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

**FORM 8-K**

**CURRENT REPORT**  
**Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): March 23, 2010

**Progress Software Corporation**

(Exact name of registrant as specified in its charter)

Commission file number: 033-41752

Massachusetts  
(State or other jurisdiction of  
incorporation or organization)

04-2746201  
(I.R.S. employer  
identification no.)

14 Oak Park  
Bedford, Massachusetts 01730  
(Address of principal executive offices, including zip code)

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

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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## Section 2 — Financial Information

### Item 2.02 Results of Operations and Financial Condition

On March 23, 2010, Progress Software Corporation issued a press release announcing financial results for its first fiscal quarter ended February 28, 2010. The company also posted a copy of its supplemental prepared remarks with respect to the completed quarter on the Investor Relations section of its website at [www.progress.com](http://www.progress.com). A copy of the press release and a copy of the prepared remarks are furnished herewith as Exhibits 99.1 and 99.2, respectively.

This information shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not incorporated by reference into any filing of the company, whether made before or after the date of this report, regardless of any general incorporation language in the filing.

## Section 9 — Financial Statements and Exhibits

### Item 9.01 Financial Statements and Exhibits

(c) Exhibits

99.1 Press Release dated March 23, 2010

99.2 Prepared Remarks

## 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 hereunto duly authorized.

Date: March 23, 2010

Progress Software Corporation

By: /s/ Norman R. Robertson

Senior Vice President, Finance and  
Administration and Chief Financial Officer

**PRESS ANNOUNCEMENT**

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**PROGRESS SOFTWARE REPORTS 2010 FIRST QUARTER RESULTS****Progress Launches New Responsive Process Management Suite To Enable Continuous Business Improvement; Achieves More Than 20% Growth in Enterprise Business Solutions**

**BEDFORD, Mass., March 23, 2010**—Progress Software Corporation (NASDAQ: PRGS), a leading software provider that enables enterprises to be operationally responsive announced today results for its first quarter ended February 28, 2010. On a generally accepted accounting principles (GAAP) basis, revenue for the quarter was \$127.5 million, up 6 percent from \$120.9 million in the first quarter of fiscal 2009. On a non-GAAP basis, revenue totaled \$128.0 million, up 5 percent from the year ago period. Software license revenue increased 3 percent to \$47.1 million from \$45.9 million in the same quarter last year.

The GAAP operating results for the first quarter of fiscal 2010 reflect a restructuring charge of \$25.8 million taken in connection with the previously announced restructuring of Progress Software's operations. This restructuring was principally completed during the first quarter. It was undertaken to enhance and re-focus the company's product strategy, to improve the way the company takes its products to market by becoming more customer and solutions driven, and to increase Progress Software's market awareness. To accomplish these goals, and with a view toward better optimizing operations and improving productivity and efficiency, the company reduced its global workforce by approximately 13 percent primarily within its sales, development and marketing organizations. This workforce reduction was conducted across all geographies and also resulted in a consolidation of offices in certain locations.

On a GAAP basis, the company incurred an operating loss of \$4.4 million as compared to an operating profit of \$4.7 million in the first quarter of fiscal 2009. Net income represented a loss of \$1.0 million as compared to a profit of \$3.7 million in the same quarter last year. As noted above, the loss was the result of the restructuring charge. Diluted earnings per share represented a loss of 2 cents as compared to a profit of 9 cents in the first quarter of fiscal 2009.

On a non-GAAP basis, operating income increased 44 percent to \$32.8 million from \$22.8 million in the same quarter last year. Non-GAAP net income increased 44 percent to \$22.7 million from \$15.8 million in the same quarter last year and non-GAAP diluted earnings per share increased 36 percent to 53 cents from 39 cents in the first quarter of fiscal 2009.

Non-GAAP amounts primarily exclude the amortization of acquired intangibles, stock-based compensation, restructuring and acquisition-related costs, purchase accounting adjustments for deferred revenue and certain insurance reimbursements.

The non-GAAP results noted above and the non-GAAP financial outlook for 2010 discussed below represent non-GAAP financial measures. A reconciliation of these measures to the appropriate GAAP measures for the three months ended February 28, 2010 and February 28,

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2009, and the 2010 outlook, as well as further information regarding these measures, is included in the condensed financial information provided with this release.

Progress Software's cash and short-term investments at the end of the first quarter totaled \$211 million. Progress Software repurchased approximately 351,000 shares at a cost of \$10.0 million in the first quarter of fiscal 2010. The existing re-purchase authorization, under which approximately 646,000 shares remain available for repurchase, expires on September 30, 2010.

