

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

January 18, 2022
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 January 18, 2022, Progress Software Corporation ("Progress") issued a press release announcing its financial results for the fiscal fourth quarter ended November 30, 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, amortization of the discount on our convertible senior notes, 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 have been recognized prior to our adoption of Accounting Standards Update No. 2021-08, *Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers* ("ASU 2021-08") during the fourth quarter of fiscal year 2021. 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 required the elimination of this revenue prior to the adoption of ASU 2021-08, 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.
 - *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.
- *Amortization of the discount on our convertible senior notes* - In April 2021, in a private offering, we issued 1.0% Convertible Senior Notes with an aggregate principal amount of \$360 million, including the over allotment, due April 15, 2026, unless earlier repurchased, redeemed or converted (the "Notes"). We exclude the portion of amortization of debt discount that relates to the equity component of the Notes as they are non-cash and have no direct correlation to the operations of our business.
- *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") - We provide 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 January 18, 2022
99.2	Q4 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: January 18, 2022

Progress Software Corporation

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

PRESS ANNOUNCEMENT

Progress Reports 2021 Fiscal Fourth Quarter and Year End Results
**Q4 and FY21 Revenue and EPS Significantly Ahead of Guidance
Integration of Kemp On Target as Acquisition Drives Projected Fiscal 2022 Revenue Growth**

BEDFORD, Mass, January 18, 2022 (GlobeNewswire) — Progress (NASDAQ: PRGS), the leading provider of products to develop, deploy and manage high-impact applications, today announced financial results for its fiscal fourth quarter and fiscal year ended November 30, 2021.

Fourth Quarter 2021 Highlights:

- Revenue of \$140.1 million increased 14% year-over-year on an actual currency basis and 15% year-over-year on a constant currency basis.
- Non-GAAP revenue of \$143.7 million increased 11% on both an actual currency basis and a constant currency basis.
- Annualized Recurring Revenue ("ARR") of \$486 million increased 12% year-over-year on a constant currency basis.
- Operating margin was 15% and Non-GAAP operating margin was 36%.
- Diluted earnings per share was \$0.33 compared to \$0.39 in the same quarter last year, a decrease of 15%.
- Non-GAAP diluted earnings per share was \$0.92 compared to \$0.91 in the same quarter last year, an increase of 1%.

"We're very pleased with our performance throughout 2021, and especially our Q4 results that significantly beat our guidance for revenue and earnings" said Yogesh Gupta, CEO at Progress. "We're also thrilled with the customer response and rapid integration pace of Kemp, whose acquisition we completed in November. As a leader in the Application Experience ("AX") space, Kemp fits our total growth strategy perfectly, and the acquisition will enable us to drive significant value to our shareholders while bringing a very talented team to Progress that will contribute to our future success."

Additional financial highlights included⁽¹⁾:

	Three Months Ended					
	GAAP			Non-GAAP		
	November 30, 2021	November 30, 2020	% Change	November 30, 2021	November 30, 2020	% Change
<i>(In thousands, except percentages and per share amounts)</i>						
Revenue	\$ 140,128	\$ 122,385	14 %	\$ 143,725	\$ 129,063	11 %
Income from operations	\$ 20,358	\$ 18,514	10 %	\$ 51,627	\$ 48,081	7 %
Operating margin	15 %	15 %	—	36 %	37 %	(100) bps
Net income	\$ 14,926	\$ 17,661	(15)%	\$ 41,292	\$ 41,118	— %
Diluted earnings per share	\$ 0.33	\$ 0.39	(15)%	\$ 0.92	\$ 0.91	1 %
Cash from operations (GAAP) /Adjusted free cash flow (Non-GAAP)	\$ 43,928	\$ 42,762	3 %	\$ 42,447	\$ 40,656	4 %

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

Other fiscal fourth quarter 2021 metrics and recent results included:

- Cash, cash equivalents and short-term investments were \$157.4 million at the end of the quarter.
- DSO was 60 days compared to 54 days in the fiscal fourth quarter of 2020 and 54 days in the fiscal third quarter of 2021.
- On January 10, 2022, our Board of Directors declared a quarterly dividend of \$0.175 per share of common stock that will be paid on March 15, 2022 to shareholders of record as of the close of business on March 1, 2022.
- On November 1, 2021, the company completed the acquisition of Kemp Technologies, Inc., a leader in the Application Experience space.

