



September 25, 2013

## Progress Software Reports 2013 Fiscal Third Quarter Results

BEDFORD, Mass.--(BUSINESS WIRE)-- Progress Software Corporation (NASDAQ: PRGS), a global software company that simplifies and enables the development, deployment and management of business applications, today announced results for its fiscal third quarter ended August 31, 2013.

Revenue from continuing operations was \$77.6 million compared to \$74.4 million in the same quarter last year, a year over year increase of 4% on an actual and constant currency basis.

Additional financial highlights included:

On a GAAP basis in the fiscal third quarter of 2013:

- | Income from operations was \$9.7 million compared to \$11.3 million in the same quarter last year;
- | Income from continuing operations was \$7.2 million compared to \$7.7 million in the same quarter last year;
- | Net income was \$24.8 million compared to \$5.8 million in the same quarter last year, and includes the pre-tax gain on the divestiture of the Apama product line of \$35.9 million; and
- | Diluted earnings per share from continuing operations was \$0.13 compared to \$0.12 in the same quarter last year.

On a non-GAAP basis in the fiscal third quarter of 2013:

- | Income from operations was \$21.4 million compared to \$17.8 million in the same quarter last year;
- | Operating margin was 28% compared to 24% in the same quarter last year;
- | Income from continuing operations was \$14.7 million compared to \$12.4 million in the same quarter last year; and
- | Diluted earnings per share from continuing operations was \$0.27 compared to \$0.19 in the same quarter last year.

Phil Pead, President and Chief Executive Officer of Progress Software, said, "Our third quarter performance continues to demonstrate solid progress as we execute on our strategic plan to be a leading Platform as a Service company. We exceeded our operating margin objectives and the announcement of Progress Pacific is resonating with our customers and partners. Revenue growth for the quarter was also positive as customers and partners continued to upgrade their existing applications and take advantage of new functionality across all of our solutions."

Other fiscal third quarter 2013 metrics and recent results included:

- | Net cash received from the divestiture of the Apama product line was \$37.7 million;
- | Under the previously announced and implemented 10b5-1 plan to repurchase \$100.0 million of common stock by December 31, 2013, the company has repurchased 2.7 million shares for \$67.9 million through August 31, 2013;
- | Cash, cash equivalents and short-term investments were \$242.0 million;
- | Cash outflows from operations were \$1.9 million, including \$14.6 million in tax payments for the gain realized on the Apama product line divestiture, compared to cash inflows from operations of \$22.0 million in the same quarter in fiscal year 2012; and
- | DSO from continuing operations was 62 days, compared to 56 days in the fiscal second quarter of 2013.

### Business Outlook

Progress Software provides the following guidance for the fiscal fourth quarter ending November 30, 2013:

- | On a constant currency basis, revenue is expected to be between 4% and 6% growth compared to the fiscal fourth quarter of 2012; and

1 Non-GAAP operating margin is expected to be 35%.

The non-GAAP operating margin guidance excludes the items we traditionally exclude from our non-GAAP reporting metrics: amortization of intangible assets of \$0.7 million, stock-based compensation of \$5.4 million, and \$1.0 million of acquisition related costs, for a GAAP operating margin of 27%.

## Conference Call

The Progress Software quarterly investor conference call to review its fiscal third quarter of 2013 will be broadcast live at 5:00 p.m. ET on Wednesday, September 25, 2013 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 1-888-428-9480, pass code 9841658. The conference call will include only brief comments followed by questions and answers. An archived version of the conference call and supporting materials will be available on the Progress Software website within the investor relations section after the live conference call.

