance**

	Fiscal Year Ending November 30, 2020			
	Low		High	
<i>(In millions)</i>				
GAAP income from operations	\$ 105.8		\$ 107.4	
GAAP operating margins	24 %		24 %	
Acquisition-related revenue	13.7		13.7	
Acquisition-related expense	1.9		1.9	
Restructuring expense	7.5		7.5	
Stock-based compensation	23.4		23.4	
Amortization of acquired intangibles	26.6		26.6	
Total adjustments <sup>(2)</sup>	73.1		73.1	
Non-GAAP income from operations	\$ 178.9		\$ 180.5	
Non-GAAP operating margin	40 %		40 %	

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

**Fiscal Year 2020 Updated Non-GAAP Earnings per Share and Effective Tax Rate Guidance**

	Fiscal Year Ending November 30, 2020			
	Low		High	
<i>(In millions, except per share data)</i>				
GAAP net income	\$ 74.2		\$ 75.4	
Adjustments (from previous table)	73.1		73.1	
Income tax adjustment <sup>(3)</sup>	(13.7)		(13.7)	
Non-GAAP net income	\$ 133.6		\$ 134.8	
GAAP diluted earnings per share	\$ 1.63		\$ 1.66	
Non-GAAP diluted earnings per share	\$ 2.94		\$ 2.97	
Diluted weighted average shares outstanding	45.4		45.4	

<sup>(3)</sup>Tax adjustment is based on a non-GAAP effective tax rate of approximately 20% for Low and High, calculated as follows:

Non-GAAP income from operations	\$ 178.9	\$ 180.5
Other (expense) income	(11.9)	(11.9)
Non-GAAP income from continuing operations before income taxes	167.0	168.6
Non-GAAP net income	133.6	134.8
Tax provision	\$ 33.4	\$ 33.8
Non-GAAP tax rate	20 %	20 %

**RECONCILIATIONS OF GAAP TO NON-GAAP FINANCIAL MEASURES FOR FISCAL YEAR 2020 GUIDANCE**  
(Unaudited)

**Fiscal Year 2020 Adjusted Free Cash Flow Guidance**

	Fiscal Year Ending November 30, 2020	
	Low	High
<i>(In millions)</i>		
Cash flows from operations (GAAP)	\$ 138	\$ 143
Purchases of property and equipment	(7)	(7)
Add back: restructuring payments	4	4
Adjusted free cash flow (non-GAAP)	<u>\$ 135</u>	<u>\$ 140</u>

**RECONCILIATIONS OF GAAP TO NON-GAAP FINANCIAL MEASURES FOR Q4 2020 GUIDANCE**  
(Unaudited)

**Q4 2020 Revenue Guidance**

	Three Months Ended	Three Months Ending			
	November 30, 2019	November 30, 2020			
		Low	% Change	High	% Change
<i>(In millions)</i>					
GAAP revenue	\$ 117	\$ 118.6	1 %	\$ 122.6	5 %
Acquisition-related adjustments - revenue <sup>(1)</sup>	6.4	6.3	(2)%	6.3	(2)%
Non-GAAP revenue	\$ 123.4	\$ 124.9	1 %	\$ 128.9	4 %

<sup>(1)</sup>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 Progress' OpenEdge business segment for Ipswich and Progress' Application Development and Deployment segment for Chef.

**Q4 2020 Non-GAAP Earnings per Share Guidance**

	Three Months Ending November 30, 2020	
	Low	High
GAAP diluted earnings per share	\$ 0.26	\$ 0.29
Acquisition-related revenue	0.14	0.14
Acquisition-related expense	0.01	0.01
Restructuring expense	0.13	0.13
Stock-based compensation	0.13	0.13
Amortization of acquired intangibles	0.20	0.20
Total adjustments <sup>(2)</sup>	0.61	0.61
Income tax adjustment	(0.11)	(0.11)
Non-GAAP diluted earnings per share	\$ 0.76	\$ 0.79

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



# Progress Financial Results

Q3 2020 Supplemental Data



# Legal Notice

This presentation contains statements that are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Progress has identified some of these forward-looking statements with words like "believe," "may," "could," "would," "might," "should," "expect," "intend," "plan," "target," "anticipate" and "continue," or 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; revenue growth, operating margin and cost savings; strategic partnering and marketing initiatives; and other statements regarding the future operation, direction, prospects and success of Progress's business.

