
**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**

Date of Report (Date of earliest event reported): March 28, 2012

Progress Software Corporation

(Exact name of registrant as specified in its charter)

Commission file number: 0-19417

Massachusetts
(State or other jurisdiction of
incorporation or organization)

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)

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))
-
-

Section 2 – Financial Information

Item 2.02 Results of Operations and Financial Condition.

On March 28, 2012, Progress Software Corporation issued a press release announcing its financial results for the fiscal first quarter ended February 29, 2012. The company also posted a copy of its supplemental prepared remarks with respect to the completed fiscal quarter on the investor relations section of its website at www.progress.com. A copy of the press release and prepared remarks are attached to this Current Report on Form 8-K as Exhibits 99.1 and 99.2, respectively, and are 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 Measures – We disclosed non-GAAP financial measures in the press release and prepared remarks. These non-GAAP measures include costs of revenue, sales and marketing expense, product development expense, general and administrative expense, operating income, operating margin, net income, effective tax rate and earnings per share. We provide non-GAAP financial measures to enhance the overall understanding of our current financial performance and prospects for the future and to enable investors to evaluate our performance in the same way that management does. We use these non-GAAP measures, and we believe that they assist our investors, to make period-to-period comparisons of our operational performance because they provide a view of our operating results without items that are not, in our view, indicative of our core operating results. Management uses these same non-GAAP financial measures to evaluate performance, allocate resources, and determine compensation. These non-GAAP financial measures are also utilized by analysts to calculate consensus estimates. However, non-GAAP information should not be construed as an alternative to GAAP information as the items excluded from the non-GAAP measures often have a material impact on our financial results. Management uses, and investors should consider, non-GAAP measures in conjunction with our GAAP results.

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

- *Amortization of acquired intangibles* – In all periods presented, we excluded amortization of acquired intangibles because such 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 excluded stock-based compensation to be consistent with the way the financial community evaluates our performance and the methods used by analysts to calculate consensus estimates.
- *Transition expenses* – In all periods presented, except for the fiscal first quarter of 2012, we excluded incremental costs to transform our cost structure to a more efficient cost model. These expenses were primarily incurred in our product development and general and administrative areas and are not part of our core operating results.

- *Restructuring expenses* – In all periods presented, except for the fiscal fourth quarter of 2011 and fiscal first quarter of 2012, we excluded restructuring expenses incurred because such expenses distort trends and are not part of our core operating results.
- *Acquisition-related expenses* – In the fiscal fourth quarter of 2011 and fiscal first quarter of 2012, we excluded acquisition-related expenses because such expenses distort trends and are not part of our core operating results.
- *Litigation settlement* – In the fiscal first quarter of 2012, we excluded the cost accrued to settle an existing patent infringement action brought by JuxtaComm because such expense distorts trends and is not part of our core operating results.
- *Proxy-related costs* – In the fiscal first quarter of 2012, we excluded the costs incurred for legal and other advice associated with our 2012 Annual Meeting of Shareholders. We excluded these costs because they are not part of our core operating results.
- *Income tax adjustment* – In all periods presented, we adjusted our provision for income taxes by excluding the tax impact of the non-GAAP adjustments discussed above. The non-GAAP provision for income taxes was calculated using an effective tax rate of 33.0% and 28.7% for the fiscal quarter ended February 29, 2012 and February 28, 2011, respectively.

Changes to Non-GAAP Financial Measures – In prior earnings releases, we included a non-GAAP revenue measure which added to GAAP revenue the fair value of acquired deferred revenue written-off for GAAP purposes as part of purchase accounting. Beginning in the first fiscal quarter of 2012, we eliminated the use of non-GAAP revenue from our internal reporting, and thus as a non-GAAP financial measure for external reporting, and revised the adjustments for non-GAAP operating income, operating margin, net income, effective tax rate and earnings per share. All prior amounts reported in our earnings release and prepared remarks have been revised to reflect this change. This change does not restate or amend any previously published financial results.

Section 9 – Financial Statements and Exhibits

Item 9.01 Financial Statements and Exhibits

(d) Exhibits.

- 99.1 Press release dated March 28, 2012
- 99.2 Prepared Remarks

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: March 28, 2012

Progress Software Corporation

By: /s/ Chris B. Andersen

Chris B. Andersen

Vice President, Corporate Controller and

Chief Accounting Officer

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

Investor Relations Contact:

Tom Barth
Progress Software Corporation
(781) 280-4135
tobarth@progress.com

Public Relations Contact:

John Stewart
Progress Software Corporation
(781) 280-4101
jstewart@progress.com

Progress Software Reports 2012 Fiscal First Quarter Results

BEDFORD, MA, March 28, 2012 (BUSINESSWIRE) — Progress Software Corporation (NASDAQ: PRGS), a leading software provider that enables enterprises to be operationally responsive, announced today results for its fiscal first quarter ended February 29, 2012.

