



Progress Financial Results

Q1 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 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 March 25, 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 February 28, 2021 and is available in the Investor Relations section of our Web site.

Conference Call Details

What:	Progress Q1 2021 Financial Results Conference Call
When:	Thursday, March 25 th , 2021
Time:	5:00 p.m. ET
Live Call:	1-800-367-2403, pass code 3276569
Live / Recorded Webcast:	<u>http://investors.progress.com</u>

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 top-line strength across all products, most notably OpenEdge
 - Chef exceeding our expectations on the top and bottom line as integration proceeds ahead of plan
 - Stable, durable top line driven by continued increase in recurring revenue mix
 - Top-line strength helped fuel operating margin above 40%
- Products and Customer Experience
 - Portfolio of products fully addresses the application lifecycle of **develop**, **deploy** and **manage**
 - Continued investment to enhance and expand product set to ensure we're delivering **superior value** to customers
- **M&A efforts** continue unabated; growth in pipeline, expansion of sourcing channels and enhanced capabilities aimed at **large and growing DevOps market opportunity**

Leverage the Cloud Opportunity

| Sitefinity

| Chef

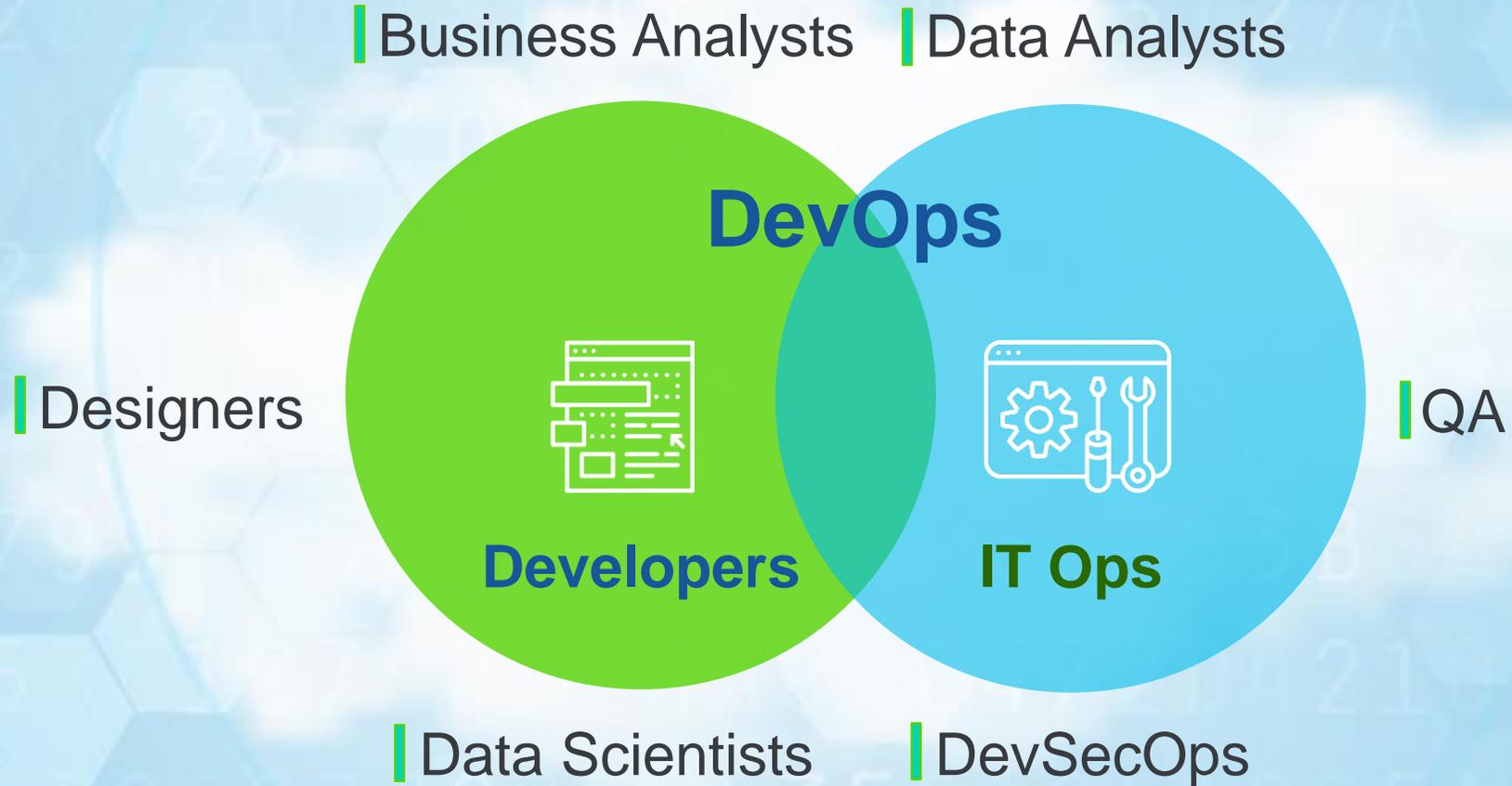
| DataDirect

| MOVEit

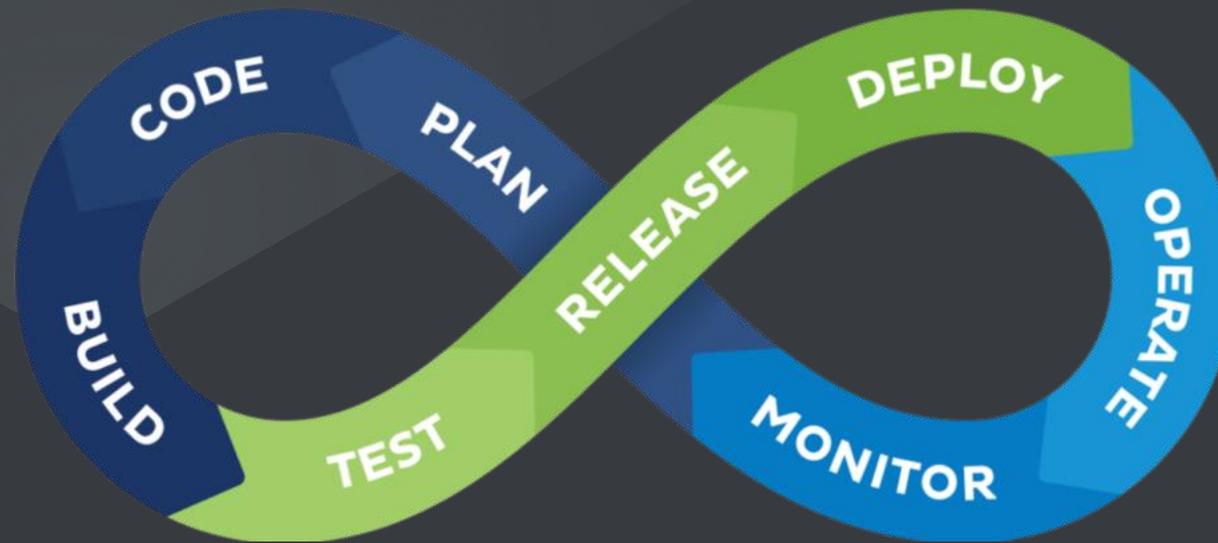
| OpenEdge

| Corticon

The Evolving Application / Technology Team



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



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 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



