UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended February 28, 2023
or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____to _____.
Commission File Number: **0-19417**

PROGRESS SOFTWARE CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	**04-2746201**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

15 Wayside Road, Suite 400
Burlington, Massachusetts 01803
(Address of principal executive offices) (Zip code)

(781) 280-4000
(Registrant’s telephone number, including area code)

Not applicable
(Former name or former address, if changed since last report.)

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒		Accelerated filer	☐
Non-accelerated filer	☐	(Do not check if a smaller reporting company)	Smaller reporting company	☐
Emerging growth company	☐			

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of March 28, 2023, there were 43,307,145 shares of the registrant’s common stock, $.01 par value per share, outstanding.

PROGRESS SOFTWARE CORPORATION

FORM 10-Q

FOR THE QUARTERLY PERIOD ENDED FEBRUARY 28, 2023

TABLE OF CONTENTS

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

Condensed Consolidated Balance Sheets

(In thousands, except share data)	February 28, 2023	November 30, 2022
Assets		
Current assets:		
Cash and cash equivalents	$ 107,981	$ 256,277
Short-term investments	14,944	—
Total cash, cash equivalents and short-term investments	122,925	256,277
Accounts receivable (less allowances of $834 and $859, respectively)	93,347	97,834
Unbilled receivables	33,596	29,158
Other current assets	42,833	42,784
Total current assets	292,701	426,053
Long-term unbilled receivables	47,922	39,936
Property and equipment, net	14,981	14,927
Intangible assets, net	440,942	217,355
Goodwill	811,859	671,037
Right-of-use lease assets	21,768	17,574
Deferred tax assets	1,400	11,765
Other assets	12,034	12,832
Total assets	$ 1,643,607	$ 1,411,479
Liabilities and stockholders' equity		
Current liabilities:		
Current portion of long-term debt, net	$ 7,953	$ 6,234
Accounts payable	10,464	9,282
Accrued compensation and related taxes	33,291	42,467
Dividends payable to stockholders	8,141	8,115
Short-term operating lease liabilities	9,321	7,471
Other accrued liabilities	23,254	16,765
Short-term deferred revenue, net	244,733	227,670
Total current liabilities	337,157	318,004
Long-term debt, net	450,943	259,220
Convertible senior notes, net	353,159	352,625
Long-term operating lease liabilities	17,341	15,041
Long-term deferred revenue, net	57,114	54,770
Deferred tax liabilities	5,546	4,628
Other noncurrent liabilities	8,904	8,687
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $0.01 par value; authorized, 10,000,000 shares; issued, none	—	—
Common stock, $0.01 par value; authorized, 200,000,000 shares; issued and outstanding, 43,307,145 shares in 2023 and 43,257,008 shares in 2022	433	433
Additional paid-in capital	338,370	331,650
Retained earnings	108,286	101,656
Accumulated other comprehensive loss	(33,646)	(35,235)
Total stockholders' equity	413,443	398,504
Total liabilities and stockholders' equity	$ 1,643,607	$ 1,411,479

See notes to unaudited condensed consolidated financial statements.

Condensed Consolidated Statements of Operations

(In thousands, except per share data)	Three Months Ended February 28, 2023	Three Months Ended February 28, 2022
Revenue:		
Software licenses	$ 57,568	$ 42,750
Maintenance and services	106,658	102,172
Total revenue	164,226	144,922
Costs of revenue:		
Cost of software licenses	2,452	2,609
Cost of maintenance and services	17,501	15,145
Amortization of acquired intangibles	6,264	5,458
Total costs of revenue	26,217	23,212
Gross profit	138,009	121,710
Operating expenses:		
Sales and marketing	33,754	33,469
Product development	30,438	28,673
General and administrative	18,786	16,991
Amortization of acquired intangibles	13,611	11,722
Cyber incident	2,692	—
Restructuring expenses	1,397	511
Acquisition-related expenses	1,743	912
Total operating expenses	102,421	92,278
Income from operations	35,588	29,432
Other (expense) income:		
Interest expense	(5,848)	(3,703)
Interest income and other, net	515	589
Foreign currency loss, net	(331)	(366)
Total other expense, net	(5,664)	(3,480)
Income before income taxes	29,924	25,952
Provision for income taxes	6,250	5,498
Net income	$ 23,674	$ 20,454
Earnings per share:		
Basic	$ 0.55	$ 0.47
Diluted	$ 0.53	$ 0.46
Weighted average shares outstanding:		
Basic	43,300	43,981
Diluted	44,353	44,708
Cash dividends declared per common share	$ 0.175	$ 0.175

See notes to unaudited condensed consolidated financial statements.

Condensed Consolidated Statements of Comprehensive Income

(In thousands)	Three Months Ended February 28, 2023	Three Months Ended February 28, 2022
Net income	$ 23,674	$ 20,454
Other comprehensive income, net of tax:		
Foreign currency translation adjustments	1,737	1,781
Unrealized (loss) gain on hedging activity, net of tax benefit of $45 and a tax provision of $522 for the first quarter of 2023 and 2022, respectively	(127)	1,653
Unrealized loss on investments, net of tax provision of $4 and a tax benefit of $3 for the first quarter of 2023 and 2022, respectively	(21)	(7)
Total other comprehensive income, net of tax	1,589	3,427
Comprehensive income	$ 25,263	$ 23,881

See notes to unaudited condensed consolidated financial statements.

Condensed Consolidated Statements of Stockholders’ Equity

	Three Months Ended February 28, 2023										
	Common Stock										
(in thousands)	Number of Shares		Amount		Additional Paid-In Capital		Retained Earnings		Accumulated Other Comprehensive Loss		Total Stockholders' Equity
Balance, December 1, 2022	43,257	$	433	$	331,650	$	101,656	$	(35,235)	$	398,504
Issuance of stock under employee stock purchase plan	50		1		1,786		—		—		1,787
Exercise of stock options	141		1		6,002		—		—		6,003
Vesting of restricted stock units and release of deferred stock units	215		2		(2)		—		—		—
Withholding tax payments related to net issuance of RSUs	(90)		(1)		(4,816)		—		—		(4,817)
Stock-based compensation	—		—		9,752		—		—		9,752
Dividends declared	—		—		—		(8,049)		—		(8,049)
Treasury stock repurchases and retirements	(266)		(3)		(6,002)		(8,995)		—		(15,000)
Net income	—		—		—		23,674		—		23,674
Other comprehensive income	—		—		—		—		1,589		1,589
Balance, February 28, 2023	43,307	$	433	$	338,370	$	108,286	$	(33,646)	$	413,443

	Three Months Ended February 28, 2022										
	Common Stock										
(in thousands)	Number of Shares		Amount		Additional Paid-In Capital		Retained Earnings		Accumulated Other Comprehensive Loss		Total Stockholders' Equity
Balance, December 1, 2021	44,146	$	441	$	354,235	$	90,256	$	(32,443)	$	412,489
Cumulative effect of adoption of ASU 2020-06	—		—		(47,456)		4,893		—		(42,563)
Issuance of stock under employee stock purchase plan	63		1		1,826		—		—		1,827
Exercise of stock options	19		—		635		—		—		635
Vesting of restricted stock units and release of deferred stock units	90		1		(1)		—		—		—
Withholding tax payments related to net issuance of RSUs	—		—		(3,139)		—		—		(3,139)
Stock-based compensation	—		—		8,114		—		—		8,114
Dividends declared	—		—		—		(7,921)		—		(7,921)
Treasury stock repurchases and retirements	(552)		(5)		(10,974)		(14,021)		—		(25,000)
Net income	—		—		—		20,454		—		20,454
Other comprehensive income	—		—		—		—		3,427		3,427
Balance, February 28, 2022	43,766	$	438	$	303,240	$	93,661	$	(29,016)	$	368,323

