

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

March 29, 2022
Date of Report (Date of earliest event reported)

Progress Software Corporation
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	0-19417 (Commission file number)	04-2746201 (I.R.S. Employer Identification No.)
14 Oak Park Bedford, Massachusetts 01730 (Address of principal executive offices, including zip code)		
(781) 280-4000 (Registrant's telephone number, including area code)		
Not applicable (Former name or former address, if changed since last report.)		

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.01 par value per share	PRGS	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.02 Results of Operations and Financial Condition

On March 29, 2022, Progress Software Corporation ("Progress") issued a press release announcing its financial results for the fiscal first quarter ended February 28, 2022. A copy of the press release is attached to this Current Report on Form 8-K as Exhibit 99.1 and is incorporated herein by reference.

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

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

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

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

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

- *Acquisition-related revenue* - In all periods presented, we include acquisition-related revenue, which constitutes revenue reflected as pre-acquisition deferred revenue that would have been recognized prior to our adoption of Accounting Standards Update No. 2021-08, *Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers* ("ASU 2021-08") during the fourth quarter of fiscal year 2021. The acquisition-related revenue in our results relates to Chef Software, Inc. and Ipswitch, Inc., which we acquired on October 5, 2020 and April 30, 2019, respectively. Since GAAP accounting required the elimination of this revenue prior to the adoption of ASU 2021-08, GAAP results alone do not fully capture all of our economic activities. We believe these adjustments are useful to management and investors as a measure of the ongoing performance of the business because, although we cannot be certain that customers will renew their contracts, we have historically experienced high renewal rates on maintenance and support agreements and other customer contracts.
 - *Amortization of acquired intangibles* - In all periods presented, we exclude amortization of acquired intangibles because those expenses are unrelated to our core operating performance and the intangible assets acquired vary significantly based on the timing and magnitude of our acquisition transactions and the maturities of the businesses acquired.
 - *Stock-based compensation* - In all periods presented, we exclude stock-based compensation to be consistent with the way management and the financial community evaluates our performance and the methods used by analysts to calculate consensus estimates. The expense related to stock-based awards is generally not controllable in the short-term and can vary significantly based on the timing, size and nature of awards granted. As such, we do not include these charges in operating plans. Stock-based compensation will continue in future periods.
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- *Restructuring expenses* - In all periods presented, we exclude restructuring expenses incurred because those expenses distort trends and are not part of our core operating results.
- *Acquisition-related and transition expenses* - In all periods presented, we exclude acquisition-related expenses because those expenses distort trends and are not part of our core operating results. In recent years, we have completed a number of acquisitions, which result in our incurring operating expenses which would not otherwise have been incurred. By excluding certain transition, integration and other acquisition-related expense items in connection with acquisitions, this provides more meaningful comparisons of the financial results to our historical operations and forward-looking guidance and the financial results of less acquisitive peer companies. We consider these types of costs and adjustments, to a great extent, to be unpredictable and dependent on a significant number of factors that are outside of our control. Furthermore, we do not consider these acquisition-related costs and adjustments to be related to the organic continuing operations of the acquired businesses and are generally not relevant to assessing or estimating the long-term performance of the acquired assets. In addition, the size, complexity and/or volume of past acquisitions, which often drives the magnitude of acquisition-related costs, may not be indicative of the size, complexity and/or volume of future acquisitions.
- *Gain on assets held for sale* - We exclude the gain on assets held for sale in fiscal year 2022 associated with the likely sale of our Bedford, Massachusetts headquarters. We don't believe such gains are part of our core operating results because they are inconsistent in amount and frequency and therefore may distort operating trends. We believe that eliminating these amounts, when significant and not reflective of ongoing business and operating results, facilitates a more meaningful evaluation of our current operating performance and comparisons to our operating performance in other periods.
- *Income tax adjustment* - In all periods presented, we adjust our income tax provision by excluding the tax impact of the non-GAAP adjustments discussed above.

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

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

Annual Recurring Revenue ("ARR") - We provide an ARR performance metric to help investors better understand and assess the performance of our business because our mix of revenue generated from recurring sources has increased in recent years. ARR represents the annualized contract value for all active and contractually binding term-based contracts at the end of a period. ARR includes maintenance, software upgrade rights, public cloud and on-premises subscription-based transactions and managed services.

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

Item 7.01 Regulation FD Disclosure

In connection with the issuance of the press release attached hereto as Exhibit 99.1, the supplemental data attached as Exhibit 99.2 to this Current Report will be available on the Progress website within the investor relations section prior to the live conference call.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits.

