

**Progress Software Corporation**  
**Reconciliation of GAAP to Non-GAAP Financial Measures**  
**November 30, 2018**

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 enhance 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 below.

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, loss on assets held for sale, stock-based compensation expense, fees related to shareholder activist, restructuring charges, acquisition-related expenses, certain identified non-operating gains and losses, 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 relates to Telerik, which we acquired on December 2, 2014, and Kinvey, which we acquired on June 1, 2017. 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.
- *Loss on assets held for sale* - We exclude the loss applicable to assets held for sale in fiscal year 2018 associated with the likely sale of a portion of our Bedford, Massachusetts campus, because this expense distorts trends and is not part of our core operating results. Such losses are inconsistent in amount and frequency and we believe that eliminating

these amounts, when significant and not reflective of ongoing business and operating results, facilitates a more meaningful evaluation of our current operating performance and comparisons to our operating performance in other periods.

- *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.
- *Fees related to shareholder activist* - In September 2017, Praesidium Investment Management publicly announced in a Schedule 13D filed with the Securities and Exchange Commission its disagreement with our strategy and stated that it was seeking changes in the composition of our Board of Directors. We incurred professional and other fees relating to Praesidium's actions. We exclude these fees because they distort trends and are not part of our core operating results.
- *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.

## RECONCILIATIONS OF GAAP TO NON-GAAP SELECTED FINANCIAL MEASURES - FOURTH QUARTER

(Unaudited)

	Three Months Ended		% Change Non-GAAP
	November 30, 2018	November 30, 2017	
<i>(In thousands, except per share data)</i>			
<b>Adjusted revenue:</b>			
GAAP revenue	\$ 111,333	\$ 116,079	
Acquisition-related revenue <sup>(1)</sup>	162	256	
Non-GAAP revenue	<u>\$ 111,495</u>	<u>\$ 116,335</u>	(4)%
<b>Adjusted income from operations:</b>			
GAAP income from operations	\$ 24,259	22 % \$ 28,809	25 %
Amortization of acquired intangibles	8,793	8 % 9,297	8 %
Loss on assets held for sale <sup>(2)</sup>	5,147	5 % —	— %
Fees related to shareholder activist	—	— % 2,020	2 %
Restructuring expenses and other	(131)	— % 3,486	3 %
Stock-based compensation	5,853	5 % 4,594	4 %
Acquisition-related revenue and expenses	292	— % 870	— %
Non-GAAP income from operations	<u>\$ 44,213</u>	<u>40 % \$ 49,076</u>	(10)%
<b>Adjusted net income:</b>			
GAAP net income	\$ 18,430	17 % \$ 16,429	14 %
Amortization of acquired intangibles	8,793	8 % 9,297	8 %
Loss on assets held for sale <sup>(2)</sup>	5,147	5 % —	— %
Fees related to shareholder activist	—	— % 2,020	2 %
Restructuring expenses and other	(131)	— % 3,486	3 %
Stock-based compensation	5,853	5 % 4,594	4 %
Acquisition-related revenue and expenses	292	— % 870	1 %
Tax adjustments	(3,794)	(4)% (4,623)	(4)%
Non-GAAP net income	<u>\$ 34,590</u>	<u>31 % \$ 32,073</u>	8 %
<b>Adjusted diluted earnings per share:</b>			
GAAP diluted earnings per share	\$ 0.41	\$ 0.34	
Amortization of acquired intangibles	0.19	0.20	
Loss on assets held for sale <sup>(2)</sup>	0.11	—	
Fees related to shareholder activist	—	0.04	
Restructuring expenses and other	—	0.07	
Stock-based compensation	0.12	0.10	
Acquisition-related revenue and expenses	0.01	0.02	
Provision for income taxes	(0.08)	(0.10)	
Non-GAAP diluted earnings per share	<u>\$ 0.76</u>	<u>\$ 0.67</u>	13 %
<b>Non-GAAP weighted avg shares outstanding - diluted</b>	45,401	48,171	(6)%

<sup>(1)</sup>Acquisition-related revenue constitutes revenue reflected as pre-acquisition deferred revenue under prior accounting guidance 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. Note that acquisition-related revenue adjustments relate to Progress' OpenEdge and Application Development and Deployment business segments for Kinvey and Telerik, respectively. Upon our adoption of ASC 606 in fiscal year 2019, our GAAP revenue and Non-GAAP revenue results are the same.