Condensed Consolidated Statements of Cash Flows

(In thousands)	Three Months Ended February 28, 2023	Three Months Ended February 28, 2022
Cash flows from operating activities:		
Net income	$ 23,674	$ 20,454
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of property and equipment	1,671	1,207
Amortization of acquired intangibles and other	19,937	17,486
Amortization of debt discount and issuance costs on Notes	534	525
Stock-based compensation	9,752	8,114
Non-cash lease expense	1,959	2,075
Loss on disposal of long-lived assets, net	—	4
Deferred income taxes	(6,324)	2,218
Allowances for bad debt and sales credits	158	145
Changes in operating assets and liabilities:		
Accounts receivable	25,839	13,192
Other assets	4,483	(1,081)
Inventories	(604)	418
Accounts payable and accrued liabilities	(17,649)	(27,448)
Lease liabilities	(2,314)	(2,146)
Income taxes payable	170	3
Deferred revenue, net	(14,519)	8,927
Net cash flows from operating activities	46,767	44,093
Cash flows (used in) from investing activities:		
Purchases of investments	(15,262)	—
Sales and maturities of investments	400	300
Purchases of property and equipment	(385)	(831)
Payments for acquisitions, net of cash acquired	(355,821)	—
Net cash flows used in investing activities	(371,068)	(531)
Cash flows from (used in) financing activities:		
Proceeds from stock-based compensation plans	9,357	4,094
Payments for taxes related to net share settlements of equity awards	(4,817)	(3,139)
Repurchases of common stock	(15,000)	(25,000)
Dividend payments to stockholders	(8,023)	(7,784)
Proceeds from the issuance of debt	195,000	7,474
Payment of principal on long-term debt	(1,719)	(1,719)
Payment of debt issuance costs	—	(1,957)
Net cash flows from (used in) financing activities	174,798	(28,031)
Effect of exchange rate changes on cash	1,207	729
Net (decrease) increase in cash and cash equivalents	(148,296)	16,260
Cash and cash equivalents, beginning of period	256,277	155,406
Cash and cash equivalents, end of period	$ 107,981	$ 171,666

Condensed Consolidated Statements of Cash Flows, continued

	Three Months Ended	
	February 28, 2023	February 28, 2022
Supplemental disclosure:		
Cash paid for income taxes, net of refunds of $264 in 2023 and $307 in 2022	$ 3,801	$ 2,389
Cash paid for interest	$ 4,060	$ 1,432
Non-cash investing and financing activities:		
Total fair value of restricted stock awards, restricted stock units and deferred stock units on date vested	$ 11,535	$ 7,346
Dividends declared	$ 8,141	$ 8,062

See notes to unaudited condensed consolidated financial statements.

Notes to Condensed Consolidated Financial Statements

Note 1: Basis of Presentation

Company Overview - Progress Software Corporation ("Progress," the "Company," "we," "us," or "our") is dedicated to propelling business forward in a technology-driven world. Progress helps customers drive faster cycles of innovation, fuel momentum and accelerate their path to success. As the trusted provider of products to develop, deploy and manage high-impact applications, Progress enables customers to develop the applications and experiences they need, deploy where and how they want and manage it all safely and securely.

Our products are generally sold as perpetual licenses, but certain products also use term licensing models and our cloud-based offerings use a subscription-based model. More than half of our worldwide license revenue is realized through relationships with indirect channel partners, principally independent software vendors ("ISVs"), original equipment manufacturers ("OEMs"), distributors and value-added resellers. ISVs develop and market applications using our technology and resell our products in conjunction with sales of their own products that incorporate our technology. OEMs are companies that embed our products into their own software products or devices. Value-added resellers are companies that add features or services to our product, then resell it as an integrated product or complete "turn-key" solution.

We operate in North America, Latin America, Europe, the Middle East and Africa ("EMEA"), and Asia and Australia ("Asia Pacific"), through local subsidiaries as well as independent distributors.

Basis of Presentation and Significant Accounting Policies - We prepared the accompanying unaudited condensed consolidated financial statements pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") regarding interim financial reporting. Accordingly, the financial statements do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America ("GAAP") for complete financial statements and these unaudited financial statements should be read in conjunction with the audited financial statements included in our Annual Report on Form 10-K for the fiscal year ended November 30, 2022, as filed with the SEC on January 27, 2023 (our "2022 Annual Report").

We made no material changes in the application of our significant accounting policies that were disclosed in our 2022 Annual Report. We have prepared the accompanying unaudited condensed consolidated financial statements on the same basis as the audited financial statements included in our 2022 Annual Report, and these financial statements include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the results of the interim periods presented. The operating results for the interim periods presented are not necessarily indicative of the results expected for the full fiscal year.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. On an on-going basis, management evaluates its estimates and records changes in estimates in the period in which they become known. These estimates are based on historical data and experience, as well as various other assumptions that management believes to be reasonable under the circumstances. The most significant estimates relate to revenue recognition and business combinations. Refer to Note 1 to our Consolidated Financial Statements in Item 8 of our 2022 Annual Report for further information. There have been no significant changes to our critical accounting policies and estimates since our 2022 Annual Report. Actual results could differ from those estimates.

Recent Accounting Pronouncements

Recently Issued Accounting Pronouncements Not Yet Adopted

Reference Rate Reform

In March 2020, the FASB issued Accounting Standards Update No. 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting* ("ASU 2020-04"), as amended in December 2022 by Accounting Standards Update No. 2022-06, *Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848* ("ASU 2022-06"). ASU 2020-04 provides guidance to alleviate the burden in accounting for reference rate reform by allowing certain expedients and exceptions in applying GAAP to contracts, hedging relationships and other transactions impacted by reference rate reform. The provisions apply only to those transactions that reference the London Interbank Offered Rate ("LIBOR") or another reference rate expected to be discontinued due to reference rate reform. Adoption of the provisions of ASU 2020-04 are optional and are effective from March 12, 2020 through December 31, 2024, as amended by ASU 2022-06. As of February 28, 2023, we have not adopted any expedients and exceptions under ASU 2020-04. We will continue to evaluate the impact of ASU 2020-04 on our consolidated financial statements.

Note 2: Cash, Cash Equivalents and Investments

A summary of our cash, cash equivalents and available-for-sale investments at February 28, 2023 is as follows (in thousands):

	Amortized Cost Basis	Unrealized Gains	Unrealized Losses	Fair Value
Cash	$ 106,462	$ —	$ —	$ 106,462
Money market funds	119	—	—	119
Commercial papers	4,781	—	—	4,781
U.S. treasuries	2,764	—	(1)	2,763
U.S. government agency bonds	8,816	—	(16)	8,800
Total	$ 122,942	$ —	$ (17)	$ 122,925

A summary of our cash and cash equivalents at November 30, 2022 is as follows (in thousands):

	Amortized Cost Basis	Unrealized Gains	Unrealized Losses	Fair Value
Cash	$ 229,023	$ —	$ —	$ 229,023
Money market funds	27,254	—	—	27,254
Total	$ 256,277	$ —	$ —	$ 256,277

The debt securities have a remaining contractual maturity of one year or less as of February 28, 2023.

Note 3: Derivative Instruments

Cash Flow Hedge

On July 9, 2019, we entered into an interest rate swap contract with an initial notional amount of $150.0 million to manage the variability of cash flows associated with approximately one-half of our variable rate debt. The contract matures on April 30, 2024 and requires periodic interest rate settlements. Under this interest rate swap contract, we receive a floating rate based on the greater of 1-month LIBOR or 0.00%, and pay a fixed rate of 1.855% on the outstanding notional amount.

We have designated the interest rate swap as a cash flow hedge and assess the hedge effectiveness both at the onset of the hedge and at regular intervals throughout the life of the derivative. To the extent that the interest rate swap is highly effective in offsetting the variability of the hedged cash flows, changes in the fair value of the derivative are included as a component of other comprehensive loss on our condensed consolidated balance sheets. Although we have determined at the onset of the hedge that the interest rate swap will be a highly effective hedge throughout the term of the contract, any portion of the fair value swap subsequently determined to be ineffective will be recognized in earnings. As of February 28, 2023, the fair value of the hedge was a gain of $4.2 million, which was included in other assets on our condensed consolidated balance sheets. The net amount of accumulated other comprehensive loss reclassified to interest expense during the three months ended February 28, 2023 and February 28, 2022 was a decrease of $0.7 million and an increase of $0.6 million, respectively.

The following table presents our interest rate swap contract where the notional amount reflects the quarterly amortization of the interest rate swap, which is equal to approximately one-half of the corresponding reduction in the balance of our term loan as we make scheduled principal payments. The fair value of the derivative represents the discounted value of the expected future discounted cash flows for the interest rate swap, based on the amortization schedule and the current forward curve for the remaining term of the contract, as of the date of each reporting period (in thousands):

	February 28, 2023		November 30, 2022	
	Notional Value	Fair Value	Notional Value	Fair Value
Interest rate swap contracts designated as cash flow hedges	$ 116,250	$ 4,235	$ 120,000	$ 4,407

Forward Contracts

We generally use forward contracts that are not designated as hedging instruments to hedge economically the impact of the variability in exchange rates on intercompany accounts receivable and loans receivable denominated in certain foreign currencies. We generally do not hedge the net assets of our international subsidiaries.