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

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

For further information regarding risks and uncertainties associated with our business, please refer to our filings with the Securities and Exchange Commission. Progress undertakes no obligation to update any forward-looking statements, which speak only as of the date of this presentation, except for statements relating to Progress' projected results for the quarter ended August 31, 2020 and fiscal year ended November 30, 2020 which speak only as of September 29, 2020.

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



# Conference Call Details

What:	Progress Q3 2020 Financial Results Conference Call
When:	Tuesday, September 29 <sup>th</sup> , 2020
Time:	5:00 p.m. ET
Live Call:	888-204-4368 or 323-994-2093, passcode 7969757
Live / Recorded Webcast:	<a href="http://investors.progress.com">http://investors.progress.com</a>



# Summary Highlights

- Delivered strong financial results
  - Revenue and EPS above high end of guidance, and strong cash flows
  - Strong performance from OpenEdge product line, and continued efficiency improvements
  - Increased full year guidance for revenue and EPS, excluding impact of Chef acquisition
- Pending Chef acquisition demonstrates execution of strategy to grow through accretive M&A of complementary technology
  - DevOps pioneer and leader providing a continuous delivery automation platform for IT operations security teams to build, deploy and manage any application, securely, to any infrastructure
  - High revenue retention and annual recurring revenue of ~\$70 million
  - Accretive to non-GAAP EPS starting in Q1 of fiscal 2021
  - \$220 million acquisition price to be financed from \$120 in existing cash and up to \$100 million revolving credit facility; closing anticipated to occur shortly

# M&A Framework

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

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

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

# Progress Investment Highlights



Durable, predictable financial model



High quality revenue base and highly recurring revenue model



Accretive M&A and operational efficiencies driving margin improvement



Track record of successful acquisition integration and synergy achievement



Delivering meaningful earnings per share and free cash flow growth



Disciplined capital allocation strategy

# Summary Q3 2020 Financial Results

	Q3 2020 Outlook (6/25/2020)	Q3 2020 Results
GAAP Revenue	\$103 M - \$108 M	\$109.7 M(+3% YoY)
Non-GAAP Revenue	\$104 M - \$109 M	\$110.9 M(-4% YoY)
GAAP earnings per share (Diluted)	\$0.47 - \$0.49	\$0.53 (+77%)
Non-GAAP earnings per share (Diluted)	\$0.69 - \$0.71	\$0.78 (+4%)
GAAP Operating Margin	Not guided	30% (+100%)
Non-GAAP Operating Margin	Not guided	42% (+200 Bps YoY)
Adjusted Free Cash Flow	Not guided	\$30.1 M(+10% YoY)

# Recurring Revenue Contributing to Stability



Mission critical nature of the application power

+

Net revenue retention rate on maintenance well over 90%

=

High percentage of recurring revenue durability during uncertain times

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

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



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# DCI Revenue vs. ACV -- the impact of ASC 606



- Variability in revenue caused by year term li contracts
- Annual Contract Value show consistent performanc

# Driving Operating Leverage

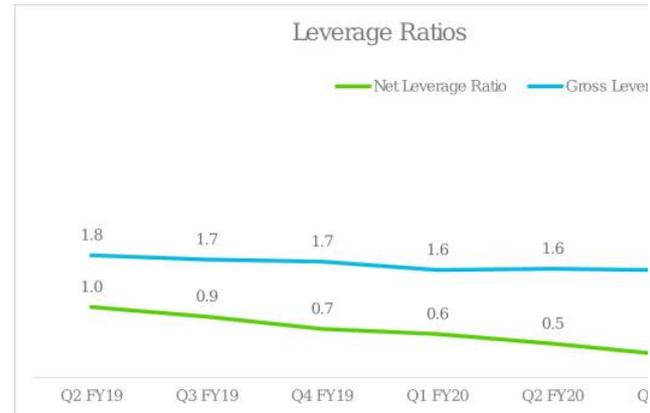
(% of non-GAAP revenue)



