

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K/A

CURRENT REPORT
Pursuant to Section 13 OR 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) **October 31, 2024**

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.)

15 Wayside Road, Suite 400, Burlington, Massachusetts
(Address of principal executive offices)

01803
(Zip code)

Registrant's telephone number, including area code **(781) 280-4000**

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.

EXPLANATORY NOTE

Progress Software Corporation (the "Company") is filing this Form 8-K/A as an amendment to the Current Report on Form 8-K filed by the Company with the U.S. Securities and Exchange Commission (the "SEC") on October 31, 2024 (the "Original Filing"). As disclosed in the Original Filing, the Company completed its previously announced purchase of the assets and assumption of certain of the liabilities that collectively comprise the ShareFile business ("ShareFile") on October 31, 2024 pursuant to the terms of that certain Asset Purchase Agreement dated as of September 9, 2024 (the "Purchase Agreement"), by and between the Company and Cloud Software Group, Inc., a Delaware corporation.

This amendment to the Original Filing is being filed for the purpose of satisfying the Company's obligation to file the financial statements and pro forma financial information relating to the ShareFile acquisition pursuant to Item 9.01 of Form 8-K. This amendment should be read in conjunction with the Original Filing. Except as set forth herein, no modifications have been made to information contained in the Original Filing, and the Company has not updated any information contained therein to reflect events that have occurred since the date of the Original Filing.

Item 9.01. Financial Statements and Exhibits

(a) Financial Statements of Business Acquired.

Included in this Current Report on Form 8-K/A are the audited abbreviated financial statements of ShareFile as of and for the nine months ended September 1, 2024, including notes thereto and the Independent Auditor's Report thereon. The foregoing is filed as Exhibit 99.1 and is incorporated herein by reference.

(b) Pro Forma Financial Information.

The Company is also filing the unaudited pro forma condensed combined financial information and explanatory notes as of August 31, 2024, and for the nine months ended August 31, 2024, and for the year ended November 30, 2023, which give effect to the acquisition of ShareFile and the financing in respect thereof, as more fully set forth in such pro forma financial information. The unaudited pro forma condensed combined financial information, and the notes related thereto, are filed as Exhibit 99.2 and are incorporated herein by reference.

(d) Exhibits.

<u>Exhibit No.</u>	<u>Description</u>
23.1	Consent of Deloitte & Touche LLP.
99.1	Audited Abbreviated Financial Statements of ShareFile as of and for the nine months ended September 1, 2024.
99.2	Unaudited Pro Forma Condensed Combined Financial Information of Progress Software Corporation and ShareFile as of August 31, 2024, and for the nine months ended August 31, 2024, and for the year ended November 30, 2023.
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 9, 2025

Progress Software Corporation

By: /s/ ANTHONY FOLGER

Anthony Folger
Chief Financial Officer

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in Registration Statement No. 333-133724 on Form S-3 and Registration Statement Nos. 333-146233, 333-80559, 333-41401, 333-41393, 333-41403, 333-80571, 333-98035, 333-101239, 333-122962, 333-150555, 333-236096, 333-257519, 333-280735, and 333-275707 on Form S-8 of Progress Software Corporation of our report dated January 9, 2025, relating to the abbreviated financial statements of the ShareFile Business, a business of Cloud Software Group Holdings, Inc., which comprise the statement of assets acquired and liabilities assumed as of September 1, 2024 and the related statement of revenues and direct expenses for the nine months ended September 1, 2024 appearing in this Current Report on Form 8-K (of Progress Software Corporation) dated January 9, 2025.

/s/ Deloitte & Touche LLP

San Jose, California
January 9, 2025

ShareFile Business of Cloud Software Group Holdings, Inc.
Abbreviated Financial Statements
As of and For the Nine Months Ended September 1, 2024, and
Independent Auditor's Report

SHAREFILE BUSINESS
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Progress Software Corporation

Opinion

We have audited the abbreviated financial statements of the ShareFile Business, a business of Cloud Software Group Holdings, Inc., (the "Business"), which comprise the statement of assets acquired and liabilities assumed as of September 1, 2024, and the related statement of revenues and direct expenses for the nine months ended September 1, 2024, and the related notes to the abbreviated financial statements (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the assets acquired and liabilities assumed of the Business as of September 1, 2024, and its revenues and direct expenses for the nine months ended September 1, 2024, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Business and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the financial statements have been prepared for the purposes of complying with the rules and regulations of the U.S. Securities and Exchange Commission and are not intended to be a complete presentation of the Business' assets, liabilities, revenues and expenses. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Business' ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Business' internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Business' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

/s/ Deloitte & Touche LLP

San Jose, California
January 9, 2025

SHAREFILE BUSINESS
ABBREVIATED FINANCIAL STATEMENTS
STATEMENT OF ASSETS ACQUIRED AND LIABILITIES ASSUMED
AS OF SEPTEMBER 1, 2024
(in thousands)

	As of September 1, 2024
ASSETS ACQUIRED	
Current assets:	
Prepaid expenses and other current assets	\$ 8,486
Total current assets	8,486
Property and equipment, net	51
Acquired intangible assets, net	310,811
Other assets	18,022
Total assets acquired	\$ 337,370
LIABILITIES ASSUMED	
Current liabilities:	
Accrued liabilities	\$ 2,794
Unearned revenue	89,341
Total current liabilities	92,135
Long-term unearned revenue	2,852
Long-term operating lease liabilities	3,327
Total liabilities assumed	98,314
Net assets acquired	\$ 239,056

The accompanying notes are an integral part of these abbreviated financial statements.