Revenue for the quarter was \$124.4 million, a decrease of 7% from \$134.2 million in the fiscal first quarter of 2011.

On a GAAP basis in the fiscal first quarter of 2012:

- Income from operations was \$11.9 million, a decrease of 58% compared to \$28.3 million in the same quarter last year;
- Net income was \$7.5 million, a decrease of 64% compared to \$20.5 million in the same quarter last year; and
- Diluted earnings per share were \$0.12, a decrease of 59% compared to \$0.29 in the same quarter last year.

On a non-GAAP basis in the fiscal first quarter of 2012:

- Income from operations was \$26.1 million, a decrease of 37% compared to \$41.3 million in the same quarter last year;
- Net income was \$17.7 million, a decrease of 40% compared to \$29.4 million in the same quarter last year; and
- Diluted earnings per share were \$0.28, a decrease of 33% compared to \$0.42 in the same quarter last year.

Jay Bhatt, president and chief executive officer of Progress Software, said: “Despite the stated year-over-year declines, the company performed better than expected, largely due to our OpenEdge product line. As we navigate through the current environment, we will continue to tightly control spending to protect our profitability.”

Bhatt also noted: “Since I joined Progress Software in early December, the management team and Board of Directors have been conducting a comprehensive evaluation of the company. This effort includes perspectives from shareholders, customers, partners and from external independent advisors including J.P. Morgan. We are nearing the end of our evaluation and expect to share our revised plan with the marketplace in late April. We understand that the status quo is unacceptable and our plan may include actions on the company’s strategy, product portfolio, expense run rate and capital allocation to strengthen the business and to deliver higher levels of shareholder value.”



Cash flows from operations for the quarter were \$38.5 million, down from \$50.2 million in the same quarter in fiscal 2011. Cash, cash equivalents and short-term investments increased to \$315.2 million from \$261.4 million at the end of the fiscal fourth quarter 2011, primarily as a result of cash flows from operations and stock option exercises.

Business Outlook

In light of the ongoing evaluation and forthcoming announcement of the company's revised business plan, the company will not provide guidance for the fiscal second quarter or fiscal year at this time.

Note to Editors

Progress Software is providing, in advance, a copy of prepared remarks for its conference call. These prepared remarks will not be read on the call. The press release, the prepared remarks, and additional financial disclosures are available on the Progress Software website www.progress.com within the investor relations section.

Conference Call

The Progress Software quarterly investor conference call to review its fiscal first quarter 2012 will be broadcast live at 9:00 a.m. Eastern on Wednesday, March 28, 2012 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 1-800-915-4836, pass code 7144347. The conference call will include only brief comments followed by questions and answers. An archived version of the conference call and supporting materials will be available on the Progress Software website within the investor relations section after the live conference call.

Legal Notice Regarding Non-GAAP Financial Information

Progress Software 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 Software 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. Management uses these non-GAAP results to compare the company's performance to that of prior periods for analysis of trends and for budget and planning purposes. A reconciliation of non-GAAP adjustments to the company's GAAP financial results is included in the tables below. Additional information regarding the company's non-GAAP financial information is contained in the company's Current Report on Form 8-K filed with the Securities and Exchange Commission in connection with this press release, which is available on the Progress website www.progress.com within the investor relations section.

Note Regarding Forward-Looking Statements

Except for the historical information and discussions contained herein, statements contained in this release may constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements involve a number of risks, uncertainties and other factors that could cause actual results to differ materially, including but not limited to those risks and uncertainties described in the Company's filings with the Securities and Exchange Commission. The Company undertakes no obligation to update information contained in this release. For further information regarding risks and uncertainties associated with the company's business, please refer to the company's filings with the Securities and Exchange Commission.



Important Shareholder Information

Progress Software will hold its Annual Meeting of Shareholders on May 31, 2012 at 9:00 a.m. Eastern. The company plans to file with the Securities and Exchange Commission and mail to its shareholders a proxy statement in connection with its 2012 Annual Meeting of Shareholders. The proxy statement will contain important information about the company, the Annual Meeting and related matters.

