



PRESS ANNOUNCEMENT

Progress Software Announces Third Quarter 2026 Financial Results

ARR of \$873 million grew 1% year-over-year Acquisition of Domo's AI and Data Platform Business Closed

BURLINGTON, Mass., Sept. 30, 2026 — Progress Software (Nasdaq: PRGS), an AI infrastructure software leader, today announced financial results for its fiscal third quarter ended August 31, 2026.

Third Quarter 2026 Highlights:

- Revenue of \$246 million decreased 2% year-over-year both on an actual and a constant currency basis.
- Annualized Recurring Revenue ("ARR") of \$873 million increased 1% year-over-year on a constant currency basis.
- Operating margin was 19% and non-GAAP operating margin was 43%.
- Diluted earnings per share was \$0.55 compared to \$0.44 in the same quarter last year, an increase of 25%.
- Non-GAAP diluted earnings per share was \$1.69 compared to \$1.50 in the same quarter last year, an increase of 13%.

"This quarter's results reflect the strength of our strategy, the resilience of our business model, and the value our differentiated software portfolio delivers to customers worldwide," said Yogesh Gupta, CEO of Progress Software. "As organizations seek the context and control required to realize the full potential of AI, Progress is uniquely positioned to help them drive business outcomes with confidence. We delivered steady growth in ARR and earnings through strong execution and disciplined expense management, while continuing to improve our balance sheet. With the recent close of the Domo AI and Data platform acquisition, we are further strengthening our ability to help customers unlock the value of their data and accelerate AI-powered innovation."

Additional financial highlights included:

(in thousands, except percentages and per share amounts)	Three Months Ended					
	GAAP			Non-GAAP		
	August 31, 2026	August 31, 2025	% Change	August 31, 2026	August 31, 2025	% Change
Revenue	\$ 246,005	\$ 249,795	(2)%	\$ 246,005	\$ 249,795	(2)%
Income from operations	\$ 46,550	\$ 43,874	6 %	\$ 105,257	\$ 99,423	6 %
Operating margin	19 %	18 %	100 bps	43 %	40 %	300 bps
Net income	\$ 22,776	\$ 19,413	17 %	\$ 70,204	\$ 65,723	7 %
Diluted earnings per share	\$ 0.55	\$ 0.44	25 %	\$ 1.69	\$ 1.50	13 %
Cash from operations (GAAP) /	\$ 88,011	\$ 73,446	20 %	\$ 87,161	\$ 74,428	17 %
Adjusted free cash flow (non-GAAP) /				\$ 100,687	\$ 88,617	14 %
Unlevered free cash flow (non-GAAP)						

See *Important Information Regarding Non-GAAP Financial Measures, Liquidity Measures, and Select Performance Metrics* and a reconciliation of non-GAAP adjustments to Progress' GAAP financial results at the end of this press release.

Other fiscal third quarter 2026 metrics and recent results included:

- Cash and cash equivalents were \$113.7 million at the end of the quarter.
- Days sales outstanding was 42 days compared to 55 days in the fiscal third quarter of 2025 and 73 days in the fiscal fourth quarter of 2025.

Anthony Folger, Progress CFO, said: "Our execution in the third quarter was very strong with year-over-year growth in ARR and adjusted free cash flow of more than 1% and 17%, respectively. In addition, we delivered a non-GAAP operating margin of 43%. All of this is a testament to the stability and durability of our business and the efficiency of our operating model. With the acquisition of Domo's AI and data platform business now closed, we look forward to integrating Domo and continuing to deliver on our Total Growth Strategy."

2026 Business Outlook

Progress provides the following guidance for the fiscal year ending November 30, 2026 and the fiscal fourth quarter ending November 30, 2026:

(in millions, except percentages and per share amounts)	Updated FY 2026 Guidance (September 30, 2026)		Prior FY 2026 Guidance (June 30, 2026)	
	GAAP	Non-GAAP	GAAP	Non-GAAP
Revenue	\$1,044 - \$1,052	\$1,044 - \$1,052	\$990 - \$1,002	\$990 - \$1,002
Diluted earnings per share	\$1.18 - \$1.28	\$6.15 - \$6.23	\$1.60 - \$1.74	\$6.09 - \$6.21
Operating margin	13 %	38 %	16 %	39 %
Cash from operations (GAAP) / Adjusted free cash flow (non-GAAP) / Unlevered free cash flow (non-GAAP)	\$274 - \$282	\$275 - \$283 \$330 - \$338	\$273 - \$285	\$271 - \$283 \$323 - \$334
Effective tax rate	25 %	20 %	25 %	20 %

