LONG-TERM FINANCIAL MODEL UPDATE

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SAFE HARBOR STATEMENT

This presentation includes forward looking statements regarding PTC's future financial performance, strategic outlook and expectations, anticipated future operations, and products and markets. Because such statements deal with future events, actual results may differ materially from those projected in the forward-looking statements. Information concerning factors that could cause actual results to differ materially from those in the forward-looking statements can be found on page 13 and in PTC's Annual Report on Form 10-K, Form 10-Q and other filings with the U.S. Securities and Exchange Commission.

IMPORTANT INFORMATION ABOUT OPERATING AND NON-GAAP FINANCIAL MEASURES

This presentation includes operating and non-GAAP financial measures and targets. All prior period financial results and future period financial expectations and targets are non-GAAP financial measures. These non-GAAP financial measures are not prepared in accordance with generally accepted accounting principles. Future period non-GAAP financial targets cannot be reconciled to GAAP targets as items that affect GAAP results cannot be predicted. An explanation of our subscription transition operating measures, including bookings and mix-adjusted measures, can be found on page 14. Important information about non-GAAP financial measures can be found on page 15.

ASC 606

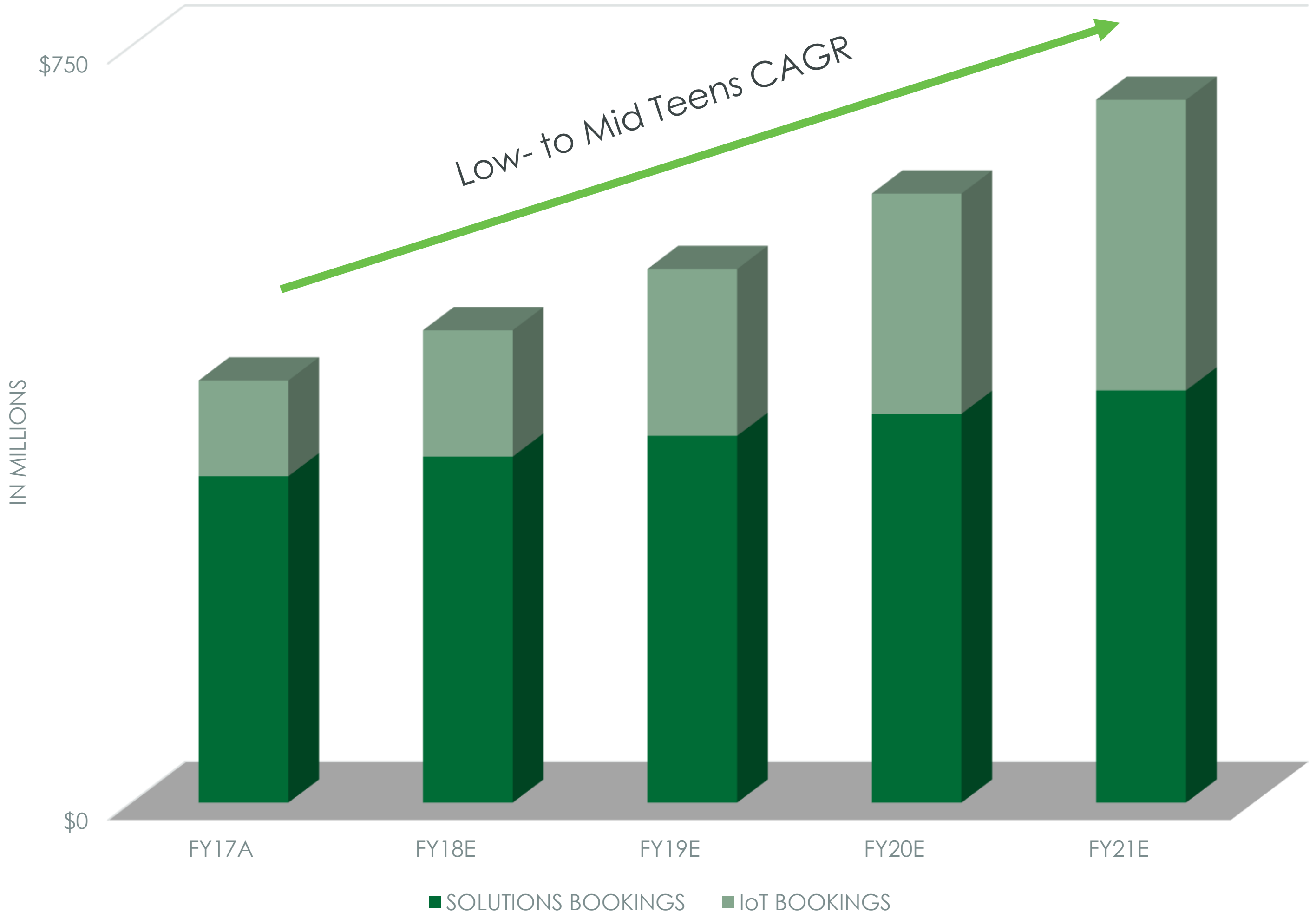
Please note that this presentation does not take into consideration the impact of ASC 606, which PTC will adopt as of October 1, 2019 (fiscal year 2019).

REAFFIRMING FY21 TARGETS

1. $1.8B Total Revenue and $1.6B Software Revenue; both growing double-digits
2. 85% Subscription Mix
3. Low-30% Non-GAAP OPM
4. $4.15 Non-GAAP EPS
5. $525M Free Cash Flow

