

# PROGRESS SOFTWARE CORP /MA

## **FORM 8-K** (Current report filing)

Filed 01/10/18 for the Period Ending 01/10/18

|             |                                      |
|-------------|--------------------------------------|
| Address     | 14 OAK PARK<br>BEDFORD, MA, 01730    |
| Telephone   | 781-280-4473                         |
| CIK         | 0000876167                           |
| Symbol      | PRGS                                 |
| SIC Code    | 7372 - Services-Prepackaged Software |
| Industry    | Software                             |
| Sector      | Technology                           |
| Fiscal Year | 11/30                                |

**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): January 10, 2018**

**Progress Software Corporation**

(Exact name of registrant as specified in its charter)

Commission file number: 0-19417

**Delaware**  
(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 January 10, 2018, Progress Software Corporation ("Progress") issued a press release announcing its financial results for the fiscal fourth quarter and fiscal year ended November 30, 2017. 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.

## 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 January 10, 2018 |

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**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: January 10, 2018

Progress Software Corporation

By: /s/ PAUL A. JALBERT

Paul A. Jalbert

Chief Financial Officer

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## Exhibit Index

| Exhibit No. | Description  |
|-------------|--|
| 99.1        | <a href="#">Press release issued by Progress Software Corporation dated January 10, 2018</a> |

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

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**Progress Reports 2017 Fiscal Fourth Quarter and Year End Results****Exceeds Expectations for Revenue, Earnings Per Share, Operating Margin and Cash Flow**

**BEDFORD, MA, January 10, 2018 (BUSINESSWIRE)** — Progress (NASDAQ: PRGS) today announced results for its fiscal fourth quarter and fiscal year ended November 30, 2017 .

Revenue was \$116.1 million during the quarter compared to \$117.7 million in the same quarter last year, a year-over-year decrease of 1% on an actual currency basis and 3% on a constant currency basis. On a non-GAAP basis, revenue was \$116.3 million during the quarter compared to \$118.0 million in the same quarter last year, a decrease of 1% on an actual currency basis and 3% on a constant currency basis.

On a GAAP basis, diluted earnings per share was \$0.34 compared to a diluted loss per share of \$1.52 in the same quarter last year. On a non-GAAP basis, diluted earnings per share was \$0.67 compared to \$0.62 in the same quarter last year.

Yogesh Gupta, CEO at Progress, said: “Our strong Q4 performance allowed us to achieve better-than-expected revenue, earnings per share, operating margins and cash flow for 2017. We have strengthened our core operations, and now offer the best platform for building next-generation, mission-critical, cognitive-first business applications as well. We look forward to continued momentum in 2018, as we execute on a strategic plan that will drive sustainable, long-term value for all shareholders.”

Additional financial highlights included:

On a GAAP basis in the fiscal fourth quarter of 2017 :

- Revenue was \$116.1 million compared to \$117.7 million in the same quarter in fiscal year 2016 ;
- Income from operations was \$28.8 million compared to a loss from operations of \$62.4 million in the same quarter last year;
- Net income was \$16.4 million compared to a net loss of \$73.8 million in the same quarter last year;
- Diluted earnings per share was \$0.34 compared to a diluted loss per share of \$1.52 in the same quarter last year; and
- Cash from operations was \$32.5 million compared to \$33.9 million in the same quarter last year.

On a non-GAAP basis in the fiscal fourth quarter of 2017 :

- Revenue was \$116.3 million compared to \$118.0 million in the same quarter last year;
- Income from operations was \$49.1 million compared to \$42.6 million in the same quarter last year;
- Operating margin was 42% compared to 36% in the same quarter last year;
- Net income was \$32.1 million compared to \$30.5 million in the same quarter last year;
- Diluted earnings per share was \$0.67 compared to \$0.62 in the same quarter last year; and
- Adjusted free cash flow was \$32.4 million compared to \$32.4 million in the same quarter last year.

Paul Jalbert, CFO, said: “We are pleased with our financial performance for Q4 and for the full year. We delivered on our commitment to operate our business efficiently, exceeding our cost-savings targets by reducing our total expenses by over \$30

million. We are confident in our ability to generate continued strong operating margins and cash flows, and are well-positioned to achieve our financial goals in 2018."

Other fiscal fourth quarter and 2017 metrics and recent results included:

- Cash, cash equivalents and short-term investments were \$183.6 million at the end of the quarter;
- DSO was 47 days, compared to 48 days in the fiscal third quarter of 2017 and 50 days in the fiscal fourth quarter of 2016 ;
- Pursuant to the \$250 million share authorization of the Board of Directors, Progress repurchased 0.8 million shares for \$30.0 million during the fiscal fourth quarter of 2017 . For the full fiscal year, Progress repurchased 2.2 million shares for \$73.9 million; and
- On January 5, 2018, our Board of Directors declared a quarterly dividend of \$0.14 per share of common stock that will be paid on March 15, 2018 to shareholders of record as of the close of business on March 1, 2018.

## Full Year Results

On a GAAP basis in the fiscal year 2017 :

- Revenue was \$397.6 million compared to \$405.3 million in fiscal year 2016 , a year-over-year decrease of 2% on both an actual and constant currency basis;
- Income from operations was \$70.6 million compared to a loss from operations of \$29.7 million in the prior fiscal year;
- Net income was \$37.4 million compared to a net loss of \$55.7 million in the prior fiscal year;
- Diluted earnings per share was \$0.77 compared to a diluted loss per share of \$1.13 in the prior fiscal year; and
- Cash from operations was \$105.7 million compared to \$102.8 million in the prior fiscal year.

On a non-GAAP basis in the fiscal year 2017 :

- Revenue was \$398.6 million compared to \$407.4 million in fiscal year 2016 , a year-over-year decrease of 2% on both an actual and constant currency basis;
- Income from operations was \$144.5 million compared to \$123.1 million in the prior fiscal year;
- Operating margin was 36% compared to 30% in the prior fiscal year;
- Net income was \$92.5 million compared to \$82.3 million in the prior fiscal year;
- Diluted earnings per share was \$1.91 compared to \$1.65 in the prior fiscal year; and
- Adjusted free cash flow was \$121.5 million compared to \$100.6 million in the prior fiscal year.

## 2018 Business Outlook

Progress provides the following guidance for the fiscal year ending November 30, 2018 and the first fiscal quarter ending February 28, 2018 :

| <i>(In millions, except percentages and per share amounts)</i> | FY 2018<br>GAAP | FY 2018<br>Non-GAAP | Q1 2018<br>GAAP | Q1 2018<br>Non-GAAP |
|--|-----------------|---------------------|-----------------|---------------------|
| Revenue  | \$398 - \$404   | \$399 - \$404       | \$90 - \$93     | \$90 - \$93         |
| Diluted earnings per share                                     | \$1.14 - \$1.21 | \$2.29 - \$2.35     | \$0.15 - \$0.19 | \$0.46 - \$0.48     |
| Operating margin   | 19% - 20%       | 35% - 36%           | *               | *                   |
| Adjusted free cash flow  | \$115 - \$121   | \$115 - \$120       | *               | *                   |
| Effective tax rate   | 26%             | 22%                 | *               | *                   |

\*We do not provide guidance for this financial measure.