Focus on cost management and running a lean, profitable business

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

# Strong Liquidity/Debt Capacity



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

# Capital Allocation



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



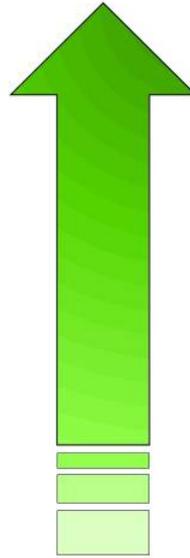
- Accretive M&A that meets our disciplined criteria



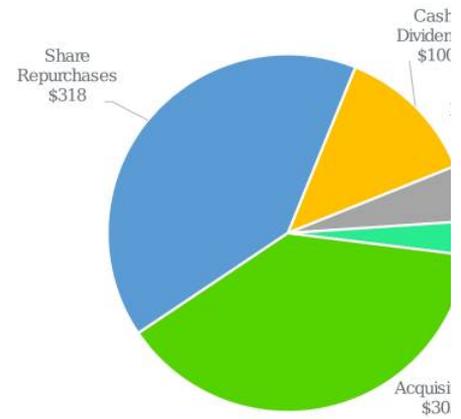
- Repurchase shares to offset dilution from our equity programs

- Existing authorization \$250M; \$230M remaining
- Flexibility to increase, reduce or suspend repurchases, depending on market conditions and size and timing of M&A

Primary focus



Capital Allocation 2016 – 2020



Share repurchase authorization

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

# Business Outlook (as of September 29, 2020)

	Q4 2020 Outlook (9/29/2020)	FY 2020 Prior Outlook (6/25/2020)	FY 2020 Current Outlook (9/29/2020)
Non-GAAP Revenue	\$125 M - \$129 M	\$433 M – \$443 M	\$452 M – \$456 M
Non-GAAP EPS	\$0.76 - \$0.79	\$2.82 – \$2.86	\$2.94 – \$2.97
Non-GAAP Operating Margin	Not guided	40%	40%
Non-GAAP Adjusted Free Cash Flow	Not guided	\$125 M – \$135 M	\$135 M – \$140 M
Non-GAAP Effective Tax Rate	Not guided	21%	20%



# Supplemental Financial Information

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# Results of Operations by Segment

(Unaudited)

(In thousands)	Three Months Ended			Nine Months Ended		
	August 31, 2020	August 31, 2019	% Change	August 31, 2020	August 31, 2019	% Change
<b>Segment revenue:</b>						
OpenEdge	85,794	78,607	9%	240,608	211,679	14%
Data Connectivity and Intergration	4,468	8,754	(49%)	21,815	27,686	(21%)
Application Development and Deployment	19,437	19,355	0%	57,342	56,895	1%
Total revenue	109,699	106,716	3%	319,765	296,260	8%
<b>Segment costs of revenue and operating expenses:</b>						
OpenEdge	18,358	22,711	(19%)	55,984	60,123	(7%)
Data Connectivity and Integration	1,931	1,943	(1%)	6,240	5,249	19%
Application Development and Deployment	7,298	6,093	20%	21,572	17,067	26%
Total costs of revenue and operating expense	27,587	30,747	(10%)	83,796	82,439	2%
<b>Segment contribution:</b>						
OpenEdge	67,436	55,896	21%	184,624	151,556	22%
Data Connectivity and Intergration	2,537	6,811	(63%)	15,575	22,437	(31%)
Application Development and Deployment	12,139	13,262	(8%)	35,770	39,828	(10%)
Total contribution	82,112	75,969	8%	235,969	213,821	10%
<b>Other unallocated expenses</b>	48,919	60,009	(18%)	146,755	167,711	(12%)
<b>Income from operations</b>	33,193	15,960	108%	89,214	46,110	93%
<b>Other (expense) income, net</b>	(2,962)	(3,718)	20%	(9,206)	(8,038)	(15%)
<b>Income before provision for income taxes</b>	30,231	12,242	147%	80,008	38,072	110%