(in millions, except per share amounts)	Q4 2026 Guidance	
	GAAP	Non-GAAP
Revenue	\$297 - \$305	\$297 - \$305
Diluted (loss) earnings per share	\$(0.41) - \$(0.32)	\$1.24 - \$1.33

Based on current exchange rates, the expected positive currency translation impact on our:

- Fiscal year 2026 business outlook compared to 2025 exchange rates is approximately \$9.4 million on revenue.
- GAAP and non-GAAP diluted earnings per share for fiscal year 2026 is approximately \$0.11.
- Fiscal Q4 2026 business outlook compared to 2025 exchange rates is approximately \$0.6 million on revenue.
- GAAP and non-GAAP diluted (loss) earnings per share for fiscal Q4 2026 is approximately \$0.02.

To the extent that there are changes in exchange rates versus the current environment and/or our expectations, 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 third quarter of 2026 at 5:00 p.m. ET on Wednesday, September 30, 2026. Participants must register for the conference call here: <https://register-conf.media-server.com/register/B18bdfec1cb044440bb00b3b72afef1db1>. The webcast can be accessed at: <https://edge.media-server.com/mmc/p/2rbf924z/>. The conference call will include comments followed by questions and answers. Attendees must register for the webcast and 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.

About Progress Software

Progress Software (Nasdaq: PRGS) provides the context and control organizations need to reliably extract value from AI—**context** drawn from an organization's data, content and workflows, and **control** over the security, governance and cost of their AI initiatives. Learn how hundreds of thousands of businesses, powering the work of tens of millions of professionals worldwide, realize value from trusted, enterprise-ready AI at www.progress.com.

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CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	Three Months Ended			Nine Months Ended		
	August 31, 2026	August 31, 2025	% Change	August 31, 2026	August 31, 2025	% Change
<i>(in thousands, except per share data)</i>						
Revenue:						
Software licenses	\$ 63,556	\$ 63,437	— %	\$ 200,116	\$ 172,677	16 %
Maintenance, SaaS, and professional services	182,449	186,358	(2)%	547,153	552,488	(1)%
Total revenue	246,005	249,795	(2)%	747,269	725,165	3 %
Costs of revenue:						
Cost of software licenses	2,715	2,833	(4)%	9,403	8,745	8 %
Cost of maintenance, SaaS, and professional services	30,815	33,919	(9)%	95,174	100,567	(5)%
Amortization of acquired intangibles	8,937	10,784	(17)%	26,626	31,743	(16)%
Total costs of revenue	42,467	47,536	(11)%	131,203	141,055	(7)%
Gross profit	203,538	202,259	1 %	616,066	584,110	5 %
Operating expenses:						
Sales and marketing	50,462	51,850	(3)%	156,800	152,823	3 %
Product development	46,054	49,432	(7)%	145,368	142,377	2 %
General and administrative	26,781	28,308	(5)%	85,521	79,568	7 %
Amortization of acquired intangibles	26,162	26,415	(1)%	77,946	78,286	— %
Cyber vulnerability response expenses, net	3,455	659	424 %	6,079	2,126	186 %
Restructuring expenses	146	907	(84)%	2,332	8,979	(74)%
Acquisition-related expenses	3,928	814	383 %	3,803	5,035	(24)%
Total operating expenses	156,988	158,385	(1)%	477,849	469,194	2 %
Income from operations	46,550	43,874	6 %	138,217	114,916	20 %
Other expense, net	(17,017)	(17,668)	4 %	(49,552)	(55,544)	11 %
Income before income taxes	29,533	26,206	13 %	88,665	59,372	49 %
Provision for income taxes	6,757	6,793	(1)%	22,003	11,984	84 %
Net income	\$ 22,776	\$ 19,413	17 %	\$ 66,662	\$ 47,388	41 %
Earnings per share:						
Basic	\$ 0.55	\$ 0.45	22 %	\$ 1.60	\$ 1.10	45 %
Diluted	\$ 0.55	\$ 0.44	25 %	\$ 1.58	\$ 1.07	48 %
Weighted average shares outstanding:						
Basic	41,061	42,988	(4)%	41,706	43,099	(3)%
Diluted	41,478	43,717	(5)%	42,172	44,253	(5)%

