



# Progress Financial Results

Q3 2021 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 Kemp 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 August 31, 2021 and fiscal year ended November 30, 2021, which speak only as of September 23, 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 August 31, 2021 and is available in the Investor Relations section of our Web site.

# Conference Call Details

**What:** Progress Q3 2021 Financial Results Conference Call

**When:** Thursday, September 23<sup>rd</sup>, 2021

**Time:** 5:00 p.m. ET

**Live Call:** (800) 773-2954

(847) 413-3731

Conf ID: 50220857

**Live / Recorded Webcast:** <http://investors.progress.com>

# Summary Highlights

## Strong Financial Results

- Three consecutive quarters of strong performance provide confidence to **increase our full year FY21 guidance for the third time this year**, driven by top-line strength across all products.
  - Stable, durable top line reflected in **ARR growth** (up 25% on an as reported basis and 4% on a pro-forma basis, both in constant currency) and **improvement in net retention rate** to above 100%.
- **Chef contributing on the top and bottom line** with OpenEdge, DataDirect, DevTools, and Ipswitch also showing notable strength.
- **Continued strong demand across product lines and markets** (vs 2020) as customers and partners fund new projects or expand existing deployments, coupled with outstanding execution.

## Kemp Acquisition

- **Aligns well with our Total Growth Strategy**; creates shareholder value while adding scale.
- **Meets Our Disciplined Acquisition Criteria**; purchased at a reasonable multiple in a hyper-competitive M&A environment.
- **Adds leading Application Experience (AX) technologies to our** DevOps, Application Development, Data Connectivity and DX offerings.

# Kemp – Company Overview

*Kemp is the leader in Application Experience (“AX”) technologies. Its Loadmaster and Flowmon products ensure high performance and always-on availability by monitoring performance and balancing traffic and workloads across servers. Kemp’s technologies help customers optimize, analyze and secure their applications across private and multi-cloud environments.*

**~1,100**  
Active Customers

**100,000** Deployments  
**138** Countries

**~ 90** Distributors  
**~2,000** VARs and SIs

## Company Highlights

- \$70M (2022E)
- 1,100 active customers, including global brands: Amazon, Disney, NFL, Walmart, Apple, Dell, Raytheon, NASA, USAF, Audi, Hyundai, Ford, Harvard University, UPS, Merck, Rite Aid, Pemex, Nestle...
- Founded 2000
- Headquartered in Melville, NY
- ~300 employees

## Product Break-out

- **LOADMASTER ADC**
  - Hardware LoadMaster Load Balancer
  - Cloud-native LoadMaster Load Balancer
  - Virtual LoadMaster Load Balancer
  - ECS Connection Manager
  - Multi-tenant Load Balancer
- **FLOWMON NPMD & NDR**
  - Flowmon Collector
  - Flowmon Probe

# Kemp's AX Technologies

## Application Delivery Control

“ADC” provides simplified deployments, flexible licensing, and unmatched value for load balancing apps across cloud and on-prem environments.

## Network Performance Monitoring

“NPMD” provides intelligent network traffic capture, comprehensive network performance monitoring, and automated root-cause analysis.

## Network Detection & Response

“NDR” employs AI-driven behavior analysis and anomaly detection to preemptively mitigate the most subtle exploits before they have negative impact.

## Application Performance Monitoring

“APM” Provides insights on app and database performance combined with workflow automation for addressing sub-optimal AX.

*Kemp's AX products add scale to our existing strengths in DevOps, Application Development, Data Connectivity and DX and the ability to provide Agile Infrastructure (Cloud Platforms and Chef), and complement WhatsUp Gold, our market-leading easy-to-use network management product acquired with Ipswitch.*

