Progress

Progress Financial Results

Q4 2023 Supplemental Data

January 16, 2024

Forward Looking Statements

This presentation contains statements that are “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Progress has identified some of these forward-looking statements with words like “believe,” “may,” “could,” “would,” “might,” “should,” “expect,” “intend,” “plan,” “target,” “anticipate” and “continue,” the negative of these words, other terms of similar meaning or the use of future dates. Forward-looking statements in this presentation include, but are not limited to, statements regarding Progress’s strategy; future revenue growth, operating margin and cost savings; future acquisitions; and other statements regarding the future operation, direction, prospects and success of Progress’s business. There are a number of factors that could cause actual results or future events to differ materially from those anticipated by the forward-looking statements, including, without limitation: (i) economic, geopolitical and market conditions can adversely affect our business, results of operations and financial condition, including our revenue growth and profitability, which in turn could adversely affect our stock price; (ii) our international sales and operations subject us to additional risks that can adversely affect our operating results, including risks relating to foreign currency gains and losses; (iii) we may fail to achieve our financial forecasts due to such factors as delays or size reductions in transactions, fewer large transactions in a particular quarter, fluctuations in currency exchange rates, or a decline in our renewal rates for contracts; (iv) if the security measures for our software, services, other offerings or our internal information technology infrastructure are compromised or subject to a successful cyber-attack, or if our software offerings contain significant coding or configuration errors or zero-day vulnerabilities (as we experienced in May 2023 with the MOVEit Vulnerability), we may experience reputational harm, legal claims and financial exposure; and the results of inquiries, investigations and legal claims regarding the MOVEit Vulnerability remain uncertain, while the ultimate resolution of these matters could result in losses that may be material to our financial results for a particular period; and (v) future acquisitions may not be successful or may involve unanticipated costs or other integration issues that could disrupt our existing operations; and (vi) expected synergies and benefits of the MarkLogic acquisition may not be realized which could negatively impact our future results of operations and financial condition. For further information regarding risks and uncertainties associated with Progress' business, please refer to Progress' filings with the Securities and Exchange Commission, including its Annual Report on Form 10-K for the fiscal year ended November 30, 2022 and its Quarterly Reports on Form 10-Q for the fiscal quarters ended May 31, 2023 and August 31, 2023. Progress undertakes no obligation to update any forward-looking statements, which speak only as of the date of this presentation.

Non-GAAP Financial Measures

We refer to certain non-GAAP financial measures in this presentation, including but not limited to, non-GAAP revenue, non-GAAP income from operations and operating margin, adjusted free cash flow, annual recurring revenue ("ARR"), Net Retention Rate ("NRR"), and non-GAAP diluted earnings per share. These non-GAAP measures are not prepared in accordance with generally accepted accounting principles (“GAAP”). Please see "Important Information Regarding Non-GAAP Financial Information" below for additional information. A reconciliation between non-GAAP measures and the most directly comparable GAAP measures appears in our earnings press release for the fiscal quarter ended November 30, 2023, which is furnished on a Form 8-K concurrently with this presentation and is available in the Investor Relations section of our website.

Conference Call Details

What:	Progress Fiscal Q4 Financial Results
When:	Tuesday, January 16, 2024
Time:	5:00 p.m. ET
To register for the Live Call:	Please go to this link to retrieve dial-in details.
Live / Recorded Webcast:	https://edge.media-server.com/mmc/p/fnimqsgo

Please note: Webcast is listen-only.

Summary Highlights Q4 2023

Revenue and EPS ahead of estimates; Retention Rate 100%; Strong Balance Sheet

- Revenues of $178M increased 10% year over year in constant currency and above high end of prior guidance of $171M - $177M.
- ARR: $574M, up 17% year-over-year in constant currency, 1% pro-forma; NRR 100%.
- Operating margins strong at 35%.
- EPS: $1.02, above high end of prior guidance of $0.87 - $0.93.
- FY24 guidance: Revenue of $722M - $732M; EPS of $4.58 - $4.68.
- 1Q'24 guidance: Revenue $180M - $184M; EPS $1.12 - $1.16.
- Strong Balance Sheet: net leverage remains modest; $30M of debt paid down with excess FCF in Q4.
- MarkLogic integration substantially complete in 4Q23.

All figures presented are non-GAAP. Definitions of non-GAAP financial measures (including ARR and NRR) can be found in "Important Information Regarding Non-GAAP Financial Information".