MARKET RATES SUPPORT MID-TEENS BOOKINGS GROWTH

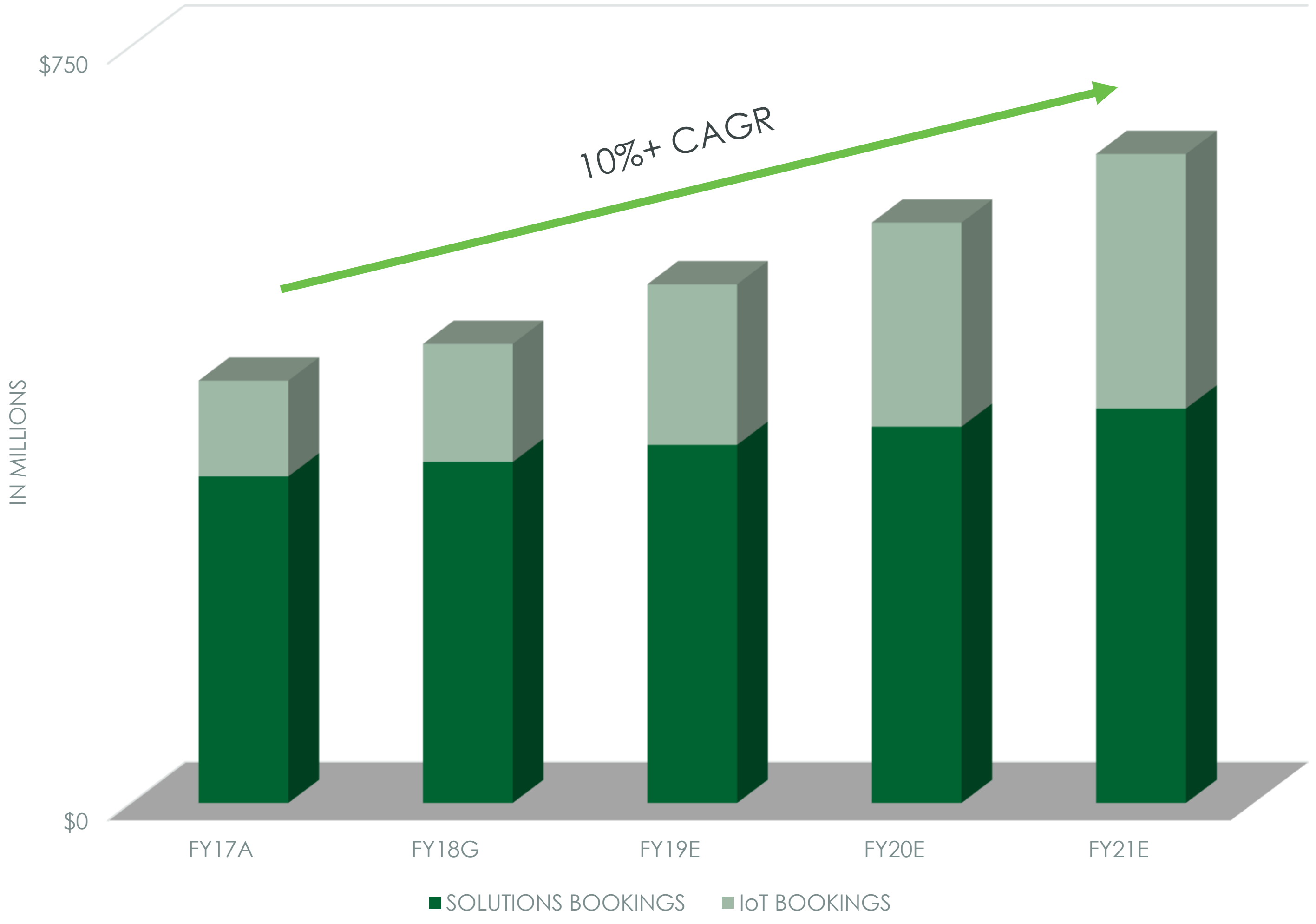
- Bookings are comprised of new subscriptions and perpetual software licenses, and do not include renewals.
- We estimate that PTC's current addressable markets are growing in the low-to-mid teens, based on the weighted contribution of our various business segments.
- Our estimates are based on projected market growth rates of 30%-40% for our IoT business, and mid-single digit growth for our Solutions business.



A = Actual E = Estimate

OUR MODEL ASSUMPTION: LOW DOUBLE-DIGIT BOOKINGS GROWTH

- To account for macroeconomic or market-based factors that could potentially adversely impact the trajectory of our business, we trimmed market growth rate assumptions in our model, yielding what we believe is an achievable and sustainable growth rate in the low double-digits through FY21.
- Note that our long-term growth assumptions beyond FY18, do not include incremental bookings from our Support conversion programs, which now extend across our entire enterprise and channel customer bases.



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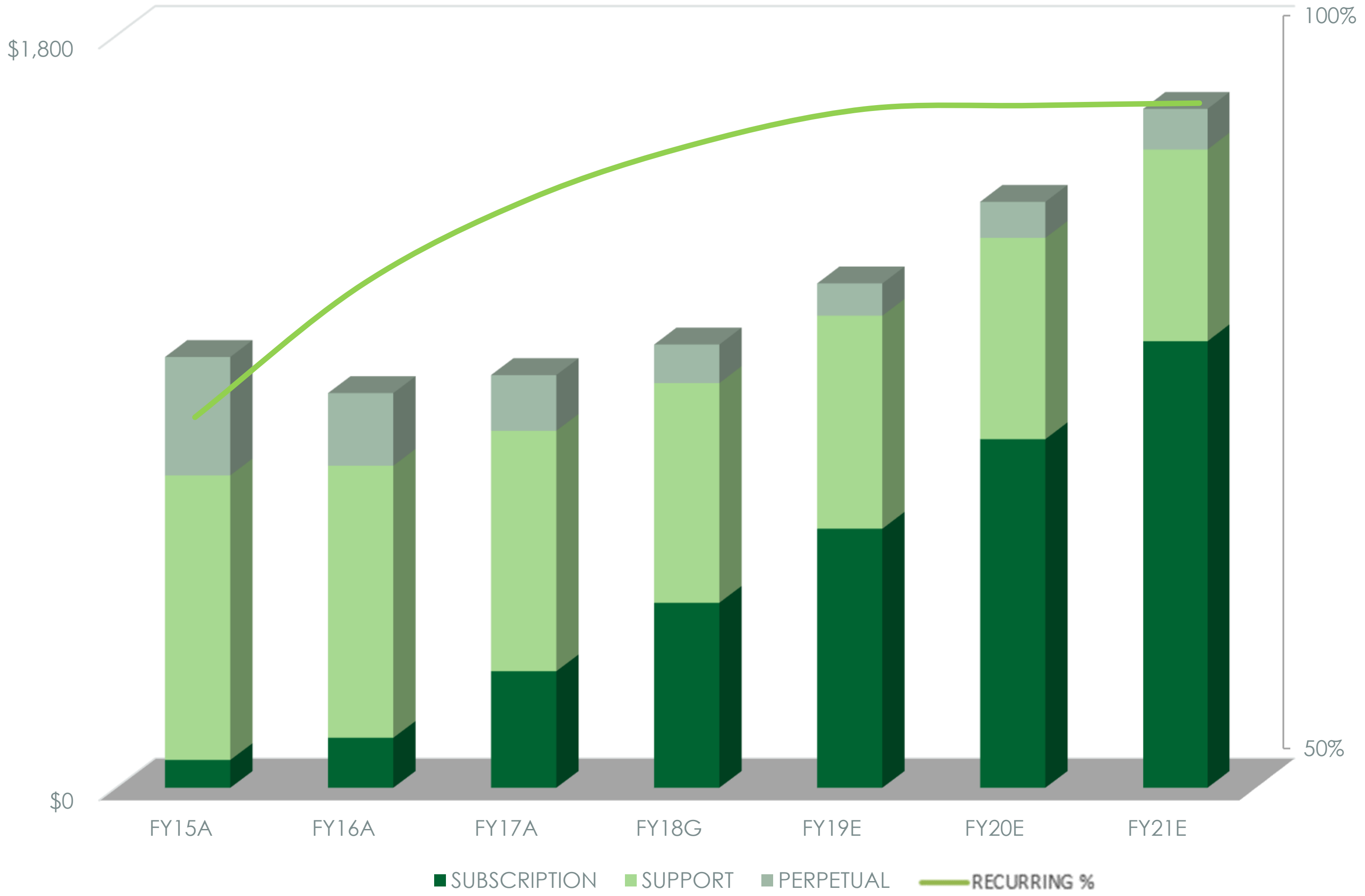
SOFTWARE REVENUE RETURNED TO GROWTH IN FY17

- Beginning in FY16, PTC launched a comprehensive program to transition its software business to subscription. Market adoption has been very strong, reflecting the value customers ascribe to this model, resulting in 69% of our FY17 bookings coming from subscriptions. We expect to exit FY18 with 85% of our bookings from subscriptions.

