

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

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 OR 15(d) of the Securities Exchange Act of 1934

March 25, 2021
Date of Report (Date of earliest event reported)

Progress Software Corporation
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	0-19417 (Commission file number)	04-2746201 (I.R.S. Employer Identification No.)
14 Oak Park Bedford, Massachusetts 01730 (Address of principal executive offices, including zip code)		
(781) 280-4000 (Registrant's telephone number, including area code)		
Not applicable (Former name or former address, if changed since last report.)		

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

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

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

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

Item 2.02 Results of Operations and Financial Condition

On March 25, 2021, Progress Software Corporation ("Progress") issued a press release announcing its financial results for the fiscal first quarter ended February 28, 2021. 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 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 Chef Software, Inc. and Ipswitch, Inc., which we acquired on October 5, 2020 and April 30, 2019, respectively. 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.
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- *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.

Annual Recurring Revenue ("ARR") - Beginning this period, Progress is providing an ARR performance metric to help investors better understand and assess the performance of our business because our mix of revenue generated from recurring sources has increased in recent years. ARR represents the annualized contract value for all active and contractually binding term-based contracts at the end of a period. ARR includes maintenance, software upgrade rights, public cloud and on-premises subscription-based transactions and managed services.

ARR 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.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits.

Exhibit No.	Description
99.1	Press release issued by Progress Software Corporation dated March 25, 2021
99.2	Q1 2021 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: March 25, 2021

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 First Quarter 2021 Financial Results

Revenue and Earnings Per Share Exceed Guidance Ranges
Full Year Guidance Increased for Revenue, Earnings Per Share and Free Cash Flow

BEDFORD, Mass, March 25, 2021 (GlobeNewswire) — Progress (NASDAQ: PRGS), the leading provider of products to develop, deploy and manage high-impact business applications, today announced financial results for its fiscal first quarter ended February 28, 2021.

First Quarter 2021 Highlights:

- Revenue of \$121.3 million increased 11% year-over-year on an actual currency basis, and 9% on a constant currency basis.
- Non-GAAP revenue of \$131.8 million increased 16% on an actual currency basis, and 14% on a constant currency basis.
- Annualized Recurring Revenue (ARR) of \$432 million increased 22% year-over-year on a constant currency basis with growth primarily driven by the acquisition of Chef Software.
- Operating margin was 23% and Non-GAAP operating margin was 43%.
- Diluted earnings per share was \$0.42 compared to \$0.46 in the same quarter last year, a decrease of 9%.
- Non-GAAP diluted earnings per share was \$0.95 compared to \$0.76 in the same quarter last year, an increase of 25%.

“The first quarter marked an excellent start to 2021 highlighted by better-than-expected growth on both the top and bottom line” said Yogesh Gupta, CEO at Progress. “Our performance was stronger than expected across virtually all product lines and all of our key metrics. I am especially proud of the continued hard work and dedication of our entire organization and our first quarter results position us well as we continue to execute our total growth strategy.”

Additional financial highlights included⁽¹⁾:

	Three Months Ended					
	GAAP			Non-GAAP		
	February 28, 2021	February 29, 2020	% Change	February 28, 2021	February 29, 2020	% Change
<i>(In thousands, except percentages and per share amounts)</i>						
Revenue	\$ 121,280	\$ 109,683	11 %	\$ 131,784	\$ 113,762	16 %
Income from operations	\$ 27,416	\$ 30,712	(11)%	\$ 56,657	\$ 47,973	18 %
Operating margin	23 %	28 %	(500) bps	43 %	42 %	100 bps
Net income	\$ 18,961	\$ 21,116	(10)%	\$ 42,504	\$ 34,703	22 %
Diluted earnings per share	\$ 0.42	\$ 0.46	(9)%	\$ 0.95	\$ 0.76	25 %
Cash from operations (GAAP) /Adjusted free cash flow (Non-GAAP)	\$ 44,688	\$ 33,016	35 %	\$ 46,515	\$ 33,297	40 %

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

Other fiscal first quarter 2021 metrics and recent results included:

- Cash, cash equivalents and short-term investments were \$114.4 million at the end of the quarter;
- DSO was 53 days compared to 49 days in the fiscal first quarter of 2020 and 54 days in the fiscal fourth quarter of 2020;
- Pursuant to the \$250 million share authorization by the Board of Directors, Progress repurchased 0.4 million shares for \$15.0 million during the first fiscal quarter of 2021. As of February 28, 2021, there was \$175.0 million remaining under this authorization; and
- On March 23, 2021, our Board of Directors declared a quarterly dividend of \$0.175 per share of common stock that will be paid on June 15, 2021 to shareholders of record as of the close of business on June 1, 2021.