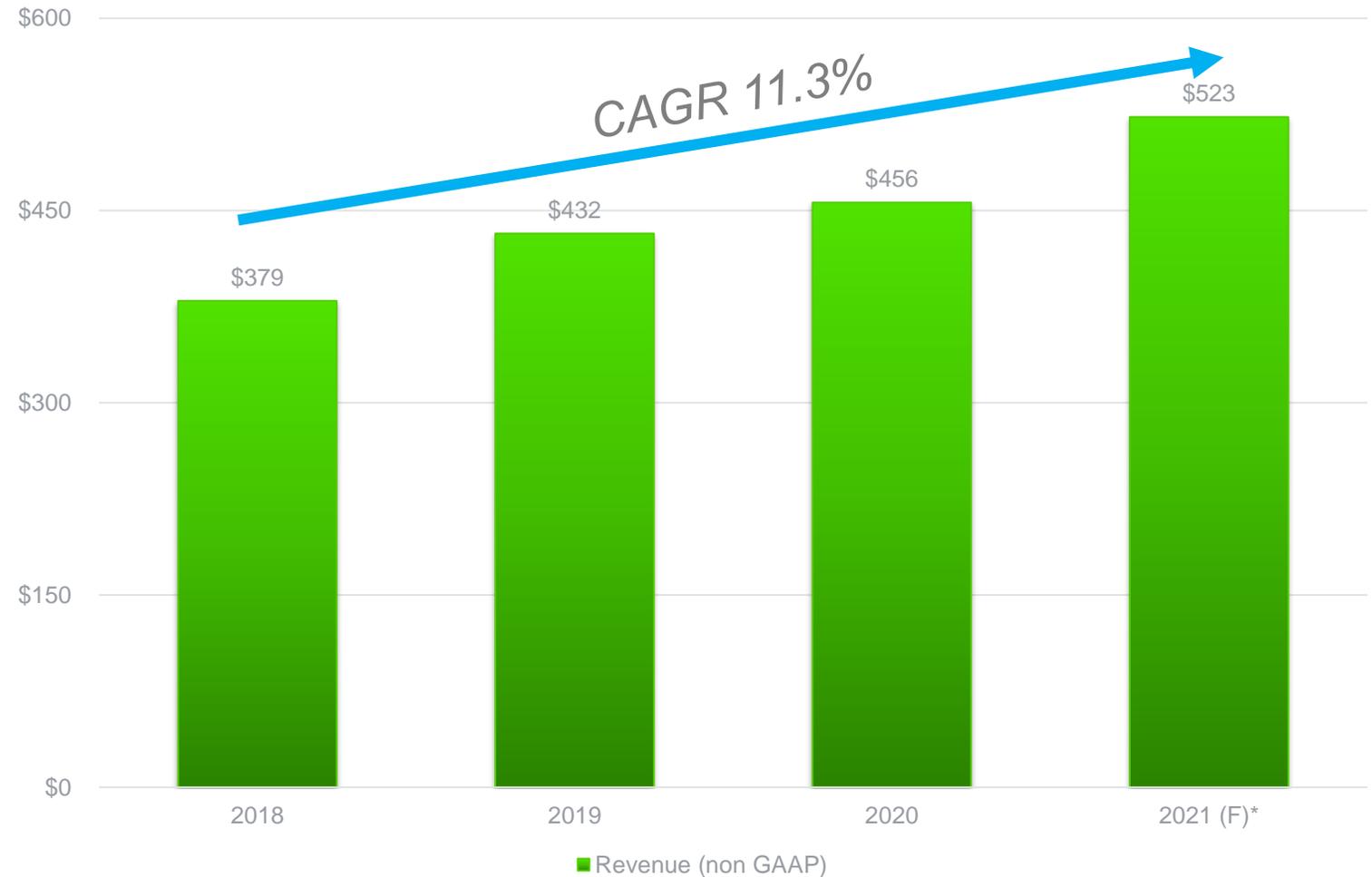
Disciplined and shareholder-friendly capital allocation strategy

Summary Q1 2021 Financial Results

	Q1 2021 Results	Q1 2021 Outlook (1/14/2021)
GAAP Revenue	\$121 M	\$109 M - \$113 M
Non-GAAP Revenue	\$132 M	\$119 M - \$123 M
GAAP earnings per share (Diluted)	\$0.42	\$0.21 - \$0.25
Non-GAAP earnings per share (Diluted)	\$0.95	\$0.72 - \$0.76
GAAP Operating Margin	23%	Not guided
Non-GAAP Operating Margin	43%	Not guided
Adjusted Free Cash Flow	\$47 M	Not guided