## Legal Notice Regarding Non-GAAP Financial Information

Progress Software 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 Software 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. Management uses these non-GAAP results to compare the company's performance to that of prior periods for analysis of trends and for budget and planning purposes. A reconciliation of non-GAAP adjustments to the company's GAAP financial results is included in the tables below. Additional information regarding the company's non-GAAP financial information is contained in the company's Current Report on Form 8-K filed with the Securities and Exchange Commission in connection with this press release, which is available on the Progress website at [www.progress.com](http://www.progress.com) 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's strategic plan; acquisitions; future revenue growth, operating margin and cost savings; product development, strategic partnering and marketing initiatives; the growth rates of certain markets; and other statements regarding the future operation, direction 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:

(1) Market acceptance of Progress's strategic plan and product development initiatives; (2) pricing pressures and the competitive environment in the software industry and Platform-as-a-Service market; (3) Progress' ability to successfully manage transitions to new business models and markets, including our increased emphasis on a cloud and subscription strategy; (4) Progress's ability to make technology acquisitions and to realize the expected benefits and anticipated synergies from such acquisitions; (5) the continuing uncertainty in the U.S. and international economies, which could result in fewer sales of Progress's products and may otherwise harm Progress's business; (6) business and consumer use of the Internet and the continuing adoption of Cloud technologies; (7) the receipt and shipment of new orders; (8) Progress's ability to expand its relationships with channel partners and to manage the interaction of channel partners with its direct sales force; (9) the timely release of enhancements to Progress's products and customer acceptance of new products; (10) the positioning of Progress's products in its existing and new markets; (11) variations in the demand for professional services and technical support; (12) Progress's ability to penetrate international markets and manage its international operations; and (13) changes in exchange rates. For further information regarding risks and uncertainties associated with Progress's business, please refer to Progress's filings with the Securities and Exchange Commission, including its Annual Report on Form 10-K for the fiscal year ended November 30, 2012 and its Quarterly Reports on Form 10-Q for the fiscal quarters ended February 28, 2013 and May 31, 2013. Progress undertakes no obligation to update any forward-looking statements, which speak only as of the date of this press release.

## Progress Software Corporation

[Progress Software Corporation](http://www.progress.com) (NASDAQ: PRGS) is a global software company that simplifies the development, deployment and management of business applications on-premise or in the cloud, on any platform or device, to any data source, with

enhanced performance, minimal IT complexity and low total cost of ownership. Progress Software can be reached at [www.progress.com](http://www.progress.com) or 1-781-280-4000.

Progress is a trademark or registered trademarks of Progress Software Corporation or one of its subsidiaries or affiliates in the U.S. and other countries. Any other trademarks contained herein are the property of their respective owners.