All forward contracts are recorded at fair value on the consolidated balance sheets at the end of each reporting period and generally expire between 30 days and 2 years from the date the contract was entered. At February 28, 2023, $0.1 million and $3.0 million was recorded in other accrued liabilities and other noncurrent liabilities, respectively, on our condensed consolidated balance sheets. At November 30, 2022, $3.1 million and $0.1 million were recorded in other noncurrent liabilities and other current assets, respectively, on our condensed consolidated balance sheets.

In the three months ended February 28, 2023 and February 28, 2022, realized and unrealized gains of $0.5 million and $0.3 million, respectively, from our forward contracts were recognized in foreign currency loss, net, on our condensed consolidated statements of operations. These gains were substantially offset by realized and unrealized losses in the offsetting positions.

The table below details outstanding foreign currency forward contracts where the notional amount is determined using contract exchange rates (in thousands):

	February 28, 2023		November 30, 2022	
	Notional Value	Fair Value	Notional Value	Fair Value
Forward contracts to sell U.S. dollars	$ 70,436	$ (3,180)	$ 74,578	$ (2,995)
Forward contracts to purchase U.S. dollars	489	8	544	(5)
Total	$ 70,925	$ (3,172)	$ 75,122	$ (3,000)

Note 4: Fair Value Measurements

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following table details the fair value measurements within the fair value hierarchy of our financial assets and liabilities at February 28, 2023 (in thousands):

		Fair Value Measurements Using		
	Total Fair Value	Level 1	Level 2	Level 3
Assets				
Money market funds	$ 119	$ 119	$ —	$ —
Commercial papers	4,781	398	4,383	—
U.S. treasuries	2,763	498	2,265	—
U.S. government agency bonds	8,800	504	8,296	—
Interest rate swap	4,235	—	4,235	—
Liabilities				
Foreign exchange derivatives	$ (3,172)	$ —	$ (3,172)	$ —

The following table details the fair value measurements within the fair value hierarchy of our financial assets and liabilities at November 30, 2022 (in thousands):

		Fair Value Measurements Using		
	Total Fair Value	Level 1	Level 2	Level 3
Assets				
Money market funds	$ 27,254	$ 27,254	$ —	$ —
Interest rate swap	4,407	—	4,407	—
Liabilities				
Foreign exchange derivatives	$ (3,000)	$ —	$ (3,000)	$ —

When developing fair value estimates, we maximize the use of observable inputs and minimize the use of unobservable inputs. When available, we use quoted market prices to measure fair value. The valuation technique used to measure fair value for our Level 1 and Level 2 assets is a market approach, using prices and other relevant information generated by market transactions involving identical or comparable assets. If market prices are not available, the fair value measurement is based on models that use primarily market-based parameters including yield curves, volatilities, credit ratings and currency rates.

Assets and Liabilities Not Carried at Fair Value

Fair Value of the Convertible Senior Notes

The fair value of our Convertible Senior Notes, with a carrying value of $353.2 million and $352.6 million, was $394.7 million and $376.0 million as of February 28, 2023 and November 30, 2022, respectively. The fair value was determined based on the quoted price in an over-the-counter market on the last trading day of the reporting period and classified within Level 1 in the fair value hierarchy.

Fair Value of Other Long-term Debt

The fair value of the borrowing outstanding detail in Note 7 approximates the carrying value of the debt due to variable rates that are applicable and no significant change in our credit ratings.

Fair Value of Other Financial Assets and Liabilities

The carrying amounts of other financial assets and liabilities including cash, accounts receivable, accounts payable, and accrued liabilities approximate their respective fair values because of the relatively short period of time between their origination and their expected realization or settlement.

Note 5: Intangible Assets and Goodwill

Intangible Assets

Intangible assets are comprised of the following significant classes (in thousands):

	February 28, 2023			November 30, 2022		
	Gross Carrying Amount	Accumulated Amortization	Net Book Value	Gross Carrying Amount	Accumulated Amortization	Net Book Value
Purchased technology	$ 280,300	$ (157,141)	$ 123,159	$ 212,700	$ (150,877)	$ 61,823
Customer-related	468,508	(173,532)	294,976	306,308	(162,341)	143,967
Trademarks and trade names	50,111	(27,304)	22,807	37,611	(26,046)	11,565
Non-compete agreement	2,000	(2,000)	—	2,000	(2,000)	—
Total	$ 800,919	$ (359,977)	$ 440,942	$ 558,619	$ (341,264)	$ 217,355

In the first quarter of fiscal years 2023 and 2022, amortization expense related to intangible assets was $19.9 million and $17.2 million, respectively.

Future amortization expense for intangible assets as of February 28, 2023, is as follows (in thousands):

Remainder of 2023	$ 77,748
2024	90,534
2025	80,024
2026	71,147
2027	46,198
Thereafter	75,291
Total	$ 440,942

Goodwill

Changes in the carrying amount of goodwill in the three months ended February 28, 2023 are as follows (in thousands):

Balance, November 30, 2022	$ 671,037
Additions(1)	140,964
Translation adjustments	(142)
Balance, February 28, 2023	$ 811,859

(1) The additions to goodwill during fiscal year 2023 are related to the acquisition of MarkLogic in February 2023. See Note 6: Business Combinations for additional information.

Note 6: Business Combinations

MarkLogic Acquisition

On February 7, 2023, we completed the acquisition of the parent company of MarkLogic Corporation ("MarkLogic"), pursuant to the Stock Purchase Agreement (the "Purchase Agreement"), dated as of January 3, 2023. The acquisition was completed for a base purchase price of $355.0 million (subject to certain customary adjustments) in cash.

The acquisition consideration for MarkLogic has been preliminarily allocated to MarkLogic's assets and assumed liabilities based on estimated fair values. The preliminary fair value estimates of the net assets acquired are based upon preliminary calculations and valuations, and those estimates and assumptions are subject to change as we obtain additional information for those estimates during the measurement period (up to one year from the acquisition date).

The preliminary allocation of the purchase price is as follows (in thousands):

	Preliminary Purchase Price Allocation	Life
Net working capital	$ 49,477	
Property, plant and equipment	723	
Purchased technology	67,600	7 years
Trade name	12,500	7 years
Customer relationships	162,200	7 years
Other assets, including long-term unbilled receivables	6,172	
Deferred taxes	(17,441)	
Deferred revenue	(33,116)	
Goodwill	140,964	
Net assets acquired	$ 389,079	

The fair value of the intangible assets was estimated using the income approach in which the after-tax cash flows are discounted to present value. The cash flows are based on estimates used to value the acquisition, and the discount rates applied were benchmarked with reference to the implied rate of return from the transaction model as well as the weighted average cost of capital. The valuation assumptions take into consideration our estimates of customer attrition, technology obsolescence, and revenue growth projections.

We determined the acquisition date deferred revenue balance based on our assessment of the individual contracts acquired. A significant portion of the deferred revenue is expected to be recognized in the 12 months following the acquisition.

We recorded the excess of the purchase price over the identified tangible and intangible assets as goodwill. We believe that the investment value of the future enhancement of our product and solution offerings created as a result of this acquisition has principally contributed to a purchase price that resulted in the recognition of $141.0 million of goodwill, which is not deductible for tax purposes.

Acquisition-related transaction costs (e.g., legal, due diligence, valuation, and other professional fees) and certain acquisition restructuring and related charges are not included as a component of consideration transferred but are required to be expensed as incurred. During the three months ended February 28, 2023, we incurred approximately $1.5 million of acquisition-related costs, which are included in acquisition-related expenses on our consolidated statement of operations.

The amount of MarkLogic revenue and related earnings included in the consolidated statements of operations in the period subsequent to acquisition is not material.

Pro Forma Information

The following pro forma financial information presents the combined results of operations of Progress and MarkLogic as if the acquisition had occurred on December 1, 2021, after giving effect to certain pro forma adjustments. The pro forma adjustments reflected herein include only those adjustments that are directly attributable to the MarkLogic acquisition and factually supportable. These pro forma adjustments include: (i) a net increase in amortization expense to record amortization expense relating to the $242.3 million of acquired identifiable intangible assets, (ii) an increase in interest expense to record interest for the period presented as a result of drawing down our revolving line of credit in connection with the acquisition, and (iii) the income tax effect of the adjustments made at the statutory tax rate of the U.S. (approximately 24.5%).

The pro forma financial information does not reflect any adjustments for anticipated expense savings resulting from the acquisition and is not necessarily indicative of the operating results that would have actually occurred had the transaction been consummated on December 1, 2021.