Annualized Recurring Revenue Trend

MarkLogic ARR ~$80M

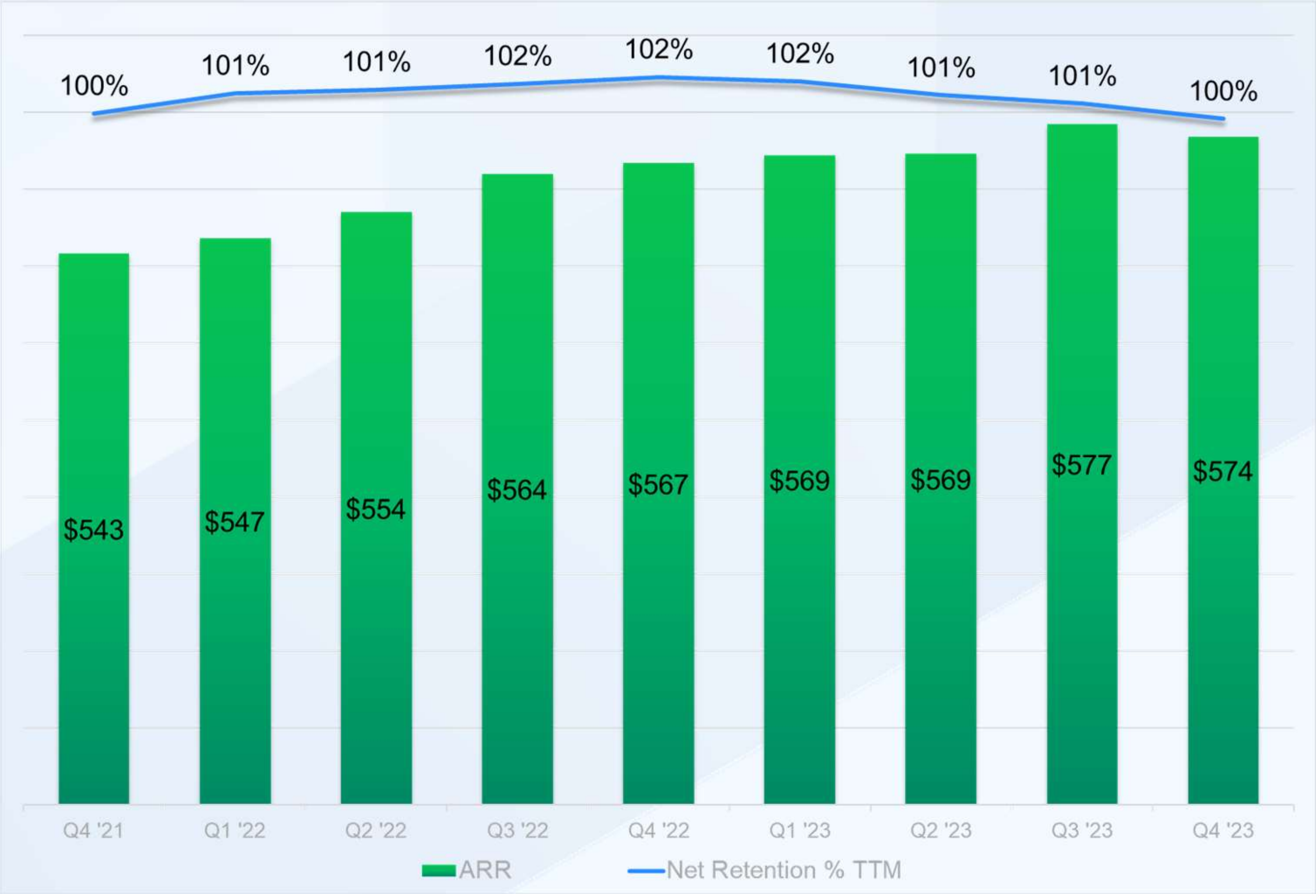
ARR growth = 1.2% year-over-year

+

Net Retention Rate between 100%-102%

=

Predictable and durable top line performance



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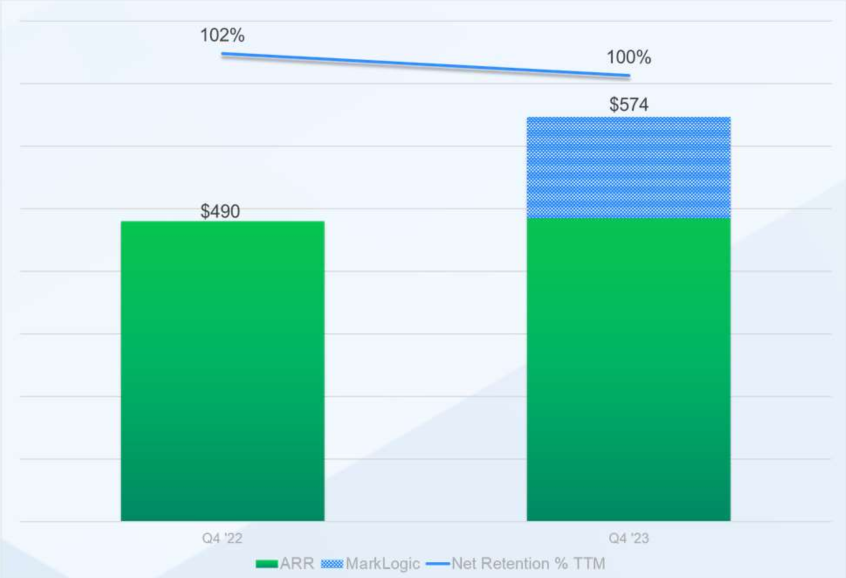
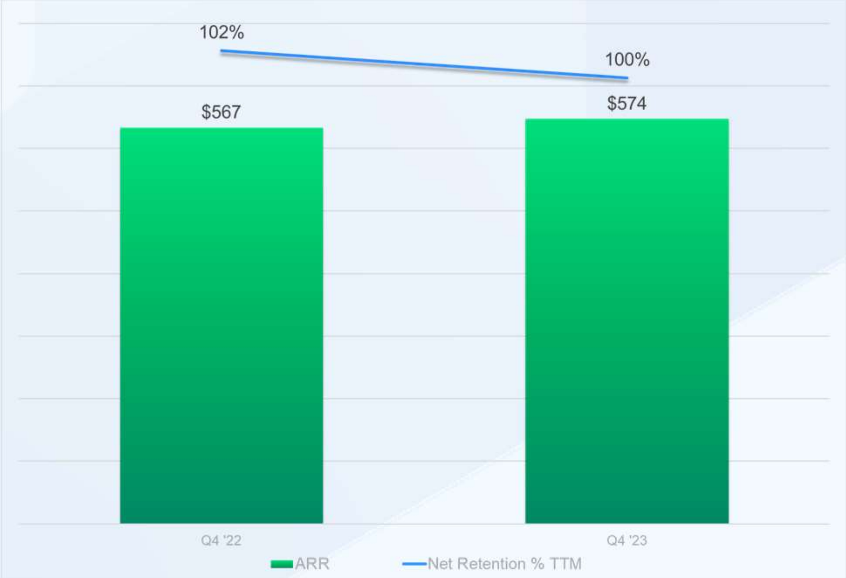
All periods reported in constant currency, using current year budgeted exchange rates

Annualized Recurring Revenue (amounts reported in constant currency)

"As Reported"
MarkLogic adds ~$80M of ARR
ARR growth = 17% year-over-year
Net Retention Rate between 100%-102%



"Pro Forma"
MarkLogic ARR included in both periods presented
ARR growth = 1% year-over-year
Net Retention Rate between 100%-102%