INVESTORS AND SECURITY HOLDERS ARE URGED TO READ THE PROXY STATEMENT AND ANY OTHER RELEVANT SOLICITATION MATERIALS WHEN THEY BECOME AVAILABLE BECAUSE THESE DOCUMENTS WILL CONTAIN IMPORTANT INFORMATION.

The proxy statement and other relevant solicitation materials (when they become available), and any and all documents filed by the company with the Securities and Exchange Commission, may be obtained by investors and security holders free of charge at the Securities and Exchange Commission's web site at www.sec.gov. In addition, filings of the company with the Securities and Exchange Commission, including the proxy statement and other relevant solicitation materials (when they become available), may be obtained, without charge, from the company by directing a request to the company at 14 Oak Park, Bedford, Massachusetts 01730, c/o Corporate Secretary.

The company and its directors and executive officers may be deemed to be participants in the solicitation of proxies from the shareholders of the company in connection with the Annual Meeting. Information regarding the company's directors and executive officers is contained in the company's annual report on Form 10-K filed with the Securities and Exchange Commission on January 30, 2012 and definitive proxy statement filed with the Securities and Exchange Commission on March 21, 2011. Additional information regarding the interests of those participants in the solicitation of proxies may be obtained by reading the proxy statement for the Annual Meeting when it becomes available.

Progress Software Corporation

Progress Software Corporation (NASDAQ: PRGS) is a global software company that enables enterprises to be operationally responsive to changing conditions and customer interactions as they occur – to capitalize on new opportunities, drive greater efficiencies and reduce risk. The company offers a comprehensive portfolio of best-in-class infrastructure software spanning event-driven visibility and real-time response, open integration, data access and integration, and application development and deployment – all supporting on-premises and SaaS/Cloud deployments. Progress Software maximizes the benefits of operational responsiveness while minimizing IT complexity and total cost of ownership. Progress Software can be reached at www.progress.com or 1-781-280-4000.

Progress is a trademark or registered trademark of Progress Software Corporation or one of its subsidiaries or affiliates in the U.S. and other countries. Any other trademarks contained herein are the property of their respective owners.

Condensed Consolidated Statements of Income

<i>(In thousands, except per share data)</i>	Fiscal First Quarter Ended		
	February 29, 2012	February 28, 2011	% Change
Revenue:			
Software licenses	\$ 41,492	\$ 51,336	-19%
Maintenance and services	82,934	82,901	0%
Total revenue	<u>124,426</u>	<u>134,237</u>	<u>-7%</u>
Costs of revenue:			
Cost of software licenses	2,288	2,381	-4%
Cost of maintenance and services	19,380	17,768	9%
Amortization of acquired intangibles	3,734	3,975	-6%
Total costs of revenue	<u>25,402</u>	<u>24,124</u>	<u>5%</u>
Gross profit	<u>99,024</u>	<u>110,113</u>	<u>-10%</u>
Operating expenses:			
Sales and marketing	47,247	44,698	6%
Product development	22,395	20,859	7%
General and administrative	15,452	11,852	30%
Amortization of acquired intangibles	1,821	2,274	-20%
Restructuring expenses	—	2,114	-100%
Acquisition-related expenses	215	—	—
Total operating expenses	<u>87,130</u>	<u>81,797</u>	<u>7%</u>
Income from operations	<u>11,894</u>	<u>28,316</u>	<u>-58%</u>
Other income (expense), net	270	(39)	-792%
Income before provision for income taxes	12,164	28,277	-57%
Provision for income taxes	4,675	7,756	-40%
Net income	<u>\$ 7,489</u>	<u>\$ 20,521</u>	<u>-64%</u>
Earnings per share:			
Basic	\$ 0.12	\$ 0.31	-61%
Diluted	<u>\$ 0.12</u>	<u>\$ 0.29</u>	<u>-59%</u>
Weighted average shares outstanding:			
Basic	62,145	66,986	-7%
Diluted	<u>63,130</u>	<u>69,659</u>	<u>-9%</u>

Condensed Consolidated Balance Sheets

<i>(In thousands)</i>	February 29, 2012	November 30, 2011
Assets		
Current assets:		
Cash, cash equivalents and short-term investments	\$ 315,164	\$ 261,416
Accounts receivable, net	102,645	110,927
Other current assets	33,907	35,434
Total current assets	<u>451,716</u>	<u>407,777</u>
Property and equipment, net	68,048	66,206
Goodwill and intangible assets, net	322,165	327,647
Other assets	66,951	63,680
Total assets	<u>\$ 908,880</u>	<u>\$ 865,310</u>
Liabilities and shareholders' equity		
Current liabilities:		
Accounts payable and other current liabilities	\$ 83,533	\$ 85,781
Short-term deferred revenue	162,552	145,727
Total current liabilities	<u>246,085</u>	<u>231,508</u>
Long-term deferred revenue	5,069	6,619
Other long-term liabilities	4,296	4,883
Shareholders' equity:		
Common stock and additional paid-in capital	329,405	309,221
Retained earnings	324,025	313,079
Total shareholders' equity	<u>653,430</u>	<u>622,300</u>
Total liabilities and shareholders' equity	<u>\$ 908,880</u>	<u>\$ 865,310</u>

