Progress Software Corporation
Reconciliation of GAAP to Non-GAAP Financial Measures
November 30, 2019

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

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

As described in more detail below, non-GAAP revenue, non-GAAP costs of sales and operating expenses, non-GAAP income from operations and operating margin, non-GAAP net income, and non-GAAP diluted earnings per share exclude the effect of purchase accounting on the fair value of acquired deferred revenue, amortization of acquired intangible assets, impairment of intangible and long-lived assets, loss on assets held for sale, stock-based compensation expense, fees related to shareholder activist, restructuring charges, acquisition-related expenses, certain identified non-operating gains and losses, and the related tax effects of the preceding items. We also provide guidance on adjusted free cash flow, which is equal to cash flows from operating activities less purchases of property and equipment, plus restructuring payments.

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

- *Acquisition-related revenue* - In all periods presented, we include acquisition-related revenue, which constitutes revenue reflected as pre-acquisition deferred revenue that would otherwise have been recognized but for the purchase accounting treatment of acquisitions. The acquisition-related revenue relates to Telerik, which we acquired on December 2, 2014, Kinvey, which we acquired on June 1, 2017, and Ipswitch, which we acquired on April 30, 2019. Since GAAP accounting requires the elimination of this revenue, GAAP results alone do not fully capture all of our economic activities. We believe these adjustments are useful to management and investors as a measure of the ongoing performance of the business because, although we cannot be certain that customers will renew their contracts, we have historically experienced high renewal rates on maintenance and support agreements and other customer contracts. Additionally, although acquisition-related revenue adjustments are non-recurring with respect to past acquisitions, we expect to incur these adjustments in connection with any future acquisitions.

- *Amortization of acquired intangibles* - In all periods presented, we exclude amortization of acquired intangibles because those expenses are unrelated to our core operating performance and the intangible assets acquired vary significantly based on the timing and magnitude of our acquisition transactions and the maturities of the businesses acquired.

- *Impairment of intangible and long-lived assets* - In fiscal year 2019, we exclude impairment charges applicable to acquired intangible assets and long-lived assets because such expenses distort trends and are not part of our core operating results. Such impairment charges are inconsistent in amount and frequency and we believe that eliminating these amounts, when significant and not reflective of ongoing business and operating results, facilitates a more meaningful evaluation of our current operating performance and comparisons to our operating performance in other periods.

- *Loss on assets held for sale* - We exclude the loss applicable to assets held for sale in fiscal year 2018 because this expense distorts trends and is not part of our core operating results. Such losses are inconsistent in amount and frequency and we believe that eliminating these amounts, when significant and not reflective of ongoing business and operating results, facilitates a more meaningful evaluation of our current operating performance and comparisons to our operating performance in other periods.

- *Stock-based compensation* - In all periods presented, we exclude stock-based compensation to be consistent with the way management and the financial community evaluates our performance and the methods used by analysts to calculate consensus estimates. The expense related to stock-based awards is generally not controllable in the short-term and can vary significantly based on the timing, size and nature of awards granted. As such, we do not include these charges in operating plans. Stock-based compensation will continue in future periods.

- *Fees related to shareholder activist* - In September 2017, Praesidium Investment Management publicly announced in a Schedule 13D filed with the Securities and Exchange Commission its disagreement with our strategy and stated that it was seeking changes in the composition of our Board of Directors. We incurred professional and other fees relating to Praesidium’s actions during fiscal years 2017 and 2018. We exclude these fees because they distort trends and are not part of our core operating results. We do not expect to incur additional professional and other fees related to this matter.

- *Restructuring expenses* - In all periods presented, we exclude restructuring expenses incurred because those expenses distort trends and are not part of our core operating results.

