



Progress Financial Results

Q4 2020 Supplemental Data



Legal Notice

This presentation contains statements that are “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Progress has identified some of these forward-looking statements with words like “believe,” “may,” “could,” “would,” “might,” “should,” “expect,” “intend,” “plan,” “target,” “anticipate” and “continue,” the negative of these words, other terms of similar meaning or the use of future dates. Forward-looking statements in this presentation include, but are not limited to, statements regarding Progress’s strategy; acquisitions; future revenue growth, operating margin and cost savings; strategic partnering and marketing initiatives; and other statements regarding the future operation, direction, prospects and success of Progress’s business.

There are a number of factors that could cause actual results or future events to differ materially from those anticipated by the forward-looking statements, including, without limitation:

- Economic, geopolitical and market conditions can adversely affect our business, results of operations and financial condition, including our revenue growth and profitability, which in turn could adversely affect our stock price.
- We may fail to achieve our financial forecasts due to such factors as delays or size reductions in transactions, fewer large transactions in a particular quarter, fluctuations in currency exchange rates, or a decline in our renewal rates for contracts.
- Our ability to successfully manage transitions to new business models and markets, including an increased emphasis on a cloud and subscription strategy, may not be successful.
- If we are unable to develop new or sufficiently differentiated products and services, or to enhance and improve our existing products and services in a timely manner to meet market demand, partners and customers may not purchase new software licenses or subscriptions or purchase or renew support contracts.
- We depend upon our extensive partner channel and we may not be successful in retaining or expanding our relationships with channel partners.
- Our international sales and operations subject us to additional risks that can adversely affect our operating results, including risks relating to foreign currency gains and losses.
- If the security measures for our software, services, other offerings or our internal information technology infrastructure are compromised or subject to a successful cyber-attack, or if our software offerings contain significant coding or configuration errors, we may experience reputational harm, legal claims and financial exposure.
- We have made acquisitions, and may make acquisitions in the future, and those acquisitions may not be successful, may involve unanticipated costs or other integration issues or may disrupt our existing operations.
- Delay or failure to realize the expected synergies and benefits of the Chef acquisition could adversely impact our future results of operations and financial condition.
- The continuing impact of the coronavirus disease (COVID-19) outbreak on our employees, customers, partners, and the global financial markets could adversely affect our business, results of operations and financial condition

For further information regarding risks and uncertainties associated with our business, please refer to our filings with the Securities and Exchange Commission. Progress undertakes no obligation to update any forward-looking statements, which speak only as of the date of this presentation, except for statements relating to Progress' projected results for the quarter ended February 28, 2021 and fiscal year ended November 30, 2021, which speak only as of January 14, 2021.

Finally, during this presentation we will be referring to non-GAAP financial measures such as non-GAAP revenue, non-GAAP income from operations and operating margin, adjusted free cash flow and non-GAAP diluted earnings per share. These non-GAAP measures are not prepared in accordance with generally accepted accounting principles. A reconciliation between non-GAAP and the most directly comparable GAAP financial measures appears in our earnings press release for the fiscal quarter ended November 30, 2020 and is available in the Investor Relations section of our Web site.

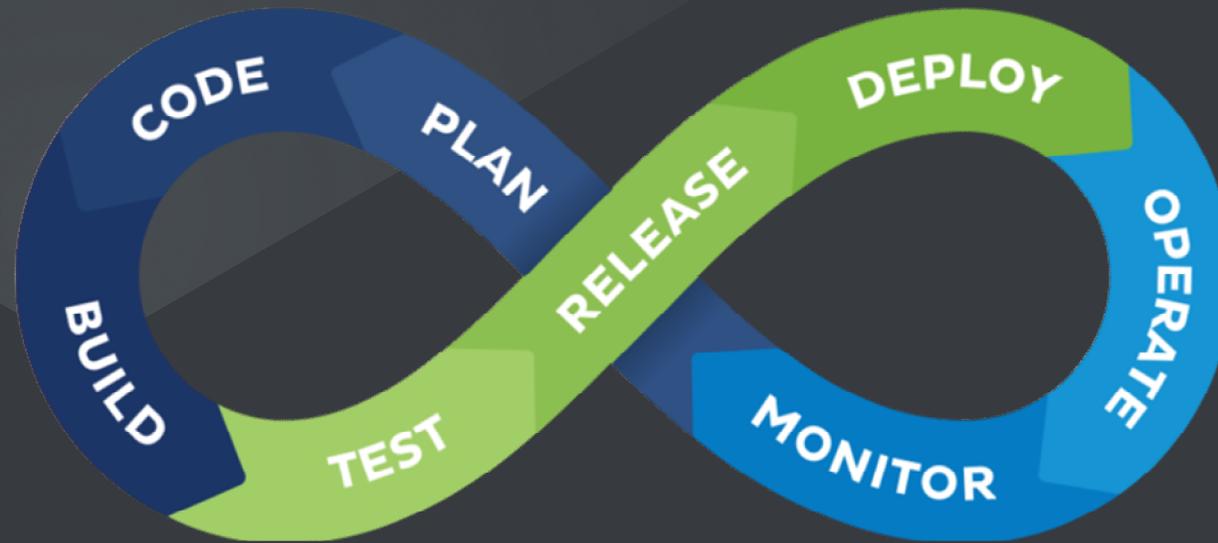
Conference Call Details

What:	Progress Q4 2020 Financial Results Conference Call
When:	Thursday, January 14 th , 2021
Time:	5:00 p.m. ET
Live Call:	1-888-458-4121, pass code 6657134
Live / Recorded Webcast:	http://investors.progress.com