Condensed Consolidated Statements of Cash Flows

<i>(In thousands)</i>	Fiscal First Quarter Ended	
	February 29, 2012	February 28, 2011
Cash flows from operating activities:		
Net income	\$ 7,489	\$ 20,521
Depreciation and amortization	8,562	8,461
Stock-based compensation	7,091	4,184
Other non-cash adjustments	359	451
Changes in operating assets and liabilities	15,028	16,613
Net cash flows from operating activities	<u>38,529</u>	<u>50,230</u>
Capital expenditures	(3,942)	(3,352)
Redemptions at par by issuers of auction-rate-securities	225	—
Issuances of common stock, net of repurchases	13,973	(6,120)
Other	4,963	7,685
Net change in cash, cash equivalents and short-term investments	53,748	48,443
Cash, cash equivalents and short-term investments, beginning of period	261,416	322,396
Cash, cash equivalents and short-term investments, end of period	<u>\$ 315,164</u>	<u>\$ 370,839</u>

Reconciliation of GAAP to Non-GAAP Financial Measures

<i>(In thousands, except per share data)</i>	Fiscal First Quarter Ended		% Change
	February 29, 2012	February 28, 2011	
GAAP income from operations	\$ 11,894	\$ 28,316	
GAAP operating margin %	9.6%	21.1%	
Amortization of acquired intangibles	5,555	6,249	
Stock-based compensation (1)	7,091	4,184	
Transition expenses	—	424	
Restructuring expenses	—	2,114	
Acquisition-related expenses	215	—	
Litigation settlement	900	—	
Proxy-related costs	472	—	
Total operating adjustments (2)	<u>14,233</u>	<u>12,971</u>	
Non-GAAP income from operations	<u>\$ 26,127</u>	<u>\$ 41,287</u>	<u>-37%</u>
Non-GAAP operating margin %	21.0%	30.8%	
GAAP net income	\$ 7,489	\$ 20,521	
Operating adjustments (from above)	14,233	12,971	
Income tax adjustment	(4,036)	(4,077)	
Total net income adjustments (2)	10,197	8,894	
Non-GAAP net income	<u>\$ 17,686</u>	<u>\$ 29,415</u>	<u>-40%</u>
GAAP earnings per share - diluted	\$ 0.12	\$ 0.29	
Total net income adjustments (from above) (2)	0.16	0.13	
Non-GAAP earnings per share - diluted	<u>\$ 0.28</u>	<u>\$ 0.42</u>	<u>-33%</u>
Weighted average shares outstanding - diluted	63,130	69,659	

(1) Stock-based compensation is included in the GAAP statements of income, as follows:

Cost of revenue	\$ 588	\$ 223
Sales and marketing	2,134	1,290
Product development	1,945	1,269
General and administrative	2,424	1,402
	<u>\$ 7,091</u>	<u>\$ 4,184</u>

(2) Adjustments reported for the fiscal first quarter of 2011 have been revised to eliminate our use of a non-GAAP revenue measure. See our Current Report on Form 8-K filed with this press release for additional information.



Progress Software Corporation
Fiscal First Quarter 2012 Earnings Conference Call – Prepared Remarks

As previously announced, the first fiscal quarter 2012 earnings results conference call will be held Wednesday, March 28, 2012 at 9:00 a.m. Eastern and will include brief comments followed by questions and answers. These prepared remarks will not be read on the call.

These prepared remarks should be read in conjunction with our earnings release. With respect to any non-GAAP financial measures contained in these prepared remarks, we have provided below or included within our earnings release a table of the most directly comparable GAAP financial measure and a reconciliation of the non-GAAP financial measure to the most directly comparable GAAP financial measure. We have also provided additional information regarding the non-GAAP financial measures in the Current Report on Form 8-K that we filed with the Securities and Exchange Commission simultaneously with the earnings release. You can access this information at www.progress.com.