“Q4 results were outstanding across every metric and we’re very pleased with such a strong close to our fiscal 2021” said Anthony Folger, CFO at Progress. “As we begin to realize synergies from the acquisition of Kemp, we are very well positioned to deliver strong financial results in 2022 and beyond. We exit 2021 having grown our ARR by 12%, while at the same time, achieving Non-GAAP operating margins of over 40% for the second year in a row.”

Full Year Results

<i>(In thousands, except percentages and per share amounts)</i>	Fiscal Year Ended					
	GAAP			Non-GAAP		
	November 30, 2021	November 30, 2020	% Change	November 30, 2021	November 30, 2020	% Change
Revenue	\$ 531,313	\$ 442,150	20 %	\$ 557,304	\$ 456,212	22 %
Income from operations	\$ 116,102	\$ 107,728	8 %	\$ 229,159	\$ 182,761	25 %
Operating margin	22 %	24 %	(200) bps	41 %	40 %	100 bps
Net income	\$ 78,420	\$ 79,722	(2)%	\$ 172,886	\$ 140,082	23 %
Diluted earnings per share	\$ 1.76	\$ 1.76	— %	\$ 3.87	\$ 3.09	25 %
Cash from operations (GAAP) /Adjusted free cash flow (Non-GAAP)	\$ 178,530	\$ 144,847	23 %	\$ 179,395	\$ 142,453	26 %

2022 Business Outlook

Progress provides the following guidance for the fiscal year ending November 30, 2022 and the fiscal first quarter ending February 28, 2022, together with actual results for the same periods in the fiscal year ending November 30, 2021:

<i>(In millions, except percentages and per share amounts)</i>	FY 2022 Guidance		FY 2021 Actual	
	FY 2022 GAAP	FY 2022 Non-GAAP	FY 2021 GAAP	FY 2021 Non-GAAP
Revenue	\$597 - \$607	\$605 - \$615	\$ 531	\$ 557
Diluted earnings per share	\$1.93 - \$2.03	\$3.95 - \$4.05	\$ 1.76	\$ 3.87
Operating margin	21%	39%	22%	41%
Cash from operations (GAAP) / Adjusted free cash flow (Non-GAAP)	\$188 - \$193	\$185 - \$190	\$ 179	\$ 179
Effective tax rate	20 -21%	20 -21%	18%	20%

<i>(In millions, except per share amounts)</i>	Q1 2022 Guidance		Q1 2021 Actual	
	Q1 2022 GAAP	Q1 2022 Non-GAAP	Q1 2021 GAAP	Q1 2021 Non-GAAP
Revenue	\$136 - \$139	\$139 - \$142	\$ 121	\$ 132
Diluted earnings per share	\$0.32 - \$0.34	\$0.83 - \$0.85	\$ 0.42	\$ 0.95

Based on current exchange rates, the expected negative currency translation impact on Progress' fiscal year 2022 business outlook compared to 2021 exchange rates is approximately \$7.5 million on GAAP and non-GAAP revenue, and approximately \$0.03 on GAAP and non-GAAP diluted earnings per share. The expected negative currency translation impact on Progress' fiscal Q1 2022 business outlook compared to 2021 exchange rates on GAAP and non-GAAP revenue is approximately \$2.5 million. The expected negative currency translation impact on GAAP and non-GAAP diluted earnings per share for fiscal Q1 2022 is approximately \$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 fourth quarter of 2021 at 5:00 p.m. ET on Tuesday, January 18, 2022. 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 800-773-2954 or +1 847-413-3731, pass code 50242105. 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 Kemp acquisition could negatively impact our future results of operations and financial condition; and (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 and its Quarterly Reports on Form 10-Q for the fiscal quarters ended February 28, 2021, May 31, 2021 and August 31, 2021. 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 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.

