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 August 31, 2024
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 September 24, 2024, there were 42,905,025 shares of the registrant's common stock, $.01 par value per share, outstanding.

PROGRESS SOFTWARE CORPORATION

FORM 10-Q

FOR THE QUARTERLY PERIOD ENDED AUGUST 31, 2024

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

Condensed Consolidated Balance Sheets

(in thousands, except share data)	August 31, 2024	November 30, 2023
Assets		
Current assets:		
Cash and cash equivalents	$ 232,713	$ 126,958
Accounts receivable (less allowances of $791 and $851, respectively)	87,680	125,825
Unbilled receivables	35,163	29,965
Other current assets	33,001	48,040
Total current assets	388,557	330,788
Long-term unbilled receivables	34,636	28,373
Property and equipment, net	12,574	15,225
Intangible assets, net	284,706	354,278
Goodwill	832,748	832,101
Right-of-use lease assets	12,853	18,711
Deferred tax assets	41,078	15,052
Other assets	12,732	8,255
Total assets	$ 1,619,884	$ 1,602,783
Liabilities and stockholders’ equity		
Current liabilities:		
Accounts payable	$ 10,781	$ 12,371
Short-term deferred revenue, net	218,036	236,090
Current portion of long-term debt, net	—	13,109
Accrued compensation and related taxes	43,919	49,559
Dividends payable to stockholders	8,423	8,376
Short-term operating lease liabilities	8,873	10,114
Other accrued liabilities	24,876	22,499
Total current liabilities	314,908	352,118
Long-term deferred revenue, net	67,348	58,946
Convertible senior notes, net	795,282	354,772
Long-term debt, net	—	356,111
Long-term operating lease liabilities	8,597	13,000
Deferred tax liabilities	3,765	3,574
Other noncurrent liabilities	4,372	4,547
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, 42,899,041 shares in 2024 and 43,795,955 shares in 2023	429	438
Additional paid-in capital	338,594	370,579
Retained earnings	119,241	120,858
Accumulated other comprehensive loss	(32,652)	(32,160)
Total stockholders’ equity	425,612	459,715
Total liabilities and stockholders’ equity	$ 1,619,884	$ 1,602,783

See notes to unaudited condensed consolidated financial statements.

Condensed Consolidated Statements of Operations

(in thousands, except per share data)	Three Months Ended August 31, 2024	Three Months Ended August 31, 2023	Nine Months Ended August 31, 2024	Nine Months Ended August 31, 2023
Revenue:				
Software licenses	$ 57,850	$ 50,544	$ 175,929	$ 164,519
Maintenance and services	120,836	124,448	362,519	352,950
Total revenue	178,686	174,992	538,448	517,469
Costs of revenue:				
Cost of software licenses	2,700	2,732	7,928	7,998
Cost of maintenance and services	20,057	22,192	64,452	62,663
Amortization of acquired intangibles	6,307	7,995	21,564	22,253
Total costs of revenue	29,064	32,919	93,944	92,914
Gross profit	149,622	142,073	444,504	424,555
Operating expenses:				
Sales and marketing	37,141	38,612	114,141	112,513
Product development	34,720	33,138	105,143	98,396
General and administrative	20,503	20,791	63,830	61,046
Amortization of acquired intangibles	13,810	17,668	47,515	48,825
Cyber incident and vulnerability response expenses, net	927	951	4,950	5,126
Restructuring expenses	308	843	3,308	6,230
Acquisition-related expenses	1,864	699	3,114	4,433
Total operating expenses	109,273	112,702	342,001	336,569
Income from operations	40,349	29,371	102,503	87,986
Other (expense) income:				
Interest expense	(6,765)	(8,532)	(21,116)	(22,894)
Interest income and other, net	1,896	788	3,448	1,895
Foreign currency loss, net	(1,201)	(675)	(2,821)	(1,502)
Total other expense, net	(6,070)	(8,419)	(20,489)	(22,501)
Income before income taxes	34,279	20,952	82,014	65,485
Provision for income taxes	5,815	1,854	14,723	10,623
Net income	$ 28,464	$ 19,098	$ 67,291	$ 54,862
Earnings per share:				
Basic	$ 0.66	$ 0.44	$ 1.55	$ 1.27
Diluted	$ 0.65	$ 0.42	$ 1.52	$ 1.23
Weighted average shares outstanding:				
Basic	42,872	43,452	43,296	43,365
Diluted	43,711	44,981	44,167	44,543
Cash dividends declared per common share	$ 0.175	$ 0.175	$ 0.525	$ 0.525

See notes to unaudited condensed consolidated financial statements.

Condensed Consolidated Statements of Comprehensive Income

(in thousands)	Three Months Ended August 31, 2024	Three Months Ended August 31, 2023	Nine Months Ended August 31, 2024	Nine Months Ended August 31, 2023
Net income	$ 28,464	$ 19,098	$ 67,291	$ 54,862
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	2,084	1,667	643	5,124
Unrealized loss on hedging activity, net of tax benefit of $0 and $360 for the three and nine months ended August 31, 2024, respectively, and $170 and $465 for the three and nine months ended August 31, 2023, respectively	—	(537)	(1,135)	(1,476)
Total other comprehensive income (loss), net of tax	2,084	1,130	(492)	3,648
Comprehensive income	$ 30,548	$ 20,228	$ 66,799	$ 58,510

See notes to unaudited condensed consolidated financial statements.

Condensed Consolidated Statements of Stockholders' Equity

	Nine Months Ended August 31, 2024					
	Common Stock					
(in thousands)	Number of Shares	Amount	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
Balance, December 1, 2023	43,796	$ 438	$ 370,579	$ 120,858	$ (32,160)	$ 459,715
Issuance of stock under employee stock purchase plan	260	3	9,889	—	—	9,892
Exercise of stock options	179	2	7,538	—	—	7,540
Vesting of restricted stock units and release of deferred stock units	498	5	(5)	—	—	—
Withholding tax payments related to net issuance of RSUs	(192)	(3)	(10,624)	—	—	(10,627)
Stock-based compensation	—	—	35,011	—	—	35,011
Purchase of capped calls, net of tax	—	—	(32,080)	—	—	(32,080)
Dividends declared	—	—	—	(23,861)	—	(23,861)
Treasury stock repurchases and retirements	(1,642)	(16)	(41,714)	(45,047)	—	(86,777)
Net income	—	—	—	67,291	—	67,291
Other comprehensive loss	—	—	—	—	(492)	(492)
Balance, August 31, 2024	42,899	$ 429	$ 338,594	$ 119,241	$ (32,652)	$ 425,612

	Three Months Ended August 31, 2024					
	Common Stock					
(in thousands)	Number of Shares	Amount	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
Balance, June 1, 2024	43,063	$ 431	$ 330,382	$ 105,590	$ (34,736)	$ 401,667
Issuance of stock under employee stock purchase plan	78	1	2,971	—	—	2,972
Exercise of stock options	45	1	1,993	—	—	1,994
Withholding tax payments related to net issuance of RSUs	—	(2)	(33)	—	—	(35)
Stock-based compensation	—	—	10,558	—	—	10,558
Dividends declared	—	—	—	(7,764)	—	(7,764)
Treasury stock repurchases and retirements	(287)	(2)	(7,277)	(7,049)	—	(14,328)
Net income	—	—	—	28,464	—	28,464
Other comprehensive income	—	—	—	—	2,084	2,084
Balance, August 31, 2024	42,899	$ 429	$ 338,594	$ 119,241	$ (32,652)	$ 425,612

(in thousands)	Nine Months Ended August 31, 2023					
	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Number of Shares	Amount				
Balance, December 1, 2022	43,257	$ 433	$ 331,650	$ 101,656	$ (35,235)	$ 398,504
Issuance of stock under employee stock purchase plan	212	3	7,766	—	—	7,769
Exercise of stock options	400	4	12,157	—	—	12,161
Vesting of restricted stock units and release of deferred stock units	378	4	(4)	—	—	—
Withholding tax payments related to net issuance of RSUs	(147)	(1)	(8,100)	—	—	(8,101)
Stock-based compensation	—	—	30,111	—	—	30,111
Dividends declared	—	—	—	(23,908)	—	(23,908)
Treasury stock repurchases and retirements	(535)	(5)	(12,518)	(17,477)	—	(30,000)
Net income	—	—	—	54,862	—	54,862
Other comprehensive income	—	—	—	—	3,648	3,648
Balance, August 31, 2023	43,565	$ 438	$ 361,062	$ 115,133	$ (31,587)	$ 445,046

(in thousands)	Three Months Ended August 31, 2023					
	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Number of Shares	Amount				
Balance, June 1, 2023	43,358	$ 436	$ 347,101	$ 103,995	$ (32,717)	$ 418,815
Issuance of stock under employee stock purchase plan	67	1	2,498	—	—	2,499
Exercise of stock options	140	1	1,391	—	—	1,392
Stock-based compensation	—	—	10,072	—	—	10,072
Dividends declared	—	—	—	(7,960)	—	(7,960)
Net income	—	—	—	19,098	—	19,098
Other comprehensive income	—	—	—	—	1,130	1,130
Balance, August 31, 2023	43,565	$ 438	$ 361,062	$ 115,133	$ (31,587)	$ 445,046

