



## Progress Reports 2018 Fiscal Fourth Quarter and Year End Results

January 17, 2019

### Exceeds Guidance for Revenue

BEDFORD, Mass.--(BUSINESS WIRE)--Jan. 17, 2019-- Progress (NASDAQ: PRGS), the leading provider of application development and digital experience technologies, today announced results for its fiscal fourth quarter and fiscal year ended November 30, 2018.

Revenue was \$111.3 million during the quarter compared to \$116.1 million in the same quarter last year, a year-over-year decrease of 4% on an actual currency basis and 3% on a constant currency basis. On a non-GAAP basis, revenue was \$111.5 million during the quarter compared to \$116.3 million in the same quarter last year, a decrease of 4% on an actual currency basis and 3% on a constant currency basis.

On a GAAP basis, diluted earnings per share during the quarter was \$0.41 compared to \$0.34 in the same quarter last year, an increase of 21%. On a non-GAAP basis, diluted earnings per share during the quarter was \$0.76 compared to \$0.67 in the same quarter last year, an increase of 13%.

"We achieved better-than-expected revenue and strong earnings per share in Q4, finishing a very solid financial year," said Yogesh Gupta, CEO at Progress. "Our business continues to be healthy and stable, and demand for our high-productivity application development platform is growing. We look forward to continued momentum in 2019, as we execute on our strategic plan that will drive sustainable, long-term value for all shareholders."

Additional financial highlights included:

|  | Three Months Ended |                   |          | Non-GAAP          |                   |          |
|--|--------------------|-------------------|----------|-------------------|-------------------|----------|
|  | GAAP               |                   |          | Non-GAAP          |                   |          |
| <i>(In thousands, except percentages and per share amounts)</i>  | November 30, 2018  | November 30, 2017 | % Change | November 30, 2018 | November 30, 2017 | % Change |
| Revenue  | \$ 111,333         | \$ 116,079        | (4 )%    | \$ 111,495        | \$ 116,335        | (4 )%    |
| Income from operations   | \$ 24,259          | \$ 28,809         | (16 )%   | \$ 44,213         | \$ 49,076         | (10 )%   |
| Operating margin   | 22 %               | 25 %              | (3 )%    | 40 %              | 42 %              | (2 )%    |
| Net income   | \$ 18,430          | \$ 16,429         | 12 %     | \$ 34,590         | \$ 32,073         | 8 %      |
| Diluted earnings per share                                       | \$ 0.41            | \$ 0.34           | 21 %     | \$ 0.76           | \$ 0.67           | 13 %     |
| Cash from operations (GAAP) / Adjusted free cash flow (Non-GAAP) | \$ 24,327          | \$ 32,515         | (25 )%   | \$ 23,232         | \$ 32,365         | (28 )%   |

Paul Jalbert, CFO, said: "We are pleased with our financial performance for Q4 and for the full year. Operating margins and cash flows were very strong, and we returned nearly \$150 million of capital to shareholders in 2018. Through our sustained focus on running lean operationally, we have reduced our annual expenses by almost \$40 million over the past two years and are well-positioned for continued financial success as we enter 2019."

Other fiscal fourth quarter 2018 metrics and recent results included:

- Cash, cash equivalents and short-term investments were \$139.5 million at the end of the quarter;
- DSO was 47 days, consistent with the fiscal fourth quarter of 2017, and an increase of 4 days compared to 43 days in the fiscal third quarter of 2018;
- Pursuant to the \$250 million share authorization by the Board of Directors, Progress repurchased 241,000 shares for \$10.0 million during the fiscal fourth quarter of 2018. As of November 30, 2018, there was \$100.0 million remaining under this authorization; and
- On January 8, 2019, our Board of Directors declared a quarterly dividend of \$0.155 per share of common stock that will be paid on March 15, 2019 to shareholders of record as of the close of business on March 1, 2019.

### Full Year Results

|   | Fiscal Year Ended |              |          | Non-GAAP     |              |          |
|---|-------------------|--------------|----------|--------------|--------------|----------|
|   | GAAP              |              |          | Non-GAAP     |              |          |
| <i>(In thousands, except percentages and per share amounts)</i> | November 30,      | November 30, | % Change | November 30, | November 30, | % Change |
|   |                   |              |          |              |              |          |

|  | 2018       | 2017       |      | 2018       | 2017       |       |
|--|------------|------------|------|------------|------------|-------|
| Revenue  | \$ 397,165 | \$ 397,572 | — %  | \$ 397,695 | \$ 398,587 | — %   |
| Income from operations   | \$ 85,998  | \$ 70,614  | 22 % | \$ 152,200 | \$ 144,453 | 5 %   |
| Operating margin   | 22         | % 18       | % 4  | % 38       | % 36       | % 2   |
| Net income   | \$ 63,491  | \$ 37,417  | 70 % | \$ 115,040 | \$ 92,493  | 24 %  |
| Diluted earnings per share                                       | \$ 1.38    | \$ 0.77    | 79 % | \$ 2.49    | \$ 1.91    | 30 %  |
| Cash from operations (GAAP) / Adjusted free cash flow (Non-GAAP) | \$ 121,352 | \$ 105,686 | 15 % | \$ 120,213 | \$ 121,543 | (1) % |

### Impact of the New Revenue Recognition Accounting Standard

Progress adopted the new accounting standard related to revenue recognition ("ASC 606") effective December 1, 2018, using the full retrospective method. Guidance for the fiscal year ending November 30, 2019, and for the first quarter ending February 28, 2019, has been prepared in accordance with the new standard. To provide comparable metrics to our fiscal year 2019 guidance, we have included preliminary adjustments to our quarterly and annual fiscal year 2018 results later in this release. These amounts are unaudited.

The largest impact from ASC 606 is on our Data Connectivity and Integration ("DCI") segment revenue. DCI license revenue is comprised primarily of multi-year term contracts, and was recognized upon payment due dates over the term of the agreement under the prior accounting standard. ASC 606, however, requires the license revenue for the entire term of these multi-year arrangements to be recognized up-front, and this change materially impacts the timing of our DCI segment revenue.

We do not expect a material impact from ASC 606 on our OpenEdge segment revenue, or on our Application Development and Deployment segment revenue.

### 2019 Business Outlook

Progress provides the following guidance for the fiscal year ending November 30, 2019 and for the fiscal first quarter ending February 28, 2019, as well as comparable fiscal 2018 periods adjusted results, under ASC 606:

|  | FY 2018 Adjusted <sup>(1)</sup> |                  | FY 2019 Guidance |                  |
|--|---------------------------------|------------------|------------------|------------------|
| <i>(In millions, except percentages and per share amounts)</i>   | FY 2018 GAAP                    | FY 2018 Non-GAAP | FY 2019 GAAP     | FY 2019 Non-GAAP |
| Revenue  | \$ 379                          | \$ 379           | \$380 - \$386    | \$380 - \$386    |
| Diluted earnings per share                                       | \$ 1.08                         | \$ 2.19          | \$1.19 - \$1.24  | \$2.33 - \$2.39  |
| Operating margin   | 18 %                            | 35 %             | 20 %             | 36 %             |
| Cash from operations (GAAP) / Adjusted free cash flow (Non-GAAP) | \$ 121                          | \$ 120           | \$115 - \$120    | \$115 - \$120    |
| Effective tax rate   | 18 %                            | 20 %             | 24 %             | 19 %             |
|  | Q1 2018 Adjusted <sup>(1)</sup> |                  | Q1 2019 Guidance |                  |
| <i>(In millions, except per share amounts)</i>                   | Q1 2018 GAAP                    | Q1 2018 Non-GAAP | Q1 2019 GAAP     | Q1 2019 Non-GAAP |
| Revenue  | \$ 95                           | \$ 96            | \$85 - \$88      | \$85 - \$88      |
| Diluted earnings per share                                       | \$ 0.29                         | \$ 0.56          | \$0.18 - \$0.20  | \$0.45 - \$0.47  |

<sup>(1)</sup>Progress adopted ASC 606 on December 1, 2018. As our GAAP results for fiscal year 2018 are reported under prior revenue recognition guidance, we have provided preliminary adjusted amounts for fiscal year 2018 for comparability to the first fiscal quarter and full fiscal year of 2019. These amounts are unaudited. Refer to the schedules later in this release, which include the preliminary adjustments to our quarterly and annual fiscal year 2018 results.