- The rapid pace of our subscription transition resulted in software revenue hitting a "trough" for the full-year FY16, followed by 5% growth in FY17 as we exited the trough.

- Due to the compounding benefit of deferred subscription revenue, we expect software growth of 7% (midpoint of guidance) in FY18, with double-digit growth beginning in FY19, accelerating toward mid-teens growth through FY21, driven by subscription revenue growth in mid-30% range.

- We expect recurring software revenue to contribute approximately 95% of total software revenue by FY20.

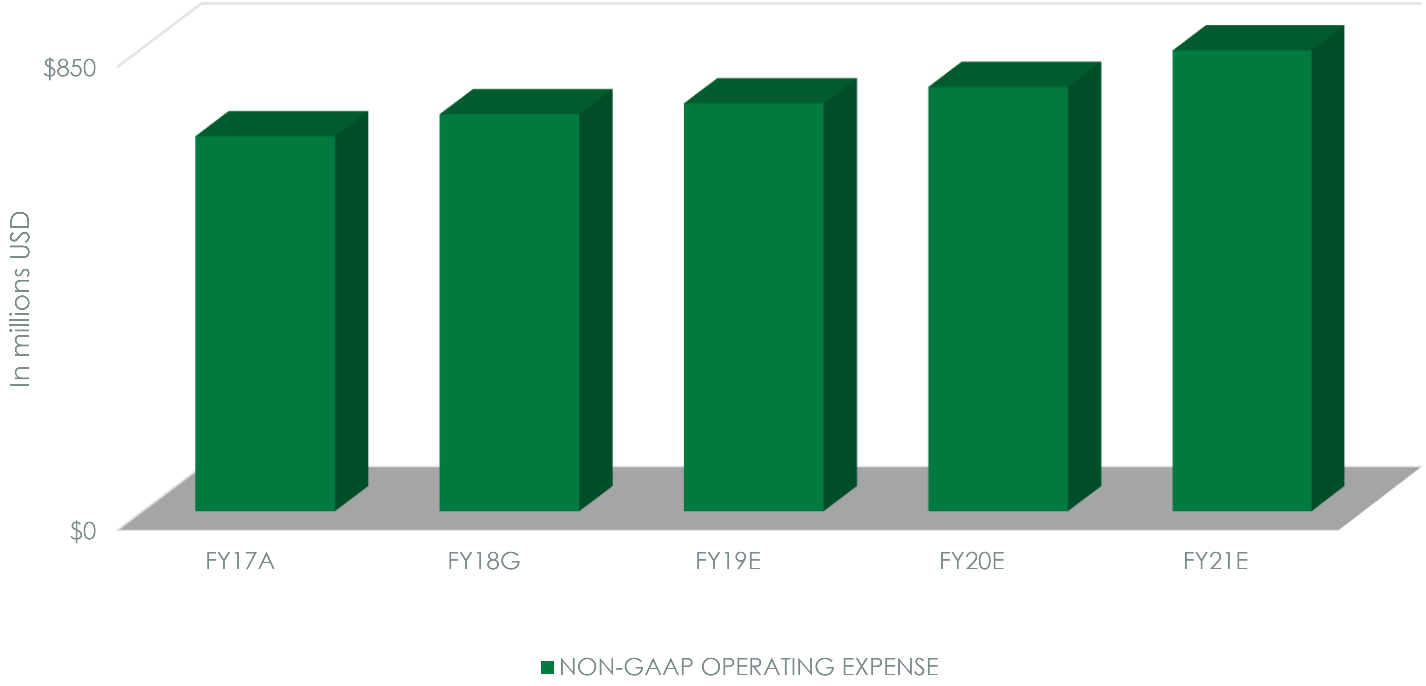


NON-GAAP SOFTWARE REVENUE

A = Actual G = Guidance E = Estimate

OPEX DISCIPLINE REMAINS A KEY TENET

- PTC has a track record maintaining cost discipline through rigorous portfolio management, resulting in non-GAAP operating margin expansion of ~1,100 bps from FY09 to FY15, before the subscription transition accelerated.
- Our long-term profitability targets are predicated on maintaining this cost discipline, while also driving sales and marketing efficiency,[1] which has improved from 1.04 in FY15 to 1.17 in FY17.
- We are targeting operating expense growth in the mid-single digits, at about half the rate of bookings growth, through FY21.
- At the midpoint, FY18 non-GAAP opex guidance is just under 6% growth YoY, including ~140 bps of Fx, or ~4% growth YoY on a constant currency basis, consistent with our long-term model, after 1% growth in FY'17.