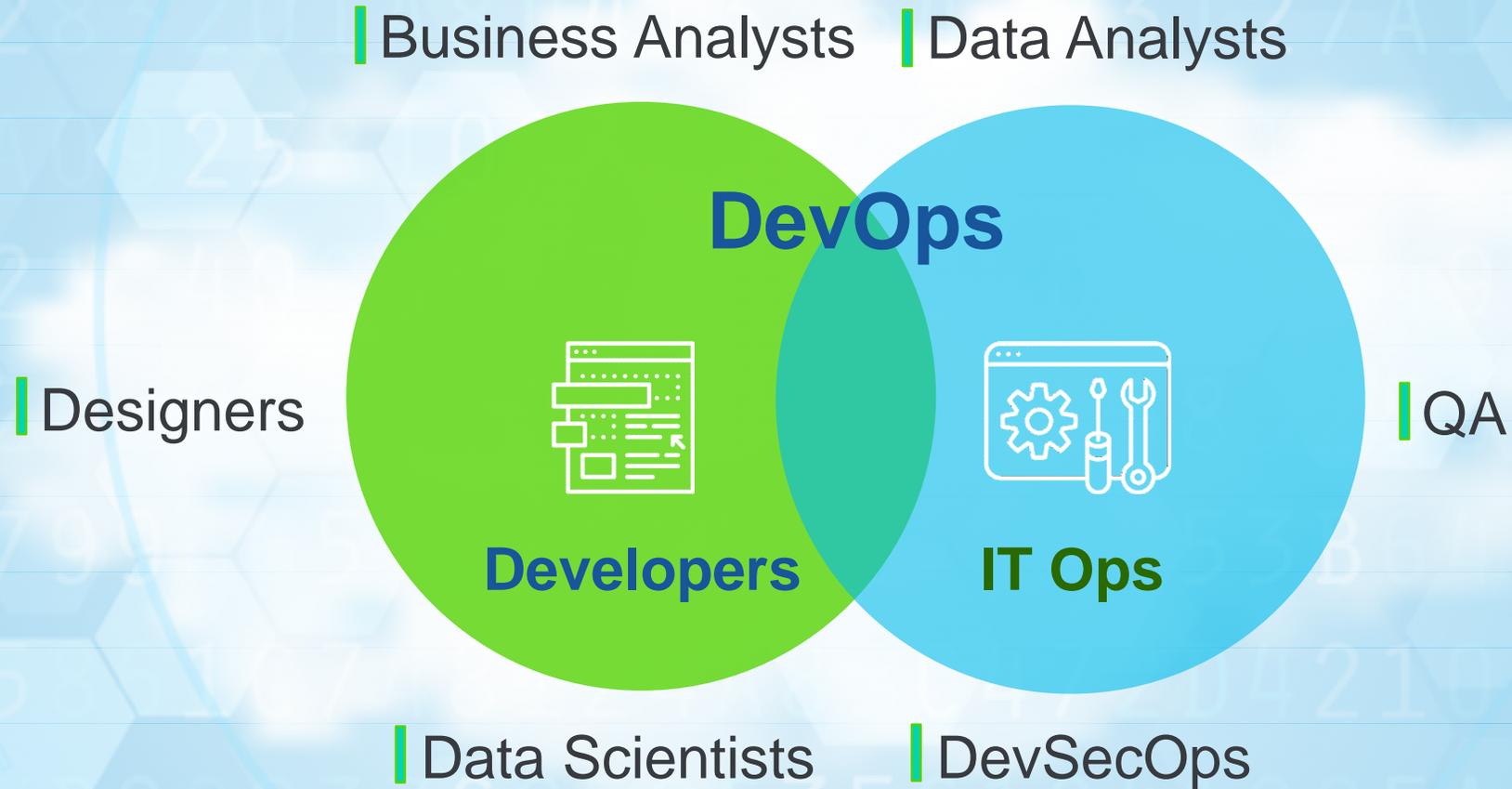
Summary Highlights

- Strong financial results
 - Non-GAAP *Revenue*, non-GAAP *EPS* and *Free Cash Flow* all above high end of guidance range
 - Results driven by stronger than expected performance by OpenEdge and DCI products
 - Continued to improve the mix of recurring revenue; ended 2020 with 80% recurring mix
 - Delivered operating margin above 40% driven by top line strength and continued cost management
- Chef acquisition *closed* on October 5, 2020
 - DevOps pioneer and leader providing a continuous delivery automation platform for IT operators and security teams to securely build, deploy and manage any application in modern multi-cloud and hybrid environments, as well as on premises
 - Integration and financial results both tracking to plan
 - Integration to continue throughout 2021 resulting in more accretion later in the year
- Enhanced *M&A capabilities* aimed at sourcing, executing and integrating acquisitions more efficiently to take advantage of *large and growing DevOps market opportunity*