Exhibit No.	Description
99.1	Press release issued by Progress Software Corporation dated March 29, 2022
99.2	Q1 2022 Supplemental Data
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: March 29, 2022

Progress Software Corporation

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

PRESS ANNOUNCEMENT

Progress Announces First Quarter 2022 Financial Results

**Revenue and Earnings Per Share Exceed Guidance Ranges
Full Year Guidance Increased for Revenue and Earnings Per Share**

BEDFORD, Mass, March 29, 2022 (GlobeNewswire) — Progress (Nasdaq: PRGS), the trusted provider of infrastructure software, today announced financial results for its fiscal first quarter ended February 28, 2022.

First Quarter 2022 Highlights:

- Revenue of \$144.9 million increased 19% year-over-year on an actual currency basis, and 21% on a constant currency basis.
- Non-GAAP revenue of \$147.5 million increased 12% on an actual currency basis, and 14% on a constant currency basis.
- Annualized Recurring Revenue (ARR) of \$479 million increased 12% year-over-year on a constant currency basis.
- Operating margin was 20% and Non-GAAP operating margin was 40%.
- Diluted earnings per share was \$0.46 compared to \$0.42 in the same quarter last year, an increase of 10%.
- Non-GAAP diluted earnings per share was \$0.97 compared to \$0.95 in the same quarter last year, an increase of 2%.

“We are extremely pleased with our strong first quarter results which built on the momentum from last year,” said Yogesh Gupta, CEO at Progress. “Customer demand and our execution remained solid, the integration of Kemp is on track and going very well, and the M&A deal pipeline remains robust. Although our financial exposure to Russia and Belarus is immaterial, we are nonetheless horrified by the geopolitical events and saddened by the humanitarian tragedy in Ukraine. Our hearts are with all of those in the region.”

Additional financial highlights included⁽¹⁾:

<i>(In thousands, except percentages and per share amounts)</i>	Three Months Ended					
	GAAP			Non-GAAP		
	February 28, 2022	February 28, 2021	% Change	February 28, 2022	February 28, 2021	% Change
Revenue	\$ 144,922	\$ 121,280	19 %	\$ 147,505	\$ 131,784	12 %
Income from operations	\$ 29,432	\$ 27,416	7 %	\$ 58,732	\$ 56,657	4 %
Operating margin	20 %	23 %	(300) bps	40 %	43 %	(300) bps
Net income	\$ 20,454	\$ 18,961	8 %	\$ 43,560	\$ 42,504	2 %
Diluted earnings per share	\$ 0.46	\$ 0.42	10 %	\$ 0.97	\$ 0.95	2 %
Cash from operations (GAAP) /Adjusted free cash flow (Non-GAAP)	\$ 44,093	\$ 44,688	(1)%	\$ 44,681	\$ 46,515	(4)%

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

Other fiscal first quarter 2022 metrics and recent results included:

- Cash, cash equivalents and short-term investments were \$173.3 million at the end of the quarter.
- DSO was 52 days compared to 53 days in the fiscal first quarter of 2021 and 60 days in the fiscal fourth quarter of 2021.
- On March 23, 2022, our Board of Directors declared a quarterly dividend of \$0.175 per share of common stock that will be paid on June 15, 2022 to shareholders of record as of the close of business on June 1, 2022.

Anthony Folger, CFO, said: “We delivered strong financial results across the board in the first quarter, a continuation of the trend that we saw for much of fiscal year 2021. The integration of Kemp is tracking to plan and Kemp’s first full quarter with Progress contributed in line with our expectations and helped sustain the momentum of our total growth strategy.”

2022 Business Outlook

Progress provides the following guidance for the fiscal year ending November 30, 2022 and the fiscal second quarter ending May 31, 2022:

<i>(In millions, except percentages and per share amounts)</i>	Updated FY 2022 Guidance (March 29, 2022)		Prior FY 2022 Guidance (January 18, 2022)	
	GAAP	Non-GAAP	GAAP	Non-GAAP
Revenue	\$601 - \$609	\$609 - \$617	\$597 - \$607	\$605 - \$615
Diluted earnings per share	\$2.16 - \$2.23	\$4.01 - \$4.09	\$1.93 - \$2.03	\$3.95 - \$4.05
Operating margin	23%	39% - 40%	21%	39%
Cash from operations (GAAP) / Adjusted free cash flow (Non-GAAP)	\$188 - \$193	\$185 - \$190	\$188 - \$193	\$185 - \$190
Effective tax rate	21 %	20% - 21%	20% - 21%	20% - 21%

<i>(In millions, except per share amounts)</i>	Q2 2022 Guidance	
	GAAP	Non-GAAP
Revenue	\$143 - \$146	\$145 - \$148
Diluted earnings per share	\$0.62 - \$0.64	\$0.94 - \$0.96

Based on current exchange rates, the expected negative currency translation impact on Progress' fiscal year 2022 business outlook compared to 2021 exchange rates is approximately \$9.2 million on GAAP and non-GAAP revenue, and approximately \$0.03 on GAAP and non-GAAP diluted earnings per share. The expected negative currency translation impact on Progress' fiscal Q2 2022 business outlook compared to 2021 exchange rates on GAAP and non-GAAP revenue is approximately \$2.8 million. The expected negative impact on GAAP and non-GAAP diluted Q2 2022 earnings per share is \$0.01. To the extent that there are changes in exchange rates versus the current environment, this may have an impact on Progress' business outlook.