Anthony Folger, CFO, said: "Progress delivered strong financial results across the board in the first quarter, which has given us even greater confidence in our prospects for 2021. The integration of Chef is tracking ahead of plan and Chef's first full quarter with Progress contributed better than expected performance and helped continue the trend of an increasing mix of revenue being derived from recurring sources."

Select Performance Metrics:

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

Beginning this period, Progress is providing an ARR performance metric to help investors better understand and assess the performance of our business because our mix of revenue generated from recurring sources has increased in recent years. ARR represents the annualized contract value for all active and contractually binding term-based contracts at the end of a period. ARR includes maintenance, software upgrade rights, public cloud and on-premises subscription-based transactions and managed services. Additional information regarding ARR 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.

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.

In addition, Progress is in the process of updating its segments based on changes to how performance is assessed and resources are allocated. Progress expects to begin operating as one distinct segment to align with the way that management internally analyzes the business. Progress previously reported results based on three segments. Progress plans to implement the new segment structure starting with results for the fiscal second quarter ending May 31, 2021.

2021 Business Outlook

Progress provides the following guidance for the fiscal year ending November 30, 2021 and the fiscal second quarter ending May 31, 2021:

	Updated FY 2021 Guidance (March 25, 2021)		FY 2021 Guidance (January 14, 2021)	
	GAAP	Non-GAAP	GAAP	Non-GAAP
<i>(In millions, except percentages and per share amounts)</i>				
Revenue	\$493 - \$501	\$519 - \$527	\$487 - \$495	\$513 - \$521
Diluted earnings per share	\$1.56 - \$1.60	\$3.38 - \$3.42	\$1.40 - \$1.46	\$3.22 - \$3.28
Operating margin	20%	38%	19%	37%
Cash from operations (GAAP) / Adjusted free cash flow (Non-GAAP)	\$157 - \$162	\$155 - \$160	\$151 - \$156	\$150 - \$155
Effective tax rate	21 %	20 %	21 %	20 %
			Q2 2021 Guidance	
<i>(In millions, except per share amounts)</i>			GAAP	Non-GAAP
Revenue			\$112 - \$116	\$119 - \$123
Diluted earnings per share			\$0.25 - \$0.27	\$0.72 - \$0.74

Based on current exchange rates, the expected positive currency translation impact on Progress' fiscal year 2021 business outlook compared to 2020 exchange rates is approximately \$5.8 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 Q2 2021 business outlook compared to 2020 exchange rates on GAAP and non-GAAP revenue is approximately \$2.4 million. The expected positive impact on GAAP and non-GAAP diluted Q2 2021 earnings per share is \$0.01. 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 first quarter of 2021 at 5:00 p.m. ET on Thursday, March 25, 2021. 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 800-367-2403 or 334-777-6978, passcode 3276569. 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 Chef 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, 2020. 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) provides the best products to develop, deploy and manage high-impact business applications. Our comprehensive product stack is designed to make technology teams more productive and we have a deep commitment to the developer community, both open source and commercial alike. With Progress, organizations can accelerate the creation and delivery of strategic business applications, automate the process by which apps are configured, deployed and scaled, and make critical data and content more accessible and secure—leading to competitive differentiation and business success. Over 1,700 independent software vendors, 100,000 enterprise customers, and three million developers rely on Progress to power their applications. Learn about Progress at www.progress.com or +1-800-477-6473.

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.