The matters presented herein and to be discussed on the ensuing conference call, other than historical financial information, consist of forward-looking statements that involve certain risks and uncertainties. Statements indicating that we “expect,” “estimate,” “believe,” “are planning” or “plan to” are forward-looking, as are other statements concerning future financial results, product offerings or other events that have not yet occurred. There are several important risk factors which could cause actual results or events to differ materially from those anticipated by the forward-looking statements contained in this report.

These risks include: our ability to properly assess and execute on future actions as a result of our internal capabilities in regard to our on-going strategic review; the ability to hire and retain quality personnel; the receipt and shipment of new orders; the timely release of enhancements to our products; the growth rates of certain market segments; the positioning of our products in those market segments; the customer demand and acceptance of our new product initiative, the Progress RPM (Responsive Process Management) suite; variations in the demand for professional services and customer support; pricing pressures and the competitive environment in the software industry; the continuing uncertainty in the U.S. and international economies, which could result in fewer sales of our products and may otherwise harm our business; our ability to complete and integrate acquisitions; our ability to realize the expected benefits and anticipated synergies from acquired businesses; our ability to penetrate international markets and manage our international operations; and changes in exchange rates. Further information on these risk factors is included in our Securities and Exchange Commission reports. We reserve the right to change our budget, product focus, product release dates, plans and financial projections from time to time as circumstances warrant. We have no obligation to update or modify the information contained in this report in the future when such changes occur.

To access the live broadcast, please visit the investor relations section of the Progress Software website at www.progress.com. Additionally, you can listen to the call by telephone by dialing 1-800-915-4836, pass code 7144347. An archived version of the conference call and supporting materials will be available on the Progress Software Investor Relations website after the live conference call.

Progress Software Corporation
Fiscal First Quarter 2012 Earnings Conference Call – Prepared Remarks

Progress Software Fiscal First Quarter Overall Results

Revenue for the quarter was \$124.4 million, down 7% from \$134.2 million in the fiscal first quarter of 2011.

On a GAAP basis in the fiscal first quarter of 2012:

- Income from operations was \$11.9 million, a decrease of 58% compared to \$28.3 million in the same quarter last year;
- Net income was \$7.5 million, a decrease of 64% compared to \$20.5 million in the same quarter last year; and
- Diluted earnings per share were \$0.12, a decrease of 59% compared to \$0.29 in the same quarter last year.

On a non-GAAP basis in the fiscal first quarter of 2012:

- Income from operations was \$26.1 million, a decrease of 37% compared to \$41.3 million in the same quarter last year;
- Net income was \$17.7 million, a decrease of 40% compared to \$29.4 million in the same quarter last year; and
- Diluted earnings per share were \$0.28, a decrease of 33% compared to \$0.42 in the same quarter last year.

The non-GAAP results in the fiscal first quarter of 2012 exclude pre-tax charges of \$5.6 million for amortization of acquired intangibles, \$7.1 million for stock-based compensation, \$0.2 million for acquisition-related expenses, \$0.9 million for a litigation settlement and \$0.5 million for proxy-related costs. A reconciliation of these non-GAAP financial measures to the appropriate GAAP financial measures is included at the end of these prepared remarks.

Revenue ⁽¹⁾

Revenue for the fiscal first quarter of 2012 was down 7% from Q1 2011. Within the year-over-year change in total revenue, software license revenue for the fiscal first quarter decreased 19%, maintenance revenue increased 2%, and professional services revenue decreased 10%.

The trends over the past several quarters were as follows:

(in millions)

	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2012
Licenses	\$ 51.3	\$ 45.4	\$ 38.7	\$ 48.7	\$ 41.5
Year-over-year change	9%	3%	(13)%	(14)%	(19)%
Maintenance	\$ 71.1	\$ 75.9	\$ 76.2	\$ 75.2	\$ 72.3
Year-over-year change	1%	8%	8%	1%	2%
Professional services	\$ 11.8	\$ 13.4	\$ 13.4	\$ 12.4	\$ 10.6
Year-over-year change	18%	4%	2%	(13)%	(10)%
Total	\$134.2	\$134.7	\$128.3	\$136.3	\$124.4
Year-over-year change	5%	6%	0%	(6)%	(7)%

Progress Software Corporation
Fiscal First Quarter 2012 Earnings Conference Call – Prepared Remarks

Changes in foreign exchange rates had little overall impact on our reported fiscal first quarter revenues. On a constant currency basis, fiscal first quarter total revenue and revenue by type would have been the same as reported above.