Conference Call

Progress will hold a conference call to review its financial results for the fiscal first quarter of 2022 at 5:00 p.m. ET on Tuesday, March 29, 2022. The call can be accessed on the investor relations section of the company's website, located at www.progress.com. Additionally, you can listen to the call by telephone by dialing 800-773-2954 or +1 847-413-3731, passcode 50242106. The conference call will include comments followed by questions and answers. An archived version of the conference call and supporting materials will be available on the Progress website within the investor relations section after the live conference call.

Legal Notice Regarding Non-GAAP Financial Information

Progress provides non-GAAP financial information as additional information for investors. These non-GAAP measures are not in accordance with, or an alternative to, generally accepted accounting principles in the United States ("GAAP"). Progress believes that the non-GAAP results described in this release are useful for an understanding of its ongoing operations and provide additional detail and an alternative method of assessing its operating results. A reconciliation of non-GAAP adjustments to the company's GAAP financial results is included in the tables below and is available on the Progress website at www.progress.com within the investor relations section. Additional information regarding the company's non-GAAP financial information is contained in the company's Current Report on Form 8-K furnished to the Securities and Exchange Commission in connection with this press release, which is also available on the Progress website within the investor relations section.

Note Regarding Forward-Looking Statements

This press release contains statements that are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Progress has identified some of these forward-looking statements with words like "believe," "may," "could," "would," "might," "should," "expect," "intend," "plan," "target," "anticipate" and "continue," the negative of these words, other terms of similar meaning or the use of future dates.

Forward-looking statements in this press release include, but are not limited to, statements regarding Progress' business outlook and financial guidance. There are a number of factors that could cause actual results or future events to differ materially from those anticipated by the forward-looking statements, including, without limitation:

(1) Economic, geopolitical and market conditions can adversely affect our business, results of operations and financial condition, including our revenue growth and profitability, which in turn could adversely affect our stock price. (2) We may fail to achieve our financial forecasts due to such factors as delays or size reductions in transactions, fewer large transactions in a particular quarter, fluctuations in currency exchange rates, or a decline in our renewal rates for contracts. (3) Our ability to successfully manage transitions to new business models and markets, including an increased emphasis on a cloud and subscription strategy, may not be successful. (4) If we are unable to develop new or sufficiently differentiated products and services, or to enhance and improve our existing products and services in a timely manner to meet market demand, partners and customers may not purchase new software licenses or subscriptions or purchase or renew support contracts. (5) We depend upon our extensive partner channel and we may not be successful in retaining or expanding our relationships with channel partners. (6) Our international sales and operations subject us to additional risks that can adversely affect our operating results, including risks relating to foreign currency gains and losses. (7) If the security measures for our software, services, other offerings or our internal information technology infrastructure are compromised or subject to a successful cyber-attack, or if our software offerings contain significant coding or configuration errors, we may experience reputational harm, legal claims and financial exposure. (8) We have made acquisitions, and may make acquisitions in the future, and those acquisitions may not be successful, may involve unanticipated costs or other integration issues or may disrupt our existing operations. (9) Delay or failure to realize the expected synergies and benefits of the Kemp acquisition could negatively impact our future results of operations and financial condition; (10) The continuing impact of the coronavirus disease (COVID-19) outbreak on our employees, customers, partners, and the global financial markets could adversely affect our business, results of operations and financial condition. For further information regarding risks and uncertainties associated with Progress' business, please refer to Progress' filings with the Securities and Exchange Commission, including its Annual Report on Form 10-K for the fiscal year ended November 30, 2021. Progress undertakes no obligation to update any forward-looking statements, which speak only as of the date of this press release.

About Progress

Dedicated to propelling business forward in a technology-driven world, [Progress](#) (Nasdaq: PRGS) helps businesses drive faster cycles of innovation, fuel momentum and accelerate their path to success. As the trusted provider of the best products to develop, deploy and manage high-impact applications, Progress enables customers to develop the applications and experiences they need, deploy where and how they want and manage it all safely and securely. Hundreds of thousands of enterprises, including 1,700 software companies and 3.5 million developers, depend on Progress to achieve their goals—with confidence. Learn more at www.progress.com.