Condensed Consolidated Statements of Cash Flows

(in thousands)	Nine Months Ended August 31, 2024	Nine Months Ended August 31, 2023
Cash flows from operating activities:		
Net income	$ 67,291	$ 54,862
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of property and equipment	4,806	4,690
Amortization of acquired intangibles and other	70,835	71,121
Amortization of debt discount and issuance costs on Notes	2,540	1,621
Stock-based compensation	35,011	30,111
Non-cash lease expense	8,898	6,958
Deferred income taxes	(14,840)	(18,521)
Credit losses and other sales allowances	329	472
Changes in operating assets and liabilities:		
Accounts receivable	25,407	31,478
Other assets	15,090	14,294
Inventories	—	2,209
Accounts payable and accrued liabilities	(6,796)	(14,027)
Lease liabilities	(8,682)	(7,860)
Income taxes payable	1,341	2,362
Deferred revenue, net	(9,387)	(39,011)
Net cash flows from operating activities	191,843	140,759
Cash flows used in investing activities:		
Purchases of investments	—	(15,262)
Sales and maturities of investments	—	15,700
Purchases of property and equipment	(2,328)	(3,181)
Payments for acquisitions, net of cash acquired	—	(355,250)
Net cash flows used in investing activities	(2,328)	(357,993)
Cash flows (used in) from financing activities:		
Proceeds from stock-based compensation plans	17,474	20,373
Payments for taxes related to net share settlements of equity awards	(10,627)	(8,101)
Repurchases of common stock	(86,777)	(30,000)
Proceeds from issuance of senior convertible notes, net of issuance costs of $11,200	438,750	—
Purchase of capped calls	(42,210)	—
Dividend payments to stockholders	(23,814)	(23,669)
Proceeds from the issuance of debt	—	195,000
Repayment of revolving line of credit	(110,000)	(55,000)
Principal payment on term loan	(261,250)	(5,157)
Payment of credit facility debt issuance costs	(6,821)	—
Net cash flows (used in) from financing activities	(85,275)	93,446
Effect of exchange rate changes on cash and cash equivalents	1,515	5,510
Net increase (decrease) in cash and cash equivalents	105,755	(118,278)
Cash and cash equivalents, beginning of period	126,958	256,277
Cash and cash equivalents, end of period	$ 232,713	$ 137,999

Condensed Consolidated Statements of Cash Flows, continued

(in thousands)	Nine Months Ended August 31, 2024	Nine Months Ended August 31, 2023
Supplemental disclosure:		
Cash paid for income taxes, net of refunds of $2,242 in 2024 and $924 in 2023	$ 15,865	$ 14,640
Cash paid for interest	$ 7,961	$ 17,630
Non-cash investing and financing activities:		
Total fair value of restricted stock awards, restricted stock units and deferred stock units on date vested	$ 29,036	$ 23,077
Dividends declared and unpaid	$ 8,423	$ 8,354

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") provides enterprise software products for the development, deployment and management of responsible, AI-powered applications and experiences.

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, original equipment manufacturers, distributors and value-added resellers. Independent software vendors develop and market applications using our technology and resell our products in conjunction with sales of their own products that incorporate our technology. Original equipment manufacturers 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 U.S. 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, 2023, as filed with the SEC on January 26, 2024 (our "2023 Annual Report").

We made no material changes in the application of our significant accounting policies that were disclosed in our 2023 Annual Report. We have prepared the accompanying unaudited condensed consolidated financial statements on the same basis as the audited financial statements included in our 2023 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, loss contingencies and the MOVEit Vulnerability, and business combinations. Actual results could differ from those estimates.

Recent Accounting Pronouncements

Recently Issued Accounting Pronouncements Not Yet Adopted

In November 2023, the Financial Accounting Standards Board (the "FASB") issued ASU 2023-07, *Segment Reporting (Topic 280)*. The amendments in this update expand segment disclosure requirements, including new segment disclosure requirements for entities with a single reportable segment among other disclosure requirements. This update is effective for the Company in the consolidated financial statements for the year ending November 30, 2025, and interim periods beginning after December 1, 2025. The adoption of this standard only impacts disclosures and is not expected to have a material impact on the Company's consolidated financial statements.

In December 2023, the FASB issued Accounting Standards Update No. 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures ("ASU 2023-09").* ASU 2023-09 is intended to improve the transparency and decision usefulness of income tax disclosures, primarily related to the rate reconciliation and income taxes paid information. ASU 2023-09 is effective for the Company beginning with the annual period ending November 30, 2026, allowing for adoption on a prospective basis or a retrospective option. Early adoption is permitted. The adoption of this standard only impacts disclosures and is not expected to have a material impact on the Company's consolidated financial statements.

In March 2024, the SEC adopted the final rule under SEC Release No. 33-11275, The Enhancement and Standardization of Climate-Related Disclosures for Investors. This rule will require registrants to disclose certain climate-related information in registration statements and annual reports. The disclosure requirements will apply to the Company's fiscal year beginning December 1, 2025. The Company is currently evaluating the final rule to determine its impact on the Company's disclosures.

Note 2: Cash and Cash Equivalents

A summary of our cash and cash equivalents at August 31, 2024 is as follows:

(in thousands)	Amortized Cost Basis	Unrealized Gains	Unrealized Losses	Fair Value
Cash	$ 116,673	$ —	$ —	$ 116,673
Money market funds	116,040	—	—	116,040
Total	$ 232,713	$ —	$ —	$ 232,713

A summary of our cash and cash equivalents at November 30, 2023 is as follows:

(in thousands)	Amortized Cost Basis	Unrealized Gains	Unrealized Losses	Fair Value
Cash	$ 126,958	$ —	$ —	$ 126,958

There were no debt securities by contractual maturity due after one year as of August 31, 2024.

Note 3: Derivative Instruments

Cash Flow Hedge

Our interest rate swap contract with an initial notional amount of $150.0 million matured on April 30, 2024. We entered into the contract to manage the variability of cash flows associated with approximately one-half of our variable rate debt. The contract required periodic interest rate settlements, and we received a floating rate based on the greater of 1-month SOFR or 0.00% and paid a fixed rate of 1.855% on the outstanding notional amount.

The interest rate swap was designated as a cash flow hedge and the effectiveness of the hedge was assessed both at the onset of the hedge and at regular intervals throughout the life of the derivative. As the interest rate swap was highly effective in offsetting the variability of the hedged cash flows, changes in the fair value of the derivative were included as a component of accumulated other comprehensive loss on our condensed consolidated balance sheets through the first quarter of fiscal year 2024.

On March 1, 2024, we repaid our variable rate debt in full and reclassified an unrealized gain of $0.6 million from accumulated other comprehensive loss to interest expense in our condensed consolidated statements of operations. The net amount of accumulated other comprehensive loss reclassified to interest expense during the nine months ended August 31, 2024 and August 31, 2023 was $1.5 million and $2.6 million, respectively.

The following table presents our interest rate swap contract where the notional amount was equal to approximately one-half of the corresponding reduction in the balance of our term loan. The fair value of the derivative represented the discounted value of the expected future discounted cash flows for the interest rate swap, based on the payment schedule and the current forward curve for the remaining term of the contract, as of the date of each reporting period:

	August 31, 2024		November 30, 2023	
(in thousands)	Notional Value	Fair Value	Notional Value	Fair Value
Interest rate swap contracts designated as cash flow hedges	$ —	$ —	$ 103,125	$ 1,495

Forward Contracts

We 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 in other current assets, other assets, other accrued liabilities, or other noncurrent liabilities on the condensed consolidated balance sheets at the end of each reporting period and generally expire between thirty days and 3 years from the date the contract was entered. At August 31, 2024, $0.3 million, $0.1 million and $0.2 million was recorded in other current assets, other assets and other accrued liabilities, respectively, on our condensed consolidated balance sheets. At November 30, 2023, $2.5 million was recorded in other accrued liabilities on our condensed consolidated balance sheets.

In the three and nine months ended August 31, 2024, net realized and unrealized gains of $1.0 million and $0.3 million, respectively, from our forward contracts were recognized in foreign currency loss, net, on our condensed consolidated statements of operations. In the three and nine months ended August 31, 2023, net realized and unrealized gains of $1.1 million and $2.7 million, respectively, from our forward contracts were recognized in foreign currency loss, net, on our condensed consolidated statements of operations.

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

	August 31, 2024		November 30, 2023	
(in thousands)	Notional Value	Fair Value	Notional Value	Fair Value
Forward contracts to sell U.S. dollars	$ 82,340	$ 85	$ 102,229	$ (2,526)
Forward contracts to purchase U.S. dollars	438	1	844	(4)
Total	$ 82,778	$ 86	$ 103,073	$ (2,530)

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 August 31, 2024:

		Fair Value Measurements Using		
(in thousands)	Total Fair Value	Level 1	Level 2	Level 3
Assets				
Money market funds	$ 116,040	$ 116,040	$ —	$ —
Foreign exchange derivatives	$ 86	$ —	$ 86	$ —

The following table details the fair value measurements within the fair value hierarchy of our financial assets and liabilities at November 30, 2023:

		Fair Value Measurements Using		
(in thousands)	Total Fair Value	Level 1	Level 2	Level 3
Assets				
Interest rate swap	$ 1,495	$ —	$ 1,495	$ —
Liabilities				
Foreign exchange derivatives	$ (2,530)	$ —	$ (2,530)	$ —

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 following table details the fair value and carrying value of our Convertible Senior Notes due 2026 and 2030 (together referred to as "the Notes"):

	August 31, 2024		November 30, 2023	
(in thousands)	Carrying Value	Fair Value	Carrying Value	Fair Value
Convertible senior notes due 2026[1]	$ 356,416	$ 390,268	$ 354,772	$ 377,125
Convertible senior notes due 2030[2]	438,866	483,188	—	—
Total	$ 795,282	$ 873,456	$ 354,772	$ 377,125

(1) The carrying value of the convertible senior notes due 2026 (the "2026 Notes"), are reflected net of $3.6 million and $5.2 million of unamortized debt issuance costs as of August 31, 2024 and November 30, 2023, respectively.
(2) The carrying value of the convertible senior notes due 2030 (the "2030 Notes"), are reflected net of $11.1 million of unamortized debt issuance costs as of August 31, 2024.