Based on current exchange rates, the expected negative currency translation impact on Progress' fiscal year 2019 business outlook compared to 2018 exchange rates is approximately \$5.8 million on GAAP and non-GAAP revenue, and approximately \$0.04 on GAAP and non-GAAP diluted earnings per share. The expected negative currency translation impact on Progress' fiscal Q1 2019 business outlook compared to 2018 exchange rates on GAAP and non-GAAP revenue, and on GAAP and non-GAAP diluted earnings per share is approximately \$2.4 million and \$0.02, respectively. 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

The Progress quarterly investor conference call to review its fiscal fourth quarter of 2018 will be broadcast live at 5:00 p.m. ET on Thursday, January 17, 2019 and can be accessed on the investor relations section of the company's website, located at [www.progress.com](http://www.progress.com). Additionally, you can listen to the call by telephone by dialing 1-800-458-4121, pass code 9119737. 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](http://www.progress.com) within the investor relations section. Additional information regarding the company's non-GAAP financial information is contained in the company's Current Report on Form 8-K furnished to the Securities and Exchange Commission in connection with this press release, which is also available on the Progress website within the investor relations section.

## Note Regarding Forward-Looking Statements

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

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

(1) Economic, geopolitical and market conditions can adversely affect our business, results of operations and financial condition, including our revenue growth and profitability, which in turn could adversely affect our stock price. (2) We may fail to achieve our financial forecasts due to such factors as delays or size reductions in transactions, fewer large transactions in a particular quarter, fluctuations in currency exchange rates, or a decline in our renewal rates for contracts. (3) Our ability to successfully manage transitions to new business models and markets, including an increased emphasis on a cloud and subscription strategy, may not be successful. (4) If we are unable to develop new or sufficiently differentiated products and services, or to enhance and improve our existing products and services in a timely manner to meet market demand, partners and customers may not purchase new software licenses or subscriptions or purchase or renew support contracts. (5) We depend upon our extensive partner channel and we may not be successful in retaining or expanding our relationships with channel partners. (6) Our international sales and operations subject us to additional risks that can adversely affect our operating results, including risks relating to foreign currency gains and losses. (7) If the security measures for our software, services or other offerings are compromised or subject to a successful cyber-attack, or if such offerings contain significant coding or configuration errors, we may experience reputational harm, legal claims and financial exposure. (8) We have made acquisitions, and may make acquisitions in the future, and those acquisitions may not be successful, may involve unanticipated costs or other integration issues or may disrupt our existing operations. 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, 2017, as amended, and its Quarterly Reports on Form 10-Q for the fiscal quarters ended February 28, 2018, May 31, 2018 and August 31, 2018. Progress undertakes no obligation to update any forward-looking statements, which speak only as of the date of this press release.

## About Progress

[Progress](http://www.progress.com) (NASDAQ: PRGS) offers the leading platform for developing and deploying strategic business applications. We enable customers and partners to deliver modern, high-impact digital experiences with a fraction of the effort, time and cost. Progress offers powerful tools for easily building adaptive user experiences across any type of device or touchpoint, award-winning machine learning that enables cognitive capabilities to be a part of any application, the flexibility of a serverless cloud to deploy modern apps, business rules, web content management, plus leading data connectivity technology. Over 1,700 independent software vendors, 100,000 enterprise customers, and 2 million developers rely on Progress to power their applications. Learn about Progress at [www.progress.com](http://www.progress.com) or +1-800-477-6473.

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## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

| <i>(In thousands, except per share data)</i> | Three Months Ended   |                      |             | Fiscal Year Ended    |                      |             |
|--|----------------------|----------------------|-------------|----------------------|----------------------|-------------|
|  | November 30,<br>2018 | November 30,<br>2017 | %<br>Change | November 30,<br>2018 | November 30,<br>2017 | %<br>Change |
| Revenue:                                     |                      |                      |             |                      |                      |             |
| Software licenses                            | \$ 43,151            | \$ 45,963            | (6 )%       | \$ 122,137           | \$ 124,406           | (2 )%       |
| Maintenance and services                     | 68,182               | 70,116               | (3 )%       | 275,028              | 273,166              | 1 %         |
| Total revenue                                | 111,333              | 116,079              | (4 )%       | 397,165              | 397,572              | — %         |
| Costs of revenue:                            |                      |                      |             |                      |                      |             |
| Cost of software licenses                    | 1,198                | 1,405                | (15 )%      | 4,769                | 5,752                | (17 )%      |
| Cost of maintenance and services             | 10,025               | 10,575               | (5 )%       | 39,470               | 43,299               | (9 )%       |
| Amortization of acquired intangibles         | 5,508                | 5,979                | (8 )%       | 22,734               | 20,108               | 13 %        |
| Total costs of revenue                       | 16,731               | 17,959               | (7 )%       | 66,973               | 69,159               | (3 )%       |
| Gross profit                                 | 94,602               | 98,120               | (4 )%       | 330,192              | 328,413              | 1 %         |

|                                      |           |           |         |           |           |        |
|--------------------------------------|-----------|-----------|---------|-----------|-----------|--------|
| Operating expenses:                  |           |           |         |           |           |        |
| Sales and marketing                  | 28,198    | 26,229    | 8 %     | 93,036    | 96,345    | (3 )%  |
| Product development                  | 20,334    | 21,243    | (4 )%   | 79,739    | 76,988    | 4 %    |
| General and administrative           | 13,380    | 12,401    | 8 %     | 49,050    | 45,739    | 7 %    |
| Amortization of acquired intangibles | 3,285     | 3,318     | (1 )%   | 13,241    | 13,039    | 2 %    |
| Loss on assets held for sale         | 5,147     | —         | *       | 5,147     | —         | *      |
| Fees related to shareholder activist | —         | 2,020     | *       | 1,472     | 2,020     | (27 )% |
| Restructuring expense                | (131 )    | 3,486     | (104 )% | 2,251     | 22,210    | (90 )% |
| Acquisition-related expenses         | 130       | 614       | (79 )%  | 258       | 1,458     | (82 )% |
| Total operating expenses             | 70,343    | 69,311    | 1 %     | 244,194   | 257,799   | (5 )%  |
| Income from operations               | 24,259    | 28,809    | (16 )%  | 85,998    | 70,614    | 22 %   |
| Other (expense) income               | (2,188 )  | (728 )    | (201 )% | (7,018 )  | (5,027 )  | (40 )% |
| Income before income taxes           | 22,071    | 28,081    | (21 )%  | 78,980    | 65,587    | 20 %   |
| Provision for income taxes           | 3,641     | 11,652    | (69 )%  | 15,489    | 28,170    | (45 )% |
| Net income                           | \$ 18,430 | \$ 16,429 | 12 %    | \$ 63,491 | \$ 37,417 | 70 %   |