SHAREFILE BUSINESS
ABBREVIATED FINANCIAL STATEMENTS
STATEMENT OF REVENUES AND DIRECT EXPENSES
FOR THE NINE MONTHS ENDED SEPTEMBER 1, 2024
(in thousands)

	For the Nine Months Ended September 1, 2024
Revenue:	
Revenue	\$ 183,584
Direct expenses:	
Cost of revenue	73,075
Research and development	32,435
Sales and marketing	56,774
General and administrative	16,994
Restructuring and divestiture expenses	9,802
Total direct expenses	189,080
Shortfall of revenue over direct expenses	\$ (5,496)

The accompanying notes are an integral part of these abbreviated financial statements.

SHAREFILE BUSINESS
NOTES TO ABBREVIATED FINANCIAL STATEMENTS
AS OF AND FOR THE NINE MONTHS ENDED SEPTEMBER 1, 2024

1. Basis of presentation

On September 9, 2024, Cloud Software Group, Inc. and its subsidiaries (the “Company” or “Cloud” or “Seller”) and Progress Software Corporation (the “Buyer” or “Progress”) entered into a definitive agreement (the “Agreement”) for the sale of certain assets and liabilities that comprise the ShareFile Business (the “Business” or “ShareFile”). The transaction between Cloud and Progress closed on October 31, 2024. The Purchase Price to complete the Acquisition was approximately \$875 million in cash, subject to a \$25 million working capital credit and subject to certain customary adjustments as further described in the Purchase Agreement, resulting in a payment at closing of \$852.7 million. The transaction did not contain any earnouts or other contingent consideration elements.

Cloud is a privately held company that was formed in September 2022 through the merger of Citrix Systems, Inc. (“Citrix”) and TIBCO Software, Inc. (“TIBCO”). The ShareFile Business was part of the Citrix business and was founded in 2005 and acquired by Citrix in 2011. ShareFile offers a cloud-based, comprehensive solution to address file sharing, storage and collaboration needs of businesses, with the ability to support demanding security and compliance requirements. The ShareFile product portfolio is comprised of solutions such as Secure file transfer, Document transaction and generation, Client portal and collaboration, and RightSignature.

The accompanying abbreviated financial statements were prepared to present the assets acquired and liabilities assumed and revenues and direct expenses for the Business in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”). The statement of assets acquired and liabilities assumed and statement of revenues and direct expenses were prepared for the purpose of complying with the rules and regulations of the U.S. Securities and Exchange Commission and are not intended to be a complete presentation of the Business’ assets, liabilities, revenues and expenses.

Historically, stand-alone financial statements related to the Business have not been prepared, as Cloud did not maintain separate discrete financial information for the Business, nor was it a separate legal entity, subsidiary, operating segment or division of Cloud. These abbreviated financial statements represent the ShareFile Business subject to sale under the Agreement and were derived from the accounting records of Cloud. The Business is subject to the policies and procedures of the Company and does not have its own stand-alone accounting policies and procedures. The abbreviated financial statements include certain allocations of direct expenses from Cloud, that are associated with the revenue-generating activities of the Business such as amortization of acquired intangible assets and expenses related to dedicated ShareFile employees within corporate functions. Management believes the allocation method used was reasonable and appropriate. The abbreviated financial statements do not include other corporate overhead costs, such as executive management, finance and accounting, tax, legal, compliance, human resources, IT management, and other general support functions, as these costs are not directly associated with the revenue generating activities of the Business and do not include allocation of interest expense as the debt held by the Seller will not be assumed by the Buyer, nor do they include any allocation of income taxes. The financial information presented herein may not be indicative of the results that would have been achieved if the Business operated as a separate, stand-alone entity during the period presented. In addition, the abbreviated financial statements may not be indicative of the financial condition or results of operations of the Business going forward given the exclusion of the omitted expenses.

The Business’ cash activities have historically been comingled with Cloud’s and are therefore not separately identifiable. All cash flow requirements of the Business were historically funded by Cloud and cash management functions were not performed at the ShareFile Business level. The preparation of statements of cash flows attributable to the Business was therefore not practicable as such information was not available.

The financial statements for the current period are prepared for the nine months ended September 1, 2024. This period is shorter than the typical twelve-month fiscal year due to the acquisition of the Business by the Buyer. The presentation of a nine-month fiscal period in-lieu of a twelve month fiscal year was made to align the financial statements with the requirements of the acquisition process. Due to the nine-month period, certain financial metrics, such as revenue and expenses, may be affected by the shorter reporting period.

2. Summary of significant accounting policies

Use of estimates

The preparation of the abbreviated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts in the accompanying abbreviated financial statements and in related disclosures. Actual results could differ from those estimates. These estimates are based on information available as of the date of the abbreviated financial statements.

Revenue recognition

ShareFile solutions are delivered primarily through direct sales channels, independent software vendors, distributors, and value-added resellers. Key sources of revenue include:

- Subscription revenue: consists of revenue from hosted software as a service (“SaaS”) licenses, sale of software, and rights to unspecified future products. Subscription offerings deliver the products, updates, and upgrades through the term of the agreement for a single fee and are available through on-premises or cloud deployment models.

