

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

September 8, 2020
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 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.

Section 2 – Financial Information

Item 2.02 Results of Operations and Financial Condition

On September 8, 2020, Progress Software Corporation ("Progress") issued a press release announcing its preliminary financial results for the fiscal third quarter ended August 31, 2020. A copy of the press release is attached to this Current Report on Form 8-K as Exhibit 99.1 and is incorporated herein by reference.

This information shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not deemed incorporated by reference into any other filing of the company, whether made before or after the date of this report, regardless of any general incorporation language in the filing.

Non-GAAP Financial Information - Progress provides non-GAAP supplemental information to its financial results. We use this non-GAAP information to evaluate our period-over-period operating performance because our management believes the information helps illustrate underlying trends in our business and provides us with a more comparable measure of our continuing business, as well as a greater understanding of the results from the primary operations of our business, by excluding the effects of certain items that do not reflect the ordinary earnings of our operations. Management also uses this non-GAAP financial information to establish budgets and operational goals, which are communicated internally and externally, evaluate performance, and allocate resources. In addition, compensation of our executives and non-executive employees is based in part on the performance of our business evaluated using this same non-GAAP information. We believe this non-GAAP financial information enhances investors' overall understanding of our current financial performance and our prospects for the future by providing more transparency for certain financial measures and providing a level of disclosure that helps investors understand how we plan and measure our business. We believe that providing this non-GAAP information affords investors a view of our operating results that may be more easily compared to our peer companies and enables investors to consider our operating results on both a GAAP and non-GAAP basis during and following the integration period of our acquisitions.

However, this non-GAAP information is not in accordance with, or an alternative to, generally accepted accounting principles in the United States ("GAAP") and should be considered in conjunction with our GAAP results as the items excluded from the non-GAAP information often have a material impact on Progress' financial results. A reconciliation of non-GAAP adjustments to Progress' GAAP financial results is included in the tables in the press release and is available on the Progress website at www.progress.com within the investor relations section.

As described in more detail below, non-GAAP revenue, non-GAAP costs of sales and operating expenses, non-GAAP income from operations and operating margin, non-GAAP net income, and non-GAAP diluted earnings per share exclude the effect of purchase accounting on the fair value of acquired deferred revenue, amortization of acquired intangible assets, stock-based compensation expense, restructuring charges, acquisition-related and transition expenses, and the related tax effects of the preceding items. We also provide guidance on adjusted free cash flow, which is equal to cash flows from operating activities less purchases of property and equipment, plus restructuring payments.

In the noted fiscal periods, we adjusted for the following items from our GAAP financial results to arrive at our non-GAAP financial measures:

- *Acquisition-related revenue* - In all periods presented, we include acquisition-related revenue, which constitutes revenue reflected as pre-acquisition deferred revenue that would otherwise have been recognized but for the purchase accounting treatment of acquisitions. The acquisition-related revenue relates to Ipswitch, which we acquired on April 30, 2019. Since GAAP accounting requires the elimination of this revenue, GAAP results alone do not fully capture all of our economic activities. We believe these adjustments are useful to management and investors as a measure of the ongoing performance of the business because, although we cannot be certain that customers will renew their contracts, we have historically experienced high renewal rates on maintenance and support agreements and other customer contracts. Additionally, although acquisition-related revenue adjustments are non-recurring with respect to past acquisitions, we expect to incur these adjustments in connection with any future acquisitions.
- *Amortization of acquired intangibles* - In all periods presented, we exclude amortization of acquired intangibles because those expenses are unrelated to our core operating performance and the intangible assets acquired vary significantly based on the timing and magnitude of our acquisition transactions and the maturities of the businesses acquired.
- *Stock-based compensation* - In all periods presented, we exclude stock-based compensation to be consistent with the way management and the financial community evaluates our performance and the methods used by analysts to calculate consensus estimates. The expense related to stock-based awards is generally not controllable in the short-

term and can vary significantly based on the timing, size and nature of awards granted. As such, we do not include these charges in operating plans. Stock-based compensation will continue in future periods.