Earnings per share:

|                                      |         |         |       |         |         |       |
|--------------------------------------|---------|---------|-------|---------|---------|-------|
| Basic                                | \$ 0.41 | \$ 0.35 | 17 %  | \$ 1.39 | \$ 0.78 | 78 %  |
| Diluted                              | \$ 0.41 | \$ 0.34 | 21 %  | \$ 1.38 | \$ 0.77 | 79 %  |
| Weighted average shares outstanding: |         |         |       |         |         |       |
| Basic                                | 45,055  | 47,489  | (5 )% | 45,561  | 48,129  | (5 )% |
| Diluted                              | 45,401  | 48,171  | (6 )% | 46,135  | 48,516  | (5 )% |

|  |          |          |      |          |          |      |
|--|----------|----------|------|----------|----------|------|
| Cash dividends declared per common share | \$ 0.155 | \$ 0.140 | 11 % | \$ 0.575 | \$ 0.515 | 12 % |
|--|----------|----------|------|----------|----------|------|

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

|                            |          |          |        |           |           |        |
|----------------------------|----------|----------|--------|-----------|-----------|--------|
| Cost of revenue            | \$ 197   | \$ 226   | (13 )% | \$ 616    | \$ 1,016  | (39 )% |
| Sales and marketing        | 832      | 843      | (1 )%  | 2,959     | 2,214     | 34 %   |
| Product development        | 2,468    | 1,877    | 31 %   | 8,242     | 4,576     | 80 %   |
| General and administrative | 2,356    | 1,648    | 43 %   | 8,752     | 6,347     | 38 %   |
| Total                      | \$ 5,853 | \$ 4,594 | 27 %   | \$ 20,569 | \$ 14,153 | 45 %   |

\*Not meaningful

## CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

|   |                      |                      |
|---|----------------------|----------------------|
| (In thousands)                                    | November 30,<br>2018 | November 30,<br>2017 |
| Assets  |                      |                      |
| Current assets:                                   |                      |                      |
| Cash, cash equivalents and short-term investments | \$ 139,513           | \$ 183,609           |
| Accounts receivable, net                          | 58,450               | 61,210               |
| Other current assets                              | 25,080               | 18,588               |
| Assets held for sale                              | 5,776                | —                    |
| Total current assets                              | 228,819              | 263,407              |
| Property and equipment, net                       | 30,714               | 42,261               |
| Goodwill and intangible assets, net               | 373,911              | 409,935              |
| Other assets                                      | 7,165                | 3,115                |
| Total assets                                      | \$ 640,609           | \$ 718,718           |
| Liabilities and shareholders' equity              |                      |                      |
| Current liabilities:                              |                      |                      |
| Accounts payable and other current liabilities    | \$ 57,005            | \$ 69,661            |
| Current portion of long-term debt                 | 5,819                | 5,819                |
| Short-term deferred revenue                       | 133,194              | 132,538              |
| Total current liabilities                         | 196,018              | 208,018              |

|   |            |            |
|---|------------|------------|
| Long-term debt, net                         | 110,270    | 116,090    |
| Long-term deferred revenue                  | 15,127     | 9,750      |
| Other long-term liabilities                 | 9,112      | 8,776      |
| Shareholders' equity:                       |            |            |
| Common stock and additional paid-in capital | 267,053    | 249,836    |
| Retained earnings                           | 43,029     | 126,248    |
| Total shareholders' equity                  | 310,082    | 376,084    |
| Total liabilities and shareholders' equity  | \$ 640,609 | \$ 718,718 |

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

| (In thousands)   | Three Months Ended   |                      | Fiscal Year Ended    |                      |
|--|----------------------|----------------------|----------------------|----------------------|
|  | November 30,<br>2018 | November 30,<br>2017 | November 30,<br>2018 | November 30,<br>2017 |
| Cash flows from operating activities:                                  |                      |                      |                      |                      |
| Net income   | \$ 18,430            | \$ 16,429            | \$ 63,491            | \$ 37,417            |
| Depreciation and amortization  | 10,855               | 11,572               | 44,502               | 42,896               |
| Stock-based compensation   | 5,853                | 4,594                | 20,569               | 14,153               |
| Loss on assets held for sale   | 5,147                | —                    | 5,147                | —                    |
| Other non-cash adjustments   | 1,698                | (2,792)              | 2,687                | 32                   |
| Changes in operating assets and liabilities                            | (17,656)             | 2,712                | (15,044)             | 11,188               |
| Net cash flows from operating activities                               | 24,327               | 32,515               | 121,352              | 105,686              |
| Capital expenditures   | (1,282)              | (2,515)              | (7,250)              | (3,377)              |
| Repurchases of common stock, net of issuances                          | (8,738)              | (27,222)             | (110,795)            | (63,911)             |
| Dividend payments to shareholders                                      | (6,318)              | (5,975)              | (25,789)             | (24,127)             |
| Payments for acquisitions, net of cash acquired                        | —                    | —                    | —                    | (77,150)             |
| Payments of principal on long-term debt and debt issuance costs        | (1,547)              | (1,174)              | (6,188)              | (12,424)             |
| Other  | (4,810)              | (3,336)              | (15,426)             | 9,158                |
| Net change in cash, cash equivalents and short-term investments        | 1,632                | (7,707)              | (44,096)             | (66,145)             |
| Cash, cash equivalents and short-term investments, beginning of period | 137,881              | 191,316              | 183,609              | 249,754              |
| Cash, cash equivalents and short-term investments, end of period       | \$ 139,513           | \$ 183,609           | \$ 139,513           | \$ 183,609           |

## RESULTS OF OPERATIONS BY SEGMENT

(Unaudited)

| (In thousands)                                   | Three Months Ended   |                      |             | Fiscal Year Ended    |                      |             |
|--|----------------------|----------------------|-------------|----------------------|----------------------|-------------|
|  | November 30,<br>2018 | November 30,<br>2017 | %<br>Change | November 30,<br>2018 | November 30,<br>2017 | %<br>Change |
| Segment revenue:                                 |                      |                      |             |                      |                      |             |
| OpenEdge   | \$ 73,854            | \$ 77,639            | (5)%        | \$ 278,258           | \$ 276,172           | 1%          |
| Data Connectivity and Integration                | 18,041               | 18,044               | —%          | 39,030               | 40,955               | (5)%        |
| Application Development and Deployment           | 19,438               | 20,396               | (5)%        | 79,877               | 80,445               | (1)%        |
| Total revenue                                    | 111,333              | 116,079              | (4)%        | 397,165              | 397,572              | —%          |
| Segment costs of revenue and operating expenses: |                      |                      |             |                      |                      |             |
| OpenEdge   | 20,626               | 19,959               | 3%          | 67,820               | 72,497               | (6)%        |
| Data Connectivity and Integration                | 2,811                | 2,798                | —%          | 7,634                | 9,329                | (18)%       |
| Application Development and Deployment           | 7,019                | 6,749                | 4%          | 27,087               | 26,645               | 2%          |
| Total costs of revenue and operating expenses    | 30,456               | 29,506               | 3%          | 102,541              | 108,471              | (5)%        |
| Segment contribution margin:                     |                      |                      |             |                      |                      |             |
| OpenEdge   | 53,228               | 57,680               | (8)%        | 210,438              | 203,675              | 3%          |
| Data Connectivity and Integration                | 15,230               | 15,246               | —%          | 31,396               | 31,626               | (1)%        |
| Application Development and Deployment           | 12,419               | 13,647               | (9)%        | 52,790               | 53,800               | (2)%        |

|   |           |           |         |           |           |        |
|---|-----------|-----------|---------|-----------|-----------|--------|
| Total contribution margin                 | 80,877    | 86,573    | (7 )%   | 294,624   | 289,101   | 2 %    |
| Other unallocated expenses <sup>(1)</sup> | 56,618    | 57,764    | (2 )%   | 208,626   | 218,487   | (5 )%  |
| Income from operations                    | 24,259    | 28,809    | (16 )%  | 85,998    | 70,614    | 22 %   |
| Other expense, net                        | (2,188 )  | (728 )    | (201 )% | (7,018 )  | (5,027 )  | (40 )% |
| Income before income taxes                | \$ 22,071 | \$ 28,081 | (21 )%  | \$ 78,980 | \$ 65,587 | 20 %   |

(1)The following expenses are not allocated to our segments as we manage and report our business in these functional areas on a consolidated basis only: certain product development and corporate sales and marketing expenses, customer support, administration, amortization of acquired intangibles, loss on assets held for sale, stock-based compensation, fees related to shareholder activist, restructuring, and acquisition-related expenses.