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CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended		
	February 28, 2021	February 29, 2020	% Change
<i>(In thousands, except per share data)</i>			
Revenue:			
Software licenses	\$ 33,317	\$ 30,629	9 %
Maintenance and services	87,963	79,054	11 %
Total revenue	121,280	109,683	11 %
Costs of revenue:			
Cost of software licenses	1,151	1,389	(17)%
Cost of maintenance and services	13,319	11,851	12 %
Amortization of acquired intangibles	3,521	1,646	114 %
Total costs of revenue	17,991	14,886	21 %
Gross profit	103,289	94,797	9 %
Operating expenses:			
Sales and marketing	29,469	24,198	22 %
Product development	24,548	21,654	13 %
General and administrative	13,424	12,748	5 %
Amortization of acquired intangibles	6,879	4,131	67 %
Restructuring expenses	1,157	1,040	11 %
Acquisition-related expenses	396	314	26 %
Total operating expenses	75,873	64,085	18 %
Income from operations	27,416	30,712	(11)%
Other expense, net	(2,652)	(3,397)	22 %
Income before income taxes	24,764	27,315	(9)%
Provision for income taxes	5,803	6,199	(6)%
Net income	\$ 18,961	\$ 21,116	(10)%
Earnings per share:			
Basic	\$ 0.43	\$ 0.47	(9)%
Diluted	\$ 0.42	\$ 0.46	(9)%
Weighted average shares outstanding:			
Basic	44,108	44,897	(2)%
Diluted	44,652	45,515	(2)%
Cash dividends declared per common share	\$ 0.175	\$ 0.165	6 %
Stock-based compensation is included in the condensed consolidated statements of operations, as follows:			
Cost of revenue	\$ 392	\$ 319	23 %
Sales and marketing	1,503	1,050	43 %
Product development	1,919	1,926	— %
General and administrative	2,970	2,756	8 %
Total	\$ 6,784	\$ 6,051	12 %

CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

<i>(In thousands)</i>	February 28, 2021	November 30, 2020
Assets		
Current assets:		
Cash, cash equivalents and short-term investments	\$ 114,371	\$ 105,995
Accounts receivable, net	77,573	84,040
Unbilled receivables and contract assets	24,099	24,917
Other current assets	23,266	23,983
Total current assets	239,309	238,935
Property and equipment, net	29,838	29,817
Goodwill and intangible assets, net	694,048	704,473
Right-of-use lease assets	31,265	30,635
Long-term unbilled receivables and contract assets	14,334	17,133
Other assets	18,263	20,789
Total assets	\$ 1,027,057	\$ 1,041,782
Liabilities and shareholders' equity		
Current liabilities:		
Accounts payable and other current liabilities	\$ 55,019	\$ 70,899
Current portion of long-term debt, net	20,124	18,242
Short-term operating lease liabilities	7,154	7,015
Short-term deferred revenue	183,443	166,387
Total current liabilities	265,740	262,543
Long-term debt, net	343,758	364,260
Long-term operating lease liabilities	27,342	26,966
Long-term deferred revenue	25,535	26,908
Other long-term liabilities	12,129	15,092
Shareholders' equity:		
Common stock and additional paid-in capital	312,137	306,244
Retained earnings	40,416	39,769
Total shareholders' equity	352,553	346,013
Total liabilities and shareholders' equity	\$ 1,027,057	\$ 1,041,782

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Three Months Ended	
	February 28, 2021	February 29, 2020
<i>(In thousands)</i>		
Cash flows from operating activities:		
Net income	\$ 18,961	\$ 21,116
Depreciation and amortization	11,862	7,669
Stock-based compensation	6,784	6,051
Other non-cash adjustments	3,039	5,347
Changes in operating assets and liabilities	4,042	(7,167)
Net cash flows from operating activities	44,688	33,016
Capital expenditures	(1,166)	(1,148)
Issuances of common stock, net of repurchases	(11,515)	(15,755)
Dividend payments to shareholders	(7,854)	(7,468)
Payments of principal on long-term debt	(18,763)	(1,882)
Other	2,986	(3,393)
Net change in cash, cash equivalents and short-term investments	8,376	3,370
Cash, cash equivalents and short-term investments, beginning of period	105,995	173,685
Cash, cash equivalents and short-term investments, end of period	\$ 114,371	\$ 177,055