Revenue by product segment was as follows:

(in millions)

	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2012
Application Development Platforms	\$ 79.1	\$ 83.9	\$ 79.6	\$ 83.9	\$ 75.6
<i>Year-over-year change</i>	<i>(3)%</i>	<i>(1)%</i>	<i>3%</i>	<i>(6)%</i>	<i>(4)%</i>
Enterprise Business Solutions	\$ 37.1	\$ 34.2	\$ 30.0	\$ 35.3	\$ 30.9
<i>Year-over-year change</i>	<i>36%</i>	<i>41%</i>	<i>(14)%</i>	<i>3%</i>	<i>(17)%</i>
Enterprise Data Solutions	\$ 18.0	\$ 16.6	\$ 18.7	\$ 17.1	\$ 17.9
<i>Year-over-year change</i>	<i>(2)%</i>	<i>(11)%</i>	<i>14%</i>	<i>(20)%</i>	<i>(1)%</i>
Total	\$ 134.2	\$ 134.7	\$ 128.3	\$ 136.3	\$ 124.4
<i>Year-over-year change</i>	<i>5%</i>	<i>6%</i>	<i>0%</i>	<i>(6)%</i>	<i>(7)%</i>

The Application Development Platform (ADP) segment contributed 61% of the total company quarterly revenue, slightly up from 59% a year ago. The Enterprise Business Solutions (EBS) reporting segment contributed 25% in the fiscal first quarter of 2012, down from 28% a year ago. The Enterprise Data Solutions (EDS) reporting segment increased to 14% of the total quarterly revenue, up from 13% in the fiscal first quarter of 2011.

The ADP segment revenues declined 4% in the fiscal first quarter. However, OpenEdge license and total bookings in the fiscal first quarter increased in comparison with the same quarter in 2011. OpenEdge revenue continues to be primarily driven by sales from our Application Partners. However, OpenEdge partner revenue growth was more than offset by declines in revenues from other mature product lines included within ADP.

Our EBS segment revenues declined 17% in the fiscal first quarter. During 2011, we invested significantly in our EBS segment to drive overall growth for the company. However, we have experienced low sales productivity as we made changes in our direct sales organization throughout 2011. These issues continued into the first quarter of 2012, and as a result, EBS revenues declined year over year.

While EDS segment revenues declined 1% year over year, Connect revenues slightly increased for the quarter. We have focused on improving the overall EDS business performance, with a specific emphasis on improving demand generation for our Connect product line, which was problematic throughout last year. The increase in Connect revenue is partly attributable to this renewed sales and marketing focus, and the closure of several larger OEM opportunities. However, we do anticipate continuing revenue fluctuations in EDS quarter to quarter due to the dependence on larger deals through our OEM channel.

Progress Software Corporation
Fiscal First Quarter 2012 Earnings Conference Call – Prepared Remarks

Revenue by geographic region was as follows:

(in millions)

	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2012
North America	\$ 64.4	\$ 60.5	\$ 59.6	\$ 66.9	\$ 60.1
Year-over-year change	11%	(2)%	(4)%	6%	(7)%
EMEA	\$ 51.4	\$ 52.9	\$ 48.0	\$ 49.4	\$ 44.4
Year-over-year change	(2)%	15%	3%	(17)%	(14)%
Latin America	\$ 9.2	\$ 9.4	\$ 10.4	\$ 10.1	\$ 9.3
Year-over-year change	(6)%	1%	9%	(11)%	2%
Asia Pacific	\$ 9.2	\$ 11.9	\$ 10.3	\$ 9.9	\$ 10.6
Year-over-year change	19%	11%	(4)%	(10)%	16%
Total	\$134.2	\$134.7	\$128.3	\$136.3	\$124.4
Year-over-year change	5%	6%	0%	(6)%	(7)%

Business outside North America was 52% of the quarterly total in the fiscal first quarters of 2012 and 2011. While changes in foreign exchange rates did not impact our overall reported first quarter revenue, they did impact our geographic regions. In the fiscal first quarter of 2012, EMEA revenues were hurt by a slightly weaker Euro, and on a constant currency basis, EMEA revenue would have been down 12% compared to last year. Latin America was also negatively impacted by currency, and constant currency revenue would have increased 6% versus the 2% increase reported. The Asia Pacific revenue was helped by stronger local currencies, primarily the Australian dollar and Japanese yen, and would have increased 12% at constant currency.

