

**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 27, 2014

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))

Section 2 – Financial Information

Item 2.02 Results of Operations and Financial Condition.

On March 27, 2014, Progress Software Corporation issued a press release announcing its financial results for the fiscal first quarter ended February 28, 2014. A copy of the press release is attached to this Current Report on Form 8-K as Exhibit 99.1 and is incorporated herein by reference.

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

Non-GAAP Financial Measures – We disclosed non-GAAP financial measures in the press release. These non-GAAP measures include expenses, income from operations, income from continuing operations, earnings per share from continuing operations and operating margin. We provide non-GAAP financial measures to enhance the overall understanding of our current financial performance and prospects for the future as well as to enable investors to evaluate our performance in the same way that management does. We use these non-GAAP measures, and we believe that they assist our investors, to make period-to-period comparisons of our operational performance because they provide a view of our operating results without items that are not, in our view, indicative of our core operating results. Management uses these same non-GAAP financial measures to evaluate performance, allocate resources, and determine compensation. These non-GAAP financial measures are also utilized by analysts to calculate consensus estimates. However, non-GAAP information should not be construed as an alternative to GAAP information as the items excluded from the non-GAAP measures often have a material impact on our financial results. Management uses, and investors should consider, non-GAAP measures in conjunction with our GAAP results.

In the noted fiscal periods, we adjusted for the following items from our GAAP financial results to arrive at our non-GAAP financial measures:

- *Amortization of acquired intangibles* – In all periods presented, we excluded amortization of acquired intangibles because such expenses are unrelated to our core operating performance and the intangible assets acquired vary significantly based on the timing and magnitude of our acquisition transactions and the maturities of the businesses acquired.
- *Stock-based compensation* – In all periods presented, we excluded stock-based compensation to be consistent with the way management and the financial community evaluates our performance and the methods used by analysts to calculate consensus estimates.
- *Restructuring expenses* – In all periods presented, we excluded restructuring expenses incurred because such expenses distort trends and are not part of our core operating results.
- *Acquisition-related expenses* – In the three months ended February 28, 2014, we excluded acquisition-related expenses from our acquisition of Rollbase, Inc. because such expenses distort trends and are not part of our operating results.
- *Income tax adjustment* – In all periods presented, we adjusted our income tax provision by excluding the tax impact of the non-GAAP adjustments discussed above.

Constant Currency – Revenue from our international operations has historically represented more than half of our total revenue. As a result, our revenue results have been impacted, and we expect will continue to be impacted, by fluctuations in foreign currency exchange rates. For example, if the local currencies of our foreign subsidiaries weaken, our consolidated results stated in U.S. dollars are negatively impacted.

As exchange rates are an important factor in understanding period to period comparisons, we believe the presentation of revenue growth rates on a constant currency basis helps improve the ability to understand our revenue results and evaluate our performance in comparison to prior periods. The constant currency information presented is calculated by translating current period results using prior period weighted average foreign currency exchange rates. These results should be considered in addition to, not as a substitute for, results reported in accordance with GAAP.

Section 9 – Financial Statements and Exhibits

Item 9.01 Financial Statements and Exhibits

(d) Exhibits.

| Exhibit No. | Description |
|-------------|--|
| 99.1 | Press release issued by Progress Software Corporation dated March 27, 2014 |

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 27, 2014

Progress Software Corporation

By: /s/ CHRIS E. PERKINS

Chris E. Perkins

Senior Vice President, Finance and Administration and
Chief Financial Officer

P R E S S A N N O U N C E M E N T**Investor Contact:**

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Progress Software Reports 2014 Fiscal First Quarter Results

BEDFORD, MA, March 27, 2014 (BUSINESSWIRE) — Progress Software Corporation (NASDAQ: PRGS), a global software company that simplifies and enables the development, deployment and management of business applications, today announced results for its fiscal first quarter ended February 28, 2014.

Revenue from continuing operations was \$74.5 million compared to \$83.7 million in the same quarter last year, a year over year decrease of 11% on an actual currency basis and 10% on a constant currency basis.

Additional financial highlights included:

On a GAAP basis in the fiscal first quarter of 2014:

- Income from operations was \$14.0 million compared to \$15.8 million in the same quarter last year;
- Income from continuing operations was \$11.1 million compared to \$9.8 million in the same quarter last year;
- Net income was \$11.1 million compared to \$31.1 million in the same quarter last year; and
- Diluted earnings per share from continuing operations was \$0.21 compared to \$0.17 in the same quarter last year.