Richard D. Reidy, president and chief executive officer of Progress Software, said: "We grew top line non-GAAP revenue by five percent and non-GAAP earnings per share by 36 percent during the quarter while increasing revenue in our Enterprise Business Solutions portfolio by more than 20 percent year over year. In January, we acquired Savvion, a best-in-class Business Process Management (BPM) solution that complements Progress products to enable enterprises to achieve Operational Responsiveness. More recently, the company announced the Progress® Responsive Process Management (RPM) suite, a next generation business solution that better positions Progress to market and sell solutions to a broader market segment, comprising both its traditional IT target audience and business user segments."

### Quarterly Highlights

- Progress Software announced the acquisition of Savvion Inc., a privately held business enterprise software company based in Santa Clara, California, for approximately \$49 million. Savvion is a pioneering and leading provider of Business Process Management (BPM) technology with 15 years of market experience. The company offers a comprehensive, standards-based BPM suite that helps more than 300 of the world's top-performing companies — including 24 of the 'Fortune 100' — automate and continuously improve critical business processes. <http://tinyurl.com/savvion-acquisition>
- The company announced the launch of the Progress® Responsive Process Management (RPM) suite, a next generation business solution that enables enterprises to achieve a higher level of business performance than previously possible. The Progress RPM™ suite, which unifies comprehensive visibility, Business Event Processing (BEP) and Business Process Management (BPM) capabilities on a single platform, will be generally available in late April.
- Progress Software made two key appointments during the quarter: Dr. John Bates was promoted to the position of Chief Technology Officer (CTO) and senior vice president of Corporate Development, and Rob Levy was hired to fill the newly created executive position of Senior Vice President and Chief Product Officer (CPO). Both executives report to President and CEO, Richard D. Reidy.
- The company made two announcements regarding enhancements to the Progress® OpenEdge® SaaS platform. The first release focused on integration with key features from the Progress® Actional® product, a powerful offering providing business transaction assurance that enables companies to achieve operational and business visibility, root cause analysis, and the added control of services required in a heterogeneous environment. The second release focused on advanced User Interface (UI) flexibility simplifying the development and deployment of business applications for numerous users and devices, an increasingly important factor for Cloud Computing. <http://tinyurl.com/OpenEdge-SaaS-development>
- IDC ranked the Progress® OpenEdge® business application development platform as the number one pure-play embedded database management system (DBMS) in the world for the fifth consecutive year. <http://tinyurl.com/IDC-ranks-OpenEdge>

Additional highlights can be found at: <http://web.progress.com/inthenews/pressreleases.html>.

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## **Business Outlook**

Progress Software is providing the following guidance for the fiscal year ending November 30, 2010:

- GAAP revenue is expected to be in the range of \$539 million to \$549 million.
- On a non-GAAP basis, revenue is expected to be in the range of \$540 million to \$550 million.
- GAAP diluted earnings per share are expected to be in the range of \$1.05 to \$1.17.
- On a non-GAAP basis, diluted earnings per share are expected to be in the range of \$2.20 to \$2.32.

Progress Software is providing the following guidance for the second fiscal quarter ending May 31, 2010:

- GAAP revenue is expected to be in the range of \$128 million to \$132 million.
- On non-GAAP basis, revenue is expected to be in the range of \$129 million to \$133 million.
- GAAP diluted earnings per share are expected to be in the range of 30 cents to 33 cents.
- On a non-GAAP basis, diluted earnings per share are expected to be in the range of 51 cents to 54 cents.

The outlook for the non-GAAP amounts excludes the amortization of acquired intangibles, stock-based compensation, restructuring and acquisition-related costs, purchase accounting adjustments for deferred revenue and certain insurance reimbursements.

## **Legal Notice Regarding Non-GAAP Financial Information**

Progress Software provides non-GAAP revenue, operating income, net income and earnings per share as additional information for investors. These measures are not in accordance with, or an alternative to, generally accepted accounting principles in the United States (GAAP). Such measures are intended to supplement GAAP and may be different from non-GAAP measures used by other companies. Progress Software believes that the non-GAAP results described in this release are useful for an understanding of its ongoing operations and provide additional detail and an alternative method of assessing its operating results. Management uses these non-GAAP results to compare the company's performance to that of prior periods for analysis of trends and for budget and planning purposes. A reconciliation of non-GAAP adjustments to the company's GAAP financial results is included in the tables below.

## **Conference Call**

The Progress Software quarterly investor conference call to review its fiscal first quarter 2010 results and business outlook will be Webcast live at 9:00 a.m. (EDT) on Wednesday, 24 March, 2010 on the company's Web site, located at [www.progress.com/investors](http://www.progress.com/investors).

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As previously disclosed, beginning this quarter, in combination with this press release, Progress Software is providing in advance a copy of prepared remarks for its conference call. The press release and the prepared remarks are available on the Progress website ([www.progress.com](http://www.progress.com)) on the investor relations page. The conference call will include only brief comments followed by questions and answers. The prepared remarks will not be read on the call.