<sup>(2)</sup>Loss on assets held for sale represents two buildings on our Bedford campus that the Company is actively marketing and intends to sell within one year. GAAP accounting requires long-lived assets designated as held for sale to be measured at the lower of the carrying value or the fair value less cost to sell. As this loss is not part of our core operating results and is infrequent in nature, we exclude it to facilitate a more meaningful evaluation of our current operating performance and comparisons to our operating performance in other periods.

## RECONCILIATIONS OF GAAP TO NON-GAAP SELECTED FINANCIAL MEASURES - FISCAL YEAR

(Unaudited)

	Fiscal Year Ended		% Change Non-GAAP
	November 30, 2018	November 30, 2017	
<i>(In thousands, except per share data)</i>			
<b>Adjusted revenue:</b>			
GAAP revenue	\$ 397,165	\$ 397,572	
Acquisition-related revenue <sup>(1)</sup>	530	1,015	
Non-GAAP revenue	<u>\$ 397,695</u>	<u>\$ 398,587</u>	— %
<b>Adjusted income from operations:</b>			
GAAP income from operations	\$ 85,998	22 % \$ 70,614	18 %
Amortization of acquired intangibles	35,975	9 % 33,147	8 %
Loss on assets held for sale <sup>(2)</sup>	5,147	1 % —	— %
Fees related to shareholder activist	1,472	— % 2,020	— %
Restructuring expenses and other	2,251	1 % 22,046	5 %
Stock-based compensation	20,569	5 % 14,153	4 %
Acquisition-related revenue and expenses	788	— % 2,473	1 %
Non-GAAP income from operations	<u>\$ 152,200</u>	<u>38 % \$ 144,453</u>	<u>36 %</u> 5 %
<b>Adjusted net income:</b>			
GAAP net income	\$ 63,491	16 % \$ 37,417	9 %
Amortization of acquired intangibles	35,975	9 % 33,147	8 %
Loss on assets held for sale <sup>(2)</sup>	5,147	1 % —	— %
Fees related to shareholder activist	1,472	— % 2,020	— %
Restructuring expenses and other	2,251	1 % 22,046	6 %
Stock-based compensation	20,569	5 % 14,153	4 %
Acquisition-related revenue and expenses	788	— % 2,473	1 %
Tax adjustments	(14,653)	(3)% (18,763)	(5)%
Non-GAAP net income	<u>\$ 115,040</u>	<u>29 % \$ 92,493</u>	<u>23 %</u> 24 %
<b>Adjusted diluted earnings per share:</b>			
GAAP diluted earnings per share	\$ 1.38	\$ 0.77	
Amortization of acquired intangibles	0.78	0.68	
Loss on assets held for sale <sup>(2)</sup>	0.11	—	
Fees related to shareholder activist	0.03	0.04	
Restructuring expenses and other	0.05	0.46	
Stock-based compensation	0.44	0.29	
Acquisition-related revenue and expenses	0.02	0.05	
Provision for income taxes	(0.32)	(0.38)	
Non-GAAP diluted earnings per share	<u>\$ 2.49</u>	<u>\$ 1.91</u>	30 %
<b>Non-GAAP weighted avg shares outstanding - diluted</b>	46,135	48,516	(5)%

<sup>(1)</sup>Acquisition-related revenue constitutes revenue reflected as pre-acquisition deferred revenue under prior accounting guidance 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. Note that acquisition-related revenue adjustments relate to Progress' OpenEdge and Application Development and Deployment business segments for Kinvey and Telerik, respectively. Upon our adoption of ASC 606 in fiscal year 2019, our GAAP revenue and Non-GAAP revenue results are the same.

<sup>(2)</sup>Loss on assets held for sale represents two buildings on our Bedford campus that the Company is actively marketing and intends to sell within one year. GAAP accounting requires long-lived assets designated as held for sale to be measured at the lower of the carrying value or the fair value less cost to sell. As this loss is not part of our core operating results and is infrequent in nature, we exclude it to facilitate a more meaningful evaluation of our current operating performance and comparisons to our operating performance in other periods.