# Kemp - Transaction Overview

<b>Timing</b>	<ul style="list-style-type: none"><li>• Definitive agreement signed September 23, 2021</li><li>• Expected close in Q4 2021 subject to customary closing conditions and regulatory review</li></ul>
<b>Purchase Price</b>	<ul style="list-style-type: none"><li>• \$258 million, all-cash transaction<ul style="list-style-type: none"><li>▪ \$384 million of existing cash</li><li>▪ Approximately \$100 million revolving credit facility</li></ul></li></ul>
<b>Financial Overview</b>	<ul style="list-style-type: none"><li>• Approximately \$70 million in revenue – no expectation of revenue synergies</li><li>• Operating margins over 40% after cost synergies</li><li>• Accretive to both non-GAAP EPS and cash flow beginning in Q4 2021</li></ul>
<b>FY21 Financial Impact</b>	<ul style="list-style-type: none"><li>• Based on expected closing date, Kemp will be part of Progress for 1 month in FY'21<ul style="list-style-type: none"><li>• \$4M - \$5M non-GAAP revenue contribution</li><li>• \$0.01 non-GAAP net income per share</li></ul></li></ul>
<b>Integration</b>	<ul style="list-style-type: none"><li>• Cost synergies fully realized within 12 months</li></ul>

# 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, and 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, high and increasing mix of recurring revenue



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



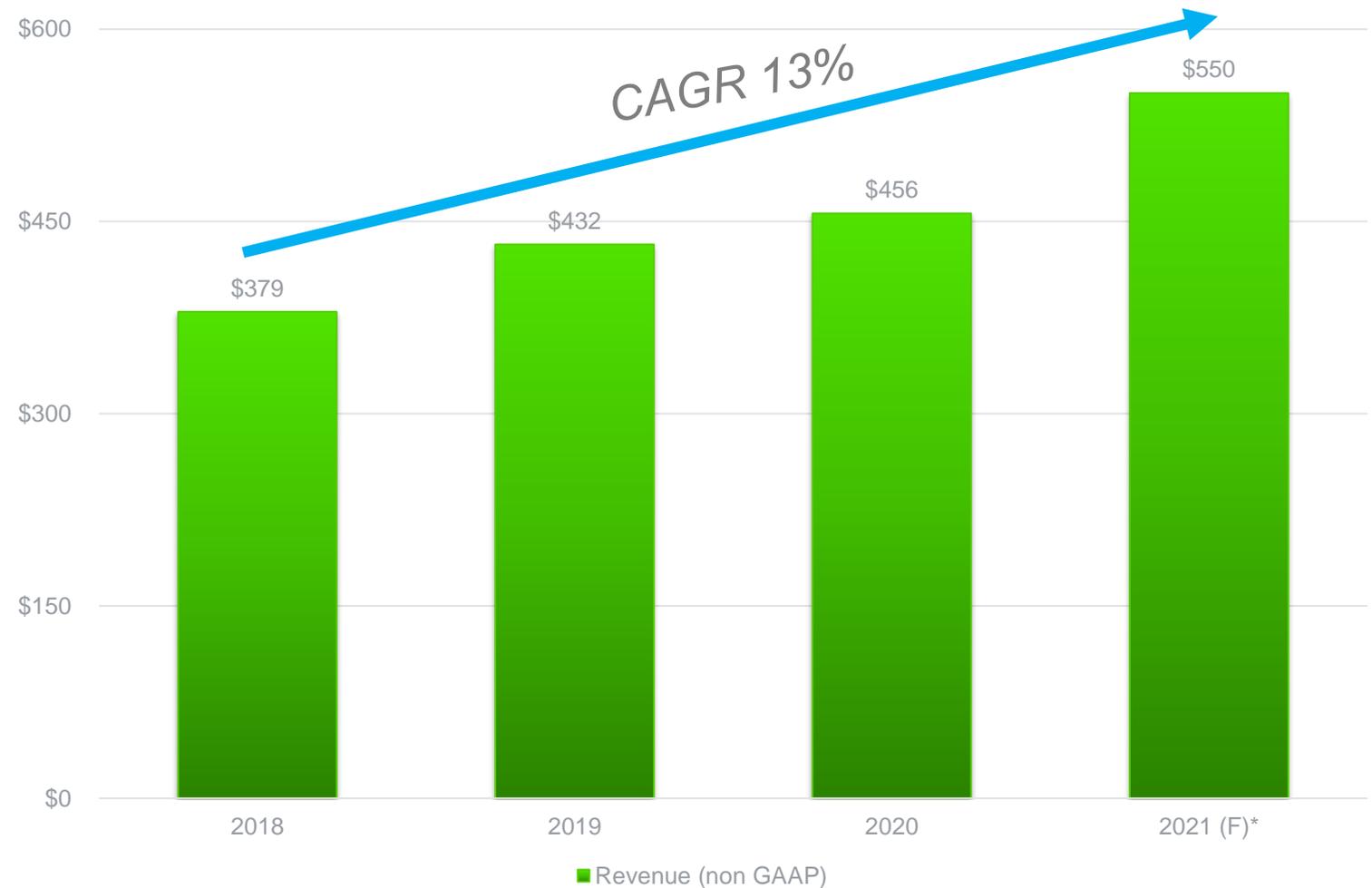
Disciplined and shareholder-friendly capital allocation strategy