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

	Three Months Ended				% Change Non-GAAP	
	February 28, 2021		February 29, 2020			
<i>(In thousands, except per share data)</i>						
Adjusted revenue:						
GAAP revenue	\$	121,280		\$	109,683	
Acquisition-related revenue ⁽¹⁾		10,504			4,079	
Non-GAAP revenue	\$	131,784	100 %	\$	113,762	100 %
Adjusted income from operations:						
GAAP income from operations	\$	27,416	23 %	\$	30,712	28 %
Amortization of acquired intangibles		10,400	8 %		5,777	5 %
Restructuring expenses and other		1,157	1 %		1,040	1 %
Stock-based compensation		6,784	3 %		6,051	4 %
Acquisition-related revenue ⁽¹⁾ and expenses		10,900	8 %		4,393	4 %
Non-GAAP income from operations	\$	56,657	43 %	\$	47,973	42 %
Adjusted net income:						
GAAP net income	\$	18,961	16 %	\$	21,116	19 %
Amortization of acquired intangibles		10,400	8 %		5,777	5 %
Restructuring expenses and other		1,157	1 %		1,040	1 %
Stock-based compensation		6,784	3 %		6,051	5 %
Acquisition-related revenue ⁽¹⁾ and expenses		10,900	8 %		4,393	4 %
Provision for income taxes		(5,698)	(4)%		(3,674)	(3)%
Non-GAAP net income	\$	42,504	32 %	\$	34,703	31 %
Adjusted diluted earnings per share:						
GAAP diluted earnings per share	\$	0.42		\$	0.46	
Amortization of acquired intangibles		0.23			0.13	
Restructuring expenses and other		0.03			0.02	
Stock-based compensation		0.16			0.13	
Acquisition-related revenue ⁽¹⁾ and expenses		0.24			0.10	
Provision for income taxes		(0.13)			(0.08)	
Non-GAAP diluted earnings per share	\$	0.95		\$	0.76	25 %
Non-GAAP weighted avg shares outstanding - diluted		44,652			45,515	(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 Progress' Application Development and Deployment business segment for Chef and Progress' OpenEdge business segment for Ipswitch.

OTHER NON-GAAP FINANCIAL MEASURES
(Unaudited)

Adjusted Free Cash Flow

(In thousands)

	Q1 2021	Q1 2020	% Change
Cash flows from operations	\$ 44,688	\$ 33,016	35 %
Purchases of property and equipment	(1,166)	(1,148)	2 %
Free cash flow	43,522	31,868	37 %
Add back: restructuring payments	2,993	1,429	109 %
Adjusted free cash flow	\$ 46,515	\$ 33,297	40 %

RECONCILIATIONS OF GAAP TO NON-GAAP FINANCIAL MEASURES FOR FISCAL YEAR 2021 GUIDANCE
(Unaudited)

Fiscal Year 2021 Updated Revenue Guidance

	Fiscal Year Ended		Fiscal Year Ending					
	November 30, 2020		November 30, 2021		November 30, 2021			
(In millions)			Low	% Change	High	% Change		
GAAP revenue	\$	442.1	\$	493.0	12 %	\$	501.0	13 %
Acquisition-related adjustments - revenue ⁽¹⁾		14.1		26.0	84 %		26.0	84 %
Non-GAAP revenue	\$	456.2	\$	519.0	14 %	\$	527.0	16 %

⁽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 2021 Updated Non-GAAP Operating Margin Guidance

	Fiscal Year Ending November 30, 2021			
	Low		High	
GAAP income from operations	\$	99.5	\$	102.1
GAAP operating margins		20 %		20 %
Acquisition-related revenue		26.0		26.0
Acquisition-related expense		0.9		0.9
Restructuring expense		1.3		1.3
Stock-based compensation		27.2		27.2
Amortization of acquired intangibles		44.9		44.9
Total adjustments ⁽²⁾		100.3		100.3
Non-GAAP income from operations	\$	199.8	\$	202.4
Non-GAAP operating margin		38 %		38 %

⁽²⁾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 2021 Updated Non-GAAP Earnings per Share and Effective Tax Rate Guidance

	Fiscal Year Ending November 30, 2021			
	Low		High	
GAAP net income	\$	69.5	\$	71.5
Adjustments (from previous table)		100.3		100.3
Income tax adjustment ⁽³⁾		(19.2)		(19.2)
Non-GAAP net income	\$	150.6	\$	152.6
GAAP diluted earnings per share	\$	1.56	\$	1.60
Non-GAAP diluted earnings per share	\$	3.38	\$	3.42
Diluted weighted average shares outstanding		44.6		44.6

⁽³⁾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	\$	199.8	\$	202.4
Other (expense) income		(11.6)		(11.6)
Non-GAAP income from continuing operations before income taxes		188.2		190.8
Non-GAAP net income		150.6		152.6
Tax provision	\$	37.6	\$	38.2
Non-GAAP tax rate		20 %		20 %