Driving Total Growth

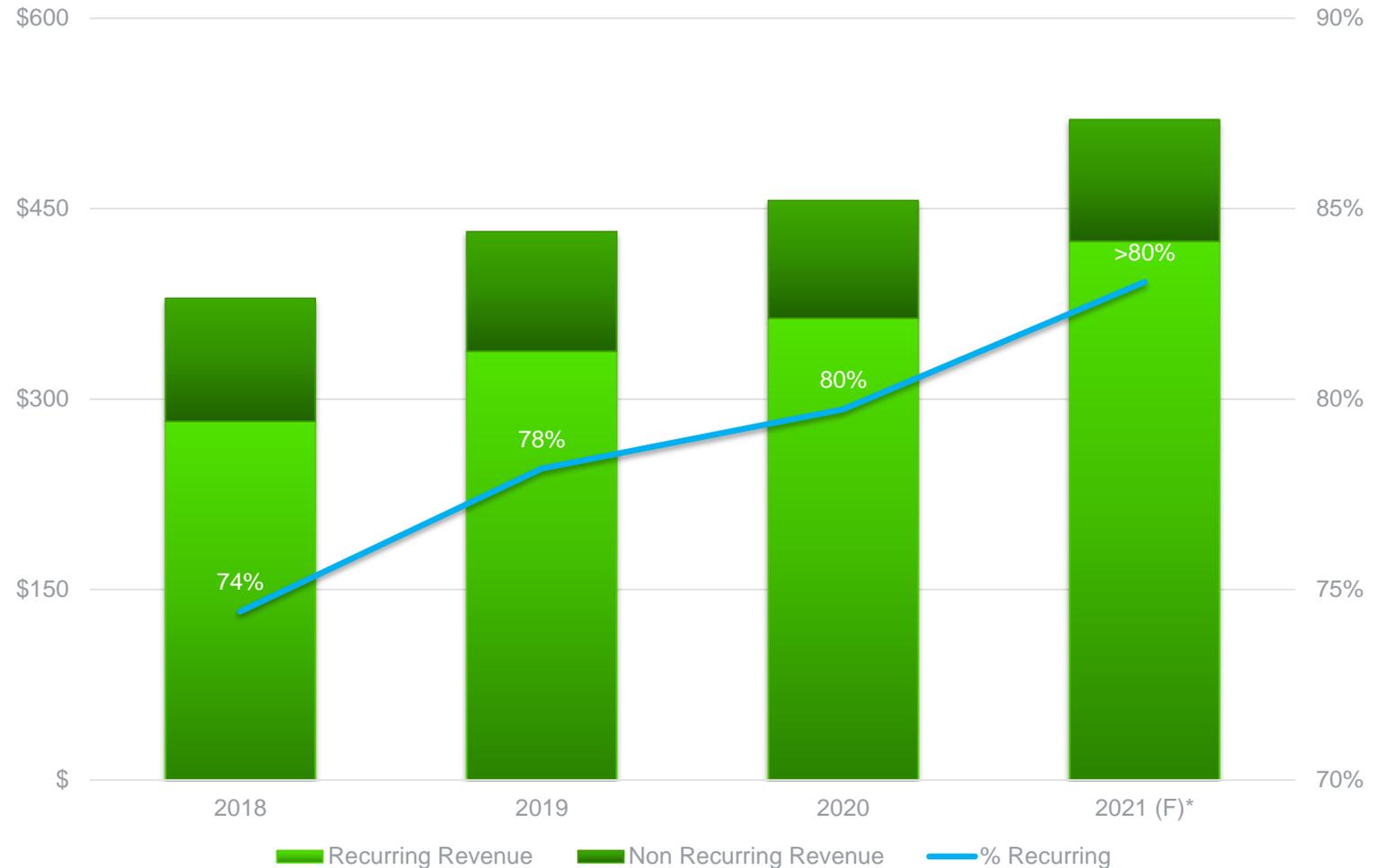
- 2021(F)* revenue growth of 15%
- Revenue CAGR of 11.3%
2018 – 2021(F)*



