



# Progress Financial Results

Q2 2021 Supplemental Data



# Legal Notice

This presentation contains statements that are “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Progress has identified some of these forward-looking statements with words like “believe,” “may,” “could,” “would,” “might,” “should,” “expect,” “intend,” “plan,” “target,” “anticipate” and “continue,” the negative of these words, other terms of similar meaning or the use of future dates. Forward-looking statements in this presentation include, but are not limited to, statements regarding Progress’s strategy; acquisitions; future revenue growth, operating margin and cost savings; strategic partnering and marketing initiatives; and other statements regarding the future operation, direction, prospects and success of Progress’s business.

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

- Economic, geopolitical and market conditions can adversely affect our business, results of operations and financial condition, including our revenue growth and profitability, which in turn could adversely affect our stock price.
- We may fail to achieve our financial forecasts due to such factors as delays or size reductions in transactions, fewer large transactions in a particular quarter, fluctuations in currency exchange rates, or a decline in our renewal rates for contracts.
- Our ability to successfully manage transitions to new business models and markets, including an increased emphasis on a cloud and subscription strategy, may not be successful.
- If we are unable to develop new or sufficiently differentiated products and services, or to enhance and improve our existing products and services in a timely manner to meet market demand, partners and customers may not purchase new software licenses or subscriptions or purchase or renew support contracts.
- We depend upon our extensive partner channel and we may not be successful in retaining or expanding our relationships with channel partners.
- Our international sales and operations subject us to additional risks that can adversely affect our operating results, including risks relating to foreign currency gains and losses.
- If the security measures for our software, services, other offerings or our internal information technology infrastructure are compromised or subject to a successful cyber-attack, or if our software offerings contain significant coding or configuration errors, we may experience reputational harm, legal claims and financial exposure.
- We have made acquisitions, and may make acquisitions in the future, and those acquisitions may not be successful, may involve unanticipated costs or other integration issues or may disrupt our existing operations.
- Delay or failure to realize the expected synergies and benefits of the Chef acquisition could adversely impact our future results of operations and financial condition.
- The continuing impact of the coronavirus disease (COVID-19) outbreak on our employees, customers, partners, and the global financial markets could adversely affect our business, results of operations and financial condition

For further information regarding risks and uncertainties associated with our business, please refer to our filings with the Securities and Exchange Commission. Progress undertakes no obligation to update any forward-looking statements, which speak only as of the date of this presentation, except for statements relating to Progress' projected results for the quarter ended May 31, 2021 and fiscal year ended November 30, 2021, which speak only as of June 24, 2021.

Finally, during this presentation we will be referring to non-GAAP financial measures such as non-GAAP revenue, non-GAAP income from operations and operating margin, adjusted free cash flow and non-GAAP diluted earnings per share. These non-GAAP measures are not prepared in accordance with generally accepted accounting principles. A reconciliation between non-GAAP and the most directly comparable GAAP financial measures appears in our earnings press release for the fiscal quarter ended May 31, 2021 and is available in the Investor Relations section of our Web site.

# Conference Call Details

<b>What:</b>	Progress Q2 2021 Financial Results Conference Call
<b>When:</b>	Thursday, June 24 <sup>th</sup> , 2021
<b>Time:</b>	5:00 p.m. ET
<b>Live Call:</b>	1-800-458-4121, pass code 3588537
<b>Live / Recorded Webcast:</b>	<u><a href="http://investors.progress.com">http://investors.progress.com</a></u>

# Summary Highlights

## Strong Financial Results

- Two consecutive quarters of strong performance in our core business provide confidence to **increase our full year 2021 guidance**
  - Results driven by **top-line strength across all products**, most notably OpenEdge, File Transfer, Network Management and Sitefinity
  - Stable, durable top line reflected in **ARR growth** (23% on a constant currency basis and 3.1% on a pro-forma basis) and **improvement in net retention rate** to above 100%
- **Chef** exceeding our expectations on the top and bottom line as integration proceeds ahead of plan