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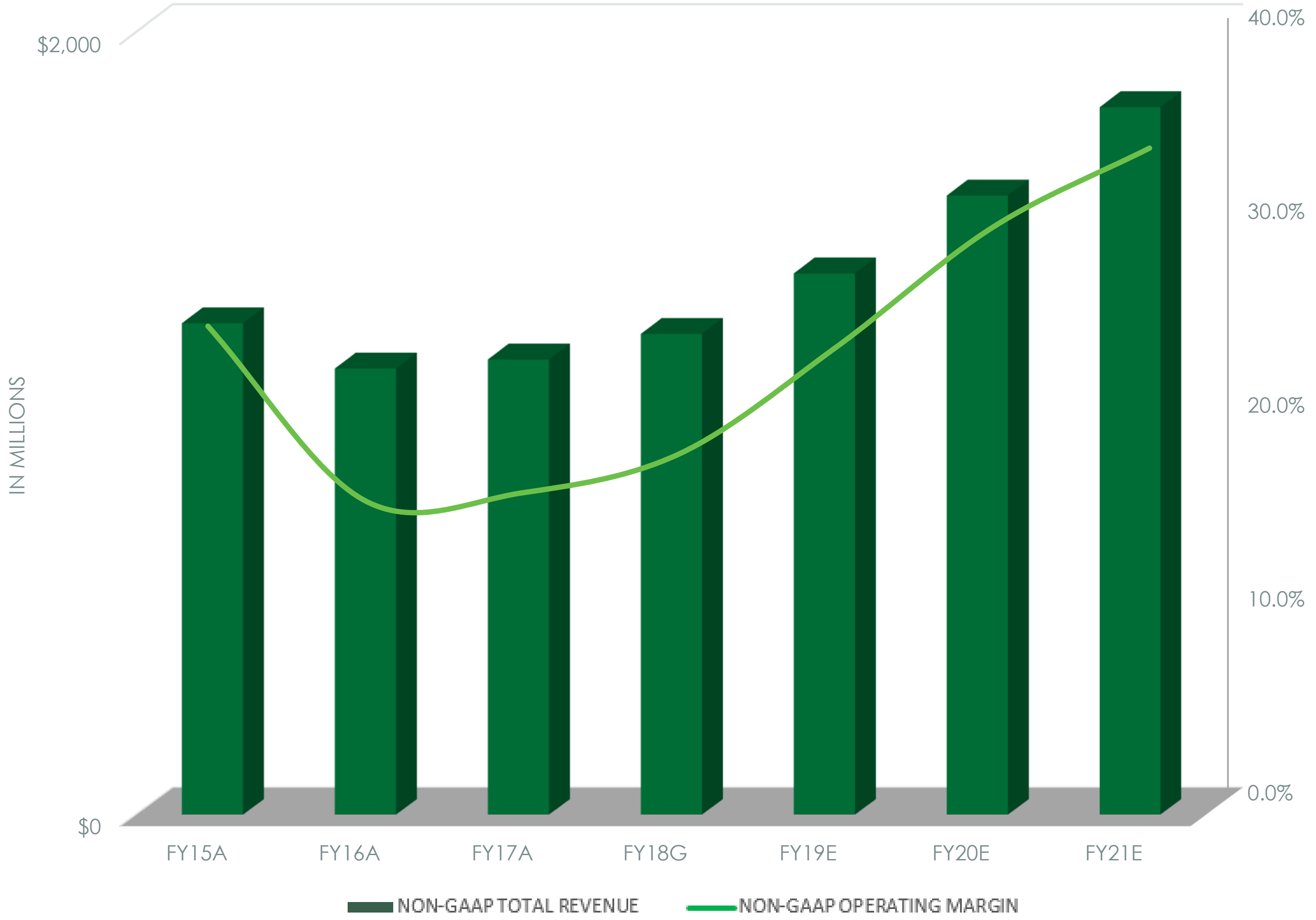
[1] Sales efficiency = trailing 12-month license and subscription bookings divided by trailing 12-month non-GAAP sales and marketing expense

NON-GAAP OPERATING MARGIN TROUGHED IN FY16

- The combination of expected accelerating software revenue growth and operating expense discipline yields an attractive operating margin expansion trajectory.
- Having exited the software revenue trough in FY16, non-GAAP OPM expanded in FY17, and we expect further expansion of 100 to 150 bps in FY18.
- Beginning in FY19, when software revenue growth is expected to begin to rapidly accelerate, we expect non-GAAP OPM to growth in the 400 to 600 bps range through FY21, when we expect to achieve a non-GAAP OPM in the low 30% range.



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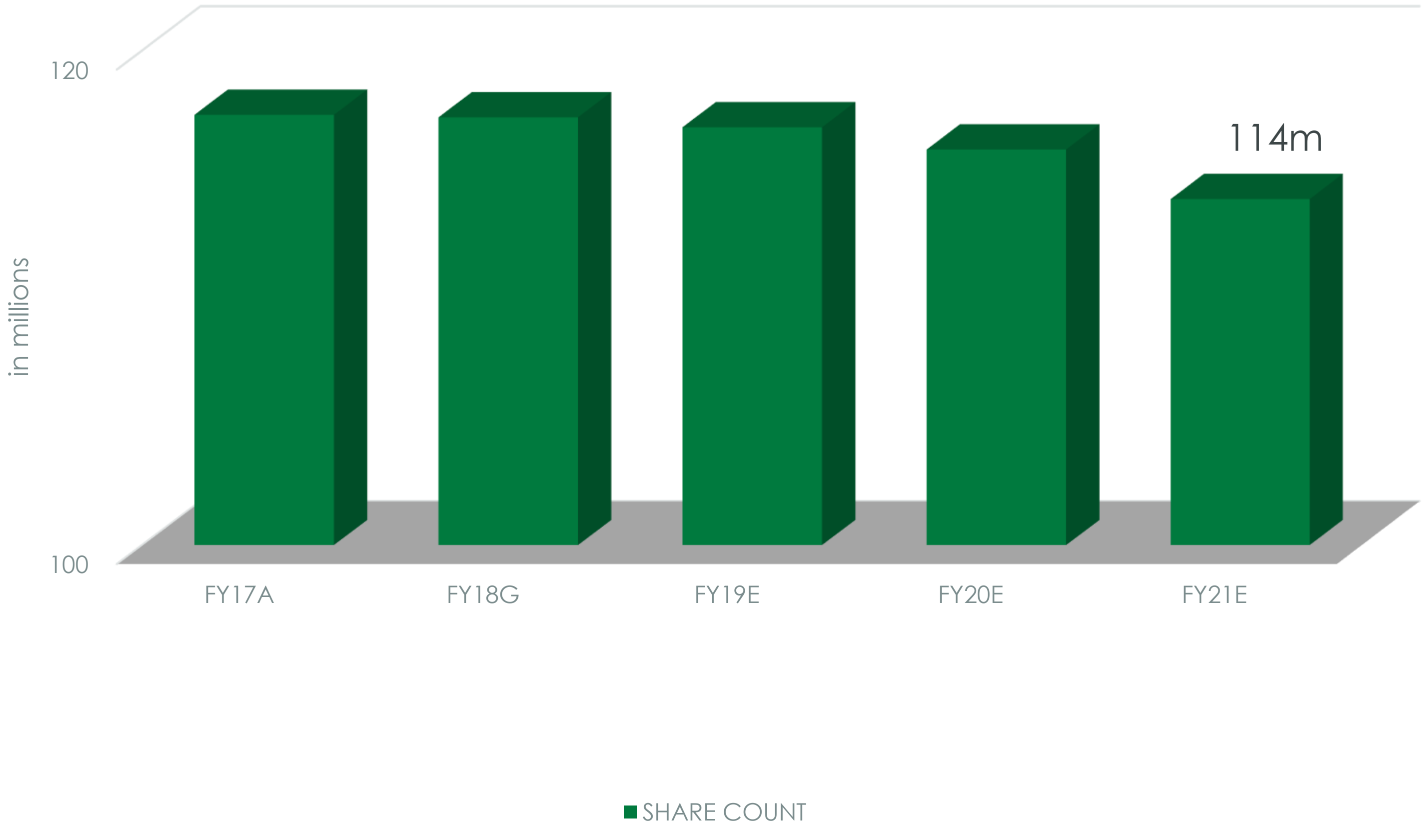
RETURNING CAPITAL TO SHAREHOLDERS

- We remain committed to returning at least 40% of free cash flow to investors, more than offsetting dilution, resulting in share count reduction through FY21.
- Following a brief pause in our share buyback program during FY16, as our subscription transition reduced our capacity to repurchase stock, we resumed stock repurchases in FY17.
- During the second half of FY17, we repurchased $51 million worth of shares, representing approximately 47% of free cash flow for full year FY17.