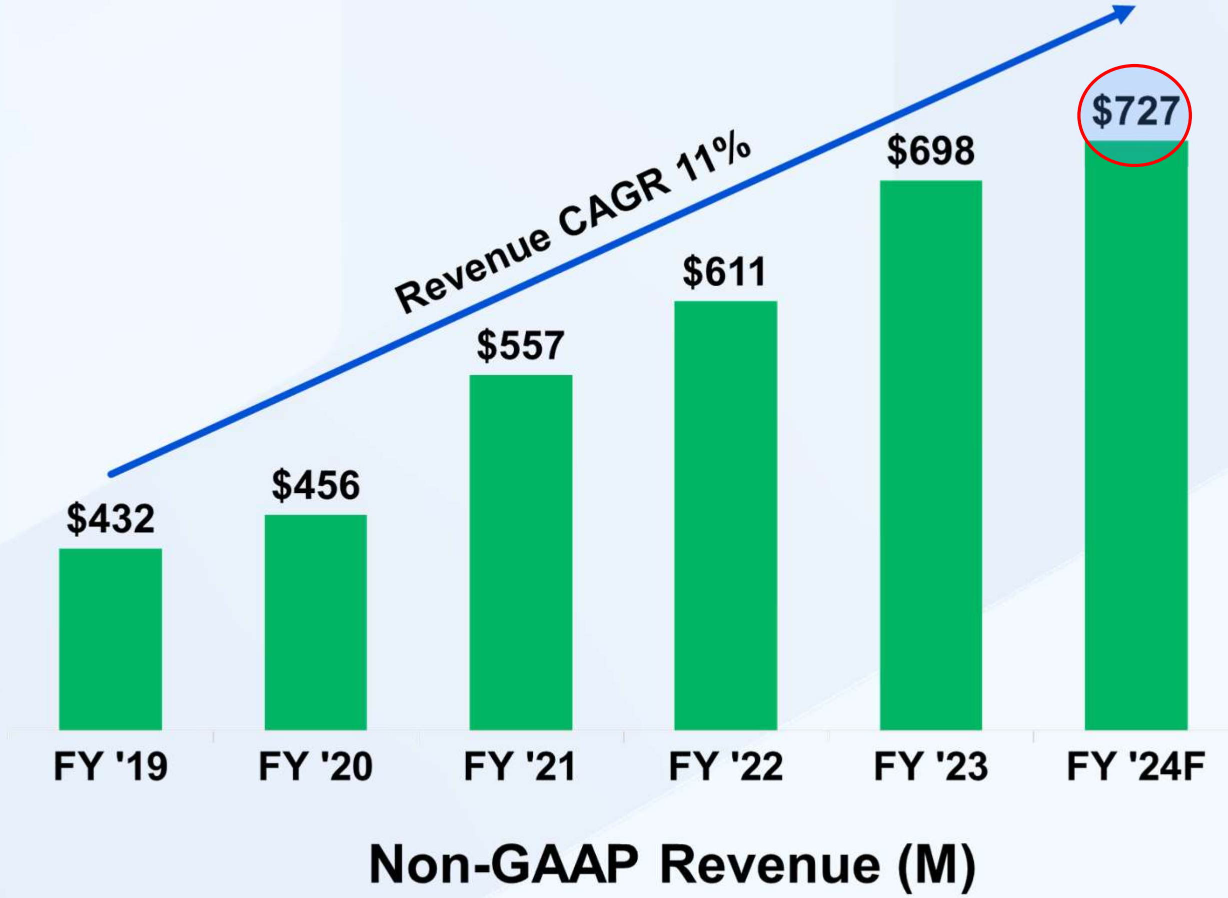


Note: ARR is a Non-GAAP operating metric and does not have a standardized definition. It is therefore unlikely to be comparable to similarly titled measures presented by other companies. ARR should be viewed independently of revenue and deferred revenue and is not intended to be combined with or to replace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

Driving Total Growth

Revenue CAGR of 11%
2019 – 2024(F)*

* Represents the mid-point of our FY'24 guidance range



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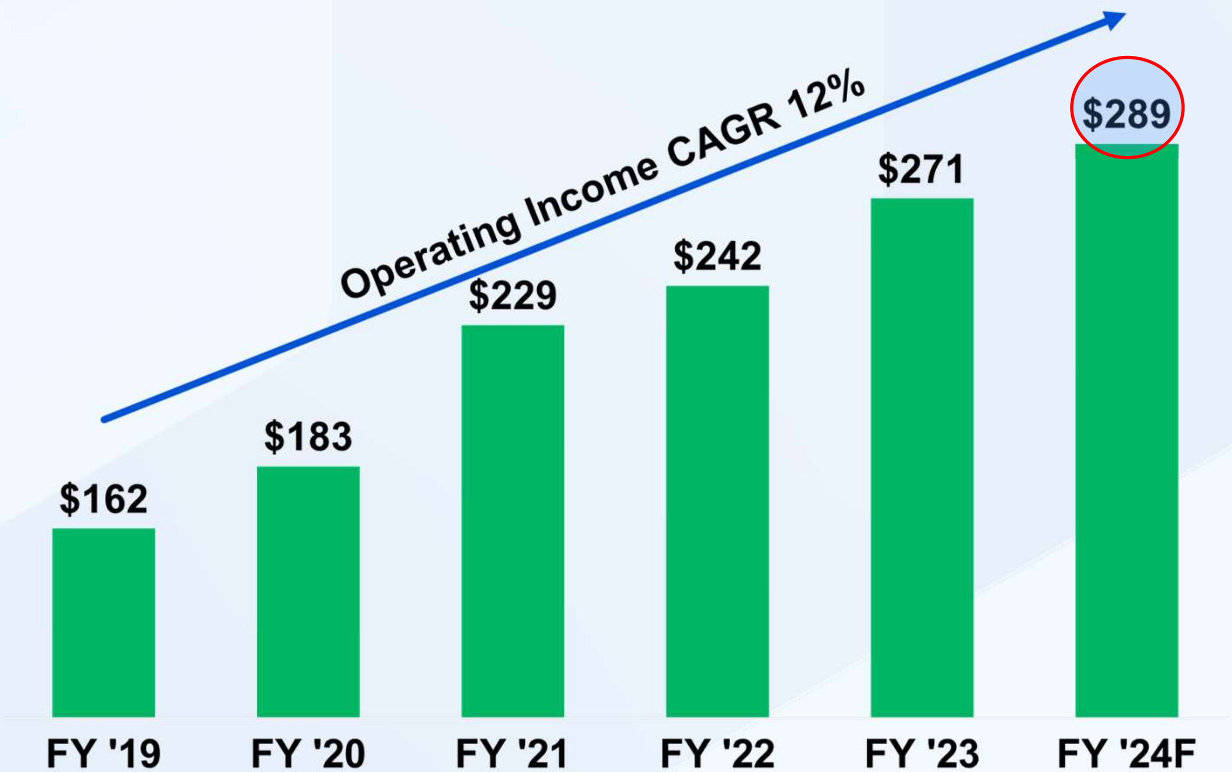
Growing Profitability

