



# 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,” the negative of these words, other terms of similar meaning or the use of future dates. Forward-looking statements in this presentation include, but are not limited to, statements regarding Progress’s strategy; acquisitions; future revenue growth, operating margin and cost savings; strategic partnering and marketing initiatives; and other statements regarding the future operation, direction, prospects and success of Progress’s business.

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

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

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

# 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 operators and 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 from 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 margins
  - ROIC above our weighted average cost of capital

# Progress Investment Highlights



Durable, predictable financial model



High quality revenue base and highly recurring revenue model



Accretive M&A and operational efficiencies driving margin improvement



Track record of successful acquisition integration and synergy achievement



Delivering meaningful earnings per share and free cash flow growth

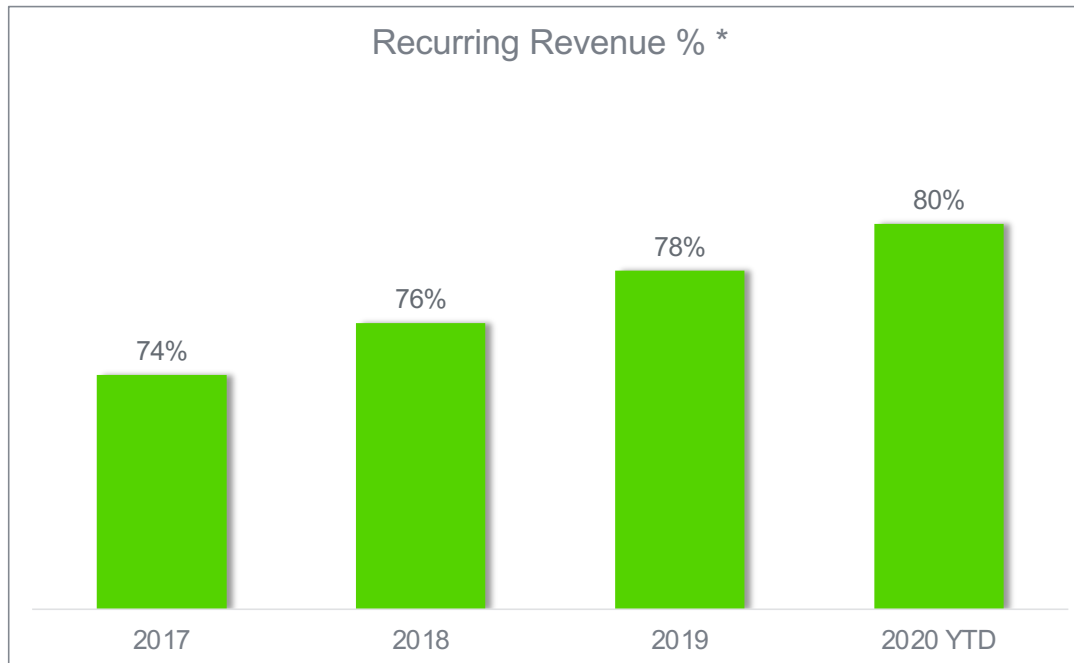


Disciplined capital allocation strategy

# Summary 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	<i>Not guided</i>	30% (+100%)
Non-GAAP Operating Margin	<i>Not guided</i>	42% (+200 Bps YoY)
Adjusted Free Cash Flow	<i>Not guided</i>	\$30.1 M (+10% YoY)