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CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	Three Months Ended			Fiscal Year Ended		
	November 30, 2021	November 30, 2020	% Change	November 30, 2021	November 30, 2020	% Change
<i>(In thousands, except per share data)</i>						
Revenue:						
Software licenses	\$ 41,236	\$ 37,443	10 %	\$ 156,590	\$ 115,249	36 %
Maintenance and services	98,892	84,942	16 %	374,723	326,901	15 %
Total revenue	140,128	122,385	14 %	531,313	442,150	20 %
Costs of revenue:						
Cost of software licenses	1,508	1,171	29 %	5,271	4,473	18 %
Cost of maintenance and services	15,355	14,137	9 %	58,242	49,744	17 %
Amortization of acquired intangibles	4,217	2,923	44 %	14,936	7,897	89 %
Total costs of revenue	21,080	18,231	16 %	78,449	62,114	26 %
Gross profit	119,048	104,154	14 %	452,864	380,036	19 %
Operating expenses:						
Sales and marketing	37,422	32,013	17 %	125,890	100,113	26 %
Product development	26,759	24,482	9 %	103,338	88,599	17 %
General and administrative	18,793	15,302	23 %	65,128	54,004	21 %
Amortization of acquired intangibles	9,160	7,565	21 %	31,996	20,049	60 %
Restructuring expenses	5,175	4,080	27 %	6,308	5,906	7 %
Acquisition-related expenses	1,381	2,198	(37)%	4,102	3,637	13 %
Total operating expenses	98,690	85,640	15 %	336,762	272,308	24 %
Income from operations	20,358	18,514	10 %	116,102	107,728	8 %
Other expense, net	(6,159)	(1,887)	(226)%	(20,568)	(11,093)	(85)%
Income before income taxes	14,199	16,627	(15)%	95,534	96,635	(1)%
(Benefit) provision for income taxes	(727)	(1,034)	(30)%	17,114	16,913	1 %
Net income	\$ 14,926	\$ 17,661	(15)%	\$ 78,420	\$ 79,722	(2)%
Earnings per share:						
Basic	\$ 0.34	\$ 0.39	(13)%	\$ 1.79	\$ 1.78	1 %
Diluted	\$ 0.33	\$ 0.39	(15)%	\$ 1.76	\$ 1.76	— %
Weighted average shares outstanding:						
Basic	43,974	44,723	(2)%	43,916	44,886	(2)%
Diluted	44,853	45,140	(1)%	44,620	45,321	(2)%
Cash dividends declared per common share	\$ 0.175	\$ 0.175	— %	\$ 0.700	\$ 0.670	4 %
Stock-based compensation is included in the condensed consolidated statements of operations, as follows:						
Cost of revenue	\$ 327	\$ 357	(8)%	\$ 1,561	\$ 1,336	17 %
Sales and marketing	1,376	1,267	9 %	6,055	4,462	36 %
Product development	1,925	1,768	9 %	8,104	7,286	11 %
General and administrative	4,111	2,731	51 %	14,004	10,398	35 %
Total	\$ 7,739	\$ 6,123	26 %	\$ 29,724	\$ 23,482	27 %

CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

<i>(In thousands)</i>	November 30, 2021	November 30, 2020
Assets		
Current assets:		
Cash, cash equivalents and short-term investments	\$ 157,373	\$ 105,995
Accounts receivable, net	99,815	84,040
Unbilled receivables and contract assets	25,816	24,917
Other current assets	39,549	23,983
Assets held for sale	15,255	—
Total current assets	<u>337,808</u>	<u>238,935</u>
Property and equipment, net	14,345	29,817
Goodwill and intangible assets, net	958,337	704,473
Right-of-use lease assets	25,253	30,635
Long-term unbilled receivables and contract assets	17,464	17,133
Other assets	10,330	20,789
Total assets	<u>\$ 1,363,537</u>	<u>\$ 1,041,782</u>
Liabilities and shareholders' equity		
Current liabilities:		
Accounts payable and other current liabilities	\$ 84,215	\$ 70,899
Current portion of long-term debt, net	25,767	18,242
Short-term operating lease liabilities	7,926	7,015
Short-term deferred revenue	205,021	166,387
Total current liabilities	<u>322,929</u>	<u>262,543</u>
Long-term debt, net	239,992	364,260
Long-term operating lease liabilities	23,130	26,966
Long-term deferred revenue	47,359	26,908
Convertible senior notes, net	294,535	—
Other long-term liabilities	23,103	15,092
Shareholders' equity:		
Common stock and additional paid-in capital	354,676	306,244
Retained earnings	57,813	39,769
Total shareholders' equity	<u>412,489</u>	<u>346,013</u>
Total liabilities and shareholders' equity	<u>\$ 1,363,537</u>	<u>\$ 1,041,782</u>