## M&A efforts continue

- **Convertible notes offering** enhances our balance sheet allowing for nimbler M&A execution
- Growth in pipeline, expansion of sourcing channels and enhanced capabilities create momentum despite highly competitive environment

# Leverage the Cloud Opportunity

| Sitefinity

| Chef

| DataDirect

| MOVEit

| OpenEdge

| Corticon

# Capital Allocation Focus



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

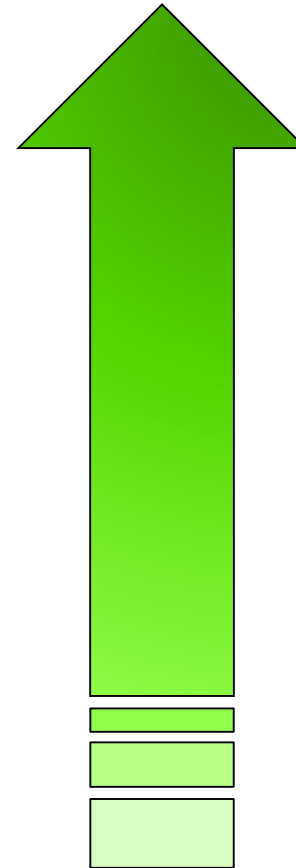


- Accretive M&A that meets our disciplined criteria

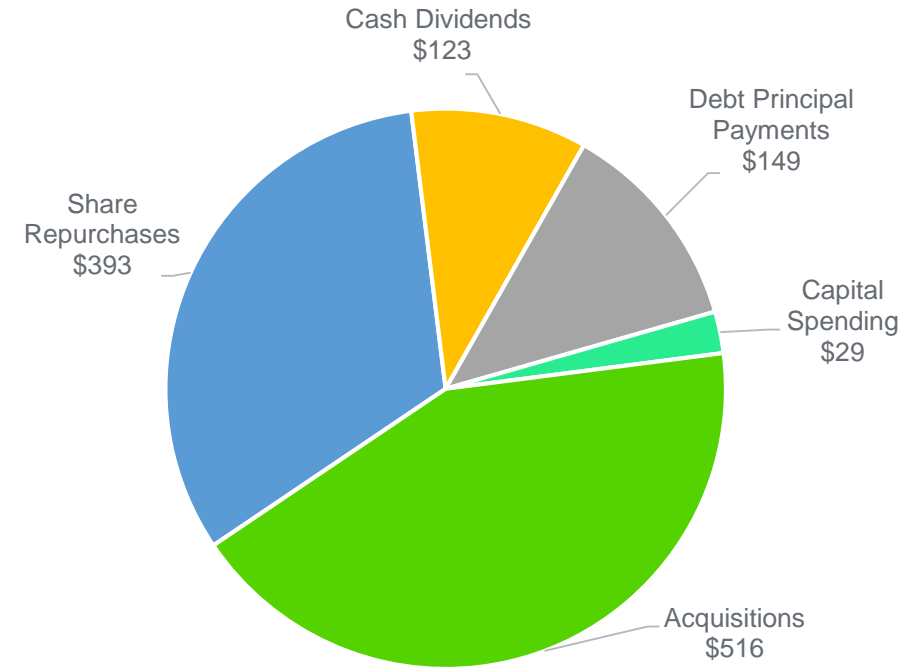


- Repurchase shares so that at a minimum, we offset dilution from our equity programs
  - Existing authorization \$250M; \$155M remaining
  - Flexibility to increase, reduce or suspend repurchases, depending on market conditions and size and timing of M&A