- *Acquisition-related and transition expenses* - In all periods presented, we exclude acquisition-related expenses because those expenses distort trends and are not part of our core operating results. In recent years, we have completed a number of acquisitions, which result in our incurring operating expenses which would not otherwise have been incurred. By excluding certain transition, integration and other acquisition-related expense items in connection with acquisitions, this provides more meaningful comparisons of the financial results to our historical operations and forward-looking guidance and the financial results of less acquisitive peer companies. We consider these types of costs and adjustments, to a great extent, to be unpredictable and dependent on a significant number of factors that are outside of our control. Furthermore, we do not consider these acquisition-related costs and adjustments to be related to the organic continuing operations of the acquired businesses and are generally not relevant to assessing or estimating the long-term performance of the acquired assets. In addition, the size, complexity and/or volume of past acquisitions, which often drives the magnitude of acquisition-related costs, may not be indicative of the size, complexity and/or volume of future acquisitions.

- *Income tax adjustment* - In all periods presented, we adjust our income tax provision by excluding the tax impact of the non-GAAP adjustments discussed above.

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

(Unaudited)

(In thousands, except per share data)	Three Months Ended November 30, 2019		Three Months Ended November 30, 2018[1]		% Change *Non-GAAP*
Adjusted revenue:					
GAAP revenue	$ 117,038		$ 98,103		
Acquisition-related revenue[2]	6,378		154		
Non-GAAP revenue	$ 123,416	100 %	$ 98,257	100%	*26%*
Adjusted income from operations:					
GAAP (loss) income from operations	$ (6,026)	(5)%	$ 11,029	11%	
Amortization of acquired intangibles	14,301		8,793		
Stock-based compensation	5,900		5,853		
Impairment of intangible and long-lived assets[3]	24,096		—		
Restructuring expenses and other	2,338		(131)		
Acquisition-related revenue[2] and expenses	6,676		284		
Loss on assets held for sale	—		5,147		
Non-GAAP income from operations	$ 47,285	38 %	$ 30,975	32%	*53%*
Adjusted net income:					
GAAP net (loss) income	$ (4,740)	(4)%	$ 8,643	9%	
Amortization of acquired intangibles	14,301		8,793		
Stock-based compensation	5,900		5,853		
Impairment of intangible and long-lived assets[3]	24,096		—		
Restructuring expenses and other	2,338		(131)		
Acquisition-related revenue[2] and expenses	6,676		284		
Loss on assets held for sale	—		5,147		
Provision for income taxes	(12,851)		(4,149)		
Non-GAAP net income	$ 35,720	29 %	$ 24,440	25%	*46%*
Adjusted diluted earnings per share:					
GAAP diluted (loss) earnings per share	$ (0.11)		$ 0.19		
Amortization of acquired intangibles	0.32		0.19		
Stock-based compensation	0.13		0.13		
Impairment of intangible and long-lived assets[3]	0.53		—		
Restructuring expenses and other	0.05		—		
Acquisition-related revenue[2] and expenses	0.15		0.01		
Loss on assets held for sale	—		0.11		
Provision for income taxes	(0.28)		(0.09)		
Non-GAAP diluted earnings per share	$ 0.79		$ 0.54		*46%*
Non-GAAP weighted avg shares outstanding - diluted	45,484		45,401		*—%*

[1]The Company adopted ASC 606 effective December 1, 2018, using the full retrospective method. Prior period results have been adjusted to reflect the adoption of this standard.

[2]Acquisition-related revenue constitutes revenue reflected as pre-acquisition deferred revenue that would otherwise have been recognized but for the purchase accounting treatment of acquisitions. Since GAAP accounting requires the elimination of this revenue, GAAP results alone do not fully capture all of our economic activities. Acquisition-related revenue adjustments relate to Progress' OpenEdge business segment for Ipswitch in fiscal year 2019 and to Progress' OpenEdge business segment for Kinvey and Application Development and Deployment business segment for Telerik in fiscal year 2018.

[3]Primarily represents a reduction in the carrying values of the intangible assets associated with Kinvey and DataRPM.