## CONDENSED CONSOLIDATED STATEMENTS OF INCOME

|   | Three Months Ended |                    |               | Nine Months Ended  |                    |               |
|---|--------------------|--------------------|---------------|--------------------|--------------------|---------------|
|   | August 31,<br>2013 | August 31,<br>2012 | % Change      | August 31,<br>2013 | August 31,<br>2012 | % Change      |
| <i>(In thousands, except per share data)</i>          |                    |                    |               |                    |                    |               |
| Revenue:  |                    |                    |               |                    |                    |               |
| Software licenses                                     | \$ 25,666          | \$ 22,637          | 13%           | \$ 84,920          | \$ 72,816          | 17%           |
| Maintenance and services                              | 51,912             | 51,734             | —%            | 158,096            | 158,154            | —%            |
| Total revenue   | <u>77,578</u>      | <u>74,371</u>      | <u>4%</u>     | <u>243,016</u>     | <u>230,970</u>     | <u>5%</u>     |
| Costs of revenue:                                     |                    |                    |               |                    |                    |               |
| Cost of software licenses                             | 1,587              | 1,375              | 15%           | 5,033              | 4,117              | 22%           |
| Cost of maintenance and services                      | 6,403              | 7,974              | (20)%         | 21,043             | 22,013             | (4)%          |
| Amortization of acquired intangibles                  | 529                | 139                | 281%          | 811                | 522                | 55%           |
| Total costs of revenue                                | <u>8,519</u>       | <u>9,488</u>       | <u>(10)%</u>  | <u>26,887</u>      | <u>26,652</u>      | <u>1%</u>     |
| Gross profit  | <u>69,059</u>      | <u>64,883</u>      | <u>6%</u>     | <u>216,129</u>     | <u>204,318</u>     | <u>6%</u>     |
| Operating expenses:                                   |                    |                    |               |                    |                    |               |
| Sales and marketing                                   | 24,554             | 24,970             | (2)%          | 79,086             | 67,085             | 18%           |
| Product development                                   | 14,615             | 12,631             | 16%           | 42,908             | 33,330             | 29%           |
| General and administrative                            | 13,660             | 14,375             | (5)%          | 42,390             | 47,789             | (11)%         |
| Amortization of acquired intangibles                  | 211                | 207                | 2%            | 549                | 622                | (12)%         |
| Restructuring expenses                                | 5,401              | 1,411              | 283%          | 9,127              | 6,147              | 48%           |
| Acquisition-related expenses                          | 957                | —                  | 100%          | 2,229              | 215                | 937%          |
| Total operating expenses                              | <u>59,398</u>      | <u>53,594</u>      | <u>11%</u>    | <u>176,289</u>     | <u>155,188</u>     | <u>14%</u>    |
| Income from operations                                | <u>9,661</u>       | <u>11,289</u>      | <u>(14)%</u>  | <u>39,840</u>      | <u>49,130</u>      | <u>(19)%</u>  |
| Other (expense) income, net                           | <u>177</u>         | <u>357</u>         | <u>(50)%</u>  | <u>(663)</u>       | <u>876</u>         | <u>(176)%</u> |
| Income from continuing operations before income taxes | <u>9,838</u>       | <u>11,646</u>      | <u>(16)%</u>  | <u>39,177</u>      | <u>50,006</u>      | <u>(22)%</u>  |
| Provision for income taxes                            | <u>2,634</u>       | <u>3,902</u>       | <u>(32)%</u>  | <u>14,018</u>      | <u>17,546</u>      | <u>(20)%</u>  |
| Income from continuing operations                     | <u>7,204</u>       | <u>7,744</u>       | <u>(7)%</u>   | <u>25,159</u>      | <u>32,460</u>      | <u>(22)%</u>  |
| Income (loss) from discontinued operations, net       | <u>17,639</u>      | <u>(1,906)</u>     | <u>1,025%</u> | <u>34,712</u>      | <u>(21,041)</u>    | <u>265%</u>   |
| Net income  | <u>\$ 24,843</u>   | <u>\$ 5,838</u>    | <u>326%</u>   | <u>\$ 59,871</u>   | <u>\$ 11,419</u>   | <u>424%</u>   |
| Earnings per share:                                   |                    |                    |               |                    |                    |               |
| Basic:  |                    |                    |               |                    |                    |               |
| Continuing operations                                 | \$ 0.13            | \$ 0.12            | 8%            | \$ 0.45            | \$ 0.52            | (13)%         |
| Discontinued operations                               | 0.33               | (0.03)             | 1,200%        | 0.63               | (0.33)             | 291%          |
| Net income per share                                  | <u>\$ 0.46</u>     | <u>\$ 0.09</u>     | <u>411%</u>   | <u>1.08</u>        | <u>\$ 0.18</u>     | <u>500%</u>   |
| Diluted:  |                    |                    |               |                    |                    |               |
| Continuing operations                                 | \$ 0.13            | \$ 0.12            | 8%            | \$ 0.45            | \$ 0.51            | (12)%         |
| Discontinued operations                               | 0.32               | (0.03)             | 1,167%        | 0.62               | (0.33)             | 288%          |
| Net income per share                                  | <u>\$ 0.46</u>     | <u>\$ 0.09</u>     | <u>411%</u>   | <u>\$ 1.06</u>     | <u>\$ 0.18</u>     | <u>489%</u>   |
| Weighted average shares outstanding:                  |                    |                    |               |                    |                    |               |
| Basic   | 53,532             | 63,469             | (16)%         | 55,451             | 62,888             | (12)%         |
| Diluted   | 54,389             | 64,105             | (15)%         | 56,292             | 63,795             | (12)%         |