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



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# Supplemental Revenue Information

(Unaudited)

(in thousands)	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020
<b>Revenue by Type</b>					
License	30,686	39,336	30,629	19,663	27,514
Maintenance	67,611	68,868	70,056	71,686	72,764
Services	8,419	8,834	8,998	9,034	9,421
Total Revenue	<u>\$ 106,716</u>	<u>\$ 117,038</u>	<u>\$ 109,683</u>	<u>\$ 100,383</u>	<u>\$ 109,699</u>
<b>Revenue by Region</b>					
North America	60,208	70,145	65,413	56,564	62,927
EMEA	35,109	35,187	34,988	34,157	37,447
Latin America	5,470	5,626	4,000	3,346	3,547
Asia Pacific	5,929	6,080	5,282	6,316	5,778
Total Revenue	<u>\$ 106,716</u>	<u>\$ 117,038</u>	<u>\$ 109,683</u>	<u>\$ 100,383</u>	<u>\$ 109,699</u>
<b>Revenue by Segment</b>					
OpenEdge	78,607	85,250	77,079	77,735	85,794
Data Connectivity and Integration	8,754	12,217	13,685	3,662	4,468
Application Development and Deployment	19,355	19,571	18,919	18,986	19,437
Total Revenue	<u>\$ 106,716</u>	<u>\$ 117,038</u>	<u>\$ 109,683</u>	<u>\$ 100,383</u>	<u>\$ 109,699</u>



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# Other NON-GAAP Financial Measures

(Unaudited)

(in thousands)	Q3 2020	Non-GAAP Adjustment	Non-GAAP Revenue
<b>Revenue by Type</b>			
License	27,514	17	27,531
Maintenance	72,764	1,083	73,847
Services	9,421	83	9,504
Total Revenue	<u>\$ 109,699</u>	<u>\$ 1,183</u>	<u>\$ 110,882</u>
<b>Revenue by Region</b>			
North America	62,927	763	63,690
EMEA	37,447	284	37,731
Latin America	3,547	16	3,563
Asia Pacific	5,778	120	5,898
Total Revenue	<u>\$ 109,699</u>	<u>\$ 1,183</u>	<u>\$ 110,882</u>
<b>Revenue by Segment</b>			
OpenEdge	85,794	1,183	86,977
Data Connectivity and Integration	4,468	-	4,468
Application Development and Deployment	19,437	-	19,437
Total Revenue	<u>\$ 109,699</u>	<u>\$ 1,183</u>	<u>\$ 110,882</u>



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# Other NON-GAAP Financial Measures

(Unaudited)

(in thousands)	YTD GAAP Basis Q3 2020	YTD Non-GAAP Adjustment	YTD Non-GAAP Q3 2020
<b>Revenue by Type</b>			
License	77,806	104	77,910
Maintenance	214,506	6,866	221,372
Services	27,453	414	27,867
Total Revenue	<u>\$ 319,765</u>	<u>\$ 7,384</u>	<u>\$ 327,149</u>
<b>Revenue by Region</b>			
North America	184,904	5,256	190,160
EMEA	106,592	1,457	108,049
Latin America	10,893	114	11,007
Asia Pacific	17,376	557	17,933
Total Revenue	<u>\$ 319,765</u>	<u>\$ 7,384</u>	<u>\$ 327,149</u>
<b>Revenue by Segment</b>			
OpenEdge	240,608	7,384	247,992
Data Connectivity and Integration	21,815	-	21,815
Application Development and Deployment	57,342	-	57,342
Total Revenue	<u>\$ 319,765</u>	<u>\$ 7,384</u>	<u>\$ 327,149</u>



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