The fair value of the Notes is based on quoted prices in an over-the-counter market on the last trading day of the reporting period and classified within Level 2 of the fair value hierarchy.

Fair Value of Other Financial Assets and Liabilities

The carrying amounts of other financial assets and liabilities including cash and cash equivalents, accounts receivable, unbilled accounts receivable, accounts payable, and accrued liabilities approximate their respective fair values due to their immediate or short-term maturities.

Note 5: Intangible Assets and Goodwill

Intangible Assets

Intangible assets are comprised of the following significant classes:

	August 31, 2024			November 30, 2023		
(in thousands)	Gross Carrying Amount	Accumulated Amortization	Net Book Value	Gross Carrying Amount	Accumulated Amortization	Net Book Value
Purchased technology	$ 280,000	$ (202,610)	$ 77,390	$ 280,000	$ (181,045)	$ 98,955
Customer-related	458,608	(265,308)	193,300	458,608	(221,362)	237,246
Trademarks and trade names	50,111	(36,095)	14,016	50,111	(32,034)	18,077
Total	$ 788,719	$ (504,013)	$ 284,706	$ 788,719	$ (434,441)	$ 354,278

In the three and nine months ended August 31, 2024, amortization expense related to intangible assets was $20.1 million and $69.1 million, respectively. In the three and nine months ended August 31, 2023, amortization expense related to intangible assets was $25.7 million and $71.1 million, respectively.

Future amortization expense for intangible assets as of August 31, 2024, is as follows:

(in thousands)	
Remainder of 2024	$ 19,947
2025	78,759
2026	69,314
2027	44,740
2028	33,157
Thereafter	38,789
Total	$ 284,706

Goodwill

Changes in the carrying amount of goodwill in the nine months ended August 31, 2024 are as follows:

(in thousands)	
Balance, December 1, 2023	$ 832,101
Additions(1)	700
Translation adjustments	(53)
Balance, August 31, 2024	$ 832,748

(1) The additions to goodwill during fiscal year 2024 represent measurement period adjustments related to the acquisition of MarkLogic Corporation ("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, pursuant to the Stock 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 allocated to MarkLogic's tangible assets, identifiable intangible assets, and assumed liabilities based on their estimated fair values. The excess of total consideration over the tangible assets, identifiable intangible assets, and assumed liabilities was recorded as goodwill.

During the first fiscal quarter of 2024, the measurement period adjustments were completed, which resulted in a $0.7 million increase in goodwill. The purchase price allocation is now complete.

The allocation of the purchase price is as follows:

(in thousands)	Purchase Price Allocation	Life
Net working capital	$ 46,335	
Property, plant and equipment	723	
Purchased technology	67,300	7 years
Trade name	12,500	7 years
Customer relationships	152,300	7 years
Other assets, including long-term unbilled receivables	4,477	
Deferred taxes	(24,478)	
Deferred revenue	(32,418)	
Goodwill	161,770	
Net assets acquired	$ 388,509	

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.

Tangible assets acquired and assumed liabilities were recorded at fair value. We determined the acquisition date deferred revenue balances based on our assessment of the individual contracts acquired. A significant portion of the deferred revenue was 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 $161.8 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.

We determined that disclosing the amount of MarkLogic related earnings included in the condensed consolidated statements of operations is impracticable, as certain operations of MarkLogic were integrated into the operations of the Company from the date of acquisition.

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 $232.1 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 Nine Months Ended August 31, 2023	
Revenue	$	556,319
Net income	$	64,094
Net income per basic share	$	1.48
Net income per diluted share	$	1.44

Note 7: Debt

In March of 2024, the Company refinanced its debt by issuing the 2030 Notes and used the proceeds to pay off the outstanding balance of the term loan and revolving line of credit under our previous credit agreement. We also entered into an amended and restated credit facility as described below.

Notes Payable

2030 Convertible Senior Notes

On March 1, 2024, the Company issued, in a private placement, convertible senior notes with an aggregate principal amount of $450 million, due March 1, 2030, unless earlier repurchased, redeemed or converted. The proceeds from the 2030 Notes were used in part to enter into the 2024 Capped Call Transactions, described below, for working capital, and for other general corporate purposes, including paying off the existing term loan and revolving line of credit. There are no required principal payments prior to the maturity of the 2030 Notes. The 2030 Notes bear interest at an annual rate of 3.5%, payable semi-annually in arrears on September 1 and March 1 of each year, beginning on September 1, 2024. The Company incurred approximately $12.0 million in issuance costs for the issuance of the 2030 Notes.

Conversion Rights

Before November 1, 2029, Noteholders may convert their 2030 Notes in the following circumstances:

- During any fiscal quarter commencing after the fiscal quarter ending on May 31, 2024, if the last reported sale price per share of the Company's common stock exceeds 130% of the conversion price for each of at least twenty trading days (whether or not consecutive) during the thirty consecutive trading days ending on, and including, the last trading day of the immediately preceding fiscal quarter; or
- During the five consecutive business days immediately after any ten consecutive trading day period (the "Measurement Period"), if the trading price per $1,000 principal amount of Notes for each trading day of the Measurement Period was less than 98% of the product of the last reported sale price per share of Company's common stock on such trading day and the conversion rate on such trading day; or
- Upon the occurrence of distributions on the Company's common stock, which distribution per share of common stock has a value exceeding 10% of the last reported sale price per share on the trading day immediately before the date such distribution is announced; or
- Upon the occurrence of certain corporate events or if the Company calls such Notes for redemption, then the Noteholder of any Note may convert such Note.

From and after November 1, 2029, Noteholders may convert their 2030 Notes at any time at their election until the close of business on the second scheduled trading day immediately before the maturity date. The Company will satisfy its conversion obligations by paying cash up to the aggregate principal amount of 2030 Notes to be converted, by issuing shares of its common stock or a combination of cash and shares of its common stock, at its election. The initial conversion rate is 14.7622 shares of common stock per $1,000 principal amount of the 2030 Notes, representing an initial conversion price of approximately $67.74 per share of common stock. The conversion rate will be adjusted upon the occurrence of certain events, including spin-offs, tender offers, exchange offers, make-whole fundamental change and certain stockholder distributions.

Repurchase Rights

On or after March 5, 2027, and on or before the 60th scheduled trading day immediately before the maturity date, the Company may redeem for cash all or part of the 2030 Notes, subject to partial redemption limitation, at a repurchase price equal to the principal amount, plus accrued and unpaid interest, if the last reported sale price per share of the Company's common stock exceeded 130% of the conversion price on (1) each of at least twenty trading days (whether or not consecutive) during any thirty consecutive trading day period ending on, and including, the trading day immediately preceding the date on which the Company provides a redemption notice and (2) the trading day immediately before the date the Company sends such notice. Pursuant to the partial redemption limitation, the Company may not elect to redeem less than all of the outstanding 2030 Notes unless at least $100.0 million aggregate principal amount of 2030 Notes are outstanding and not subject to redemption as of the time it sends the related redemption notice.

If certain corporate events that constitute a fundamental change (e.g., events such as business combination transactions involving the Company, shareholder approval of liquidation or dissolution of the Company, and certain de-listing events with respect to the Company's common stock) occur at any time, holders may, subject to certain exceptions, require the Company to purchase their 2030 Notes in whole or in part for cash at a price equal to the principal amount of the 2030 Notes to be repurchased, plus accrued and unpaid interest, to, but excluding, the fundamental change repurchase date.

2024 Capped Call Transactions

On February 27, 2024, in connection with the pricing of the 2030 Notes, the Company entered into privately negotiated capped call transactions ("2024 Capped Call Transactions"). The 2024 Capped Call Transactions cover approximately 6.6 million shares of the Company's common stock, which represent the number of shares of common stock initially underlying the 2030 Notes. The 2024 Capped Call Transactions are generally expected to reduce potential dilution to our common stock upon any conversion of the 2030 Notes and/or offset any potential cash payments the Company is required to make in excess of the principal amount of converted Notes, as the case may be, with such reduction and/or offset subject to a cap. The cap price of the 2024 Capped Call Transactions will initially be $92.98 per share of common stock, which represents a premium of 75% over the last reported sale price of the common stock of $53.13 per share on February 27, 2024, and is subject to certain adjustments under the terms of the 2024 Capped Call Transactions. The cost of the purchased capped calls of $42.2 million was recorded as a reduction to additional paid-in-capital upon settlement in March 2024.

Accounting for the 2030 Notes

The 2030 Notes are classified as a non-current liability on our condensed consolidated balance sheets and the conversion option does not require bifurcation as an embedded derivative. Issuance costs of $12.0 million were recorded as a reduction to the principal balance of the 2030 Notes and will be amortized as interest expense using the effective interest method over the contractual term.