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CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

(In thousands, except per share data)	Three Months Ended		
	February 28, 2022	February 28, 2021	% Change
Revenue:			
Software licenses	\$ 42,750	\$ 33,317	28 %
Maintenance and services	102,172	87,963	16 %
Total revenue	144,922	121,280	19 %
Costs of revenue:			
Cost of software licenses	2,609	1,151	127 %
Cost of maintenance and services	15,145	13,319	14 %
Amortization of acquired intangibles	5,458	3,521	55 %
Total costs of revenue	23,212	17,991	29 %
Gross profit	121,710	103,289	18 %
Operating expenses:			
Sales and marketing	33,469	29,469	14 %
Product development	28,673	24,548	17 %
General and administrative	16,991	13,424	27 %
Amortization of acquired intangibles	11,722	6,879	70 %
Restructuring expenses	511	1,157	(56)%
Acquisition-related expenses	912	396	130 %
Total operating expenses	92,278	75,873	22 %
Income from operations	29,432	27,416	7 %
Other expense, net	(3,480)	(2,652)	(31)%
Income before income taxes	25,952	24,764	5 %
Provision for income taxes	5,498	5,803	(5)%
Net income	\$ 20,454	\$ 18,961	8 %
Earnings per share:			
Basic	\$ 0.47	\$ 0.43	9 %
Diluted	\$ 0.46	\$ 0.42	10 %
Weighted average shares outstanding:			
Basic	43,981	44,108	— %
Diluted	44,708	44,652	— %
Cash dividends declared per common share	\$ 0.175	\$ 0.175	— %
Stock-based compensation is included in the condensed consolidated statements of operations, as follows:			
Cost of revenue	\$ 411	\$ 392	5 %
Sales and marketing	1,402	1,503	(7)%
Product development	2,222	1,919	16 %
General and administrative	4,079	2,970	37 %
Total	\$ 8,114	\$ 6,784	20 %

CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

<i>(In thousands)</i>	February 28, 2022	November 30, 2021
Assets		
Current assets:		
Cash, cash equivalents and short-term investments	\$ 173,322	\$ 157,373
Accounts receivable, net	86,601	99,815
Unbilled receivables and contract assets	27,043	25,816
Other current assets	40,401	39,549
Assets held for sale	15,255	15,255
Total current assets	<u>342,622</u>	<u>337,808</u>
Property and equipment, net	13,933	14,345
Goodwill and intangible assets, net	944,326	958,337
Right-of-use lease assets	23,604	25,253
Long-term unbilled receivables and contract assets	16,233	17,464
Other assets	12,398	10,330
Total assets	<u>\$ 1,353,116</u>	<u>\$ 1,363,537</u>
Liabilities and shareholders' equity		
Current liabilities:		
Accounts payable and other current liabilities	\$ 59,650	\$ 84,215
Current portion of long-term debt, net	6,234	25,767
Short-term operating lease liabilities	8,075	7,926
Short-term deferred revenue	209,771	205,021
Total current liabilities	<u>283,730</u>	<u>322,929</u>
Long-term debt, net	263,896	239,992
Convertible senior notes, net	351,038	294,535
Long-term operating lease liabilities	21,230	23,130
Long-term deferred revenue	51,771	47,359
Other long-term liabilities	13,128	23,103
Shareholders' equity:		
Common stock and additional paid-in capital	303,678	354,676
Retained earnings	64,645	57,813
Total shareholders' equity	<u>368,323</u>	<u>412,489</u>
Total liabilities and shareholders' equity	<u>\$ 1,353,116</u>	<u>\$ 1,363,537</u>

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

<i>(In thousands)</i>	Three Months Ended	
	February 28, 2022	February 28, 2021
Cash flows from operating activities:		
Net income	\$ 20,454	\$ 18,961
Depreciation and amortization	19,218	11,862
Stock-based compensation	8,114	6,784
Other non-cash adjustments	4,442	2,415
Changes in operating assets and liabilities	(8,135)	4,666
Net cash flows from operating activities	44,093	44,688
Capital expenditures	(831)	(1,166)
Issuances of common stock, net of repurchases	(20,906)	(11,515)
Dividend payments to shareholders	(7,784)	(7,854)
Proceeds from the issuance of debt, net of payment of issuance costs	5,517	—
Payments of principal on long-term debt	(1,719)	(18,763)
Other	(2,421)	2,986
Net change in cash, cash equivalents and short-term investments	15,949	8,376
Cash, cash equivalents and short-term investments, beginning of period	157,373	105,995
Cash, cash equivalents and short-term investments, end of period	\$ 173,322	\$ 114,371

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

(In thousands, except per share data)