Progress' fiscal 2018 financial guidance is based on current exchange rates. The positive currency translation impact on Progress' fiscal year 2018 business outlook compared to 2017 exchange rates is approximately \$4.0 million on GAAP and non-GAAP revenue. The currency translation impact on the fiscal 2018 GAAP and non-GAAP diluted earnings per share guidance is approximately \$0.01. The positive currency translation impact on Progress' fiscal Q1 2018 business outlook compared to 2017 exchange rates is approximately \$2.0 million on GAAP and non-GAAP revenue. The currency translation impact on Progress' fiscal Q1 2018 GAAP and non-GAAP diluted earnings per share guidance is approximately \$0.01. To the extent that

there are further changes in exchange rates versus the current environment, this may have an additional impact on Progress' business outlook.

## Conference Call

The Progress quarterly investor conference call to review its fiscal fourth quarter of 2017 will be broadcast live at 5:00 p.m. ET on Wednesday, January 10, 2018 and can be accessed on the investor relations section of the company's website, located at [www.progress.com](http://www.progress.com). Additionally, you can listen to the call by telephone by dialing 1-800-967-7134, pass code 7064924. The conference call will include comments followed by questions and answers. An archived version of the conference call and supporting materials will be available on the Progress website within the investor relations section after the live conference call.

## Non-GAAP Financial Information

Progress provides non-GAAP supplemental information to its financial results.

We use this non-GAAP information to evaluate our period-over-period operating performance because our management believes the information helps illustrate underlying trends in our business and provides us with a more comparable measure of our continuing business, as well as a greater understanding of the results from the primary operations of our business, by excluding the effects of certain items that do not reflect the ordinary earnings of our operations. Management also uses this non-GAAP financial information to establish budgets and operational goals, which are communicated internally and externally, evaluate performance, and allocate resources. In addition, compensation of our executives and non-executive employees is based in part on the performance of our business evaluated using this same non-GAAP information.

However, this non-GAAP information is not in accordance with, or an alternative to, generally accepted accounting principles in the United States (GAAP) and should be considered in conjunction with our GAAP results as the items excluded from the non-GAAP information often have a material impact on Progress' financial results. A reconciliation of non-GAAP adjustments to Progress' GAAP financial results is included in the tables below and is available on the Progress website at [www.progress.com](http://www.progress.com) within the investor relations section.

As described in more detail below, non-GAAP revenue, non-GAAP costs of sales and operating expenses, non-GAAP income from operations and operating margin, non-GAAP net income, and non-GAAP diluted earnings per share exclude the effect of purchase accounting on the fair value of acquired deferred revenue, amortization of acquired intangible assets, impairment of acquired intangible assets, stock-based compensation expense, fees related to shareholder activist, restructuring charges, acquisition-related expenses, certain identified non-operating gains and losses, and the related tax effects of the preceding items. We also provide guidance on adjusted free cash flow, which is equal to cash flows from operating activities less purchases of property and equipment and capitalized software development costs, plus restructuring payments.

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

- *Acquisition-related revenue* - In all periods presented, we include acquisition-related revenue, which constitutes revenue reflected as pre-acquisition deferred revenue that would otherwise have been recognized but for the purchase accounting treatment of acquisitions. The acquisition-related revenue relates to Telerik, which we acquired on December 2, 2014, and Kinvey, which we acquired on June 1, 2017. Since GAAP accounting requires the elimination of this revenue, GAAP results alone do not fully capture all of our economic activities. We believe these adjustments are useful to management and investors as a measure of the ongoing performance of the business because, although we cannot be certain that customers will renew their contracts, we have historically experienced high renewal rates on maintenance and support agreements and other customer contracts. Additionally, although acquisition-related revenue adjustments are non-recurring with respect to past acquisitions, we expect to incur these adjustments in connection with any future acquisitions.
- *Amortization of acquired intangibles* - In all periods presented, we exclude amortization of acquired intangibles because those 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.



- *Impairment of goodwill and acquired intangibles* - In fiscal year 2016, we exclude impairment charges applicable to goodwill and acquired intangible assets because such expenses distort trends and are not part of our core operating results. Such impairment charges are inconsistent in amount and frequency and we believe that eliminating these amounts, when significant and not reflective of ongoing business and operating results, facilitates a more meaningful evaluation of our current operating performance and comparisons to our operating performance in other periods.
- *Stock-based compensation* - In all periods presented, we exclude 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. The expense related to stock-based awards is generally not controllable in the short-term and can vary significantly based on the timing, size and nature of awards granted. As such, we do not include these charges in operating plans. Stock-based compensation will continue in future periods.
- *Fees related to shareholder activist* - In September 2017, Praesidium Investment Management, one of our largest shareholders, publicly announced in a Schedule 13D filed with the Securities and Exchange Commission its disagreement with our strategy and stated that it was seeking changes in the composition of our Board of Directors. In fiscal year 2017, we have incurred, and in fiscal year 2018 we expect to incur, professional and other fees relating to Praesidium's actions. We exclude these fees because they distort trends and are not part of our core operating results.
- *Restructuring expenses* - In all periods presented, we exclude restructuring expenses incurred because those expenses distort trends and are not part of our core operating results.
- *Acquisition-related and transition expenses* - In all periods presented, we exclude acquisition-related expenses because those expenses distort trends and are not part of our core operating results. In recent years, we have completed a number of acquisitions, which result in our incurring operating expenses which would not otherwise have been incurred. By excluding certain transition, integration and other acquisition-related expense items in connection with acquisitions, this provides more meaningful comparisons of the financial results to our historical operations and forward-looking guidance and the financial results of less acquisitive peer companies. We consider these types of costs and adjustments, to a great extent, to be unpredictable and dependent on a significant number of factors that are outside of our control. Furthermore, we do not consider these acquisition-related costs and adjustments to be related to the organic continuing operations of the acquired businesses and are generally not relevant to assessing or estimating the long-term performance of the acquired assets. In addition, the size, complexity and/or volume of past acquisitions, which often drives the magnitude of acquisition-related costs, may not be indicative of the size, complexity and/or volume of future acquisitions.
- *Income tax adjustment* - In all periods presented, we adjust our income tax provision by excluding the tax impact of the non-GAAP adjustments discussed above. In addition, in fiscal year 2016, we adjusted our income tax provision to remove from non-GAAP income the positive impact of an out-of-period adjustment recorded to the income tax provision during the fiscal second quarter of 2016.

### **Constant Currency**

Revenue from our international operations has historically represented a substantial portion 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 strengthen, our consolidated results stated in U.S. dollars are positively impacted.

As exchange rates are an important factor in understanding period to period comparisons, we present revenue growth rates on a constant currency basis, which helps improve the understanding of our revenue results and 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.