Revenue is recognized upon transfer of control of promised products and services to customers in an amount that reflects the consideration that is expected to be received in exchange for those products or services. The Company enters into contracts that can include various combinations of products and services, which are generally capable of being distinct and accounted for as separate performance obligations. If the consideration promised in a contract includes a variable amount, for example, price concessions, overage fees, contingent fees or service level penalties, an estimate of the amount expected to be received for the total transaction price is included, if it is probable that a significant reversal of cumulative revenue recognized will not occur, when the uncertainty related to the variable consideration is subsequently resolved. Pursuant to Accounting Standards Codification (“ASC”) 606, *Revenue from Contracts with Customers*, the Company determines the amount of revenue to be recognized through the application of the following steps:

- Identification of the contract, or contracts with a customer;
- Identification of the performance obligations in the contract;
- Determination of the transaction price;
- Allocation of the transaction price to the performance obligations in the contract; and
- Recognition of revenue when, or as, a performance obligation is satisfied.

The Company determines the existence of a contract with a customer when the contract is approved, each party’s rights regarding the products or services to be transferred can be identified, and the payment terms for the products or services can be identified. The Company determines whether the customer has the ability and intent to pay, and if the contract has commercial substance. Standard payment terms vary, including based on the country in which the contract is executed, but are generally between 30 and 60 days. Payment terms provide customers with a simplified purchasing experience aligned with the industry and are not intended to secure financing for either party. The Company assesses collectability at the onset of the arrangement, primarily based on the customer’s creditworthiness and collection history. The Company does not offer right of return or retrospective price protection to any of the customers. At contract inception, the Company evaluates whether two or more contracts should be combined and accounted for as a single contract. The contracts do not contain non-standard warranties that give rise to separate performance obligations.

For contracts with multiple performance obligations, the Company allocates the contract’s transaction price to each performance obligation using the relative standalone selling price (“SSP”) of each distinct product or service in the contract. The transaction price is allocated to the separate performance obligations on a relative standalone selling price basis for those performance obligations with stable observable prices and the residual method is applied for any performance obligation with highly variable pricing.

In addition, the Company has developed assumptions that require judgment to determine the SSP for each performance obligation identified in the contract. The Company determines the SSP for a product or service by considering the multiple factors including, but not limited to, geographies, market conditions, product life cycles, competitive landscapes, internal costs, gross margin objectives, purchase volumes and pricing practices. The Company reviews the SSP for each performance obligation on a periodic basis and updates it, when appropriate, to ensure that the practices employed reflect the most recent pricing experience and maximize the use of the observable data. When a contract includes an option for a customer to purchase additional products or services at a stated price, the Company evaluates whether the option provides a material right and if so, allocates a portion of the transaction price to such right based on SSP.

Subscription revenue for SaaS offerings is recognized ratably over the term of the agreement. Invoices are generally issued when products are made available to a customer for new transactions and in advance of the subscription period for renewals. Billing terms are generally annual with standard payment terms.

The appropriate disclosures are included based on the following practical expedients in the application of ASC 606:

- The Company excludes from revenue the taxes assessed by a governmental authority that are both imposed on and concurrent with a specific revenue-producing transaction, and are collected from customers;
- If at contract inception the Company expects that the period between performance and customer payment will be one year or less, the Company does not adjust the promised amount of consideration for the effects of a significant financing component; and
- The Company expenses the contract acquisition costs when the asset that would have resulted from capitalizing such costs would have been amortized in one year or less.

Unearned revenue

Unearned revenue consists of amounts that have not been recognized as revenue because the delivery of promised products and services has not yet occurred. Unearned revenue will be recognized as revenue when the performance obligations are satisfied or the contingency relating to revenue recognition has been resolved. Unearned revenue is classified as either current or noncurrent based on the timing of when it is expected to be recognized as revenue and disclosed as such.

Unearned revenue is reported net of any corresponding contract asset on a net contract-by-contract basis at the end of the reporting period.

The opening balances of short-term and long-term unearned revenue, as of November 2023, were \$80,416 thousand and \$1,885 thousand, respectively.

Deferred sales commissions

The Company recognizes an asset for the incremental costs of obtaining a contract with a customer if the Company expects the benefit of those costs to be longer than one year. The Company has determined that certain sales incentive programs meet the requirements to be capitalized. Commissions for such contracts are generally deferred and amortized on a straight-line basis over a period of benefit that we estimate to be five years. The Company determines the period of benefit by taking into consideration the historical and expected durations of the customer contracts, the expected useful lives of the technologies, and other factors. Amortization of deferred sales commissions is included as a component of Sales and marketing expenses in the statement of revenues and direct expenses while the unamortized portion of the deferred sales commissions are included as a component of prepaid expenses and other current assets or other assets in the statement of assets acquired and liabilities assumed depending on whether they are classified as current or noncurrent.

Prepaid expenses

Prepaid expenses represent cash paid in advance for various software or cloud subscriptions and insurance policies. Prepaid expenses are included within the prepaid expenses and other current assets in the abbreviated financial statements and was \$3,574 thousand as of September 1, 2024.

Leases

An arrangement is determined if it is a lease at its inception. Operating lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The incremental borrowing rate is used in determining the present value of future payments. Right-of-use (“ROU”) assets related to the operating lease liabilities are measured at lease inception based on the initial measurement of the lease liability, plus any prepaid lease payments and less any lease incentives and accrued rent. The lease terms that are used in determining the operating lease liabilities at lease inception may include options to extend or terminate the leases when it is reasonably certain that the Company will exercise such options. The ROU assets are amortized as operating lease expense generally on a straight-line basis over the lease term and both the lease amortization and imputed interest are classified as operating expenses. Where the lease agreements have lease and non-lease components, they are generally accounted as a single lease component.