RECONCILIATIONS OF GAAP TO NON-GAAP FINANCIAL MEASURES FOR FISCAL YEAR 2021 GUIDANCE
(Unaudited)

Fiscal Year 2021 Adjusted Free Cash Flow Guidance

<i>(In millions)</i>	Fiscal Year Ending November 30, 2021	
	Low	High
Cash flows from operations (GAAP)	\$ 157	\$ 162
Purchases of property and equipment	(7)	(7)
Add back: restructuring payments	5	5
Adjusted free cash flow (non-GAAP)	\$ 155	\$ 160

RECONCILIATIONS OF GAAP TO NON-GAAP FINANCIAL MEASURES FOR Q2 2021 GUIDANCE

(Unaudited)

Q2 2021 Revenue Guidance

	Three Months Ended		Three Months Ending					
	May 31, 2020		May 31, 2021					
			Low	% Change	High	% Change		
<i>(In millions)</i>								
GAAP revenue	\$	100.4	\$	112.3	12 %	\$	116.3	16 %
Acquisition-related adjustments - revenue ⁽¹⁾		2.1		6.7	219 %		6.7	219 %
Non-GAAP revenue	\$	102.5	\$	119.0	16 %	\$	123.0	20 %

⁽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.

Q2 2021 Non-GAAP Earnings per Share Guidance

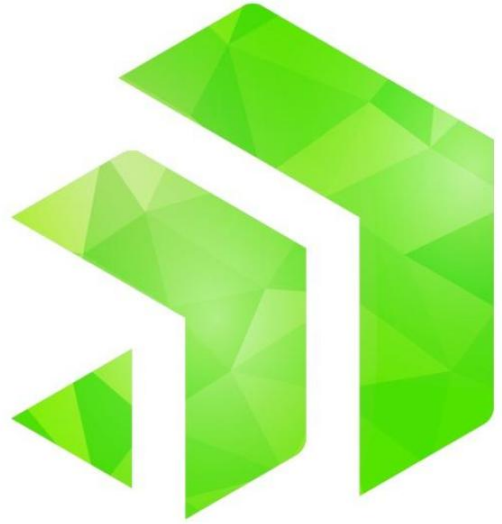
	Three Months Ending May 31, 2021			
	Low		High	
GAAP diluted earnings per share	\$	0.25	\$	0.27
Acquisition-related revenue		0.15		0.15
Acquisition-related expense		0.01		0.01
Stock-based compensation		0.16		0.16
Amortization of acquired intangibles		0.26		0.26
Total adjustments ⁽²⁾		0.58		0.58
Income tax adjustment		(0.11)		(0.11)
Non-GAAP diluted earnings per share	\$	0.72	\$	0.74

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



Progress Financial Results

Q1 2021 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, 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.
- Delay or failure to realize the expected synergies and benefits of the Chef acquisition could adversely impact our future results of operations and financial condition.
- 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 February 28, 2021 and fiscal year ended November 30, 2021, which speak only as of March 25, 2021.

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 February 28, 2021 and is available in the Investor Relations section of our Web site.

Conference Call Details

What: Progress Q1 2021 Financial Results Conference Call

When: Thursday, March 25th, 2021

Time: 5:00 p.m. ET

Live Call: 1-800-367-2403, pass code 3276569

Live / Recorded Webcast: <http://investors.progress.com>

Summary Highlights

- Strong Financial Results
 - Non-GAAP Revenue, non-GAAP EPS and Free Cash Flow all above high end of guidance range
 - Results driven by top-line strength across all products, most notably OpenEdge
 - Chef exceeding our expectations on the top and bottom line as integration proceeds ahead of plan
 - Stable, durable top line driven by continued increase in recurring revenue mix
 - Top-line strength helped fuel operating margin above 40%
- Products and Customer Experience
 - Portfolio of products fully addresses the application lifecycle of develop, deploy and manage
 - Continued investment to enhance and expand product set to ensure we're delivering superior value to customers
- M&A efforts continue unabated; growth in pipeline, expansion of sourcing channels and enhanced capabilities aimed at large and growing DevOps market opportunity