### **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' business outlook and financial guidance. 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) Economic, geopolitical and market conditions, including the uncertain economic environment in Europe as a result of the Brexit vote, and the continued difficult economic environment in Brazil and other parts of the world, 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. (2) 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. (3) 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. (4) 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. (5) We depend upon our extensive partner channel and we may not be successful in retaining or expanding our relationships with channel partners. (6) 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. (7) If the security measures for our software, services or other offerings are compromised or subject to a successful cyber-attack, or if such offerings contain significant coding or configuration errors, we may experience reputational harm, legal claims and financial exposure. (8) 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. (9) Our business could be negatively affected by the actions of stockholder activists. For further information regarding risks and uncertainties associated with Progress' business, please refer to Progress' filings with the Securities and Exchange Commission, including its Annual Report on Form 10-K for the fiscal year ended November 30, 2016 and its Quarterly Reports on Form 10-Q for the fiscal quarters ended February 28, 2017, May 31, 2017 and August 31, 2017. Progress undertakes no obligation to update any forward-looking statements, which speak only as of the date of this press release.

### **About Progress**

[Progress](#) (NASDAQ: PRGS) offers the leading platform for developing and deploying mission-critical business applications. Progress empowers enterprises and ISVs to build and deliver cognitive-first applications that harness big data to derive business insights and competitive advantage. Progress offers leading technologies for easily building powerful user interfaces across any type of device, a reliable, scalable and secure backend platform to deploy modern applications, leading data connectivity to all sources, and award-winning predictive analytics that brings the power of machine learning to any organization. Over 1,700 independent software vendors, 100,000 enterprise customers, and 2 million developers rely on Progress to power their applications. Learn about Progress at [www.progress.com](http://www.progress.com) or +1-800-477-6473.

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**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

(Unaudited)

|  | Three Months Ended   |                      |          | Fiscal Year Ended    |                      |          |
|--|----------------------|----------------------|----------|----------------------|----------------------|----------|
|  | November 30,<br>2017 | November 30,<br>2016 | % Change | November 30,<br>2017 | November 30,<br>2016 | % Change |
| <i>(In thousands, except per share data)</i> |                      |                      |          |                      |                      |          |
| <b>Revenue:</b>                              |                      |                      |          |                      |                      |          |
| Software licenses                            | \$ 45,963            | \$ 48,497            | (5)%     | \$ 124,406           | \$ 134,863           | (8)%     |
| Maintenance and services                     | 70,116               | 69,227               | 1        | 273,166              | 270,478              | 1        |
| Total revenue                                | 116,079              | 117,724              | (1)      | 397,572              | 405,341              | (2)      |
| <b>Costs of revenue:</b>                     |                      |                      |          |                      |                      |          |
| Cost of software licenses                    | 1,405                | 1,317                | 7        | 5,752                | 5,456                | 5        |
| Cost of maintenance and services             | 10,575               | 11,543               | (8)      | 43,299               | 44,760               | (3)      |
| Amortization of acquired intangibles         | 5,979                | 3,678                | 63       | 20,108               | 15,496               | 30       |
| Total costs of revenue                       | 17,959               | 16,538               | 9        | 69,159               | 65,712               | 5        |
| Gross profit                                 | 98,120               | 101,186              | (3)      | 328,413              | 339,629              | (3)      |
| <b>Operating expenses:</b>                   |                      |                      |          |                      |                      |          |
| Sales and marketing                          | 26,229               | 32,853               | (20)     | 96,345               | 121,501              | (21)     |
| Product development                          | 21,243               | 22,786               | (7)      | 76,988               | 88,587               | (13)     |
| General and administrative                   | 12,401               | 10,478               | 18       | 45,739               | 46,532               | (2)      |
| Impairment of goodwill and intangible assets | —                    | 92,000               | (100)    | —                    | 97,051               | (100)    |
| Amortization of acquired intangibles         | 3,318                | 3,179                | 4        | 13,039               | 12,735               | 2        |
| Fees related to shareholder activist         | 2,020                | —                    | 100      | 2,020                | —                    | 100      |
| Restructuring expenses                       | 3,486                | 1,463                | 138      | 22,210               | 1,692                | 1,213    |
| Acquisition-related expenses                 | 614                  | 791                  | (22)     | 1,458                | 1,240                | 18       |
| Total operating expenses                     | 69,311               | 163,550              | (58)     | 257,799              | 369,338              | (30)     |
| Income (loss) from operations                | 28,809               | (62,364)             | 146      | 70,614               | (29,709)             | 338      |
| Other (expense) income, net                  | (728)                | (1,097)              | 34       | (5,027)              | (5,571)              | 10       |
| Income (loss) before income taxes            | 28,081               | (63,461)             | 144      | 65,587               | (35,280)             | 286      |
| Provision for income taxes                   | 11,652               | 10,332               | 13       | 28,170               | 20,446               | 38       |
| Net income (loss)                            | \$ 16,429            | \$ (73,793)          | 122 %    | \$ 37,417            | \$ (55,726)          | 167 %    |
| <b>Earnings (loss) per share:</b>            |                      |                      |          |                      |                      |          |
| Basic  | \$ 0.35              | \$ (1.52)            | 123 %    | \$ 0.78              | \$ (1.13)            | 169 %    |
| Diluted                                      | \$ 0.34              | \$ (1.52)            | 122 %    | \$ 0.77              | \$ (1.13)            | 168 %    |
| <b>Weighted average shares outstanding:</b>  |                      |                      |          |                      |                      |          |
| Basic  | 47,489               | 48,631               | (2)%     | 48,129               | 49,481               | (3)%     |
| Diluted                                      | 48,171               | 48,631               | (1)%     | 48,516               | 49,481               | (2)%     |
| Cash dividends declared per common share     | \$ 0.140             | \$ 0.125             | 12 %     | \$ 0.515             | \$ 0.125             | 312 %    |

**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(Unaudited)

| <i>(In thousands)</i>                             | November 30,<br>2017 | November 30,<br>2016 |
|---|----------------------|----------------------|
| <b>Assets</b>                                     |                      |                      |
| Current assets:                                   |                      |                      |
| Cash, cash equivalents and short-term investments | \$ 183,609           | \$ 249,754           |
| Accounts receivable, net                          | 61,210               | 65,678               |
| Other current assets                              | 18,588               | 20,621               |
| Total current assets                              | <u>263,407</u>       | <u>336,053</u>       |
| Property and equipment, net                       | 42,261               | 50,105               |
| Goodwill and intangible assets, net               | 409,935              | 358,894              |
| Other assets                                      | 3,115                | 9,775                |
| Total assets                                      | <u>\$ 718,718</u>    | <u>\$ 754,827</u>    |
| <b>Liabilities and shareholders' equity</b>       |                      |                      |
| Current liabilities:                              |                      |                      |
| Accounts payable and other current liabilities    | \$ 69,661            | \$ 59,778            |
| Current portion of long-term debt                 | 5,819                | 15,000               |
| Short-term deferred revenue                       | 132,538              | 128,960              |
| Total current liabilities                         | <u>208,018</u>       | <u>203,738</u>       |
| Long-term deferred revenue                        | 9,750                | 8,801                |
| Long-term debt                                    | 116,090              | 120,000              |
| Other long-term liabilities                       | 8,776                | 15,659               |
| Shareholders' equity:                             |                      |                      |
| Common stock and additional paid-in capital       | 249,836              | 239,496              |
| Retained earnings                                 | 126,248              | 167,133              |
| Total shareholders' equity                        | <u>376,084</u>       | <u>406,629</u>       |
| Total liabilities and shareholders' equity        | <u>\$ 718,718</u>    | <u>\$ 754,827</u>    |