On a non-GAAP basis in the fiscal first quarter of 2014:

- Income from operations was \$21.4 million compared to \$21.6 million in the same quarter last year;
- Operating margin was 29% compared to 26% in the same quarter last year;
- Income from continuing operations was \$14.6 million compared to \$13.9 million in the same quarter last year; and
- Diluted earnings per share from continuing operations was \$0.28 compared to \$0.24 in the same quarter last year.

Phil Pead, president and CEO, Progress Software, said, “While our first quarter financial results fell short of our expectations, we remain confident in our strategy and in the value that our technologies provide to customers and partners. We continue to invest in our business as we review areas where we can improve our execution. We remain committed to creating shareholder value and achieving our goal of becoming a leading PaaS and on-premise solutions provider.”

Other fiscal first quarter 2014 metrics and recent results included:

- Cash, cash equivalents and short-term investments were \$248.0 million;
- Cash inflows from operations were \$25.4 million compared to cash outflows from operations of \$25.1 million in the same quarter in fiscal year 2013;
- DSO was 71 days, compared to 65 days in the fiscal first quarter of 2013; and
- Under the previously announced authorization by the Board of Directors to repurchase up to \$100 million of common stock, the company has repurchased 0.4 million shares for \$9.8 million as of February 28, 2014.

Business Outlook

Progress Software provides the following revised guidance for the fiscal year ending November 30, 2014:

- Revenue is expected to be between \$331 million and \$338 million;
- Non-GAAP earnings per share is expected to be between \$1.37 and \$1.43;
- Non-GAAP operating margin is expected to be between 33% and 34%;
- Free cash flow is expected to be between \$79 million and \$83 million; and
- Non-GAAP effective tax rate is expected to be between 32% and 33%.

Progress Software provides the following guidance for the second fiscal quarter ending May 31, 2014:

- Revenue is expected to be between \$78 million and \$80 million; and
- Non-GAAP earnings per share is expected to be between \$0.32 and \$0.35.

Free cash flow is equal to cash flows from operating activities less purchases of property and equipment and capitalized software development costs.

Conference Call

The Progress Software quarterly investor conference call to review its fiscal first quarter of 2014 will be broadcast live at 5:00 p.m. ET on Thursday, March 27, 2014 and can be accessed on the investor relations section of the company's website, located at www.progress.com. Additionally, you can listen to the call by telephone by dialing 1-888-364-3108, pass code 8316528. The conference call will include brief comments followed by questions and answers. An archived version of the conference call and supporting materials will be available on the Progress Software website within the investor relations section after the live conference call.

Legal Notice Regarding Non-GAAP Financial Information

Progress Software provides non-GAAP financial information as additional information for investors. These non-GAAP measures are not in accordance with, or an alternative to, generally accepted accounting principles in the United States (GAAP). 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. Additional information regarding the company's non-GAAP financial information is contained in the company's Current Report on Form 8-K furnished to the Securities and Exchange Commission in connection with this press release, which is available on the Progress website at www.progress.com within the investor relations section.

Note Regarding Forward-Looking Statements

This press release 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 press release include, but are not limited to, statements regarding Progress's strategic plan; future revenue growth, operating margin and cost savings; product development, strategic partnering and marketing initiatives; the growth rates of certain markets; and other statements regarding the future operation, direction 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:

(1) Market acceptance of Progress's strategy and product development initiatives; (2) pricing pressures and the competitive environment in the software industry and Platform-as-a-Service market; (3) Progress's ability to successfully manage transitions to new business models and markets, including an increased emphasis on a cloud and subscription strategy; (4)

Progress's ability to make technology acquisitions and to realize the expected benefits and anticipated synergies from such acquisitions; (5) the continuing uncertainty in the U.S. and international economies, which could result in fewer sales of Progress's products and may otherwise harm Progress's business; (6) business and consumer use of the Internet and the continuing adoption of Cloud technologies; (7) the receipt and shipment of new orders; (8) Progress's ability to expand its relationships with channel partners and to manage the interaction of channel partners with its direct sales force; (9) the timely release of enhancements to Progress's products and customer acceptance of new products; (10) the positioning of Progress's products in its existing and new markets; (11) variations in the demand for professional services and technical support; (12) Progress's ability to penetrate international markets and manage its international operations; and (13) changes in exchange rates. For further information regarding risks and uncertainties associated with Progress's business, please refer to Progress's filings with the Securities and Exchange Commission, including its Annual Report on Form 10-K for the fiscal year ended November 30, 2013. Progress undertakes no obligation to update any forward-looking statements, which speak only as of the date of this press release.