(in thousands)	Three Months Ended August 31, 2024	Nine Months Ended August 31, 2024
Contractual interest expense (3.5% coupon)	$ 3,938	$ 7,875
Amortization of debt discount and issuance costs[(1)]	450	896
	$ 4,388	$ 8,771

[(1)]Amortization based upon an effective interest rate of 4.0%.

Credit Facility

On March 7, 2024, the Company entered into an amended and restated credit agreement (the "Credit Agreement") with certain lenders, which provides a $900.0 million secured revolving credit facility ("revolving credit facility"). The revolving credit facility may be made available in U.S. Dollars and certain other currencies and may be increased, and new term loan commitments may be entered into, by up to an additional $260.0 million if the existing or additional lenders are willing to make such increased commitments. The revolving credit facility has sublimits for swing line loans up to $25.0 million and for the issuance of standby letters of credit in a face amount up to $25.0 million. We expect to use the revolving credit facility to fund our proposed acquisition of ShareFile and for general corporate purposes.

Interest rates for the revolving credit facility are determined by reference to a Term Benchmark Rate or a base rate at our option and would range from 1.50% to 3.00% above the Term Benchmark Rate for Term Benchmark-based borrowings or from 0.50% to 2.00% above the defined base rate for base rate borrowings, in each case based upon our consolidated total net leverage ratio. Additionally, we may borrow certain foreign currencies at rates set in the same range above the respective Term Benchmark Rates for those currencies, based on our consolidated total net leverage ratio. A quarterly commitment fee on the undrawn portion of the revolving credit facility is required, ranging from 0.150% to 0.400% per annum, based upon our consolidated total net leverage ratio.

The credit facility matures on March 7, 2029. The revolving credit facility does not require amortization of principal. Revolving loans may be borrowed, repaid and reborrowed until the maturity date, at which time all amounts outstanding must be repaid. Accrued interest on the loans is payable quarterly in arrears. As of August 31, 2024, the revolving credit facility was undrawn.

Costs incurred to obtain our long-term debt of $6.0 million, along with $1.0 million of unamortized debt issuance costs related to the previous credit agreement, were recorded as debt issuance costs and will be amortized over the term of the debt agreement using the effective interest method. Unamortized debt issuance costs related to the repaid term loan were expensed.

We are the sole borrower under the credit facility and our obligations under the Credit Agreement are guaranteed by each of our material domestic subsidiaries and are secured by substantially all of our assets and each of our material domestic subsidiaries. The Credit Agreement contains customary affirmative and negative covenants, including covenants that limit or restrict our ability to, among other things, grant liens, make investments, make acquisitions, incur indebtedness, merge or consolidate, dispose of assets, pay dividends or make distributions, repurchase stock, change the nature of the business, enter into certain transactions with affiliates and enter into burdensome agreements, in each case subject to customary exceptions for a credit facility of this size and type. We are also required to maintain compliance with a consolidated interest charge coverage ratio, a consolidated senior secured net leverage ratio and a consolidated total net leverage ratio.

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 August 31, 2024, we repurchased and retired 0.3 million shares for $14.3 million. In the three months ended August 31, 2023, we did not repurchase any shares of our common stock. In the nine months ended August 31, 2024 and August 31, 2023, we repurchased and retired 1.6 million shares for $86.8 million and 0.5 million shares for $30.0 million, respectively. As of August 31, 2024, there was $107.2 million remaining under the current authorization.

Note 9: Stock-Based Compensation

Stock-based compensation expense reflects the fair value of stock-based awards 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 either the current market price of the stock, the Black-Scholes option valuation model, or the Monte Carlo Simulation valuation model. 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 or five years for options and three or four years for restricted stock units, and adjust the expense each period for actual forfeitures. We recognize stock-based compensation expense related to performance stock units and our employee stock purchase plan using an accelerated attribution.

In 2022, 2023, and 2024, 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 in the 2022, 2023, and 2024 plans are based on the following: (i) 75% is based on achievement of a three-year cumulative operating income, and (ii) 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. The vesting of LTIP awards is also subject to continued employment of the grantees through the performance period, except in the event of a qualifying termination. In order to estimate the fair value of such awards, we use a Monte Carlo Simulation valuation model for the market condition portion of the award, which uses the closing price of our common stock on the date of grant, less the present value of expected dividends when applicable, for the portion related to the performance condition.

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

	Three Months Ended		Nine Months Ended	
(in thousands)	August 31, 2024	August 31, 2023	August 31, 2024	August 31, 2023
Cost of maintenance and services	$ 834	$ 797	$ 2,732	$ 2,146
Sales and marketing	2,169	1,763	6,939	5,027
Product development	3,199	3,065	10,255	9,112
General and administrative	4,356	4,447	15,085	13,826
Total stock-based compensation	$ 10,558	$ 10,072	$ 35,011	$ 30,111

Note 10: Accumulated Other Comprehensive Loss

The following table summarizes the changes in accumulated balances of other comprehensive loss during the nine months ended August 31, 2024:

(in thousands)	Foreign Currency Translation Adjustment	Unrealized Gains (Losses) on Hedging Activity	Accumulated Other Comprehensive Loss
Balance, December 1, 2023	$ (33,295)	$ 1,135	$ (32,160)
Other comprehensive gain (loss) before reclassifications, net of tax	643	(689)	(46)
Amount of gain reclassified from accumulated other comprehensive loss into net income, net of tax	—	(446)	(446)
Balance, August 31, 2024	$ (32,652)	$ —	$ (32,652)

The tax effect on accumulated unrealized gains (losses) on our hedging activity was minimal as of August 31, 2024 and was a tax provision of $0.4 million as of November 30, 2023.

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:

	Three Months Ended		Nine Months Ended	
(in thousands)	August 31, 2024	August 31, 2023	August 31, 2024	August 31, 2023
Performance obligations transferred at a point in time:				
Software licenses	$ 57,850	$ 50,544	$ 175,929	$ 164,519
Performance obligations transferred over time:				
Maintenance	103,088	105,164	307,616	299,917
Services	17,748	19,284	54,903	53,033
Total revenue	$ 178,686	$ 174,992	$ 538,448	$ 517,469

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:

	Three Months Ended		Nine Months Ended	
(in thousands)	August 31, 2024	August 31, 2023	August 31, 2024	August 31, 2023
North America	$ 104,369	$ 101,923	$ 314,553	$ 306,483
EMEA	57,031	56,779	177,656	166,369
Latin America	5,363	6,318	14,630	15,297
Asia Pacific	11,923	9,972	31,609	29,320
Total revenue	$ 178,686	$ 174,992	$ 538,448	$ 517,469

No single customer, partner, or country outside the U.S. accounted for more than 10% of our total revenue for the three and nine months ended August 31, 2024 or August 31, 2023.

Contract Balances

Unbilled Receivables and Contract Assets

As of August 31, 2024, billing of our long-term unbilled receivables is expected to occur as follows:

(in thousands)		
2025	$	10,564
2026		20,507
2027		3,565
Total	$	34,636

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 August 31, 2024 or November 30, 2023.

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 condensed consolidated balance sheets. Our deferred revenue balance is primarily made up of deferred maintenance.

The changes in net deferred revenue for the nine months ended August 31, 2024 were as follows:

(in thousands)		
Balance, December 1, 2023	$	295,036
Billings and other		528,796
Revenue recognized that was deferred in prior periods		(235,649)
Revenue recognized from current period arrangements		(302,799)
Balance, August 31, 2024	$	285,384

As of August 31, 2024, transaction price allocated to remaining performance obligations was $346 million. We expect to recognize approximately 73% 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 $6.1 million and $7.6 million as of August 31, 2024 and November 30, 2023, 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:

(in thousands)	Excess Facilities and Other Costs	Employee Severance and Related Benefits	Total
Balance, December 1, 2023	$ 3,297	$ 1,890	$ 5,187
Costs incurred	2,904	404	3,308
Cash disbursements	(2,056)	(2,231)	(4,287)
Balance, August 31, 2024	$ 4,145	$ 63	$ 4,208

Costs incurred during the three and nine months ended August 31, 2024 are primarily related to a facility closure in connection with the restructuring action from the first fiscal quarter of 2023. We do not expect to incur additional material expenses as part of this action.

Note 13: 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:

	Three Months Ended		Nine Months Ended	
(in thousands, except per share data)	August 31, 2024	August 31, 2023	August 31, 2024	August 31, 2023
Net income	$ 28,464	$ 19,098	$ 67,291	$ 54,862
Weighted average shares outstanding	42,872	43,452	43,296	43,365
Basic earnings per common share	$ 0.66	$ 0.44	$ 1.55	$ 1.27
Diluted earnings per common share:				
Net income	$ 28,464	$ 19,098	$ 67,291	$ 54,862
Weighted average shares outstanding	42,872	43,452	43,296	43,365
Effect of dilution from common stock equivalents	839	1,353	871	1,178
Effect of dilution from if-converted 2026 Notes	—	176	—	—
Diluted weighted average shares outstanding	43,711	44,981	44,167	44,543
Diluted earnings per share	$ 0.65	$ 0.42	$ 1.52	$ 1.23

We excluded stock awards representing approximately 560,000 and 849,000 shares of common stock from the calculation of diluted earnings per share in the three and nine months ended August 31, 2024, respectively, as these awards were anti-dilutive. We excluded stock awards representing approximately 252,000 and 286,000 shares of common stock from the calculation of diluted earnings per share in the three and nine months ended August 31, 2023, 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 and nine months ended August 31, 2024, 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.