	Three Months Ended		% Change Non-GAAP
	February 28, 2022	February 28, 2021	
Adjusted revenue:			
GAAP revenue	\$ 144,922	\$ 121,280	
Acquisition-related revenue ⁽¹⁾	2,583	10,504	
Non-GAAP revenue	\$ 147,505	\$ 131,784	12 %
Adjusted income from operations:			
GAAP income from operations	\$ 29,432	\$ 27,416	23 %
Amortization of acquired intangibles	17,180	10,400	8 %
Restructuring expenses and other	511	1,157	1 %
Stock-based compensation	8,114	6,784	3 %
Acquisition-related revenue ⁽¹⁾ and expenses	3,495	10,900	8 %
Non-GAAP income from operations	\$ 58,732	\$ 56,657	4 %
Adjusted net income:			
GAAP net income	\$ 20,454	\$ 18,961	16 %
Amortization of acquired intangibles	17,180	10,400	8 %
Restructuring expenses and other	511	1,157	1 %
Stock-based compensation	8,114	6,784	3 %
Acquisition-related revenue ⁽¹⁾ and expenses	3,495	10,900	8 %
Provision for income taxes	(6,194)	(5,698)	(4)%
Non-GAAP net income	\$ 43,560	\$ 42,504	2 %
Adjusted diluted earnings per share:			
GAAP diluted earnings per share	\$ 0.46	\$ 0.42	
Amortization of acquired intangibles	0.38	0.23	
Restructuring expenses and other	0.01	0.03	
Stock-based compensation	0.18	0.16	
Acquisition-related revenue ⁽¹⁾ and expenses	0.08	0.24	
Provision for income taxes	(0.14)	(0.13)	
Non-GAAP diluted earnings per share	\$ 0.97	\$ 0.95	2 %
Non-GAAP weighted avg shares outstanding - diluted	44,708	44,652	— %

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

OTHER NON-GAAP FINANCIAL MEASURES

(Unaudited)

Adjusted Free Cash Flow*(In thousands)*

	Q1 2022	Q1 2021	% Change
Cash flows from operations	\$ 44,093	\$ 44,688	(1)%
Purchases of property and equipment	(831)	(1,166)	(29)%
Free cash flow	43,262	43,522	(1)%
Add back: restructuring payments	1,419	2,993	(53)%
Adjusted free cash flow	<u>\$ 44,681</u>	<u>\$ 46,515</u>	<u>(4)%</u>

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

(Unaudited)

Fiscal Year 2022 Updated Revenue Guidance

	Fiscal Year Ended		Fiscal Year Ending					
	November 30, 2021		November 30, 2022					
(In millions)			Low	% Change	High	% Change		
GAAP revenue	\$	531.3	\$	600.5	13 %	\$	608.5	15 %
Acquisition-related adjustments - revenue ⁽¹⁾		26.0		8.5	(67)%		8.5	(67)%
Non-GAAP revenue	\$	557.3	\$	609.0	9 %	\$	617.0	11 %

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

Fiscal Year 2022 Updated Non-GAAP Operating Margin Guidance

	Fiscal Year Ending November 30, 2022			
		Low		High
GAAP income from operations	\$	137.0	\$	141.2
GAAP operating margins		23 %		23 %
Acquisition-related revenue		8.5		8.5
Acquisition-related expense		1.6		1.6
Restructuring expense		0.9		0.9
Stock-based compensation		33.5		33.5
Amortization of acquired intangibles		69.3		69.3
Gain on sale of assets held for sale		(10.7)		(10.7)
Total adjustments ⁽²⁾		103.1		103.1
Non-GAAP income from operations	\$	240.1	\$	244.3
Non-GAAP operating margin		39 %		40 %

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

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

	Fiscal Year Ending November 30, 2022			
		Low		High
GAAP net income	\$	96.0	\$	99.3
Adjustments (from previous table)		103.1		103.1
Income tax adjustment ⁽³⁾		(20.8)		(20.3)
Non-GAAP net income	\$	178.3	\$	182.1
GAAP diluted earnings per share	\$	2.16	\$	2.23
Non-GAAP diluted earnings per share	\$	4.01	\$	4.09
Diluted weighted average shares outstanding		44.5		44.5
⁽³⁾ Tax adjustment is based on a non-GAAP effective tax rate of approximately 21% for Low and 20% for High, calculated as follows:				
Non-GAAP income from operations	\$	240.1	\$	244.3
Other (expense) income		(15.5)		(15.5)
Non-GAAP income from continuing operations before income taxes		224.6		228.8
Non-GAAP net income		178.3		182.1
Tax provision	\$	46.3	\$	46.7
Non-GAAP tax rate		21 %		20 %

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

(Unaudited)

Fiscal Year 2022 Adjusted Free Cash Flow Guidance

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

RECONCILIATIONS OF GAAP TO NON-GAAP FINANCIAL MEASURES FOR Q2 2022 GUIDANCE

(Unaudited)