Progress Software Corporation

[Progress Software Corporation](#) (NASDAQ: PRGS) is a global software company that simplifies the development, deployment and management of business applications on-premise or in the cloud, on any platform or device, to any data source, with enhanced performance, minimal IT complexity and low total cost of ownership. Progress Software can be reached at www.progress.com or 1-781-280-4000.

Progress is a trademark 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.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

| | Three Months Ended | | |
|---|----------------------|----------------------|----------|
| | February 28, 2014 | February 28, 2013 | % Change |
| <i>(In thousands, except per share data)</i> | | | |
| Revenue: | | | |
| Software licenses | \$ 22,264 | \$ 29,907 | (26)% |
| Maintenance and services | 52,274 | 53,826 | (3)% |
| Total revenue | 74,538 | 83,733 | (11)% |
| Costs of revenue: | | | |
| Cost of software licenses | 2,007 | 2,090 | (4)% |
| Cost of maintenance and services | 5,345 | 7,650 | (30)% |
| Amortization of acquired intangibles | 529 | 139 | 281 % |
| Total costs of revenue | 7,881 | 9,879 | (20)% |
| Gross profit | 66,657 | 73,854 | (10)% |
| Operating expenses: | | | |
| Sales and marketing | 24,509 | 28,642 | (14)% |
| Product development | 15,113 | 13,622 | 11 % |
| General and administrative | 11,727 | 14,666 | (20)% |
| Amortization of acquired intangibles | 164 | 171 | (4)% |
| Restructuring expenses | 196 | 960 | (80)% |
| Acquisition-related expenses | 946 | — | 100 % |
| Total operating expenses | 52,655 | 58,061 | (9)% |
| Income from operations | 14,002 | 15,793 | (11)% |
| Other income (expense), net | 6 | (548) | 101 % |
| Income from continuing operations before income taxes | 14,008 | 15,245 | (8)% |
| Provision for income taxes | 2,908 | 5,432 | (46)% |
| Income from continuing operations | 11,100 | 9,813 | 13 % |
| Income from discontinued operations, net | — | 21,305 | (100)% |
| Net income | \$ 11,100 | \$ 31,118 | (64)% |
| Earnings per share: | | | |
| Basic: | | | |
| Continuing operations | \$ 0.22 | \$ 0.17 | 29 % |
| Discontinued operations | — | 0.37 | (100)% |
| Net income per share | \$ 0.22 | \$ 0.54 | (59)% |
| Diluted: | | | |
| Continuing operations | \$ 0.21 | \$ 0.17 | 24 % |
| Discontinued operations | — | 0.36 | (100)% |
| Net income per share | \$ 0.21 | \$ 0.53 | (60)% |
| Weighted average shares outstanding: | | | |
| Basic | 51,494 | 57,901 | (11)% |
| Diluted | 52,165 | 58,752 | (11)% |

CONDENSED CONSOLIDATED BALANCE SHEETS

| <i>(In thousands)</i> | February 28, 2014 | November 30, 2013 |
|---|----------------------|----------------------|
| Assets | | |
| Current assets: | | |
| Cash, cash equivalents and short-term investments | \$ 248,049 | \$ 231,440 |
| Accounts receivable, net | 58,960 | 66,784 |
| Other current assets | 40,682 | 39,587 |
| Total current assets | <u>347,691</u> | <u>337,811</u> |
| Property and equipment, net | 60,871 | 57,030 |
| Goodwill and intangible assets, net | 233,442 | 234,236 |
| Other assets | 48,430 | 53,110 |
| Total assets | <u>\$ 690,434</u> | <u>\$ 682,187</u> |
| Liabilities and shareholders' equity | | |
| Current liabilities: | | |
| Accounts payable and other current liabilities | \$ 55,652 | \$ 68,186 |
| Short-term deferred revenue | 106,482 | 96,393 |
| Total current liabilities | <u>162,134</u> | <u>164,579</u> |
| Long-term deferred revenue | 745 | 1,144 |
| Other long-term liabilities | 2,881 | 2,810 |
| Shareholders' equity: | | |
| Common stock and additional paid-in capital | 208,771 | 205,307 |
| Retained earnings | 315,903 | 308,347 |
| Total shareholders' equity | <u>524,674</u> | <u>513,654</u> |
| Total liabilities and shareholders' equity | <u>\$ 690,434</u> | <u>\$ 682,187</u> |