* Represents our 2021 guidance or the mid-point of our 2021 guidance range

Increasing Mix of Recurring Revenue

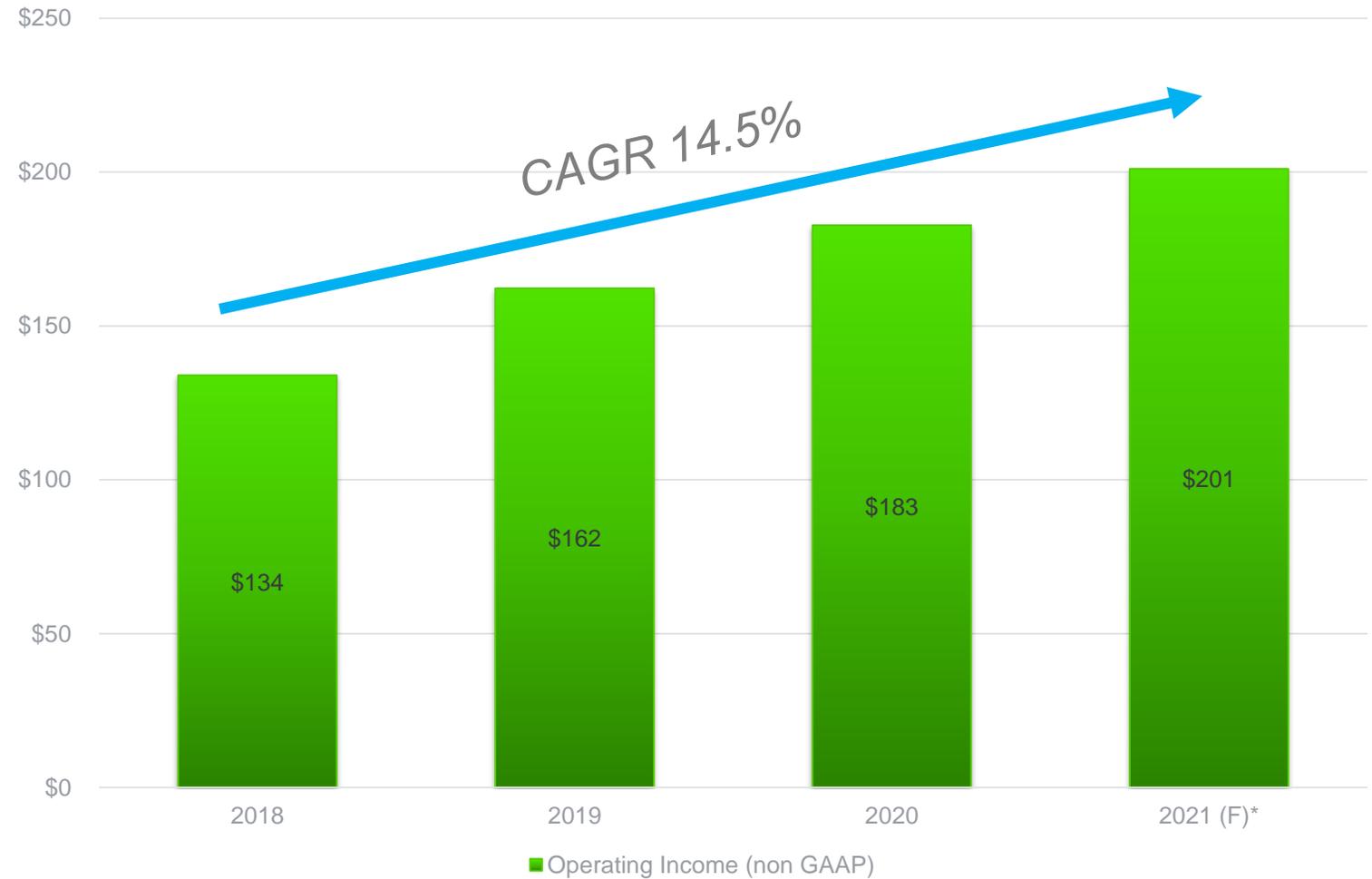
- High percentage of recurring revenue
- Subscription-based revenue models associated with on-prem and SaaS offerings
- Recurring revenue CAGR of 15.7% 2018 – 2021(F)*
- Recurring revenue mix expected to move higher