## OTHER NON-GAAP FINANCIAL MEASURES - FOURTH QUARTER

(Unaudited)

### Revenue by Type

<i>(In thousands)</i>	Q4 2018	Non-GAAP Adjustment <sup>(1)</sup>	Non-GAAP Revenue
Software licenses	\$ 43,151	\$ 7	\$ 43,158
Maintenance	60,454	33	60,487
Services	7,728	122	7,850
Total revenue	<u>\$ 111,333</u>	<u>\$ 162</u>	<u>\$ 111,495</u>

### Revenue by Region

<i>(In thousands)</i>	Q4 2018	Non-GAAP Adjustment <sup>(1)</sup>	Non-GAAP Revenue
North America	\$ 65,246	\$ 162	\$ 65,408
EMEA	36,203	—	36,203
Latin America	4,579	—	4,579
Asia Pacific	5,305	—	5,305
Total revenue	<u>\$ 111,333</u>	<u>\$ 162</u>	<u>\$ 111,495</u>

### Revenue by Segment

<i>(In thousands)</i>	Q4 2018	Non-GAAP Adjustment <sup>(1)</sup>	Non-GAAP Revenue
OpenEdge	\$ 73,854	\$ 122	\$ 73,976
Data Connectivity and Integration	18,041	—	18,041
Application Development and Deployment	19,438	40	19,478
Total revenue	<u>\$ 111,333</u>	<u>\$ 162</u>	<u>\$ 111,495</u>

<sup>(1)</sup>Acquisition-related revenue constitutes revenue reflected as pre-acquisition deferred revenue under prior accounting guidance 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. Note that acquisition-related revenue adjustments relate to Progress' OpenEdge and Application Development and Deployment business segments for Kinvey and Telerik, respectively. Upon our adoption of ASC 606 in fiscal year 2019, our GAAP revenue and Non-GAAP revenue results are the same.

### Adjusted Free Cash Flow

<i>(In thousands)</i>	Q4 2018	Q4 2017	% Change
Cash flows from operations	\$ 24,327	\$ 32,515	(25)%
Purchases of property and equipment	(1,282)	(2,515)	(49)%
Free cash flow	<u>23,045</u>	<u>30,000</u>	<u>(23)%</u>
Add back: restructuring payments	187	2,365	(92)%
Adjusted free cash flow	<u>\$ 23,232</u>	<u>\$ 32,365</u>	<u>(28)%</u>

## OTHER NON-GAAP FINANCIAL MEASURES - FISCAL YEAR

(Unaudited)

### Revenue by Type

<i>(In thousands)</i>	FY 2018	Non-GAAP Adjustment <sup>(1)</sup>	Non-GAAP Revenue
Software licenses	\$ 122,137	\$ 63	\$ 122,200
Maintenance	244,822	191	245,013
Services	30,206	276	30,482
Total revenue	<u>\$ 397,165</u>	<u>\$ 530</u>	<u>\$ 397,695</u>

### Revenue by Region

<i>(In thousands)</i>	FY 2018	Non-GAAP Adjustment <sup>(1)</sup>	Non-GAAP Revenue
North America	\$ 219,922	\$ 530	\$ 220,452
EMEA	137,972	—	137,972
Latin America	17,637	—	17,637
Asia Pacific	21,634	—	21,634
Total revenue	<u>\$ 397,165</u>	<u>\$ 530</u>	<u>\$ 397,695</u>

### Revenue by Segment

<i>(In thousands)</i>	FY 2018	Non-GAAP Adjustment <sup>(1)</sup>	Non-GAAP Revenue
OpenEdge	\$ 278,258	\$ 276	\$ 278,534
Data Connectivity and Integration	39,030	—	39,030
Application Development and Deployment	79,877	254	80,131
Total revenue	<u>\$ 397,165</u>	<u>\$ 530</u>	<u>\$ 397,695</u>

<sup>(1)</sup>Acquisition-related revenue constitutes revenue reflected as pre-acquisition deferred revenue under prior accounting guidance 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. Note that acquisition-related revenue adjustments relate to Progress' OpenEdge and Application Development and Deployment business segments for Kinvey and Telerik, respectively. Upon our adoption of ASC 606 in fiscal year 2019, our GAAP revenue and Non-GAAP revenue results are the same.