Progress is a **trusted provider** of the best products to **develop, deploy and manage high-impact** business applications



The Evolving Application / Technology Team



M&A Framework

--- Goal is to double the size of the company in 5 years ---

Accretive M&A enables us to add scale and cash flows, and generate strong shareholder returns

- Target acquisition profile:
 - Complementary to our business (product, audience & growth profile)
 - Significant recurring revenue and excellent retention rates
 - Cost synergistic and accretive
 - Operating margins after synergies that are consistent with our overall margins
 - ROIC above our weighted average cost of capital

Progress Investment Highlights



Durable, predictable financial model



High quality revenue base and highly recurring revenue model



Accretive M&A and operational efficiencies driving margin improvement



Track record of successful acquisition integration and synergy achievement



Delivering meaningful earnings per share and free cash flow growth



Disciplined and shareholder friendly capital allocation strategy

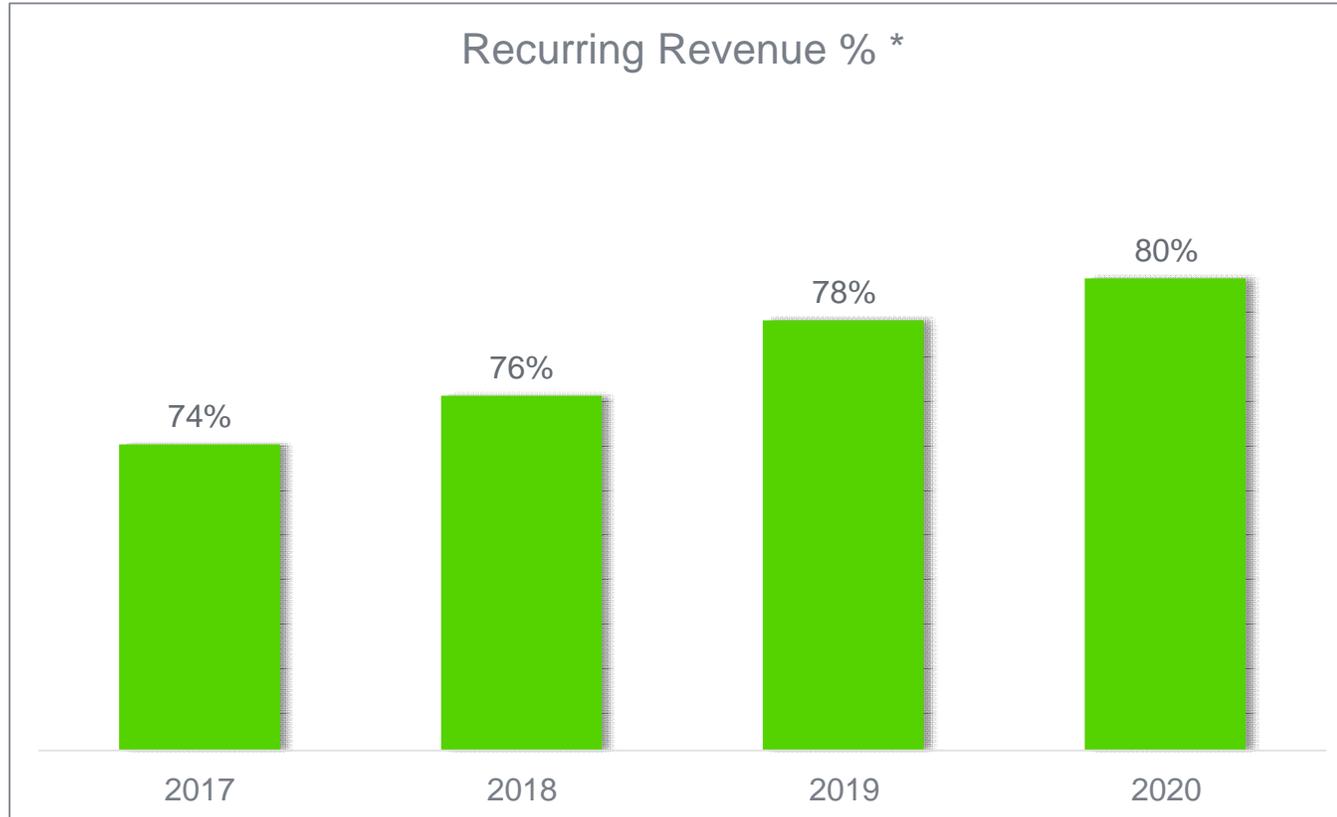
Summary Q4 2020 Financial Results

	Q4 2020 Outlook (9/29/2020)	Q4 2020 Results
GAAP Revenue	\$119 M - \$123 M	\$122.4 M (+5% YoY)
Non-GAAP Revenue	\$125 M - \$129 M	\$129.1 M (+5% YoY)
GAAP earnings per share (Diluted)	\$0.26 - \$0.29	\$0.39