* Represents our 2021 guidance or the mid-point of our 2021 guidance range

Growing Profitability

- *Consistent growth in operating income*
*CAGR 14.5% 2018 – 2021(F)**
- *Best-in-class operating margins consistently above 35%*



Introducing Annualized Recurring Revenue (ARR)

What it is and what it's not

It is:

- The annualized value of all recurring revenue related contracts in place at the end of the period.
- An operating metric that should be viewed independently of revenue and deferred revenue.

It is not:

- Intended to be combined with or replace revenue and deferred revenue
- A forecast of future revenue

What's included and excluded

Included:

- Maintenance Revenue
- Subscription revenue derived from hosted/SaaS solutions and on prem term license arrangements

Excluded:

- Revenue reported as perpetual license
- Non-Recurring professional services

Introducing Net Dollar Retention Rate

What it is and what it's not

It is:

- A calculation (detailed below) which attempts to capture all potential customer actions
- An operating metric that should be viewed independently of revenue

It is not:

- Intended to be combined with or replace revenue and deferred revenue
- Meant to be a forecast of future revenue

$$\frac{\left\{ \text{Beginning ARR} \right\} - \left\{ \text{ARR Churn} \right\} - \left\{ \text{ARR on Customer Contracts that have declined in value (down-sell)} \right\} + \left\{ \text{ARR on Customer Contracts that have increased in value (up-sell)} \right\}}{\text{Beginning ARR}}$$

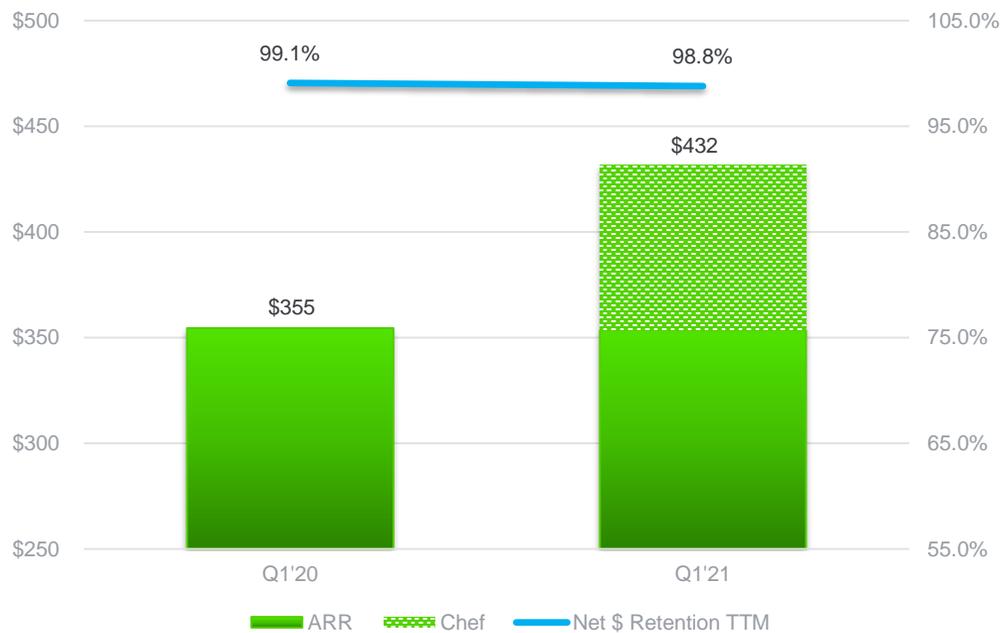
Annualized Recurring Revenue (amounts reported in constant currency)

“As Reported”

Chef adds less than \$80M of ARR

ARR growth = 22 % year-over-year

Net Retention Rate has ranged between 97%-100%



“Pro Forma”

Chef ARR included in both periods presented

ARR growth = 2.4 % year-over-year

Net Retention Rate has ranged between 97%-100%



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.