# Summary Q3 2021 Financial Results

	Q3 2021 Results	Q3 2021 Outlook (6/24/2021)
GAAP Revenue	\$147 M	\$124 M - \$127 M
Non-GAAP Revenue	\$153 M	\$129 M - \$132 M
GAAP earnings per share (Diluted)	\$0.70	\$0.34 - \$0.36
Non-GAAP earnings per share (Diluted)	\$1.18	\$0.81 - \$0.83
GAAP Operating Margin	31%	Not guided
Non-GAAP Operating Margin	47%	Not guided
Adjusted Free Cash Flow	\$35 M	Not guided

# Driving Total Growth

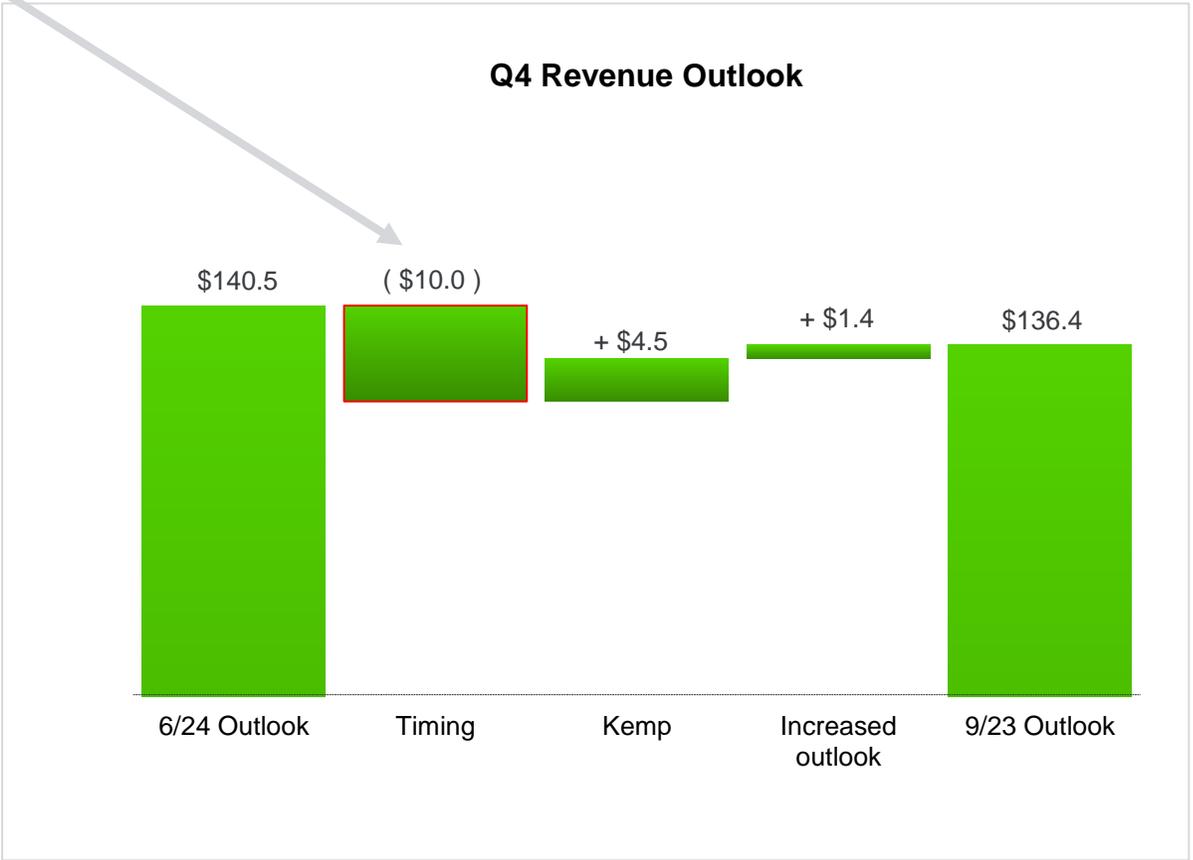
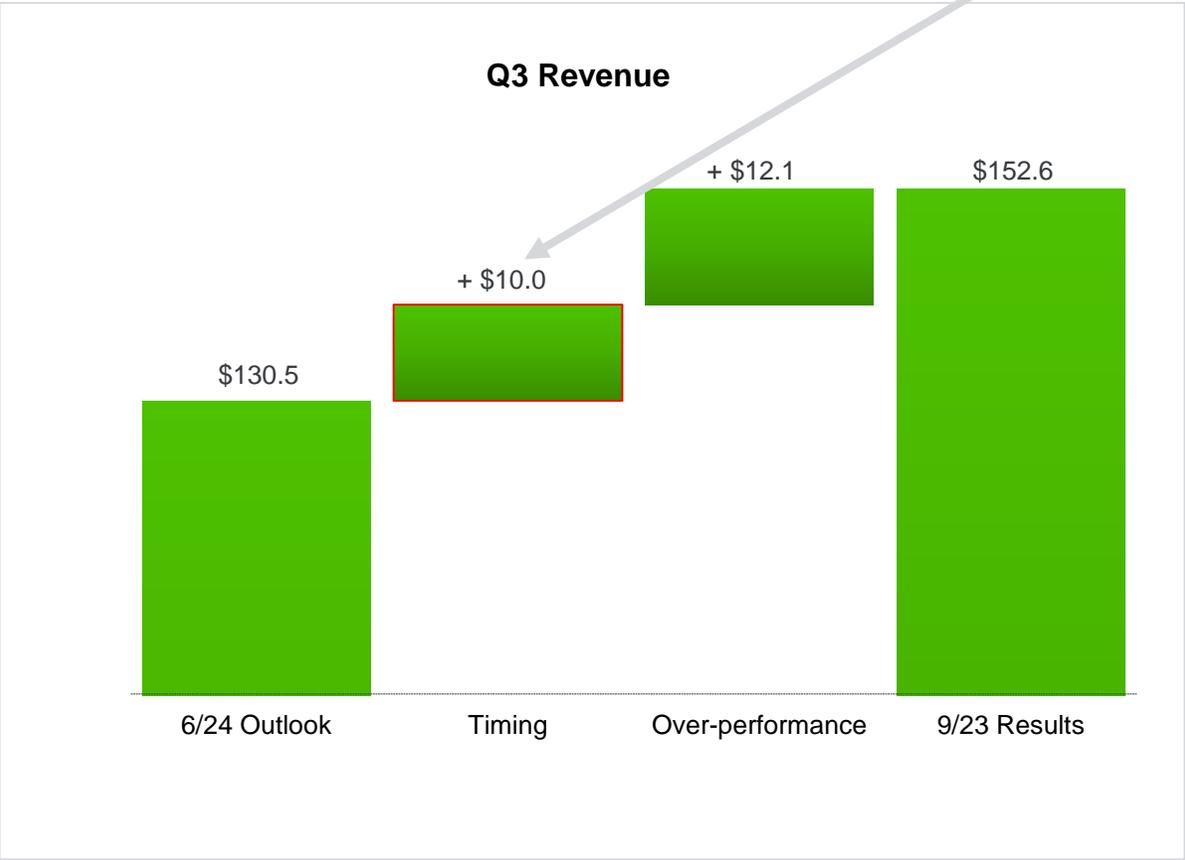
- *FY'21(F)\* revenue growth of 21%*
- *Revenue CAGR of 13%  
2018 – 2021(F)\**