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Three Months Ended | |
|--|----------------------|----------------------|
| | February 28, 2014 | February 28, 2013 |
| <i>(In thousands)</i> | | |
| Cash flows from operating activities: | | |
| Net income | \$ 11,100 | \$ 31,118 |
| Depreciation and amortization | 3,474 | 3,401 |
| Stock-based compensation | 5,545 | 4,906 |
| Net gains on sales of dispositions | — | (35,106) |
| Other non-cash adjustments | (1,491) | (2,927) |
| Changes in operating assets and liabilities | 6,796 | (26,451) |
| Net cash flows from operating activities | 25,424 | (25,059) |
| Capital expenditures | (6,518) | (898) |
| Redemptions and sales of auction-rate-securities | — | 25 |
| Issuances of common stock, net of repurchases | (5,899) | (80,069) |
| Proceeds from divestitures, net | 3,300 | 73,381 |
| Other | 302 | (1,222) |
| Net change in cash, cash equivalents and short-term investments | 16,609 | (33,842) |
| Cash, cash equivalents and short-term investments, beginning of period | 231,440 | 355,217 |
| Cash, cash equivalents and short-term investments, end of period | \$ 248,049 | \$ 321,375 |

SUPPLEMENTAL INFORMATION
Revenue from continuing operations by Type

| <i>(In thousands)</i> | Q1 2013 | Q2 2013 | Q3 2013 | Q4 2013 | Q1 2014 |
|-----------------------|-----------|-----------|-----------|-----------|-----------|
| License | \$ 29,907 | \$ 29,347 | \$ 25,666 | \$ 37,392 | \$ 22,264 |
| Maintenance | 51,456 | 50,419 | 49,752 | 51,230 | 50,181 |
| Professional services | 2,370 | 1,939 | 2,160 | 2,358 | 2,093 |
| Total revenue | \$ 83,733 | \$ 81,705 | \$ 77,578 | \$ 90,980 | \$ 74,538 |

Revenue from continuing operations by Region

| <i>(In thousands)</i> | Q1 2013 | Q2 2013 | Q3 2013 | Q4 2013 | Q1 2014 |
|-----------------------|-----------|-----------|-----------|-----------|-----------|
| North America | \$ 39,310 | \$ 37,540 | \$ 34,596 | \$ 42,833 | \$ 34,586 |
| EMEA | 32,548 | 33,481 | 32,315 | 35,256 | 29,315 |
| Latin America | 6,822 | 6,526 | 5,496 | 6,526 | 5,108 |
| Asia Pacific | 5,053 | 4,158 | 5,171 | 6,365 | 5,529 |
| Total revenue | \$ 83,733 | \$ 81,705 | \$ 77,578 | \$ 90,980 | \$ 74,538 |

RECONCILIATIONS OF GAAP TO NON-GAAP FINANCIAL MEASURES

| | Three Months Ended | |
|--|----------------------|----------------------|
| | February 28, 2014 | February 28, 2013 |
| <i>(In thousands, except per share data)</i> | | |
| GAAP income from operations | \$ 14,002 | \$ 15,793 |
| GAAP operating margin | 19% | 19% |
| Amortization of acquired intangibles | 693 | 310 |
| Stock-based compensation ⁽¹⁾ | 5,545 | 4,489 |
| Restructuring expenses | 196 | 960 |
| Acquisition-related expenses | 946 | — |
| Total operating adjustments | 7,380 | 5,759 |
| Non-GAAP income from operations | \$ 21,382 | \$ 21,552 |
| Non-GAAP operating margin | 29% | 26% |
| GAAP income from continuing operations | \$ 11,100 | \$ 9,813 |
| Operating adjustments (from above) | 7,380 | 5,759 |
| Income tax adjustment | (3,926) | (1,705) |
| Total income from continuing operations adjustments | 3,454 | 4,054 |
| Non-GAAP income from continuing operations | \$ 14,554 | \$ 13,867 |
| GAAP diluted earnings per share from continuing operations | \$ 0.21 | \$ 0.17 |
| Income from continuing operations adjustments (from above) | 0.07 | 0.07 |
| Non-GAAP diluted earnings per share from continuing operations | \$ 0.28 | \$ 0.24 |
| Diluted weighted average shares outstanding | 52,165 | 58,752 |