## SUPPLEMENTAL INFORMATION

(Unaudited)

### Revenue by Type

| <i>(In thousands)</i> | Q4 2017    | Q1 2018   | Q2 2018   | Q3 2018   | Q4 2018    | FY 2018    | FY 2017    |
|-----------------------|------------|-----------|-----------|-----------|------------|------------|------------|
| Software licenses     | \$ 45,963  | \$ 25,343 | \$ 26,439 | \$ 27,204 | \$ 43,151  | \$ 122,137 | \$ 124,406 |
| Maintenance           | 61,826     | 61,479    | 62,323    | 60,566    | 60,454     | 244,822    | 241,398    |
| Services              | 8,290      | 7,225     | 7,340     | 7,913     | 7,728      | 30,206     | 31,768     |
| Total revenue         | \$ 116,079 | \$ 94,047 | \$ 96,102 | \$ 95,683 | \$ 111,333 | \$ 397,165 | \$ 397,572 |

### Revenue by Region

| <i>(In thousands)</i> | Q4 2017    | Q1 2018   | Q2 2018   | Q3 2018   | Q4 2018    | FY 2018    | FY 2017    |
|-----------------------|------------|-----------|-----------|-----------|------------|------------|------------|
| North America         | \$ 66,504  | \$ 51,641 | \$ 50,823 | \$ 52,212 | \$ 65,246  | \$ 219,922 | \$ 223,942 |
| EMEA                  | 38,039     | 33,014    | 35,333    | 33,422    | 36,203     | 137,972    | 130,359    |
| Latin America         | 5,489      | 4,461     | 4,256     | 4,341     | 4,579      | 17,637     | 21,158     |
| Asia Pacific          | 6,047      | 4,931     | 5,690     | 5,708     | 5,305      | 21,634     | 22,113     |
| Total revenue         | \$ 116,079 | \$ 94,047 | \$ 96,102 | \$ 95,683 | \$ 111,333 | \$ 397,165 | \$ 397,572 |

### Revenue by Segment

| <i>(In thousands)</i>                  | Q4 2017    | Q1 2018   | Q2 2018   | Q3 2018   | Q4 2018    | FY 2018    | FY 2017    |
|--|------------|-----------|-----------|-----------|------------|------------|------------|
| OpenEdge                               | \$ 77,639  | \$ 66,408 | \$ 69,967 | \$ 68,029 | \$ 73,854  | \$ 278,258 | \$ 276,172 |
| Data Connectivity and Integration      | 18,044     | 7,604     | 5,788     | 7,597     | 18,041     | 39,030     | 40,955     |
| Application Development and Deployment | 20,396     | 20,035    | 20,347    | 20,057    | 19,438     | 79,877     | 80,445     |
| Total revenue                          | \$ 116,079 | \$ 94,047 | \$ 96,102 | \$ 95,683 | \$ 111,333 | \$ 397,165 | \$ 397,572 |

## RECONCILIATIONS OF GAAP TO NON-GAAP SELECTED FINANCIAL MEASURES - FOURTH QUARTER

(Unaudited)

| <i>(In thousands, except per share data)</i> | Three Months Ended |                   | % Change   |             |
|--|--------------------|-------------------|------------|-------------|
|  | November 30, 2018  | November 30, 2017 | Non-GAAP   |             |
| <b>Adjusted revenue:</b>                     |                    |                   |            |             |
| GAAP revenue                                 | \$ 111,333         | \$ 116,079        |            |             |
| Acquisition-related revenue <sup>(1)</sup>   | 162                | 256               |            |             |
| Non-GAAP revenue                             | \$ 111,495         | 100 %             | \$ 116,335 | 100 % (4 )% |

### Adjusted income from operations:

|   |           |      |           |      |
|---|-----------|------|-----------|------|
| GAAP income from operations                 | \$ 24,259 | 22 % | \$ 28,809 | 25 % |
| Amortization of acquired intangibles        | 8,793     | 8 %  | 9,297     | 8 %  |
| Loss on assets held for sale <sup>(2)</sup> | 5,147     | 5 %  | —         | — %  |
| Fees related to shareholder activist        | —         | — %  | 2,020     | 2 %  |
| Restructuring expenses and other            | (131 )    | — %  | 3,486     | 3 %  |

|  |           |      |           |      |        |
|--|-----------|------|-----------|------|--------|
| Stock-based compensation                 | 5,853     | 5 %  | 4,594     | 4 %  |        |
| Acquisition-related revenue and expenses | 292       | — %  | 870       | — %  |        |
| Non-GAAP income from operations          | \$ 44,213 | 40 % | \$ 49,076 | 42 % | (10 )% |

**Adjusted net income:**

|   |           |       |           |       |     |
|---|-----------|-------|-----------|-------|-----|
| GAAP net income                             | \$ 18,430 | 17 %  | \$ 16,429 | 14 %  |     |
| Amortization of acquired intangibles        | 8,793     | 8 %   | 9,297     | 8 %   |     |
| Loss on assets held for sale <sup>(2)</sup> | 5,147     | 5 %   | —         | — %   |     |
| Fees related to shareholder activist        | —         | — %   | 2,020     | 2 %   |     |
| Restructuring expenses and other            | (131 )    | — %   | 3,486     | 3 %   |     |
| Stock-based compensation                    | 5,853     | 5 %   | 4,594     | 4 %   |     |
| Acquisition-related revenue and expenses    | 292       | — %   | 870       | 1 %   |     |
| Tax adjustments                             | (3,794 )  | (4 )% | (4,623 )  | (4 )% |     |
| Non-GAAP net income                         | \$ 34,590 | 31 %  | \$ 32,073 | 28 %  | 8 % |

**Adjusted diluted earnings per share:**

|   |         |  |         |  |      |
|---|---------|--|---------|--|------|
| GAAP diluted earnings per share             | \$ 0.41 |  | \$ 0.34 |  |      |
| Amortization of acquired intangibles        | 0.19    |  | 0.20    |  |      |
| Loss on assets held for sale <sup>(2)</sup> | 0.11    |  | —       |  |      |
| Fees related to shareholder activist        | —       |  | 0.04    |  |      |
| Restructuring expenses and other            | —       |  | 0.07    |  |      |
| Stock-based compensation                    | 0.12    |  | 0.10    |  |      |
| Acquisition-related revenue and expenses    | 0.01    |  | 0.02    |  |      |
| Provision for income taxes                  | (0.08 ) |  | (0.10 ) |  |      |
| Non-GAAP diluted earnings per share         | \$ 0.76 |  | \$ 0.67 |  | 13 % |

**Non-GAAP weighted avg shares outstanding - diluted** 45,401 48,171 (6 )%

<sup>(1)</sup>Acquisition-related revenue constitutes revenue reflected as pre-acquisition deferred revenue under prior accounting guidance 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. Note that acquisition-related revenue adjustments relate to Progress' OpenEdge and Application Development and Deployment business segments for Kinvey and Telerik, respectively. Upon our adoption of ASC 606 in fiscal year 2019, our GAAP revenue and Non-GAAP revenue results are the same.

<sup>(2)</sup>Loss on assets held for sale represents two buildings on our Bedford campus that the Company is actively marketing and intends to sell within one year. GAAP accounting requires long-lived assets designated as held for sale to be measured at the lower of the carrying value or the fair value less cost to sell. As this loss is not part of our core operating results and is infrequent in nature, we exclude it to facilitate a more meaningful evaluation of our current operating performance and comparisons to our operating performance in other periods.