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(In thousands)	Three Months Ended		Fiscal Year Ended	
	November 30, 2021	November 30, 2020	November 30, 2021	November 30, 2020
Cash flows from operating activities:				
Net income	\$ 14,926	\$ 17,661	\$ 78,420	\$ 79,722
Depreciation and amortization	18,105	12,044	61,179	34,765
Stock-based compensation	7,739	6,123	29,724	23,482
Other non-cash adjustments	5,631	(2,024)	9,763	6,287
Changes in operating assets and liabilities	(2,473)	8,958	(556)	591
Net cash flows from operating activities	43,928	42,762	178,530	144,847
Capital expenditures	(1,913)	(3,098)	(4,654)	(6,517)
Issuances of common stock, net of repurchases	5,786	(37,927)	(19,967)	(48,901)
Dividend payments to shareholders	(8,189)	(7,542)	(31,561)	(29,900)
Payments for acquisitions, net of cash acquired	(253,961)	(213,057)	(253,961)	(213,057)
Proceeds from the issuance of debt, net of payment of issuance costs	—	98,500	—	98,500
Payments of principal on long-term debt	(5,644)	(3,763)	(117,313)	(11,288)
Proceeds from issuance of Notes, net of issuance costs	—	—	349,196	—
Purchase of capped calls	—	—	(43,056)	—
Proceeds from sale of long-lived assets, net	—	889	—	889
Other	(6,311)	(888)	(5,836)	(2,263)
Net change in cash, cash equivalents and short-term investments	(226,304)	(124,124)	51,378	(67,690)
Cash, cash equivalents and short-term investments, beginning of period	383,677	230,119	105,995	173,685
Cash, cash equivalents and short-term investments, end of period	\$ 157,373	\$ 105,995	\$ 157,373	\$ 105,995

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

	Three Months Ended				% Change Non-GAAP
	November 30, 2021		November 30, 2020		
<i>(In thousands, except per share data)</i>					
Adjusted revenue:					
GAAP revenue	\$	140,128		\$	122,385
Acquisition-related revenue ⁽¹⁾		3,597			6,678
Non-GAAP revenue	\$	143,725	100 %	\$	129,063
					100 %
					11 %
Adjusted income from operations:					
GAAP income from operations	\$	20,358	15 %	\$	18,514
Amortization of acquired intangibles		13,377	9 %		10,488
Stock-based compensation		7,739	5 %		6,123
Restructuring expenses and other		5,175	4 %		4,080
Acquisition-related revenue ⁽¹⁾ and expenses		4,978	3 %		8,876
Non-GAAP income from operations	\$	51,627	36 %	\$	48,081
					37 %
					7 %
Adjusted net income:					
GAAP net income	\$	14,926	11 %	\$	17,661
Amortization of acquired intangibles		13,377	9 %		10,488
Stock-based compensation		7,739	5 %		6,123
Restructuring expenses and other		5,175	4 %		4,080
Acquisition-related revenue ⁽¹⁾ and expenses		4,978	3 %		8,876
Amortization of discount on Notes		2,861	2 %		—
Provision for income taxes		(7,764)	(5)%		(6,110)
Non-GAAP net income	\$	41,292	29 %	\$	41,118
					32 %
					— %
Adjusted diluted earnings per share:					
GAAP diluted earnings per share	\$	0.33		\$	0.39
Amortization of acquired intangibles		0.30			0.23
Stock-based compensation		0.17			0.14
Restructuring expenses and other		0.12			0.09
Acquisition-related revenue ⁽¹⁾ and expenses		0.11			0.20
Amortization for discount on Notes		0.06			—
Provision for income taxes		(0.17)			(0.14)
Non-GAAP diluted earnings per share	\$	0.92		\$	0.91
					1 %
					(1)%
Non-GAAP weighted avg shares outstanding - diluted					
		44,853			45,140

⁽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.

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

	Fiscal Year Ended				% Change Non-GAAP	
	November 30, 2021		November 30, 2020			
<i>(In thousands, except per share data)</i>						
Adjusted revenue:						
GAAP revenue	\$	531,313		\$	442,150	
Acquisition-related revenue ⁽¹⁾		25,991			14,062	
Non-GAAP revenue	\$	557,304	100 %	\$	456,212	100 %
Adjusted income from operations:						
GAAP income from operations	\$	116,102	22 %	\$	107,728	24 %
Amortization of acquired intangibles		46,932	8 %		27,946	6 %
Stock-based compensation		29,724	5 %		23,482	5 %
Restructuring expenses and other		6,308	1 %		5,906	1 %
Acquisition-related revenue ⁽¹⁾ and expenses		30,093	5 %		17,699	4 %
Non-GAAP income from operations	\$	229,159	41 %	\$	182,761	40 %
Adjusted net income:						
GAAP net income	\$	78,420	15 %	\$	79,722	18 %
Amortization of acquired intangibles		46,932	8 %		27,946	6 %
Stock-based compensation		29,724	6 %		23,482	5 %
Restructuring expenses and other		6,308	1 %		5,906	1 %
Acquisition-related revenue ⁽¹⁾ and expenses		30,093	5 %		17,699	4 %
Amortization of discount on Notes		7,209	1 %		—	— %
Provision for income taxes		(25,800)	(5)%		(14,673)	(3)%
Non-GAAP net income	\$	172,886	31 %	\$	140,082	31 %
Adjusted diluted earnings per share:						
GAAP diluted earnings per share	\$	1.76		\$	1.76	
Amortization of acquired intangibles		1.05			0.62	
Stock-based compensation		0.67			0.51	
Restructuring expenses and other		0.14			0.13	
Acquisition-related revenue ⁽¹⁾ and expenses		0.67			0.39	
Amortization of discount on Notes		0.16			—	
Provision for income taxes		(0.58)			(0.32)	
Non-GAAP diluted earnings per share	\$	3.87		\$	3.09	25 %
Non-GAAP weighted avg shares outstanding - diluted						
		44,620			45,321	(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.