- *Restructuring expenses* - In all periods presented, we exclude restructuring expenses incurred because those expenses distort trends and are not part of our core operating results.
- *Acquisition-related and transition expenses* - In all periods presented, we exclude acquisition-related expenses because those expenses distort trends and are not part of our core operating results. In recent years, we have completed a number of acquisitions, which result in our incurring operating expenses which would not otherwise have been incurred. By excluding certain transition, integration and other acquisition-related expense items in connection with acquisitions, this provides more meaningful comparisons of the financial results to our historical operations and forward-looking guidance and the financial results of less acquisitive peer companies. We consider these types of costs and adjustments, to a great extent, to be unpredictable and dependent on a significant number of factors that are outside of our control. Furthermore, we do not consider these acquisition-related costs and adjustments to be related to the organic continuing operations of the acquired businesses and are generally not relevant to assessing or estimating the long-term performance of the acquired assets. In addition, the size, complexity and/or volume of past acquisitions, which often drives the magnitude of acquisition-related costs, may not be indicative of the size, complexity and/or volume of future acquisitions.
- *Income tax adjustment* - In all periods presented, we adjust our income tax provision by excluding the tax impact of the non-GAAP adjustments discussed above.

Constant Currency - Revenue from our international operations has historically represented a substantial portion of our total revenue. As a result, our revenue results have been impacted, and we expect will continue to be impacted, by fluctuations in foreign currency exchange rates. For example, if the local currencies of our foreign subsidiaries strengthen, our consolidated results stated in U.S. dollars are positively impacted.

As exchange rates are an important factor in understanding period to period comparisons, we present revenue growth rates on a constant currency basis, which helps improve the understanding of our revenue results and our performance in comparison to prior periods. The constant currency information presented is calculated by translating current period results using prior period weighted average foreign currency exchange rates. These results should be considered in addition to, not as a substitute for, results reported in accordance with GAAP.

Section 7 – Regulation FD

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 99.3 to this Current Report will be available on the Progress website within the investor relations section prior to the live conference call.

Section 9 – Financial Statements and Exhibits

Item 9.01 Financial Statements and Exhibits

(d) Exhibits.

Exhibit No.	Description
99.1	Press release issued by Progress Software Corporation dated September 8, 2020
99.3	Q3 2020 Preliminary Supplemental Data

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: September 8, 2020

Progress Software Corporation

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

P R E S S A N N O U N C E M E N T

Progress Announces Preliminary Fiscal Third Quarter 2020 Financial Results and Updated Full Year 2020 Guidance

BEDFORD, MA, September 8, 2020 (GlobeNewswire) — Progress (NASDAQ: PRGS), the leading provider of application development and digital experience technologies, today announced preliminary financial results for its fiscal third quarter ended August 31, 2020 and business outlook for the full year of 2020.

Fiscal Third Quarter 2020 Preliminary Results

Progress' normal financial closing and financial statement preparation processes are in their preliminary stages. However, using the most current information available to management, Progress expects its fiscal third quarter 2020 financial results to be within the following ranges:

	Prior Guidance (June 25, 2020)		Preliminary Results (September 8, 2020)	
	Q3 2020 GAAP	Q3 2020 Non-GAAP	Q3 2020 GAAP	Q3 2020 Non-GAAP
<i>(In millions, except per share amounts)</i>				
Revenue	\$103 - \$108	\$104 - \$109	\$108 - \$110	\$109 - \$111
Diluted earnings per share	\$0.47 - \$0.49	\$0.69 - \$0.71	\$0.50 - \$0.53	\$0.75 - \$0.78

Progress' preliminary financial results for the fiscal third quarter 2020 reflect better than expected revenue performance across certain of our product lines coupled with a continued focus on cost management and operating efficiency.