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited)

|  | Three Months Ended   |                      | Fiscal Year Ended    |                      |
|--|----------------------|----------------------|----------------------|----------------------|
|  | November 30,<br>2017 | November 30,<br>2016 | November 30,<br>2017 | November 30,<br>2016 |
| <i>(In thousands)</i>  |                      |                      |                      |                      |
| <b>Cash flows from operating activities:</b>                           |                      |                      |                      |                      |
| Net income (loss)  | \$ 16,429            | \$ (73,793)          | \$ 37,417            | \$ (55,726)          |
| Depreciation and amortization  | 11,572               | 9,525                | 42,896               | 39,321               |
| Stock-based compensation   | 4,594                | 3,531                | 14,153               | 22,541               |
| Other non-cash adjustments   | (2,792)              | 94,033               | 32                   | 97,813               |
| Changes in operating assets and liabilities                            | 2,712                | 638                  | 11,188               | (1,104)              |
| Net cash flows from operating activities                               | 32,515               | 33,934               | 105,686              | 102,845              |
| Capital expenditures   | (2,512)              | (2,042)              | (3,377)              | (5,786)              |
| Repurchases of common stock, net of issuances                          | (27,222)             | (5,930)              | (63,913)             | (69,270)             |
| Dividend payments to shareholders                                      | (5,975)              | —                    | (24,126)             | —                    |
| Payments for acquisitions, net of cash acquired                        | —                    | —                    | (77,150)             | —                    |
| Payments of principal on long-term debt and debt issuance costs        | (1,174)              | (1,875)              | (12,424)             | (9,375)              |
| Other  | (3,339)              | (7,017)              | 9,159                | (9,939)              |
| Net change in cash, cash equivalents and short-term investments        | (7,707)              | 17,070               | (66,145)             | 8,475                |
| Cash, cash equivalents and short-term investments, beginning of period | 191,316              | 232,684              | 249,754              | 241,279              |
| Cash, cash equivalents and short-term investments, end of period       | \$ 183,609           | \$ 249,754           | \$ 183,609           | \$ 249,754           |

**RESULTS OF OPERATIONS BY SEGMENT**

(Unaudited)

|  | Three Months Ended   |                      |          | Fiscal Year Ended    |                      |          |
|--|----------------------|----------------------|----------|----------------------|----------------------|----------|
|  | November 30,<br>2017 | November 30,<br>2016 | % Change | November 30,<br>2017 | November 30,<br>2016 | % Change |
| <i>(In thousands)</i>                            |                      |                      |          |                      |                      |          |
| Segment revenue:                                 |                      |                      |          |                      |                      |          |
| OpenEdge   | \$ 77,639            | \$ 77,672            | — %      | \$ 276,172           | \$ 276,267           | — %      |
| Data Connectivity and Integration                | 18,044               | 17,157               | 5        | 40,955               | 48,009               | (15)     |
| Application Development and Deployment           | 20,396               | 22,895               | (11)     | 80,445               | 81,065               | (1)      |
| Total revenue                                    | 116,079              | 117,724              | (1)      | 397,572              | 405,341              | (2)      |
| Segment costs of revenue and operating expenses: |                      |                      |          |                      |                      |          |
| OpenEdge   | 19,959               | 19,399               | 3        | 72,497               | 72,938               | (1)      |
| Data Connectivity and Integration                | 2,798                | 3,896                | (28)     | 9,329                | 12,760               | (27)     |
| Application Development and Deployment           | 6,749                | 10,625               | (36)     | 26,645               | 40,180               | (34)     |
| Total costs of revenue and operating expenses    | 29,506               | 33,920               | (13)     | 108,471              | 125,878              | (14)     |
| Segment contribution:                            |                      |                      |          |                      |                      |          |
| OpenEdge   | 57,680               | 58,273               | (1)      | 203,675              | 203,329              | —        |
| Data Connectivity and Integration                | 15,246               | 13,261               | 15       | 31,626               | 35,249               | (10)     |
| Application Development and Deployment           | 13,647               | 12,270               | 11       | 53,800               | 40,885               | 32       |
| Total contribution                               | 86,573               | 83,804               | 3        | 289,101              | 279,463              | 3        |
| Other unallocated expenses (1)                   | 57,764               | 146,168              | (60)     | 218,487              | 309,172              | (29)     |
| Income (loss) from operations                    | 28,809               | (62,364)             | 146      | 70,614               | (29,709)             | 338      |
| Other (expense) income, net                      | (728)                | (1,097)              | 34       | (5,027)              | (5,571)              | 10       |
| Income (loss) before provision for income taxes  | \$ 28,081            | \$ (63,461)          | 144 %    | \$ 65,587            | \$ (35,280)          | 286 %    |

(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 and impairment of acquired intangibles, impairment of goodwill, stock-based compensation, fees related to shareholder activist, restructuring, and acquisition-related expenses.

**SUPPLEMENTAL INFORMATION**  
(Unaudited)

**Revenue by Type**

| <i>(In thousands)</i> | Q4 2016           | Q1 2017          | Q2 2017          | Q3 2017          | Q4 2017           | FY 2017           | FY 2016           |
|-----------------------|-------------------|------------------|------------------|------------------|-------------------|-------------------|-------------------|
| License               | \$ 48,497         | \$ 24,322        | \$ 25,592        | \$ 28,529        | \$ 45,963         | \$ 124,406        | \$ 134,863        |
| Maintenance           | 60,188            | 59,138           | 59,898           | 60,536           | 61,826            | 241,398           | 238,377           |
| Professional services | 9,039             | 7,510            | 7,723            | 8,245            | 8,290             | 31,768            | 32,101            |
| Total revenue         | <u>\$ 117,724</u> | <u>\$ 90,970</u> | <u>\$ 93,213</u> | <u>\$ 97,310</u> | <u>\$ 116,079</u> | <u>\$ 397,572</u> | <u>\$ 405,341</u> |