Q2 2022 Revenue Guidance

	Three Months Ended		Three Months Ending					
	May 31, 2021		May 31, 2022					
			Low	% Change	High	% Change		
<i>(In millions)</i>								
GAAP revenue	\$	122.5	\$	142.9	17 %	\$	145.9	19 %
Acquisition-related adjustments - revenue ⁽¹⁾		6.7		2.1	(69)%		2.1	(69)%
Non-GAAP revenue	\$	129.2	\$	145.0	12 %	\$	148.0	15 %

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

Q2 2022 Non-GAAP Earnings per Share Guidance

	Three Months Ending May 31, 2022			
	Low		High	
GAAP diluted earnings per share	\$	0.62	\$	0.64
Acquisition-related revenue		0.05		0.05
Acquisition-related expense		0.01		0.01
Stock-based compensation		0.19		0.19
Amortization of acquired intangibles		0.39		0.39
Gain on sale of assets held for sale		(0.24)		(0.24)
Total adjustments ⁽²⁾		0.40		0.40
Income tax adjustment		(0.08)		(0.08)
Non-GAAP diluted earnings per share	\$	0.94	\$	0.96

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



Progress Financial Results

Q1 2022 Supplemental Data

March 29, 2022



Safe Harbor

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

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

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

For further information regarding risks and uncertainties associated with our business, please refer to our filings with the Securities and Exchange Commission. Progress undertakes no obligation to update any forward-looking statements, which speak only as of the date of this presentation, except for statements relating to Progress' projected results for the quarter ended May 31, 2022, and fiscal year ended November 30, 2022, which speak only as of March 29, 2022.

Finally, in this presentation we will be referring to non-GAAP financial measures such as non-GAAP revenue, non-GAAP income from operations and operating margin, adjusted free cash flow and non-GAAP diluted earnings per share. These non-GAAP measures are not prepared in accordance with generally accepted accounting principles. A reconciliation between non-GAAP and the most directly comparable GAAP financial measures appears in our earnings press release for the fiscal quarter ended February 28, 2022 and is available in the Investor Relations section of our Web site.

Conference Call Details

What: Progress Q1 2022 Financial Results Conference Call

When: Tuesday, March 29, 2022

Time: 5:00 p.m. ET

Live Call: (800) 773-2954
(847) 413-3731
Conf ID: 50242106

Live / Recorded Webcast: <https://edge.media-server.com/mmc/p/38n7sbqy>

Please note: Webcast is listen-only.

Summary Highlights Q1 2022

Strong Financial Results, Good Start to FY22

- Broad top-line strength and momentum continued from FY21.
- Strong demand and solid execution, including disciplined expense management, drove results above high end of guidance range.
- ARR growth (up 12% on an as reported basis and 3.5% on a pro-forma basis, both in constant currency) and consistently strong net retention rates of >100% reflect continued strong performance across the board.
- Kemp integration proceeding at or ahead of plan...no major speedbumps or surprises.



Results Overview & Guidance

Updated Guidance#: FY22E and Q1'22E

Revenue:	\$613M
EPS:	\$4.05
FCF:	\$188M
Operating margin:	39.5%

Q2E Revenue:	\$146.5M
Q2E EPS:	\$0.95

Guidance provided/updated March 29, 2022, non-GAAP; midpoint of guidance shown.



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

All results shown are for Q1 '22, non-GAAP, as reported March 29, 2022

\$0.97

Q1'22 Earnings Per Share

\$147.5M

Revenue

12%

YoY Revenue Growth

\$479M

ARR

~80%

Recurring Revenue

\$44.7M

Free Cash Flow

40%

Operating Margins

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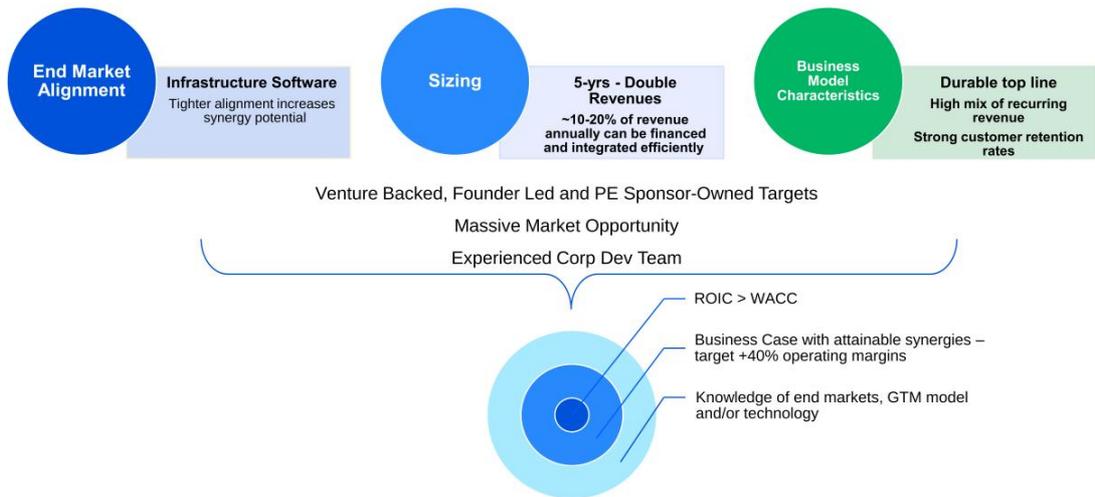
Total Growth Strategy Goals