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

(In thousands, except per share data)	Fiscal Year Ended November 30, 2019		Fiscal Year Ended November 30, 2018[1]		% Change Non-GAAP
Adjusted revenue:					
GAAP revenue	$ 413,298		$ 378,981		
Acquisition-related revenue[2]	18,663		466		
Non-GAAP revenue	$ 431,961	100%	$ 379,447	100%	*14 %*
Adjusted income from operations:					
GAAP income from operations	$ 40,084	10%	$ 67,814	18%	
Amortization of acquired intangibles	48,139		35,975		
Stock-based compensation	23,311		20,569		
Impairment of intangible and long-lived assets[3]	24,096		—		
Restructuring expenses and other	6,307		2,251		
Acquisition-related revenue[2] and expenses	20,321		724		
Loss on assets held for sale	—		5,147		
Fees related to shareholder activist	—		1,472		
Non-GAAP income from operations	$ 162,258	38%	$ 133,952	35%	*21 %*
Adjusted net income:					
GAAP net income	$ 26,400	6%	$ 49,670	13%	
Amortization of acquired intangibles	48,139		35,975		
Stock-based compensation	23,311		20,569		
Impairment of intangible and long-lived assets[3]	24,096		—		
Restructuring expenses and other	6,307		2,251		
Acquisition-related revenue[2] and expenses	20,321		724		
Loss on assets held for sale	—		5,147		
Fees related to shareholder activist	—		1,472		
Provision for income taxes	(26,829)		(14,628)		
Non-GAAP net income	$ 121,745	28%	$ 101,180	27%	*20 %*
Adjusted diluted earnings per share:					
GAAP diluted earnings per share	$ 0.58		$ 1.08		
Amortization of acquired intangibles	1.07		0.78		
Stock-based compensation	0.51		0.45		
Impairment of intangible and long-lived assets[3]	0.53		—		
Restructuring expenses and other	0.14		0.04		
Acquisition-related revenue[2] and expenses	0.45		0.02		
Loss on assets held for sale	—		0.11		
Fees related to shareholder activist	—		0.03		
Provision for income taxes	(0.59)		(0.32)		
Non-GAAP diluted earnings per share	$ 2.69		$ 2.19		*23 %*
Non-GAAP weighted avg shares outstanding - diluted	45,340		46,135		*(2)%*

[1]The Company adopted ASC 606 effective December 1, 2018, using the full retrospective method. Prior period results have been adjusted to reflect the adoption of this standard.

[2]Acquisition-related revenue constitutes revenue reflected as pre-acquisition deferred revenue that would otherwise have been recognized but for the purchase accounting treatment of acquisitions. Since GAAP accounting requires the elimination of this revenue, GAAP results alone do not fully capture all of our economic activities. Acquisition-related revenue adjustments relate to Progress' OpenEdge business segment for Ipswitch in fiscal year 2019 and to Progress' OpenEdge business segment for Kinvey and Application Development and Deployment business segment for Telerik in fiscal year 2018.

[3]Primarily represents a reduction in the carrying values of the intangible assets associated with Kinvey and DataRPM.

OTHER NON-GAAP FINANCIAL MEASURES - FOURTH QUARTER
(Unaudited)

Revenue by Type

(In thousands)	Q4 2019	Non-GAAP Adjustment[(1)]	Non-GAAP Revenue
Software licenses	$ 39,336	$ 71	$ 39,407
Maintenance	68,868	5,694	74,562
Services	8,834	613	9,447
Total revenue	$ 117,038	$ 6,378	$ 123,416

Revenue by Region

(In thousands)	Q4 2019	Non-GAAP Adjustment[(1)]	Non-GAAP Revenue
North America	$ 70,145	$ 4,711	$ 74,856
EMEA	35,187	1,140	36,327
Latin America	5,626	114	5,740
Asia Pacific	6,080	413	6,493
Total revenue	$ 117,038	$ 6,378	$ 123,416

Revenue by Segment

(In thousands)	Q4 2019	Non-GAAP Adjustment[(1)]	Non-GAAP Revenue
OpenEdge	$ 85,250	$ 6,378	$ 91,628
Data Connectivity and Integration	12,217	—	12,217
Application Development and Deployment	19,571	—	19,571
Total revenue	$ 117,038	$ 6,378	$ 123,416

[(1)]Acquisition-related revenue constitutes revenue reflected as pre-acquisition deferred revenue that would otherwise have been recognized but for the purchase accounting treatment of acquisitions. Since GAAP accounting requires the elimination of this revenue, GAAP results alone do not fully capture all of our economic activities. Acquisition-related revenue adjustments relate to Progress' OpenEdge business segment for Ipswitch in fiscal year 2019.