OTHER NON-GAAP FINANCIAL MEASURES
(Unaudited)

Quarter to Date Adjusted Free Cash Flow

<i>(In thousands)</i>	Q4 2021	Q4 2020	% Change
Cash flows from operations	\$ 43,928	\$ 42,762	3 %
Purchases of property and equipment	(1,913)	(3,098)	(38)%
Free cash flow	42,015	39,664	6 %
Add back: restructuring payments	432	992	(56)%
Adjusted free cash flow	\$ 42,447	\$ 40,656	4 %

Year to Date Adjusted Free Cash Flow

<i>(In thousands)</i>	FY 2021	FY 2020	% Change
Cash flows from operations	\$ 178,530	\$ 144,847	23 %
Purchases of property and equipment	(4,654)	(6,517)	(29)%
Free cash flow	173,876	138,330	26 %
Add back: restructuring payments	5,519	4,123	34 %
Adjusted free cash flow	\$ 179,395	\$ 142,453	26 %

RECONCILIATIONS OF GAAP TO NON-GAAP FINANCIAL MEASURES FOR FISCAL YEAR 2022 GUIDANCE

(Unaudited)

Fiscal Year 2022 Revenue Guidance

	Fiscal Year Ended		Fiscal Year Ending					
	November 30, 2021		November 30, 2022					
(In millions)			Low	% Change	High	% Change		
GAAP revenue	\$	531.3	\$	596.5	12 %	\$	606.5	14 %
Acquisition-related adjustments - revenue ⁽¹⁾		26.0		8.5	(67)%		8.5	(67)%
Non-GAAP revenue	\$	557.3	\$	605.0	9 %	\$	615.0	10 %

⁽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 2022 Non-GAAP Operating Margin Guidance

	Fiscal Year Ending November 30, 2022			
	Low		High	
GAAP income from operations	\$	125.0	\$	130.0
GAAP operating margin		21 %		21 %
Acquisition-related revenue		8.5		8.5
Restructuring expense		1.2		1.2
Stock-based compensation		33.0		33.0
Acquisition-related expenses		0.8		0.8
Amortization of intangibles		69.3		69.3
Total adjustments		112.8		112.8
Non-GAAP income from operations	\$	237.8	\$	242.8
Non-GAAP operating margin		39 %		39 %

Fiscal Year 2022 Non-GAAP Earnings per Share and Effective Tax Rate Guidance

	Fiscal Year Ending November 30, 2022			
	Low		High	
GAAP net income	\$	86.1	\$	90.6
Adjustments (from previous table)		112.8		112.8
Income tax adjustment ⁽²⁾		(22.5)		(22.5)
Non-GAAP net income	\$	176.4	\$	180.9
GAAP diluted earnings per share	\$	1.93	\$	2.03
Non-GAAP diluted earnings per share	\$	3.95	\$	4.05
Diluted weighted average shares outstanding		44.7		44.7
⁽²⁾ Tax adjustment is based on a non-GAAP effective tax rate of approximately 21% for Low and 20% for High, calculated as follows:				
Non-GAAP income from operations	\$	237.8	\$	242.8
Other (expense) income		(15.7)		(15.7)
Non-GAAP income from continuing operations before income taxes		222.1		227.1
Non-GAAP net income		176.4		180.9
Tax provision	\$	45.7	\$	46.2
Non-GAAP tax rate		21 %		20 %

RECONCILIATIONS OF GAAP TO NON-GAAP FINANCIAL MEASURES FOR FISCAL YEAR 2022 GUIDANCE
(Unaudited)