For the three months ended August 31, 2023, the average daily closing price of the Company's common stock was greater than the conversion price for the 2026 Notes outstanding as of August 31, 2023. Therefore, for this period, the Company applied the if-converted method for calculating diluted earnings per common share. During the nine months ended August 31, 2023, the average daily closing price of the Company's common stock was less than the conversion price for the 2026 Notes. Therefore, for this period, the 2026 Notes had no impact on the computation of diluted earnings per common share.

Note 14: 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.

Note 15: Cyber Related Matters

November 2022 Cyber Incident

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 incident. We did not incur costs related to this incident during fiscal year 2024 and do not expect to incur additional costs as the investigation is closed. We did not incur any meaningful costs related to this cyber incident for the three months ended August 31, 2023. We incurred net expenses of $4.2 million related to this incident during the nine months ended August 31, 2023.

MOVEit Vulnerability

As previously reported, on the evening of May 28, 2023, we learned that our MOVEit Transfer (the on-premise version) and MOVEit Cloud (a cloud-hosted version of MOVEit Transfer) products were attacked via a “zero-day vulnerability” that could provide for unauthorized escalated privileges and access to the customer’s underlying environment (the “MOVEit Vulnerability”). A "zero-day vulnerability" is a vulnerability that has been publicly disclosed and/or exploited (e.g., by an independent researcher or threat actor) before the software vendor has an opportunity to patch it. We continue to monitor the impact of the MOVEit Vulnerability on our business, operations, and financial results. MOVEit Transfer and MOVEit Cloud represented less than 4% in aggregate of our revenue for the nine months ended August 31, 2024.

Litigation and Governmental Investigations Arising from the MOVEit Vulnerability

As previously reported, as a result of the MOVEit Vulnerability, we are party to certain class action lawsuits filed by individuals who claim to have been impacted by the exfiltration of data from the environments of our MOVEit Transfer customers, which the Judicial Panel on Multidistrict Litigation transferred to the District of Massachusetts for coordinated and consolidated proceedings (the "MDL"). The MDL also includes the previously disclosed subrogation claim (where an insurer is seeking recovery for expenses incurred on behalf of its insured in connection with the MOVEit Vulnerability).

Also as previously disclosed, we have also been cooperating with inquires and investigations from: (i) several domestic and foreign data privacy regulators (a number of which have been closed without regulatory action), (ii) several state attorneys general, and (iii) one formal investigation from a U.S. federal law enforcement agency (as of the date of the filing of the financial statements, this is not an enforcement action or formal governmental investigation of which we have been told that we are a target).

As previously disclosed, we received a subpoena from the Securities and Exchange Commission’s Division of Enforcement (the “SEC”) on October 2, 2023, as part of a fact-finding inquiry seeking various documents and information relating to the MOVEit Vulnerability. In a letter dated August 7, 2024, the SEC notified us that the Commission had concluded its investigation and did not intend to recommend an enforcement action against Progress (the “Termination Letter”). The Termination Letter was provided under the guidelines set out in the final paragraph of Securities Act Release No. 5310.

Expenses Incurred and Future Costs

For the three and nine months ended August 31, 2024, we incurred net costs of $0.9 million and $5.0 million, respectively, related to the MOVEit Vulnerability. The costs recognized are net of insurance recoveries of $0.6 million and $2.5 million for the three and nine months ended August 31, 2024, respectively. The timing of recognizing insurance recoveries may differ from the timing of recognizing the associated expenses.

We expect to continue to incur investigation, legal and professional services expenses associated with the MOVEit Vulnerability in future periods. We will recognize these expenses as services are received, net of insurance recoveries. While a loss from these matters is reasonably possible, we cannot reasonably estimate a range of possible losses at this time, particularly while the foregoing matters remain ongoing. Furthermore, with respect to the litigation, the proceedings remain in the early stages, alleged damages have not been specified, there is uncertainty as to the likelihood of a class or classes being certified or the ultimate size of any class if certified, and there are significant factual and legal issues to be resolved. Also, each of the governmental inquiries and investigations mentioned above could result in adverse judgements, settlements, fines, penalties, or other resolutions, the amount, scope and timing of which could be material, but which we are currently unable to predict. Therefore, we have not recorded a loss contingency liability for the MOVEit Vulnerability as of August 31, 2024.

In addition, we may accelerate or make additional investments in our information technology systems, infrastructure, software products or networks following the MOVEit Vulnerability, however, we currently do not expect such amounts to be material to any fiscal period.

Insurance Coverage

During the period when the November 2022 cyber incident and the MOVEit Vulnerability occurred, we maintained $15.0 million of cybersecurity insurance coverage, which is expected to reduce our exposure to expenses and liabilities arising from these events. As of August 31, 2024, we have recorded approximately $7.5 million in insurance recoveries, of which $2.5 million was related to the November 2022 cyber incident and $5.0 million was related to the May 2023 MOVEit Vulnerability, providing us with approximately $7.5 million of additional cybersecurity insurance coverage under the applicable policy (which is subject to a $0.5 million retention per claim). We will pursue recoveries to the maximum extent available under our insurance policies.

Note 16: Subsequent Events

On September 9, 2024, we entered into a definitive agreement to acquire ShareFile from Cloud Software Group, Inc. for approximately $875 million in cash, subject to a $25 million working capital credit. The closing of the acquisition (the “Closing”) is expected to occur in the quarter ending November 30, 2024. The acquisition is expected to be funded with a combination of existing cash on hand and borrowings under our existing revolving credit facility. The acquisition will add product and service solutions to our capabilities with ShareFile’s SaaS-native, AI-powered document-centric collaboration and workflows, client portal, secure file sync and share and eSignature abilities.

Our Board of Directors has approved the suspension of Progress’ quarterly dividend in connection with the Closing and plans to redirect such capital toward the repayment of debt to increase liquidity for future M&A and for share repurchases.

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

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. 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 2023 Annual Report as well as the risk factors described in Part II, Item 1A of this Report on Form 10-Q. 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.

Overview

Progress provides enterprise software products for the development, deployment and management of responsible, AI-powered applications and experiences.

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, loss contingencies and the MOVEit Vulnerability, and business combinations. For further information regarding the application of these and other accounting policies, see Note 1: Basis of Presentation to our Consolidated Financial Statements in Item 8 of our 2023 Annual Report. There have been no significant changes to our critical accounting policies and estimates since our 2023 Annual Report.

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.

Results of Operations

Revenue

	Three Months Ended		% Change	
(in thousands)	August 31, 2024	August 31, 2023	As Reported	Constant Currency
Revenue	$ 178,686	$ 174,992	2 %	2 %

	Nine Months Ended		% Change	
(in thousands)	August 31, 2024	August 31, 2023	As Reported	Constant Currency
Revenue	$ 538,448	$ 517,469	4 %	4 %

Total revenue slightly increased across multiple product offerings in the third quarter of fiscal year 2024 as compared to the same period last year. Compared to prior year, total revenue increased in the first nine months of fiscal year 2024 due to MarkLogic as the current period includes activity for the full nine months to date, whereas the prior period only included revenue from the acquisition in February 2023, or approximately seven months. These increases were slightly offset by a decrease in our DataDirect product offering as a result of the timing of renewals on multiyear subscription contracts.

Software License Revenue

(in thousands)	Three Months Ended August 31, 2024	Three Months Ended August 31, 2023	% Change As Reported	% Change Constant Currency
Software licenses	$ 57,850	$ 50,544	14 %	15 %
As a percentage of total revenue	*32 %*	*29 %*		

(in thousands)	Nine Months Ended August 31, 2024	Nine Months Ended August 31, 2023	% Change As Reported	% Change Constant Currency
Software licenses	$ 175,929	$ 164,519	7 %	7 %
As a percentage of total revenue	*33 %*	*32 %*		

Software license revenue increased in the third quarter and first nine months of fiscal year 2024 as compared to the same periods last year. The increase in the third quarter was due to modest growth across multiple products. MarkLogic revenue is reflected in our results for the first nine months of fiscal year 2024, whereas the prior period only includes revenue from the date of acquisition.

Maintenance and Services Revenue

(in thousands)	Three Months Ended August 31, 2024	Three Months Ended August 31, 2023	% Change As Reported	% Change Constant Currency
Maintenance	$ 103,088	$ 105,164	(2)%	(2)%
As a percentage of total revenue	*58 %*	*60 %*		
Services	17,748	19,284	(8)%	(8)%
As a percentage of total revenue	*10 %*	*11 %*		
Total maintenance and services revenue	$ 120,836	$ 124,448	(3)%	(3)%
As a percentage of total revenue	*68 %*	*71 %*		

(in thousands)	Nine Months Ended August 31, 2024	Nine Months Ended August 31, 2023	% Change As Reported	% Change Constant Currency
Maintenance	$ 307,616	$ 299,917	3 %	3 %
As a percentage of total revenue	*57 %*	*58 %*		
Services	54,903	53,033	4 %	3 %
As a percentage of total revenue	*10 %*	*10 %*		
Total maintenance and services revenue	$ 362,519	$ 352,950	3 %	3 %
As a percentage of total revenue	*67 %*	*68 %*		

Maintenance and services revenue slightly decreased across multiple products in the third quarter of fiscal year 2024 as compared to the same period last year. Maintenance and services revenue increased in the first nine months of fiscal year 2024 as compared to the same period last year due to our acquisition of MarkLogic.