Stock-based compensation is included in the condensed consolidated statements of operations, as follows:

Costs of revenue	\$ 1,411	\$ 1,486	(5)%	\$ 4,537	\$ 4,241	7 %
Sales and marketing	3,385	3,275	3 %	11,527	9,970	16 %
Product development	4,805	4,709	2 %	16,247	14,103	15 %
General and administrative	6,478	6,500	— %	22,751	19,080	19 %
Total	\$ 16,079	\$ 15,970	1 %	\$ 55,062	\$ 47,394	16 %

CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

<i>(in thousands)</i>	August 31, 2026	November 30, 2025
Assets		
Current assets:		
Cash and cash equivalents	\$ 113,653	\$ 94,807
Accounts receivable, net	118,811	195,783
Unbilled receivables, current portion	50,158	46,599
Other current assets	47,376	62,776
Total current assets	329,998	399,965
Property and equipment, net	15,263	13,694
Goodwill and intangible assets, net	1,789,210	1,893,082
Right-of-use lease assets	29,751	25,842
Unbilled receivables, non-current portion	39,413	29,950
Other assets	98,958	95,125
Total assets	\$ 2,302,593	\$ 2,457,658
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable and other current liabilities	\$ 94,942	\$ 117,331
Convertible senior notes, current portion, net	—	359,163
Operating lease liabilities, current portion	7,750	8,490
Deferred revenue, current portion	311,936	324,750
Total current liabilities	414,628	809,734
Long-term debt	790,000	600,000
Operating lease liabilities, non-current portion	24,648	21,077
Deferred revenue, non-current portion	94,531	100,329
Convertible senior notes, non-current portion, net	442,635	441,186
Other non-current liabilities	6,173	6,983
Stockholders' equity:		
Common stock and additional paid-in capital	432,123	384,119
Retained earnings	97,855	94,230
Total stockholders' equity	529,978	478,349
Total liabilities and stockholders' equity	\$ 2,302,593	\$ 2,457,658

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Three Months Ended		Nine Months Ended	
	August 31, 2026	August 31, 2025	August 31, 2026	August 31, 2025
<i>(in thousands)</i>				
Operating activities:				
Net income	\$ 22,776	\$ 19,413	\$ 66,662	\$ 47,388
Depreciation and amortization	37,454	40,121	113,100	118,898
Stock-based compensation	16,079	15,970	55,062	47,394
Other non-cash adjustments	(342)	(2,363)	10,619	(625)
Changes in operating assets and liabilities	12,044	305	20,031	(40,666)
Net cash flows from operating activities	88,011	73,446	265,474	172,389
Capital expenditures	(1,695)	(1,055)	(6,264)	(2,840)
Repurchases of common stock, net of issuances	(14,263)	(11,720)	(61,289)	(49,068)
Dividend equivalent payments to stockholders	—	—	—	(654)
Payments for acquisitions, net of cash acquired	—	(19,458)	—	(20,653)
Repurchases of convertible senior notes	—	—	(360,000)	—
Proceeds from revolving line of credit, net of payment of issuance costs	—	(5,961)	360,000	(5,961)
Repayment of revolving line of credit	(60,000)	(40,000)	(170,000)	(110,000)
Other	(1,378)	1,750	(9,075)	(2,282)
Net change in cash and cash equivalents	10,675	(2,998)	18,846	(19,069)
Cash and cash equivalents, beginning of period	102,978	102,006	94,807	118,077
Cash and cash equivalents, end of period	\$ 113,653	\$ 99,008	\$ 113,653	\$ 99,008

RECONCILIATIONS OF GAAP TO NON-GAAP SELECTED FINANCIAL MEASURES

(Unaudited)