Non-GAAP earnings per share (Diluted)	\$0.76 - \$0.79	\$0.91 (+15%)
GAAP Operating Margin	<i>Not guided</i>	15%
Non-GAAP Operating Margin	<i>Not guided</i>	37% (-100 Bps YoY)
Adjusted Free Cash Flow	<i>Not guided</i>	\$40.7 M (+11% YoY)

Summary 2020 Financial Results

	FY 2020 Outlook (9/29/2020)	FY 2020 Results
GAAP Revenue	\$438 M - \$442 M	\$442.2 M (+7% YoY)
Non-GAAP Revenue	\$452 M - \$456 M	\$456.2 M (+6% YoY)
GAAP earnings per share (Diluted)	\$1.63 - \$1.66	\$1.76 (+203%)
Non-GAAP earnings per share (Diluted)	\$2.94 - \$2.97	\$3.09 (+15%)
GAAP Operating Margin	24%	24% (+1400 Bps YoY)
Non-GAAP Operating Margin	40%	40% (+200 Bps YoY)
Adjusted Free Cash Flow	\$135 M - \$140 M	\$142.5 M (+11% YoY)

Recurring Revenue Contributing to Stability



Mission critical nature of the applications we power

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Net revenue retention rate on maintenance – well over 90%

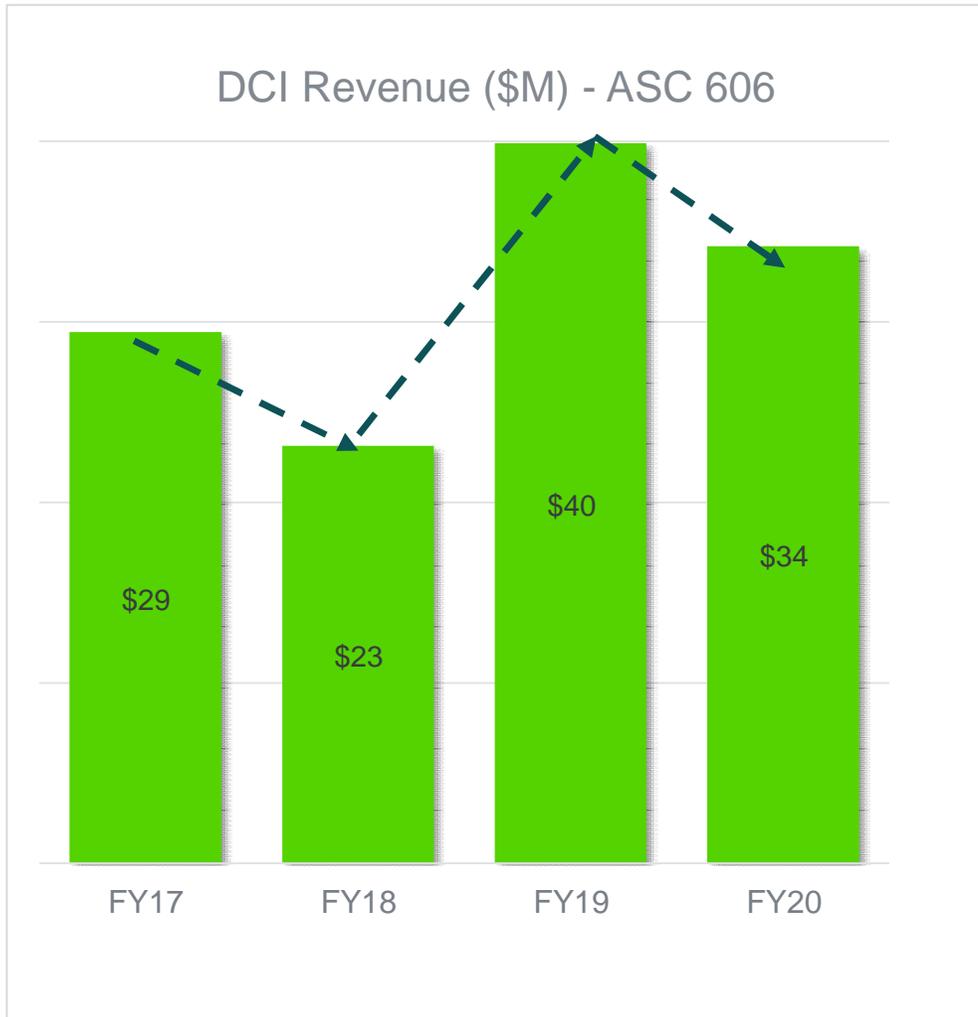
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High percentage of recurring revenue and durability during uncertain times

Recurring Revenue includes: Maintenance Revenue, Revenue derived from hosted/SaaS solutions and subscription revenue derived from subscription or term license arrangements

* Excludes impact of FX by using constant exchange rates for all years.