### Adjusted Free Cash Flow

<i>(In thousands)</i>	FY 2018	FY 2017	% Change
Cash flows from operations	\$ 121,352	\$ 105,686	15 %
Purchases of property and equipment	(7,250)	(3,377)	115 %
Free cash flow	<u>114,102</u>	<u>102,309</u>	<u>12 %</u>
Add back: restructuring payments	6,111	19,234	(68)%
Adjusted free cash flow	<u>\$ 120,213</u>	<u>\$ 121,543</u>	<u>(1)%</u>

**Non-GAAP Bookings from Application Development and Deployment Segment**

(Unaudited)

<i>(In thousands)</i>	<u>Q1 2017</u>	<u>Q2 2017</u>	<u>Q3 2017</u>	<u>Q4 2017</u>	<u>FY 2017</u>
GAAP revenue	<u>\$ 19,634</u>	<u>\$ 20,227</u>	<u>\$ 20,188</u>	<u>\$ 20,396</u>	<u>\$ 80,445</u>
Add: change in deferred revenue					
Beginning balance	52,971	51,298	52,400	52,615	52,971
Ending balance	<u>51,298</u>	<u>52,400</u>	<u>52,615</u>	<u>53,794</u>	<u>53,794</u>
Change in deferred revenue	<u>(1,673)</u>	<u>1,102</u>	<u>215</u>	<u>1,179</u>	<u>823</u>
Non-GAAP bookings	<u>\$ 17,961</u>	<u>\$ 21,329</u>	<u>\$ 20,403</u>	<u>\$ 21,575</u>	<u>\$ 81,268</u>

<i>(In thousands)</i>	<u>Q1 2018</u>	<u>Q2 2018</u>	<u>Q3 2018</u>	<u>Q4 2018</u>	<u>FY 2018</u>
GAAP revenue	<u>\$ 20,035</u>	<u>\$ 20,347</u>	<u>\$ 20,057</u>	<u>\$ 19,438</u>	<u>\$ 79,877</u>
Add: change in deferred revenue					
Beginning balance	53,794	52,927	51,978	52,638	53,794
Ending balance	<u>52,927</u>	<u>51,978</u>	<u>52,638</u>	<u>55,126</u>	<u>55,126</u>
Change in deferred revenue	<u>(867)</u>	<u>(949)</u>	<u>660</u>	<u>2,488</u>	<u>1,332</u>
Non-GAAP bookings	<u>\$ 19,168</u>	<u>\$ 19,398</u>	<u>\$ 20,717</u>	<u>\$ 21,926</u>	<u>\$ 81,209</u>

**EXPECTED IMPACT OF ADOPTION OF ASC 606 ON SELECT ANNUAL AND QUARTERLY REPORTED RESULTS - NON-GAAP**

(Unaudited)

Progress adopted ASC 606 on December 1, 2018. As our Non-GAAP results for fiscal year 2018 are reported under prior revenue recognition guidance, we have provided preliminary adjusted amounts for fiscal year 2018 and the quarterly periods in fiscal 2018 for comparability to the first fiscal quarter and full fiscal year of 2019. These amounts are unaudited.

	Fiscal Year Ended		
	November 30, 2018		
	As Reported	Adjustments	As Adjusted
<i>(In thousands, except percentages and per share amounts)</i>			
Non-GAAP revenue:			
Software licenses	\$ 122,200	\$ (22,402)	\$ 99,798
Maintenance and services	275,495	4,153	279,648
Total non-GAAP revenue	\$ 397,695	\$ (18,249)	\$ 379,446
Non-GAAP income from operations	\$ 152,200	\$ (18,249)	\$ 133,951
Non-GAAP operating margin	38%	(3)%	35%
Non-GAAP net income	\$ 115,040	\$ (13,861)	\$ 101,179
Non-GAAP diluted EPS	\$ 2.49	\$ (0.30)	\$ 2.19
Adjusted free cash flow	\$ 120,213	\$ —	\$ 120,213