## CONDENSED CONSOLIDATED BALANCE SHEETS

| <i>(In thousands)</i>                             | August 31,<br>2013 | November 30,<br>2012 |
|---|--------------------|----------------------|
| <b>Assets</b>                                     |                    |                      |
| Current assets:                                   |                    |                      |
| Cash, cash equivalents and short-term investments | \$ 241,982         | \$ 355,217           |
| Accounts receivable, net                          | 53,620             | 70,793               |
| Other current assets                              | 40,035             | 32,779               |
| Assets held for sale                              | —                  | 68,029               |
| Total current assets                              | <u>335,637</u>     | <u>526,818</u>       |
| Property and equipment, net                       | 56,889             | 63,071               |
| Goodwill and intangible assets, net               | 234,980            | 231,229              |
| Other assets                                      | 59,084             | 63,859               |
| Total assets                                      | <u>\$ 686,590</u>  | <u>\$ 884,977</u>    |
| <b>Liabilities and shareholders' equity</b>       |                    |                      |
| Current liabilities:                              |                    |                      |
| Accounts payable and other current liabilities    | \$ 67,236          | \$ 110,944           |
| Short-term deferred revenue                       | 96,534             | 103,925              |
| Liabilities held for sale                         | —                  | 25,285               |
| Total current liabilities                         | <u>163,770</u>     | <u>240,154</u>       |
| Long-term deferred revenue                        | 1,044              | 2,817                |
| Other long-term liabilities                       | 2,421              | 3,607                |
| Shareholders' equity:                             |                    |                      |
| Common stock and additional paid-in capital       | 214,915            | 300,333              |
| Retained earnings                                 | 304,440            | 338,066              |
| Total shareholders' equity                        | <u>519,355</u>     | <u>638,399</u>       |
| Total liabilities and shareholders' equity        | <u>\$ 686,590</u>  | <u>\$ 884,977</u>    |

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

| <i>(In thousands)</i>  | Three Months Ended |                    | Nine Months Ended  |                    |
|--|--------------------|--------------------|--------------------|--------------------|
|  | August 31,<br>2013 | August 31,<br>2012 | August 31,<br>2013 | August 31,<br>2012 |
| <b>Cash flows from operating activities:</b>                           |                    |                    |                    |                    |
| Net income   | \$ 24,843          | \$ 5,838           | \$ 59,871          | \$ 11,419          |
| Depreciation and amortization  | 3,897              | 8,390              | 11,374             | 25,369             |
| Stock-based compensation   | 5,573              | 7,744              | 16,360             | 21,504             |
| Net gains on sales of dispositions                                     | (35,885)           | —                  | (70,991)           | —                  |
| Other non-cash adjustments   | 2,648              | 759                | 447                | 1,762              |
| Changes in operating assets and liabilities                            | (2,937)            | (706)              | (30,340)           | 15,660             |
| Net cash flows from operating activities                               | <u>(1,861)</u>     | <u>22,025</u>      | <u>(13,279)</u>    | <u>75,714</u>      |
| Capital expenditures   | (603)              | (465)              | (2,989)            | (6,606)            |
| Redemptions and sales of auction-rate-securities                       | —                  | 2,700              | 25                 | 2,925              |
| Issuances of common stock, net of repurchases                          | (47,981)           | 3,797              | (192,075)          | 24,284             |
| Payments for acquisitions, net of cash acquired                        | —                  | —                  | (9,450)            | —                  |
| Proceeds from divestitures, net  | 37,739             | —                  | 111,120            | —                  |
| Other  | (1,116)            | (4,098)            | (6,587)            | (5,526)            |
| Net change in cash, cash equivalents and short-term investments        | <u>(13,822)</u>    | <u>23,959</u>      | <u>(113,235)</u>   | <u>90,791</u>      |
| Cash, cash equivalents and short-term investments, beginning of period | 255,804            | 328,248            | 355,217            | 261,416            |
| Cash, cash equivalents and short-term investments, end of period       | <u>\$ 241,982</u>  | <u>\$ 352,207</u>  | <u>\$ 241,982</u>  | <u>\$ 352,207</u>  |