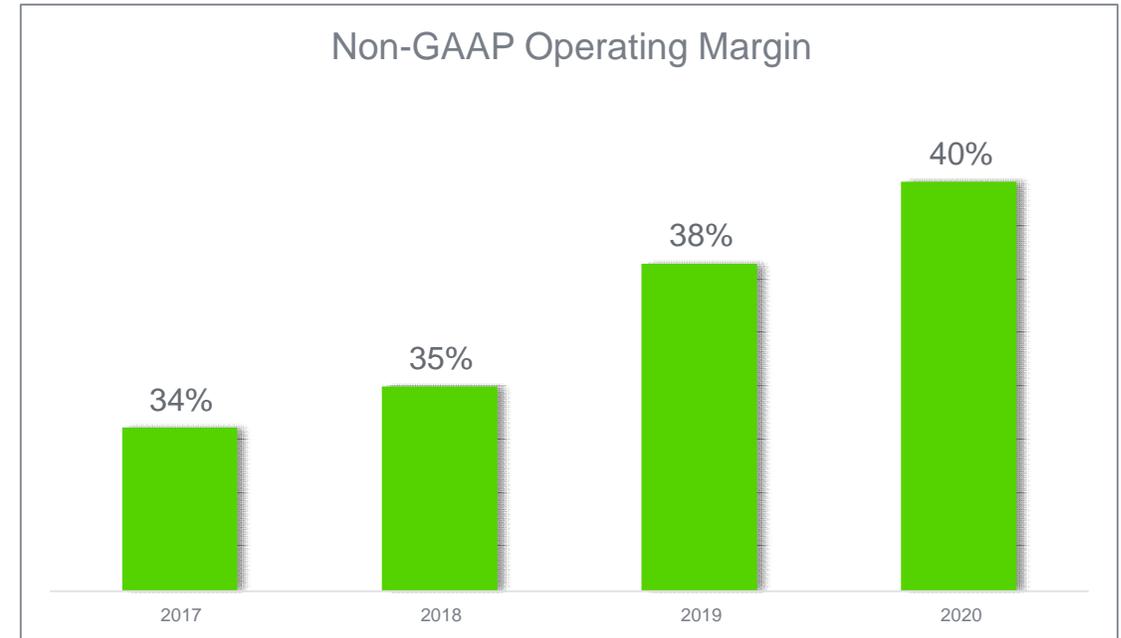
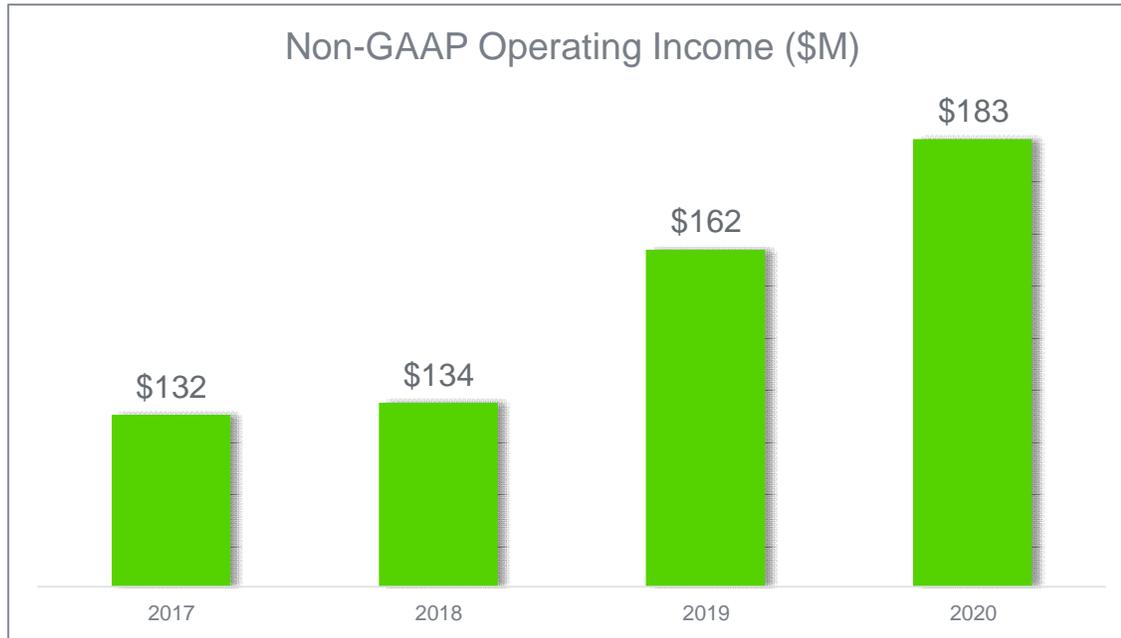
DCI Revenue vs. ACV -- the impact of ASC 606