(in thousands, except per share data)	Pro Forma Three Months Ended February 28, 2023		Pro Forma Three Months Ended February 28, 2022	
Revenue	$	203,076	$	165,822
Net income	$	32,705	$	10,492
Net income per basic share	$	0.76	$	0.24
Net income per diluted share	$	0.74	$	0.23

Note 7: Debt

As of February 28, 2023, future maturities of the Company's long-term debt were as follows:

(In thousands)	2026 Notes		Revolving Line of Credit		Term Loan		Total	
Remainder of 2023	$	—	$	—	$	5,156	$	5,156
2024		—		—		13,750		13,750
2025		—		—		20,625		20,625
2026		360,000		—		20,625		380,625
2027		—		195,000		206,250		401,250
Total face value of long-term debt		360,000		195,000		266,406		821,406
Unamortized discount and issuance costs		(6,841)		—		(2,510)		(9,351)
Less current portion of long-term debt, net		—		—		(7,953)		(7,953)
Long-term debt	$	353,159	$	195,000	$	255,943	$	804,102

The revolving line of credit may be borrowed, repaid, and reborrowed until January 25, 2027, at which time all amounts outstanding must be repaid. As of February 28, 2023, there was $195.0 million outstanding under the revolving line of credit.

Note 8: Common Stock Repurchases

In January 2023, our Board of Directors increased the share repurchase authorization by $150.0 million, to an aggregate authorization of 228.0 million. In the three months ended February 28, 2023 and February 28, 2022, we repurchased and retired 0.3 million shares for $15.0 million and 0.6 million shares for $25.0 million, respectively. The shares were repurchased in both periods as part of our Board of Directors authorized share repurchase program. As of February 28, 2023, there was $213.0 million remaining under the current authorization.

Note 9: Stock-Based Compensation

Stock-based compensation expense reflects the fair value of stock-based awards, less the present value of expected dividends when applicable, measured at the grant date and recognized over the relevant service period. We estimate the fair value of each stock-based award on the measurement date using the current market price of the stock, the Black-Scholes option valuation model, or the Monte Carlo Simulation valuation model.

In 2021, 2022 and 2023, we granted performance-based restricted stock units that include two performance metrics under our Long-Term Incentive Plan ("LTIP") where the performance measurement period is three years. Vesting of the LTIP awards on the 2021, 2022 and 2023 plans are based on the following: (i) 25% is based on our level of attainment of specified TSR targets relative to the percentage appreciation of a specified index of companies for the respective three-year periods, and (ii) 75% is based on achievement of a three-year cumulative operating income target. In order to estimate the fair value of such awards, we used a Monte Carlo Simulation valuation model for the market condition portion of the award, and used the closing price of our common stock on the date of grant for the portion related to the performance condition.

The Black-Scholes and Monte Carlo Simulation valuation models incorporate assumptions as to stock price volatility, the expected life of options or awards, a risk-free interest rate and dividend yield. We recognize stock-based compensation expense related to options and restricted stock units on a straight-line basis over the service period of the award, which is generally four years for options and three years for restricted stock units. We recognize stock-based compensation expense related to our employee stock purchase plan using an accelerated attribution method.

The following table provides the classification of stock-based compensation as reflected on our condensed consolidated statements of operations (in thousands):

	Three Months Ended	
	February 28, 2023	February 28, 2022
Cost of maintenance and services	$ 620	$ 411
Sales and marketing	1,495	1,402
Product development	2,998	2,222
General and administrative	4,639	4,079
Total stock-based compensation	$ 9,752	$ 8,114

Note 10: Accumulated Other Comprehensive Loss

The following table summarizes the changes in accumulated balances of other comprehensive loss during the three months ended February 28, 2023 (in thousands):

	Foreign Currency Translation Adjustment	Unrealized Losses on Investments	Unrealized Gain (Losses) on Hedging Activity	Accumulated Other Comprehensive Loss
Balance, December 1, 2022	$ (38,523)	$ (61)	$ 3,349	$ (35,235)
Other comprehensive income (loss) before reclassifications, net of tax	1,737	(21)	(127)	1,589
Balance, February 28, 2023	$ (36,786)	$ (82)	$ 3,222	$ (33,646)

The tax effect on accumulated unrealized gains (losses) on hedging activity and unrealized losses on investments was a tax provision of $1.1 million as of February 28, 2023 and November 30, 2022.

Note 11: Revenue Recognition

Timing of Revenue Recognition

Our revenues are derived from licensing our products, and from related services, which consist of maintenance, hosting services, and consulting and education. Information relating to revenue from external customers by revenue type is as follows (in thousands):

	Three Months Ended	
(In thousands)	February 28, 2023	February 28, 2022
Performance obligations transferred at a point in time:		
Software licenses	$ 57,568	$ 42,750
Performance obligations transferred over time:		
Maintenance	92,513	89,963
Services	14,145	12,209
Total revenue	$ 164,226	$ 144,922

Geographic Revenue

In the following table, revenue attributed to North America includes sales to customers in the U.S. and sales to certain multinational organizations. Revenue from EMEA, Latin America and the Asia Pacific region includes sales to customers in each region plus sales from the U.S. to distributors in these regions. Information relating to revenue from external customers from different geographical areas is as follows (in thousands):

	Three Months Ended	
(In thousands)	February 28, 2023	February 28, 2022
North America	$ 98,828	$ 78,093
EMEA	53,405	53,702
Latin America	4,189	3,883
Asia Pacific	7,804	9,244
Total revenue	$ 164,226	$ 144,922

No single customer, partner, or country outside the U.S. has accounted for more than 10% of our total revenue for the three months ended February 28, 2023 and February 28, 2022.

Contract Balances

Unbilled Receivables and Contract Assets

As of February 28, 2023, billing of our long-term unbilled receivables is expected to occur as follows (in thousands):

2024	$ 19,453
2025	15,607
2026	12,862
Total	$ 47,922

Our contract assets and liabilities are reported in a net position on a contract-by-contract basis at the end of each reporting period. We did not have any net contract assets as of February 28, 2023 or November 30, 2022.

Deferred Revenue

Deferred revenue expected to be recognized as revenue more than one year subsequent to the balance sheet date is included in long-term liabilities on the consolidated balance sheets. Our deferred revenue balance is primarily made up of deferred maintenance.

As of February 28, 2023, the changes in net deferred revenue were as follows (in thousands):

Balance, December 1, 2022	$ 282,440
Billings and other	183,633
Revenue recognized	(164,226)
Balance, February 28, 2023	$ 301,847

As of February 28, 2023, transaction price allocated to remaining performance obligations was $309 million. We expect to recognize approximately 81% of the revenue within the next year and the remainder thereafter.

Deferred Contract Costs

Certain of our sales incentive programs meet the requirements to be capitalized. Depending upon the sales incentive program and the related revenue arrangement, such capitalized costs are amortized over the longer of (i) the product life, which is generally three to five years; or (ii) the term of the related revenue contract. We determined that a three to five year product life represents the period of benefit that we receive from these incremental costs based on both qualitative and quantitative factors, which include customer contracts, industry norms, and product upgrades. Total deferred contract costs were $8.4 million and $8.8 million as of February 28, 2023 and November 30, 2022, respectively, and are included in other current assets and other assets on our condensed consolidated balance sheets. Amortization of deferred contract costs is included in sales and marketing expense on our condensed consolidated statement of operations and was minimal in all periods presented.

Note 12: Restructuring Charges

The following table provides a summary of activity for our restructuring actions, which are detailed further below (in thousands):

	Excess Facilities and Other Costs	Employee Severance and Related Benefits	Total
Balance, December 1, 2022	$ 3,870	$ 30	$ 3,900
Costs incurred	180	1,217	1,397
Cash disbursements	(345)	(144)	(489)
Balance, February 28, 2023	$ 3,705	$ 1,103	$ 4,808

During the first quarter of fiscal year 2023, we restructured our operations in connection with the acquisition of MarkLogic, which resulted in a reduction in redundant positions, primarily within administrative functions.

Cash disbursements for expenses incurred to date under this restructuring are expected to be made through fiscal year 2023.

We expect to incur additional expenses as part of this action related to employee costs and facility closures during fiscal year 2023, but we do not expect these costs to be material.

Note 13: Income Taxes

Our effective tax rate was 21% in the first fiscal quarter of both 2023 and 2022. There were no significant discrete tax items in the first fiscal quarter of either 2023 or 2022.

Our federal income tax returns have been examined or are closed by statute for all years prior to fiscal year 2019. Our state income tax returns have been examined or are closed by statute for all years prior to fiscal year 2018.

Tax authorities for certain non-U.S. jurisdictions are also examining returns. With some exceptions, we are generally not subject to tax examinations in non-U.S. jurisdictions for years prior to fiscal year 2017 because they are closed by statute.