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



Pillars of our Total Growth Strategy

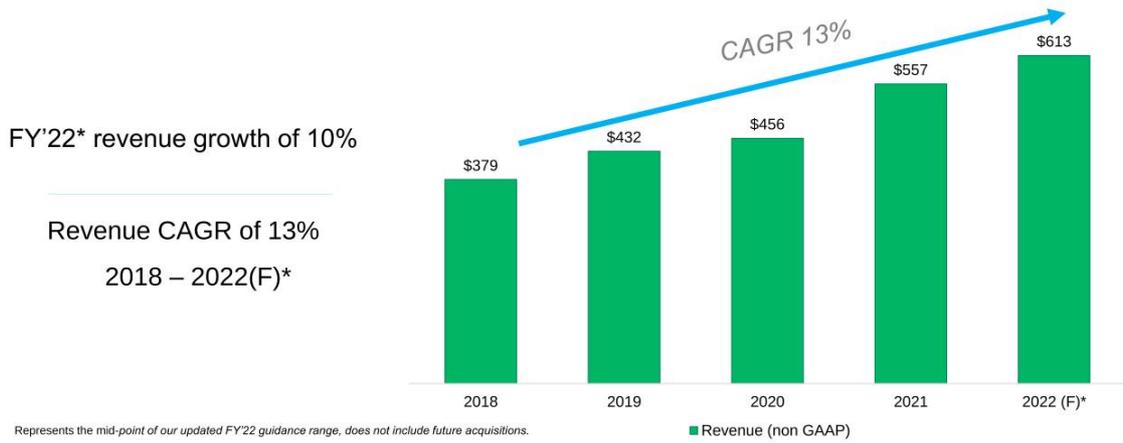
M&A Approach



Summary Q1 2022 Financial Results

	Q1 2022 Results	Prior Q1 2022 Outlook (provided on January 18, 2022)
GAAP Revenue	<i>\$144.9M</i>	\$136M - \$139M
Non-GAAP Revenue	<i>\$147.5M</i>	\$139M - \$142M
GAAP earnings per share (Diluted)	<i>\$0.46</i>	\$0.32 - \$0.34
Non-GAAP earnings per share (Diluted)	<i>\$0.97</i>	\$0.83 - \$0.85
GAAP Operating Margin	<i>20%</i>	Not guided
Non-GAAP Operating Margin	<i>40%</i>	Not guided
Adjusted Free Cash Flow	<i>\$44.7 M</i>	Not guided

Driving Total Growth



Annualized Recurring Revenue Trend ("pro-forma")

Kemp ARR ~\$40M

ARR growth = 3.5% year-over-year

+

Net Retention Rate between 98%-101%

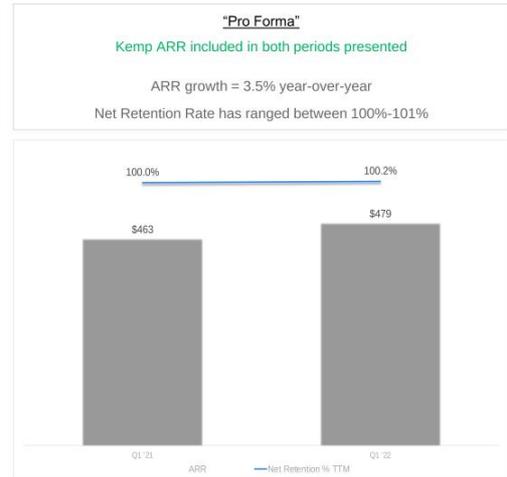
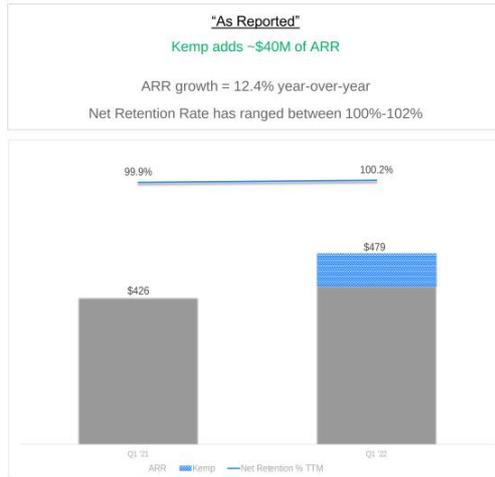
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Predictable and durable top line performance

