
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 19, 2009

Progress Software Corporation

(Exact name of registrant as specified in its charter)

Commission file number: 0-19417

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 19, 2009, Progress Software Corporation issued a press release announcing financial results for its first fiscal quarter ended February 28, 2009. A copy of this press release is furnished as Exhibit 99.1 to this report. 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 19, 2009

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 19, 2009

Progress Software Corporation

By: /s/ Norman R. Robertson
Senior Vice President, Finance and Administration and
Chief Financial Officer



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PROGRESS SOFTWARE REPORTS 2009 FIRST QUARTER RESULTS**Strong Growth in Apama CEP and Actional SOA Management Products**

BEDFORD, Mass., March 19, 2009—Progress Software Corporation (NASDAQ: PRGS), a provider of leading application infrastructure software to develop, deploy, integrate and manage business applications, today announced results for its first quarter ended February 28, 2009. On a generally accepted accounting principles (GAAP) basis, revenue for the quarter was \$121 million, down one percent (up 9 percent at constant currency) from \$122 million in the first quarter of fiscal 2008. On a non-GAAP basis, revenue totaled \$122 million, representing a one percent (10 percent at constant currency) increase over the year ago period. The non-GAAP adjustment to revenue is to add back the purchase accounting adjustment for the reduction in deferred maintenance revenue related to the acquisition of IONA Technologies PLC. Software license revenue increased two percent (up 11 percent at constant currency) to \$45.9 million from \$45.1 million in the same quarter last year.

On a GAAP basis, operating income decreased 72 percent to \$4.7 million from \$17.1 million in the first quarter of fiscal 2008. Net income decreased 72 percent to \$3.7 million from \$12.8 million in the same quarter last year. Diluted earnings per share decreased 69 percent to 9 cents from 29 cents in the first quarter of fiscal 2008. Included in the results for the first quarter of fiscal 2009 is an after-tax charge of \$3.5 million, or 9 cents per share, for a restructuring charge primarily related to severance associated with a reduction in force.

On a non-GAAP basis, operating income decreased 11 percent to \$22.8 million from \$25.5 million in the same quarter last year. Non-GAAP net income decreased 15 percent to \$15.8 million from \$18.6 million in the same quarter last year and non-GAAP diluted earnings per share decreased 7 percent to 39 cents per share from 42 cents in the first quarter of fiscal 2008.

Non-GAAP amounts exclude the amortization of acquired intangibles, stock-based compensation, restructuring and acquisition-related costs, purchase accounting adjustments for deferred revenue and professional services fees associated with the investigation and shareholder derivative lawsuits related to the company's historical stock option grant practices.

The non-GAAP results noted above and the non-GAAP financial outlook for 2009 discussed below, represent non-GAAP financial measures. A reconciliation of these measures to the appropriate GAAP measures, for the three months ended February 28, 2009 and February 29, 2008, and the 2009 outlook, as well as further information regarding these measures, is included in the condensed financial information provided with this release.

The company's cash and short-term investments at the end of the first quarter totaled \$124 million. In addition, the company had approximately \$59 million in investments related to

municipal and student loan auction rate securities that were classified as non-current on the balance sheet because these securities failed to clear at auction and the company is currently unable to sell these securities in the market. The failed auctions have resulted in higher interest rates being earned on these securities, but the investments currently lack short-term liquidity.

The company repurchased approximately 101,000 shares at a cost of \$1.7 million in the first quarter of fiscal 2009. The company's existing repurchase authorization, under which approximately 9.7 million shares remain available for repurchase, expires on September 30, 2009.

Joseph Alsop, co-founder and chief executive officer of Progress Software, stated: "Our results reflect the difficult economic environment and unfavorable currency rates present in Q1, as a consequence we did not fully meet our revenue expectations. However, cost containment measures undertaken during the quarter as well as at the time of the IONA acquisition in the previous quarter allowed us to achieve very solid profitability. We are well positioned competitively in this difficult economic environment with products that reduce costs and improve operational efficiency. The revenues achieved by several of our high growth product lines (namely Progress Actional, Apama and DataXtend) demonstrate continued market acceptance of our newer technologies. But, because of delays on the part of buyers, related weakness in the results of some of our partner resellers, and extremely adverse shifts in international currencies, we are reducing our expectations with respect to non-GAAP revenue and operating income for Q2 and fiscal year 2009."