Primary focus



Capital Allocation 2016 – Q2 2021



Share repurchase authorization

- Current total: \$250M
- Remaining: \$155M

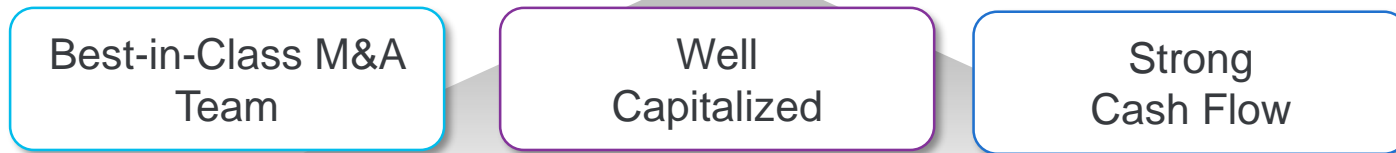
# M&A Framework

*--- Goal is to double the size of the company in 5 years ---*

Accretive M&A enables us to add scale and cash flows, and generate strong shareholder returns

- Target acquisition profile:
  - Complementary to our business (product, audience, and growth profile)
  - Significant recurring revenue and excellent retention rates
  - Cost synergistic and accretive
  - Operating margins after synergies that are consistent with our overall margins
  - ROIC above our weighted average cost of capital

# Ingredients to Address a Massive M&A Opportunity



Target Opportunities



Venture Capital



Founder Led Companies



Private Equity



Large Technology Carveouts

Over 5 years, VCs invested over \$100B in over 15,000 companies in our infrastructure software space

Year	Company Count	Deal Count	Capital Invested (US\$ in mm)
2020	2,805	3,199	\$34,121
2019	3,462	4,067	31,465
2018	3,537	4,179	28,522
2017	3,484	4,076	21,942
2016	3,181	3,657	17,637
2015	2,995	3,482	16,137
2014	2,717	3,106	16,215
2013	2,258	2,579	9,418
2012	1,672	1,850	7,352
2011	1,226	1,341	5,900
2010	960	1,026	4,408
2009	803	870	3,478
2008	774	835	4,542

Source: Pitchbook



# Progress Investment Highlights



Durable, predictable financial model



High-quality revenue base, high and increasing mix of recurring revenue



Accretive M&A and operational efficiencies driving margin improvement



Track record of successful acquisition integration and synergy achievement



Delivering meaningful earnings per share and free cash flow growth



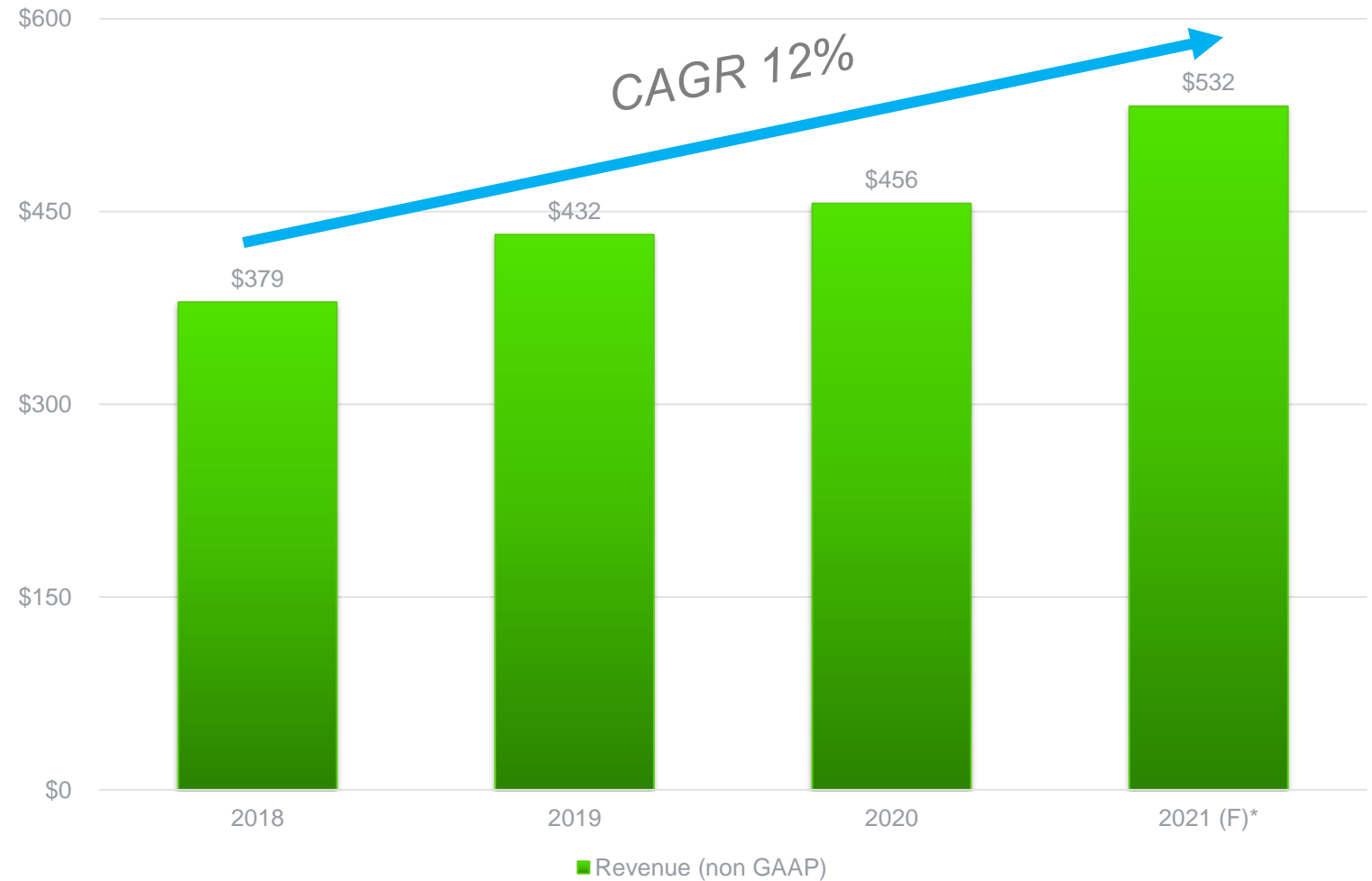
Disciplined and shareholder-friendly capital allocation strategy