Adjusted Free Cash Flow

(In thousands)	Q4 2019	Q4 2018	*% Change*
Cash flows from operations	$ 36,601	$ 24,327	*50%*
Purchases of property and equipment	(2,168)	(1,282)	*69%*
Free cash flow	34,433	23,045	*49%*
Add back: restructuring payments	2,272	187	*1,115%*
Adjusted free cash flow	$ 36,705	$ 23,232	*58%*

OTHER NON-GAAP FINANCIAL MEASURES - FISCAL YEAR
(Unaudited)

Revenue by Type

(In thousands)	FY 2019	Non-GAAP Adjustment[1]	Non-GAAP Revenue
Software licenses	$ 122,552	$ 193	$ 122,745
Maintenance	259,006	17,289	276,295
Services	31,740	1,181	32,921
Total revenue	$ 413,298	$ 18,663	$ 431,961

Revenue by Region

(In thousands)	FY 2019	Non-GAAP Adjustment[1]	Non-GAAP Revenue
North America	$ 233,911	$ 13,885	$ 247,796
EMEA	137,301	3,245	140,546
Latin America	19,665	332	19,997
Asia Pacific	22,421	1,201	23,622
Total revenue	$ 413,298	$ 18,663	$ 431,961

Revenue by Segment

(In thousands)	FY 2019	Non-GAAP Adjustment[1]	Non-GAAP Revenue
OpenEdge	$ 296,929	$ 18,663	$ 315,592
Data Connectivity and Integration	39,903	—	39,903
Application Development and Deployment	76,466	—	76,466
Total revenue	$ 413,298	$ 18,663	$ 431,961

[1]Acquisition-related revenue constitutes revenue reflected as pre-acquisition deferred revenue that would otherwise have been recognized but for the purchase accounting treatment of acquisitions. Since GAAP accounting requires the elimination of this revenue, GAAP results alone do not fully capture all of our economic activities. Acquisition-related revenue adjustments relate to Progress' OpenEdge business segment for Ipswitch in fiscal year 2019.

Adjusted Free Cash Flow

(In thousands)	FY 2019	FY 2018	*% Change*
Cash flows from operations	$ 128,484	$ 121,352	*6 %*
Purchases of property and equipment	(3,998)	(7,250)	*(45)%*
Free cash flow	124,486	114,102	*9 %*
Add back: restructuring payments	4,407	6,111	*(28)%*
Adjusted free cash flow	$ 128,893	$ 120,213	*7 %*

Non-GAAP Bookings from Application Development and Deployment Segment

(Unaudited)

(In thousands)	Q1 2018[1]	Q2 2018[1]	Q3 2018[1]	Q4 2018[1]	FY 2018[1]
GAAP revenue	$ 19,255	$ 19,846	$ 19,521	$ 19,424	$ 78,046
Add: change in deferred revenue					
Beginning balance, as adjusted	42,128	42,041	41,593	42,789	42,128
Ending balance, as adjusted	42,041	41,593	42,789	45,291	45,291
Change in deferred revenue	(87)	(448)	1,196	2,502	3,163
Non-GAAP bookings	$ 19,168	$ 19,398	$ 20,717	$ 21,926	$ 81,209

[1]The Company adopted ASC 606 effective December 1, 2018, using the full retrospective method. Prior period results have been adjusted to reflect the adoption of this standard.