# Recurring Revenue Contributing to Stability



*Mission critical nature of the applications we power*

+

*Net revenue retention rate on maintenance – well over 90%*

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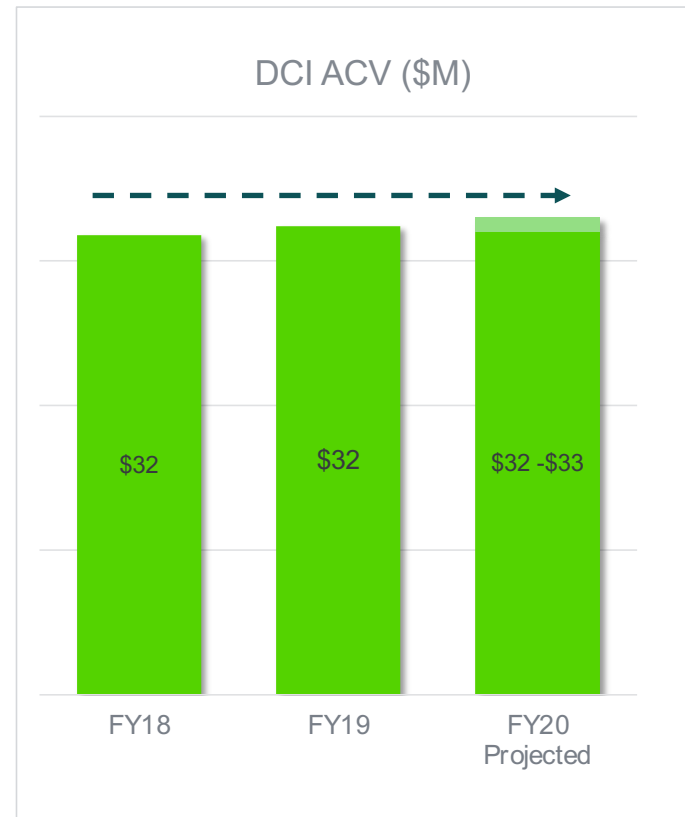
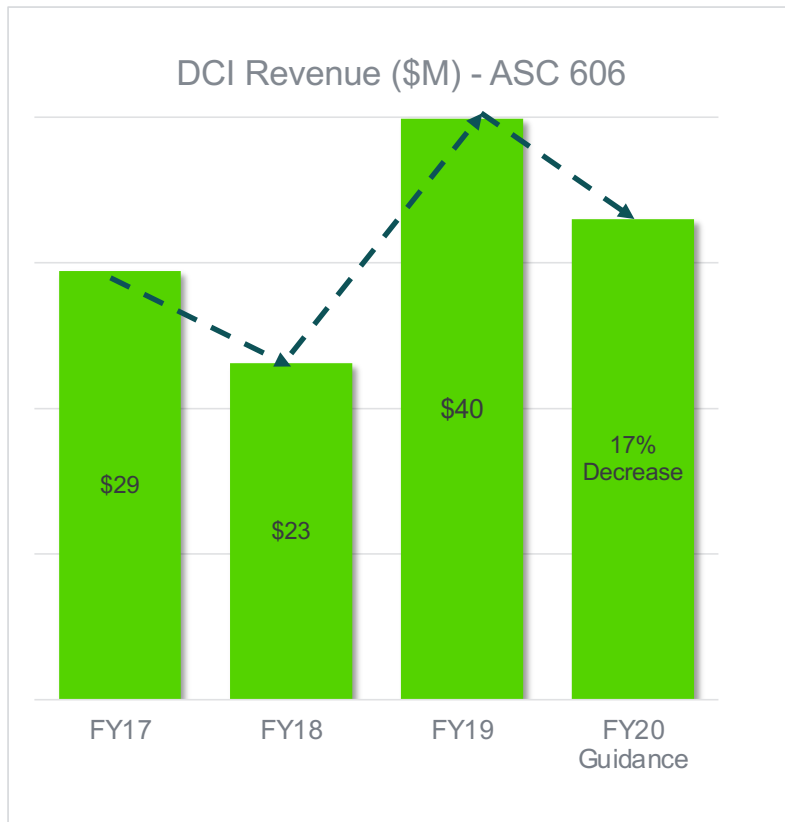
*High percentage of recurring revenue and durability during uncertain times*