ROU assets related to the operating leases are included in other assets, short-term and long-term operating lease liabilities are included in accrued liabilities and long-term operating lease liabilities, respectively, in the abbreviated financial statements. See Note 7 for more information regarding the leases.

Long-term asset impairment

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. The evaluation is performed at the lowest level of identifiable cash flows independent of other assets. The recoverability of these assets is measured by comparing the carrying amounts to the future undiscounted cash flows that the assets or the asset group are expected to generate. No impairment was recorded during the nine months ended September 1, 2024.

Advertising expenses

Advertising costs are expensed as incurred and are charged to sales and marketing expense and totaled approximately \$779 thousand for the nine months ended September 1, 2024.

3. Revenue

Disaggregation of revenue

Revenue consists of the following by category (in thousands):

	For the Nine Months Ended September 1, 2024
SaaS	\$ 183,250
Other	334
Total revenue	<u>\$ 183,584</u>

Revenues by geographical regions consists of the following (in thousands):

	For the Nine Months Ended September 1, 2024
United States	\$ 160,108
Europe, Middle East and Africa	19,378
Asia Pacific and Japan	4,098
Total revenue	<u>\$ 183,584</u>

The ShareFile business does not have any customer that accounts for more than 10% of the total revenue for the nine months ended September 1, 2024.

Deferred sales commissions

The current and long-term deferred sales commissions are included in prepaid expenses and other current assets and other assets, respectively, on the statement of assets acquired and liabilities assumed. The carrying values of our deferred sales commissions are as follows (in thousands):

	As of September 1, 2024
Deferred sales commissions	\$ 17,351
Less: Current portion of deferred sales commissions	(4,877)
Long-term deferred sales commissions	<u>\$ 12,474</u>

Amortization of deferred sales commissions is included as a component of sales and marketing expenses in the statement of revenues and direct expenses. Total amortization for the nine months ended September 1, 2024 was \$5,403 thousand.

The opening balance of short-term and long-term deferred sales commissions was \$3,008 and \$ 9,082 respectively.

4. Intangible assets, net

The following table provides the gross carrying amount and accumulated amortization for each major class of intangible assets (in thousands):

	As of September 1, 2024		
	Gross Carrying Amount	Accumulated Amortization	Net Amount
Existing technologies	\$ 245,601	\$ (94,147)	\$ 151,454
Customer relationships	176,400	(42,263)	134,137
Tradenames	31,200	(5,980)	25,220
Total acquired intangible assets	<u>\$ 453,201</u>	<u>\$ (142,390)</u>	<u>\$ 310,811</u>

The estimated useful lives of existing technologies, customer relationships and tradenames are 5 years, 8 years and 10 years, respectively.

Amortization expense was as follows (in thousands):

	For the Nine Months Ended September 1, 2024
Cost of revenue	\$ 36,840
Sales and marketing	18,878
Total amortization	<u>\$ 55,718</u>

Estimated future amortization for acquired intangible assets is as follows as of September 1, 2024 (in thousands):

Fiscal years ending November 30	
2024 (remaining three months)	\$ 18,573
2025	74,290
2026	74,290
2027	66,103
2028	25,170
Thereafter	52,385
Total	<u>\$ 310,811</u>

5. Restructuring and divestiture expenses

As a part of integration efforts related to recent acquisitions of Cloud, the Company is in the process of executing restructuring efforts intended to improve operational efficiency. The restructuring includes, among other things, the ongoing reorganization of the Cloud business operations and ongoing expense re-alignment efforts. For the nine months ended September 1, 2024, restructuring charges of \$6,759 thousand were primarily related to severance for employee terminations, excess facilities and other corporate actions aimed at increasing efficiencies and reducing redundancy costs.

For the nine months ended September 1, 2024, divestiture-related charges of \$3,043 thousand were primarily related to the sale of the Business to Progress.

6. Commitments and contingencies

Purchase Obligations - We have an agreement with a third-party provider, in the ordinary course of business, through May 2029. Under the agreement, we are committed to purchase \$130,000 thousand throughout the term of the agreement. As of September 1, 2024, we had \$122,075 thousand of remaining obligations under the agreement. As of the nine months ended September 1, 2024, the total expense related to this purchase obligation is \$7,925 thousand and is recorded in cost of revenue.

Indemnifications - Our software license agreements typically provide for indemnification of customers for intellectual property infringement claims. To date, no such claims have been filed against us. We also warrant to customers that software products operate substantially in accordance with the software product's specifications. Historically, we have incurred minimal costs related to product warranties, and, as such, no accruals for warranty costs have been made. In addition, we indemnify our officers and directors under the terms of indemnity agreements entered into with them, as well as pursuant to our organizational documents and applicable Delaware law.

7. Leases

The Company leases office space and equipment under non-cancelable operating leases in Raleigh, USA and Bangalore, India with respect to ShareFile. These leases have an expiration date through 2026 and 2027, respectively. In addition to rent, the leases require the Company to pay for taxes, insurance, maintenance, and other operating expenses. Certain of these leases contain stated escalation clauses while others contain renewal options. The Company recognizes lease expense, which is the sum of interest and amortization expense on each contractual payment, on a straight-line basis.