Quarterly Highlights

- The latest release of the DataDirect® Data Integration Suite was announced featuring new versions of its XML-based component technologies for data integration in traditional and service-oriented environments. Designed to meet the data transformation and aggregation needs of developers, the DataDirect Data Integration Suite contains the latest product releases of DataDirect XQuery®, DataDirect XML Converters™ (Java™ and .NET) and Stylus Studio® in one simple, highly flexible and robust installation. ([www.progress.com/datadirect data integration suite](http://www.progress.com/datadirect/data-integration-suite)).
 - Progress® Actional® Diagnostics, which leverages recently acquired Mindreef® SOAPscope® technology, was announced. Actional Diagnostics is a standalone, quality and validation desktop product that helps application developers build, test, and deliver high quality XML based services, including SOAP, REST, and POX (www.progress.com/actional-diagnostics).
 - Forrester Research, Inc. named the Progress Sonic® ESB as a leader in the enterprise service bus (ESB) market with top scores in the current offering and strategy dimensions of "The Forrester Wave™: Enterprise Service Buses, Q1 2009" Report (www.progress.com/sonic-forrester).
 - IDC has ranked the award-winning Progress OpenEdge® business application development platform as the number one pure-play embedded database management system (DBMS) in the world. IDC presented their findings in the report, 'Worldwide Embedded Database Management Systems 2007 Vendor Shares' (www.progress.com/openedge-idc).
 - Ágora Corretora de Títulos e Valores Mobiliários S.A., a division of Banco Bradesco S.A. (Bradesco) and the largest broker in Brazil's securities industry, has selected the Progress Apama® CEP Platform to support algorithmic trading within the firm's equities trading
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operation. Traders can now use the Apama platform's sophisticated tools to create unique, proprietary strategies that execute on Brazil's BM&FBovespa, the leading exchange in Latin America and the world's third largest in terms of market value (www.progress.com/agora-buys-apama).

- Clearpace Software is using the DataDirect® OpenAccess™ software development kit (SDK) and runtime software components to enable standards-based data connectivity to its NParchive product from any specialized data source or application. Using the custom driver created with the DataDirect OpenAccess SDK and runtime software components, Clearpace customers can connect thousands of existing applications to NParchive making it quick and easy to respond to audit, business and regulatory inquiries against long-term, archived data (www.progress.com/clearpace-openaccess).

Business Outlook

The company is providing the following guidance for the fiscal year ending November 30, 2009:

- GAAP revenue is expected to be in the range of \$492 million to \$502 million.
- On a non-GAAP basis, revenue is expected to be in the range of \$495 million to \$505 million.
- GAAP diluted earnings per share are expected to be in the range of 78 cents to 88 cents.
- On a non-GAAP basis, diluted earnings per share are expected to be in the range of \$1.70 to \$1.80.

The company is providing the following guidance for the second fiscal quarter ending May 31, 2009:

- GAAP revenue is expected to be in the range of \$116 million to \$118 million.
- On a non-GAAP basis, revenue is expected to be in the range of \$117 million to \$119 million.
- GAAP diluted earnings per share are expected to be in the range of 15 cents to 17 cents.
- On a non-GAAP basis, diluted earnings per share are expected to be in the range of 37 cents to 39 cents.

The company's updated guidance also accounts for an adverse foreign currency impact based on current exchange rates compared to exchange rates at the time the company previously provided guidance for fiscal 2009 on December 18, 2008.

The outlook for the non-GAAP amounts excludes the amortization of acquired intangibles, stock-based compensation, purchase accounting adjustments for deferred revenue, restructuring and acquisition-related expenses, and professional services fees associated with the investigation related to the company's historical stock option grant practices.

Legal Notice Regarding Non-GAAP Financial Information

The company 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. The company 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 of the company 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 conference call to discuss its fiscal first quarter 2009 results and business outlook will be Webcast live today at 9:00 a.m. Eastern Daylight Time on the company's Web site, located at www.progress.com/investors. The call will also be Webcast live via Yahoo (www.yahoo.com), Motley Fool (www.fool.com), Streetevents (www.streetevents.com), TD Waterhouse (www.tdwaterhouse.com) and Fidelity.com (www.fidelity.com). An archived version of the conference call will be available for replay on the Progress website (www.progress.com), together with the slide presentation for the call, under the investor relations page.