# Summary Q2 2021 Financial Results

	Q2 2021 Results	Q2 2021 Outlook (3/25/2021)
GAAP Revenue	\$122 M	\$112 M - \$116 M
Non-GAAP Revenue	\$129 M	\$119 M - \$123 M
GAAP earnings per share (Diluted)	\$0.30	\$0.25 - \$0.27
Non-GAAP earnings per share (Diluted)	\$0.82	\$0.72 - \$0.74
GAAP Operating Margin	18%	Not guided
Non-GAAP Operating Margin	38%	Not guided
Adjusted Free Cash Flow	\$55 M	Not guided

# Driving Total Growth

- 2021(F)\* revenue growth of 17%
- Revenue CAGR of 12%  
2018 – 2021(F)\*



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

# Growth in Annualized Recurring Revenue

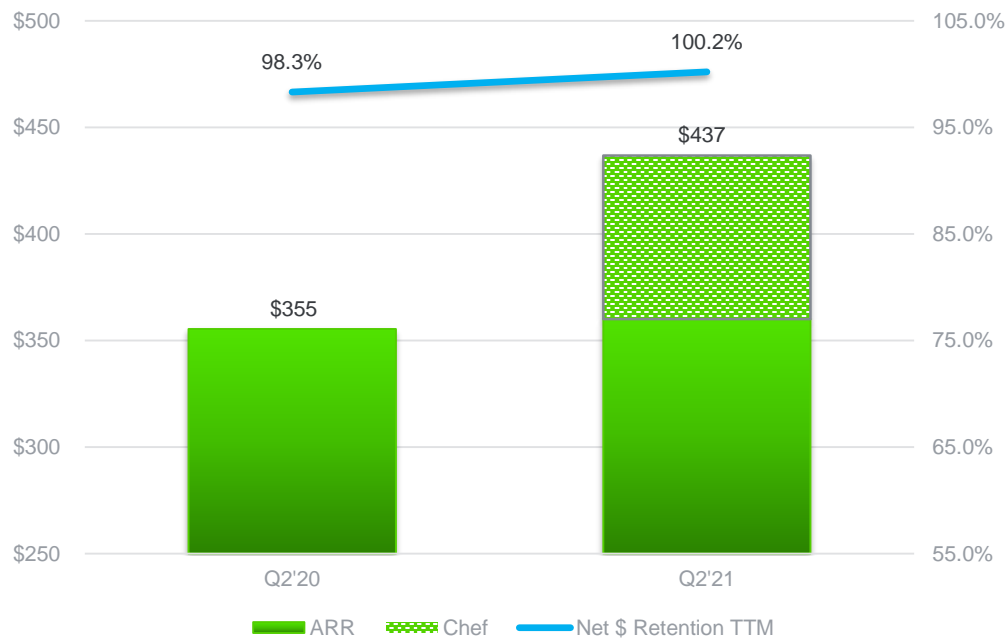
(amounts reported in constant currency)