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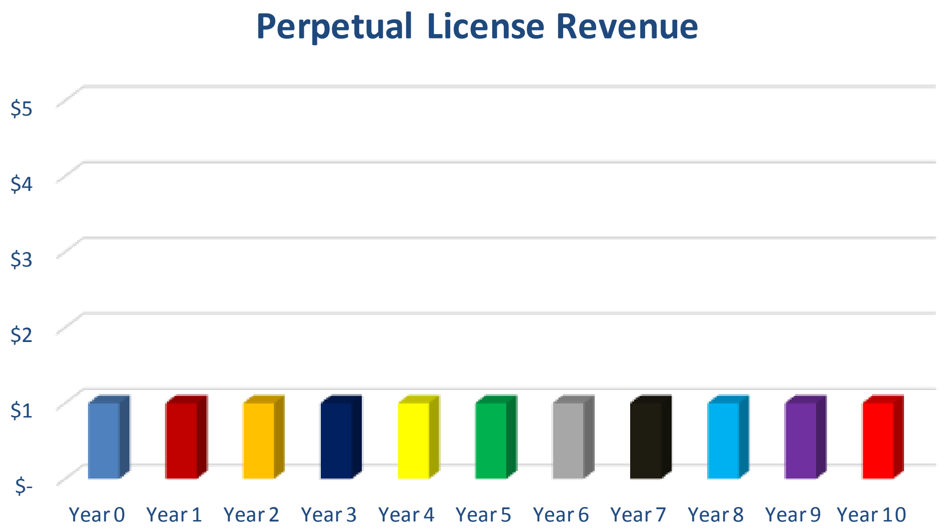
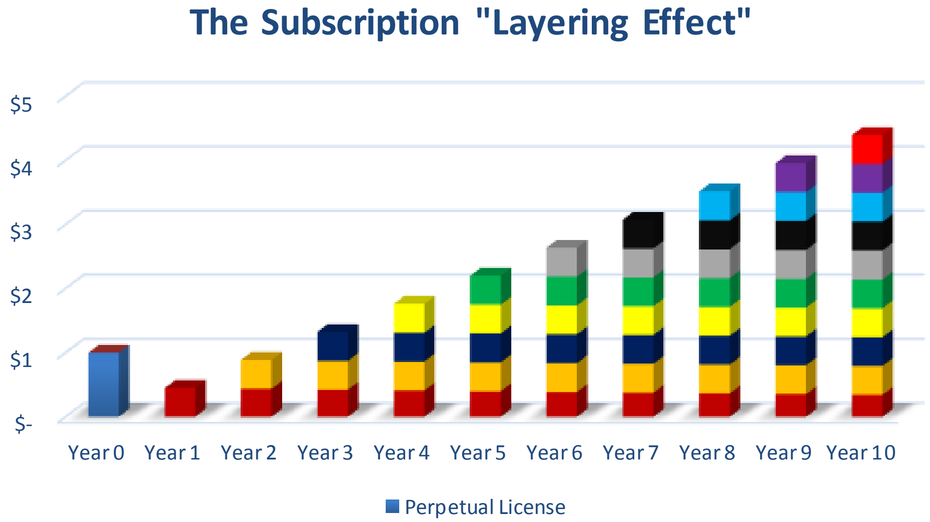
BACKGROUND

THE COMPOUNDING BENEFIT OF SUBSCRIPTION AS THE MODEL MATURES

- To help illustrate the compounding (or layering) effect of a typical subscription model, we compare the license revenue trends of a traditional perpetual license model with a subscription model.[1]
- For simplicity, we assume flat new bookings of $1.00 per year, and beginning in Year 1 of the subscription model, we assume 100% subscription mix with no churn or price increases.
- Each layer of subscription revenue compounds over time, yielding a steep slope of recurring revenue.





(1) Excludes support revenue, which is typically 20% of the perpetual license price and recurs annually.

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FORWARD LOOKING STATEMENTS

Statements in this presentation that are not historic facts, including statements about our future financial and growth expectations and targets, are forward-looking statements that involve risks and uncertainties that could cause actual results to differ materially from those projected. These risks include: the macroeconomic and/or global manufacturing climates may not improve or may deteriorate; customers may not purchase our solutions when or at the rates we expect; our businesses, including our Internet of Things (IoT) business, may not expand and/or generate the revenue we expect; foreign currency exchange rates may vary from our expectations and thereby affect our reported revenue and expense; the mix of revenue between license & subscription solutions, support and professional services could be different than we expect, which could impact our EPS results; our customers may purchase more of our solutions as subscriptions than we expect, which would adversely affect near-term revenue, operating margins, and EPS; customers may not purchase subscriptions as we expect, which could impact our ability to achieve targeted subscription bookings and subscription mix; sales of our solutions as subscriptions may not have the longer-term effect on revenue and earnings that we expect; we may be unable to expand our partner ecosystem as we expect and our partners may not generate the revenue we expect; we may be unable to improve performance in Japan when or as we expect; we may be unable to generate sufficient operating cash flow to return 40% of free cash flow to shareholders and other uses of cash or our credit facility limits could preclude share repurchases; and any repatriation of cash held outside the U.S., which constitutes a significant portion of our cash, could be subject to significant taxes. In addition, our assumptions concerning our future GAAP and non-GAAP effective income tax rates are based on estimates and other factors that could change, including the geographic mix of our revenue, expenses and profits and loans and cash repatriations from foreign subsidiaries. Other risks and uncertainties that could cause actual results to differ materially from those projected are detailed from time to time in reports we file with the Securities and Exchange Commission, including our most recent Annual Report on Form 10-K and Quarterly Reports on Form 10-Q.

IMPORTANT DISCLOSURES

Reporting metrics and non-GAAP definitions – Management believes certain operating measures and non-GAAP financial measures provide additional meaningful information that should be considered when assessing our performance. These measures should be considered in addition to, not as a substitute for, the reported GAAP results.

Software licensing model – A majority of our software sales historically were perpetual licenses, where customers own the software license. Typically, our customers choose to pay for ongoing support, which includes the right to software upgrades and technical support, and attach rates on support are in the high 90% range with retention rates also in the 90% range. For fiscal 2016 and year-to-date in fiscal 2017, a majority of our new license bookings have consisted of ratably recognized subscriptions. Under a subscription, customers pay a periodic fee for the continuing right to use our software, including access to technical support. They may also elect to use our cloud services and have us manage the application. We began offering subscription pricing as an option for most PTC products in Q1 FY'15, and earlier this year, we announced that beginning in January of 2018, we will no longer offer perpetual licenses in the Americas and Western Europe, except for Kepware. We believe subscription has proved attractive to customers as it: (1) increases customer flexibility and opportunity to change their mix of licenses; (2) lowers the initial purchase commitment; and (3) allows customers to use operating rather than capital budgets. Over a four to five-year period we believe the value of a subscription is likely to exceed that of a perpetual license, assuming similar seat counts. However, initial revenue, operating margin, and EPS will be lower as revenue is recognized ratably in a subscription, rather than up front.