Fiscal Year 2022 Adjusted Free Cash Flow Guidance

<i>(In millions)</i>	Fiscal Year Ending November 30, 2022	
	Low	High
Cash flows from operations (GAAP)	\$ 188	\$ 193
Purchases of property and equipment	(6)	(6)
Add back: restructuring payments	3	3
Adjusted free cash flow (non-GAAP)	<u>\$ 185</u>	<u>\$ 190</u>

RECONCILIATIONS OF GAAP TO NON-GAAP FINANCIAL MEASURES FOR Q1 2022 GUIDANCE

(Unaudited)

Q1 2022 Revenue Guidance

	Three Months Ended		Three Months Ending					
	February 28, 2021		February 28, 2022					
(In millions)			Low	% Change	High	% Change		
GAAP revenue	\$	121.3	\$	136.4	12 %	\$	139.4	15 %
Acquisition-related adjustments - revenue ⁽¹⁾		10.5		2.6	(75)%		2.6	(75)%
Non-GAAP revenue	\$	131.8	\$	139.0	5 %	\$	142.0	8 %

⁽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.

Q1 2022 Non-GAAP Earnings per Share Guidance

	Three Months Ending February 28, 2022			
	Low		High	
GAAP diluted earnings per share	\$	0.32	\$	0.34
Acquisition-related revenue		0.06		0.06
Acquisition-related expense		0.01		0.01
Stock-based compensation		0.17		0.17
Amortization of intangibles		0.38		0.38
Restructuring expense		0.02		0.02
Total adjustments		0.64		0.64
Income tax adjustment		(0.13)		(0.13)
Non-GAAP diluted earnings per share	\$	0.83	\$	0.85



Progress Financial Results

Q4 2021 Supplemental Data

January 18, 2022



Safe Harbor

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 many 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.
- 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, 2022, and fiscal year ended November 30, 2022, which speak only as of January 18, 2022.

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 January 18, 2022 and is available in the Investor Relations section of our Web site.

Conference Call Details

What: Progress Q4 2021 Financial Results Conference Call

When: Tuesday, January 18th, 2022

Time: 5:00 p.m. ET

Live Call: (800) 773-2954
(847) 413-3731
Conf ID: 50242105

Live / Recorded Webcast: <https://edge.media-server.com/mmc/p/9wz5nqvf>

Please note: Webcast is listen-only.

Summary Highlights Q4 2021 & FY2021

Strong Financial Results

- Top-line strength across all products combined with **disciplined expense management** drove four consecutive quarters of strong performance – providing considerable momentum as we enter FY22
- Top line strength again reflected in **ARR growth** (up 12.2% on an as reported basis and 3.4% on a pro-forma basis, both in constant currency) and **consistently strong net retention rates** of 98% -101%
- Kemp adds ~\$40M of ARR
- Kemp integration proceeding at or ahead of plan



Company Overview

NASDAQ: PRGS

FY22E # Revenue: \$610M

FY22E # EPS : \$4.00

FY22E # FCF: \$188M

FY21 EPS growth: 25%*

FY21 ARR growth: 12.2%*

FY21 NDRR: 100.1%*

Guidance provided January 18, 2022, non-GAAP; midpoint of guidance shown
* Non-GAAP and/or as of F4Q21, reported January 18, 2022



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

All results shown are for FY'21, non-GAAP, as reported January 18, 2022

\$3.87

FY'21 Earnings Per Share

\$557M

Revenue

22%

YoY Revenue Growth

\$486M

ARR

~80%

Recurring Revenue

\$179M

Free Cash Flow

41%

Operating Margins

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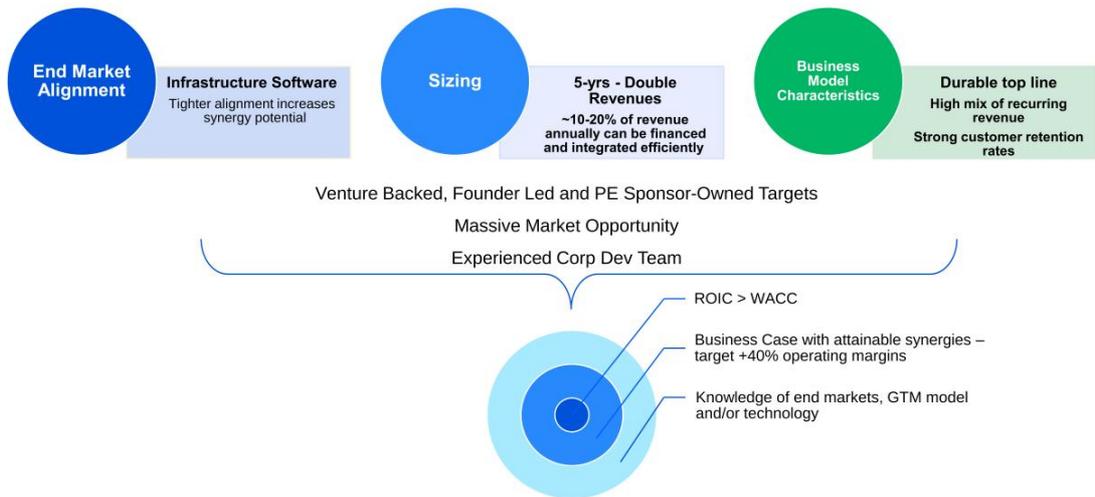
Total Growth Strategy Goals