All periods reported in constant currency, using current year budgeted exchange rates



Annualized Recurring Revenue (amounts reported in constant currency)



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



ARR Exchange Rate Comparison ("pro-forma")

ARR is presented in constant currency, using our current year budgeted exchange rates

"ARR at FY21 Rates" represents results reported translated using our FY21 budgeted exchange rates

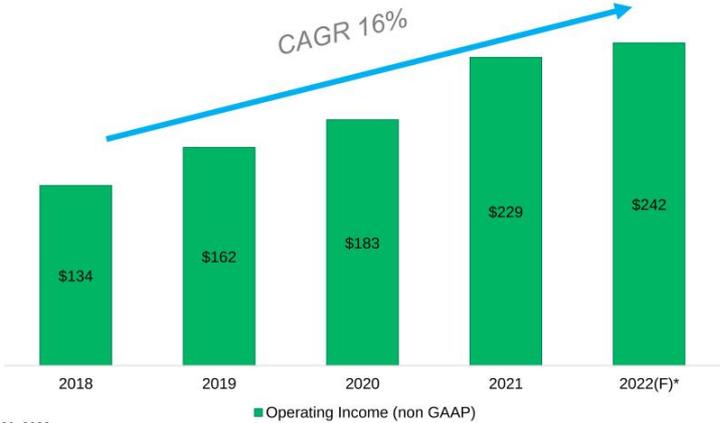
"ARR at FY22 Rates" represents those same results translated using our FY22 budgeted exchange rates



Growing Profitability

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

Best-in-class operating margins consistently above 35%

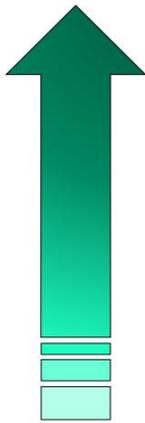


* Represents the mid-point of our FY'22 guidance range updated March 29, 2022



Capital Allocation Strategy

Primary focus



Continue to prioritize **accretive M&A** opportunities that meet our disciplined criteria



Repurchase shares to offset dilution from our equity programs only to the extent that doing so does not constrain our M&A capabilities

- Existing authorization \$250M; \$130M remaining
- Flexibility to increase, reduce or suspend repurchases, depending on market conditions and size and timing of M&A



Continue **returning capital to shareholders** in the form of dividends only to the extent that doing so does not constrain our M&A capabilities

Business Outlook (as of March 29, 2022)

	Q2 2022 Current Outlook	FY 2022 Prior Outlook <small>(Provided on January 18, 2022)</small>	FY 2022 Current Outlook
Non-GAAP Revenue	\$145M – \$148M	\$605 – \$615M	\$609M – \$617M
Non-GAAP EPS	\$0.94 – \$0.96	\$3.95 - \$4.05	\$4.01 – \$4.09
Non-GAAP Operating Margin	Not guided	39%	39% - 40%
Non-GAAP Adjusted Free Cash Flow	Not guided	\$185M - \$190M	\$185M – \$190M
Non-GAAP Effective Tax Rate	Not guided	20%- 21%	20% - 21%

Supplemental Financial Information *

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

Supplemental Revenue Information

(Unaudited)

(in thousands)	QTD GAAP Basis				
	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022
Revenue by Type					
License	33,317	30,107	51,930	41,236	42,750
Maintenance	76,977	80,069	82,875	85,942	89,963
Services	10,986	12,312	12,612	12,950	12,209
Total Revenue	\$ 121,280	\$ 122,488	\$ 147,417	\$ 140,128	\$ 144,922
Revenue by Region					
North America	71,505	71,094	93,880	81,335	78,093
EMEA	40,240	41,321	40,999	46,775	53,702
Latin America	3,493	3,753	5,298	4,492	3,883
Asia Pacific	6,042	6,320	7,240	7,526	9,244
Total Revenue	\$ 121,280	\$ 122,488	\$ 147,417	\$ 140,128	\$ 144,922

Other NON-GAAP Financial Measures

(Unaudited)

(in thousands)	YTD GAAP Q1 2022	YTD Non-GAAP Adjustment	YTD Non-GAAP Q1 2022
Revenue by Type			
License	42,750	132	42,882
Maintenance	89,963	2,433	92,396
Services	12,209	18	12,227
Total Revenue	\$ 144,922	\$ 2,583	\$ 147,505
Revenue by Region			
North America	78,093	1,769	79,862
EMEA	53,702	602	54,304
Latin America	3,883	7	3,890
Asia Pacific	9,244	205	9,449
Total Revenue	\$ 144,922	\$ 2,583	\$ 147,505