Capital Allocation Focus



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

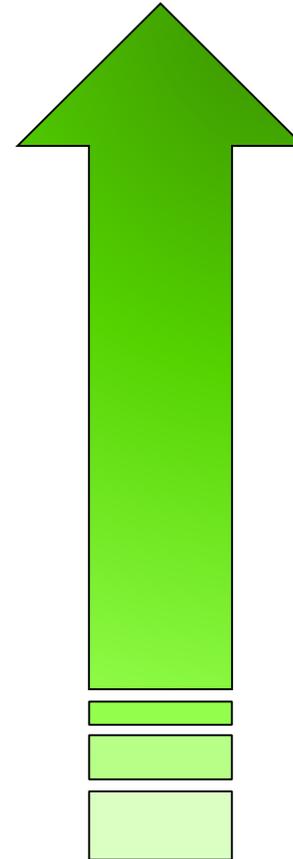


- Accretive M&A that meets our disciplined criteria

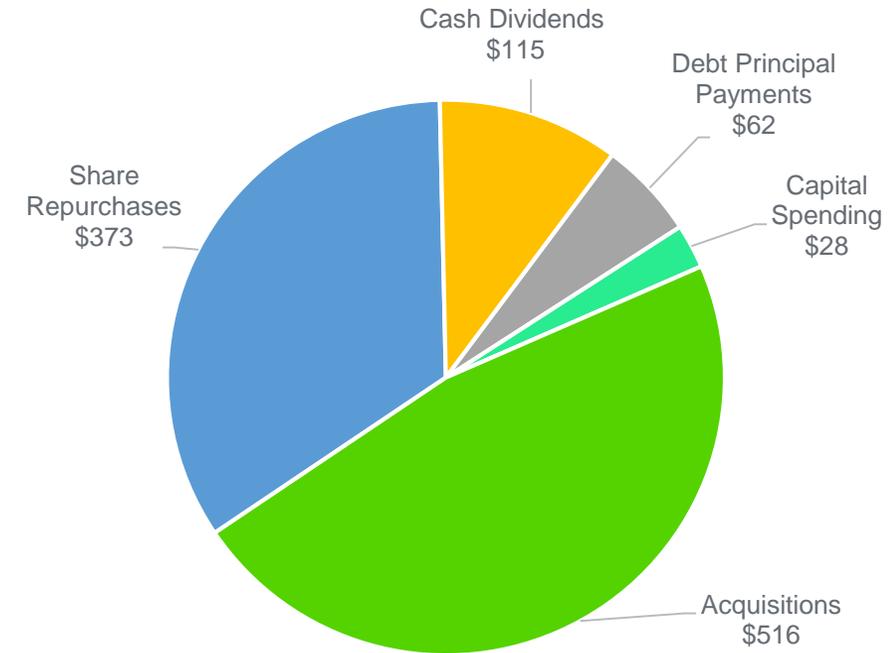


- Repurchase shares to offset dilution from our equity programs
 - Existing authorization \$250M; \$175M remaining
 - Flexibility to increase, reduce or suspend repurchases, depending on market conditions and size and timing of M&A

Primary focus



Capital Allocation 2016 – Q1 2021



Share repurchase authorization

- Current total: \$250M
- Remaining: \$175M

Business Outlook (as of March 25, 2021)

	Q2 2021 Current Outlook	FY 2021 Prior Outlook (As of 1/14/2021)	FY 2021 Current Outlook	
Non-GAAP Revenue	\$119 M – \$123 M	\$513 M – \$521 M	\$519 M – \$527 M	↑
Non-GAAP EPS	\$0.72 – \$0.74	\$3.22 – \$3.28	\$3.38 – \$3.42	↑
Non-GAAP Operating Margin	<i>Not guided</i>	37%	38%	↑
Non-GAAP Adjusted Free Cash Flow	<i>Not guided</i>	\$150 M – \$155 M	\$155 M – \$160 M	↑
Non-GAAP Effective Tax Rate	<i>Not guided</i>	20%	20%	▬



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.