## SUPPLEMENTAL INFORMATION

### Revenue from continuing operations by Type

| <i>(In thousands)</i> | <u>Q3 2012</u>   | <u>Q4 2012</u>   | <u>Q1 2013</u>   | <u>Q2 2013</u>   | <u>Q3 2013</u>   | <u>YTD 2013</u>   | <u>YTD 2012</u>   |
|-----------------------|------------------|------------------|------------------|------------------|------------------|-------------------|-------------------|
| License               | \$ 22,637        | \$ 33,810        | \$ 29,907        | \$ 29,347        | \$ 25,666        | \$ 84,920         | \$ 72,816         |
| Maintenance           | 50,285           | 50,891           | 51,456           | 50,419           | 49,752           | 151,627           | 151,800           |
| Professional services | 1,449            | 1,941            | 2,370            | 1,939            | 2,160            | 6,469             | 6,354             |
| Total revenue         | <u>\$ 74,371</u> | <u>\$ 86,642</u> | <u>\$ 83,733</u> | <u>\$ 81,705</u> | <u>\$ 77,578</u> | <u>\$ 243,016</u> | <u>\$ 230,970</u> |

### Revenue from continuing operations by Region

| <i>(In thousands)</i> | <u>Q3 2012</u>   | <u>Q4 2012</u>   | <u>Q1 2013</u>   | <u>Q2 2013</u>   | <u>Q3 2013</u>   | <u>YTD 2013</u>   | <u>YTD 2012</u>   |
|-----------------------|------------------|------------------|------------------|------------------|------------------|-------------------|-------------------|
| North America         | \$ 34,548        | \$ 39,179        | \$ 39,309        | \$ 37,540        | \$ 34,596        | \$ 111,445        | \$ 103,480        |
| EMEA                  | 28,155           | 33,214           | 32,548           | 33,481           | 32,315           | 98,344            | 92,352            |
| Latin America         | 6,905            | 7,384            | 6,822            | 6,526            | 5,496            | 18,844            | 20,951            |
| Asia Pacific          | 4,763            | 6,865            | 5,054            | 4,158            | 5,171            | 14,383            | 14,187            |
| Total revenue         | <u>\$ 74,371</u> | <u>\$ 86,642</u> | <u>\$ 83,733</u> | <u>\$ 81,705</u> | <u>\$ 77,578</u> | <u>\$ 243,016</u> | <u>\$ 230,970</u> |