Any reference to "total recurring software revenue" or "recurring software revenue" means the sum of subscription revenue and support revenue. Any reference to "total software revenue" or "software revenue" means the sum of subscription revenue, support revenue and perpetual license revenue. "Subscription revenue" includes cloud services revenue.

Bookings Metrics – We offer both perpetual and subscription licensing options to our customers, as well as monthly software rentals for certain products. Given the difference in revenue recognition between the sale of a perpetual software license (revenue is recognized at the time of sale) and a subscription (revenue is deferred and recognized ratably over the subscription term), we use bookings for internal planning, forecasting and reporting of new license and cloud services transactions. In order to normalize between perpetual and subscription licenses, we define subscription bookings as the subscription annualized contract value (subscription ACV) of new subscription bookings multiplied by a conversion factor of 2. We arrived at the conversion factor of 2 by considering a number of variables including pricing, support, length of term, and renewal rates. We define subscription ACV as the total value of a new subscription booking divided by the term of the contract (in days) multiplied by 365. If the term of the subscription contract is less than a year, the ACV is equal to the total contract value. Note that both in in FY'16 as well as YTD FY'17, the weighted average contract length of our subscription bookings was approximately 2 years. License and subscription bookings equal subscription bookings (as described above) plus perpetual license bookings plus any monthly software rental bookings during the period. Total ACV equals subscription ACV (as described above) plus the annualized value of incremental monthly software rental bookings during the period. Because subscription bookings is a metric we use to approximate the value of subscription sales if sold as perpetual licenses, it does not represent the actual revenue that will be recognized with respect to subscription sales or that would be recognized if the sales were perpetual licenses, nor does the annualized value of monthly software rental bookings represent the value of any such booking.

License Mix-Adjusted Metrics - These metrics assume that all new software and cloud services bookings since the start of FY'14 were perpetual license sales that included support in subsequent periods. The license mix-adjusted amount is calculated by converting the ACV (as defined above) of a new subscription solutions booking in the period to an assumed perpetual license equivalent by multiplying the ACV by a conversion factor of 2 (as defined above), and adding that amount to the perpetual license revenue amounts recognized in that period. Support calculated at 20% of the annual value of the converted amount is added to support revenue in future periods, beginning the quarter after the converted booking is assumed to be recognized. The assumed support revenue is spread ratably over a 12-month period and is assumed to renew in subsequent years.

Annualized Recurring Revenue (ARR) - To help investors understand and assess the success of our subscription transition, we provide an Annualized Recurring Revenue operating measure. Annualized Recurring Revenue (ARR) for a given quarter is calculated by dividing the portion of non-GAAP software revenue attributable to subscription and support for the quarter by the number of days in the quarter and multiplying by 365. (A related metric is Subscription ARR, which is calculated by dividing the portion of non-GAAP revenue attributable to subscription for the quarter by the number of days in the quarter and multiplying by 365.) ARR should be viewed independently of revenue and deferred revenue as it is an operating measure and is not intended to be combined with or to replace either of those items. ARR is not a forecast of future revenue, which can be impacted by contract expiration and renewal rates, and does not include revenue reported as perpetual license or professional services revenue in our consolidated statement of income. Subscription and support revenue and ARR disclosed in a quarter can be impacted by multiple factors, including but not limited to (1) the timing of the start of a contract or a renewal, including the impact of on-time renewals, support win-backs, and support conversions, which may vary by quarter, (2) the ramping of committed monthly payments under a subscription agreement over time, and (3) multiple other contractual factors with the customer including other elements sold with the subscription or support contract. These factors can result in variability in disclosed ARR.

Navigate Allocation -- In FY'16, we launched Navigate, a ThingWorx-based IoT solution for PLM. In FY'17, revenue and bookings for Navigate are being allocated 50% to Solutions and 50% to IoT. FY'16 reported amounts have been reclassified to conform with the current presentation. The impact of the reclassification on FY'16 revenue was immaterial.

Foreign Currency Impacts on our Business – We have a global business, with Europe and Asia historically representing approximately 60% of our revenue, and fluctuation in foreign currency exchange rates can significantly impact our results. We do not forecast currency movements; rather we provide detailed constant currency commentary. We employ a hedging strategy to limit our exposure to currency risk.

Constant Currency Change Measure (YoY CC) – Year-over-year changes in revenue on a constant currency basis compare reported results excluding the effect of any hedging converted into U.S. dollars based on the corresponding prior year's foreign currency exchange rates to reported results for the comparable prior year period.

IMPORTANT INFORMATION ABOUT NON-GAAP REFERENCES

PTC provides non-GAAP supplemental information to its financial results. 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 operating results. We believe that these non-GAAP measures help illustrate underlying trends in our business, and we use the measures to establish budgets and operational goals, communicated internally and externally, for managing our business and evaluating our performance. We believe that providing non-GAAP measures affords investors a view of our operating results that may be more easily compared to the results of peer companies. In addition, compensation of our executives is based in part on the performance of our business based on these non-GAAP measures. 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 PTC's financial results and such items often recur. Management uses, and investors should consider, non-GAAP measures in conjunction with our GAAP results.
Non-GAAP revenue, non-GAAP operating expense, non-GAAP operating margin, non-GAAP gross profit, non-GAAP gross margin, non-GAAP net income and non-GAAP EPS exclude the effect of the following items:

- Fair value of acquired deferred revenue is a purchase accounting adjustment recorded to reduce acquired deferred revenue to the fair value of the remaining obligation, so our GAAP revenue after an acquisition does not reflect the full amount of revenue that would have been reported if the acquired deferred revenue was not written down to fair value. We believe excluding these adjustments to revenue from these contracts (and associated costs in fair value adjustment to deferred services cost) is useful to investors as an additional means to assess revenue trends of our business.

- Stock-based compensation is a non-cash expense relating to stock-based awards issued to executive officers, employees and outside directors and to our employee stock purchase plan. We exclude this expense as it is a non-cash expense and we assess our internal operations excluding this expense and believe it facilitates comparisons to the performance of other companies in our industry.

- Amortization of acquired intangible assets is a non-cash expense that is impacted by the timing and magnitude of our acquisitions. We believe the assessment of our operations excluding these costs is relevant to our assessment of internal operations and comparisons to the performance of other companies in our industry.

- Acquisition-related charges included in general and administrative costs are direct costs of potential and completed acquisitions and expenses related to acquisition integration activities, including transaction fees, due diligence costs, severance and professional fees. In addition, subsequent adjustments to our initial estimated amount of contingent consideration associated with specific acquisitions are included within acquisition-related charges. These costs are not considered part of our normal operations as the occurrence and amount will vary depending on the timing and size of acquisitions.

- U.S. pension plan termination-related costs include charges related to our plan that we began terminating in the second quarter of 2014. Costs associated with the termination are not considered part of our regular operations.