The conference call will be webcast and accessible on the Progress Website at <http://www.progress.com/investors>. The conference call will also be webcast live via Yahoo (<http://www.yahoo.com>), Motley Fool (<http://www.fool.com>), Streetevents (<http://www.streetevents.com>), TD Waterhouse (<http://www.tdwaterhouse.com>) and Fidelity.com (<http://www.fidelity.com>). An archived version of the conference call and supporting materials will be available on the Progress Software Investor Relations Website after the live conference call.

### **Progress Software Corporation**

Progress Software Corporation (NASDAQ: PRGS) is a global software company that enables enterprises to be operationally responsive to changing conditions and customer interactions as they occur — to capitalize on new opportunities, drive greater efficiencies and reduce risk. The company offers a comprehensive portfolio of best-in-class infrastructure software spanning event-driven visibility and real-time response, open integration, data access and integration, and application development and deployment — all supporting on-premises and SaaS/Cloud deployments. Progress maximizes the benefits of operational responsiveness while minimizing IT complexity and total cost of ownership. Progress can be reached at [www.progress.com](http://www.progress.com) or +1-781-280-4000.

### **Safe Harbor Statement**

Except for the historical information and discussions contained herein, statements contained in this release may constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. These statements, which include statements regarding Progress Software’s business outlook and competitive position, involve a number of risks, uncertainties and other factors that could cause actual results to differ materially, including but not limited to the following: the receipt and shipment of new orders; the timely release and market acceptance of new products and/or enhancements to our existing products; the growth rates of certain market segments; the positioning of our products in those market segments; variations in the demand for professional services and technical support; pricing pressures and the competitive environment in the software industry; the continuing weakness in the U.S. and international economies, which could result in fewer sales of our products and may otherwise harm our business; business and consumer use of the Internet; the company’s ability to complete and integrate acquisitions; the company’s ability to realize the expected benefits and anticipated synergies from acquired businesses; the company’s ability to penetrate international markets and manage its international operations; the possibility that our efforts to contain our operating expenses may not have the effects we expect; and changes in exchange rates. The company undertakes no obligation to update information contained in this release. For further information regarding risks and uncertainties associated with the company’s business, please refer to the company’s filings with the Securities and Exchange Commission.

OpenEdge, Progress, Progress RPM are trademarks or registered trademarks of Progress Software Corporation or one of its subsidiaries or affiliates in the U.S. and other countries. Any other trademarks contained herein are the property of their respective owners.

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**Progress Software Corporation**  
**GAAP Condensed Consolidated Statements of Operations**

	Three Months Ended		
	February 28, 2010	February 28, 2009	Percent Change
<i>(In thousands except per share data)</i>			
<b>Revenue:</b>			
Software licenses	\$ 47,117	\$ 45,852	3%
Maintenance and services	80,430	75,008	7%
Total revenue	<u>127,547</u>	<u>120,860</u>	<b>6%</b>
<b>Costs of revenue:</b>			
Cost of software licenses	1,989	2,317	(14)%
Cost of maintenance and services	16,914	17,333	(2)%
Amortization of purchased technology	5,098	4,728	8%
Total costs of revenue	<u>24,001</u>	<u>24,378</u>	<b>(2)%</b>
Gross profit	<u>103,546</u>	<u>96,482</u>	<b>7%</b>
<b>Operating expenses:</b>			
Sales and marketing	43,206	44,315	(3)%
Product development	23,387	24,919	(6)%
General and administrative	12,782	14,575	(12)%
Amortization of other acquired intangibles	2,364	2,366	0%
Acquisition-related expenses	415	110	277%
Restructuring expense	25,771	5,478	370%
Total operating expenses	<u>107,925</u>	<u>91,763</u>	<b>18%</b>
Income (loss) from operations	<u>(4,379)</u>	<u>4,719</u>	<b>(193)%</b>
Other income, net	2,756	1,229	124%
Income (loss) before provision for income taxes	<u>(1,623)</u>	<u>5,948</u>	<b>(127)%</b>
Provision for (benefit from) income taxes	(617)	2,296	(127)%
Net income (loss)	<u>\$ (1,006)</u>	<u>\$ 3,652</u>	<b>(128)%</b>
<b>Earnings (loss) per share:</b>			
Basic	(\$0.02)	\$ 0.09	(122)%
Diluted	(\$0.02)	\$ 0.09	(122)%
<b>Weighted average shares outstanding:</b>			
Basic	41,079	39,941	3%
Diluted	<u>41,079</u>	<u>40,521</u>	<b>1%</b>