- Variability in revenue primarily caused by multi-year term license contracts
- Annual Contract Value shows consistent performance

Driving Operating Leverage

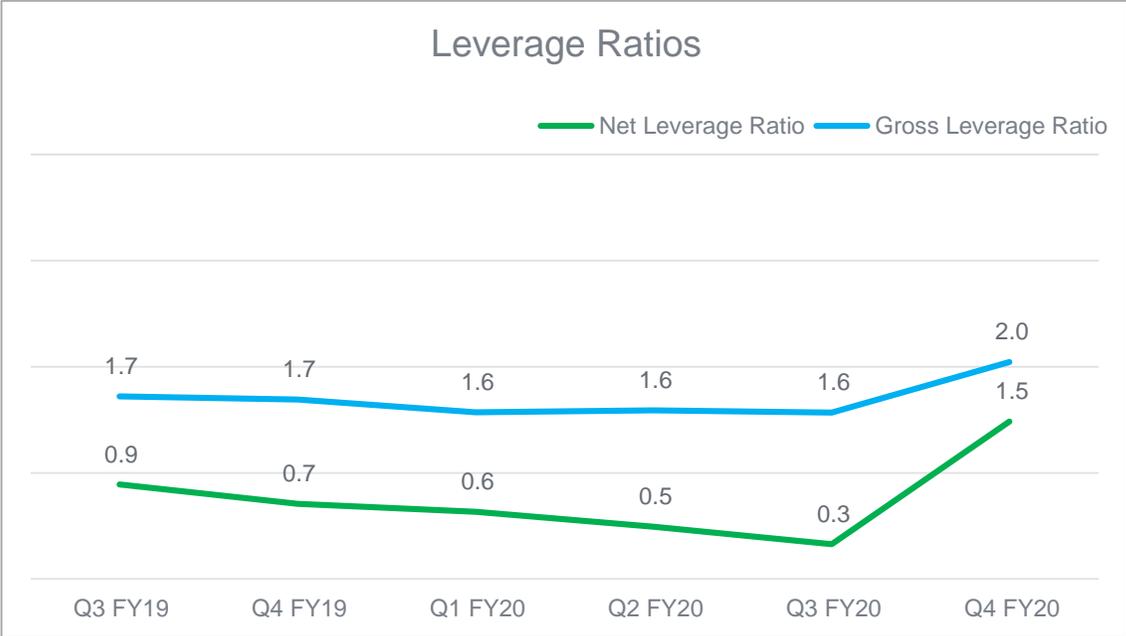
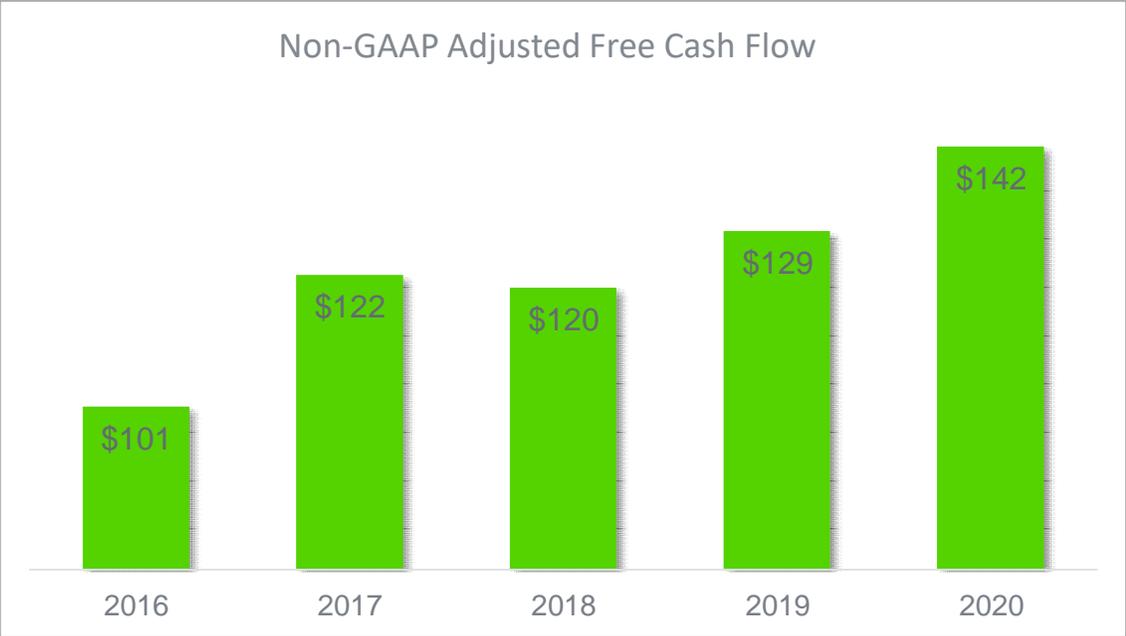
(% of non-GAAP revenue)