Operating Income CAGR of 12%
2019 – 2024(F)*

Best-in-class non-GAAP operating margins consistently above 35%

* Represents the mid-point of our FY'24 guidance range



Non-GAAP Operating Income

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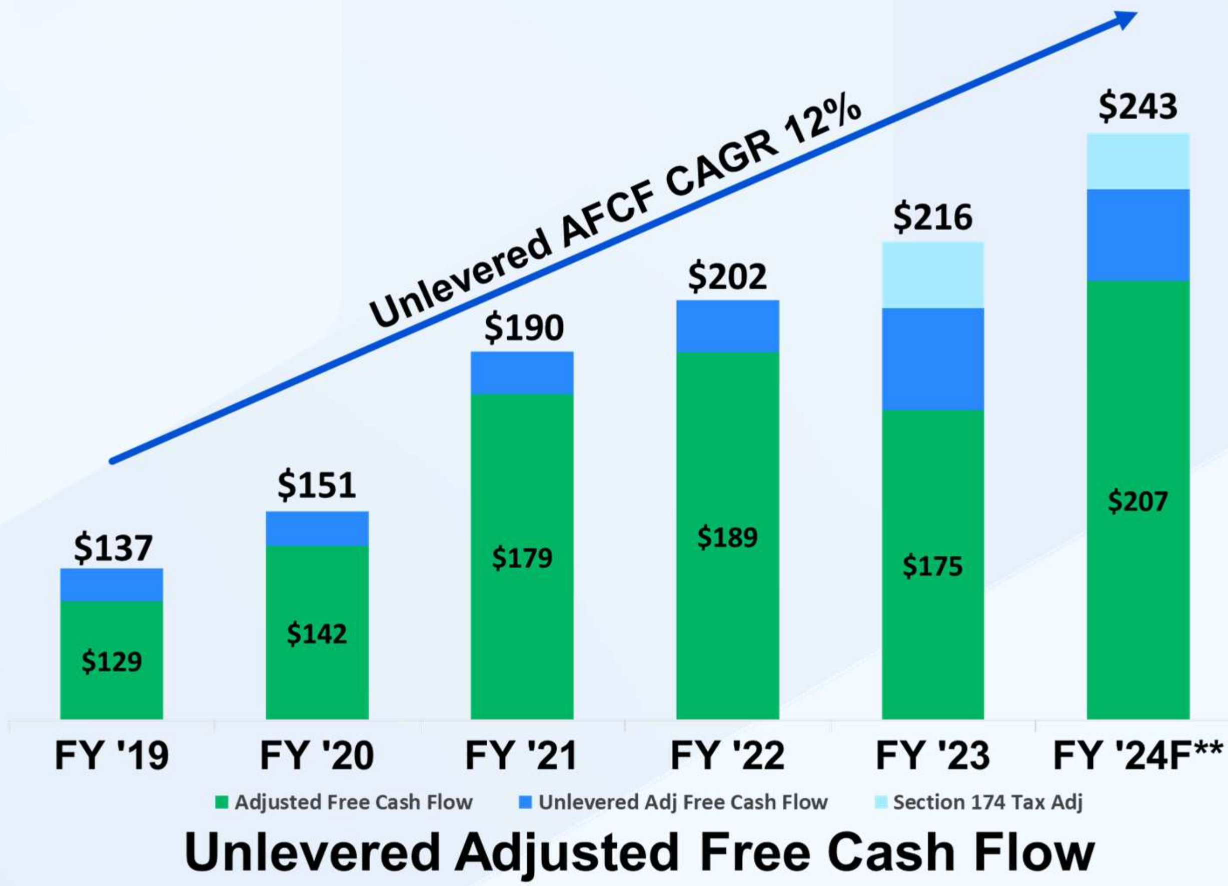
Unlevered Free Cash Flow