These preliminary financial results are subject to revision until Progress reports its fiscal third quarter 2020 results on September 29, 2020. These estimated ranges and drivers of fiscal third quarter financial performance represent the most current information available to management and are not meant to be a comprehensive statement of our financial results for the quarter ended August 31, 2020.

2020 Business Outlook

Based on information available as of September 8, 2020, Progress expects the following revised business outlook for the fiscal year ending November 30, 2020:

	Prior FY 2020 Guidance (June 25, 2020)		Updated FY 2020 Guidance (September 8, 2020)	
	FY 2020 GAAP	FY 2020 Non-GAAP	FY 2020 GAAP	FY 2020 Non-GAAP
<i>(In millions, except per share amounts)</i>				
Revenue	\$425 - \$435	\$433 - \$443	\$438 - \$442	\$452 - \$456
Diluted earnings per share	\$1.81 - \$1.85	\$2.82 - \$2.86	\$1.66 - \$1.69	\$2.94 - \$2.97

The revised business outlook for the full fiscal year of 2020 is subject to revision until Progress reports its business outlook for the full year 2020 on September 29, 2020. As separately announced on September 8, 2020, Progress has entered into a definitive agreement to acquire Chef Software, Inc ("Chef"). The revised business outlook in the table above includes an expected contribution from Chef of approximately \$5 to \$7 million to GAAP revenue and \$10 to \$12 million to non-GAAP

revenue, and a negative impact of \$0.27 to \$0.31 to GAAP earnings per share and \$0.00 to \$0.04 to non-GAAP earnings per share.

Conference Call

In conjunction with this announcement, Progress will hold a conference call at 8:00 a.m. ET on Tuesday, September 8, 2020. 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 1-800-367-2403, pass code 4134193. 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 or other offerings are compromised or subject to a successful cyber-attack, or if such 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, including our pending acquisition of Chef, 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 consummate the proposed acquisition of Chef could negatively impact our future results of operations and financial condition; (10) The coronavirus disease (COVID-19) outbreak and the impact it could have 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, 2019. 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) offers the leading platform for developing and deploying strategic business applications. We enable customers and partners to deliver modern, high-impact digital experiences with a fraction of the effort, time and cost. Progress offers powerful tools for easily building adaptive user experiences across any type of device or touchpoint, the flexibility of a cloud-native app dev platform to deliver modern apps, leading data connectivity technology, web content management, business rules, secure file transfer, network monitoring, plus award-winning machine learning that enables cognitive capabilities to be a part of any application. Over 1,700 independent software vendors, 100,000 enterprise customers, and two million developers rely on Progress to power their applications. Learn about Progress at www.progress.com or +1-800-477-6473.

Progress and Progress Software are trademarks or registered trademarks of Progress Software Corporation and/or its subsidiaries or affiliates in the U.S. and other countries. Any other names contained herein may be trademarks of their respective owners.

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RECONCILIATIONS OF GAAP TO NON-GAAP FINANCIAL MEASURES FOR Q3 2020 PRELIMINARY RESULTS
(Unaudited)

Preliminary Q3 2020 Revenue

	Three Months Ended		Three Months Ending					
	August 31, 2019		August 31, 2020					
			Low	% Change	High	% Change		
<i>(In millions, except percentages)</i>								
GAAP revenue	\$	106.7	\$	107.8	1 %	\$	109.8	3 %
Acquisition-related adjustments - revenue ⁽¹⁾		8.8		1.2	(86)%		1.2	(86)%
Non-GAAP revenue	\$	115.5	\$	109.0	(6)%	\$	111.0	(4)%

⁽¹⁾Acquisition-related revenue constitutes revenue reflected as pre-acquisition deferred revenue that would otherwise have been recognized but for the purchase accounting treatment of acquisitions. Since GAAP accounting requires the elimination of this revenue, GAAP results alone do not fully capture all of our economic activities. Acquisition-related revenue adjustments relate to Progress' OpenEdge business segment for Ipswitch.