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

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



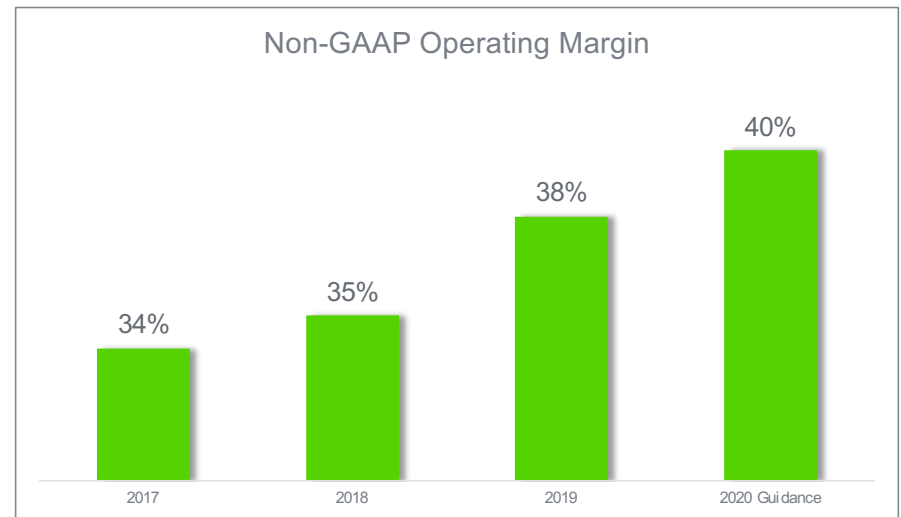
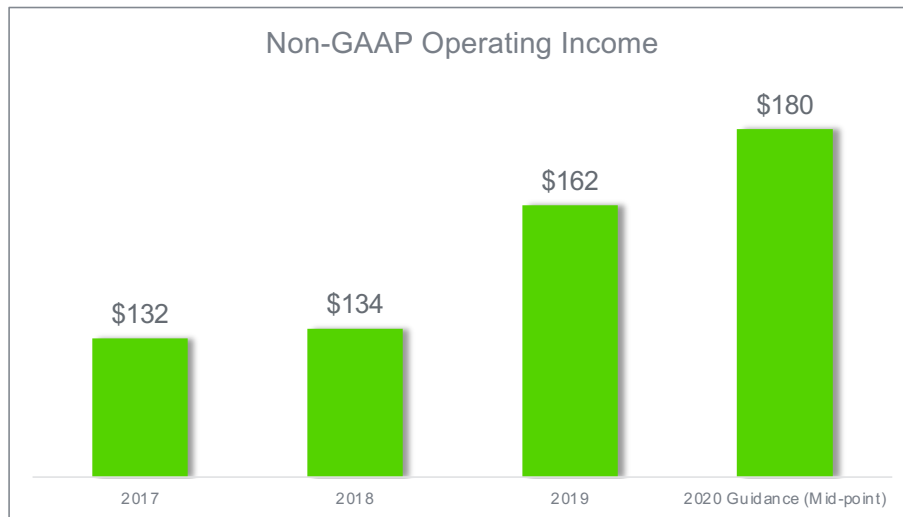
# DCI Revenue vs. ACV -- the impact of ASC 606