Focus on cost management and running a lean, profitable business

Integrating acquisitions into our operating model drives more scale in operating margin (Ipswitch in May 2019 and Chef in October 2020)

Strong Liquidity/Debt Capacity



Strong free cash flow and low leverage ratios allow for greater financing flexibility to execute total growth strategy

Capital Allocation



- Continue to return capital to shareholders in the form of dividends

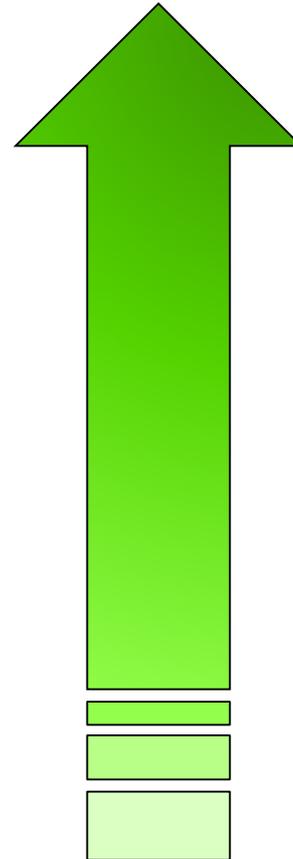


- Accretive M&A that meets our disciplined criteria

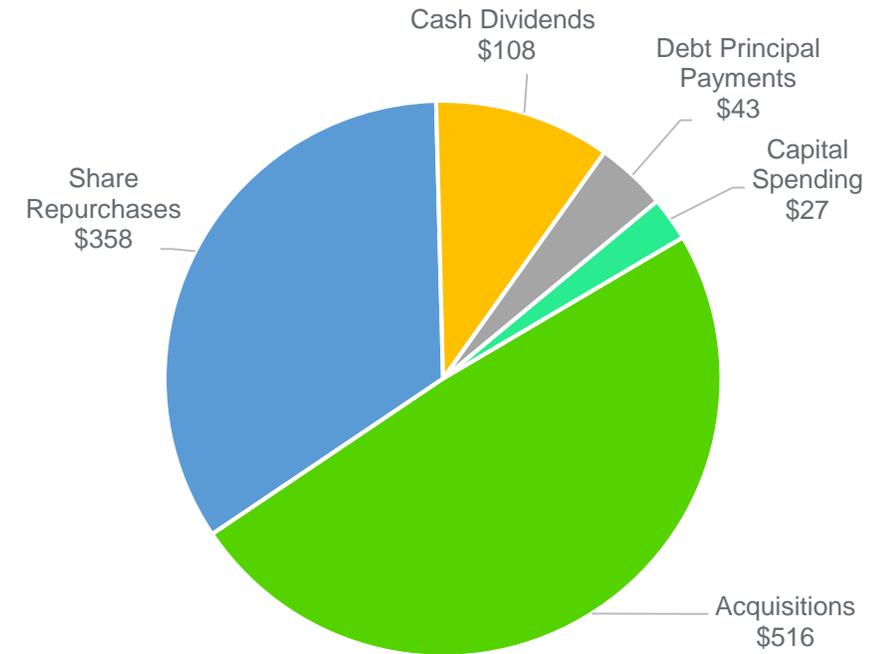


- Repurchase shares to offset dilution from our equity programs
 - Existing authorization \$250M; \$190M remaining
 - Flexibility to increase, reduce or suspend repurchases, depending on market conditions and size and timing of M&A

Primary focus



Capital Allocation 2016 – 2020



Share repurchase authorization

- Current total: \$250M
- Remaining: \$190M

Business Outlook (as of January 14, 2021)

	Q1 2021 (1/14/2021)	FY 2021 (1/14/2021)
Non-GAAP Revenue	\$119 M - \$123 M	\$513 M – \$521 M
Non-GAAP EPS	\$0.70 - \$0.73	\$3.22 – \$3.28
Non-GAAP Operating Margin	<i>Not guided</i>	37%
Non-GAAP Adjusted Free Cash Flow	<i>Not guided</i>	\$150 M – \$155 M
Non-GAAP Effective Tax Rate	<i>Not guided</i>	20%



Supplemental Financial Information

Results of Operations by Segment (Presented on a GAAP basis)

(Unaudited)