(1) Stock-based compensation is included in the GAAP statements of income, as follows:

| | | |
|---|----------|----------|
| Cost of revenue | \$ 152 | \$ 209 |
| Sales and marketing | 1,199 | 1,039 |
| Product development | 1,353 | 1,463 |
| General and administrative | 2,841 | 1,778 |
| Stock-based compensation from continuing operations | \$ 5,545 | \$ 4,489 |

| | Three Months Ended | |
|--|----------------------|-------------------|
| | February 28, 2014 | February 28, 2013 |
| <i>(In thousands, except per share data)</i> | | |
| GAAP costs of revenue | \$ 7,881 | \$ 9,879 |
| GAAP operating expenses | 52,655 | 58,061 |
| GAAP expenses | 60,536 | 67,940 |
| Operating adjustments (from above) | 7,380 | 5,759 |
| Non-GAAP expenses | \$ 53,156 | \$ 62,181 |

RECONCILIATIONS OF GAAP TO NON-GAAP FINANCIAL MEASURES FOR FISCAL YEAR 2014 GUIDANCE
(Unaudited)

Fiscal Year 2014 Revenue Growth Guidance

| | Fiscal Year Ended | Fiscal Year Ending | | | |
|---------------|-------------------|--------------------|----------|-------|----------|
| | November 30, 2013 | November 30, 2014 | | | |
| (In millions) | | Low | % Change | High | % Change |
| Total revenue | \$334 | \$331 | (1)% | \$338 | 1% |

Fiscal Year 2014 Non-GAAP Operating Margin Guidance

| | Fiscal Year Ending November 30, 2014 | | | |
|---------------------------------|--------------------------------------|-------|------|-------|
| | Low | | High | |
| (In millions) | | | | |
| GAAP income from operations | \$ | 79.5 | \$ | 82.8 |
| GAAP operating margins | | 24% | | 24% |
| Stock-based compensation | | 25.0 | | 25.0 |
| Acquisition related expense | | 2.5 | | 2.5 |
| Amortization of intangibles | | 2.6 | | 2.6 |
| Restructuring expense | | 0.4 | | 0.4 |
| Total operating adjustments | | 30.5 | | 30.5 |
| Non-GAAP income from operations | \$ | 110.0 | \$ | 113.3 |
| Non-GAAP operating margin | | 33% | | 34% |

Fiscal Year 2014 Non-GAAP Earnings per Share and Effective Tax Rate Guidance

| | Fiscal Year Ending November 30, 2014 | | | |
|---|--------------------------------------|-------|------|-------|
| | Low | | High | |
| (In millions, except per share data) | | | | |
| GAAP net income | \$ | 53.1 | \$ | 55.6 |
| Operating adjustments (from above) | | 30.5 | | 30.5 |
| Income tax adjustment (2) | | (9.6) | | (9.6) |
| Non-GAAP net income | \$ | 74.0 | \$ | 76.5 |
| GAAP diluted earnings per share | \$ | 0.98 | \$ | 1.04 |
| Non-GAAP diluted earnings per share | \$ | 1.37 | \$ | 1.43 |
| Diluted weighted average shares outstanding | | 54.0 | | 53.5 |

(2) Tax adjustment is based on a non-GAAP effective tax rate of 33% for Low and 32% for High, calculated as follows:

| | | | | |
|---------------------------------|----|-------|----|-------|
| Non-GAAP income from operations | \$ | 110.0 | \$ | 113.3 |
| Non-GAAP net income | | 74.0 | | 76.5 |
| Tax provision | | 36.0 | | 36.8 |
| Non-GAAP tax rate | | 33% | | 32% |

RECONCILIATIONS OF GAAP TO NON-GAAP FINANCIAL MEASURES FOR Q2 2014 GUIDANCE
(Unaudited)

Q2 2014 Revenue Growth Guidance

| | Three Months Ended | Three Months Ending | | | |
|----------------------|--------------------|---------------------|----------|--------|----------|
| | May 31, 2013 | May 31, 2014 | | | |
| <i>(In millions)</i> | | Low | % Change | High | % Change |
| Total revenue | \$81.7 | \$78.0 | (5)% | \$80.0 | (2)% |

Q2 2014 Non-GAAP Earnings per Share Guidance

| | Three Months Ending May 31, 2014 | | | |
|-------------------------------------|----------------------------------|--------|------|--------|
| | Low | | High | |
| GAAP diluted earnings per share | \$ | 0.20 | \$ | 0.23 |
| Stock-based compensation | | 0.13 | | 0.13 |
| Acquisition related expense | | 0.02 | | 0.02 |
| Amortization of intangibles | | 0.01 | | 0.01 |
| Total operating adjustments | | 0.16 | | 0.16 |
| Income tax adjustment | \$ | (0.04) | \$ | (0.04) |
| Non-GAAP diluted earnings per share | \$ | 0.32 | \$ | 0.35 |