\* Represents the mid-point of our FY'21 guidance range

# Quarterly Revenue Performance and Timing \*

- Meaningful over-performance in Q3 in addition to deal timing benefit
- Q3 revenue timing pulls from Q4 into Q3 but doesn't detract from the full year

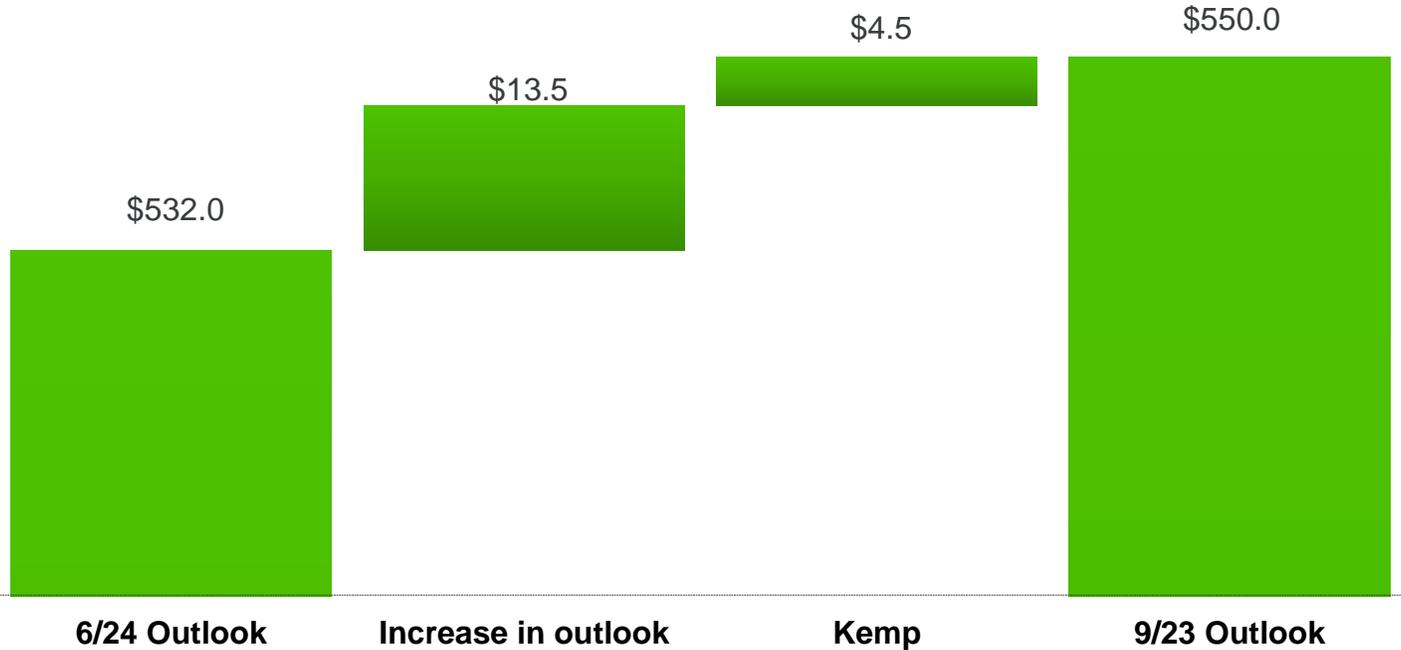


\* The "outlook" in the above charts represent the mid-point of our guidance range

# Full Year Revenue Outlook\*

- *The increase in FY'21 outlook is driven by*
  - *Over-performance and*
  - *One month of Kemp*
  
- *Full year FY'21 outlook*
  - *Initial \$517*
  - *Q1 \$523*
  - *Q2 \$532*
  - *Q3 \$550*