Results of Operations by Segment

(Unaudited)

(In thousands)	Three Months Ended		
	February 28, 2021	February 29, 2020	% Change
Segment revenue:			
OpenEdge	84,603	77,079	10%
Data Connectivity and Intergration	5,528	13,685	(60%)
Application Development and Deployment	31,149	18,919	65%
Total revenue	121,280	109,683	11%
Segment costs of revenue and operating expenses:			
OpenEdge	18,916	19,750	(4%)
Data Connectivity and Integration	1,170	2,680	(56%)
Application Development and Deployment	15,410	7,288	111%
Total costs of revenue and operating expense	35,496	29,718	19%
Segment contribution:			
OpenEdge	65,687	57,329	15%
Data Connectivity and Intergration	4,358	11,005	(60%)
Application Development and Deployment	15,739	11,631	35%
Total contribution	85,784	79,965	7%
Other unallocated expenses	58,368	49,253	19%
Income from operations	27,416	30,712	(11%)
Other (expense) income, net	(2,652)	(3,397)	22%
Income before provision for income taxes	24,764	27,315	(9%)

⁽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

(Unaudited)

(in thousands)	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021
Revenue by Type					
License	30,629	19,663	27,514	37,443	33,317
Maintenance	70,056	71,686	72,764	74,381	76,977
Services	8,998	9,034	9,421	10,561	10,986
Total Revenue	<u>\$ 109,683</u>	<u>\$ 100,383</u>	<u>\$ 109,699</u>	<u>\$ 122,385</u>	<u>\$ 121,280</u>
Revenue by Region					
North America	65,413	56,564	62,927	76,094	71,505
EMEA	34,988	34,157	37,447	37,162	40,240
Latin America	4,000	3,346	3,547	3,681	3,493
Asia Pacific	5,282	6,316	5,778	5,448	6,042
Total Revenue	<u>\$ 109,683</u>	<u>\$ 100,383</u>	<u>\$ 109,699</u>	<u>\$ 122,385</u>	<u>\$ 121,280</u>
Revenue by Segment					
OpenEdge	77,079	77,735	85,794	85,836	84,603
Data Connectivity and Integration	13,685	3,662	4,468	12,372	5,528
Application Development and Deployment	18,919	18,986	19,437	24,177	31,149
Total Revenue	<u>\$ 109,683</u>	<u>\$ 100,383</u>	<u>\$ 109,699</u>	<u>\$ 122,385</u>	<u>\$ 121,280</u>

Other NON-GAAP Financial Measures

(Unaudited)

(in thousands)	Q1 2021	Non-GAAP Adjustment	Non-GAAP Revenue
Revenue by Type			
License	33,317	2,566	35,883
Maintenance	76,977	7,850	84,827
Services	10,986	88	11,074
Total Revenue	<u>\$ 121,280</u>	<u>\$ 10,504</u>	<u>\$ 131,784</u>
Revenue by Region			
North America	71,505	6,486	77,991
EMEA	40,240	3,509	43,749
Latin America	3,493	53	3,546
Asia Pacific	6,042	456	6,498
Total Revenue	<u>\$ 121,280</u>	<u>\$ 10,504</u>	<u>\$ 131,784</u>
Revenue by Segment			
OpenEdge	84,603	705	85,308
Data Connectivity and Integration	5,528	0	5,528
Application Development and Deployment	31,149	9,799	40,948
Total Revenue	<u>\$ 121,280</u>	<u>\$ 10,504</u>	<u>\$ 131,784</u>