**Revenue by Region**

| <i>(In thousands)</i> | Q4 2016           | Q1 2017          | Q2 2017          | Q3 2017          | Q4 2017           | FY 2017           | FY 2016           |
|-----------------------|-------------------|------------------|------------------|------------------|-------------------|-------------------|-------------------|
| North America         | \$ 68,471         | \$ 50,305        | \$ 51,430        | \$ 55,703        | \$ 66,504         | \$ 223,942        | \$ 229,203        |
| EMEA                  | 35,301            | 29,844           | 30,646           | 31,830           | 38,039            | 130,359           | 130,818           |
| Latin America         | 8,407             | 5,023            | 5,637            | 5,009            | 5,489             | 21,158            | 21,156            |
| Asia Pacific          | 5,545             | 5,798            | 5,500            | 4,768            | 6,047             | 22,113            | 24,164            |
| Total revenue         | <u>\$ 117,724</u> | <u>\$ 90,970</u> | <u>\$ 93,213</u> | <u>\$ 97,310</u> | <u>\$ 116,079</u> | <u>\$ 397,572</u> | <u>\$ 405,341</u> |

**Revenue by Segment**

| <i>(In thousands)</i>                  | Q4 2016           | Q1 2017          | Q2 2017          | Q3 2017          | Q4 2017           | FY 2017           | FY 2016           |
|--|-------------------|------------------|------------------|------------------|-------------------|-------------------|-------------------|
| OpenEdge                               | \$ 77,672         | \$ 64,508        | \$ 65,890        | \$ 68,135        | \$ 77,639         | \$ 276,172        | \$ 276,267        |
| Data Connectivity and Integration      | 17,157            | 6,828            | 7,096            | 8,987            | 18,044            | 40,955            | 48,009            |
| Application Development and Deployment | 22,895            | 19,634           | 20,227           | 20,188           | 20,396            | 80,445            | 81,065            |
| Total revenue                          | <u>\$ 117,724</u> | <u>\$ 90,970</u> | <u>\$ 93,213</u> | <u>\$ 97,310</u> | <u>\$ 116,079</u> | <u>\$ 397,572</u> | <u>\$ 405,341</u> |

**RECONCILIATIONS OF GAAP TO NON-GAAP SELECTED FINANCIAL MEASURES - FOURTH QUARTER**

(Unaudited)

|   | Three Months Ended |       |                   |       | % Change<br>Non-GAAP |
|---|--------------------|-------|-------------------|-------|----------------------|
|   | November 30, 2017  |       | November 30, 2016 |       |                      |
| <i>(In thousands, except per share data)</i>              |                    |       |                   |       |                      |
| <b>Adjusted revenue:</b>                                  |                    |       |                   |       |                      |
| GAAP revenue  | \$ 116,079         |       | \$ 117,724        |       |                      |
| Acquisition-related revenue (1)                           | 256                |       | 288               |       |                      |
| Non-GAAP revenue  | \$ 116,335         | 100 % | \$ 118,012        | 100 % | (1)%                 |
| <b>Adjusted gross margin:</b>                             |                    |       |                   |       |                      |
| GAAP gross margin   | \$ 98,120          | 85 %  | \$ 101,186        | 86 %  |                      |
| Amortization of acquired intangibles                      | 5,979              | 5     | 3,678             | 3     |                      |
| Stock-based compensation (2)                              | 226                | —     | 299               | —     |                      |
| Acquisition-related revenue (1)                           | 256                | —     | 288               | —     |                      |
| Non-GAAP gross margin                                     | \$ 104,581         | 90 %  | \$ 105,451        | 89 %  | (1)%                 |
| <b>Adjusted operating expenses:</b>                       |                    |       |                   |       |                      |
| GAAP operating expenses                                   | \$ 69,311          | 60 %  | \$ 163,550        | 139 % |                      |
| Amortization and impairment of acquired intangibles       | (3,318)            | (3)   | (3,179)           | (3)   |                      |
| Impairment of goodwill                                    | —                  | —     | (92,000)          | (78)  |                      |
| Fees related to shareholder activist                      | (2,020)            | (2)   | —                 | —     |                      |
| Restructuring expenses and other                          | (3,486)            | (3)   | (1,463)           | (1)   |                      |
| Acquisition-related expenses                              | (614)              | —     | (791)             | (1)   |                      |
| Stock-based compensation (2)                              | (4,368)            | (4)   | (3,232)           | (3)   |                      |
| Non-GAAP operating expenses                               | \$ 55,505          | 48 %  | \$ 62,885         | 53 %  | (12)%                |
| <b>Adjusted income (loss) from operations:</b>            |                    |       |                   |       |                      |
| GAAP operating income (loss)                              | \$ 28,809          | 25 %  | \$ (62,364)       | (53)% |                      |
| Amortization and impairment of acquired intangibles       | 9,297              | 8     | 6,857             | 6     |                      |
| Impairment of goodwill                                    | —                  | —     | 92,000            | 78    |                      |
| Fees related to shareholder activist                      | 2,020              | 2     | —                 | —     |                      |
| Restructuring expenses and other                          | 3,486              | 3     | 1,463             | 1     |                      |
| Stock-based compensation (2)                              | 4,594              | 4     | 3,531             | 3     |                      |
| Acquisition-related                                       | 870                | —     | 1,079             | 1     |                      |
| Non-GAAP income from operations                           | \$ 49,076          | 42 %  | \$ 42,566         | 36 %  | 15 %                 |
| <b>Adjusted diluted earnings (loss) per share:</b>        |                    |       |                   |       |                      |
| GAAP diluted earnings (loss) per share                    | \$ 0.34            |       | \$ (1.52)         |       |                      |
| Amortization and impairment of acquired intangibles       | 0.20               |       | 0.14              |       |                      |
| Impairment of goodwill                                    | —                  |       | 1.87              |       |                      |
| Fees related to shareholder activist                      | 0.04               |       | —                 |       |                      |
| Restructuring expenses and other                          | 0.07               |       | 0.03              |       |                      |
| Stock-based compensation (2)                              | 0.10               |       | 0.08              |       |                      |
| Acquisition-related                                       | 0.02               |       | 0.03              |       |                      |
| Provision for income taxes                                | (0.10)             |       | (0.01)            |       |                      |
| Non-GAAP diluted earnings per share                       | \$ 0.67            |       | \$ 0.62           |       | 8 %                  |
| <b>Non-GAAP weighted avg shares outstanding - diluted</b> | 48,171             |       | 49,229            |       | (2)%                 |

(1) Acquisition-related revenue constitutes revenue reflected as pre-acquisition deferred revenue that would otherwise have been recognized but for the purchase accounting treatment of acquisitions. Since GAAP accounting requires the elimination of this revenue, GAAP results alone do not fully capture all of our economic activities. Note that acquisition-related revenue adjustments relate to Progress' OpenEdge and Application Development and Deployment business segments for Kinvey and Telerik, respectively.