Note 14: Earnings per share

We compute basic earnings per share using the weighted average number of common shares outstanding. We compute diluted earnings per share using the weighted average number of common shares outstanding plus the effect of outstanding dilutive stock options, restricted stock units and deferred stock units, using the treasury stock method. The following table sets forth the calculation of basic and diluted earnings per share on an interim basis (in thousands, except per share data):

	Three Months Ended	
	February 28, 2023	February 28, 2022
Net income	$ 23,674	$ 20,454
Weighted average shares outstanding	43,300	43,981
Basic earnings per common share	$ 0.55	$ 0.47
Diluted earnings per common share:		
Net income	$ 23,674	$ 20,454
Weighted average shares outstanding	43,300	43,981
Effect of dilution from common stock equivalents	1,053	727
Diluted weighted average shares outstanding	44,353	44,708
Diluted earnings per share	$ 0.53	$ 0.46

We excluded stock awards representing approximately 340,000 and 1,536,000 shares of common stock from the calculation of diluted earnings per share in the three months ended February 28, 2023 and February 28, 2022, respectively, as these awards were anti-dilutive.

The dilutive impact of the Notes on our calculation of diluted earnings per share is considered using the if-converted method. However, because the principal amount of the Notes must be settled in cash, the dilutive impact of applying the if-converted method is limited to the in-the-money portion, if any, of the Notes. During the three months ended February 28, 2023, we did not include the Notes in our diluted earnings per share calculation because the conversion feature in the Notes was out of the money.

Note 15: Segment Information

Operating segments are components of an enterprise that engage in business activities for which discrete financial information is available and regularly reviewed by the chief operating decision maker ("CODM") in deciding how to allocate resources and assess performance. Our CODM is our Chief Executive Officer.

We operate as one operating segment: software products to develop, deploy, and manage high-impact applications. Our CODM evaluates financial information on a consolidated basis. As we operate as one operating segment, the required financial segment information can be found in the condensed consolidated financial statements.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

Critical Accounting Policies

Management’s discussion and analysis of financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with GAAP. We make estimates and assumptions in the preparation of our consolidated financial statements that affect the reported amounts of assets and liabilities, revenue and expenses and related disclosures of contingent assets and liabilities. We base our estimates on historical experience and various other assumptions that are believed to be reasonable under the circumstances. However, actual results may differ from these estimates. The most significant estimates relate to revenue recognition and business combinations. For further information regarding the application of these and other accounting policies, see Note 1 to our Consolidated Financial Statements in Item 8 of our 2022 Annual Report.

Cautionary Note Regarding Forward-Looking Statements

This Form 10-Q may contain information that are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended; Section 21E of the Securities Exchange Act of 1934, as amended; and the Private Securities Litigation Reform Act of 1995. Whenever we use words such as "believe," "may," "could," "would," "might," "should," "expect," "intend," "plan," "estimate," "target," "anticipate" and negatives and derivatives of these or similar expressions, or when we make statements concerning future financial results, product offerings or other events that have not yet occurred, we are making forward-looking statements. These forward-looking statements are based upon our present intent, beliefs or expectations, but are not guaranteed to occur and may not occur. Actual future results may differ materially from those contained in or implied by our forward-looking statements due to various factors which are more fully described in Part I, Item 1A. Risk Factors in our 2022 Annual Report. Although we have sought to identify the most significant risks to our business, we cannot predict whether, or to what extent, any of such risks may be realized. We also cannot assure you that we have identified all possible issues that we might face. We undertake no obligation to update any forward-looking statements that we make.

Use of Constant Currency

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

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

Overview

Progress is the trusted provider of the best products to develop, deploy and manage high-impact applications. We enable our customers to develop the applications and experiences they need, deploy where and how they want, and manage it all safely and securely. Progress helps customers drive faster cycles of innovation, fuel momentum and accelerate their path to success.

The key tenets of our strategic plan and operating model are as follows:

Be the Trusted Provider of the Best Products to Develop, Deploy and Manage High Impact Applications. A key element of our strategy is centered on building and maintaining the best products and tools enterprises need to build, deploy, and manage modern, strategic business applications. We offer these products and tools to both new customers and partners, as well as our existing partner and customer ecosystems.

Focus on Customer and Partner Retention to Drive Recurring Revenue and Profitability. Our organizational philosophy and operating principles focus primarily on customer and partner retention and success, and a streamlined operating approach to drive predictable and stable recurring revenue and high levels of profitability.

Follow a Total Growth Strategy through Accretive M&A. We are pursuing a total growth strategy driven by accretive acquisitions of businesses within the infrastructure software space, with products that appeal to both IT organizations and individual developers. These acquisitions must meet strict financial and other criteria, which help further our goal to provide significant stockholder returns by providing scale and increased cash flows. In April 2019, we acquired Ipswitch, Inc.; in October 2020, we acquired Chef Software, Inc.; in November 2021, we acquired Kemp Technologies; and in February 2023, we acquired MarkLogic. These acquisitions met our strict financial criteria.

In recent years, our total growth strategy, described above, has resulted in the rapid expansion of our product portfolio. As our portfolio evolves, we continuously evaluate our organization for additional synergies and efficiencies. In connection therewith, we are working to realign our go-to-market, product, and operational teams and to increase centralization of shared services and functions across our company. We believe that these changes will improve collaboration among the teams that develop, sell, and support our products; enhance our ability to integrate acquired businesses; and lead to greater system uniformity and increased operating efficiency.

Employ a Multi-Faceted Capital Allocation Strategy. Our capital allocation policy emphasizes accretive M&A, which allows us to expand our business and drive significant stockholder returns. We also utilize dividends and share repurchases to return capital to stockholders. We intend to continue to repurchase our shares in sufficient quantities to offset dilution from our equity plans and to continue to return a portion of our annual cash flows from operations to stockholders in the form of dividends.

We expect to continue to pursue acquisitions meeting our financial criteria that are designed to expand our business and drive significant stockholder returns. As a result, our expected uses of cash could change, our cash position could be reduced, and we may incur additional debt obligations to the extent we complete additional acquisitions. However, we currently believe that existing cash balances, together with funds generated from operations and amounts available under our Credit Facility, will be sufficient to finance our operations and meet our foreseeable cash requirements, including quarterly cash dividends and stock repurchases to Progress stockholders, as applicable, through at least the next twelve months.

Results of Operations

Revenue

	Three Months Ended		% Change	
(In thousands)	February 28, 2023	February 28, 2022	As Reported	Constant Currency
Revenue	$ 164,226	$ 144,922	13 %	15 %

Total revenue increased as compared to the same period last year primarily due to increases in our DataDirect product offerings, as well as our acquisition of MarkLogic in the first quarter of fiscal year 2023. These increases were partially offset by decreases in our OpenEdge product offerings, as well as the negative impact of foreign exchange on license and maintenance revenue in our EMEA region.

Software License Revenue

	Three Months Ended		% Change	
(In thousands)	February 28, 2023	February 28, 2022	As Reported	Constant Currency
Software licenses	$ 57,568	$ 42,750	35 %	36 %
As a percentage of total revenue	*35 %*	*29 %*		

Software license revenue increased as compared to the same period last year primarily due to an increase in our DataDirect product offerings, as well as our acquisition of MarkLogic in the first quarter of fiscal year 2023. These increases were partially offset by a decrease in our OpenEdge product offerings, as well as the negative impact of foreign exchange in our EMEA region.

Maintenance and Services Revenue

	Three Months Ended		% Change	
(In thousands)	February 28, 2023	February 28, 2022	As Reported	Constant Currency
Maintenance	$ 92,513	$ 89,963	3 %	4 %
As a percentage of total revenue	*56 %*	*62 %*		
Services	14,145	12,209	16 %	17 %
As a percentage of total revenue	*9 %*	*9 %*		
Total maintenance and services revenue	$ 106,658	$ 102,172	4 %	6 %
As a percentage of total revenue	*65 %*	*71 %*		

Maintenance revenue increased as compared to the same period last year primarily due to our acquisition of MarkLogic and increased maintenance revenue from our Chef product offerings. Services revenue increased as compared to the same period last year primarily due to increased services revenue from our acquisition of MarkLogic. The maintenance and services increases were partially offset by the negative impact of foreign exchange in our EMEA region.