Preliminary Q3 2020 Non-GAAP Earnings per Share

	Three Months Ending August 31, 2020			
	Low		High	
GAAP diluted earnings per share	\$	0.50	\$	0.53
Acquisition-related revenue		0.03		0.03
Acquisition-related expense		0.01		0.01
Stock-based compensation		0.12		0.12
Amortization of acquired intangibles		0.13		0.13
Total adjustments		0.29		0.29
Income tax adjustment		(0.04)		(0.04)
Non-GAAP diluted earnings per share	\$	0.75	\$	0.78

RECONCILIATIONS OF GAAP TO NON-GAAP FINANCIAL MEASURES FOR FISCAL YEAR 2020 GUIDANCE
(Unaudited)

Fiscal Year 2020 Updated Revenue Guidance

	Fiscal Year Ended		Fiscal Year Ending					
	November 30, 2019		November 30, 2020					
			Low	% Change	High	% Change		
<i>(In millions, except percentages)</i>								
GAAP revenue	\$	413.3	\$	438.3	6%	\$	442.3	7%
Acquisition-related adjustments - revenue ⁽¹⁾		18.7		13.7	(27)%		13.7	(27)%
Non-GAAP revenue	\$	432.0	\$	452.0	5%	\$	456.0	6%

⁽¹⁾Acquisition-related revenue constitutes revenue reflected as pre-acquisition deferred revenue that would otherwise have been recognized but for the purchase accounting treatment of acquisitions. Since GAAP accounting requires the elimination of this revenue, GAAP results alone do not fully capture all of our economic activities. Acquisition-related revenue adjustments relate to Progress' OpenEdge business segment for Ipswitch and Progress' Application Development and Deployment segment for Chef.

Fiscal Year 2020 Updated Non-GAAP Earnings per Share Guidance

	Fiscal Year Ending November 30, 2020			
	Low		High	
<i>(In millions, except per share data)</i>				
GAAP net income	\$	75.2	\$	76.6
Acquisition-related revenue		13.7		13.7
Acquisition-related expense		1.4		1.4
Restructuring expense		7.5		7.5
Stock-based compensation		22.7		22.7
Amortization of acquired intangibles		26.6		26.6
Total adjustments ⁽²⁾		71.9		71.9
Income tax adjustment		(13.4)		(13.5)
Non-GAAP net income	\$	133.7	\$	135.0

GAAP diluted earnings per share	\$	1.66	\$	1.69
Non-GAAP diluted earnings per share	\$	2.94	\$	2.97

Diluted weighted average shares outstanding 45.4 45.4

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



Progress Q3 Preliminary Results and Chef Acquisition

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.

Risks, uncertainties and other important factors that could cause actual results to differ from those expressed or implied in the forward-looking statements include:

- uncertainties as to the timing of the closing of Progress's acquisition of Chef Software;
- the possibility that various closing conditions for the transaction may not be satisfied or waived, including that a governmental entity may prohibit, delay or refuse to grant approval for the consummation of the transaction;
- the effects of disruption from the transaction making it more difficult to maintain relationships with employees, licensees, other business partners or governmental entities;
- other business effects, including the effects of industry, economic or political conditions outside of Progress' or Chef's control;
- transaction costs;
- actual or contingent liabilities;
- uncertainties as to whether anticipated synergies will be realized; and
- uncertainties as to whether Chef's business will be successfully integrated with Progress' business.

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.

The preliminary financial results for the third fiscal quarter ended August 31, 2020 and the revised preliminary business outlook for the full fiscal year 2020 are subject to revision until Progress reports its full third quarter of fiscal year 2020 results on September 29, 2020. The estimated ranges described herein represent the most current information available to management and are not meant to be a comprehensive statement of Progress' financial results for the third fiscal quarter ended August 31, 2020.

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 press release dated September 8, 2020 and is available in the Investor Relations section of our Web site.