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

|                    |          |          |
|--------------------|----------|----------|
| Cost of revenue    | \$ 226   | \$ 299   |
| Operating expenses | 4,368    | 3,232    |
| Total              | \$ 4,594 | \$ 3,531 |





**RECONCILIATIONS OF GAAP TO NON-GAAP SELECTED FINANCIAL MEASURES - FISCAL YEAR**

(Unaudited)

|   | Fiscal Year Ended |              |                   |              | % Change<br>Non-GAAP |
|---|-------------------|--------------|-------------------|--------------|----------------------|
|   | November 30, 2017 |              | November 30, 2016 |              |                      |
| <i>(In thousands, except per share data)</i>              |                   |              |                   |              |                      |
| <b>Adjusted revenue:</b>                                  |                   |              |                   |              |                      |
| GAAP revenue  | \$ 397,572        |              | \$ 405,341        |              |                      |
| Acquisition-related revenue (1)                           | 1,015             |              | 2,014             |              |                      |
| Non-GAAP revenue  | <u>\$ 398,587</u> | <u>100 %</u> | <u>\$ 407,355</u> | <u>100 %</u> | <u>(2)%</u>          |
| <b>Adjusted gross margin:</b>                             |                   |              |                   |              |                      |
| GAAP gross margin   | \$ 328,413        | 83 %         | \$ 339,629        | 84 %         |                      |
| Amortization of acquired intangibles                      | 20,108            | 5            | 15,496            | 4            |                      |
| Stock-based compensation (2)                              | 1,016             | —            | 899               | —            |                      |
| Acquisition-related revenue (1)                           | 1,015             | —            | 2,014             | —            |                      |
| Non-GAAP gross margin                                     | <u>\$ 350,552</u> | <u>88 %</u>  | <u>\$ 358,038</u> | <u>88 %</u>  | <u>(2)%</u>          |
| <b>Adjusted operating expenses:</b>                       |                   |              |                   |              |                      |
| GAAP operating expenses                                   | \$ 257,799        | 65 %         | \$ 369,338        | 91 %         |                      |
| Amortization and impairment of acquired intangibles       | (13,039)          | (3)          | (17,786)          | (4)          |                      |
| Impairment of goodwill                                    | —                 | —            | (92,000)          | (23)         |                      |
| Fees related to shareholder activist                      | (2,020)           | (1)          | —                 | —            |                      |
| Restructuring expenses and other                          | (22,046)          | (6)          | (1,692)           | (1)          |                      |
| Acquisition-related expenses                              | (1,458)           | —            | (1,240)           | —            |                      |
| Stock-based compensation (2)                              | (13,137)          | (3)          | (21,642)          | (5)          |                      |
| Non-GAAP operating expenses                               | <u>\$ 206,099</u> | <u>52 %</u>  | <u>\$ 234,978</u> | <u>58 %</u>  | <u>(12)%</u>         |
| <b>Adjusted income (loss) from operations:</b>            |                   |              |                   |              |                      |
| GAAP operating (loss)                                     | \$ 70,614         | 18 %         | \$ (29,709)       | (7)%         |                      |
| Amortization and impairment of acquired intangibles       | 33,147            | 8            | 33,282            | 8            |                      |
| Impairment of goodwill                                    | —                 | —            | 92,000            | 23           |                      |
| Fees related to shareholder activist                      | 2,020             | —            | —                 | —            |                      |
| Restructuring expenses and other                          | 22,046            | 5            | 1,692             | —            |                      |
| Stock-based compensation (2)                              | 14,153            | 4            | 22,541            | 5            |                      |
| Acquisition-related                                       | 2,473             | 1            | 3,254             | 1            |                      |
| Non-GAAP income from operations                           | <u>\$ 144,453</u> | <u>36 %</u>  | <u>\$ 123,060</u> | <u>30 %</u>  | <u>17 %</u>          |
| <b>Adjusted diluted earnings per share:</b>               |                   |              |                   |              |                      |
| GAAP diluted earnings (loss) per share                    | \$ 0.77           |              | \$ (1.13)         |              |                      |
| Amortization and impairment of acquired intangibles       | 0.68              |              | 0.67              |              |                      |
| Impairment of goodwill                                    | —                 |              | 1.85              |              |                      |
| Fees related to shareholder activist                      | 0.04              |              | —                 |              |                      |
| Restructuring expenses and other                          | 0.46              |              | 0.03              |              |                      |
| Stock-based compensation (2)                              | 0.29              |              | 0.45              |              |                      |
| Acquisition-related                                       | 0.05              |              | 0.07              |              |                      |
| Provision for income taxes                                | (0.38)            |              | (0.29)            |              |                      |
| Non-GAAP diluted earnings per share                       | <u>\$ 1.91</u>    |              | <u>\$ 1.65</u>    |              | <u>16 %</u>          |
| <b>Non-GAAP weighted avg shares outstanding - diluted</b> | 48,516            |              | 50,039            |              | <u>(3)%</u>          |

(1) Acquisition-related revenue constitutes revenue reflected as pre-acquisition deferred revenue that would otherwise have been recognized but for the purchase accounting treatment of acquisitions. Since GAAP accounting requires the elimination of this revenue, GAAP results alone do not fully capture all of our economic activities. Note that acquisition-related revenue adjustments relate to Progress' OpenEdge and Application Development and Deployment business segments for Kinvey and Telerik, respectively.

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

|                    |                  |                  |
|--------------------|------------------|------------------|
| Cost of revenue    | \$ 1,016         | \$ 899           |
| Operating expenses | 13,137           | 21,642           |
| Total              | <u>\$ 14,153</u> | <u>\$ 22,541</u> |



**OTHER NON-GAAP FINANCIAL MEASURES - FOURTH QUARTER**  
(Unaudited)

**Revenue by Type**

| <i>(In thousands)</i> | Q4 2017           | Non-GAAP<br>Adjustment (1) | Non-GAAP Revenue  |
|-----------------------|-------------------|----------------------------|-------------------|
| License               | \$ 45,963         | \$ 26                      | \$ 45,989         |
| Maintenance           | 61,826            | 62                         | 61,888            |
| Services              | 8,290             | 168                        | 8,458             |
| Total revenue         | <u>\$ 116,079</u> | <u>\$ 256</u>              | <u>\$ 116,335</u> |

**Revenue by Region**

| <i>(In thousands)</i> | Q4 2017           | Non-GAAP<br>Adjustment (1) | Non-GAAP Revenue  |
|-----------------------|-------------------|----------------------------|-------------------|
| North America         | \$ 66,504         | \$ 256                     | \$ 66,760         |
| EMEA                  | 38,039            | —                          | 38,039            |
| Latin America         | 5,489             | —                          | 5,489             |
| Asia Pacific          | 6,047             | —                          | 6,047             |
| Total revenue         | <u>\$ 116,079</u> | <u>\$ 256</u>              | <u>\$ 116,335</u> |

**Revenue by Segment**

| <i>(In thousands)</i>                  | Q4 2017           | Non-GAAP<br>Adjustment (1) | Non-GAAP Revenue  |
|--|-------------------|----------------------------|-------------------|
| OpenEdge                               | \$ 77,639         | \$ 168                     | \$ 77,807         |
| Data Connectivity and Integration      | 18,044            | —                          | 18,044            |
| Application Development and Deployment | 20,396            | 88                         | 20,484            |
| Total revenue                          | <u>\$ 116,079</u> | <u>\$ 256</u>              | <u>\$ 116,335</u> |

(1) Acquisition-related revenue constitutes revenue reflected as pre-acquisition deferred revenue that would otherwise have been recognized but for the purchase accounting treatment of acquisitions. Since GAAP accounting requires the elimination of this revenue, GAAP results alone do not fully capture all of our economic activities. Note that acquisition-related revenue adjustments relate to Progress' OpenEdge and Application Development and Deployment business segments for Kinvey and Telerik, respectively.