As of September 1, 2024, the Company recorded ROU assets of \$5,535 thousand in other assets. Short-term lease liabilities of \$2,552 thousand and long-term lease liabilities of \$3,327 thousand were included in accrued liabilities and long-term operating lease liabilities, respectively, as of September 1, 2024.

The components of operating lease cost were as follows (in thousands):

	For the Nine Months Ended September 1, 2024
Operating lease cost	\$ 3,255
Variable lease cost	24
Total operating lease cost	<u>\$ 3,279</u>

Lease term and discount rate information related to our operating leases are as follows:

	As of September 1, 2024
Weighted-average remaining lease term (years)	2.30
Weighted-average discount rate	10 %

The following table represents the maturities of our future lease payments due under operating leases as of September 1, 2024 (in thousands):

Fiscal years ending November 30	
2024 (remaining three months)	\$ 726
2025	2,972
2026	2,529
2027	300
Total lease payments	<u>6,527</u>
Less: imputed interest	<u>(648)</u>
Present value of lease liabilities	<u>\$ 5,879</u>

8. Subsequent events

We have evaluated subsequent events and transactions through January 9, 2025, the date financial statements were available to be issued, and noted no events or transactions that would require recognition or disclosure in the abbreviated financial statements other than the transaction between Cloud and Progress described in Note 1.

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

On September 9, 2024, Progress Software Corporation (“Progress” or the “Company”) and Cloud Software Group, Inc. and its subsidiaries (the “Seller” or “Cloud”) entered into a definitive agreement (the “Purchase Agreement”) for the sale of certain assets and liabilities that comprise the ShareFile Business (“ShareFile”). The transaction between Progress and Cloud closed on October 31, 2024 for an aggregate purchase price of \$875.0 million in cash, subject to a \$25.0 million working capital credit and certain customary adjustments (the “Purchase Price”), and was funded through \$730.0 million in borrowings under an existing \$900.0 million revolving credit facility and cash on hand, resulting in a payment at closing of \$852.7 million (the “Acquisition”). The following unaudited pro forma condensed combined consolidated financial statements of Progress and ShareFile have been prepared to give effect to the Acquisition of ShareFile by the Company.

The following unaudited pro forma condensed combined financial information is based on: (i) the unaudited historical condensed consolidated financial information of Progress and the audited abbreviated financial information of ShareFile as of and for the nine months ended August 31, 2024 and September 1, 2024, respectively; and (ii) the audited historical consolidated financial information of Progress and the unaudited historical financial information of ShareFile for the year ended November 30, 2023 (the fiscal year end of both Progress and ShareFile). The unaudited pro forma condensed combined statements of operations for the nine months ended August 31, 2024 and for the year ended November 30, 2023 have been prepared to reflect the Acquisition as though it occurred on December 1, 2022, including the related financing. The unaudited pro forma condensed combined balance sheet as of August 31, 2024 has been prepared to reflect the Acquisition as though it occurred on August 31, 2024, including the related financing.

The Acquisition has been accounted for by using the acquisition method of accounting for the business combination. Accordingly, consideration paid by the Company to complete the Acquisition was allocated to ShareFile’s assets and liabilities based upon their estimated fair values as of the date of completion of the Acquisition. The pro forma purchase price adjustments are preliminary, subject to further adjustments as additional information becomes available along with the completion of the purchase price allocation and as additional analyses are performed, and have been made solely for the purpose of providing the pro forma financial information presented below. The unaudited pro forma condensed combined financial information does not reflect any adjustment for costs of, or related liabilities for, any integration and similar activities, or benefits, including potential synergies that may be derived in future periods, from the Acquisition.

The unaudited pro forma condensed combined financial information is provided for illustrative purposes only and does not purport to represent what the actual combined results of operations or the combined financial position of the combined company would have been had the Acquisition and related financing occurred on the dates assumed, nor is the pro forma condensed combined financial information necessarily indicative of future combined results of operations or combined financial position. The unaudited pro forma condensed combined financial information is based upon available information and certain assumptions that the Company believes are reasonable, as described in the accompanying notes that should be read in conjunction with the pro forma condensed combined financial information.

The Unaudited Pro Forma Condensed Combined Balance Sheet has been compiled from and should be read in conjunction with the following sources:

- The financial information for Progress has been prepared in accordance with United States Generally Accepted Accounting Principles (“U.S. GAAP”) and extracted without adjustment from the Company’s unaudited condensed consolidated balance sheet as of August 31, 2024, contained in the Company’s Quarterly Report on Form 10-Q for the period ended August 31, 2024 filed with the Securities and Exchange Commission (“SEC”) on October 8, 2024.
- The financial information for ShareFile has been prepared in accordance with U.S. GAAP and derived without adjustment from ShareFile’s audited statement of assets acquired and liabilities assumed as of September 1, 2024, attached as Exhibit 99.1 to this Current Report on Form 8-K/A.

The Unaudited Pro Forma Condensed Combined Statements of Operations have been compiled from and should be read in conjunction with the following sources:

- The financial information for Progress has been prepared in accordance with U.S. GAAP and extracted without adjustment from: (i) the Company’s unaudited condensed consolidated statement of operations for the nine-month period ended August 31, 2024, contained in the Company’s Quarterly Report on Form 10-Q filed with the SEC on October 8, 2024 and; (ii) the Company’s audited consolidated statement of operations for the fiscal year ended

November 30, 2023, contained in the Company's Annual Report on Form 10-K filed with the SEC on January 26, 2024.