**RECONCILIATIONS OF GAAP TO NON-GAAP SELECTED FINANCIAL MEASURES - FISCAL YEAR**

(Unaudited)

| (In thousands, except per share data)       | Fiscal Year Ended |                   |            |       | % Change |
|---|-------------------|-------------------|------------|-------|----------|
|   | November 30, 2018 | November 30, 2017 | Non-GAAP   |       |          |
| <b>Adjusted revenue:</b>                    |                   |                   |            |       |          |
| GAAP revenue                                | \$ 397,165        | \$ 397,572        |            |       |          |
| Acquisition-related revenue <sup>(1)</sup>  | 530               | 1,015             |            |       |          |
| Non-GAAP revenue                            | \$ 397,695        | 100 %             | \$ 398,587 | 100 % | — %      |
| <b>Adjusted income from operations:</b>     |                   |                   |            |       |          |
| GAAP income from operations                 | \$ 85,998         | 22 %              | \$ 70,614  | 18 %  |          |
| Amortization of acquired intangibles        | 35,975            | 9 %               | 33,147     | 8 %   |          |
| Loss on assets held for sale <sup>(2)</sup> | 5,147             | 1 %               | —          | — %   |          |
| Fees related to shareholder activist        | 1,472             | — %               | 2,020      | — %   |          |
| Restructuring expenses and other            | 2,251             | 1 %               | 22,046     | 5 %   |          |
| Stock-based compensation                    | 20,569            | 5 %               | 14,153     | 4 %   |          |
| Acquisition-related revenue and expenses    | 788               | — %               | 2,473      | 1 %   |          |
| Non-GAAP income from operations             | \$ 152,200        | 38 %              | \$ 144,453 | 36 %  | 5 %      |

**Adjusted net income:**

|   |            |       |           |           |
|---|------------|-------|-----------|-----------|
| GAAP net income                             | \$ 63,491  | 16 %  | \$ 37,417 | 9 %       |
| Amortization of acquired intangibles        | 35,975     | 9 %   | 33,147    | 8 %       |
| Loss on assets held for sale <sup>(2)</sup> | 5,147      | 1 %   | —         | — %       |
| Fees related to shareholder activist        | 1,472      | — %   | 2,020     | — %       |
| Restructuring expenses and other            | 2,251      | 1 %   | 22,046    | 6 %       |
| Stock-based compensation                    | 20,569     | 5 %   | 14,153    | 4 %       |
| Acquisition-related revenue and expenses    | 788        | — %   | 2,473     | 1 %       |
| Tax adjustments                             | (14,653 )  | (3 )% | (18,763 ) | (5 )%     |
| Non-GAAP net income                         | \$ 115,040 | 29 %  | \$ 92,493 | 23 % 24 % |

**Adjusted diluted earnings per share:**

|   |         |  |         |      |
|---|---------|--|---------|------|
| GAAP diluted earnings per share             | \$ 1.38 |  | \$ 0.77 |      |
| Amortization of acquired intangibles        | 0.78    |  | 0.68    |      |
| Loss on assets held for sale <sup>(2)</sup> | 0.11    |  | —       |      |
| Fees related to shareholder activist        | 0.03    |  | 0.04    |      |
| Restructuring expenses and other            | 0.05    |  | 0.46    |      |
| Stock-based compensation                    | 0.44    |  | 0.29    |      |
| Acquisition-related revenue and expenses    | 0.02    |  | 0.05    |      |
| Provision for income taxes                  | (0.32 ) |  | (0.38 ) |      |
| Non-GAAP diluted earnings per share         | \$ 2.49 |  | \$ 1.91 | 30 % |

**Non-GAAP weighted avg shares outstanding - diluted** 46,135 48,516 (5 )%

<sup>(1)</sup>Acquisition-related revenue constitutes revenue reflected as pre-acquisition deferred revenue under prior accounting guidance 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. Note that acquisition-related revenue adjustments relate to Progress' OpenEdge and Application Development and Deployment business segments for Kinvey and Telerik, respectively. Upon our adoption of ASC 606 in fiscal year 2019, our GAAP revenue and Non-GAAP revenue results are the same.

<sup>(2)</sup>Loss on assets held for sale represents two buildings on our Bedford campus that the Company is actively marketing and intends to sell within one year. GAAP accounting requires long-lived assets designated as held for sale to be measured at the lower of the carrying value or the fair value less cost to sell. As this loss is not part of our core operating results and is infrequent in nature, we exclude it to facilitate a more meaningful evaluation of our current operating performance and comparisons to our operating performance in other periods.

**OTHER NON-GAAP FINANCIAL MEASURES - FOURTH QUARTER**

(Unaudited)

**Revenue by Type**

| <i>(In thousands)</i> | Q4 2018    | Non-GAAP Adjustment <sup>(1)</sup> | Non-GAAP Revenue |
|-----------------------|------------|------------------------------------|------------------|
| Software licenses     | \$ 43,151  | \$ 7                               | \$ 43,158        |
| Maintenance           | 60,454     | 33                                 | 60,487           |
| Services              | 7,728      | 122                                | 7,850            |
| Total revenue         | \$ 111,333 | \$ 162                             | \$ 111,495       |

**Revenue by Region**

| <i>(In thousands)</i> | Q4 2018    | Non-GAAP Adjustment <sup>(1)</sup> | Non-GAAP Revenue |
|-----------------------|------------|------------------------------------|------------------|
| North America         | \$ 65,246  | \$ 162                             | \$ 65,408        |
| EMEA                  | 36,203     | —                                  | 36,203           |
| Latin America         | 4,579      | —                                  | 4,579            |
| Asia Pacific          | 5,305      | —                                  | 5,305            |
| Total revenue         | \$ 111,333 | \$ 162                             | \$ 111,495       |

**Revenue by Segment**

| <i>(In thousands)</i> | Q4 2018 | Non-GAAP Adjustment <sup>(1)</sup> | Non-GAAP Revenue |
|-----------------------|---------|------------------------------------|------------------|
|-----------------------|---------|------------------------------------|------------------|



|  |            |        |            |
|--|------------|--------|------------|
| OpenEdge                               | \$ 73,854  | \$ 122 | \$ 73,976  |
| Data Connectivity and Integration      | 18,041     | —      | 18,041     |
| Application Development and Deployment | 19,438     | 40     | 19,478     |
| Total revenue                          | \$ 111,333 | \$ 162 | \$ 111,495 |

(1) Acquisition-related revenue constitutes revenue reflected as pre-acquisition deferred revenue under prior accounting guidance 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. Note that acquisition-related revenue adjustments relate to Progress' OpenEdge and Application Development and Deployment business segments for Kinvey and Telerik, respectively. Upon our adoption of ASC 606 in fiscal year 2019, our GAAP revenue and Non-GAAP revenue results are the same.