	Three Months Ended		Nine Months Ended	
	August 31, 2026	August 31, 2025	August 31, 2026	August 31, 2025
<i>(in thousands, except per share data)</i>				
Adjusted income from operations:				
GAAP income from operations	\$ 46,550	\$ 43,874	\$ 138,217	\$ 114,916
Amortization of acquired intangibles	35,099	37,199	104,572	110,029
Stock-based compensation	16,079	15,970	55,062	47,394
Restructuring expenses	146	907	2,332	8,979
Acquisition-related expenses	3,928	814	3,803	5,035
Cyber vulnerability response expenses, net	3,455	659	6,079	2,126
Non-GAAP income from operations	<u>\$ 105,257</u>	<u>\$ 99,423</u>	<u>\$ 310,065</u>	<u>\$ 288,479</u>
Adjusted net income:				
GAAP net income	\$ 22,776	\$ 19,413	\$ 66,662	\$ 47,388
Amortization of acquired intangibles	35,099	37,199	104,572	110,029
Stock-based compensation	16,079	15,970	55,062	47,394
Restructuring expenses	146	907	2,332	8,979
Acquisition-related expenses	3,928	814	3,803	5,035
Cyber vulnerability response expenses, net	3,455	659	6,079	2,126
Provision for income taxes	(11,279)	(9,239)	(31,637)	(34,484)
Non-GAAP net income	<u>\$ 70,204</u>	<u>\$ 65,723</u>	<u>\$ 206,873</u>	<u>\$ 186,467</u>
Adjusted diluted earnings per share:				
GAAP diluted earnings per share	\$ 0.55	\$ 0.44	\$ 1.58	\$ 1.07
Amortization of acquired intangibles	0.85	0.85	2.48	2.49
Stock-based compensation	0.39	0.36	1.31	1.07
Restructuring expenses	—	0.02	0.06	0.20
Acquisition-related expenses	0.09	0.02	0.09	0.11
Cyber vulnerability response expenses, net	0.08	0.02	0.14	0.05
Provision for income taxes	(0.27)	(0.21)	(0.75)	(0.78)
Non-GAAP diluted earnings per share	<u>\$ 1.69</u>	<u>\$ 1.50</u>	<u>\$ 4.91</u>	<u>\$ 4.21</u>
Non-GAAP weighted avg shares outstanding - diluted	41,478	43,717	42,172	44,253

OTHER NON-GAAP FINANCIAL MEASURES

(Unaudited)

Adjusted Free Cash Flow and Unlevered Free Cash Flow

	Three Months Ended			Nine Months Ended		
	August 31, 2026	August 31, 2025	% Change	August 31, 2026	August 31, 2025	% Change
<i>(in thousands)</i>						
Cash flows from operations	\$ 88,011	\$ 73,446	20 %	\$ 265,474	\$ 172,389	54 %
Purchases of property and equipment	(1,695)	(1,055)	61 %	(6,264)	(2,840)	121 %
Free cash flow	86,316	72,391	19 %	259,210	169,549	53 %
Add back: restructuring payments	845	2,037	(59)%	6,002	15,158	(60)%
Adjusted free cash flow	<u>\$ 87,161</u>	<u>\$ 74,428</u>	<u>17 %</u>	<u>\$ 265,212</u>	<u>\$ 184,707</u>	<u>44 %</u>
Add back: tax-effected interest expense	13,526	14,189	(5)%	38,452	43,442	(11)%
Unlevered free cash flow	<u>\$ 100,687</u>	<u>\$ 88,617</u>	<u>14 %</u>	<u>\$ 303,664</u>	<u>\$ 228,149</u>	<u>33 %</u>

RECONCILIATIONS OF GAAP TO NON-GAAP FINANCIAL MEASURES FOR FISCAL YEAR 2026 GUIDANCE (Unaudited)

Fiscal Year 2026 Updated Non-GAAP Operating Margin Guidance

(in millions)	Fiscal Year Ending November 30, 2026	
	Low	High
GAAP income from operations	\$ 136.7	\$ 142.0
GAAP operating margin	13 %	13 %
Restructuring expense	17.1	17.1
Stock-based compensation	73.3	73.3
Acquisition-related expenses	11.6	11.6
Amortization of acquired intangibles	143.1	143.1
Cyber vulnerability response expenses, net	12.4	12.4
Total adjustments ⁽¹⁾	257.5	257.5
Non-GAAP income from operations	\$ 394.2	\$ 399.5
Non-GAAP operating margin	38 %	38 %

Fiscal Year 2026 Updated Non-GAAP Earnings per Share and Effective Tax Rate Guidance

(in millions, except per share data)	Fiscal Year Ending November 30, 2026	
	Low	High
GAAP net income	\$ 49.7	\$ 54.0
Adjustments (from previous table)	257.5	257.5
Income tax adjustment ⁽²⁾	(48.1)	(47.8)
Non-GAAP net income	\$ 259.1	\$ 263.7
GAAP diluted earnings per share	\$ 1.18	\$ 1.28
Non-GAAP diluted earnings per share	\$ 6.15	\$ 6.23
Diluted weighted average shares outstanding	42.1	42.3

¹ Total adjustments include preliminary estimates relating to the valuation of intangible assets acquired from Domo and restructuring expenses. The final amounts will not be available until the Company's internal procedures and reviews are completed.