**Progress Software Corporation**

**Reconciliation of GAAP to Non-GAAP Financial Measures**

(In thousands except per share data)	Three Months Ended February 28, 2010			Three Months Ended February 28, 2009			Percent Change
	As Reported	Adjustments	Non-GAAP	As Reported	Adjustments	Non-GAAP	
Total revenue	\$ 127,547	\$ 454	\$ 128,001	\$ 120,860	1,548	\$ 122,408	5%
Purchase accounting adjustments for deferred revenue (1)	(454)	454		(1,548)	1,548		
Income (loss) from operations	\$ (4,379)	\$ 37,133	\$ 32,754	\$ 4,719	\$ 18,077	\$ 22,796	44%
Purchase accounting adjustments for deferred revenue (1)	(454)	454		(1,548)	1,548		
Amortization of acquired intangibles	(7,462)	7,462		(7,094)	7,094		
Acquisition-related expenses	(415)	415		(110)	110		
Restructuring expense	(25,771)	25,771		(5,478)	5,478		
Stock option investigation (2)	1,200	(1,200)		(31)	31		
Stock-based compensation (3)	(4,231)	4,231		(3,816)	3,816		
Operating margin percentage	-3.4%		25.6%	3.9%		18.6%	37%
Other income, net (4)	\$ 2,756	\$ (899)	\$ 1,857	\$ 1,229	\$ —	\$ 1,229	51%
Provision for (benefit from) income taxes (5)	\$ (617)	\$ 12,558	\$ 11,941	\$ 2,296	\$ 5,969	\$ 8,265	44%
Net income (loss)	\$ (1,006)	\$ 23,676	\$ 22,670	\$ 3,652	\$ 12,108	\$ 15,760	44%
Earnings (loss) per share — diluted	(\$0.02)		\$ 0.53	\$ 0.09		\$ 0.39	36%
Weighted average shares outstanding — diluted (6)	42,684		42,684	40,521		40,521	5%

- (1) The purchase accounting adjustment for deferred revenue is included within maintenance and services revenue and represents the write-down to fair value of the deferred maintenance revenue of Savvion and Iona Technologies at the date of the acquisition.
- (2) Stock option investigation expenses are included within general and administrative expenses and primarily represent professional services fees associated with the SEC's investigation and shareholder derivative lawsuits related to the company's historical stock option grant practices. The credit amount for the three months ended February 28, 2010 relates to insurance reimbursements in excess of previously estimated amounts.
- (3) Stock-based compensation expense, representing the fair value of equity awards, is included in the following GAAP expenses:

	Three Months Ended February 28, 2010			Three Months Ended February 28, 2009		
	GAAP	Adjustments	Non-GAAP	GAAP	Adjustments	Non-GAAP
Cost of software licenses	\$ 9	\$ (9)	\$ —	\$ 12	\$ (12)	\$ —
Cost of maintenance and services	254	(254)	—	237	(237)	—
Sales and marketing	1,578	(1,578)	—	1,488	(1,488)	—
Product development	1,107	(1,107)	—	944	(944)	—
General and administrative	1,283	(1,283)	—	1,135	(1,135)	—
	\$ 4,231	\$ (4,231)	\$ —	\$ 3,816	\$ (3,816)	\$ —

In addition, the restructuring expense for the three months ended February 28, 2010 includes approximately \$0.3 million of stock-based compensation expense.

- (4) The non-GAAP adjustment in other income for the three months ended February 28, 2010 relates to an insurance settlement gain from a pre-acquisition contingency assumed as part of a prior acquisition.
- (5) The non-GAAP provision for income taxes was calculated reflecting an effective rate of 34.5% and 34.4% for the three months ended February 28, 2010 and 2009, respectively. The difference between the effective tax rate under GAAP and the effective tax rate utilized in the preparation of non-GAAP financial measures primarily relates to the tax effects of stock-based compensation expense and amortization of acquired intangibles, which are excluded from the determination of non-GAAP net income.
- (6) The non-GAAP weighted average shares outstanding include the effective of dilutive stock awards, which have been excluded from the GAAP weighted average shares outstanding for the three months ending February 28, 2010 as the impact of including such amounts would be anti-dilutive.



**Progress Software Corporation**  
**Condensed Consolidated Balance Sheets**

(In thousands)

	February 28, 2010	November 30, 2009
<b>Assets</b>		
Cash and short-term investments	\$ 210,567	\$ 224,121
Accounts receivable, net	96,000	98,872
Other current assets	43,205	34,626
Total current assets	349,772	357,619
Property and equipment, net	57,783	59,625
Goodwill and intangible assets, net	344,159	304,887
Other assets	79,134	76,719
Total	\$ 830,848	\$ 798,850
<b>Liabilities and shareholders' equity</b>		
Accounts payable and other current liabilities	\$ 89,689	\$ 85,681
Short-term deferred revenue	157,739	141,243
Total current liabilities	247,428	226,924
Long-term deferred revenue	3,679	4,511
Other liabilities	12,687	11,963
Shareholders' equity:		
Common stock and additional paid-in capital	268,073	247,265
Retained earnings	298,981	308,187
Total shareholders' equity	567,054	555,452
Total	\$ 830,848	\$ 798,850

**Condensed Consolidated Statements of Cash Flows**

(In thousands)