Revenue by Region

(in thousands)	Three Months Ended August 31, 2024	Three Months Ended August 31, 2023	% Change As Reported	% Change Constant Currency
North America	$ 104,369	$ 101,923	2 %	2 %
As a percentage of total revenue	*58 %*	*58 %*		
Europe, the Middle East and Africa ("EMEA")	$ 57,031	$ 56,779	— %	1 %
As a percentage of total revenue	*32 %*	*32 %*		
Latin America	$ 5,363	$ 6,318	(15)%	(8)%
As a percentage of total revenue	*3 %*	*4 %*		
Asia Pacific	$ 11,923	$ 9,972	20 %	20 %
As a percentage of total revenue	*7 %*	*6 %*		

(in thousands)	Nine Months Ended August 31, 2024	Nine Months Ended August 31, 2023	% Change As Reported	% Change Constant Currency
North America	$ 314,553	$ 306,483	3 %	3 %
As a percentage of total revenue	*58 %*	*59 %*		
Europe, the Middle East and Africa ("EMEA")	$ 177,656	$ 166,369	7 %	6 %
As a percentage of total revenue	*33 %*	*32 %*		
Latin America	$ 14,630	$ 15,297	(4)%	(3)%
As a percentage of total revenue	*3 %*	*3 %*		
Asia Pacific	$ 31,609	$ 29,320	8 %	9 %
As a percentage of total revenue	*6 %*	*6 %*		

Total revenue generated in North America increased $2.4 million and increased $8.1 million in the third quarter and first nine months of fiscal year 2024, respectively. The increase in the first nine months of fiscal year 2024 in North America was primarily due to the timing of our acquisition of MarkLogic, as described above. Total revenue generated in EMEA remained relatively flat in the third quarter. Total revenue in EMEA increased by $11.3 million in the nine month period of fiscal year 2024 due to a slight increase across multiple product offerings. Total revenue in Latin America and Asia Pacific remained relatively flat in all periods presented.

In the first nine months of fiscal year 2024 revenue generated in markets outside North America represented 42% of total revenue and on an actual and constant currency basis. In the first nine months of fiscal year 2023 revenue generated in markets outside North America represented 41% of total revenue on an actual and a constant currency basis.

Cost of Software Licenses

(in thousands)	Three Months Ended August 31, 2024	Three Months Ended August 31, 2023	Three Months Ended Change		Nine Months Ended August 31, 2024	Nine Months Ended August 31, 2023	Nine Months Ended Change	
Cost of software licenses	$ 2,700	$ 2,732	$ (32)	(1)%	$ 7,928	$ 7,998	$ (70)	(1)%
As a percentage of software license revenue	*5 %*	*5 %*			*5 %*	*5 %*		

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 August 31, 2024	Three Months Ended August 31, 2023	Change		Nine Months Ended August 31, 2024	Nine Months Ended August 31, 2023	Change	
Cost of maintenance and services	$ 20,057	$ 22,192	$ (2,135)	(10)%	$ 64,452	$ 62,663	$ 1,789	3 %
As a percentage of maintenance and services revenue	*17 %*	*18 %*			*18 %*	*18 %*		
Components of cost of maintenance and services:								
Personnel related costs	$ 15,503	$ 16,578	$ (1,075)	(6)%	$ 49,317	$ 46,367	$ 2,950	6 %
Contractors and outside services	2,764	3,650	(886)	(24)%	9,675	10,467	(792)	(8)%
Hosting and other	1,790	1,964	(174)	(9)%	5,460	5,829	(369)	(6)%
Total cost of maintenance and services	$ 20,057	$ 22,192	$ (2,135)	(10)%	$ 64,452	$ 62,663	$ 1,789	3 %

Cost of maintenance and services consists primarily of costs of providing customer support, consulting, and education. The decrease in the third quarter of fiscal year 2024 was primarily due to decreased personnel related costs and contractor and outside services costs. The increase in first nine months of fiscal year 2024 is due to increased personnel related costs resulting from our acquisition of MarkLogic.

Amortization of Intangibles

(in thousands)	Three Months Ended August 31, 2024	Three Months Ended August 31, 2023	% Change	Nine Months Ended August 31, 2024	Nine Months Ended August 31, 2023	% Change
Amortization of intangibles	$ 6,307	$ 7,995	(21)%	$ 21,564	$ 22,253	(3)%
As a percentage of total revenue	*4 %*	*5 %*		*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 decrease in the third quarter of fiscal year 2024 is due to certain intangible assets becoming fully amortized in the second quarter of fiscal year 2024. The year over year decrease in the first nine months of fiscal year 2024 is due certain intangible assets becoming fully amortized in the period, offset by the acquisition of MarkLogic.

Gross Profit

(in thousands)	Three Months Ended August 31, 2024	Three Months Ended August 31, 2023	% Change	Nine Months Ended August 31, 2024	Nine Months Ended August 31, 2023	% Change
Gross profit	$ 149,622	$ 142,073	5 %	$ 444,504	$ 424,555	5 %
As a percentage of total revenue	*84 %*	*81 %*		*83 %*	*82 %*	

Our gross profit increased slightly in the third quarter of fiscal year 2024 as compared to the same period last year due to the increases in revenue and the decreases in costs of software licenses, costs of maintenance and services, and the amortization of intangibles, each as described above. Our gross profit increased in the first nine months of fiscal year 2024 as compared to the same period last year due to the increase in revenue and the decrease in amortization of intangibles, offset by the increases in costs of maintenance and services, each as described above.

Sales and Marketing

(in thousands)	Three Months Ended August 31, 2024	Three Months Ended August 31, 2023	Change		Nine Months Ended August 31, 2024	Nine Months Ended August 31, 2023	Change	
Sales and marketing	$ 37,141	$ 38,612	$ (1,471)	(4)%	$ 114,141	$ 112,513	$ 1,628	1 %
As a percentage of total revenue	*21 %*	*22 %*			*21 %*	*22 %*		
Components of sales and marketing:								
Personnel related costs	$ 32,774	$ 33,919	$ (1,145)	(3)%	$ 99,108	$ 98,243	$ 865	1 %
Contractors and outside services	928	785	143	18 %	2,358	2,990	(632)	(21)%
Marketing programs and other	3,439	3,908	(469)	(12)%	12,675	11,280	1,395	12 %
Total sales and marketing	$ 37,141	$ 38,612	$ (1,471)	(4)%	$ 114,141	$ 112,513	$ 1,628	1 %

Sales and marketing expenses decreased in the third quarter of fiscal year 2024 primarily due to decreased personnel related costs as a result of lower headcount. Sales and marketing expenses increased in the first nine months of fiscal year 2024 primarily due to increased personnel related costs associated with our acquisition of MarkLogic, as well as increases in marketing and sales events costs, partially offset by decreases in contractors and outside services costs.

Product Development

(in thousands)	Three Months Ended August 31, 2024	Three Months Ended August 31, 2023	Change		Nine Months Ended August 31, 2024	Nine Months Ended August 31, 2023	Change	
Product development costs	$ 34,720	$ 33,138	$ 1,582	5 %	$ 105,143	$ 98,396	$ 6,747	7 %
As a percentage of total revenue	*19 %*	*19 %*			*20 %*	*19 %*		
Components of product development costs:								
Personnel related costs	$ 32,952	$ 31,528	$ 1,424	5 %	$ 100,700	$ 94,647	$ 6,053	6 %
Contractors and outside services	1,503	1,376	127	9 %	3,746	3,166	580	18 %
Other product development costs	265	234	31	13 %	697	583	114	20 %
Total product development costs	$ 34,720	$ 33,138	$ 1,582	5 %	$ 105,143	$ 98,396	$ 6,747	7 %

Product development expenses increased in the third quarter of fiscal year 2024 as compared to the same period in the prior year primarily due to increased personnel related costs. Product development expenses increased in the first nine months of fiscal year 2024 primarily due to increased personnel related costs associated with our acquisition of MarkLogic, as well as an increase in contractors and outside services costs.

General and Administrative

(in thousands)	Three Months Ended August 31, 2024	August 31, 2023	Change		Nine Months Ended August 31, 2024	August 31, 2023	Change	
General and administrative	$ 20,503	$ 20,791	$ (288)	(1)%	$ 63,830	$ 61,046	$ 2,784	5 %
As a percentage of total revenue	*11 %*	*12 %*			*12 %*	*12 %*		
Components of general and administrative:								
Personnel related costs	$ 16,925	$ 15,871	$ 1,054	7 %	$ 52,852	$ 49,146	$ 3,706	8 %
Contractors and outside services	2,772	3,592	(820)	(23)%	7,949	9,271	(1,322)	(14)%
Other general and administrative costs	806	1,328	(522)	(39)%	3,029	2,629	400	15 %
Total cost of general and administrative	$ 20,503	$ 20,791	$ (288)	(1)%	$ 63,830	$ 61,046	$ 2,784	5 %

General and administrative expenses include the costs of our finance, human resources, legal, information systems and administrative departments. General and administrative expenses remained relatively flat during the third quarter of fiscal year 2024 compared to the same period in the prior year. General and administrative expenses increased in the first nine months of fiscal year 2024 primarily due to higher personnel costs and other general and administrative costs. These increases were offset by decreases in contractors and outside services costs.