- The financial information for ShareFile has been prepared in accordance with U.S. GAAP and derived without adjustment from: (i) ShareFile's audited statement of revenues and direct expenses for the nine months ended September 1, 2024, attached as Exhibit 99.1 to this Current Report on Form 8-K/A; and (ii) the unaudited historical financial information of ShareFile for the year ended November 30, 2023 as presented in the Unaudited Pro Forma Condensed Combined Statements of Operations, which is based on the records kept by Cloud. Such historical financial statements are not required per Rule 3-05 of Regulation S-X given the use of the nine-month accommodation per Rule 3-06 of Regulation S-X that is used to meet the 1-year requirement per Rule 3-05 of Regulation S-X.

Unaudited Pro Forma Condensed Combined Balance Sheet
As of August 31, 2024

<i>(in thousands, except share data)</i>	Progress Historical (unaudited)	ShareFile Historical (audited)	Transaction Accounting and Financing Adjustments	Note	Pro Forma (unaudited)
Assets					
Current assets:					
Cash and cash equivalents	\$ 232,713	\$ —	\$ (134,802)	(a)(b)	\$ 97,911
Accounts receivable (less allowance of \$791)	87,680	—	—		87,680
Unbilled receivables	35,163	—	—		35,163
Other current assets	33,001	8,486	(4,912)	(c)	36,575
Total current assets	<u>388,557</u>	<u>8,486</u>	<u>(139,714)</u>		<u>257,329</u>
Long-term unbilled receivables	34,636	—	—		34,636
Property and equipment, net	12,574	51	—		12,625
Intangible assets, net	284,706	310,811	153,189	(e)	748,706
Goodwill	832,748	—	455,717	(f)	1,288,465
Right-of-use lease assets	12,853	—	5,535	(d)	18,388
Deferred tax assets	41,078	—	22,126	(g)	63,204
Other assets	12,732	18,022	(18,009)	(c)(d)	12,745
Total assets	<u>\$ 1,619,884</u>	<u>\$ 337,370</u>	<u>\$ 478,844</u>		<u>\$ 2,436,098</u>
Liabilities and stockholders' equity					
Current liabilities:					
Accounts payable	\$ 10,781	\$ —	\$ —		\$ 10,781
Short-term deferred revenue, net	218,036	89,341	—		307,377
Accrued compensation and related taxes	43,919	—	—		43,919
Dividends payable to stockholders	8,423	—	—		8,423
Short-term operating lease liabilities	8,873	—	2,552	(d)	11,425
Other accrued liabilities	24,876	2,794	(2,552)	(d)	25,118
Total current liabilities	<u>314,908</u>	<u>92,135</u>	<u>—</u>		<u>407,043</u>
Long-term deferred revenue, net	67,348	2,852	—		70,200
Convertible senior notes, net	795,282	—	—		795,282
Long-term debt, net	—	—	730,000	(b)	730,000
Long-term operating lease liabilities	8,597	3,327	—		11,924
Deferred tax liabilities	3,765	—	—		3,765
Other noncurrent liabilities	4,372	—	—		4,372
Commitments and contingencies					
Stockholders' equity:					
Preferred stock, \$0.01 par value; authorized, 10,000,000 shares; issued, none	—	—	—		—
Common stock, \$0.01 par value; authorized, 200,000,000 shares; issued and outstanding, 42,899,041 shares	429	—	—		429
Additional paid-in capital	338,594	—	—		338,594
Retained earnings	119,241	—	(12,100)	(a)	107,141
Accumulated other comprehensive loss	(32,652)	—	—		(32,652)
Total stockholders' equity	<u>425,612</u>	<u>—</u>	<u>(12,100)</u>		<u>413,512</u>
Total liabilities and stockholders' equity	<u>\$ 1,619,884</u>	<u>\$ 98,314</u>	<u>\$ 717,900</u>		<u>\$ 2,436,098</u>

See accompanying Notes to Unaudited Pro Forma Condensed Combined Financial Information.

**Unaudited Pro Forma Condensed Combined Statement of Operations
For the Nine Months Ended August 31, 2024**

<i>(in thousands, except per share data)</i>	Progress Historical (unaudited)	ShareFile Historical (audited)	Transaction Accounting and Financing Adjustments	Note	Pro Forma (unaudited)
Revenue:					
Software licenses	\$ 175,929	\$ —	\$ —		\$ 175,929
Maintenance and services	362,519	183,584	—		546,103
Total revenue	538,448	183,584	—		722,032
Costs of revenue:					
Cost of software licenses	7,928	—	—		7,928
Cost of maintenance and services	64,452	73,075	(36,840)	(e)	100,687
Amortization of acquired intangibles	21,564	—	12,750	(e)	34,314
Total costs of revenue	93,944	73,075	(24,090)		142,929
Gross profit	444,504	110,509	24,090		579,103
Operating expenses:					
Sales and marketing	114,141	56,774	(18,878)	(e)	152,037
Product development	105,143	32,435	—		137,578
General and administrative	63,830	16,994	—		80,824
Amortization of acquired intangibles	47,515	—	36,964	(e)	84,479
Cyber incident and vulnerability response expenses, net	4,950	—	—		4,950
Restructuring expenses	3,308	9,802	—		13,110
Acquisition-related expenses	3,114	—	—		3,114
Total operating expenses	342,001	116,005	18,086		476,092
Income (loss) from operations	102,503	(5,496)	6,004		103,011
Other (expense) income:					
Interest expense	(21,116)	—	(36,566)	(b)	(57,682)
Interest income and other, net	3,448	—	—		3,448
Foreign currency loss, net	(2,821)	—	—		(2,821)
Total other expense, net	(20,489)	—	(36,566)		(57,055)
Income (loss) before income taxes	82,014	(5,496)	(30,562)		45,956
Provision (benefit) for income taxes	14,723	—	(8,654)	(i)	6,069
Net income (loss)	\$ 67,291	\$ (5,496)	\$ (21,908)		\$ 39,887
Earnings per share:					
Basic	\$ 1.55	\$ —	\$ —		\$ 0.92
Diluted	\$ 1.52	\$ —	\$ —		\$ 0.90
Weighted average shares outstanding:					
Basic	43,296	—	—		43,296
Diluted	44,167	—	—		44,167