- Restructuring charges include excess facility restructuring charges and severance costs resulting from reductions of personnel driven by modifications to our business strategy and not considered part of our normal operations. These costs may vary in size based on our restructuring plan.

- Non-operating credit facility refinancing costs are non-operating charges we record as a result of the refinancing of our credit facility. We assess our internal operations excluding these costs and believe it facilitates comparisons to the performance of other companies in our industry.

- Income tax adjustments include the tax impact of the items above and assumes that we are profitable on a non-GAAP basis in the U.S. and one foreign jurisdiction, and eliminates the effect of the valuation allowance recorded against our net deferred tax assets in those jurisdictions. Additionally, we exclude other material tax items that we view as non-ordinary course.

A reconciliation of non-GAAP measures to GAAP results is provided within this presentation.

PTC also provides information on "free cash flow" and "adjusted free cash flow" to enable investors to assess our ability to generate cash without incurring additional external financings and to evaluate our performance against our announced long term goal of returning approximately 40% of our free cash flow to shareholders via stock repurchases. Free cash flow is net cash provided by (used in) operating activities less capital expenditures; adjusted free cash flow is free cash flow excluding restructuring payments and certain identified non-ordinary course payments. Free cash flow and adjusted free cash flow are not measures of cash available for discretionary expenditures.

RECONCILIATION BETWEEN GAAP AND NON-GAAP FINANCIAL MEASURES

	FY'11	FY'12	FY'13	FY'14	FY'15	FY'16					FY'17				
Consolidated Statements of Operations -	Yr Ended	Yr Ended	Yr Ended	Yr Ended	Yr Ended	Quarter Ended				Yr Ended	Quarter Ended				Yr Ended
Reconciliation between GAAP and Non-GAAP	30-Sep	30-Sep	30-Sep	30-Sep	30-Sep	2-Jan	2-Apr	2-Jul	30-Sep	30-Sep	31-Dec	1-Apr	1-Jul	30-Sep	30-Sep
(in millions, except per share amounts and %)															
GAAP revenue	$ 1,167	$ 1,256	$ 1,294	$ 1,357	$ 1,255	$ 291	$ 273	$ 289	$ 288	$ 1,141	$ 286	$ 280	$ 291	$ 306	$ 1,164
Fair value adjustment of acquired deferred subscription revenue	-	-	-	0	2	0	1	1	1	2	1	0	0	0	2
Fair value adjustment of acquired deferred support revenue	3	2	3	0	1	-	-	-	-	-	-	-	-	-	-
Fair value adjustment of acquired deferred perpetual license revenue	-	-	-	0	-	-	-	-	-	-	-	-	-	-	-
Fair value adjustment of acquired deferred services revenue	-	-	0	0	1	0	0	0	0	1	0	0	0	0	1
Non-GAAP revenue	$ 1,170	$ 1,258	$ 1,297	$ 1,358	$ 1,259	$ 292	$ 274	$ 290	$ 289	$ 1,144	$ 287	$ 281	$ 292	$ 307	$ 1,167
GAAP cost of revenue	$ 357	$ 372	$ 373	$ 374	$ 335	$ 80	$ 80	$ 82	$ 83	$ 326	$ 82	$ 82	$ 82	$ 83	$ 329
License and subscription stock-based compensation expense	(0)	(0)	(0)	(0)	(1)	(0)	(0)	(0)	(0)	(1)	(0)	(0)	(0)	(0)	(1)
Support stock-based compensation expense	(3)	(3)	(3)	(4)	(4)	(2)	(1)	(1)	(1)	(5)	(1)	(1)	(1)	(1)	(5)
Professional services stock-based compensation expense	(5)	(6)	(6)	(6)	(6)	(1)	(1)	(1)	(1)	(5)	(1)	(2)	(2)	(2)	(6)
Fair value adjustment to deferred services cost	-	-	-	0	1	0	0	0	0	0	0	0	0	0	0
Software amortization of acquired intangible assets	(15)	(16)	(19)	(18)	(19)	(5)	(7)	(6)	(6)	(25)	(6)	(6)	(7)	(7)	(27)
Professional services amortization of acquired intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-GAAP cost of revenue	$ 334	$ 347	$ 345	$ 345	$ 306	$ 72	$ 71	$ 74	$ 74	$ 291	$ 73	$ 72	$ 73	$ 72	$ 290
GAAP gross profit	$ 810	$ 884	$ 921	$ 983	$ 921	$ 211	$ 192	$ 206	$ 205	$ 815	$ 204	$ 198	$ 209	$ 224	$ 835
Fair value adjustment of acquired deferred revenue	3	2	3	1	4	0	1	1	1	3	1	1	1	0	3
Stock-based compensation expense	8	9	9	10	10	3	2	3	3	11	3	3	3	4	13
Fair value adjustment to deferred services cost	-	-	-	(0)	(1)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Amortization of acquired intangible assets	15	16	19	18	19	5	7	6	6	25	6	6	7	7	27
Non-GAAP gross profit	$ 836	$ 911	$ 952	$ 1,013	$ 953	$ 220	$ 202	$ 216	$ 215	$ 853	$ 214	$ 208	$ 219	$ 235	$ 877
GAAP gross margin	69.4%	70.4%	71.2%	72.5%	73.3%	72.5%	70.6%	71.4%	71.3%	71.4%	71.3%	70.8%	71.8%	73.0%	71.7%
Fair value adjustment of acquired deferred revenue	0.2%	0.2%	0.2%	0.1%	0.3%	0.2%	0.4%	0.4%	0.3%	0.3%	0.3%	0.2%	0.2%	0.2%	0.2%
Stock-based compensation expense	0.7%	0.7%	0.7%	0.8%	0.8%	1.2%	0.9%	0.9%	0.9%	0.9%	1.0%	1.1%	1.0%	1.1%	1.1%
Fair value adjustment to deferred services cost	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Amortization of acquired intangible assets	1.3%	1.3%	1.4%	1.3%	1.5%	1.8%	2.5%	2.2%	2.2%	2.2%	2.2%	2.3%	2.2%	2.4%	2.3%
Non-GAAP gross margin	71.5%	72.4%	73.4%	74.6%	75.7%	75.4%	74.0%	74.6%	74.4%	74.6%	74.6%	74.2%	75.0%	76.5%	75.1%
GAAP sales and marketing expense	$ 356	$ 386	$ 373	$ 367	$ 347	$ 82	$ 87	$ 95	$ 103	$ 367	$ 91	$ 88	$ 93	$ 101	$ 373
Stock-based compensation expense	(11)	(16)	(14)	(13)	(14)	(4)	(4)	(3)	(3)	(15)	(4)	(4)	(3)	(4)	(15)
Non-GAAP sales and marketing expense	$ 344	$ 370	$ 359	$ 354	$ 333	$ 78	$ 83	$ 92	$ 100	$ 353	$ 87	$ 84	$ 90	$ 97	$ 358
GAAP research and development expense	$ 211	$ 215	$ 222	$ 226	$ 228	$ 58	$ 57	$ 57	$ 58	$ 229	$ 58	$ 58	$ 60	$ 61	$ 236
Stock-based compensation expense	(9)	(9)	(9)	(10)	(12)	(3)	(3)	(3)	(3)	(10)	(3)	(4)	(3)	(4)	(14)
Non-GAAP research and development expense	$ 203	$ 206	$ 213	$ 216	$ 216	$ 55	$ 54	$ 55	$ 55	$ 219	$ 55	$ 54	$ 57	$ 56	$ 222
GAAP general and administrative expense	$ 108	$ 109	$ 119	$ 132	$ 225	$ 39	$ 34	$ 35	$ 38	$ 146	$ 37	$ 37	$ 35	$ 36	$ 145
Stock-based compensation expense	(18)	(18)	(17)	(17)	(14)	(13)	(6)	(6)	(6)	(30)	(8)	(10)	(7)	(9)	(35)
Acquisition-related costs	(8)	(4)	(10)	(13)	(9)	(1)	(1)	(1)	(0)	(3)	(0)	(1)	(0)	(1)	(2)
US pension plan termination-related costs	-	-	-	(0)	(73)	-	-	-	-	-	-	-	(0)	-	(0)
Pending legal settlement accrual	-	-	-	-	(28)	-	-	-	(3)	(3)	-	-	-	-	-
Non-GAAP general and administrative expense	$ 82	$ 88	$ 93	$ 102	$ 101	$ 24	$ 27	$ 29	$ 29	$ 109	$ 28	$ 26	$ 27	$ 27	$ 108