Unlevered AFCF CAGR of 12%

2019 – 2024(F)**



** **Note:** FY'23 & FY '24(F) Adj Unlevered Free Cash Flow normalized $16.2M and $13.8M, respectively, related to impact of Section 174 of the U.S. Tax Code. Tax-effected interest expense was also added back to our reported and guided free cash flow.

**Going forward the impact related to Section 174 of the U.S. Tax Code will no longer be tracked.

Capital Allocation Strategy

PRIMARY FOCUS

Continue to prioritize accretive M&A opportunities that meet our disciplined criteria to create the strongest returns.

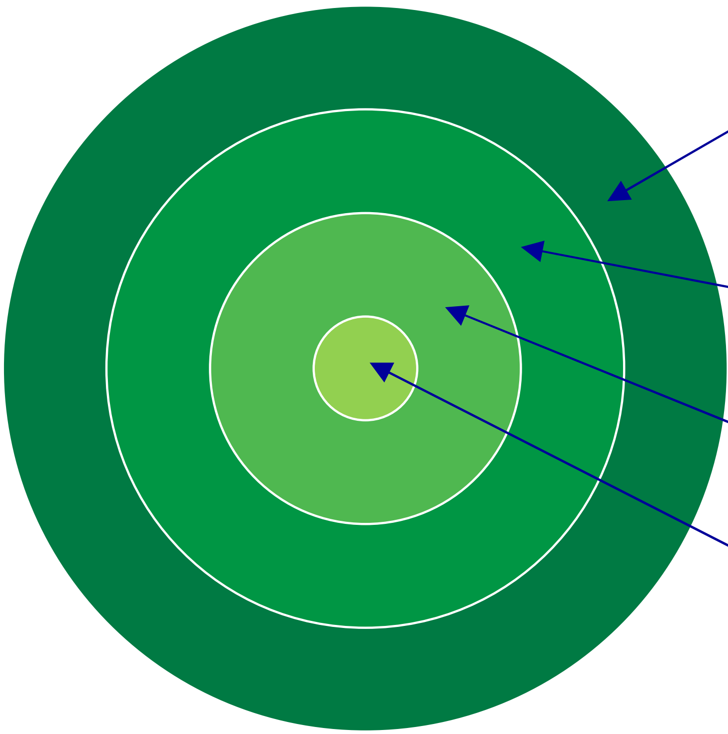
Repurchase shares to offset dilution from our equity programs.

- Management has flexibility to increase, reduce, or suspend repurchases depending on market conditions and other considerations including size and timing of proposed M&A.

We currently have $194M remaining under our share repurchase authorization.

Continue returning capital to shareholders in the form of dividends.

Well Defined M&A Framework



End Market Alignment	▪ Cast a wide net across infrastructure software and all aspects of the development lifecycle ▪ Tight alignment increases synergy potential
Appropriate Sizing	▪ ~10-25% of current Progress revenues ▪ Can be financed and integrated efficiently
Financial Characteristics	▪ High recurring revenue and customer retention ▪ Potential to achieve operational efficiency
ROIC > WACC	▪ Focused on sustained returns, accretive

Summary Q4 2023 Financial Results

	Q4 2023 Results	Prior Q4 2023 Outlook (provided on Sept 26, 2023)
GAAP Revenue	$177M	$171M - $177M
Non-GAAP Revenue	$178M	$171M - $177M
GAAP earnings per share (Diluted)	$0.34	$0.13 - $0.19
Non-GAAP earnings per share (Diluted)	$1.02	$0.87- $0.93
GAAP Operating Margin	13%	Not guided
Non-GAAP Operating Margin	35%	Not guided
Adjusted Free Cash Flow (non-GAAP)	$33M	Not guided

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Business Outlook (as of January 16, 2024)

	Q1 2024 Current Outlook	FY 2024 Current Outlook
Revenue	$180M - $184M	$722M - $732M
GAAP EPS	$0.38 - $0.42	$1.94 - $2.06
Non-GAAP EPS	$1.12 - $1.16	$4.58 - $4.68
GAAP Operating Margin	Not guided	19% - 20%
Non-GAAP Operating Margin	Not guided	39% - 40%
Cash from Operations (GAAP)	Not guided	$202M - $212M
Adjusted Free Cash Flow (Non-GAAP)	Not guided	$202M - $212M
GAAP Effective Tax Rate	Not guided	21%
Non-GAAP Effective Tax Rate	Not guided	20%

** **Note:** Beginning in FY24, the acquisition-related revenue adjustment to Non-GAAP revenue is no longer applicable. GAAP revenue is equal to Non-GAAP revenue.