Leverage the Cloud Opportunity

| Sitefinity

| Chef

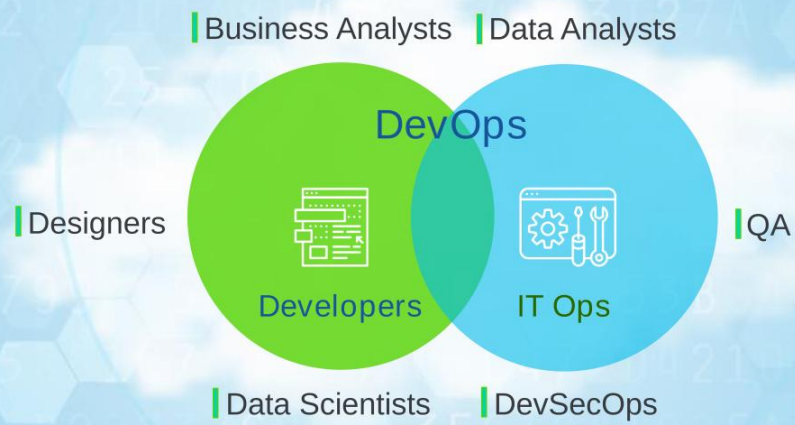
| DataDirect

| MOVEit

| OpenEdge

| Corticon

The Evolving Application / Technology Team



Progress is a **trusted provider** of the best products to **develop, deploy and manage high-impact** business applications



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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, and 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



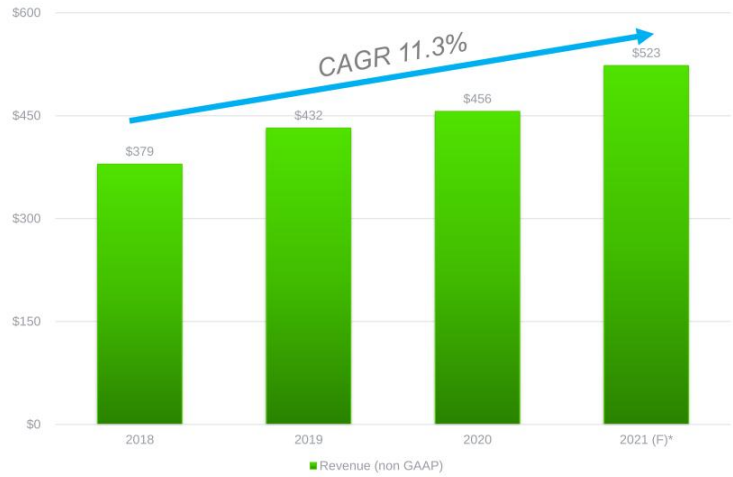
Disciplined and shareholder-friendly capital allocation strategy

Summary Q1 2021 Financial Results

	Q1 2021 Results	Q1 2021 Outlook (1/14/2021)
GAAP Revenue	\$121 M	\$109 M - \$113 M
Non-GAAP Revenue	\$132 M	\$119 M - \$123 M
GAAP earnings per share (Diluted)	\$0.42	\$0.21 - \$0.25
Non-GAAP earnings per share (Diluted)	\$0.95	\$0.72 - \$0.76
GAAP Operating Margin	23%	Not guided
Non-GAAP Operating Margin	43%	Not guided
Adjusted Free Cash Flow	\$47 M	Not guided

Driving Total Growth

- 2021(F)* revenue growth of 15%
- Revenue CAGR of 11.3%
2018 – 2021(F)*



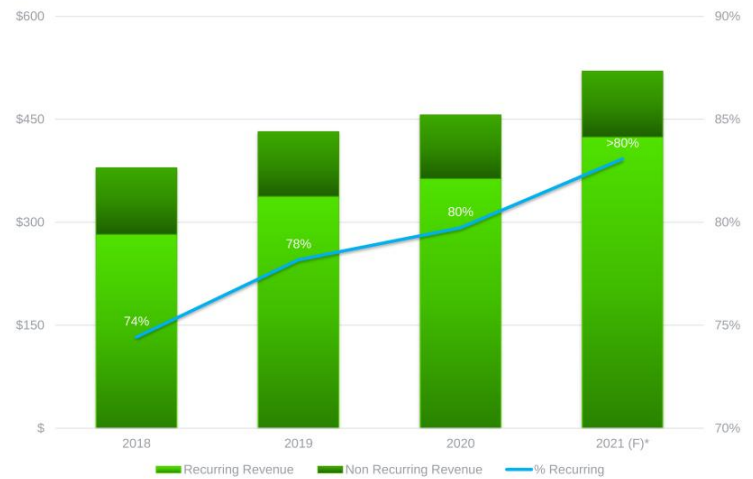
* Represents our 2021 guidance or the mid-point of our 2021 guidance range