Revenue by Region

(In thousands)	Three Months Ended		% Change	
	February 28, 2023	February 28, 2022	As Reported	Constant Currency
North America	$ 98,828	$ 78,093	27 %	27 %
As a percentage of total revenue	*60 %*	*54 %*		
Europe, the Middle East and Africa ("EMEA")	$ 53,405	$ 53,702	(1)%	4 %
As a percentage of total revenue	*32 %*	*37 %*		
Latin America	$ 4,189	$ 3,883	8 %	5 %
As a percentage of total revenue	*3 %*	*3 %*		
Asia Pacific	$ 7,804	$ 9,244	(16)%	(15)%
As a percentage of total revenue	*5 %*	*6 %*		

Total revenue generated in North America increased $20.7 million as compared to the same period last year. The increase was primarily due to increases from our DataDirect product offerings and our acquisition of MarkLogic. The decrease in revenue generated in EMEA was primarily due to a negative impact of foreign exchange, partially offset by our acquisition of MarkLogic and increased revenue from our Chef product offerings. The increase in revenue in Latin America was primarily due to increases in our OpenEdge product offerings. The decreases in revenue generated in Asia Pacific was due to decreases in our OpenEdge product offerings.

In the first three months of fiscal year 2023 revenue generated in markets outside North America represented 40% of total revenue compared to 42% of total revenue on a constant currency basis. In the first three months of fiscal year 2022 revenue generated in markets outside North America represented 46% of total revenue compared to 47% of total revenue on a constant currency basis.

Cost of Software Licenses

(In thousands)	Three Months Ended			
	February 28, 2023	February 28, 2022	Change	
Cost of software licenses	$ 2,452	$ 2,609	$ (157)	(6)%
As a percentage of software license revenue	*4 %*	*6 %*		
As a percentage of total revenue	*1 %*	*2 %*		

Cost of software licenses consists primarily of costs of inventories, royalties, electronic software distribution, duplication, and packaging. Cost of software licenses as a percentage of software license revenue varies from period to period depending upon the relative product mix.

Cost of Maintenance and Services

(In thousands)	Three Months Ended			
	February 28, 2023	February 28, 2022	Change	
Cost of maintenance and services	$ 17,501	$ 15,145	$ 2,356	16 %
As a percentage of maintenance and services revenue	*16 %*	*15 %*		
As a percentage of total revenue	*11 %*	*10 %*		
Components of cost of maintenance and services:				
Personnel related costs	$ 13,143	$ 10,804	$ 2,339	22 %
Contractors and outside services	2,700	2,968	(268)	(9)%
Hosting and other	1,658	1,373	285	21 %
Total cost of maintenance and services	$ 17,501	$ 15,145	$ 2,356	16 %

Cost of maintenance and services consists primarily of costs of providing customer support, consulting, and education. The increase year over year was primarily due to increased headcount and hosting costs resulting from our acquisition of MarkLogic, partially offset by decreased contractors and outside services costs.

Amortization of Intangibles

(In thousands)	Three Months Ended February 28, 2023		Three Months Ended February 28, 2022		% Change
Amortization of intangibles	$	6,264	$	5,458	15 %
As a percentage of total revenue		*4 %*		*4 %*	

Amortization of intangibles included in costs of revenue primarily represents the amortization of the value assigned to technology-related intangible assets obtained in business combinations. The increase year over year is due to the acquisition of MarkLogic.

Gross Profit

(In thousands)	Three Months Ended February 28, 2023		Three Months Ended February 28, 2022		% Change
Gross profit	$	138,009	$	121,710	13 %
As a percentage of total revenue		*84 %*		*84 %*	

Our gross profit increased primarily due to the increase in revenue and the decrease in costs of software licenses, offset by the increases in costs of maintenance and services and the amortization of intangibles, each as described above.

Sales and Marketing

(In thousands)	Three Months Ended February 28, 2023		Three Months Ended February 28, 2022		Change		
Sales and marketing	$	33,754	$	33,469	$	285	1 %
As a percentage of total revenue		*21 %*		*23 %*			
Components of sales and marketing:							
Personnel related costs	$	29,994	$	28,395	$	1,599	6 %
Contractors and outside services		695		820		(125)	(15)%
Marketing programs and other		3,065		4,254		(1,189)	(28)%
Total sales and marketing	$	33,754	$	33,469	$	285	1 %

Sales and marketing expenses increased primarily due to increased personnel related costs associated with our acquisition of MarkLogic, offset by decreases in marketing and sales events costs and contractors and outside services costs.

Product Development

(In thousands)	Three Months Ended February 28, 2023		Three Months Ended February 28, 2022		Change		
Product development costs	$	30,438	$	28,673	$	1,765	6 %
As a percentage of total revenue		*19 %*		*20 %*			
Components of product development costs:							
Personnel related costs	$	29,603	$	27,479	$	2,124	8 %
Contractors and outside services		673		1,018		(345)	(34)%
Other product development costs		162		176		(14)	(8)%
Total product development costs	$	30,438	$	28,673	$	1,765	6 %

Product development expenses increased primarily due to increased personnel related costs associated with our acquisition of MarkLogic, partially offset by decreased contractors and outside services costs.

General and Administrative

(In thousands)	Three Months Ended February 28, 2023	February 28, 2022	Change	
General and administrative	$ 18,786	$ 16,991	$ 1,795	11 %
As a percentage of total revenue	*11 %*	*12 %*		
Components of general and administrative:				
Personnel related costs	$ 16,135	$ 14,051	$ 2,084	15 %
Contractors and outside services	2,387	2,067	320	15 %
Other general and administrative costs	264	873	(609)	(70)%
Total cost of general and administrative	$ 18,786	$ 16,991	$ 1,795	11 %

General and administrative expenses include the costs of our finance, human resources, legal, information systems and administrative departments. General and administrative expenses increased primarily due to higher personnel costs associated with our acquisition of MarkLogic, as well as an increase in contractors and outside services costs, partially offset by a decrease in other general and administrative costs.

Amortization of Intangibles

(In thousands)	Three Months Ended February 28, 2023	February 28, 2022	% Change
Amortization of intangibles	$ 13,611	$ 11,722	16 %
As a percentage of total revenue	*8 %*	*8 %*	

Amortization of intangibles included in operating expenses primarily represents the amortization of value assigned to intangible assets obtained in business combinations other than assets identified as purchased technology. Amortization of intangibles increased due to the addition of MarkLogic intangible assets, as discussed above.

Cyber Incident

(In thousands)	Three Months Ended February 28, 2023	February 28, 2022	% Change
Cyber incident	$ 2,692	$ —	*
As a percentage of total revenue	*2 %*	*— %*	

*not meaningful

As previously disclosed on December 19, 2022, following the detection of irregular activity on certain portions of our corporate network, we engaged outside cybersecurity experts and other incident response professionals to conduct a forensic investigation and assess the extent and scope of the cyber incident. Cyber incident costs relate to the engagement of external cybersecurity experts and other incident response professionals.

Restructuring Expenses

(In thousands)	Three Months Ended February 28, 2023	Three Months Ended February 28, 2022	% Change
Restructuring expenses	$ 1,397	$ 511	173 %
As a percentage of total revenue	*1 %*	*— %*	

Restructuring expenses recorded in the first quarter of fiscal year 2023 relate to the restructuring activities that occurred in the first and fourth quarters of fiscal years 2023 and 2020, respectively, resulting from the acquisitions of MarkLogic and Chef, respectively. Restructuring expenses recorded in the first quarter of fiscal year 2022 are comprised mostly of costs related to the acquisition of Kemp and the Chef restructuring action of 2020. See the Liquidity and Capital Resources section of this Item 2, Management's Discussion and Analysis of Financial Condition and Results of Operations.

Acquisition-Related Expenses

(In thousands)	Three Months Ended February 28, 2023	Three Months Ended February 28, 2022	% Change
Acquisition-related expenses	$ 1,743	$ 912	91 %
As a percentage of total revenue	*1 %*	*1 %*	

Acquisition-related costs are expensed as incurred and include those costs incurred as a result of a business combination. These costs consist of professional service fees, including third-party legal and valuation-related fees. Acquisition-related expenses increased due to our acquisition of MarkLogic, as well as our pursuit of other acquisition opportunities. Acquisition-related expenses in the same periods of fiscal year 2022 were primarily related to the acquisition of Kemp as well as our pursuit of other acquisition opportunities.

Income from Operations

(In thousands)	Three Months Ended February 28, 2023	Three Months Ended February 28, 2022	% Change
Income from operations	$ 35,588	$ 29,432	21 %
As a percentage of total revenue	*22 %*	*20 %*	

Income from operations increased in the first quarter of fiscal year 2023 due to increased revenue, offset by an increase in costs of revenue and operating expenses as shown above.