Amortization of Intangibles

(in thousands)	Three Months Ended August 31, 2024	August 31, 2023	% Change	Nine Months Ended August 31, 2024	August 31, 2023	% Change
Amortization of intangibles	$ 13,810	$ 17,668	(22)%	$ 47,515	$ 48,825	(3)%
As a percentage of total revenue	*8 %*	*10 %*		*9 %*	*9 %*	

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. The decrease in the third quarter of fiscal year 2024 is due to certain intangible assets becoming fully amortized in the second quarter of fiscal year 2024. Amortization of intangibles decreased in the first nine months of fiscal year 2024 due to certain intangible assets becoming fully amortized in the period, offset by the addition of MarkLogic intangible assets, as discussed above.

Cyber Incident and Vulnerability Response Expenses, Net

(in thousands)	Three Months Ended August 31, 2024	August 31, 2023	% Change	Nine Months Ended August 31, 2024	August 31, 2023	% Change
Cyber incident and vulnerability response expenses, net	$ 927	$ 951	(3)%	$ 4,950	$ 5,126	(3)%
As a percentage of total revenue	*1 %*	*1 %*		*1 %*	*1 %*	

As previously disclosed, following (i) the detection of irregular activity on certain portions of our corporate network that was disclosed on December 19, 2022, and (ii) the discovery of the MOVEit Vulnerability that was disclosed on June 5, 2023, in each instance, we engaged outside cybersecurity experts and other incident response professionals to conduct a forensic investigation and assess the extent and scope of these matters. Cyber incident and MOVEit Vulnerability costs relate to the engagement of external cybersecurity experts and other incident response professionals and are net of received and expected insurance recoveries. We did not incur costs related to the November 2022 cyber incident during fiscal year 2024 and do not expect to incur additional costs as the investigation is closed. Please refer to Note 15: Cyber Related Matters for additional details and updates regarding the MOVEit Vulnerability.

Restructuring Expenses

(in thousands)	Three Months Ended August 31, 2024	Three Months Ended August 31, 2023	% Change	Nine Months Ended August 31, 2024	Nine Months Ended August 31, 2023	% Change
Restructuring expenses	$ 308	$ 843	(63)%	$ 3,308	$ 6,230	(47)%
As a percentage of total revenue	*— %*	*— %*		*1 %*	*1 %*	

Restructuring expenses recorded in the first nine months of fiscal year 2024 primarily relate to a facility closure in connection with the restructuring action related to the MarkLogic acquisition. Restructuring expenses recorded in the first nine months of fiscal year 2023 relate to headcount reduction from the same action.

Acquisition-Related Expenses

(in thousands)	Three Months Ended August 31, 2024	Three Months Ended August 31, 2023	% Change	Nine Months Ended August 31, 2024	Nine Months Ended August 31, 2023	% Change
Acquisition-related expenses	$ 1,864	$ 699	167 %	$ 3,114	$ 4,433	(30)%
As a percentage of total revenue	*1 %*	*— %*		*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 in the third quarter of fiscal year 2024 were primarily related to our pursuit of ShareFile. Acquisition-related expenses in the first nine months of fiscal year 2024 were primarily related to our pursuit of ShareFile and other acquisition opportunities. Acquisition-related expenses in the same periods of fiscal year 2023 were primarily related to our acquisition of MarkLogic.

Income from Operations

(in thousands)	Three Months Ended August 31, 2024	Three Months Ended August 31, 2023	% Change	Nine Months Ended August 31, 2024	Nine Months Ended August 31, 2023	% Change
Income from operations	$ 40,349	$ 29,371	37 %	$ 102,503	$ 87,986	16 %
As a percentage of total revenue	*23 %*	*17 %*		*19 %*	*17 %*	

Income from operations increased in the third quarter of fiscal year 2024 due to increased revenue and decreases in costs of revenue and operating expenses, as shown above. Income from operations increased in the first nine months of fiscal year 2024 due to an increase in revenue, partially offset by fluctuations in costs of revenue and operating expenses, as shown above.

Other (Expense) Income

(in thousands)	Three Months Ended August 31, 2024	Three Months Ended August 31, 2023	% Change	Nine Months Ended August 31, 2024	Nine Months Ended August 31, 2023	% Change
Interest expense	$ (6,765)	$ (8,532)	(21)%	$ (21,116)	$ (22,894)	(8)%
Interest income and other, net	1,896	788	141 %	3,448	1,895	82 %
Foreign currency loss, net	(1,201)	(675)	78 %	(2,821)	(1,502)	88 %
Total other expense, net	$ (6,070)	$ (8,419)	(28)%	$ (20,489)	$ (22,501)	(9)%
As a percentage of total revenue	*(3)%*	*(5)%*		*(4)%*	*(4)%*	

Other expense, net, decreased in the third quarter of fiscal year 2024 due to lower interest rates as a result of our debt refinancing in the second quarter of fiscal year 2024, in which we issued the 2030 Notes and entered into an amended and restated credit facility. Please refer to Note 7: Debt for further discussion. Interest income and other, net, was higher in fiscal year 2024, resulting from higher interest rates on our invested cash balance. Foreign currency loss increased year over year due to rate volatility and timing of intercompany and hedge settlement activities.

Provision for Income Taxes

	Three Months Ended			Nine Months Ended		
(in thousands)	August 31, 2024	August 31, 2023	% Change	August 31, 2024	August 31, 2023	% Change
Provision for income taxes	$ 5,815	$ 1,854	214 %	$ 14,723	$ 10,623	39 %
As a percentage of income before income taxes	*17 %*	*9 %*		*18 %*	*16 %*	

Our effective tax rate was 17% and 9% in the third fiscal quarter of 2024 and 2023, respectively. The primary reason for the increase in the effective rate was due to discrete tax benefits in the third fiscal quarter of 2023 related to stock-based compensation and the impacts of Notice 2023-55, which was issued by the Internal Revenue Service during July 2023 and provided temporary relief for taxpayers in determining whether a foreign tax is eligible for a foreign tax credit under Sections 901 and 903 of the Internal Revenue Code. There were no significant discrete tax items in the third fiscal quarter of 2024.

Net Income

	Three Months Ended			Nine Months Ended		
(in thousands)	August 31, 2024	August 31, 2023	% Change	August 31, 2024	August 31, 2023	% Change
Net income	$ 28,464	$ 19,098	49 %	$ 67,291	$ 54,862	23 %
As a percentage of total revenue	*16 %*	*11 %*		*12 %*	*11 %*	

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.

Annualized Recurring Revenue ("ARR")

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

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

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

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

ARR is not defined in GAAP and is not derived from a GAAP measure. Rather, ARR generally aligns to billings (as opposed to GAAP revenue which aligns to the transfer of control of each performance obligation). ARR does not have any standardized meaning and is therefore unlikely to be comparable to similarly titled measures presented by other companies. ARR should be viewed independently of revenue and deferred revenue and is not intended to be combined with or to replace either of those items. ARR is not a forecast and the active contracts at the end of a reporting period used in calculating ARR may or may not be extended or renewed by our customers.

Our ARR was $582.0 million and $581.0 million as of August 31, 2024 and August 31, 2023, respectively, which is relatively flat year-over-year.

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 defined in accordance with GAAP.

Our net retention rates have generally ranged between 99% and 101% for all periods presented. Our high net retention rates illustrate our predictable and durable top line performance.

Liquidity and Capital Resources

Cash and Cash Equivalents

(in thousands)	August 31, 2024	November 30, 2023
Cash and cash equivalents	$ 232,713	$ 126,958

The increase in cash and cash equivalents of $105.8 million from the end of fiscal year 2023 was due to proceeds from the issuance of convertible senior notes of $396.5 million (net of purchases of capped calls in connection with the convertible notes offering of $42.2 million and issuance costs of $11.2 million), cash inflows from operations of $191.8 million, $6.8 million in cash received from the issuance of common stock, and the effect of exchange rates on cash of $1.5 million. We refinanced our debt by issuing the convertible senior notes and used the proceeds to pay off the outstanding balance of the term loan and revolving line of credit under our previous credit agreement. As such, the cash inflows described above were offset by cash outflows of $261.3 million to pay off the balance of the term loan, $110.0 million to pay off the revolving line of credit, repurchases of common stock of $86.8 million, dividend payments of $23.8 million, payment of debt issuance costs of $6.8 million, and purchases of property and equipment of $2.3 million. Except as described below, there are no limitations on our ability to access our cash and cash equivalents.

As of August 31, 2024, $77.2 million of our cash and cash equivalents was held by our foreign subsidiaries. Foreign cash includes unremitted foreign earnings, which are invested indefinitely outside of the U.S. As such, the foreign cash 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 August 31, 2024, we repurchased and retired 0.3 million shares for $14.3 million. In the three months ended August 31, 2023, we did not repurchase any shares of our common stock. In the nine months ended August 31, 2024 and August 31, 2023, we repurchased and retired 1.6 million shares for $86.8 million and 0.5 million shares for $30.0 million, respectively. The shares were repurchased in both periods as part of our Board of Directors authorized share repurchase program. As of August 31, 2024, there was $107.2 million remaining under the current authorization.

Dividends

As announced on September 9, 2024, Progress' Board of Directors approved the suspension of Progress' quarterly dividend in connection with the ShareFile acquisition and plans to redirect such capital toward the repayment of debt to increase liquidity for future M&A and for share repurchases, both of which are prioritized in our capital allocation policy.