Supplemental Financial Information

Supplemental Revenue Information (Unaudited)

(in thousands)	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023
	QTD GAAP Basis							
Revenue by Type								
License	42,750	44,814	47,618	53,154	57,568	56,407	50,544	56,270
Maintenance	89,963	91,331	91,043	89,998	92,513	102,240	105,164	101,584
Services	12,209	12,602	12,556	13,975	14,145	19,604	19,284	19,116
Total Revenue	$ 144,922	$ 148,747	$ 151,217	$ 157,127	$ 164,226	$ 178,251	$ 174,992	$ 176,970
Revenue by Region								
North America	78,093	85,394	84,826	92,841	98,828	105,732	101,923	105,187
EMEA	53,702	49,634	52,670	51,701	53,405	56,185	56,779	56,493
Latin America	3,883	4,678	4,577	4,915	4,189	4,790	6,318	5,815
Asia Pacific	9,244	9,041	9,144	7,670	7,804	11,544	9,972	9,475
Total Revenue	$ 144,922	$ 148,747	$ 151,217	$ 157,127	$ 164,226	$ 178,251	$ 174,992	$ 176,970

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Supplemental Revenue Information (Unaudited)

(in thousands)	QTD GAAP Q4 2023	QTD Non-GAAP Adjustment	QTD Non-GAAP Q4 2023	YTD GAAP Basis Q4 2023	YTD Non-GAAP Adjustment	YTD Non-GAAP Q4 2023
Revenue by Type						
License	56,270	1	56,271	220,789	53	220,842
Maintenance	101,584	547	102,131	401,501	3,647	405,148
Services	19,116	5	19,121	72,149	11	72,160
Total Revenue	$ 176,970	$ 553	$ 177,523	$ 694,439	$ 3,711	$ 698,150
Revenue by Region						
North America	105,187	89	105,276	411,670	1,565	413,235
EMEA	56,493	302	56,795	222,862	1,731	224,593
Latin America	5,815	0	5,815	21,112	0	21,112
Asia Pacific	9,475	162	9,637	38,795	415	39,210
Total Revenue	$ 176,970	$ 553	$ 177,523	$ 694,439	$ 3,711	$ 698,150

Important Information Regarding Non-GAAP Financial Information

Progress furnishes certain non-GAAP supplemental information to our financial results. We use such non-GAAP financial measures to evaluate our period-over-period operating performance because our management team believes that by excluding the effects of certain GAAP-related items that in their opinion do not reflect the ordinary earnings of our operations, such information helps to illustrate underlying trends in our business and provides us with a more comparable measure of our continuing business, as well as greater understanding of the results from the primary operations of our business. Management also uses such non-GAAP financial measures to establish budgets and operational goals, evaluate performance, and allocate resources. In addition, the compensation of our executives and non-executive employees is based in part on the performance of our business as evaluated by such non-GAAP financial measures. We believe these non-GAAP financial measures enhance investors' overall understanding of our current financial performance and our prospects for the future by: (i) providing more transparency for certain financial measures, (ii) presenting disclosure that helps investors understand how we plan and measure the performance of our business, (iii) affords a view of our operating results that may be more easily compared to our peer companies, and (iv) enables investors to consider our operating results on both a GAAP and non-GAAP basis (including following the integration period of our prior and proposed acquisitions). However, this non-GAAP information is not in accordance with, or an alternative to, generally accepted accounting principles in the United States ("GAAP") and should be considered in conjunction with our GAAP results as the items excluded from the non-GAAP information may have a material impact on Progress' financial results. A reconciliation between non-GAAP measures and the most directly comparable GAAP measures appears in our earnings press release for the fiscal quarter ended November 30, 2023, which is furnished on a Form 8-K concurrently with this presentation and is available on the Progress website at www.progress.com within the investor relations section.