License revenue by channel was as follows:

(in millions)

	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2012
Direct end users	\$24.7	\$23.3	\$13.9	\$20.9	\$16.7
Year-over-year change	1%	19%	(39)%	(27)%	(32)%
Indirect partners	\$26.6	\$22.1	\$24.8	\$27.8	\$24.8
Year-over-year change	18%	(11)%	12%	(1)%	(7)%
Total	\$51.3	\$45.4	\$38.7	\$48.7	\$41.5
Year-over-year change	9%	3%	(13)%	(14)%	(19)%

Software license revenue from direct end users decreased 32%, and software license revenue from indirect partners, including Application Partners and OEMs, decreased 7% in the fiscal first quarter of 2012 as compared to the fiscal first quarter of 2011. Application Partners accounted for 76% of OpenEdge software license revenue as compared to 78% in the fiscal first quarter of 2011.

During fiscal year 2011, we focused on building the capacity and capabilities of our direct field organization in selling our EBS solutions. Benefits from some of these investments have been slow to materialize. The number of large deals in the first quarter declined compared to the first quarter of 2011, while the average deal size remained approximately the same.



Progress Software Corporation
Fiscal First Quarter 2012 Earnings Conference Call – Prepared Remarks

The number and size of large transactions were as follows:

	<u>Q1</u> <u>2011</u>	<u>Q2</u> <u>2011</u>	<u>Q3</u> <u>2011</u>	<u>Q4</u> <u>2011</u>	<u>Q1</u> <u>2012</u>
No. of Direct End User Deals > \$500K	12	12	6	9	8
Average Deal Size (TTM) to Direct End Users > \$100K	\$345K	\$382K	\$391K	\$355K	\$348K

Backlog

Our aggregate revenue backlog at the end of the fiscal first quarter of 2012 and 2011 was as follows:

	<u>Q1</u> <u>2012</u>	<u>Q1</u> <u>2011</u>
Deferred revenue, primarily related to unexpired maintenance and support contracts	\$167.6	\$162.9
Multi-year licensing arrangements	18.0	16.6
Open software orders received but not shipped	—	0.6
Total revenue backlog	<u>\$185.6</u>	<u>\$180.1</u>

We do not believe that backlog at any particular date is indicative of future results. In addition, there is no industry standard for the definition of backlog and there may be an element of estimation in determining the amount. As such, direct comparisons with other companies may be difficult or potentially misleading.

Cost of Revenue and Operating Expenses

Our fiscal first quarter non-GAAP operating margin was 21%, down from 31% in the first quarter of fiscal 2011. The operating margin in the fiscal first quarter of 2011 was significantly higher as a result of cost reductions and restructuring activities that occurred in the fiscal third quarter of 2010. After the 2010 restructuring, the company reinvested throughout fiscal year 2011 in the field organization in support of our industry vertical and solutions focus. Product development costs also increased year over year as the company accelerated its product integration strategy and added headcount through the Corticon acquisition. General and administrative costs increased year over year primarily due to employee related costs. During the fiscal first quarter of 2012, the company initiated cost control measures, including limiting hiring and spending, until the company concludes its on-going strategic review.

Progress Software Corporation
Fiscal First Quarter 2012 Earnings Conference Call – Prepared Remarks

Non-GAAP costs of revenue and operating expenses were as follows:

(in millions)

	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2012
Costs of revenue	\$19.9	\$22.1	\$22.4	\$21.7	\$21.1
<i>Year-over-year change</i>	7%	12%	14%	7%	6%
Sales and marketing	\$43.4	\$43.4	\$43.3	\$50.0	\$45.1
<i>Year-over-year change</i>	4%	12%	14%	12%	4%
Product development	\$19.4	\$18.5	\$17.6	\$18.6	\$20.5
<i>Year-over-year change</i>	(13)%	(17)%	(15)%	(12)%	6%
General and administrative	\$10.3	\$10.8	\$14.5	\$13.2	\$11.7
<i>Year-over-year change</i>	(19)%	(5)%	37%	22%	13%

Other Expenses and Headcount

Other income (expense) for the fiscal first quarter of 2012 was approximately \$0.3 million as compared to a loss of \$39,000 in the fiscal first quarter of 2011. The fiscal first quarter of 2011 included a decrease in value of our foreign currency average rate option contracts of approximately \$0.6 million.

Our non-GAAP effective tax rate was 33.0% as compared to 28.7% in the fiscal first quarter of 2011.

Quarter end headcount of 1,745 was up less than 1% from the end of last quarter and up 6% from one year ago.

Balance Sheet Information

Our cash, cash equivalents and short term investments balance was \$315.2 million at the end of the quarter as compared to \$261.4 million at the end of the prior quarter. In addition, we had approximately \$33.3 million in auction rate securities, included in other assets, at the end of the quarter. Our DSO was 74 days at the end of the first quarter, up 1 day from the end of the fiscal fourth quarter of 2011 and up 4 days year over year.