See accompanying Notes to Unaudited Pro Forma Condensed Combined Financial Information.

Unaudited Pro Forma Condensed Combined Statement of Operations
For the Year Ended November 30, 2023

<i>(in thousands, except per share data)</i>	Progress Historical (audited)	ShareFile Historical (unaudited)	Transaction Accounting and Financing Adjustments	Note	Pro Forma (unaudited)
Revenue:					
Software licenses	\$ 220,789	\$ —	\$ —		\$ 220,789
Maintenance and services	473,650	212,571	—		686,221
Total revenue	694,439	212,571	—		907,010
Costs of revenue:					
Cost of software licenses	11,153	—	—		11,153
Cost of maintenance and services	85,255	95,936	(49,120)	(e)	132,071
Amortization of acquired intangibles	30,169	—	17,000	(e)	47,169
Total costs of revenue	126,577	95,936	(32,120)		190,393
Gross profit	567,862	116,635	32,120		716,617
Operating expenses:					
Sales and marketing	156,076	75,308	(25,171)	(e)	206,213
Product development	132,401	44,051	—		176,452
General and administrative	83,157	25,102	8,500	(h)	116,759
Amortization of acquired intangibles	66,430	—	49,286	(e)	115,716
Restructuring expenses	8,407	—	—		8,407
Acquisition-related expenses	4,704	—	12,100	(a)	16,804
Cyber incident and vulnerability response expenses, net	6,164	—	—		6,164
Total operating expenses	457,339	144,461	44,715		646,515
Income (loss) from operations	110,523	(27,826)	(12,595)		70,102
Other (expense) income:					
Interest expense	(30,780)	—	(48,710)	(b)	(79,490)
Interest income and other, net	2,538	—	—		2,538
Foreign currency loss, net	(2,624)	—	—		(2,624)
Total other expense, net	(30,866)	—	(48,710)		(79,576)
Income (loss) before income taxes	79,657	(27,826)	(61,305)		(9,474)
Provision (benefit) for income taxes	9,460	—	(21,391)	(i)	(11,931)
Net income (loss)	\$ 70,197	\$ (27,826)	\$ (39,914)		\$ 2,457
Earnings per share:					
Basic	\$ 1.62	\$ —	\$ —		\$ 0.06
Diluted	\$ 1.57	\$ —	\$ —		\$ 0.06
Weighted average shares outstanding:					
Basic	43,456	—	—		43,456
Diluted	44,658	—	—		44,658

See accompanying Notes to Unaudited Pro Forma Condensed Combined Financial Information.

Notes to Unaudited Pro Forma Condensed Combined Financial Information

Note 1: Basis of Pro Forma Presentation

The unaudited pro forma condensed combined financial information presents the pro forma balance sheet and results of operations of the combined company based upon the historical financial statements of the Company and the abbreviated financial statements of ShareFile, after giving effect to the Acquisition and adjustments described in these footnotes, and are intended to reflect the impact of the Acquisition on the Company.

The unaudited pro forma condensed combined statements of operations for the nine months ended August 31, 2024 and for the year ended November 30, 2023 give effect to the Acquisition as though it had been consummated on December 1, 2022, including the related financing. The unaudited pro forma condensed combined balance sheet as of August 31, 2024 gives effect to the Acquisition as though it had been consummated on August 31, 2024, including the related financing. The Company funded the Acquisition with \$730.0 million in borrowings under an existing \$900.0 million revolving credit facility and cash on hand, resulting in a payment at closing of \$852.7 million.

The Acquisition was accounted for using the acquisition method of accounting in accordance with Accounting Standard Codification 805 - *Business Combinations*, and the Company's cost to acquire ShareFile has been allocated to the assets acquired and liabilities assumed based upon respective preliminary estimate of fair values as of the date of the Acquisition using assumptions that the Company's management believes are reasonable given the information currently available. The process for estimating the fair values of identifiable intangible assets and certain tangible assets requires the use of significant estimates and assumptions, including estimating future cash flows and determining appropriate discount rates. The excess of the Purchase Price over the estimated amounts of net assets as of the effective date of the Acquisition was allocated to goodwill in accordance with the accounting guidance. The preliminary fair value estimates of the net assets acquired are based upon preliminary calculations and valuations, and those estimates and assumptions are subject to change as we obtain additional information for those estimates during the measurement period (up to one year from the acquisition date).

Based on the Company's preliminary review of ShareFile's summary of significant accounting policies disclosed in the abbreviated financial statements, the nature and amount of any adjustments to conform its accounting policies to those of Progress are not expected to be significant.

The unaudited pro forma condensed combined statements of operations do not reflect the cost of any integration activities or benefits from the Acquisition and synergies that may be derived from any integration activities, both of which may have a material effect on Progress' consolidated results of operations in periods following the completion of the Acquisition.