### RECONCILIATIONS OF GAAP TO NON-GAAP FINANCIAL MEASURES

| <i>(In thousands, except per share data)</i>                   | <u>Three Months Ended</u> |                        | <u>Nine Months Ended</u> |                        |
|--|---------------------------|------------------------|--------------------------|------------------------|
|  | <u>August 31, 2013</u>    | <u>August 31, 2012</u> | <u>August 31, 2013</u>   | <u>August 31, 2012</u> |
| GAAP income from operations                                    | \$ 9,661                  | \$ 11,289              | \$ 39,840                | \$ 49,130              |
| GAAP operating margin  | 12%                       | 15%                    | 16%                      | 21%                    |
| Amortization of acquired intangibles                           | 740                       | 346                    | 1,360                    | 1,144                  |
| Stock-based compensation <sup>(1)</sup>                        | 4,600                     | 4,759                  | 14,070                   | 14,058                 |
| Restructuring expenses   | 5,401                     | 1,411                  | 9,127                    | 6,147                  |
| Acquisition-related expenses                                   | 957                       | —                      | 2,229                    | 215                    |
| Litigation settlement  | —                         | —                      | —                        | 900                    |
| Proxy contest-related costs                                    | —                         | 21                     | —                        | 3,259                  |
| Total operating adjustments                                    | <u>11,698</u>             | <u>6,537</u>           | <u>26,786</u>            | <u>25,723</u>          |
| Non-GAAP income from operations                                | <u>\$ 21,359</u>          | <u>\$ 17,826</u>       | <u>\$ 66,626</u>         | <u>\$ 74,853</u>       |
| Non-GAAP operating margin                                      | 28%                       | 24%                    | 27%                      | 32%                    |
| GAAP income from continuing operations                         | \$ 7,204                  | \$ 7,744               | \$ 25,159                | \$ 32,460              |
| Operating adjustments (from above)                             | 11,698                    | 6,537                  | 26,786                   | 25,723                 |
| Income tax adjustment  | (4,230)                   | (1,916)                | (8,399)                  | (6,686)                |
| Total income from continuing operations adjustments            | <u>7,468</u>              | <u>4,621</u>           | <u>18,387</u>            | <u>19,037</u>          |
| Non-GAAP income from continuing operations                     | <u>\$ 14,672</u>          | <u>\$ 12,365</u>       | <u>\$ 43,546</u>         | <u>\$ 51,497</u>       |
| GAAP diluted earnings per share from continuing operations     | \$ 0.13                   | \$ 0.12                | \$ 0.45                  | \$ 0.51                |
| Income from continuing operations adjustments (from above)     | 0.14                      | 0.07                   | 0.33                     | 0.30                   |
| Non-GAAP diluted earnings per share from continuing operations | <u>\$ 0.27</u>            | <u>\$ 0.19</u>         | <u>\$ 0.77</u>           | <u>\$ 0.81</u>         |
| Diluted weighted average shares outstanding                    | 54,389                    | 64,105                 | 56,292                   | 63,795                 |

(1) Stock-based compensation is included in the GAAP statements of income, as follows:

|   |                 |                 |                  |                  |
|---|-----------------|-----------------|------------------|------------------|
| Cost of revenue                                     | \$ 133          | \$ 157          | \$ 500           | \$ 589           |
| Sales and marketing                                 | 748             | 701             | 2,668            | 2,848            |
| Product development                                 | 999             | 861             | 3,687            | 2,375            |
| General and administrative                          | 2,720           | 3,040           | 7,215            | 8,246            |
| Stock-based compensation from continuing operations | <u>\$ 4,600</u> | <u>\$ 4,759</u> | <u>\$ 14,070</u> | <u>\$ 14,058</u> |

|  | Three Months Ended |                    | Nine Months Ended  |                    |
|--|--------------------|--------------------|--------------------|--------------------|
|  | August 31,<br>2013 | August 31,<br>2012 | August 31,<br>2013 | August 31,<br>2012 |
| <i>(In thousands, except per share data)</i> |                    |                    |                    |                    |
| GAAP costs of revenue                        | \$ 8,519           | \$ 9,488           | \$ 26,887          | \$ 26,652          |
| GAAP operating expenses                      | 59,398             | 53,594             | 176,289            | 155,188            |
| GAAP expenses                                | 67,917             | 63,082             | 203,176            | 181,840            |
| Operating adjustments (from above)           | 11,698             | 6,537              | 26,786             | 25,723             |
| Non-GAAP expenses                            | \$ 56,219          | \$ 56,545          | \$ 176,390         | \$ 156,117         |

**Investor Contact:**

Progress Software  
 Brian Flanagan, +1-781-280-4817

[flanagan@progress.com](mailto:flanagan@progress.com)

or

**Press Contact:**

Progress Software  
 Rick Lacroix, +1-781-280-4604

[rlacroix@progress.com](mailto:rlacroix@progress.com)

Source: Progress Software Corporation

News Provided by Acquire Media