#### Adjusted Free Cash Flow

| <i>(In thousands)</i>               | Q4 2018   | Q4 2017   | % Change |    |
|-------------------------------------|-----------|-----------|----------|----|
| Cash flows from operations          | \$ 24,327 | \$ 32,515 | (25      | )% |
| Purchases of property and equipment | (1,282    | ) (2,515  | (49      | )% |
| Free cash flow                      | 23,045    | 30,000    | (23      | )% |
| Add back: restructuring payments    | 187       | 2,365     | (92      | )% |
| Adjusted free cash flow             | \$ 23,232 | \$ 32,365 | (28      | )% |

#### OTHER NON-GAAP FINANCIAL MEASURES - FISCAL YEAR

(Unaudited)

#### Revenue by Type

| <i>(In thousands)</i> | FY 2018    | Non-GAAP Adjustment <sup>(1)</sup> | Non-GAAP Revenue |
|-----------------------|------------|------------------------------------|------------------|
| Software licenses     | \$ 122,137 | \$ 63                              | \$ 122,200       |
| Maintenance           | 244,822    | 191                                | 245,013          |
| Services              | 30,206     | 276                                | 30,482           |
| Total revenue         | \$ 397,165 | \$ 530                             | \$ 397,695       |

#### Revenue by Region

| <i>(In thousands)</i> | FY 2018    | Non-GAAP Adjustment <sup>(1)</sup> | Non-GAAP Revenue |
|-----------------------|------------|------------------------------------|------------------|
| North America         | \$ 219,922 | \$ 530                             | \$ 220,452       |
| EMEA                  | 137,972    | —                                  | 137,972          |
| Latin America         | 17,637     | —                                  | 17,637           |
| Asia Pacific          | 21,634     | —                                  | 21,634           |
| Total revenue         | \$ 397,165 | \$ 530                             | \$ 397,695       |

#### Revenue by Segment

| <i>(In thousands)</i>                  | FY 2018    | Non-GAAP Adjustment <sup>(1)</sup> | Non-GAAP Revenue |
|--|------------|------------------------------------|------------------|
| OpenEdge                               | \$ 278,258 | \$ 276                             | \$ 278,534       |
| Data Connectivity and Integration      | 39,030     | —                                  | 39,030           |
| Application Development and Deployment | 79,877     | 254                                | 80,131           |
| Total revenue                          | \$ 397,165 | \$ 530                             | \$ 397,695       |

(1) Acquisition-related revenue constitutes revenue reflected as pre-acquisition deferred revenue under prior accounting guidance 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. Note that acquisition-related revenue adjustments relate to Progress' OpenEdge and Application Development and Deployment business segments for Kinvey and Telerik, respectively. Upon our adoption of ASC 606 in fiscal year 2019, our GAAP revenue and Non-GAAP revenue results are the same.

#### Adjusted Free Cash Flow

| <i>(In thousands)</i>               | FY 2018    | FY 2017    | % Change |   |
|-------------------------------------|------------|------------|----------|---|
| Cash flows from operations          | \$ 121,352 | \$ 105,686 | 15       | % |
| Purchases of property and equipment | (7,250     | ) (3,377   | 115      | % |

|                                  |            |            |     |    |
|----------------------------------|------------|------------|-----|----|
| Free cash flow                   | 114,102    | 102,309    | 12  | %  |
| Add back: restructuring payments | 6,111      | 19,234     | (68 | )% |
| Adjusted free cash flow          | \$ 120,213 | \$ 121,543 | (1  | )% |

### Non-GAAP Bookings from Application Development and Deployment Segment

(Unaudited)

|                                 |           |           |           |           |           |
|---------------------------------|-----------|-----------|-----------|-----------|-----------|
| <i>(In thousands)</i>           | Q1 2017   | Q2 2017   | Q3 2017   | Q4 2017   | FY 2017   |
| GAAP revenue                    | \$ 19,634 | \$ 20,227 | \$ 20,188 | \$ 20,396 | \$ 80,445 |
| Add: change in deferred revenue |           |           |           |           |           |
| Beginning balance               | 52,971    | 51,298    | 52,400    | 52,615    | 52,971    |
| Ending balance                  | 51,298    | 52,400    | 52,615    | 53,794    | 53,794    |
| Change in deferred revenue      | (1,673 )  | 1,102     | 215       | 1,179     | 823       |
| Non-GAAP bookings               | \$ 17,961 | \$ 21,329 | \$ 20,403 | \$ 21,575 | \$ 81,268 |

|                                 |           |           |           |           |           |
|---------------------------------|-----------|-----------|-----------|-----------|-----------|
| <i>(In thousands)</i>           | Q1 2018   | Q2 2018   | Q3 2018   | Q4 2018   | FY 2018   |
| GAAP revenue                    | \$ 20,035 | \$ 20,347 | \$ 20,057 | \$ 19,438 | \$ 79,877 |
| Add: change in deferred revenue |           |           |           |           |           |
| Beginning balance               | 53,794    | 52,927    | 51,978    | 52,638    | 53,794    |
| Ending balance                  | 52,927    | 51,978    | 52,638    | 55,126    | 55,126    |
| Change in deferred revenue      | (867 )    | (949 )    | 660       | 2,488     | 1,332     |
| Non-GAAP bookings               | \$ 19,168 | \$ 19,398 | \$ 20,717 | \$ 21,926 | \$ 81,209 |

### EXPECTED IMPACT OF ADOPTION OF ASC 606 ON SELECT ANNUAL AND QUARTERLY REPORTED RESULTS - GAAP

(Unaudited)

Progress adopted ASC 606 on December 1, 2018. As our GAAP results for fiscal year 2018 are reported under prior revenue recognition guidance, we have provided preliminary adjusted amounts for fiscal year 2018 and the quarterly periods in fiscal 2018 for comparability to the first fiscal quarter and full fiscal year of 2019. These amounts are unaudited.

|   |  |             |             |
|---|--|-------------|-------------|
|   | Fiscal Year Ended<br>November 30, 2018 |             |             |
| <i>(In thousands, except percentages and per share amounts)</i> | As Reported                            | Adjustments | As Adjusted |
| Revenue:  |  |             |             |
| Software licenses   | \$ 122,137                             | \$ (22,338) | \$ 99,799   |
| Maintenance and services  | 275,028                                | 4,153       | 279,181     |
| Total revenue   | \$ 397,165                             | \$ (18,185) | \$ 378,980  |
| Income from operations  | \$ 85,998                              | \$ (18,185) | \$ 67,813   |
| Operating margin  | 22 %                                   | (4 )%       | 18 %        |
| Net income  | \$ 63,491                              | \$ (13,822) | \$ 49,669   |
| Diluted EPS   | \$ 1.38                                | \$ (0.30 )  | \$ 1.08     |
| Cash from operations  | \$ 121,352                             | \$ —        | \$ 121,352  |

|   |                                |             |              |             |                 |             |                   |             |
|---|--------------------------------|-------------|--------------|-------------|-----------------|-------------|-------------------|-------------|
|   | Fiscal Year 2018 Quarter Ended |             |              |             |                 |             |                   |             |
|   | February 28, 2018              |             | May 31, 2018 |             | August 31, 2018 |             | November 30, 2018 |             |
| <i>(In thousands, except percentages and per share amounts)</i> | As Reported                    | As Adjusted | As Reported  | As Adjusted | As Reported     | As Adjusted | As Reported       | As Adjusted |
| Revenue:  |                                |             |              |             |                 |             |                   |             |
| Software licenses   | \$ 25,343                      | \$ 26,054   | \$ 26,439    | \$ 22,526   | \$ 27,204       | \$ 22,852   | \$ 43,151         | \$ 28,367   |
| Maintenance and services  | 68,704                         | 69,356      | 69,663       | 70,338      | 68,479          | 69,751      | 68,182            | 69,736      |
| Total revenue   | \$ 94,047                      | \$ 95,410   | \$ 96,102    | \$ 92,864   | \$ 95,683       | \$ 92,603   | \$ 111,333        | \$ 98,103   |
| Income from operations  | \$ 17,768                      | \$ 19,131   | \$ 21,788    | \$ 18,550   | \$ 22,183       | \$ 19,103   | \$ 24,259         | \$ 11,029   |
| Operating margin  | 19 %                           | 20 %        | 23 %         | 20 %        | 23 %            | 21 %        | 22 %              | 11 %        |
| Net income  | \$ 12,912                      | \$ 13,732   | \$ 15,403    | \$ 12,904   | \$ 16,746       | \$ 14,390   | \$ 18,430         | \$ 8,643    |
| Diluted EPS   | \$ 0.27                        | \$ 0.29     | \$ 0.33      | \$ 0.28     | \$ 0.37         | \$ 0.32     | \$ 0.41           | \$ 0.19     |
| Cash from operations  | \$ 31,595                      | \$ 31,595   | \$ 42,129    | \$ 42,129   | \$ 23,301       | \$ 23,301   | \$ 24,327         | \$ 24,327   |