	Three Months Ended	
	February 28, 2010	February 28, 2009
<b>Cash flows from operations:</b>		
Net income (loss)	\$ (1,006)	\$ 3,652
Depreciation, amortization and other noncash items	15,098	13,529
Other changes in operating assets and liabilities	20,156	(12,790)
Net cash flows from operations	34,248	4,391
Capital expenditures	(1,502)	(2,056)
Redemptions of auction-rate securities	550	5,400
Acquisitions, net of cash acquired	(49,086)	—
Share issuances (repurchases), net	11,106	(355)
Other	(8,870)	(2,060)
Net change in cash and short-term investments	(13,554)	5,320
Cash and short-term investments, beginning of period	224,121	118,529
Cash and short-term investments, end of period	\$ 210,567	\$ 123,849

**Progress Software Corporation**  
**Reconciliation of Forward-Looking Guidance**

**Diluted Earnings Per Share Range**

	<u>Three Months Ended May 31, 2010</u>		
GAAP expectation	\$0.30	-	\$0.33
Adjustment to exclude stock-based compensation	\$0.08	-	\$0.09
Adjustment to exclude amortization of acquired intangibles	\$0.11	-	\$0.11
Adjustment to include purchase accounting deferred revenue write-down	\$0.01	-	\$0.01
Non-GAAP expectation	<u>\$0.51</u>	<u>-</u>	<u>\$0.54</u>

	<u>Twelve Months Ended November 30, 2010</u>		
GAAP expectation	\$ 1.05	-	\$ 1.17
Adjustment to exclude stock-based compensation	\$ 0.29	-	\$ 0.30
Adjustment to exclude amortization of acquired intangibles	\$ 0.45	-	\$ 0.45
Adjustment to exclude restructuring expenses	\$ 0.41	-	\$ 0.41
Other adjustments	(\$0.02)	-	(\$0.01)
Non-GAAP expectation	<u>\$ 2.20</u>	<u>-</u>	<u>\$ 2.32</u>

**PROGRESS**  
**S O F T W A R E**

**Progress Software Corporation****First Quarter Fiscal 2010****Earnings Conference Call — Prepared Remarks**

This quarter we have adopted a new approach to releasing our financial information. Progress Software is providing a copy of prepared remarks in connection with its press release. This process and these remarks are offered to provide shareholders and financial analysts with additional time and detail for analyzing our results in advance of our quarterly earnings conference call. As previously announced, the conference call will be held Wednesday, March 24, 2010 at 9:00 am EDT and will include only brief comments followed by questions and answers. These prepared remarks will not be read on the call.

With respect to any non-GAAP financial measures contained in these prepared remarks or included within our earnings release, we have provided below a table of the most directly comparable GAAP financial measure and a reconciliation of the non-GAAP financial measure to the most directly comparable GAAP financial measure. You can access this information, which is also included in our earnings release, at [www.progress.com](http://www.progress.com).

The matters presented herein and to be discussed on the ensuing conference call, other than historical financial information, consist of forward-looking statements that involve certain risks and uncertainties. Statements indicating that we “expect,” “estimate,” “believe,” “are planning” or “plan to” are forward-looking, as are other statements concerning future financial results, product offerings or other events that have not yet occurred. There are several important risk factors which could cause actual results or events to differ materially from those anticipated by the forward-looking statements contained in our discussion today. Information on these risk factors is included in our Securities and Exchange Commission reports. We reserve the right to change our budget, product focus, product release dates, plans and financial projections from time to time as circumstances warrant. We have no obligation to update or modify the information contained in our discussion in the future when such changes occur.

To access the live broadcast, please visit the Progress website at [www.progress.com/investors](http://www.progress.com/investors). The call will also be webcast live via Yahoo ([www.yahoo.com](http://www.yahoo.com)), Motley Fool ([www.fool.com](http://www.fool.com)), Streetevents ([www.streetevents.com](http://www.streetevents.com)), TD Waterhouse ([www.tdwaterhouse.com](http://www.tdwaterhouse.com)) and Fidelity.com ([www.fidelity.com](http://www.fidelity.com)). An archived version of the conference call and supporting materials will be available on the Progress Software Investor Relations website after the live conference call.

**Overall Results**

On a GAAP basis, we reported the following:

- Revenue for the quarter increased 6% to \$127.5 million from \$120.9 million in the first quarter of fiscal 2009.
- Operating income for the quarter was a loss of \$4.4 million as compared to a profit of \$4.7 million in first quarter of fiscal 2009.
- Net income was a loss of \$1.0 million as compared to a profit of \$3.7 million in first quarter of fiscal 2009.
- And diluted earnings per share were a loss of 2 cents as compared to a profit of 9 cents in first quarter of fiscal 2009.