	Fiscal Year 2018 Quarter Ended							
	February 28, 2018		May 31, 2018		August 31, 2018		November 30, 2018	
	As Reported	As Adjusted	As Reported	As Adjusted	As Reported	As Adjusted	As Reported	As Adjusted
<i>(In thousands, except percentages and per share amounts)</i>								
Non-GAAP revenue:								
Software licenses	\$ 25,362	\$ 26,054	\$ 26,457	\$ 22,526	\$ 27,223	\$ 22,852	\$ 43,158	\$ 28,366
Maintenance and services	68,832	69,483	69,755	70,430	68,571	69,844	68,337	69,891
Total non-GAAP revenue	\$ 94,194	\$ 95,537	\$ 96,212	\$ 92,956	\$ 95,794	\$ 92,696	\$ 111,495	\$ 98,257
Non-GAAP income from operations	\$ 34,744	\$ 36,087	\$ 37,378	\$ 34,121	\$ 35,865	\$ 32,767	\$ 44,213	\$ 30,976
Non-GAAP operating margin	37%	38%	39%	37%	37%	35%	40%	32%
Non-GAAP net income	\$ 25,519	\$ 26,581	\$ 27,763	\$ 25,301	\$ 27,168	\$ 24,856	\$ 34,590	\$ 24,441
Non-GAAP diluted EPS	\$ 0.54	\$ 0.56	\$ 0.60	\$ 0.55	\$ 0.60	\$ 0.54	\$ 0.76	\$ 0.54
Adjusted free cash flow	\$ 32,948	\$ 32,948	\$ 42,761	\$ 42,761	\$ 21,272	\$ 21,272	\$ 23,232	\$ 23,232



**EXPECTED IMPACT OF ADOPTION OF ASC 606 ON REPORTED REVENUE BY SEGMENT - NON-GAAP**

(Unaudited)

		Fiscal Year 2018 Quarter Ended							
		February 28, 2018		May 31, 2018		August 31, 2018		November 30, 2018	
		As	As	As	As	As	As	As	As
<i>(In thousands)</i>		<u>Reported</u>	<u>Adjusted</u>	<u>Reported</u>	<u>Adjusted</u>	<u>Reported</u>	<u>Adjusted</u>	<u>Reported</u>	<u>Adjusted</u>
Non-GAAP revenue:									
OpenEdge	\$	66,490	\$ 66,744	\$ 70,016	\$ 69,656	\$ 68,052	\$ 68,543	\$ 73,976	\$ 73,138
DCI		7,604	9,492	5,788	3,411	7,597	4,563	18,041	5,663
AD&D		20,100	19,301	20,408	19,889	20,145	19,590	19,478	19,456
	\$	<u>94,194</u>	<u>\$ 95,537</u>	<u>\$ 96,212</u>	<u>\$ 92,956</u>	<u>\$ 95,794</u>	<u>\$ 92,696</u>	<u>\$ 111,495</u>	<u>\$ 98,257</u>

## RECONCILIATIONS OF GAAP TO NON-GAAP FINANCIAL MEASURES FOR FISCAL YEAR 2019 GUIDANCE

(Unaudited)

### Fiscal Year 2019 Revenue Guidance

	Fiscal Year Ended	Fiscal Year Ending			
	November 30, 2018 <sup>(1)</sup>	November 30, 2019			
(In millions)		Low	% Change	High	% Change
GAAP revenue	\$ 379.0	\$ 380.0	—%	\$ 386.0	2%
Acquisition-related adjustments - revenue <sup>(2)</sup>	0.4	—	n/a	—	n/a
Non-GAAP revenue	\$ 379.4	\$ 380.0	—%	\$ 386.0	2%

<sup>(1)</sup>Progress adopted ASC 606 on December 1, 2018. As our GAAP results for fiscal year 2018 are reported under prior revenue recognition guidance, we have provided preliminary adjusted amounts for fiscal year 2018 for comparability to fiscal year of 2019. These amounts are unaudited.

<sup>(2)</sup>Acquisition-related revenue constitutes revenue reflected as pre-acquisition deferred revenue under prior accounting guidance 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. Note that acquisition-related revenue adjustments relate to Progress' OpenEdge and Application Development and Deployment business segments for Kinvey and Telerik, respectively. Upon our adoption of ASC 606 in fiscal year 2019, our GAAP revenue and Non-GAAP revenue results are the same.