(In thousands)	Three Months Ended			Twelve Months Ended		
	November 30, 2020	November 30, 2019	% Change	November 30, 2020	November 30, 2019	% Change
Segment revenue:						
OpenEdge	85,836	85,250	1%	326,444	296,929	10%
Data Connectivity and Intergration	12,372	12,217	1%	34,187	39,903	(14%)
Application Development and Deployment	24,177	19,571	24%	81,519	76,466	7%
Total revenue	122,385	117,038	5%	442,150	413,298	7%
Segment costs of revenue and operating expenses:						
OpenEdge	20,368	25,086	(19%)	76,352	85,209	(10%)
Data Connectivity and Integration	2,157	2,724	(21%)	8,397	7,973	5%
Application Development and Deployment	15,177	6,926	119%	36,749	23,993	53%
Total costs of revenue and operating expense	37,702	34,736	9%	121,498	117,175	4%
Segment contribution:						
OpenEdge	65,468	60,164	9%	250,092	211,720	18%
Data Connectivity and Intergration	10,215	9,493	8%	25,790	31,930	(19%)
Application Development and Deployment	9,000	12,645	(29%)	44,770	52,473	(15%)
Total contribution	84,683	82,302	3%	320,652	296,123	8%
Other unallocated expenses	66,169	88,328	(25%)	212,924	256,039	(17%)
Income from operations	18,514	(6,026)	407%	107,728	40,084	169%
Other (expense) income, net	(1,887)	(3,551)	47%	(11,093)	(11,589)	4%
Income before provision for income taxes	16,627	(9,577)	274%	96,635	28,495	239%

⁽¹⁾The following expenses are not allocated to our segments as we manage and report our business in these functional areas on a consolidated basis only: certain product development and corporate sales and marketing expenses, customer support, administration, amortization of acquired intangibles, stock-based compensation, restructuring, and acquisition-related expenses.

Supplemental Revenue Information (Presented on a GAAP basis)

(Unaudited)

(in thousands)	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020
Revenue by Type					
License	39,336	30,629	19,663	27,514	37,443
Maintenance	68,868	70,056	71,686	72,764	74,381
Services	8,834	8,998	9,034	9,421	10,561
Total Revenue	<u>\$ 117,038</u>	<u>\$ 109,683</u>	<u>\$ 100,383</u>	<u>\$ 109,699</u>	<u>\$ 122,385</u>
Revenue by Region					
North America	70,145	65,413	56,564	62,927	76,094
EMEA	35,187	34,988	34,157	37,447	37,162
Latin America	5,626	4,000	3,346	3,547	3,681
Asia Pacific	6,080	5,282	6,316	5,778	5,448
Total Revenue	<u>\$ 117,038</u>	<u>\$ 109,683</u>	<u>\$ 100,383</u>	<u>\$ 109,699</u>	<u>\$ 122,385</u>
Revenue by Segment					
OpenEdge	85,250	77,079	77,735	85,794	85,836
Data Connectivity and Integration	12,217	13,685	3,662	4,468	12,372
Application Development and Deployment	19,571	18,919	18,986	19,437	24,177
Total Revenue	<u>\$ 117,038</u>	<u>\$ 109,683</u>	<u>\$ 100,383</u>	<u>\$ 109,699</u>	<u>\$ 122,385</u>

Other NON-GAAP Financial Measures

(Unaudited)

(in thousands)	Q4 2020	Non-GAAP Adjustment	Non-GAAP Revenue
Revenue by Type			
License	37,443	265	37,708
Maintenance	74,381	6,301	80,682
Services	10,561	112	10,673
Total Revenue	<u>\$ 122,385</u>	<u>\$ 6,678</u>	<u>\$ 129,063</u>
Revenue by Region			
North America	76,094	3,383	79,477
EMEA	37,162	2,518	39,680
Latin America	3,681	57	3,738
Asia Pacific	5,448	720	6,168
Total Revenue	<u>\$ 122,385</u>	<u>\$ 6,678</u>	<u>\$ 129,063</u>
Revenue by Segment			
OpenEdge	85,836	919	86,755
Data Connectivity and Integration	12,372	0	12,372
Application Development and Deployment	24,177	5,759	29,936
Total Revenue	<u>\$ 122,385</u>	<u>\$ 6,678</u>	<u>\$ 129,063</u>

Other NON-GAAP Financial Measures

(Unaudited)

(in thousands)	YTD GAAP Basis Q4 2020	YTD Non-GAAP Adjustment	YTD Non-GAAP Q4 2020
Revenue by Type			
License	115,249	369	115,618
Maintenance	288,887	13,167	302,054
Services	38,014	526	38,540
Total Revenue	\$ 442,150	\$ 14,062	\$ 456,212
Revenue by Region			
North America	260,998	8,639	269,637
EMEA	143,754	3,975	147,729
Latin America	14,574	171	14,745
Asia Pacific	22,824	1,277	24,101
Total Revenue	\$ 442,150	\$ 14,062	\$ 456,212
Revenue by Segment			
OpenEdge	326,444	8,303	334,747
Data Connectivity and Integration	34,187	0	34,187
Application Development and Deployment	81,519	5,759	87,278
Total Revenue	\$ 442,150	\$ 14,062	\$ 456,212