Progress Software Corporation

Progress Software Corporation (NASDAQ: PRGS) provides application infrastructure software for the development, deployment, integration and management of business applications. Our goal is to maximize the benefits of information technology while minimizing its complexity and total cost of ownership. Progress can be reached at 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 the company's business outlook, 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 of enhancements to the company's products; the growth rates of certain market segments; the positioning of the company's 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 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; changes in exchange rates; unanticipated consequences of the restatement completed in December 2006; risks associated with the SEC's formal investigation of the company's option-grant practices; the risk that the company will face additional claims and proceedings in connection with those stock option grant practices, including additional shareholder litigation and additional proceedings by the other governmental agencies; and the financial impact of the foregoing, including potentially significant litigation defense costs and claims for indemnification and advancement of expenses by directors, officers and others. 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.



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Progress Software Corporation
GAAP Condensed Consolidated Statements of Income

	Three Months Ended		Percent Change
	February 28, 2009	February 29, 2008	
<i>(In thousands except per share data)</i>			
Revenue:			
Software licenses	\$ 45,852	\$ 45,102	2%
Maintenance and services	75,008	76,465	(2)%
Total revenue	<u>120,860</u>	<u>121,567</u>	(1)%
Costs of revenue:			
Cost of software licenses	2,317	2,296	1%
Cost of maintenance and services	17,333	17,641	(2)%
Amortization of purchased technology	4,728	2,673	77%
Total costs of revenue	<u>24,378</u>	<u>22,610</u>	8%
Gross profit	<u>96,482</u>	<u>98,957</u>	(3)%
Operating expenses:			
Sales and marketing	44,315	45,842	(3)%
Product development	24,919	20,693	20%
General and administrative	14,575	13,900	5%
Amortization of other acquired intangibles	2,366	1,374	72%
Acquisition-related expenses	110	—	
Restructuring expense	5,478	—	
Total operating expenses	<u>91,763</u>	<u>81,809</u>	12%
Income from operations	4,719	17,148	(72)%
Other income, net	1,229	3,066	(60)%
Income before provision for income taxes	5,948	20,214	(71)%
Provision for income taxes	2,296	7,378	(69)%
Net income	<u>\$ 3,652</u>	<u>\$ 12,836</u>	(72)%
Earnings per share:			
Basic	\$ 0.09	\$ 0.30	(70)%
Diluted	\$ 0.09	\$ 0.29	(69)%
Weighted average shares outstanding:			
Basic	39,941	42,238	(5)%
Diluted	<u>40,521</u>	<u>44,174</u>	(8)%

Progress Software Corporation
Reconciliation of GAAP to Non-GAAP Financial Measures

<i>(In thousands except per share data)</i>	Three Months Ended February 28, 2009			Three Months Ended February 29, 2008			Percent Change
	As Reported	Adjustments	Non-GAAP	As Reported	Adjustments	Non-GAAP	
Total revenue	\$ 120,860	\$ 1,548	\$ 122,408	\$ 121,567	\$ —	\$ 121,567	1%
Purchase accounting adjustments for deferred revenue (1)	(1,548)	1,548		—	—		
Income from operations	\$ 4,719	\$ 18,077	\$ 22,796	\$ 17,148	\$ 8,346	\$ 25,494	(11)%
Purchase accounting adjustments for deferred revenue (1)	(1,548)	1,548		—	—		
Amortization of acquired intangibles	(7,094)	7,094	—	(4,047)	4,047	—	
Acquisition-related expenses	(110)	110		—	—		
Restructuring expense	(5,478)	5,478		—	—		
Stock option investigation (2)	(31)	31	—	(329)	329	—	
Stock-based compensation (3)	(3,816)	3,816	—	(3,970)	3,970	—	
Operating margin percentage	3.9%		18.6%	14.1%		21.0%	
Other income, net	\$ 1,229	\$ —	\$ 1,229	\$ 3,066	\$ —	\$ 3,066	(60)%
Effect on provision for income taxes from above adjustments (4)	\$ 2,296	\$ 5,969	\$ 8,265	\$ 7,378	\$ 2,618	\$ 9,996	(17)%
Net income	\$ 3,652	\$ 12,108	\$ 15,760	\$ 12,836	\$ 5,728	\$ 18,564	(15)%
Earnings per share — diluted	\$ 0.09		\$ 0.39	\$ 0.29		\$ 0.42	(7)%
Weighted average shares outstanding — diluted	40,521		40,521	44,174		44,174	(8)%