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

# Driving Operating Leverage

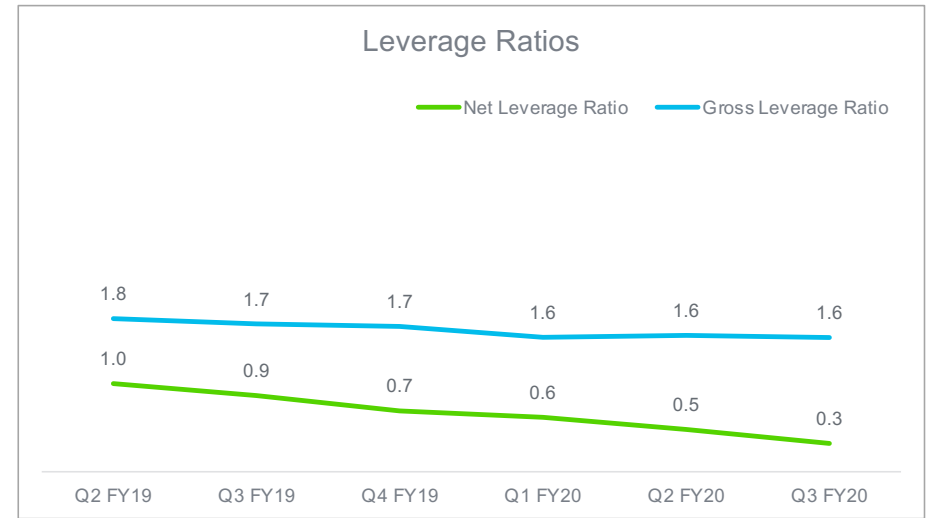
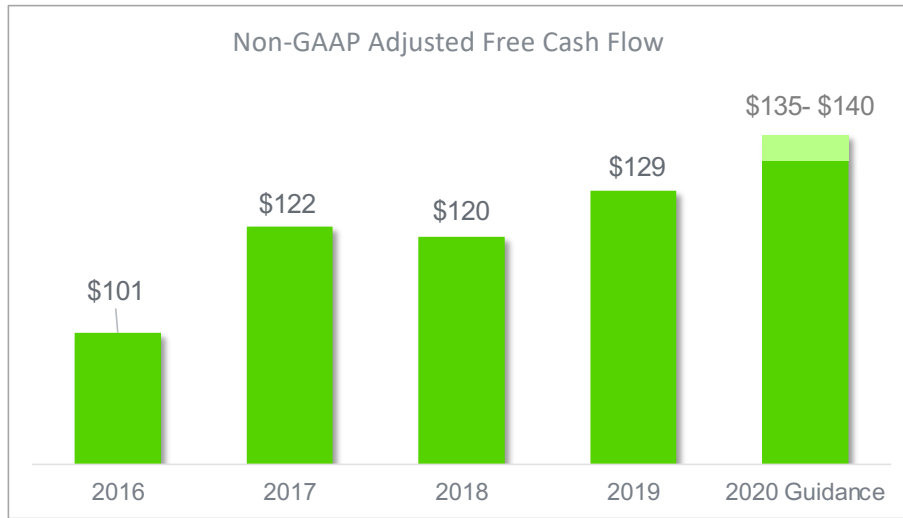
(% of non-GAAP revenue)



*Focus on cost management and running a lean, profitable business*

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

# Strong Liquidity/Debt Capacity



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

# Capital Allocation



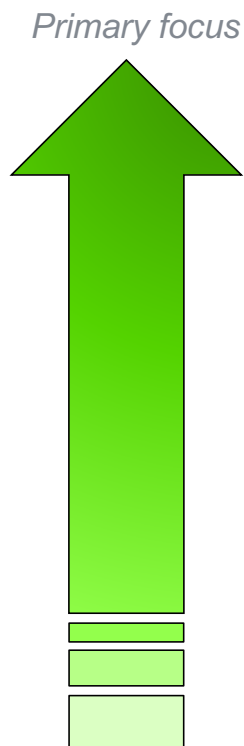
- Continue to return capital to shareholders in the form of dividends



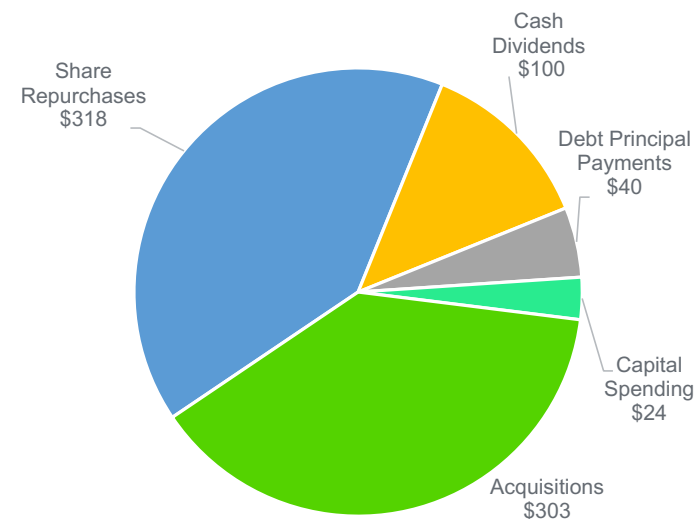
- Accretive M&A that meets our disciplined criteria



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



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	<i>Not guided</i>	40%	40%	=
Non-GAAP Adjusted Free Cash Flow	<i>Not guided</i>	\$125 M – \$135 M	\$135 M – \$140 M	↑
Non-GAAP Effective Tax Rate	<i>Not guided</i>	21%	20%	



# **Supplemental Financial Information**

# 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.

# 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>



# 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>

# 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>