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Increasing Mix of Recurring Revenue

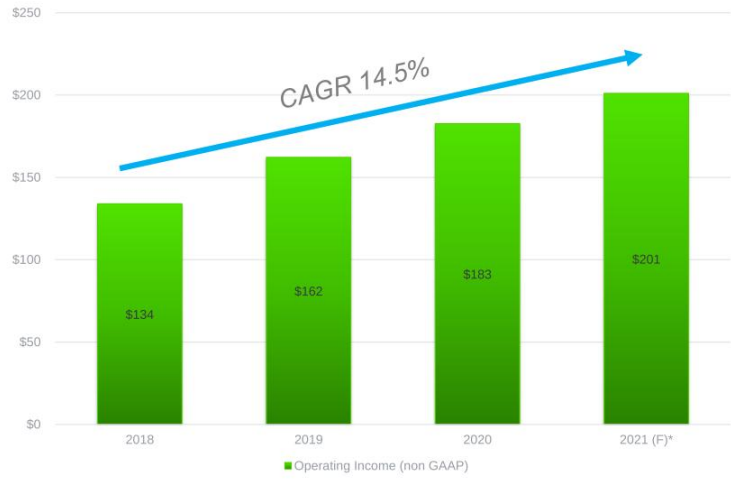
- High percentage of recurring revenue
- Subscription-based revenue models associated with on-prem and SaaS offerings
- Recurring revenue CAGR of 15.7% 2018 – 2021(F)*
- Recurring revenue mix expected to move higher



* Represents our 2021 guidance or the mid-point of our 2021 guidance range

Growing Profitability

- Consistent growth in operating income
CAGR 14.5% 2018 – 2021(F)*
- Best-in-class operating margins consistently above 35%



Introducing Annualized Recurring Revenue (ARR)

What it is and what it's not

It is:

- The annualized value of all recurring revenue related contracts in place at the end of the period.
- An operating metric that should be viewed independently of revenue and deferred revenue.

It is not:

- Intended to be combined with or replace revenue and deferred revenue
- A forecast of future revenue

What's included and excluded

Included:

- Maintenance Revenue
- Subscription revenue derived from hosted/SaaS solutions and on prem term license arrangements

Excluded:

- Revenue reported as perpetual license
- Non-Recurring professional services

Introducing Net Dollar Retention Rate

What it is and what it's not

It is:

- A calculation (detailed below) which attempts to capture all potential customer actions
- An operating metric that should be viewed independently of revenue

It is not:

- Intended to be combined with or replace revenue and deferred revenue
- Meant to be a forecast of future revenue

$$\frac{\left\{ \text{Beginning ARR} \right\} - \left\{ \text{ARR Churn} \right\} - \left\{ \text{ARR on Customer Contracts that have declined in value (down-sell)} \right\} + \left\{ \text{ARR on Customer Contracts that have increased in value (up-sell)} \right\}}{\text{Beginning ARR}}$$

Annualized Recurring Revenue (amounts reported in constant currency)

"As Reported"
Chef adds less than \$80M of ARR
 ARR growth = 22 % year-over-year
 Net Retention Rate has ranged between 97%-100%



"Pro Forma"
Chef ARR included in both periods presented
 ARR growth = 2.4 % year-over-year
 Net Retention Rate has ranged between 97%-100%



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.

Capital Allocation Focus



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

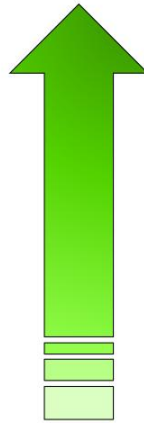


- Accretive M&A that meets our disciplined criteria

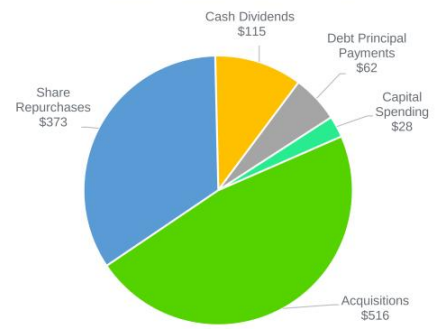


- Repurchase shares to offset dilution from our equity programs
 - Existing authorization \$250M; \$175M remaining
 - Flexibility to increase, reduce or suspend repurchases, depending on market conditions and size and timing of M&A