Business Outlook

Due to the ongoing strategic review and pending announcement of future plans, the company will not be providing guidance for the fiscal second quarter or fiscal year 2012 at this time. The company anticipates announcing its strategic plan in late April, and will provide an updated business outlook at that time.

We will release our financial results and prepared remarks relating to our fiscal second quarter of 2012 before the financial market opens on Wednesday, June 27, 2012, and will hold the fiscal second quarter earnings results conference call with management at 9 a.m. Eastern.

- (1) Beginning in fiscal 2012 we eliminated our use of a non-GAAP revenue measure. See our Current Report on Form 8-K filed with these prepared remarks for additional information. All prior amounts reported in these prepared remarks have been revised to reflect this change.

Progress Software Corporation
Fiscal First Quarter 2012 Earnings Conference Call – Prepared Remarks

Reconciliation of GAAP to Non-GAAP Financial Measures

(In millions, except per share amounts)

	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2012
GAAP cost of revenue	\$24.1	\$26.2	\$26.8	\$26.2	\$25.4
Non-GAAP adjustments:					
Amortization of acquired intangibles	(4.0)	(3.9)	(4.0)	(3.9)	(3.7)
Stock-based compensation	(0.2)	(0.2)	(0.4)	(0.6)	(0.6)
Non-GAAP cost of revenue	\$19.9	\$22.1	\$22.4	\$21.7	\$21.1
GAAP sales and marketing expenses	\$44.7	\$44.3	\$45.3	\$51.8	\$47.2
Non-GAAP adjustments:					
Stock-based compensation	(1.3)	(0.9)	(2.0)	(1.8)	(2.1)
Non-GAAP sales and marketing expenses	\$43.4	\$43.4	\$43.3	\$50.0	\$45.1
GAAP product development expenses	\$20.9	\$20.1	\$19.1	\$20.6	\$22.4
Non-GAAP adjustments:					
Stock-based compensation	(1.3)	(1.3)	(1.3)	(1.9)	(1.9)
Transition expenses	(0.2)	(0.3)	(0.2)	(0.1)	—
Non-GAAP product development expenses	\$19.4	\$18.5	\$17.6	\$18.6	\$20.5
GAAP general and administrative expenses	\$11.9	\$13.7	\$20.3	\$16.2	\$15.5
Non-GAAP adjustments:					
Stock-based compensation	(1.4)	(2.8)	(5.8)	(3.0)	(2.4)
Transition expenses	(0.2)	(0.1)	(0.0)	—	—
Litigation settlement	—	—	—	—	(0.9)
Proxy-related costs	—	—	—	—	(0.5)
Non-GAAP general and administrative expenses	\$10.3	\$10.8	\$14.5	\$13.2	\$11.7
GAAP income from operations	\$28.3	\$27.2	\$13.5	\$19.2	\$11.9
GAAP operating margin %	21%	20%	11%	14%	10%
Non-GAAP adjustments:					
Amortization of acquired intangibles	6.2	5.9	5.9	5.7	5.6
Stock-based compensation	4.2	5.1	9.5	7.2	7.1
Litigation settlement	—	—	—	—	0.9
Proxy-related costs	—	—	—	—	0.5
Transition, restructuring and acquisition-related expenses	2.5	1.6	1.6	0.6	0.2
Total operating adjustments (1)	13.0	12.6	16.9	13.6	14.2
Non-GAAP income from operations	\$41.3	\$39.8	\$30.4	\$32.8	\$26.1
Non-GAAP operating margin %	31%	30%	24%	24%	21%
GAAP net income	\$20.5	\$18.0	\$ 8.6	\$11.7	\$ 7.5
Non-GAAP adjustments:					
Operating adjustments (from above) (1)	13.0	12.6	16.9	13.6	14.2
Income tax adjustment	(4.1)	(4.0)	(4.9)	(3.7)	(4.0)
Non-GAAP net income	\$29.4	\$26.6	\$20.6	\$21.5	\$17.7
Non-GAAP earnings per share - diluted (1)	\$0.42	\$0.38	\$0.31	\$0.34	\$0.28
Weighted average shares outstanding - diluted	69.7	69.2	67.3	64.0	63.1

Amounts may not sum due to rounding.

(1) Adjustments reported for fiscal 2011 have been revised to eliminate our use of a non-GAAP revenue measure. See our Current Report on Form 8-K filed with these prepared remarks for additional information.