Other (Expense) Income, Net

(In thousands)	Three Months Ended February 28, 2023	Three Months Ended February 28, 2022	% Change
Interest expense	$ (5,848)	$ (3,703)	58 %
Interest income and other, net	515	589	(13)%
Foreign currency loss, net	(331)	(366)	(10)%
Total other expense, net	$ (5,664)	$ (3,480)	63 %
As a percentage of total revenue	*3 %*	*2 %*	

Other expense, net, increased in the first quarter of fiscal year 2023 as compared to the same period last year primarily due to increased interest expense on our term loan and our revolving line of credit, which we drew on to fund part of our acquisition of MarkLogic. Interest income and other, net, decreased slightly due to the timing of grant income recognition. Foreign currency loss decreased in the first quarter of fiscal year 2023.

Provision for Income Taxes

(In thousands)	Three Months Ended February 28, 2023	Three Months Ended February 28, 2022	% Change
Provision for income taxes	$ 6,250	$ 5,498	14 %
As a percentage of income before income taxes	*21 %*	*21 %*	

Our effective tax rate was 21% in the first fiscal quarter of both 2023 and 2022. There were no significant discrete tax items in the first fiscal quarter of either 2023 or 2022.

Net Income

(In thousands)	Three Months Ended February 28, 2023	Three Months Ended February 28, 2022	% Change
Net income	$ 23,674	$ 20,454	16 %
As a percentage of total revenue	*14 %*	*14 %*	

Select Performance Metrics:

Management evaluates our financial performance using a number of financial and operating metrics. These metrics are periodically reviewed and revised to reflect changes in our business.

Annual Recurring Revenue (ARR)

We are providing an ARR performance metric to help investors better understand and assess the performance of our business because our mix of revenue generated from recurring sources has increased in recent years. ARR represents the annualized contract value for all active and contractually binding term-based contracts at the end of a period. ARR includes maintenance, software upgrade rights, public cloud and on-premises subscription-based transactions and managed services. ARR mitigates fluctuations due to seasonality, contract term and the sales mix of subscriptions for term-based licenses and SaaS. ARR is not calculated in accordance with GAAP. ARR does not have any standardized meaning and is therefore unlikely to be comparable to similarly titled measures presented by other companies. ARR should be viewed independently of revenue and deferred revenue and is not intended to be combined with or to replace either of those items. ARR is not a forecast and the active contracts at the end of a reporting period used in calculating ARR may or may not be extended or renewed by our customers.

We define ARR as the annual recurring revenue of term-based contracts from all customers at a point in time. We calculate ARR by taking monthly recurring revenue, or MRR, and multiplying it by 12. MRR for each month is calculated by aggregating, for all customers during that month, monthly revenue from committed contractual amounts, additional usage and monthly subscriptions. The calculation is done at constant currency using the current year budgeted exchange rates for all periods presented.

Our ARR was $569.0 million and $472.0 million as of February 28, 2023 and 2022, respectively, which is an increase of 20% year-over-year. The growth in our ARR is primarily driven by the acquisition of MarkLogic.

Net Retention Rate

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

Our net retention rates have generally ranged between 101% and 102% for all periods presented. Our high net retention rates illustrate our predictable and durable top line performance.

Liquidity and Capital Resources

Cash, Cash Equivalents and Short-Term Investments

(In thousands)	February 28, 2023	November 30, 2022
Cash and cash equivalents	$ 107,981	$ 256,277
Short-term investments	14,944	—
Total cash, cash equivalents and short-term investments	$ 122,925	$ 256,277

The decrease in cash, cash equivalents and short-term investments of $133.4 million from the end of fiscal year 2022 was due cash outflows of $355.8 million for cash paid for acquisitions, net of cash acquired, repurchases of common stock of $15.0 million, dividend payments of $8.0 million, payments of debt obligations of $1.7 million, and purchases of property and equipment of $0.4 million. These cash outflows were offset by proceeds from the issuance of debt of $195.0 million, cash inflows from operations of $46.8 million, $4.5 million in cash received from the issuance of common stock, and the effect of exchange rates on cash of $1.2 million. Except as described below, there are no limitations on our ability to access our cash, cash equivalents and short-term investments.

As of February 28, 2023, $75.5 million of our cash, cash equivalents and short-term investments was held by our foreign subsidiaries. Foreign cash includes unremitted foreign earnings, which are invested indefinitely outside of the U.S. As such, it is not available to fund our domestic operations. If we were to repatriate these earnings, we may be subject to income tax withholding in certain tax jurisdictions and a portion of the repatriated earnings may be subject to U.S. income tax. However, we do not anticipate that this would have a material adverse impact on our liquidity.

Share Repurchase Program

In January 2023, our Board of Directors increased our share repurchase authorization by $150 million, to an aggregate authorization of $228.0 million. In the three months ended February 28, 2023 and February 28, 2022, we repurchased and retired 0.3 million shares for $15.0 million and 0.6 million shares for $25.0 million, respectively. The shares were repurchased in both periods as part of our Board of Directors authorized share repurchase program. As of February 28, 2023, there was $213.0 million remaining under the current authorization.

Dividends

On March 17, 2023, our Board of Directors declared a quarterly dividend of $0.175 per share of common stock, which will be paid on June 15, 2023 to stockholders of record as of the close of business on June 1, 2023. Future declarations of dividends and the establishment of future record and payment dates are subject to the final determination of our Board of Directors.

Restructuring Activities

See Note 12 to the condensed consolidated financial statements.

Long-term Debt and Credit Facility

See Note 7 to the condensed consolidated financial statements.

Cash Flows From Operating Activities

	Three Months Ended	
(In thousands)	February 28, 2023	February 28, 2022
Net income	$ 23,674	$ 20,454
Non-cash reconciling items included in net income	27,687	31,774
Changes in operating assets and liabilities	(4,594)	(8,135)
Net cash flows from operating activities	$ 46,767	$ 44,093

In the first three months of fiscal year 2023, operating cash flows increased as a result of higher billings and collections, partially offset by higher operating expenses as compared to the same period in 2022. Our gross accounts receivable as of

February 28, 2023, increased by $4.5 million from the end of fiscal year 2022 and our days sales outstanding (DSO) in accounts receivable decreased to 42 days from 52 days in the first fiscal quarter of 2022 due to the timing of billings and collections.

Cash Flows From Investing Activities

	Three Months Ended	
(In thousands)	February 28, 2023	February 28, 2022
Net investment activity	$ (14,862)	$ 300
Purchases of property and equipment	(385)	(831)
Payments for acquisitions, net of cash acquired	(355,821)	—
Net cash flows from investing activities	$ (371,068)	$ (531)

Net cash outflows and inflows of our net investment activity are generally a result of the timing of our purchases and maturities of securities, which are classified as cash equivalents or short-term securities. In the first quarter of fiscal year 2023 had payments for acquisitions net of cash acquired of $355.8 million. We also purchased $0.4 million of property and equipment in the first three months of fiscal year 2023, as compared to $0.8 million in the first three months of fiscal year 2022.

Cash Flows From (Used in) Financing Activities

	Three Months Ended	
(In thousands)	February 28, 2023	February 28, 2022
Proceeds from stock-based compensation plans	$ 9,357	$ 4,094
Repurchases of common stock	(15,000)	(25,000)
Proceeds from the issuance of debt	195,000	7,474
Payment of debt issuance costs	—	(1,957)
Payment of principal on long-term debt	(1,719)	(1,719)
Dividend payments to stockholders	(8,023)	(7,784)
Other financing activities	(4,817)	(3,139)
Net cash flows from (used in) financing activities	$ 174,798	$ (28,031)

During the first three months of fiscal year 2023, we received $195.0 million in net proceeds from the issuance of debt. During the first three months of fiscal year 2022, we received $7.5 million in net proceeds from the issuance of debt in connection with our amended term loan. We received $9.4 million from the exercise of stock options and the issuance of shares under our employee stock purchase plan as compared to $4.1 million in the first three months of fiscal year 2022. Further, we repurchased $15.0 million of our common stock under our share repurchase plan compared to $25.0 million in the same period of the prior year. We also made payments on our long-term debt of $1.7 million in the first three months of both fiscal year 2023 and 2022. Finally, we made dividend payments of $8.0 million to our stockholders during the first three months of fiscal year 2023 and $7.8 million in the first three months of fiscal year 2022.

Liquidity Outlook

Cash from operations in fiscal year 2023 could be affected by various risks and uncertainties, including, but not limited to, the effects of various risks detailed in Part I, Item 1A. Risk Factors in our 2022 Annual Report which have led to increased disruption and volatility in capital markets and credit markets that could adversely affect our liquidity and capital resources in the future. However, based on our current business plan, we believe that existing cash balances, together with funds generated from operations and amounts available under our Credit Facility, will be sufficient to finance our operations and meet our foreseeable cash requirements through at least the next twelve months. We do not contemplate a need for any foreign repatriation of the earnings which are deemed invested indefinitely outside of the U.S. Our foreseeable cash needs include capital expenditures, acquisitions, debt repayments, quarterly cash dividends, share repurchases, lease commitments, restructuring obligations and other long-term obligations.