² Tax adjustment is based on a non-GAAP effective tax rate of approximately 20%, calculated as follows:

	Fiscal Year Ending November 30, 2026	
	Low	High
Non-GAAP income from operations	\$ 394.2	\$ 399.5
Other (expense) income, net	(70.4)	(70.0)
Non-GAAP income from continuing operations before income taxes	323.8	329.5
Non-GAAP net income	259.1	263.7
Tax provision	\$ 64.7	\$ 65.8
Non-GAAP tax rate	20 %	20 %

RECONCILIATIONS OF GAAP TO NON-GAAP FINANCIAL MEASURES FOR FISCAL YEAR 2026 GUIDANCE
(Unaudited)

Fiscal Year 2026 Updated Adjusted Free Cash Flow and Unlevered Free Cash Flow Guidance

<i>(in millions)</i>	Fiscal Year Ending November 30, 2026	
	Low	High
Cash flows from operations (GAAP)	\$ 274	\$ 282
Purchases of property and equipment	(10)	(10)
Add back: restructuring payments	11	11
Adjusted free cash flow (non-GAAP)	275	283
Add back: tax-effected interest expense	55	55
Unlevered free cash flow (non-GAAP)	<u>\$ 330</u>	<u>\$ 338</u>

RECONCILIATIONS OF GAAP TO NON-GAAP FINANCIAL MEASURES FOR Q4 2026 GUIDANCE
(Unaudited)

Q4 2026 Non-GAAP Earnings per Share Guidance

	Three Months Ending November 30, 2026	
	Low	High
GAAP diluted loss per share	\$ (0.41)	\$ (0.32)
Acquisition-related expense	0.19	0.19
Stock-based compensation	0.44	0.44
Amortization of acquired intangibles	0.92	0.92
Restructuring expense	0.35	0.35
Cyber vulnerability response expenses, net	0.15	0.15
Total adjustments ⁽³⁾	2.05	2.05
Income tax adjustment	(0.40)	(0.40)
Non-GAAP diluted earnings per share	<u>\$ 1.24</u>	<u>\$ 1.33</u>

³ Total adjustments include preliminary estimates relating to the valuation of intangible assets acquired from Domo and restructuring expenses. The final amounts will not be available until the Company's internal procedures and reviews are completed.

Important Information Regarding Non-GAAP Financial Measures, Liquidity Measures, and Select Performance Metrics

Progress furnishes certain non-GAAP supplemental information to our financial results. We use such non-GAAP financial measures to evaluate our period-over-period operating performance because our management team believes that excluding the effects of certain GAAP-related items helps to illustrate underlying trends in our business and provides us with a more comparable measure of our continuing business, as well as greater understanding of the results from the primary operations of our business. Management also uses such non-GAAP financial measures to establish budgets and operational goals, evaluate performance, and allocate resources. In addition, the compensation of our executives and non-executive employees is based in part on the performance of our business as evaluated by such non-GAAP financial measures. We believe these non-GAAP financial measures enhance investors' overall understanding of our current financial performance and our prospects for the future by: (i) providing more transparency for certain financial measures, (ii) presenting disclosure that helps investors understand how we plan and measure the performance of our business, (iii) affording a view of our operating results that may be more easily compared to our peer companies, and (iv) enabling investors to consider our operating results on both a GAAP and non-GAAP basis (including following the integration period of our prior 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 may have a material impact on Progress' financial results. A reconciliation of non-GAAP adjustments to Progress' GAAP financial results is included in the tables above.

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* - 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. Adjustments include preliminary estimates related to the valuation of intangible assets from Domo. The final amounts will not be available until the Company's internal procedures and reviews are completed.
- *Stock-based compensation* - We exclude stock-based compensation to be consistent with the way management and, in our view, the overall 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.
- *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 expenses* - We exclude acquisition-related expenses in order to provide a more meaningful comparison 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.
- *Cyber vulnerability response expenses, net* - We exclude certain expenses resulting from the MOVEit Vulnerability, as more thoroughly described in our filings with the Securities and Exchange Commission since June 5, 2023. Such expenses primarily consist of legal and other professional services related thereto. Expenses related to such cyber matters are provided net of expected insurance recoveries, although the timing of recognizing insurance recoveries may differ from the timing of recognizing the associated expenses. Costs associated with the enhancement of our cybersecurity program are not included within this adjustment. We expect to continue to incur legal and other professional services expenses in future periods associated with the MOVEit Vulnerability. Expenses related to such cyber matters are expected to result in operating expenses that would not have otherwise been incurred in the normal course of business operations. We believe that excluding these costs facilitates a more meaningful evaluation of our operating performance and comparisons to our past operating performance.
- *Provision for income taxes* - 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. 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.