FY '21 Revenue Outlook\*



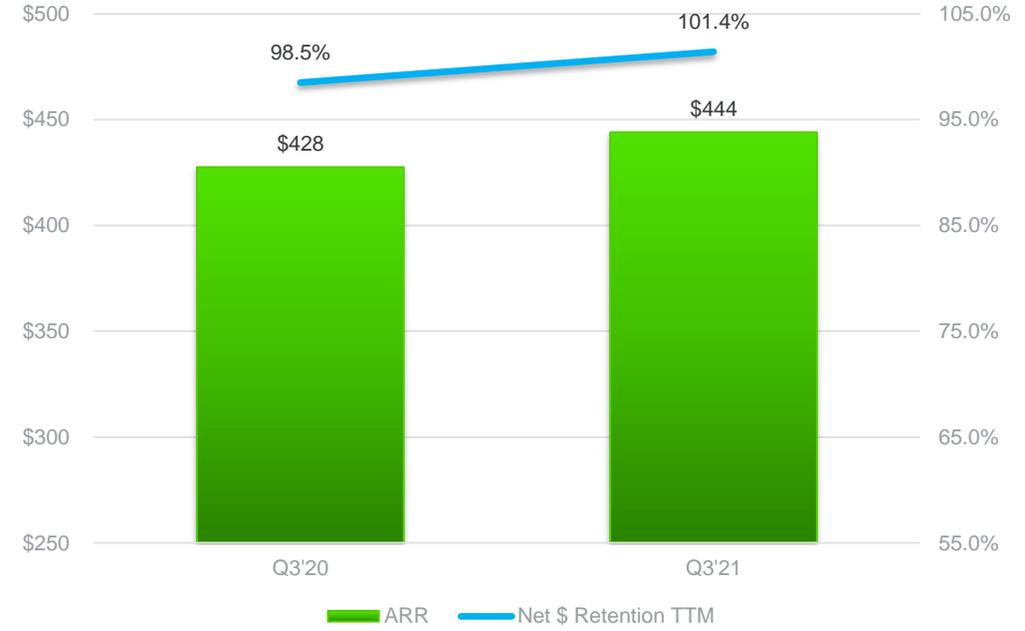
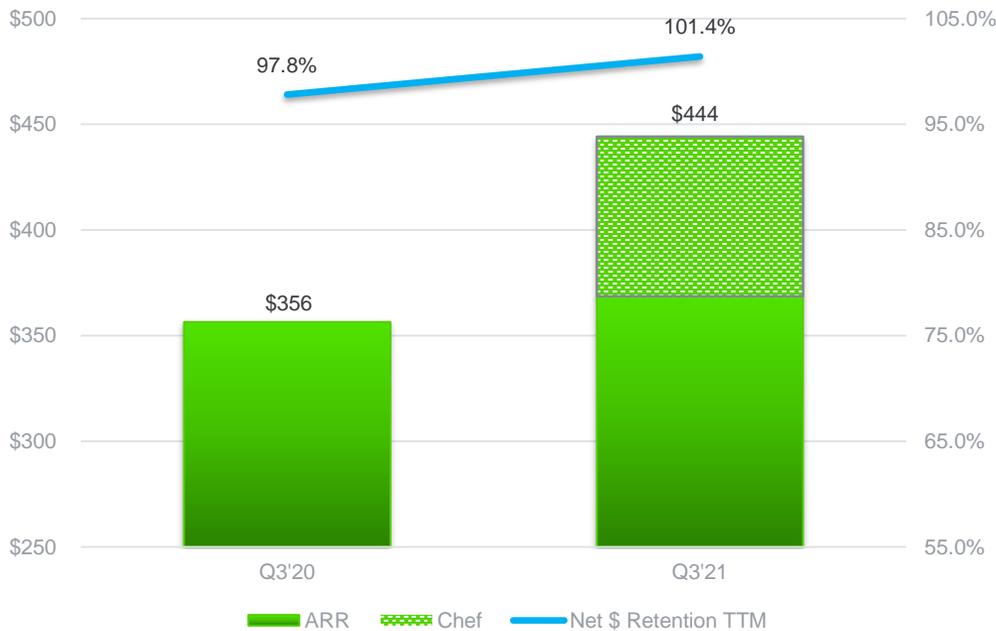
\* Outlook represent the mid-point of our guidance range

# Growth in Annualized Recurring Revenue

(amounts reported in constant currency)

**“As Reported”**  
*Chef adds less than \$80M of ARR*  
*ARR growth = 25 % year-over-year*  
*Net Retention Rate has ranged between 98%-101%*