In this presentation, we may reference the following non-GAAP financial measures:

- Acquisition-related revenue - We include acquisition-related revenue, which constitutes revenue reflected as pre-acquisition deferred revenue that would have been recognized prior to our adoption of Accounting Standards Update No. 2021-08, Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers ("ASU 2021-08") during the fourth quarter of fiscal year 2021. The acquisition-related revenue in our results relates to Chef Software, Inc. and Ipswitch, Inc., which we acquired on October 5, 2020 and April 30, 2019, respectively. Since GAAP accounting required the elimination of this revenue prior to the adoption of ASU 2021-08, GAAP results alone do not fully capture all of our economic activities. We believe these adjustments are useful to management and investors as a measure of the ongoing performance of the business because, although we cannot be certain that customers will renew their contracts, we have historically experienced high renewal rates on maintenance and support agreements and other customer contracts. Upon our adoption of ASU 2021-08, this adjustment is no longer applicable to subsequent acquisitions. The adjustments related to our acquisitions of Ipswitch and Chef were completed as of the end of fiscal years 2022 and 2023, respectively.

- Amortization of acquired intangibles - We exclude amortization of acquired intangibles because those expenses are unrelated to our core operating performance and the intangible assets acquired vary significantly based on the timing and magnitude of our acquisition transactions and the maturities of the businesses acquired. Adjustments include preliminary estimates relating to the valuation of intangible assets from MarkLogic Corporation ("MarkLogic"), which we acquired on February 7, 2023. The final amounts will not be available until the Company's internal procedures and reviews are completed.

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

- Restructuring expenses and other - In all periods presented, we exclude restructuring expenses incurred because those expenses distort trends and are not part of our core operating results. Adjustments include preliminary estimates relating to restructuring expenses from MarkLogic. The final amounts will not be available until the Company's internal procedures and reviews are completed.

- Acquisition-related expenses - We exclude acquisition-related expenses in order to provide a more meaningful comparison of the financial results to our historical operations and forward-looking guidance and the financial results of less acquisitive peer companies. We consider these types of costs and adjustments, to a great extent, to be unpredictable and dependent on a significant number of factors that are outside of our control. Furthermore, we do not consider these acquisition-related costs and adjustments to be related to the organic continuing operations of the acquired businesses and are generally not relevant to assessing or estimating the long-term performance of the acquired assets. In addition, the size, complexity and/or volume of past acquisitions, which often drives the magnitude of acquisition-related costs, may not be indicative of the size, complexity and/or volume of future acquisitions.

Important Information Regarding Non-GAAP Financial Information

- Cyber incident and vulnerability response expenses, net
  - Cyber incident - We exclude certain expenses resulting from the detection of irregular activity on certain portions of our corporate network, as more thoroughly described in the Form 8-K that we filed on December 19, 2022.
  - MOVEit Vulnerability - We exclude certain expenses resulting from the zero-day MOVEit Vulnerability, as more thoroughly described in the Form 8-K that we filed on June 5, 2023 and Form 10-Qs filed on July 7, 2023 and October 10, 2023. We currently intend to provide additional updates regarding the MOVEit Vulnerability in our Form 10-K for the fiscal year ended November 30, 2023.

  Expenses include costs to investigate and remediate these cyber related matters, as well as legal and other professional services related thereto. Expenses related to such cyber matters are provided net of expected insurance recoveries, although the timing of recognizing insurance recoveries may differ from the timing of recognizing the associated expenses. Costs associated with the enhancement of our cybersecurity program are not included within this adjustment. We expect to continue to incur legal and other professional services expenses in future periods associated with the MOVEit vulnerability. We do not expect to incur additional costs associated with the cyber incident as the investigation is closed. Expenses related to such cyber matters are expected to result in operating expenses that would not have otherwise been incurred in the normal course of business operations. We believe that excluding these costs facilitates a more meaningful evaluation of our operating performance and comparisons to our past operating performance.

- Gain on sale of assets held for sale - We exclude the gain associated with the sale of our Bedford, Massachusetts headquarters during fiscal year 2022. We don't believe such gains are part of our core operating results because they are inconsistent in amount and frequency and therefore may distort operating trends.

- Income tax adjustment - We adjust our income tax provision by excluding the tax impact of the non-GAAP adjustments discussed above.

- Constant Currency - Revenue from our international operations has historically represented a substantial portion of our total revenue. As a result, our revenue results have been impacted, and we expect will continue to be impacted, by fluctuations in foreign currency exchange rates. As exchange rates are an important factor in understanding period-to-period comparisons, we present revenue growth rates on a constant currency basis, which helps improve the understanding of our revenue results and our performance in comparison to prior periods. The constant currency information presented is calculated by translating current period results using prior period weighted average foreign currency exchange rates. These results should be considered in addition to, not as a substitute for, results reported in accordance with GAAP.

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

- 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.

- 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.

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