The GAAP results for the first quarter of fiscal 2010 reflect a restructuring charge of \$25.8 million taken in connection with the previously announced restructuring of our operations. This restructuring, which was principally completed during the first quarter, was undertaken to enhance and re-focus the company’s product strategy, improve the way the company takes its products to market by becoming more customer and solutions driven and increase our market awareness. To accomplish these goals, and with a view toward better optimizing operations and improving productivity and efficiency, the company reduced its global workforce by approximately 13 percent primarily within its sales, development and marketing organizations. This reduction was across all geographies resulting in a consolidation of offices in certain locations.

On a non-GAAP basis, we reported the following:

- Non-GAAP revenue increased 5% to \$128.0 million from \$122.4 million in first quarter of fiscal 2009.

- Non-GAAP operating income increased 44% to \$32.8 million from \$22.8 million in first quarter of fiscal 2009.
- Non-GAAP net income increased 44% to \$22.7 million from \$15.8 million in first quarter of fiscal 2009.
- And non-GAAP diluted earnings per share increased 36% to 53 cents from 39 cents in first quarter of fiscal 2009.

The non-GAAP results in the first quarter of fiscal 2010 exclude pre-tax charges of \$26.2 million for restructuring and acquisition-related expenses, \$4.2 million for stock-based compensation, \$7.5 million for amortization of acquired intangibles, \$0.5 million for purchase accounting adjustments for deferred revenue and a credit of \$2.1 million for certain insurance reimbursements.

The non-GAAP results in the first quarter of fiscal 2009 exclude pre-tax charges of \$5.6 million for restructuring and acquisition-related expenses, \$3.8 million for stock-based compensation, \$7.1 million for amortization of acquired intangibles and \$1.5 million for purchase accounting adjustments for deferred revenue.

The following operational analyses are presented utilizing our non-GAAP financial information.

## Revenue

In reviewing the results for the fiscal 2010 first quarter, within the year-over-year total revenue increase of 5%, software license revenue increased 3%, maintenance revenue increased 5% and professional services revenue increased 7%. The trend over the past several quarters was as follows:

(in millions)

	Q1 2009	Q2 2009	Q3 2009	Q4 2009	FY 2009	Q1 2010
Licenses	\$ 45.9	\$ 38.5	\$ 39.2	\$ 52.0	\$ 175.6	\$ 47.1
<i>Year-over-year growth</i>	2%	(14)%	(15)%	(7)%	(9)%	3%
Maintenance	\$ 67.1	\$ 69.2	\$ 71.2	\$ 74.3	\$ 281.8	\$ 70.9
<i>Year-over-year growth</i>	3%	0%	4%	3%	2%	5%
Professional services	\$ 9.4	\$ 10.1	\$ 9.3	\$ 10.6	\$ 39.4	\$ 10.0
<i>Year-over-year growth</i>	(18)%	(27)%	(22)%	(22)%	(22)%	7%
Total	\$ 122.4	\$ 117.8	\$ 119.7	\$ 136.9	\$ 496.8	\$ 128.0
<i>Year-over-year growth</i>	1%	(8)%	(5)%	(4)%	(4)%	5%

With regard to the impact of changes in foreign exchange rates on the first quarter, total revenue in the first quarter of fiscal 2010 would have decreased 1% on a constant currency basis versus the 5% increase reported. Software license revenue would have decreased 3% on a constant currency basis versus the 3% increase reported. Maintenance revenue would have decreased by 1% on a constant currency basis versus the 5% increase reported. Professional services revenue would have increased by 1% on a constant currency basis versus the 7% increase reported.

Revenue by geographic region was as follows:

(in millions)

	Q1 2009	Q2 2009	Q3 2009	Q4 2009	FY 2009	Q1 2010
North America	\$ 55.0	\$ 55.2	\$ 54.9	\$ 58.7	\$ 223.8	\$ 58.2
Year-over-year growth	9%	7%	6%	(11)%	2%	6%
EMEA	\$ 53.2	\$ 48.1	\$ 48.4	\$ 58.3	\$ 208.0	\$ 52.3
Year-over-year growth	(7)%	(19)%	(16)%	(2)%	(11)%	(2)%
Latin America	\$ 6.5	\$ 6.9	\$ 8.7	\$ 11.8	\$ 33.9	\$ 9.8
Year-over-year growth	(4)%	(20)%	(1)%	36%	3%	51%
Asia Pacific	\$ 7.7	\$ 7.6	\$ 7.7	\$ 8.1	\$ 31.1	\$ 7.7
Year-over-year growth	5%	(11)%	(6)%	1%	(3)%	0%
Total	\$ 122.4	\$ 117.8	\$ 119.7	\$ 136.9	\$ 496.8	\$ 128.0
Year-over-year growth	1%	(8)%	(5)%	(4)%	(4)%	5%

International business was 55% of the quarterly total in the first quarter of fiscal 2010 which was the same as in the first quarter of fiscal 2009.