**Adjusted Free Cash Flow**

| <i>(In thousands)</i>               | Q4 2017          | Q4 2016          | % Change   |
|-------------------------------------|------------------|------------------|------------|
| Cash flows from operations          | \$ 32,515        | \$ 33,934        | (4)%       |
| Purchases of property and equipment | (2,512)          | (2,042)          | 23         |
| Free cash flow                      | 30,003           | 31,892           | (6)        |
| Add back: restructuring payments    | 2,362            | 515              | 359        |
| Adjusted free cash flow             | <u>\$ 32,365</u> | <u>\$ 32,407</u> | <u>— %</u> |

**OTHER NON-GAAP FINANCIAL MEASURES - FISCAL YEAR**  
(Unaudited)

**Revenue by Type**

| <i>(In thousands)</i> | FY 2017           | Non-GAAP<br>Adjustment (1) | Non-GAAP Revenue  |
|-----------------------|-------------------|----------------------------|-------------------|
| License               | \$ 124,406        | \$ 163                     | \$ 124,569        |
| Maintenance           | 241,398           | 525                        | 241,923           |
| Services              | 31,768            | 327                        | 32,095            |
| Total revenue         | <u>\$ 397,572</u> | <u>\$ 1,015</u>            | <u>\$ 398,587</u> |

**Revenue by Region**

| <i>(In thousands)</i> | FY 2017           | Non-GAAP<br>Adjustment (1) | Non-GAAP Revenue  |
|-----------------------|-------------------|----------------------------|-------------------|
| North America         | \$ 223,942        | \$ 1,015                   | \$ 224,957        |
| EMEA                  | 130,359           | —                          | 130,359           |
| Latin America         | 21,158            | —                          | 21,158            |
| Asia Pacific          | 22,113            | —                          | 22,113            |
| Total revenue         | <u>\$ 397,572</u> | <u>\$ 1,015</u>            | <u>\$ 398,587</u> |

**Revenue by Segment**

| <i>(In thousands)</i>                  | FY 2017           | Non-GAAP<br>Adjustment (1) | Non-GAAP Revenue  |
|--|-------------------|----------------------------|-------------------|
| OpenEdge                               | \$ 276,172        | \$ 327                     | \$ 276,499        |
| Data Connectivity and Integration      | 40,955            | —                          | 40,955            |
| Application Development and Deployment | 80,445            | 688                        | 81,133            |
| Total revenue                          | <u>\$ 397,572</u> | <u>\$ 1,015</u>            | <u>\$ 398,587</u> |

(1) Acquisition-related revenue constitutes revenue reflected as pre-acquisition deferred revenue that would otherwise have been recognized but for the purchase accounting treatment of acquisitions. Since GAAP accounting requires the elimination of this revenue, GAAP results alone do not fully capture all of our economic activities. Note that acquisition-related revenue adjustments relate to Progress' OpenEdge and Application Development and Deployment business segments for Kinvey and Telerik, respectively.

**Adjusted Free Cash Flow**

| <i>(In thousands)</i>               | FY 2017           | FY 2016           | % Change    |
|-------------------------------------|-------------------|-------------------|-------------|
| Cash flows from operations          | \$ 105,686        | \$ 102,845        | 3 %         |
| Purchases of property and equipment | (3,377)           | (5,786)           | (42)        |
| Free cash flow                      | 102,309           | 97,059            | 5           |
| Add back: restructuring payments    | 19,234            | 3,539             | 443         |
| Adjusted free cash flow             | <u>\$ 121,543</u> | <u>\$ 100,598</u> | <u>21 %</u> |

**Non-GAAP Bookings from Application Development and Deployment Segment**  
(Unaudited)

| <i>(In thousands)</i>           | Q1 2016   | Q2 2016   | Q3 2016   | Q4 2016   | FY 2016   |
|---------------------------------|-----------|-----------|-----------|-----------|-----------|
| GAAP revenue                    | \$ 18,752 | \$ 19,185 | \$ 20,233 | \$ 22,895 | \$ 81,065 |
| Add: change in deferred revenue |           |           |           |           |           |
| Beginning balance               | 49,252    | 49,237    | 51,693    | 51,736    | 49,252    |
| Ending balance                  | 49,237    | 51,693    | 51,736    | 52,971    | 52,971    |
| Change in deferred revenue      | (15)      | 2,456     | 43        | 1,235     | 3,719     |
| Non-GAAP bookings               | \$ 18,737 | \$ 21,641 | \$ 20,276 | \$ 24,130 | \$ 84,784 |

| <i>(In thousands)</i>           | Q1 2017   | Q2 2017   | Q3 2017   | Q4 2017   | FY 2017   |
|---------------------------------|-----------|-----------|-----------|-----------|-----------|
| GAAP revenue                    | \$ 19,634 | \$ 20,227 | \$ 20,188 | \$ 20,396 | \$ 80,445 |
| Add: change in deferred revenue |           |           |           |           |           |
| Beginning balance               | 52,971    | 51,298    | 52,400    | 52,615    | 52,971    |
| Ending balance                  | 51,298    | 52,400    | 52,615    | 53,794    | 53,794    |
| Change in deferred revenue      | (1,673)   | 1,102     | 215       | 1,179     | 823       |
| Non-GAAP bookings               | \$ 17,961 | \$ 21,329 | \$ 20,403 | \$ 21,575 | \$ 81,268 |

**SaaS Revenue (Hosted Services) from Application Development and Deployment Segment**  
(Unaudited)

| <i>(In thousands)</i>                                 | Q1 2016  | Q2 2016  | Q3 2016  | Q4 2016  | FY 2016  |
|---|----------|----------|----------|----------|----------|
| SaaS Revenue - Application Development and Deployment | \$ 1,071 | \$ 1,079 | \$ 1,160 | \$ 1,163 | \$ 4,473 |

| <i>(In thousands)</i>                                 | Q1 2017 | Q2 2017 | Q3 2017 | Q4 2017 | FY 2017  |
|---|---------|---------|---------|---------|----------|
| SaaS Revenue - Application Development and Deployment | \$ 963  | \$ 854  | \$ 799  | \$ 741  | \$ 3,357 |

**RECONCILIATIONS OF GAAP TO NON-GAAP FINANCIAL MEASURES FOR FISCAL YEAR 2018 GUIDANCE**

(Unaudited)