## EXPECTED IMPACT OF ADOPTION OF ASC 606 ON SELECT ANNUAL AND QUARTERLY REPORTED RESULTS - NON-GAAP

(Unaudited)

Progress adopted ASC 606 on December 1, 2018. As our Non-GAAP results for fiscal year 2018 are reported under prior revenue recognition guidance, we have provided preliminary adjusted amounts for fiscal year 2018 and the quarterly periods in fiscal 2018 for comparability to the first fiscal quarter and full fiscal year of 2019. These amounts are unaudited.

|   | Fiscal Year Ended<br>November 30, 2018 |             |             |
|---|--|-------------|-------------|
|   | As Reported                            | Adjustments | As Adjusted |
| <i>(In thousands, except percentages and per share amounts)</i> |  |             |             |
| Non-GAAP revenue:   |  |             |             |
| Software licenses   | \$ 122,200                             | \$(22,402)  | \$ 99,798   |
| Maintenance and services  | 275,495                                | 4,153       | 279,648     |
| Total non-GAAP revenue  | \$ 397,695                             | \$(18,249)  | \$ 379,446  |
| Non-GAAP income from operations                                 | \$ 152,200                             | \$(18,249)  | \$ 133,951  |
| Non-GAAP operating margin                                       | 38 %                                   | (3 %)       | 35 %        |
| Non-GAAP net income   | \$ 115,040                             | \$(13,861)  | \$ 101,179  |
| Non-GAAP diluted EPS  | \$ 2.49                                | \$(0.30)    | \$ 2.19     |
| Adjusted free cash flow   | \$ 120,213                             | \$ —        | \$ 120,213  |

|   | Fiscal Year 2018 Quarter Ended |             |              |             |                 |             |                   |             |
|---|--------------------------------|-------------|--------------|-------------|-----------------|-------------|-------------------|-------------|
|   | February 28, 2018              |             | May 31, 2018 |             | August 31, 2018 |             | November 30, 2018 |             |
|   | As Reported                    | As Adjusted | As Reported  | As Adjusted | As Reported     | As Adjusted | As Reported       | As Adjusted |
| <i>(In thousands, except percentages and per share amounts)</i> |                                |             |              |             |                 |             |                   |             |
| Non-GAAP revenue:   |                                |             |              |             |                 |             |                   |             |
| Software licenses   | \$ 25,362                      | \$ 26,054   | \$ 26,457    | \$ 22,526   | \$ 27,223       | \$ 22,852   | \$ 43,158         | \$ 28,366   |
| Maintenance and services  | 68,832                         | 69,483      | 69,755       | 70,430      | 68,571          | 69,844      | 68,337            | 69,891      |
| Total non-GAAP revenue  | \$ 94,194                      | \$ 95,537   | \$ 96,212    | \$ 92,956   | \$ 95,794       | \$ 92,696   | \$ 111,495        | \$ 98,257   |
| Non-GAAP income from operations                                 | \$ 34,744                      | \$ 36,087   | \$ 37,378    | \$ 34,121   | \$ 35,865       | \$ 32,767   | \$ 44,213         | \$ 30,976   |
| Non-GAAP operating margin                                       | 37 %                           | 38 %        | 39 %         | 37 %        | 37 %            | 35 %        | 40 %              | 32 %        |
| Non-GAAP net income   | \$ 25,519                      | \$ 26,581   | \$ 27,763    | \$ 25,301   | \$ 27,168       | \$ 24,856   | \$ 34,590         | \$ 24,441   |
| Non-GAAP diluted EPS  | \$ 0.54                        | \$ 0.56     | \$ 0.60      | \$ 0.55     | \$ 0.60         | \$ 0.54     | \$ 0.76           | \$ 0.54     |
| Adjusted free cash flow   | \$ 32,948                      | \$ 32,948   | \$ 42,761    | \$ 42,761   | \$ 21,272       | \$ 21,272   | \$ 23,232         | \$ 23,232   |

## EXPECTED IMPACT OF ADOPTION OF ASC 606 ON REPORTED RESULTS OF OPERATIONS BY SEGMENT - GAAP

(Unaudited)

Progress adopted ASC 606 on December 1, 2018. As our GAAP and Non-GAAP results for fiscal year 2018 are reported under prior revenue recognition guidance, we have provided preliminary adjusted amounts for fiscal year 2018 and the quarterly periods in fiscal 2018 for comparability to the first fiscal quarter and full fiscal year of 2019. These amounts are unaudited.

|  | Fiscal Year 2018 Quarter Ended |             |              |             |                 |             |                   |             |
|--|--------------------------------|-------------|--------------|-------------|-----------------|-------------|-------------------|-------------|
|  | February 28, 2018              |             | May 31, 2018 |             | August 31, 2018 |             | November 30, 2018 |             |
|  | As Reported                    | As Adjusted | As Reported  | As Adjusted | As Reported     | As Adjusted | As Reported       | As Adjusted |
| <i>(In thousands)</i>                            |                                |             |              |             |                 |             |                   |             |
| Segment revenue:                                 |                                |             |              |             |                 |             |                   |             |
| OpenEdge   | \$ 66,408                      | \$ 66,663   | \$ 69,967    | \$ 69,607   | \$ 68,029       | \$ 68,519   | \$ 73,854         | \$ 73,016   |
| DCI  | 7,604                          | 9,492       | 5,788        | 3,411       | 7,597           | 4,563       | 18,041            | 5,663       |
| AD&D   | 20,035                         | 19,255      | 20,347       | 19,846      | 20,057          | 19,521      | 19,438            | 19,424      |
|  | 94,047                         | 95,410      | 96,102       | 92,864      | 95,683          | 92,603      | 111,333           | 98,103      |
| Segment costs of revenue and operating expenses: |                                |             |              |             |                 |             |                   |             |
| OpenEdge   | 15,762                         | 15,762      | 15,013       | 15,013      | 16,419          | 16,419      | 20,626            | 20,626      |
| DCI  | 1,629                          | 1,629       | 1,674        | 1,674       | 1,520           | 1,520       | 2,811             | 2,811       |
| AD&D   | 6,798                          | 6,798       | 6,199        | 6,199       | 7,071           | 7,071       | 7,019             | 7,019       |
|  | 24,189                         | 24,189      | 22,886       | 22,886      | 25,010          | 25,010      | 30,456            | 30,456      |
| Segment contribution margin:                     |                                |             |              |             |                 |             |                   |             |
| OpenEdge   | 50,646                         | 50,901      | 54,954       | 54,594      | 51,610          | 52,100      | 53,228            | 52,390      |
| DCI  | 5,975                          | 7,863       | 4,114        | 1,737       | 6,077           | 3,043       | 15,230            | 2,852       |
| AD&D   | 13,237                         | 12,457      | 14,148       | 13,647      | 12,986          | 12,450      | 12,419            | 12,405      |
|  | \$ 69,858                      | \$ 71,221   | \$ 73,216    | \$ 69,978   | \$ 70,673       | \$ 67,593   | \$ 80,877         | \$ 67,647   |