Primary focus



Capital Allocation 2016 – Q1 2021



Share repurchase authorization

- Current total: \$250M
- Remaining: \$175M

Business Outlook (as of March 25, 2021)

	Q2 2021 Current Outlook	FY 2021 Prior Outlook (As of 1/14/2021)	FY 2021 Current Outlook	
Non-GAAP Revenue	\$119 M – \$123 M	\$513 M – \$521 M	\$519 M – \$527 M	↑
Non-GAAP EPS	\$0.72 – \$0.74	\$3.22 – \$3.28	\$3.38 – \$3.42	↑
Non-GAAP Operating Margin	Not guided	37%	38%	↑
Non-GAAP Adjusted Free Cash Flow	Not guided	\$150 M – \$155 M	\$155 M – \$160 M	↑
Non-GAAP Effective Tax Rate	Not guided	20%	20%	=

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.

Results of Operations by Segment

(Unaudited)

(In thousands)	Three Months Ended		
	February 28, 2021	February 29, 2020	% Change
Segment revenue:			
OpenEdge	84,603	77,079	10%
Data Connectivity and Intergration	5,528	13,685	(60%)
Application Development and Deployment	31,149	18,919	65%
Total revenue	121,280	109,683	11%
Segment costs of revenue and operating expenses:			
OpenEdge	18,916	19,750	(4%)
Data Connectivity and Intergration	1,170	2,680	(56%)
Application Development and Deployment	15,410	7,288	111%
Total costs of revenue and operating expense	35,496	29,718	19%
Segment contribution:			
OpenEdge	65,687	57,329	15%
Data Connectivity and Intergration	4,358	11,005	(60%)
Application Development and Deployment	15,739	11,631	35%
Total contribution	85,784	79,965	7%
Other unallocated expenses	58,368	49,253	19%
Income from operations	27,416	30,712	(11%)
Other (expense) income, net	(2,652)	(3,397)	22%
Income before provision for income taxes	24,764	27,315	(9%)

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

Supplemental Revenue Information

(Unaudited)

(in thousands)	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021
Revenue by Type					
License	30,629	19,663	27,514	37,443	33,317
Maintenance	70,056	71,686	72,764	74,381	76,977
Services	8,998	9,034	9,421	10,561	10,986
Total Revenue	\$ 109,683	\$ 100,383	\$ 109,699	\$ 122,385	\$ 121,280
Revenue by Region					
North America	65,413	56,564	62,927	76,094	71,505
EMEA	34,988	34,157	37,447	37,162	40,240
Latin America	4,000	3,346	3,547	3,681	3,493
Asia Pacific	5,282	6,316	5,778	5,448	6,042
Total Revenue	\$ 109,683	\$ 100,383	\$ 109,699	\$ 122,385	\$ 121,280
Revenue by Segment					
OpenEdge	77,079	77,735	85,794	85,836	84,603
Data Connectivity and Integration	13,685	3,662	4,468	12,372	5,528
Application Development and Deployment	18,919	18,986	19,437	24,177	31,149
Total Revenue	\$ 109,683	\$ 100,383	\$ 109,699	\$ 122,385	\$ 121,280

Other NON-GAAP Financial Measures

(Unaudited)

(in thousands)	Q1 2021	Non-GAAP Adjustment	Non-GAAP Revenue
Revenue by Type			
License	33,317	2,566	35,883
Maintenance	76,977	7,850	84,827
Services	10,986	88	11,074
Total Revenue	<u>\$ 121,280</u>	<u>\$ 10,504</u>	<u>\$ 131,784</u>
Revenue by Region			
North America	71,505	6,486	77,991
EMEA	40,240	3,509	43,749
Latin America	3,493	53	3,546
Asia Pacific	6,042	456	6,498
Total Revenue	<u>\$ 121,280</u>	<u>\$ 10,504</u>	<u>\$ 131,784</u>
Revenue by Segment			
OpenEdge	84,603	705	85,308
Data Connectivity and Integration	5,528	0	5,528
Application Development and Deployment	31,149	9,799	40,948
Total Revenue	<u>\$ 121,280</u>	<u>\$ 10,504</u>	<u>\$ 131,784</u>