**Fiscal Year 2018 Non-GAAP Revenue Guidance**

|   | Fiscal Year Ended |       | Fiscal Year Ending |          |          |          |
|---|-------------------|-------|--------------------|----------|----------|----------|
|   | November 30, 2017 |       | November 30, 2018  |          |          |          |
| <i>(In millions)</i>                          |                   |       | Low                | % Change | High     | % Change |
| GAAP revenue                                  | \$                | 397.6 | \$ 398.3           | — %      | \$ 403.7 | 2 %      |
| Acquisition-related adjustments - revenue (1) |                   | 1.0   | 0.3                | (70)     | 0.3      | (70)     |
| Non-GAAP revenue                              | \$                | 398.6 | \$ 398.6           | — %      | \$ 404.0 | 1 %      |

(1) Acquisition-related revenue constitutes revenue reflected as pre-acquisition deferred revenue that would otherwise have been recognized but for the purchase accounting treatment of acquisitions. Since GAAP accounting requires the elimination of this revenue, GAAP results alone do not fully capture all of our economic activities. Note that acquisition-related revenue adjustments relate to Progress' OpenEdge and Application Development and Deployment business segments for Kinvey and Telerik, respectively.

**Fiscal Year 2018 Non-GAAP Operating Margin Guidance**

|                                      | Fiscal Year Ending November 30, 2018 |       |      |       |
|--------------------------------------|--------------------------------------|-------|------|-------|
|                                      | Low                                  |       | High |       |
| <i>(In millions)</i>                 |                                      |       |      |       |
| GAAP income from operations          | \$                                   | 76.8  | \$   | 81.7  |
| <i>GAAP operating margins</i>        |                                      | 19%   |      | 20%   |
| Acquisition-related revenue          |                                      | 0.3   |      | 0.3   |
| Acquisition-related expense          |                                      | 0.2   |      | 0.2   |
| Restructuring expense                |                                      | 3.0   |      | 2.0   |
| Stock-based compensation             |                                      | 22.0  |      | 22.0  |
| Amortization of intangibles          |                                      | 36.4  |      | 36.4  |
| Fees related to shareholder activist |                                      | 2.8   |      | 2.8   |
| Total adjustments                    |                                      | 64.7  |      | 63.7  |
| Non-GAAP income from operations      | \$                                   | 141.5 | \$   | 145.4 |
| <i>Non-GAAP operating margin</i>     |                                      | 35%   |      | 36%   |

**Fiscal Year 2018 Non-GAAP Earnings per Share and Effective Tax Rate Guidance**

|   | Fiscal Year Ending November 30, 2018 |        |      |        |
|---|--------------------------------------|--------|------|--------|
|   | Low                                  |        | High |        |
| <i>(In millions, except per share data)</i> |                                      |        |      |        |
| GAAP net income                             | \$                                   | 52.6   | \$   | 56.2   |
| Adjustments (from previous table)           |                                      | 64.7   |      | 63.7   |
| Income tax adjustment (2)                   |                                      | (11.4) |      | (11.0) |
| Non-GAAP net income                         | \$                                   | 105.9  | \$   | 108.9  |
| GAAP diluted earnings per share             | \$                                   | 1.14   | \$   | 1.21   |
| Non-GAAP diluted earnings per share         | \$                                   | 2.29   | \$   | 2.35   |
| Diluted weighted average shares outstanding |                                      | 46.3   |      | 46.3   |

(2) Tax adjustment is based on a non-GAAP effective tax rate of approximately 22% for Low and High, calculated as follows:

|  |    |       |    |       |
|--|----|-------|----|-------|
| Non-GAAP income from operations                                | \$ | 141.5 | \$ | 145.4 |
| Other (expense) income   |    | (5.7) |    | (5.7) |
| Non-GAAP income from continuing operations before income taxes |    | 135.8 |    | 139.7 |
| Non-GAAP net income  |    | 105.9 |    | 108.9 |
| Tax provision  | \$ | 29.9  | \$ | 30.8  |
| Non-GAAP tax rate  |    | 22%   |    | 22%   |

**RECONCILIATIONS OF GAAP TO NON-GAAP FINANCIAL MEASURES FOR FISCAL YEAR 2018 GUIDANCE**

(Unaudited)

**Fiscal Year 2018 Adjusted Free Cash Flow Guidance**

| <i>(In millions)</i>                | Fiscal Year Ending November 30, 2018 |               |
|-------------------------------------|--------------------------------------|---------------|
|                                     | Low                                  | High          |
| Cash flows from operations (GAAP)   | \$ 115                               | \$ 121        |
| Purchases of property and equipment | (7)                                  | (7)           |
| Add back: restructuring payments    | 7                                    | 6             |
| Adjusted free cash flow (non-GAAP)  | <u>\$ 115</u>                        | <u>\$ 120</u> |



**RECONCILIATIONS OF GAAP TO NON-GAAP FINANCIAL MEASURES FOR Q1 2018 GUIDANCE**

(Unaudited)

**Q1 2018 Non-GAAP Revenue Guidance**

|   | Three Months Ended |      | Three Months Ending |          |      |          |      |      |
|---|--------------------|------|---------------------|----------|------|----------|------|------|
|   | February 28, 2017  |      | February 28, 2018   |          |      |          |      |      |
| <i>(In millions)</i>                          |                    |      | Low                 | % Change | High | % Change |      |      |
| GAAP revenue                                  | \$                 | 91.0 | \$                  | 89.9     | (1)% | \$       | 92.9 | 2 %  |
| Acquisition-related adjustments - revenue (1) |                    | 0.2  |                     | 0.1      | (50) |          | 0.1  | (50) |
| Non-GAAP revenue                              | \$                 | 91.2 | \$                  | 90.0     | (1)% | \$       | 93.0 | 2 %  |

(1) Acquisition-related revenue constitutes revenue reflected as pre-acquisition deferred revenue that would otherwise have been recognized but for the purchase accounting treatment of acquisitions. Since GAAP accounting requires the elimination of this revenue, GAAP results alone do not fully capture all of our economic activities. Note that acquisition-related revenue adjustments relate to Progress' OpenEdge and Application Development and Deployment business segments for Kinvey and Telerik, respectively.

**Q1 2018 Non-GAAP Earnings per Share Guidance**

|                                      | February 28, 2018 |        |      |        |
|--------------------------------------|-------------------|--------|------|--------|
|                                      | Low               |        | High |        |
| GAAP diluted earnings per share      | \$                | 0.15   | \$   | 0.19   |
| Restructuring expense                |                   | 0.04   |      | 0.02   |
| Stock-based compensation             |                   | 0.12   |      | 0.12   |
| Amortization of intangibles          |                   | 0.20   |      | 0.20   |
| Fees related to shareholder activist |                   | 0.03   |      | 0.03   |
| Total adjustments                    |                   | 0.39   |      | 0.37   |
| Income tax adjustment                |                   | (0.08) |      | (0.08) |
| Non-GAAP diluted earnings per share  | \$                | 0.46   | \$   | 0.48   |