- (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 revenue of 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 investigation and shareholder derivative lawsuits related to its historical stock option grant practices.
- (3) Stock-based compensation expense under SFAS 123R is included in the following GAAP operating expenses:

	Three Months Ended February 28, 2009			Three Months Ended February 29, 2008		
	GAAP	Adjustments	Non-GAAP	GAAP	Adjustments	Non-GAAP
Cost of software licenses	\$ 12	\$ (12)	\$—	\$ 22	\$ (22)	\$—
Cost of maintenance and services	237	(237)	—	267	(267)	—
Sales and marketing	1,488	(1,488)	—	1,431	(1,431)	—
Product development	944	(944)	—	919	(919)	—
General and administrative	1,135	(1,135)	—	1,331	(1,331)	—
	\$3,816	\$(3,816)	\$—	\$3,970	\$(3,970)	\$—

- (4) The non-GAAP provision for income taxes was calculated reflecting an effective rate of 34.4% for the three months months ended February 28, 2009 and 35.0% for the three months ended February 29, 2008. 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.

Progress Software Corporation
Condensed Consolidated Balance Sheets

<i>(In thousands)</i>	February 28, 2009	November 30, 2008
Assets		
Cash and short-term investments	\$ 123,849	\$ 118,529
Accounts receivable, net	96,911	94,795
Other current assets	35,718	32,928
Total current assets	256,478	246,252
Property and equipment, net	62,477	63,147
Goodwill and intangible assets, net	328,387	342,254
Investments in auction-rate securities	58,687	65,204
Other assets	36,180	35,513
Total	\$ 742,209	\$ 752,370
Liabilities and shareholders' equity		
Accounts payable and other current liabilities	\$ 82,191	\$ 105,599
Short-term deferred revenue	151,639	135,786
Total current liabilities	233,830	241,385
Long-term deferred revenue	6,900	7,957
Other liabilities	14,229	21,576
Shareholders' equity:		
Common stock and additional paid-in capital	219,575	216,261
Retained earnings	267,675	265,191
Total shareholders' equity	487,250	481,452
Total	\$ 742,209	\$ 752,370

Condensed Consolidated Statements of Cash Flows

<i>(In thousands except per share data)</i>	Three Months Ended	
	February 28, 2009	February 29, 2008
Cash flows from operations:		
Net income	\$ 3,652	\$ 12,836
Depreciation, amortization and other noncash items	13,529	10,618
Other changes in operating assets and liabilities	(12,804)	(3,642)
Net cash flows from operations	4,377	19,812
Capital expenditures	(2,056)	(2,581)
Investments in auction-rate securities	5,400	(95,275)
Acquisitions, net of cash acquired	—	(5,728)
Share repurchases, net of issuances	(355)	(34,772)
Other	(2,046)	3,102
Net change in cash and short-term investments	5,320	(115,442)
Cash and short-term investments, beginning of period	118,529	339,525
Cash and short-term investments, end of period	\$ 123,849	\$ 224,083

Progress Software Corporation
Reconciliation of Forward-Looking Guidance

Diluted Earnings Per Share Range

	Three Months Ended May 31, 2009		
GAAP expectation	\$0.15	—	\$0.17
Adjustment to exclude stock-based compensation	\$0.09	—	\$0.09
Adjustment to exclude amortization of acquired intangibles	\$0.12	—	\$0.12
Adjustment to exclude purchase accounting adjustments for deferred revenue	\$0.01	—	\$0.01
Adjustment to exclude acquisition-related expenses	\$0.00	—	\$0.01
Non-GAAP expectation	\$0.37	—	\$0.39
	Twelve Months Ended November 30, 2009		
GAAP expectation	\$0.78	—	\$0.88
Adjustment to exclude stock-based compensation	\$0.33	—	\$0.33
Adjustment to exclude amortization of acquired intangibles	\$0.46	—	\$0.46
Adjustments to exclude restructuring expenses	\$0.09	—	\$0.09
Adjustment to exclude purchase accounting adjustments for deferred revenue	\$0.04	—	\$0.04
Adjustment to exclude acquisition-related expenses	\$0.01	—	\$0.01
Non-GAAP expectation	\$1.70	—	\$1.80

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