Restructuring Activities

See Note 12: Restructuring Charges to the condensed consolidated financial statements.

Long-term Debt and Credit Facility

See Note 7: Debt to the condensed consolidated financial statements.

Cash Flows From Operating Activities

	Nine Months Ended	
(in thousands)	August 31, 2024	August 31, 2023
Net income	$ 67,291	$ 54,862
Non-cash reconciling items included in net income	107,579	96,452
Changes in operating assets and liabilities	16,973	(10,555)
Net cash flows from operating activities	$ 191,843	$ 140,759

In the first nine months of fiscal year 2024, operating cash flows increased due to higher billings and collections, and lower interest rates as a result of our debt refinancing in the second quarter of fiscal year 2024. Our gross accounts receivable as of August 31, 2024, decreased by $38.2 million from the end of fiscal year 2023. Our days sales outstanding (DSO) in accounts receivable decreased to 45 days in the third fiscal quarter of 2024 from 49 days in the third fiscal quarter of 2023 due to the timing of billings and collections.

Cash Flows Used in Investing Activities

	Nine Months Ended	
(in thousands)	August 31, 2024	August 31, 2023
Net investment activity	$ —	$ 438
Purchases of property and equipment	(2,328)	(3,181)
Payments for acquisitions, net of cash acquired	—	(355,250)
Net cash flows used in investing activities	$ (2,328)	$ (357,993)

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 nine months of fiscal year 2024, we purchased $2.3 million of property and equipment. In the first nine months of fiscal year 2023 we also had payments for acquisitions net of cash acquired of $355.3 million, and $3.2 million of purchases of property and equipment.

Cash Flows (Used in) From Financing Activities

	Nine Months Ended	
(in thousands)	August 31, 2024	August 31, 2023
Proceeds from stock-based compensation plans	$ 17,474	$ 20,373
Repurchases of common stock	(86,777)	(30,000)
Proceeds from issuance of senior convertible notes, net of issuance costs of $11,200	438,750	—
Purchase of capped calls	(42,210)	—
Proceeds from the issuance of debt	—	195,000
Repayment of revolving line of credit	(110,000)	(55,000)
Principal payment on term loan	(261,250)	(5,157)
Dividend payments to stockholders	(23,814)	(23,669)
Other financing activities	(10,627)	(8,101)
Payment of credit facility debt issuance costs	(6,821)	—
Net cash flows (used in) from financing activities	$ (85,275)	$ 93,446

Our financing activities are significantly impacted by non-recurring financing transactions, including those detailed above and as explained in Note 7 to the condensed consolidated financial statements. Further, we repurchased $86.8 million of our common stock under our share repurchase plan compared to $30.0 million in the same period of the prior year. Finally, we made dividend payments of $23.8 million to our stockholders during the first nine months of fiscal year 2024 and $23.7 million in the first nine months of fiscal year 2023. As noted above, the Board of Directors has announced a suspension of future dividends.

Liquidity Outlook

Cash from operations in fiscal year 2024 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 2023 Annual Report, including 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 revolving credit facility, will be sufficient to finance our operations and meet our foreseeable cash requirements through at least the next twelve months, including funding our proposed acquisition of ShareFile with a combination of existing cash on hand and borrowings under our existing revolving credit facility. 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, share repurchases, lease commitments, restructuring obligations and other long-term obligations.

Legal and Other Regulatory Matters

MOVEit Vulnerability

As previously reported, on the evening of May 28, 2023, we learned that our MOVEit Transfer (the on-premise version) and MOVEit Cloud (a cloud-hosted version of MOVEit Transfer) products were attacked via a “zero-day vulnerability” that could provide for unauthorized escalated privileges and access to the customer’s underlying environment (the “MOVEit Vulnerability”). A "zero-day vulnerability" is a vulnerability that has been publicly disclosed and/or exploited (e.g., by an independent researcher or threat actor) before the software vendor has an opportunity to patch it. We continue to monitor the impact of the MOVEit Vulnerability on our business, operations, and financial results. MOVEit Transfer and MOVEit Cloud represented less than 4% in aggregate of our revenue for the nine months ended August 31, 2024.

We are subject to litigation and governmental investigations related to the MOVEit Vulnerability, for which we have incurred expenses and will incur future costs. We expect our exposure to such expenses and liabilities to be reduced by insurance.
Please refer to Note 15: Cyber Related Matters to the Consolidated Financial Statements included in Item 1, Financial Statements for additional details and updates regarding the MOVEit Vulnerability.

Recent Accounting Pronouncements

Refer to Note 1: 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 nine months of fiscal year 2024, with the exception of repayments on our revolving line of credit and changes to our debt as described in Note 7: Debt, 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 2023 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.

(b) Changes in internal control over financial reporting

There were no changes in our internal control over financial reporting during the fiscal quarter ended August 31, 2024 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

Please refer to Note 15: Cyber Related Matters to the Consolidated Financial Statements included in Item 1, Financial Statements for a discussion of legal proceedings related to the MOVEit Vulnerability.

We are also subject to various other 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 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 2023 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

(c) Stock Repurchases

Information related to the repurchases of our common stock by month in the third quarter of fiscal year 2024 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)]
June 2024	287,478	$ 49.82	287,478	$ 107,220
July 2024	—	—	—	107,220
August 2024	—	—	—	107,220
Total	287,478	$ 49.82	287,478	$ 107,220

(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 August 31, 2024, there was $107.2 million remaining under this authorization.

Item 5. Other Information

(c) Insider Adoption or Termination of Trading Arrangements

During the third quarter of fiscal year 2024, none of our directors or officers informed us of the adoption or termination of a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as those terms are defined in Regulation S-K, Item 408, except as described in the table below:

Name and Title	Character of Trading Arrangement[1]	Date Adopted	Duration[2]	Aggregate Number of Shares of Common Stock to be Sold Pursuant to Trading Arrangement
Anthony Folger EVP & Chief Financial Officer	Rule 10b5-1 Trading Arrangement	July 17, 2024	July 31, 2025	Up to 26,009[3]
Domenic LoCoco SVP, Chief Accounting Officer	Rule 10b5-1 Trading Arrangement	July 29, 2024	November 30, 2025	8,185[4]
Ian Pitt EVP & Chief Information Officer	Rule 10b5-1 Trading Arrangement	July 24, 2024	October 31, 2025	Up to 12,623[5]
Sundar Subramanian EVP & GM, Infrastructure Management	Rule 10b5-1 Trading Arrangement	July 24, 2024	November 30, 2025	2,816

1. Except as indicated by footnote, each trading arrangement marked as a "Rule 10b5-1 Trading Arrangement" is intended to satisfy the affirmative defense of Rule 10b5-1(c), as amended (the "Rule").

2. Except as indicated by footnote, each trading arrangement permits transactions through and including the earlier to occur of (a) the completion of all sales or (b) the date listed in the table. Each trading arrangement marked as a "Rule 10b5-1 Trading Arrangement" only permits transactions upon expiration of the applicable mandatory cooling-off period under the Rule.

3. Includes: (i) 3,768 shares of our common stock; (ii) all common stock, net of shares withheld to cover tax withholding obligations, to be issued upon the anticipated vesting of 7,241 Restricted Stock Units ("RSUs"); (iii) up to 5,000 shares of common stock, net of shares withheld to cover tax withholding obligations, to be issued upon the anticipated vesting of a maximum of 44,954 Performance Stock Units ("PSUs"); and (iv) 10,000 employee stock options expected to be exercised via same-day sale.

4. Includes: (i) 1,000 shares of our common stock; and (ii) 7,185 employee stock options expected to be exercised via same-day sale.

5. Includes: (i) all common stock, net of shares withheld to cover tax withholding obligations, to be issued upon the anticipated vesting of 5,879 RSUs; and (ii) 50% of the common stock, net of shares withheld to cover tax withholding obligations, to be issued upon the anticipated vesting of a maximum of 13,488 PSUs.

Item 6. Exhibits

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

Exhibit No.	Description
2.1***	Asset Purchase Agreement, dated as of September 9, 2024, by and between Cloud Software Group, Inc. and Progress Software Corporation
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 and nine months ended August 31, 2024, formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets as of August 31, 2024 and November 30, 2023; (ii) Condensed Consolidated Statements of Income for the three and nine months ended August 31, 2024 and 2023; (iii) Condensed Consolidated Statements of Comprehensive Income for the three and nine months ended August 31, 2024 and 2023; (iv) Condensed Consolidated Statements of Stockholders' Equity for the three and nine months ended August 31, 2024 and 2023; (v) Condensed Consolidated Statements of Cash Flows for the three and nine months ended August 31, 2024 and 2023; 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
*** Incorporated by reference to Exhibit 2.1 of our Current Report on Form 8-K filed on September 9, 2024

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:	October 8, 2024	/s/ YOGESH K. GUPTA Yogesh K. Gupta President and Chief Executive Officer (Principal Executive Officer)
Dated:	October 8, 2024	/s/ ANTHONY FOLGER Anthony Folger Executive Vice President and Chief Financial Officer (Principal Financial Officer)
Dated:	October 8, 2024	/s/ DOMENIC LOCOCO Domenic LoCoco Senior Vice President and Chief Accounting Officer (Principal Accounting Officer)

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: October 8, 2024

/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: October 8, 2024

/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 August 31, 2024, 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, Executive Vice President and 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: October 8, 2024	Date: October 8, 2024