Legal and Other Regulatory Matters

See discussion regarding legal and other regulatory matters in Part II, Item 1. Legal Proceedings.

Recent Accounting Pronouncements

Refer to Note 1 - Nature of Business and Basis of Presentation (Part I, Item 1 of this Form 10-Q) for further discussion.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

During the first quarter of fiscal year 2023, with the exception of drawing down on our revolving line of credit as described in Note 7, there were no significant changes to our quantitative and qualitative disclosures about market risk. Please refer to Part II, Item 7A. Quantitative and Qualitative Disclosures about Market Risk included in our 2022 Annual Report, for a more complete discussion of the market risks we encounter.

Item 4. Controls and Procedures

(a) Evaluation of disclosure controls and procedures

Our management maintains disclosure controls and procedures as defined in Rule 13a-15(e) and 15d-15(e) under the Securities and Exchange Act of 1934, as amended (the "Exchange Act") that are designed to provide reasonable assurance that information required to be disclosed in our reports filed or submitted under the Exchange Act is processed, recorded, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer (our principal executive officer and principal financial officer, respectively), as appropriate, to allow for timely decisions regarding required disclosure.

Our management, including our Chief Executive Officer and Chief Financial Officer, carried out an evaluation of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective to ensure that the information required to be disclosed in the reports filed or submitted by us under the Exchange Act was recorded, processed, summarized and reported within the requisite time periods and that such information was accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow for timely decisions regarding required disclosure.

The Company acquired MarkLogic on February 7, 2023. Management excluded MarkLogic from its assessment of the effectiveness of the Company’s disclosure controls as of February 28, 2023. MarkLogic represented, in aggregate, approximately 4% of the Company’s total consolidated assets (excluding goodwill and intangibles) and approximately 3% of total consolidated revenues, as of and for the three months ended February 28, 2023.

(b) Changes in internal control over financial reporting

Our management, including our Chief Executive Officer and Chief Financial Officer, evaluated our “internal control over financial reporting” as defined in Exchange Act Rule 13a-15(f) to determine whether any changes in our internal control over financial reporting occurred during the fiscal quarter ended February 28, 2023 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. Based on that evaluation, there were no changes in our internal control over financial reporting during the fiscal quarter ended February 28, 2023 that have materially affected, or are reasonably likely to materially affect our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

We are subject to various legal proceedings and claims, either asserted or unasserted, which arise in the ordinary course of business. While the outcome of these claims cannot be predicted with certainty, management currently does not believe that the outcome of any of these legal matters will have a material effect on our financial position, results of operations or cash flows.

Item 1A. Risk Factors

We operate in a rapidly changing environment that involves certain risks and uncertainties, some of which are beyond our control. In addition to the information provided in this report, please refer to Part I, Item 1A. Risk Factors in our 2022 Annual Report for a more complete discussion regarding certain factors that could materially affect our business, financial condition or future results.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Items 2(a) and 2(b) are not applicable.

(c) Stock Repurchases

Information related to the repurchases of our common stock by month in the first quarter of fiscal year 2023 is as follows (in thousands, except per share and share data):

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet be Purchased Under the Plans or Programs(1)
December 2022	—	$ —	—	$ 77,959
January 2023	—	—	—	227,959
February 2023	265,840	56.40	265,840	212,959
Total	265,840	$ 56.40	265,840	$ 212,959

(1) On January 10, 2023, our Board of Directors increased the share repurchase authorization by 150.0 million, to an aggregate authorization of $228.0 million. As of February 28, 2023, there was $213.0 million remaining under this authorization.

Item 6. Exhibits

The following exhibits are filed or furnished as part of this Quarterly Report on Form 10-Q:

Exhibit No.	Description
10.1*†	2023 Fiscal Year Compensation Plan for Non-Employee Directors
31.1*	Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act – Yogesh K. Gupta
31.2*	Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act – Anthony Folger
32.1**	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act
101*	The following materials from Progress Software Corporation's Quarterly Report on Form 10-Q for the three months ended February 28, 2023, formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets as of February 28, 2023 and November 30, 2022; (ii) Condensed Consolidated Statements of Income for the three months ended February 28, 2023 and 2022; (iii) Condensed Consolidated Statements of Comprehensive Income for the three months ended February 28, 2023 and 2022; (iv) Condensed Consolidated Statements of Stockholders' Equity for the three months ended February 28, 2023 and 2022; (v) Condensed Consolidated Statements of Cash Flows for the three months ended February 28, 2023 and 2022; and (vi) Notes to Condensed Consolidated Financial Statements.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Filed herewith
** Furnished herewith
† Indicates management compensatory plan, contract or arrangement

SIGNATURES

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

PROGRESS SOFTWARE CORPORATION
(Registrant)

Dated:	April 7, 2023	/s/ YOGESH K. GUPTA Yogesh K. Gupta President and Chief Executive Officer (Principal Executive Officer)
Dated:	April 7, 2023	/s/ ANTHONY FOLGER Anthony Folger Executive Vice President and Chief Financial Officer (Principal Financial Officer)
Dated:	April 7, 2023	/s/ DOMENIC LOCOCO Domenic LoCoco Senior Vice President and Chief Accounting Officer (Principal Accounting Officer)

PROGRESS SOFTWARE CORPORATION
2023 FISCAL YEAR COMPENSATION PROGRAM
FOR NON-EMPLOYEE DIRECTORS

A. Amounts of 2023 Fiscal Year Compensation

- Annual Board Retainer (cash): $50,000
- Additional Annual Non-Executive Chairman Retainer (cash): $75,000
- Committee fees (cash):

Audit Committee:	$25,000 for Chair $20,000 for Members
Nominating and Corporate Governance Committee:	$12,500 for Chair $10,000 for Members
Compensation Committee:	$25,000 for Chair $15,000 for Members
M&A Committee:	$25,000 for Chair $15,000 for Members

Equity Component:

- $225,000 to be delivered in one installment (as set forth below under “Timing”), consisting of Deferred Stock Units (“DSUs”).
- The number of DSUs to be issued will be determined by dividing $225,000 by the fair market value of Company common stock on the date of issuance. The DSUs will vest in a single installment on the date of the 2024 Annual Meeting, subject to continued service on the Board of Directors (“Board”) through such date, with full acceleration of vesting upon a change in control.
- DSUs will accrue dividends on the same basis as Company common stock and will be reinvested in additional DSUs.
- DSUs, together with dividends credited on those DSUs, will be settled upon the earlier of a Director’s separation from service from the Board or a change in control, and not upon vesting. At such time, DSUs will be paid out in the form of Company common stock.

Timing

- Annual fiscal year cash compensation will be paid in one installment at the Compensation Committee meeting in June, or such other date as determined by the Compensation Committee.

- Amounts paid will be pro-rated for partial year service, with a fractional month of service rounded to a whole month. A Director who joins the Board other than on the first day of the fiscal year will be paid a pro-rated amount of the annual fiscal year compensation. The same proration rule will also apply to any partial year service on any committee.

B. Stock Retention Guidelines

All non-employee Directors must hold a number of shares of the Corporation's common stock having a fair market value equal to at least five times the Annual Cash Retainer, which for purposes of this requirement shall include vested DSUs. Directors have five years to satisfy this guideline from the date of election to the Board.

C. Miscellaneous

Employee Directors shall not be entitled to participate in the 2023 Director Compensation Plan.

Exhibit 31.1

CERTIFICATION

I, Yogesh K. Gupta, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Progress Software Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure control and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 7, 2023

/s/ YOGESH K. GUPTA
Yogesh K. Gupta
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION

I, Anthony Folger, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Progress Software Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure control and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of registrant’s board of directors (or persons performing the equivalent function):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: April 7, 2023

/s/ ANTHONY FOLGER
Anthony Folger
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

Certification Pursuant To 18 U.S.C. Section 1350, As Adopted Pursuant To Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report on Form 10-Q of Progress Software Corporation (the Company) for the three months ended February 28, 2023, as filed with the Securities and Exchange Commission on the date hereof (the Report), each of the undersigned, Yogesh K. Gupta, President and Chief Executive Officer, and Anthony Folger, Chief Financial Officer, of the Company, certifies, to the best knowledge and belief of the signatory, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ YOGESH K. GUPTA	/s/ ANTHONY FOLGER
President and Chief Executive Officer	Executive Vice President and Chief Financial Officer
Date: April 7, 2023	Date: April 7, 2023