Conference Call Details

What:	Progress Q3 Preliminary Results and Chef Acquisition
When:	September 8, 2020
Time:	8:00 a.m. ET
Live Call:	1-800-367-2403, pass code 4134193
Live / Recorded Webcast:	http://investors.progress.com

Preliminary Q3 2020 Financial Results

	Q3 2020 Outlook (6/25/2020)	Preliminary Q3 Results (9/8/2020) *
GAAP Revenue	\$103 M- \$108 M	\$108 M- \$110 M
Non-GAAP Revenue	\$104 M- \$109 M	\$109 M- \$111 M
GAAP earnings per share (Diluted)	\$0.47 - \$0.49	\$0.50 - \$0.53
Non-GAAP earnings per share (Diluted)	\$0.69 - \$0.71	\$0.75 - \$0.78

Better than expected non-GAAP revenue across several product lines, most notably OpenEdge
Continued focus on cost management and operating efficiency

*The preliminary Q3 financial results are subject to revision until Progress reports its third quarter 2020 financial results on September 29, 2020

Preliminary Business Outlook

	FY 2020 Prior Outlook (6/25/2020)	FY 2020 Revised Outlook (9/8/2020) *	
GAAP Revenue	\$425 M – \$435 M	\$438 M – \$442 M	↑
Non-GAAP Revenue	\$433 M – \$443 M	\$452 M – \$456 M	↑
GAAP EPS	\$1.81 – \$1.85	\$1.66 – \$1.69	
Non-GAAP EPS	\$2.82 – \$2.86	\$2.94 – \$2.97	↑

Revised outlook includes Chef contribution of
\$10 - \$12 million non-GAAP revenue
Non-GAAP net loss per share of \$0.00 - \$0.04

*The revised 2020 business outlook is subject to revision until Progress reports its business outlook for the full year 2020 on September 29, 2020

Chef Overview

*DevOps pioneer founded in 2008, Chef's Enterprise Automation Stack is an automation platform for IT operators and security teams to **build, deploy** and **manage** any application, securely, to any infrastructure*

>700
Customers

>75,000
Community Members

>40 million
Downloads

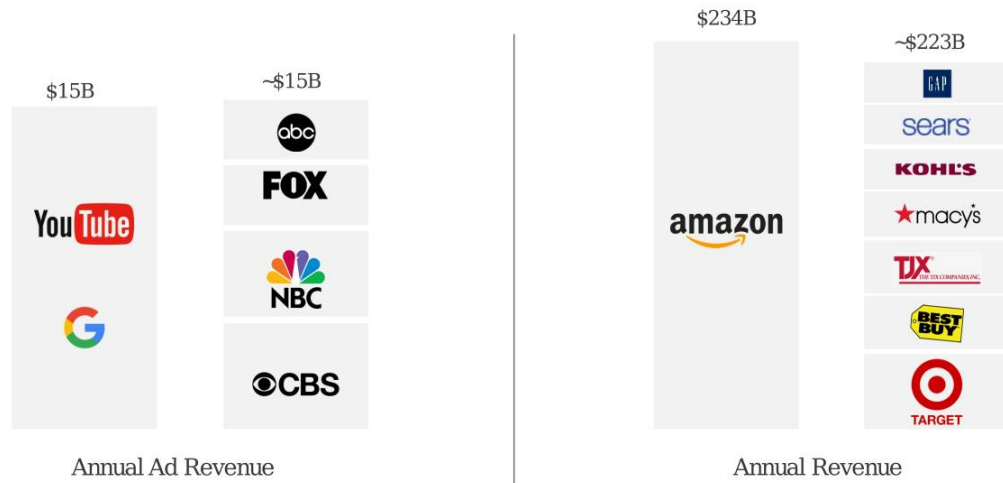
Company Highlights

- More than \$72M in TTM revenue (TTM June 30, 2020)
- Net retention rates greater than 95%
- More than 700 active customers, including many blue-chip enterprises
- 250+ employees
- Headquartered in Seattle, WA