Note 2: Transaction Summary

The Purchase Price to complete the Acquisition was approximately \$875.0 million in cash, subject to a \$25.0 million working capital credit and certain customary adjustments as further described in the Purchase Agreement, and was funded through \$730.0 million in borrowings under an existing \$900.0 million revolving credit facility and cash on hand, resulting in a payment at closing of \$852.7 million.

The Purchase Price has been allocated to ShareFile's tangible assets, identifiable intangible assets, and assumed liabilities based on their estimated fair values assuming the Acquisition was consummated on August 31, 2024. The excess of the Purchase Price over the tangible assets, identifiable intangible assets, and assumed liabilities will be recorded as goodwill. The Company's estimates and assumptions in determining the estimated fair values of certain assets and liabilities are preliminary and are subject to change.

The total estimated Purchase Price was allocated as follows:

(in thousands)

Other current assets	\$	3,574
Property, plant and equipment		51
Customer relationships		318,000
Purchased technology		119,000
Trade name		27,000
Right-of-use lease assets and other assets		5,548
Deferred tax assets		22,126
Short-term deferred revenue, net		(89,341)
Short-term operating lease liabilities and other accrued liabilities		(2,794)
Long-term deferred revenue, net		(2,852)
Long-term operating lease liabilities		(3,327)
Total identifiable net assets		396,985
Goodwill		455,717
Fair value of total consideration transferred	\$	<u>852,702</u>

The preliminary fair value of the intangible assets has been estimated using the income approach in which the after-tax cash flows are discounted to present value. The cash flows are based on estimates used to price the Acquisition, and the discount rates applied were benchmarked with reference to the implied rate of return from the transaction model as well as the weighted average cost of capital.

Acquisition-related transaction costs (e.g., advisory, legal, valuation, and other professional fees) and related charges are not included as a component of consideration transferred, but are required to be expensed as incurred. Acquisition-related transaction costs of \$12.1 million and transition services agreement costs of \$8.5 million are reflected in the unaudited pro forma condensed combined financial information as described in tickmarks 3(a) and 3(h) in Note 3: Transaction Accounting and Financing Adjustments.

Note 3: Transaction Accounting and Financing Adjustments

- (a) Reflects the cash payment of \$852.7 million to Seller upon closing of the Acquisition and \$12.1 million of transaction costs paid by the Company in connection with the Acquisition that were not included in the Purchase Price.
- (b) Reflects proceeds of \$730.0 million received from the existing \$900.0 million revolving credit facility to partially fund the Acquisition. Additional interest expense incurred was calculated using an interest rate of 6.7%, which is the borrowing rate on the date of the transaction. The interest rate on the revolving credit facility adjusts monthly based on a reference to the Secured Overnight Financing Rate (SOFR). If the interest rates were to increase or decrease by 0.125% from the rate assumed, pro forma interest expense would change by approximately \$0.7 million for the nine months ended August 31, 2024 and \$0.9 million for the year ended November 30, 2023.
- (c) Reflects the elimination of the incremental costs of obtaining a contract with a customer (deferred contract costs) of \$4.9 million and \$12.5 million from other current assets and other assets, respectively, as these costs are reflected in the value of the customer relationship intangible asset.
- (d) Reflects the reclassification of \$5.5 million to right-of-use lease assets and \$2.6 million to short-term operating lease liabilities from other assets and other accrued liabilities, respectively, from the abbreviated financial statements of ShareFile to conform the presentation to that of Progress' based on our preliminary review of the accounting policies and financial statement presentation.
- (e) Reflects the adjustment of ShareFile's historical identifiable intangible assets to their preliminary estimated fair values, including \$318.0 million of customer relationships, \$119.0 million of purchased technology, and \$27.0 million of trade names, all of which were definite-lived intangible assets. For the purpose of determining pro forma amortization expense to be recorded in the unaudited pro forma condensed combined statements of operations, the total estimated fair value of each identifiable intangible asset was assumed to have a useful life of seven years. For the nine months ended September 1, 2024, ShareFile recognized \$36.8 million of amortization expense in costs of revenue and \$18.9 million in sales and marketing expenses. For the year ended November 30, 2023, ShareFile recognized \$49.1 million of amortization expense in costs of revenue and \$25.2 million in sales and marketing expenses.
- (f) Reflects estimated goodwill resulting from the preliminary allocation of the Acquisition Purchase Price to the estimated fair value of the identifiable assets acquired and liabilities assumed in the Acquisition. See Note 2: Transaction Summary above for further information.
- (g) Reflects \$22.1 million of deferred tax asset related to the deferred revenue balance of ShareFile, which was calculated using an estimated statutory income tax rate of 24.0% (federal and state). Progress is not responsible for the tax when this revenue is recognized by the Company.
- (h) Reflects \$8.5 million of expense in the year ended November 30, 2023 related to the transition services agreement ("TSA") entered into between Progress and the Seller to support the operations of ShareFile subsequent to closing. The Company expects to exit the TSA prior to one year from the date of Acquisition.
- (i) Reflects the adjustment to income tax expense on the results of operations of ShareFile and the pro forma adjustments for the nine months ended August 31, 2024 and the year ended November 30, 2023, using an estimated statutory income tax rate of 24.0% (federal and state) for both periods. Income tax expense was not allocated to ShareFile in the pre-acquisition abbreviated statements of net revenues and direct expenses.