- Double revenue every 5 years
- Make accretive acquisitions in our key markets
- Invest in R&D to improve retention
- Maximize operational synergies
- Best in class operating margins



Pillars of our Total Growth Strategy

M&A Approach



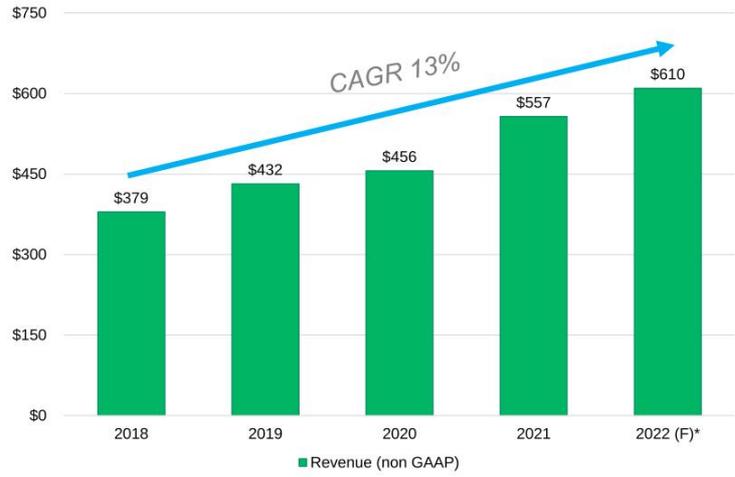
Summary Q4 2021 Financial Results

	Q4 2021 Results	Q4 2021 Outlook (09/23/2021)
GAAP Revenue	<i>\$140 M</i>	\$129 M - \$133 M
Non-GAAP Revenue	<i>\$144 M</i>	\$134 M - \$138 M
GAAP earnings per share (Diluted)	<i>\$0.33</i>	\$0.13 - \$0.15
Non-GAAP earnings per share (Diluted)	<i>\$0.92</i>	\$0.73 - \$0.75
GAAP Operating Margin	<i>15%</i>	Not guided
Non-GAAP Operating Margin	<i>36%</i>	Not guided
Adjusted Free Cash Flow	<i>\$42 M</i>	Not guided

Driving Total Growth

FY'21* revenue growth of 22%

Revenue CAGR of 13%
2018 – 2022(F)*



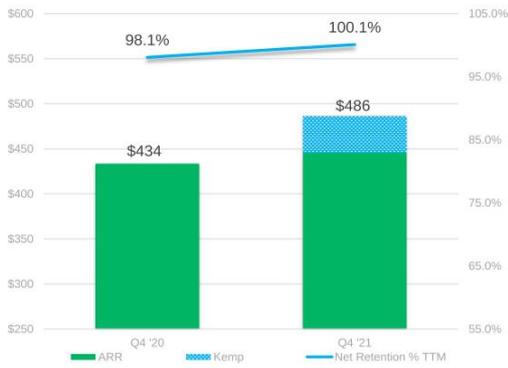
* Represents the mid-point of our FY'22 guidance range
 Progress

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Annualized Recurring Revenue (amounts reported in constant currency)

"As Reported"
 Kemp adds ~\$40M of ARR
 ARR growth = 12.2% year-over-year
 Net Retention Rate has ranged between 98%-101%



"Pro Forma"
 Kemp ARR included in both periods presented
 ARR growth = 3.4% year-over-year
 Net Retention Rate has ranged between 98%-101%



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.