## “As Reported”

*Chef adds less than \$80M of ARR*

*ARR growth = 23 % year-over-year*

*Net Retention Rate has ranged between 97%-100%*

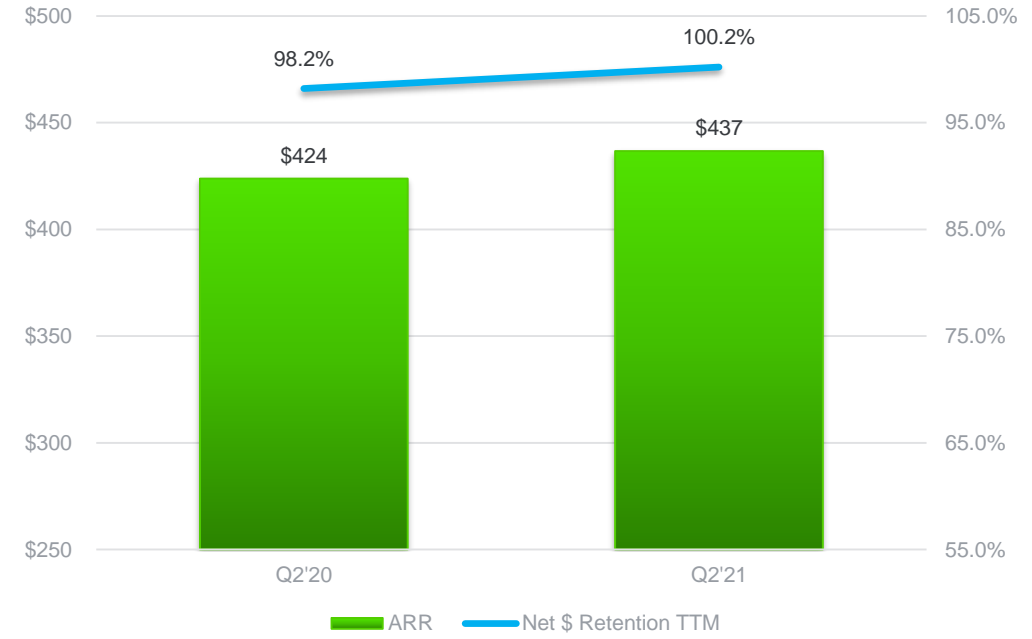


## “Pro Forma”

*Chef ARR included in both periods presented*

*ARR growth = 3 % year-over-year*

*Net Retention Rate has ranged between 97%-100%*



Note: ARR is a Non-GAAP operating metric and does not have a standardized definition. It is therefore unlikely to be comparable to similarly titled measures presented by other companies. ARR should be viewed independently of revenue and deferred revenue and is not intended to be combined with or to replace either of those items. ARR is not a forecast and the active contracts at the end of a reporting period used in calculating ARR may or may not be extended or renewed by our customers.