Competitive Offerings & Advantages

- DevOps pioneer founded in 2008
- 100% open source business model with Enterprise focused GTM serving IT operators
- *Marquee brand with broad community recognition; more than 75,000 community members, 3,500 "cookbooks" and more than 40 million downloads*
- Extensible closed loop architecture

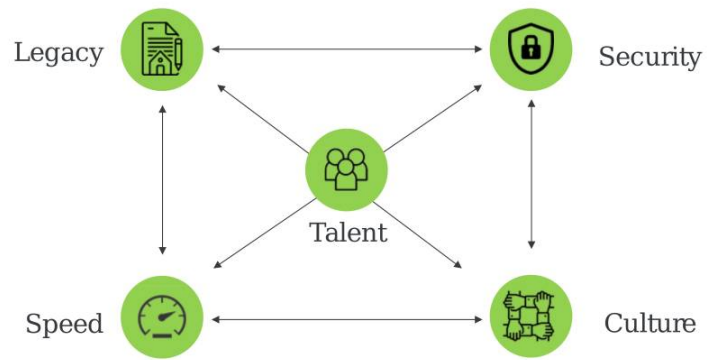
Enterprises Want To Leverage Tech Like FAANG



Source: [The Information - How YouTube and Google Cloud Compare to Rivals \(Feb. 3 2020\)](#)

Source: Public 10-K filings * Amazon Revenue is TTM minus Ads and AWS

Companies Struggle to Operationally Transform



Software automation is the foundation of the transformation

Chef - Continuous Delivery Automation

Automating Continuous Delivery – At scale across all apps / environments

- Legacy apps
- Cloud-native apps
- Packaged apps
- IT apps



Every Team

- Align Dev, Ops, and Security teams via a common set of tools and processes
- Modernize without re-writing the world

Every Change

- Drive agility across all change events
- Eliminate drift with management that travels with the application

Every Environment

- Enable consistency, velocity and security in application delivery to any infrastructure
- Validate changes across all environments

M&A Framework

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

Accretive M&A adds scale and cash flows, and generate shareholder returns

- Target acquisition profile:
 - ✓ Complementary to our business (product, audience & 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

Chef Checks All The Boxes

Chef Improves Recurring Revenue Mix

Recurring Revenue % *



Chef's subscription based, term-license model results in a higher overall recurring revenue mix and uses ARR as a key metric

We believe Chef can increase our already high overall mix of recurring revenue by approximately 200 bps

Recurring Revenue includes: Maintenance Revenue, Revenue derived from hosted/SaaS solutions and subscription revenue derived from subscription or term license arrangements

* Excludes impact of FX by using constant exchange rates for all years / 2019 and 2020 Q2 YTD as previously reported / 2019 PF and 2020 Q2 YTD PF include contribution from Chef

Transaction Overview

Timing	<ul style="list-style-type: none"> Definitive agreement signed September 4, 2020 Expected close in Q4 2020 subject to customary closing conditions and regulatory review
Purchase Price	<ul style="list-style-type: none"> \$220 million, all-cash transaction <ul style="list-style-type: none"> \$120 million of existing cash Up to \$100 million revolving credit facility
Financial Overview	<ul style="list-style-type: none"> > \$70 million TTM revenue, >90% recurring – no expectation of revenue synergies Cost synergies fully realized within 12 months Operating margins over 35% after cost synergies Accretive to both non-GAAP EPS and cash flow beginning in Q1 2021
2020 Financial Impact	<ul style="list-style-type: none"> Based on expected closing date, Chef will be part of Progress for 2 months in 2020 <ul style="list-style-type: none"> \$10 - \$12 million non-GAAP revenue contribution \$0.00 to \$0.04 non-GAAP net loss per share
Integration	<ul style="list-style-type: none"> Chef to become part of AD&D segment Cost synergies fully realized within 12 months