(In thousands)	Q1 2019	Q2 2019	Q3 2019	Q4 2019	FY 2019
GAAP revenue	$ 18,297	$ 19,243	$ 19,355	$ 19,571	$ 76,466
Add: change in deferred revenue					
Beginning balance	45,291	43,817	44,704	44,737	45,291
Ending balance	43,817	44,704	44,737	46,909	46,909
Change in deferred revenue	(1,474)	887	33	2,172	1,618
Non-GAAP bookings	$ 16,823	$ 20,130	$ 19,388	$ 21,743	$ 78,084

RECONCILIATIONS OF GAAP TO NON-GAAP FINANCIAL MEASURES FOR FISCAL YEAR 2020 GUIDANCE
(Unaudited)

Fiscal Year 2020 Revenue Guidance

	Fiscal Year Ended November 30, 2019	Fiscal Year Ending November 30, 2020			
(In millions)		Low	% Change	High	% Change
GAAP revenue	$ 413.3	$ 439.7	6 %	$ 446.7	8 %
Acquisition-related adjustments - revenue[1]	18.7	8.3	(56)%	8.3	(56)%
Non-GAAP revenue	$ 432.0	$ 448.0	4 %	$ 455.0	5 %

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

Fiscal Year 2020 Non-GAAP Operating Margin Guidance

	Fiscal Year Ending November 30, 2020	
(In millions)	Low	High
GAAP income from operations	$ 120.0	$ 122.8
GAAP operating margin	*27%*	*27%*
Acquisition-related revenue	8.3	8.3
Restructuring expense	1.0	1.0
Stock-based compensation	23.3	23.3
Amortization of intangibles	23.2	23.2
Total adjustments	55.8	55.8
Non-GAAP income from operations	$ 175.8	$ 178.6
Non-GAAP operating margin	*39%*	*39%*

Fiscal Year 2020 Non-GAAP Earnings per Share and Effective Tax Rate Guidance

	Fiscal Year Ending November 30, 2020	
(In millions, except per share data)	Low	High
GAAP net income	$ 89.0	$ 91.3
Adjustments (from previous table)	55.8	55.8
Income tax adjustment[2]	(14.4)	(14.5)
Non-GAAP net income	$ 130.4	$ 132.6
GAAP diluted earnings per share	$ 1.96	$ 2.01
Non-GAAP diluted earnings per share	$ 2.87	$ 2.92
Diluted weighted average shares outstanding	45.4	45.4

[2]Tax adjustment is based on a non-GAAP effective tax rate of approximately 20% for Low and High, calculated as follows:

	Low	High
Non-GAAP income from operations	$ 175.8	$ 178.6
Other (expense) income	(12.8)	(12.8)
Non-GAAP income from continuing operations before income taxes	163.0	165.8
Non-GAAP net income	130.4	132.6
Tax provision	$ 32.6	$ 33.2
Non-GAAP tax rate	20%	20%

RECONCILIATIONS OF GAAP TO NON-GAAP FINANCIAL MEASURES FOR FISCAL YEAR 2020 GUIDANCE
(Unaudited)

Fiscal Year 2020 Adjusted Free Cash Flow Guidance

	Fiscal Year Ending November 30, 2020	
(In millions)	Low	High
Cash flows from operations (GAAP)	$ 149	$ 154
Purchases of property and equipment	(5)	(5)
Add back: restructuring payments	1	1
Adjusted free cash flow (non-GAAP)	$ 145	$ 150

RECONCILIATIONS OF GAAP TO NON-GAAP FINANCIAL MEASURES FOR Q1 2020 GUIDANCE
(Unaudited)

Q1 2020 Revenue Guidance

	Three Months Ended	Three Months Ending			
	February 28, 2019	February 29, 2020			
(In millions)		Low	% Change	High	% Change
GAAP revenue	$ 89.5	$ 105.9	18%	$ 108.9	22%
Acquisition-related adjustments - revenue[1]	—	4.1	*	4.1	*
Non-GAAP revenue	$ 89.5	$ 110.0	23%	$ 113.0	26%

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

*Not meaningful

Q1 2020 Non-GAAP Earnings per Share Guidance

	Three Months Ending February 29, 2020	
	Low	High
GAAP diluted earnings per share	$ 0.40	$ 0.42
Acquisition-related revenue	0.09	0.09
Stock-based compensation	0.14	0.14
Amortization of intangibles	0.13	0.13
Total adjustments	0.36	0.36
Income tax adjustment	(0.07)	(0.07)
Non-GAAP diluted earnings per share	$ 0.69	$ 0.71