# Growing Profitability

- *Consistent growth in operating income*

*CAGR 16% 2018 – 2021(F)\**

- *Best-in-class operating margins consistently above 35%*



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

# Convertible Notes Offering

Key Terms	
<b>Total Offering Amount</b> <i>(including overallotment option)</i>	\$360 million
<b>Interest Rate</b>	1.00%
<b>Maturity</b>	5-years (April 15, 2026)
<b>Conversion Premium</b>	27.5%
<b>Capped Call</b> <i>(increases conversion premium)</i>	100% or \$89.88
<b>Net Proceeds</b> <i>(Net of issuance costs and capped call)</i>	\$306.1 million



*Low-cost, unsecured capital*



*Limited risk of dilution*



*Better positioned to execute our  
Total Growth Strategy*

# Business Outlook (as of June 24, 2021)

	Q3 2021 Current Outlook	FY 2021 Current Outlook	FY 2021 Prior Outlook (As of 3/25/2021)	
Non-GAAP Revenue	\$129 M – \$132 M	\$529 M – \$535 M	\$519 M – \$527 M	↑
Non-GAAP EPS	\$0.82 – \$0.84	\$3.46 – \$3.50	\$3.38 – \$3.42	↑
Non-GAAP Operating Margin	<i>Not guided</i>	39%	38%	↑
Non-GAAP Adjusted Free Cash Flow	<i>Not guided</i>	\$157.5 M – \$162.5 M	\$155 M – \$160 M	↑
Non-GAAP Effective Tax Rate	<i>Not guided</i>	20%	20%	==



# Supplemental Financial Information \*

\* The following supplemental financial information is presented on a GAAP basis. A reconciliation of non-GAAP financial measures to the most directly comparable GAAP numbers can be found in the financial results press release that we issued today.



# Supplemental Revenue Information

(Unaudited)

(in thousands)	QTD GAAP Basis					
	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021
<b>Revenue by Type</b>						
License	30,629	19,663	27,514	37,443	33,317	30,107
Maintenance	70,056	71,686	72,764	74,381	76,977	80,069
Services	8,998	9,034	9,421	10,561	10,986	12,312
Total Revenue	\$ 109,683	\$ 100,383	\$ 109,699	\$ 122,385	\$ 121,280	\$ 122,488
<b>Revenue by Region</b>						
North America	65,413	56,564	62,927	76,094	71,505	71,094
EMEA	34,988	34,157	37,447	37,162	40,240	41,321
Latin America	4,000	3,346	3,547	3,681	3,493	3,753
Asia Pacific	5,282	6,316	5,778	5,448	6,042	6,320
Total Revenue	\$ 109,683	\$ 100,383	\$ 109,699	\$ 122,385	\$ 121,280	\$ 122,488

# Other NON-GAAP Financial Measures

(Unaudited)

(in thousands)	QTD GAAP Q2 2021	QTD Non-GAAP Adjustment	QTD Non-GAAP Revenue
<b>Revenue by Type</b>			
License	30,107	192	30,299
Maintenance	80,069	6,468	86,537
Services	12,312	50	12,362
Total Revenue	<u>\$ 122,488</u>	<u>\$ 6,710</u>	<u>\$ 129,198</u>
<b>Revenue by Region</b>			
North America	71,094	4,956	76,050
EMEA	41,321	1,363	42,684
Latin America	3,753	29	3,782
Asia Pacific	6,320	362	6,682
Total Revenue	<u>\$ 122,488</u>	<u>\$ 6,710</u>	<u>\$ 129,198</u>

# Other NON-GAAP Financial Measures

(Unaudited)

(in thousands)	GAAP Q2 2021	YTD Non-GAAP Adjustment	YTD Non-GAAP Q2 2021
<b>Revenue by Type</b>			
License	63,424	2,758	66,182
Maintenance	157,046	14,318	171,364
Services	23,298	138	23,436
Total Revenue	<u>\$ 243,768</u>	<u>\$ 17,214</u>	<u>\$ 260,982</u>
<b>Revenue by Region</b>			
North America	142,599	11,442	154,041
EMEA	81,561	4,872	86,433
Latin America	7,246	82	7,328
Asia Pacific	12,362	818	13,180
Total Revenue	<u>\$ 243,768</u>	<u>\$ 17,214</u>	<u>\$ 260,982</u>