### Fiscal Year 2019 Non-GAAP Operating Margin Guidance

	Fiscal Year Ending November 30, 2019	
	Low	High
(In millions)		
GAAP income from operations	\$ 76.4	\$ 79.0
GAAP operating margins	20%	20%
Stock-based compensation	23.6	23.6
Amortization of intangibles	34.9	34.9
Total adjustments	58.5	58.5
Non-GAAP income from operations	\$ 134.9	\$ 137.5
Non-GAAP operating margin	36%	36%

### Fiscal Year 2019 Non-GAAP Earnings per Share and Effective Tax Rate Guidance

	Fiscal Year Ending November 30, 2019	
	Low	High
(In millions, except per share data)		
GAAP net income	\$ 53.1	\$ 55.1
Adjustments (from previous table)	58.5	58.5
Income tax adjustment <sup>(3)</sup>	(7.8)	(7.4)
Non-GAAP net income	\$ 103.8	\$ 106.2
GAAP diluted earnings per share	\$ 1.19	\$ 1.24
Non-GAAP diluted earnings per share	\$ 2.33	\$ 2.39
Diluted weighted average shares outstanding	44.5	44.5

<sup>(3)</sup>Tax adjustment is based on a non-GAAP effective tax rate of approximately 19% for Low and High, calculated as follows:

Non-GAAP income from operations	\$ 134.9	\$ 137.5
Other (expense) income	(6.5)	(6.5)
Non-GAAP income from continuing operations before income taxes	128.4	131.0
Non-GAAP net income	103.9	106.3
Tax provision	\$ 24.5	\$ 24.7
Non-GAAP tax rate	19%	19%

## RECONCILIATIONS OF GAAP TO NON-GAAP FINANCIAL MEASURES FOR FISCAL YEAR 2019 GUIDANCE

(Unaudited)

### Fiscal Year 2019 Adjusted Free Cash Flow Guidance

*(In millions)*

	Fiscal Year Ending November 30, 2019	
	Low	High
Cash flows from operations (GAAP)	\$ 120	\$ 125
Purchases of property and equipment	(5)	(5)
Adjusted free cash flow (non-GAAP)	<u>\$ 115</u>	<u>\$ 120</u>

## RECONCILIATIONS OF GAAP TO NON-GAAP FINANCIAL MEASURES FOR Q1 2019 GUIDANCE

(Unaudited)

### Q1 2019 Revenue Guidance

	Three Months Ended		Three Months Ending			
	February 28, 2018 <sup>(1)</sup>		February 28, 2019			
<i>(In millions)</i>			Low	% Change	High	% Change
GAAP revenue	\$	95.4	\$ 85.0	(11)%	\$ 88.0	(8)%
Acquisition-related adjustments - revenue <sup>(2)</sup>		0.1	—	n/a	—	n/a
Non-GAAP revenue	\$	95.5	\$ 85.0	(11)%	\$ 88.0	(8)%

<sup>(1)</sup>Progress adopted ASC 606 on December 1, 2018. As our GAAP results for fiscal year 2018 are reported under prior revenue recognition guidance, we have provided preliminary adjusted amounts for fiscal year 2018 for comparability to the first fiscal quarter of fiscal year 2019. These amounts are unaudited.

<sup>(2)</sup>Acquisition-related revenue constitutes revenue reflected as pre-acquisition deferred revenue under prior accounting guidance 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. Note that acquisition-related revenue adjustments relate to Progress' OpenEdge and Application Development and Deployment business segments for Kinvey and Telerik, respectively. Upon our adoption of ASC 606 in fiscal year 2019, our GAAP revenue and Non-GAAP revenue results are the same.

### Q1 2019 Non-GAAP Earnings per Share Guidance

	Three Months Ending February 28, 2019			
	Low		High	
GAAP diluted earnings per share	\$	0.18	\$	0.20
Stock-based compensation		0.13		0.13
Amortization of intangibles		0.19		0.19
Total adjustments		0.32		0.32
Income tax adjustment		(0.05)		(0.05)
Non-GAAP diluted earnings per share	\$	0.45	\$	0.47