In the noted fiscal periods, we also present the following liquidity measures:

- *Adjusted free cash flow ("AFCF") and unlevered free cash flow ("Unlevered FCF")* - AFCF is equal to cash flows from operating activities less purchases of property and equipment, plus restructuring payments. Unlevered FCF is AFCF plus tax-effected interest expense on outstanding debt.

In the noted fiscal periods, we also present the following select performance metrics:

- *Annualized Recurring Revenue ("ARR")* - We disclose ARR as a performance metric to help investors better understand and assess the performance of our business because our mix of revenue generated from recurring sources currently represents the substantial majority of our revenues and is expected to continue in the future. We define ARR as the annualized revenue of all active and contractually binding term-based contracts from all customers at a point in time. ARR includes revenue from maintenance, software upgrade rights, public cloud, and on-premises subscription-based transactions and managed services. ARR mitigates fluctuations in revenue due to seasonality, contract term and the sales mix of subscriptions for term-based licenses and SaaS. We use ARR to understand customer trends and the overall health of our business, helping us to formulate strategic business decisions.

We calculate the annualized value of annual and multi-year contracts, and contracts with terms less than one year, by dividing the total contract value of each contract by the number of months in the term and then multiplying by 12. Annualizing contracts with terms less than one-year results in amounts being included in our ARR that are in excess of the total contract value for those contracts at the end of the reporting period. We generally do not sell non-SaaS-based contracts with a term of less than one year unless a customer is purchasing additional licenses under an existing annual or multi-year contract. The expectation is that at the time of renewal, such contracts with a term less than one year will renew with the same term as the existing contracts being renewed, such that both contracts are co-terminated. Historically, such contracts with a term of less than one year renew at rates equal to or better than annual or multi-year contracts.

For SaaS-based contracts, there is a meaningful percentage of monthly auto-renewing contracts for which annualizing the contracts results in amounts being included in our ARR that are in excess of the total contract value for those contracts at the end of the reporting period.

Revenue from term-based license and on-premises subscription arrangements include a portion of the arrangement consideration that is allocated to the software license that is recognized up-front at the point in time control is transferred under ASC 606 revenue recognition principles. ARR for these arrangements is calculated as described above. The expectation is that the total contract value, inclusive of revenue recognized as software license, will be renewed at the end of the contract term.

The calculation is done at constant currency using the current year budgeted exchange rates for all periods presented.

ARR is not defined in GAAP and is not derived from a GAAP measure. Rather, ARR generally aligns to billings (as opposed to GAAP revenue which aligns to the transfer of control of each performance obligation). 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.

- *Net Retention Rate ("NRR")* - We calculate net retention rate as of a period end by starting with the ARR from the cohort of all customers as of 12 months prior to such period end ("Prior Period ARR"). We then calculate the ARR from these same customers as of the current period end ("Current Period ARR"). Current Period ARR includes any expansion and is net of contraction or attrition over the last 12 months but excludes ARR from new customers in the current period. We then divide the total Current Period ARR by the total Prior Period ARR to arrive at the net retention rate. Net retention rate is not calculated in accordance with GAAP and is not derived from a GAAP measure.

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 (including future acquisition activity) 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: (i) 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; (ii) 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; (iii) 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; (iv) 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 or zero-day vulnerabilities, we may experience reputational harm, legal claims and financial exposure; and the results of inquiries, investigations and legal claims regarding the MOVEit Vulnerability remain uncertain, while the ultimate resolution of these matters could result in losses that may be material to our financial results for a particular period; and (v) future acquisitions may not be successful or may involve unanticipated costs or other integration issues that could disrupt our existing operations. For further information regarding risks and uncertainties associated with Progress' business, please refer to our filings with the Securities and Exchange Commission, including our Annual Report on Form 10-K for the fiscal year ended November 30, 2025. Progress undertakes no obligation to update any forward-looking statements, which speak only as of the date of this press release.