Revenue by product line was as follows:

(in millions)

	Q1 2009	Q2 2009	Q3 2009	Q4 2009	FY 2009	Q1 2010
Application Development Platforms	\$ 81.2	\$ 77.8	\$ 79.8	\$ 89.8	\$ 328.6	\$ 81.9
Year-over-year growth	(5)%	(14)%	(6)%	(4)%	(7)%	1%
Enterprise Business Solutions	\$ 21.4	\$ 17.9	\$ 19.8	\$ 26.0	\$ 85.1	\$ 27.7
Year-over-year growth	36%	3%	7%	14%	14%	29%
Enterprise Data Solutions	\$ 19.8	\$ 22.1	\$ 20.1	\$ 21.1	\$ 83.1	\$ 18.4
Year-over-year growth	(1)%	8%	(14)%	(18)%	(7)%	(7)%
Total	\$ 122.4	\$ 117.8	\$ 119.7	\$ 136.9	\$ 496.8	\$ 128.0
Year-over-year growth	1%	(8)%	(5)%	(4)%	(4)%	5%

We completed the acquisition of Savvion in January. The incremental revenue in the first quarter of fiscal 2010 associated with the Savvion product line was approximately \$2 million. These amounts are included within Enterprise Business Solutions.

Revenue from channel partners, including Application Partners and OEMs, accounted for 48% of our total license business this quarter as compared to 46% in first quarter of fiscal 2009. Within the OpenEdge product line, partners accounted for 66% of our license business this quarter as compared to 74% in first quarter of fiscal 2009. The trend over the past several quarters was as follows:

	Q1 2009	Q2 2009	Q3 2009	Q4 2009	FY 2009	Q1 2010
<b>Overall:</b>						
Direct	54%	46%	46%	54%	50%	52%
Channel	46%	54%	54%	46%	50%	48%
<b>OpenEdge Product Line:</b>						
Direct	26%	22%	27%	35%	28%	34%
Application Partners	74%	78%	73%	65%	72%	66%

### Backlog

Our aggregate revenue backlog at the end of the first quarter of fiscal 2010 was approximately \$188 million, of which \$161 million was included on our balance sheet as deferred revenue, primarily related to unexpired maintenance and support contracts. The remaining amount of backlog of approximately \$27 million was composed of multi-year licensing arrangements of approximately \$21 million and open software license orders received but not shipped of approximately \$6 million.

For comparison purposes, our aggregate revenue backlog at the end of the first quarter of fiscal 2009 was approximately \$179 million of which \$159 million was included on our balance sheet as deferred revenue, primarily related to unexpired maintenance and support contracts. The remaining amount of backlog of approximately \$20 million was composed of multi-year licensing arrangements of approximately \$20 million and open software license orders received but not shipped of less than \$1 million.

We do not believe that backlog as of any particular date is indicative of future results. In addition, there is no industry standard for the definition of backlog and there may be an element of estimation in determining the amount. As such, direct comparisons with other companies may be difficult or potentially misleading.

### Other Operating and Balance Sheet Information

Our non-GAAP operating margin was 26%, up from 19% in the first quarter of fiscal 2009. The improvement in our operating margin is a result of improving business conditions and the impact of the restructuring described above.

Other income for the first quarter of fiscal 2010 was above our guidance due to an increase in value of approximately \$1.9 million (3 cents) relating to our foreign currency average rate option contracts, which we use to economically hedge the annual expected international cash flows that we will receive. These contracts do not qualify for hedge accounting and are marked-to-market each reporting period. The contracts cover our expected international cash flows for the whole fiscal year and expire in November 2010.

Quarter-end headcount of 1,806 was down approximately 3% from one year ago, reflecting the impact of the restructuring, partially offset by the addition of employees via the acquisition of Savvion.

Our cash balance was approximately \$211 million at the end of the quarter as compared to \$224 million at the end of the year and \$124 million one year ago. In addition, we had approximately \$40 million in auction rate securities, included in other assets, at the end of the quarter. Our DSO was 68 days at the end of the first

quarter, down 4 days from one year ago and up 3 days from last quarter-end.

During the first quarter of fiscal 2010, we repurchased approximately 351,000 shares of our common stock at a cost of \$10.0 million. At the end of the first quarter, there were approximately 646,000 shares available for repurchase under our Board authorized share repurchase program that expires on September 30, 2010.