## EXPECTED IMPACT OF ADOPTION OF ASC 606 ON REPORTED REVENUE BY SEGMENT - NON-GAAP

(Unaudited)

| (In thousands)    | Fiscal Year 2018 Quarter Ended |             |              |             |                 |             |                   |             |
|-------------------|--------------------------------|-------------|--------------|-------------|-----------------|-------------|-------------------|-------------|
|                   | February 28, 2018              |             | May 31, 2018 |             | August 31, 2018 |             | November 30, 2018 |             |
|                   | As Reported                    | As Adjusted | As Reported  | As Adjusted | As Reported     | As Adjusted | As Reported       | As Adjusted |
| Non-GAAP revenue: |                                |             |              |             |                 |             |                   |             |
| OpenEdge          | \$ 66,490                      | \$ 66,744   | \$ 70,016    | \$ 69,656   | \$ 68,052       | \$ 68,543   | \$ 73,976         | \$ 73,138   |
| DCI               | 7,604                          | 9,492       | 5,788        | 3,411       | 7,597           | 4,563       | 18,041            | 5,663       |
| AD&D              | 20,100                         | 19,301      | 20,408       | 19,889      | 20,145          | 19,590      | 19,478            | 19,456      |
|                   | \$ 94,194                      | \$ 95,537   | \$ 96,212    | \$ 92,956   | \$ 95,794       | \$ 92,696   | \$ 111,495        | \$ 98,257   |

## RECONCILIATIONS OF GAAP TO NON-GAAP FINANCIAL MEASURES FOR FISCAL YEAR 2019 GUIDANCE

(Unaudited)

### Fiscal Year 2019 Revenue Guidance

| (In millions)  | Fiscal Year Ended<br>November 30, 2018 <sup>(1)</sup> |          | Fiscal Year Ending<br>November 30, 2019 |          |
|--|---|----------|---|----------|
|  | Low   | % Change | High                                    | % Change |
| GAAP revenue   | \$ 379.0  | — %      | \$ 386.0                                | 2 %      |
| Acquisition-related adjustments - revenue <sup>(2)</sup> | 0.4   | n/a      | —                                       | n/a      |
| Non-GAAP revenue   | \$ 379.4  | — %      | \$ 386.0                                | 2 %      |

<sup>(1)</sup>Progress adopted ASC 606 on December 1, 2018. As our GAAP results for fiscal year 2018 are reported under prior revenue recognition guidance, we have provided preliminary adjusted amounts for fiscal year 2018 for comparability to fiscal year of 2019. These amounts are unaudited.

<sup>(2)</sup>Acquisition-related revenue constitutes revenue reflected as pre-acquisition deferred revenue under prior accounting guidance 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. Note that acquisition-related revenue adjustments relate to Progress' OpenEdge and Application Development and Deployment business segments for Kinvey and Telerik, respectively. Upon our adoption of ASC 606 in fiscal year 2019, our GAAP revenue and Non-GAAP revenue results are the same.

### Fiscal Year 2019 Non-GAAP Operating Margin Guidance

| (In millions)                   | Fiscal Year Ending November 30, 2019 |   |          |   |
|---------------------------------|--------------------------------------|---|----------|---|
|                                 | Low                                  |   | High     |   |
| GAAP income from operations     | \$ 76.4                              |   | \$ 79.0  |   |
| GAAP operating margins          | 20                                   | % | 20       | % |
| Stock-based compensation        | 23.6                                 |   | 23.6     |   |
| Amortization of intangibles     | 34.9                                 |   | 34.9     |   |
| Total adjustments               | 58.5                                 |   | 58.5     |   |
| Non-GAAP income from operations | \$ 134.9                             |   | \$ 137.5 |   |
| Non-GAAP operating margin       | 36                                   | % | 36       | % |

### Fiscal Year 2019 Non-GAAP Earnings per Share and Effective Tax Rate Guidance

| (In millions, except per share data) | Fiscal Year Ending November 30, 2019 |          |
|--------------------------------------|--------------------------------------|----------|
|                                      | Low                                  | High     |
| GAAP net income                      | \$ 53.1                              | \$ 55.1  |
| Adjustments (from previous table)    | 58.5                                 | 58.5     |
| Income tax adjustment <sup>(3)</sup> | (7.8 )                               | (7.4 )   |
| Non-GAAP net income                  | \$ 103.8                             | \$ 106.2 |
| GAAP diluted earnings per share      | \$ 1.19                              | \$ 1.24  |

|   |         |         |
|---|---------|---------|
| Non-GAAP diluted earnings per share         | \$ 2.33 | \$ 2.39 |
| Diluted weighted average shares outstanding | 44.5    | 44.5    |

(3) Tax adjustment is based on a non-GAAP effective tax rate of approximately 19% for Low and High, calculated as follows:

|  |          |          |
|--|----------|----------|
| Non-GAAP income from operations                                | \$ 134.9 | \$ 137.5 |
| Other (expense) income   | (6.5 )   | (6.5 )   |
| Non-GAAP income from continuing operations before income taxes | 128.4    | 131.0    |
| Non-GAAP net income  | 103.9    | 106.3    |
| Tax provision  | \$ 24.5  | \$ 24.7  |
| Non-GAAP tax rate  | 19 %     | 19 %     |

## RECONCILIATIONS OF GAAP TO NON-GAAP FINANCIAL MEASURES FOR FISCAL YEAR 2019 GUIDANCE

(Unaudited)

### Fiscal Year 2019 Adjusted Free Cash Flow Guidance

| <i>(In millions)</i>                | Fiscal Year Ending November 30, 2019 |        |
|-------------------------------------|--------------------------------------|--------|
|                                     | Low                                  | High   |
| Cash flows from operations (GAAP)   | \$ 120                               | \$ 125 |
| Purchases of property and equipment | (5 )                                 | (5 )   |
| Adjusted free cash flow (non-GAAP)  | \$ 115                               | \$ 120 |

## RECONCILIATIONS OF GAAP TO NON-GAAP FINANCIAL MEASURES FOR Q1 2019 GUIDANCE

(Unaudited)

### Q1 2019 Revenue Guidance

| <i>(In millions)</i>                                     | Three Months Ended February 28, 2018 <sup>(1)</sup> |                | Three Months Ending February 28, 2019 |          |
|--|---|----------------|---------------------------------------|----------|
|  | Low   | % Change       | High                                  | % Change |
| GAAP revenue   | \$ 95.4   | \$ 85.0 (11 )% | \$ 88.0 (8 )%                         |          |
| Acquisition-related adjustments - revenue <sup>(2)</sup> | 0.1   | — n/a          | — n/a                                 |          |
| Non-GAAP revenue   | \$ 95.5   | \$ 85.0 (11 )% | \$ 88.0 (8 )%                         |          |

<sup>(1)</sup> Progress adopted ASC 606 on December 1, 2018. As our GAAP results for fiscal year 2018 are reported under prior revenue recognition guidance, we have provided preliminary adjusted amounts for fiscal year 2018 for comparability to the first fiscal quarter of fiscal year 2019. These amounts are unaudited.

<sup>(2)</sup> Acquisition-related revenue constitutes revenue reflected as pre-acquisition deferred revenue under prior accounting guidance 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. Note that acquisition-related revenue adjustments relate to Progress' OpenEdge and Application Development and Deployment business segments for Kinvey and Telerik, respectively. Upon our adoption of ASC 606 in fiscal year 2019, our GAAP revenue and Non-GAAP revenue results are the same.

### Q1 2019 Non-GAAP Earnings per Share Guidance

|                                     | Three Months Ending February 28, 2019 |         |
|-------------------------------------|---------------------------------------|---------|
|                                     | Low                                   | High    |
| GAAP diluted earnings per share     | \$ 0.18                               | \$ 0.20 |
| Stock-based compensation            | 0.13                                  | 0.13    |
| Amortization of intangibles         | 0.19                                  | 0.19    |
| Total adjustments                   | 0.32                                  | 0.32    |
| Income tax adjustment               | (0.05 )                               | (0.05 ) |
| Non-GAAP diluted earnings per share | \$ 0.45                               | \$ 0.47 |

Source: Progress

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