Annualized Recurring Revenue Trend ("pro-forma")

Kemp adds ~\$40M of ARR

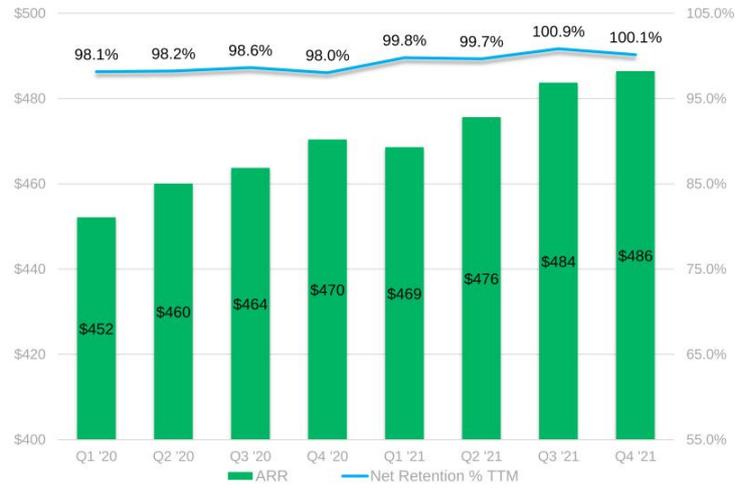
ARR growth = 3.4% year-over-year

+

Net Retention Rate between 98%-101%

=

Predictable and durable top line performance



Growing Profitability

Consistent growth in operating income
CAGR 16% FY'18 – FY'22(F)*

Best-in-class operating margins consistently above 35%



* Represents the mid-point of our FY'22 guidance range

Business Outlook (as of January 18, 2022)

	Q1 2022 Current Outlook	FY 2022 Current Outlook (As of 01/18/2022)
Non-GAAP Revenue	\$139M – \$142M	\$605M – \$615M
Non-GAAP EPS	\$0.83 – \$0.85	\$3.95 – \$4.05
Non-GAAP Operating Margin	Not guided	39%
Non-GAAP Adjusted Free Cash Flow	Not guided	\$185M – \$190M
Non-GAAP Effective Tax Rate	Not guided	20 - 21%

Supplemental Financial Information *

* The following supplemental financial information includes GAAP and non-GAAP information. 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.

Supplemental Revenue Information

(Unaudited)

(in thousands)	QTD							
	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021
	GAAP Basis							
Revenue by Type								
License	30,629	19,663	27,514	37,443	33,317	30,107	51,930	41,236
Maintenance	70,056	71,686	72,764	74,381	76,977	80,069	82,875	85,942
Services	8,998	9,034	9,421	10,561	10,986	12,312	12,612	12,950
Total Revenue	\$109,683	\$100,383	\$109,699	\$122,385	\$121,280	\$122,488	\$147,417	\$140,128
Revenue by Region								
North America	65,413	56,564	62,927	76,094	71,505	71,094	93,880	81,335
EMEA	34,988	34,157	37,447	37,162	40,240	41,321	40,999	46,775
Latin America	4,000	3,346	3,547	3,681	3,493	3,753	5,298	4,492
Asia Pacific	5,282	6,316	5,778	5,448	6,042	6,320	7,240	7,526
Total Revenue	\$109,683	\$100,383	\$109,699	\$122,385	\$121,280	\$122,488	\$147,417	\$140,128

Other NON-GAAP Financial Measures

(Unaudited)

(in thousands)	QTD GAAP Q4 2021	QTD Non-GAAP Adjustment	QTD Non-GAAP Q4 2021
Revenue by Type			
License	41,236	165	41,401
Maintenance	85,942	3,304	89,246
Services	12,950	128	13,078
Total Revenue	\$140,128	\$3,597	\$143,725
Revenue by Region			
North America	81,335	2,501	83,836
EMEA	46,775	859	47,634
Latin America	4,492	19	4,511
Asia Pacific	7,526	218	7,744
Total Revenue	\$140,128	\$3,597	\$143,725

Other NON-GAAP Financial Measures

(Unaudited)

(in thousands)	YTD GAAP Q4 2021	YTD Non-GAAP Adjustment	YTD Non-GAAP Q4 2021
Revenue by Type			
License	156,590	3,149	159,739
Maintenance	325,863	22,547	348,410
Services	48,860	295	49,155
Total Revenue	\$531,313	\$25,991	\$557,304
Revenue by Region			
North America	317,814	17,687	335,501
EMEA	169,335	6,886	176,221
Latin America	17,036	122	17,158
Asia Pacific	27,128	1,296	28,424
Total Revenue	\$531,313	\$25,991	\$557,304