### **Business Outlook**

In looking to fiscal 2010 and the second quarter, we are providing the following guidance:

- For fiscal 2010, we expect GAAP revenue to be between \$539 million and \$549 million. On a non-GAAP basis, we expect revenue to be between \$540 million and \$550 million. Software license revenue is expected to be between \$195 million and \$205 million.
- We expect revenue from Application Development Platforms to be between \$315 million and \$325 million, representing a year-over-year decline of approximately 1% to 4%.
- We expect revenue from Enterprise Data Solutions to be between \$91 million and \$101 million, representing a year-over-year increase of approximately 10% to 20%.
- We expect revenue from Enterprise Business Solutions to be between \$114 million and \$124 million, representing a year-over-year increase of approximately 30% to 45%, including revenue from products acquired in the recently completed Savvion acquisition.
- We expect GAAP operating income to be between \$71 million and \$80 million.
- We expect non-GAAP operating income to be between \$141 million and \$150 million.
- We estimate that non-operating income will be between zero and \$1 million for each remaining quarter of fiscal 2010, although this may vary depending on interest rates, potential stock repurchases, fluctuations in foreign exchange rates and our cash balances.
- We expect our effective tax rate to be between 37% and 38% for GAAP purposes and between 34% and 35% for non-GAAP purposes. The difference in the effective tax rate between GAAP and non-GAAP primarily relates to the tax treatment of stock-based compensation and amortization of acquired intangibles. The increase in the effective tax rate from fiscal 2009 relates to the expiration of the research and development credit in December 2009.
- Estimating future weighted average share counts for earnings per share depends on future option activity, future share repurchases, share prices and other factors. For now, we think using a share count of between 43 million and 44 million for each of the remaining quarters for fiscal 2010 for diluted earnings per share seems reasonable.
- We expect diluted earnings per share, on a GAAP basis, to be between \$1.05 and \$1.17. On a non-GAAP basis, which excludes total charges of approximately \$1.15, we expect non-GAAP diluted earnings per share to be between \$2.20 and \$2.32.
- For the second quarter of fiscal 2010, we expect GAAP revenue to be between \$128 million and \$132 million. We expect non-GAAP revenue to be between \$129 million and \$133 million. We expect software license revenue between \$45 million and \$47 million. We expect diluted earnings

per share, on a GAAP basis, to be between 30 cents and 33 cents. On a non-GAAP basis, which excludes total charges of approximately 21 cents, we expect non-GAAP diluted earnings per share to be between 51 cents and 54 cents.

Our non-GAAP results primarily exclude stock-based compensation, amortization of acquired intangibles, purchase accounting adjustments for deferred revenue, restructuring charges, acquisition-related expenses and certain insurance reimbursements. A reconciliation between our GAAP and non-GAAP expectations is included in our press release.

This guidance assumes no further economic shocks, a stabilization of revenue from our application partner channel, improvement in our ability to generate new business in end user accounts and no further strengthening of the US dollar against currencies from which we derive a significant portion of our business.

We plan on releasing financial results and prepared remarks relating to our second quarter on Tuesday, June 22<sup>nd</sup> after the market closes, and holding the usual conference call the next morning on Wednesday, June 23<sup>rd</sup> at 9 a.m.



## Reconciliation of Non-GAAP Financial Measures to GAAP Results

The following table reconciles our non-GAAP financial measures to the most directly comparable GAAP financial statement item:

(in millions)

	Q1 2009	Q2 2009	Q3 2009	Q4 2009	FY 2009	Q1 2010
GAAP Revenue	\$ 120.8	\$ 117.1	\$ 119.4	\$ 136.8	\$ 494.1	\$ 127.5
Non-GAAP adjustments:						
Purchase accounting adjustments for deferred revenue	1.6	0.7	0.3	0.1	2.7	0.5
Non-GAAP revenue	\$ 122.4	\$ 117.8	\$ 119.7	\$ 136.9	\$ 496.8	\$ 128.0
GAAP income (loss) from operations	\$ 4.7	\$ 11.5	\$ 9.1	\$ 25.8	\$ 51.1	\$ (4.4)
Non-GAAP adjustments:						
Stock-based compensation expense	3.8	4.3	8.8	4.6	21.5	4.2
Amortization of purchased intangibles	7.1	7.5	7.1	6.8	28.5	7.5
Purchase accounting adjustment for deferred revenue	1.6	0.7	0.3	0.1	2.7	0.5
Stock option investigation-related expenses	0.0	0.2	(0.3)	(0.0)	(0.1)	(1.2)
Restructuring and acquisition-related expenses	5.6	0.1	(0.1)	0.1	5.7	26.2
Non-GAAP income from operations	\$ 22.8	\$ 24.3	\$ 24.9	\$ 37.4	\$ 109.4	\$ 32.8
GAAP net income (loss)	\$ 3.7	\$ 6.9	\$ 5.5	\$ 16.7	\$ 32.8	\$ (1.0)
Non-GAAP adjustments:						
Non-GAAP income from operations adjustments per detail above	18.1	12.8	15.8	11.6	58.3	37.2
Non-operating income adjustments	—	—	—	—	—	(0.9)
Tax-effect of non-GAAP adjustments	(6.0)	(3.6)	(4.8)	(2.7)	(17.1)	(12.6)
Non-GAAP net income	\$ 15.8	\$ 16.1	\$ 16.5	\$ 25.6	\$ 73.9	\$ 22.7