**“Pro Forma”**  
*Chef ARR included in both periods presented*  
*ARR growth = 4 % year-over-year*  
*Net Retention Rate has ranged between 99%-101%*



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

# Growing Profitability

- *Consistent growth in operating income*  
*CAGR 18% FY'18 – FY'21(F)\**
- *Best-in-class operating margins consistently above 35%*



\* Represents the mid-point of our FY'21 guidance range

# Business Outlook (as of September 23, 2021)

	Q4 2021 Current Outlook	FY 2021 Current Outlook	FY 2021 Prior Outlook (As of 6/24/2021)
Non-GAAP Revenue	\$134 M – \$138 M	\$548 M – \$552 M	\$529 M – \$535 M
Non-GAAP EPS	\$0.73 – \$0.75	\$3.68 – \$3.70	\$3.46 – \$3.50
Non-GAAP Operating Margin	<i>Not guided</i>	40%	39%
Non-GAAP Adjusted Free Cash Flow	<i>Not guided</i>	\$168 M – \$172 M	\$158 M – \$162 M
Non-GAAP Effective Tax Rate	<i>Not guided</i>	20 - 21%	20 - 21%





# Supplemental Financial Information \*

\* The following supplemental financial information is presented on a GAAP basis. A reconciliation of non-GAAP financial measures to the most directly comparable GAAP numbers can be found in the financial results press release that we issued today.

# Supplemental Revenue Information

(Unaudited)

(in thousands)	QTD GAAP Basis						
	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021
<b>Revenue by Type</b>							
License	30,629	19,663	27,514	37,443	33,317	30,107	51,930
Maintenance	70,056	71,686	72,764	74,381	76,977	80,069	82,875
Services	8,998	9,034	9,421	10,561	10,986	12,312	12,612
Total Revenue	\$ 109,683	\$ 100,383	\$ 109,699	\$ 122,385	\$ 121,280	\$ 122,488	\$ 147,417
<b>Revenue by Region</b>							
North America	65,413	56,564	62,927	76,094	71,505	71,094	93,880
EMEA	34,988	34,157	37,447	37,162	40,240	41,321	40,999
Latin America	4,000	3,346	3,547	3,681	3,493	3,753	5,298
Asia Pacific	5,282	6,316	5,778	5,448	6,042	6,320	7,240
Total Revenue	\$ 109,683	\$ 100,383	\$ 109,699	\$ 122,385	\$ 121,280	\$ 122,488	\$ 147,417

# Other NON-GAAP Financial Measures

(Unaudited)

(in thousands)	QTD GAAP Q3 2021	QTD Non-GAAP Adjustment	QTD Non-GAAP Revenue
<b>Revenue by Type</b>			
License	51,930	226	52,156
Maintenance	82,875	4,925	87,800
Services	12,612	29	12,641
Total Revenue	<u>\$ 147,417</u>	<u>\$ 5,180</u>	<u>\$ 152,597</u>
<b>Revenue by Region</b>			
North America	93,880	3,744	97,624
EMEA	40,999	1,155	42,154
Latin America	5,298	21	5,319
Asia Pacific	7,240	260	7,500
Total Revenue	<u>\$ 147,417</u>	<u>\$ 5,180</u>	<u>\$ 152,597</u>

# Other NON-GAAP Financial Measures

(Unaudited)

(in thousands)	YTD GAAP Q3 2021	YTD Non-GAAP Adjustment	YTD Non-GAAP Q3 2021
<b>Revenue by Type</b>			
License	115,354	2,984	118,338
Maintenance	239,921	19,243	259,164
Services	35,910	167	36,077
Total Revenue	<u>\$ 391,185</u>	<u>\$ 22,394</u>	<u>\$ 413,579</u>
<b>Revenue by Region</b>			
North America	236,479	15,186	251,665
EMEA	122,560	6,027	128,587
Latin America	12,544	103	12,647
Asia Pacific	19,602	1,078	20,680
Total Revenue	<u>\$ 391,185</u>	<u>\$ 22,394</u>	<u>\$ 413,579</u>