RECONCILIATION BETWEEN GAAP AND NON-GAAP FINANCIAL MEASURES

	FY'11	FY'12	FY'13	FY'14	FY'15	FY'16					FY'17				
Consolidated Statements of Operations - Reconciliation between GAAP and Non-GAAP	Yr Ended	Yr Ended	Yr Ended	Yr Ended	Yr Ended	Quarter Ended				Yr Ended	Quarter Ended				Yr Ended
	30-Sep	30-Sep	30-Sep	30-Sep	30-Sep	2-Jan	2-Apr	2-Jul	30-Sep	30-Sep	31-Dec	1-Apr	1-Jul	30-Sep	30-Sep
(in millions, except per share amounts and %)															
GAAP operating income (loss)	$ 117	$ 128	$ 127	$ 197	$ 42	$ (13)	$ 2	$ 8	$ (33)	$ (37)	$ 5	$ 8	$ 11	$ 18	$ 41
Fair value adjustment of acquired deferred revenue	3	2	3	1	4	0	1	1	1	3	1	1	1	0	3
Stock-based compensation expense	45	51	49	51	50	23	15	14	14	66	18	22	17	21	77
Fair value adjustment to deferred services cost	-	-	-	(0)	(1)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Acquisition-related costs	8	4	10	13	9	1	1	1	0	3	0	1	0	1	2
US pension plan termination-related costs	-	-	-	-	73	-	-	-	-	-	-	-	0	-	0
Pending legal settlement accrual	-	-	-	-	28	-	-	-	3	3	-	-	-	-	-
Restructuring and other charges (credits)	-	25	52	28	43	37	5	3	32	76	6	0	2	(0)	8
Amortization of acquired intangible assets	34	36	45	50	56	13	15	15	15	58	14	14	14	15	59
Non-GAAP operating income (loss)	$ 207	$ 247	$ 286	$ 340	$ 304	$ 62	$ 38	$ 41	$ 32	$ 173	$ 44	$ 45	$ 45	$ 54	$ 188
GAAP operating margin	10.0%	10.2%	9.8%	14.5%	3.3%	-4.6%	0.6%	2.6%	-11.5%	-3.2%	1.6%	2.7%	3.9%	5.7%	3.5%
Fair value adjustment of acquired deferred revenue	0.2%	0.2%	0.2%	0.1%	0.3%	0.2%	0.4%	0.4%	0.3%	0.3%	0.3%	0.2%	0.2%	0.2%	0.2%
Stock-based compensation expense	3.9%	4.1%	3.8%	3.7%	4.0%	8.0%	5.4%	4.8%	4.9%	5.8%	6.3%	7.7%	5.7%	6.7%	6.6%
Fair value adjustment to deferred services cost	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Acquisition-related costs	0.7%	0.3%	0.8%	1.0%	0.7%	0.4%	0.4%	0.3%	0.1%	0.3%	0.1%	0.2%	0.1%	0.2%	0.1%
US pension plan termination-related costs	0.0%	0.0%	0.0%	0.0%	5.8%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%
Pending legal settlement accrual	0.0%	0.0%	0.0%	0.0%	2.2%	0.0%	0.0%	0.0%	1.1%	0.3%	0.0%	0.0%	0.0%	0.0%	0.0%
Restructuring and other charges (credits)	0.0%	2.0%	4.0%	2.1%	3.5%	12.8%	1.7%	1.0%	11.0%	6.7%	2.2%	0.2%	0.5%	-0.1%	0.7%
Amortization of acquired intangible assets	2.9%	2.9%	3.5%	3.7%	4.4%	4.6%	5.5%	5.1%	5.0%	5.1%	5.0%	5.1%	5.0%	5.0%	5.0%
Non-GAAP operating margin	17.7%	19.6%	22.1%	25.1%	24.2%	21.3%	14.0%	14.1%	10.9%	15.1%	15.4%	16.0%	15.4%	17.7%	16.1%
GAAP net income (loss)	$ 85	$ (35)	$ 144	$ 160	$ 48	$ (24)	$ (5)	$ 3	$ (28)	$ (54)	$ (9)	$ (1)	$ (1)	$ 17	$ 6
Fair value adjustment of acquired deferred revenue	3	2	3	1	4	0	1	1	1	3	1	1	1	0	3
Stock-based compensation expense	45	51	49	51	50	23	15	14	14	66	18	22	17	21	77
Fair value adjustment to deferred services cost	-	-	-	(0)	(1)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Acquisition-related costs	8	4	10	13	9	1	1	1	0	3	0	1	0	1	2
US pension plan termination-related costs	-	-	-	-	73	-	-	-	-	-	-	-	0	-	0
Pending legal settlement accrual	-	-	-	-	28	-	-	-	3	3	-	-	-	-	-
Restructuring and other charges (credits)	-	25	52	28	43	37	5	3	32	76	6	0	2	(0)	8
Amortization of acquired intangible assets	34	36	45	50	56	13	15	15	15	58	14	14	14	15	59
Non-operating gains (losses)	5	1	(6)	-	-	2	-	-	-	2	-	1	-	-	1
Income tax adjustments	(28)	99	(78)	(44)	(51)	5	(5)	(6)	(13)	(20)	0	(3)	(0)	(15)	(17)
Non-GAAP net income (loss)	$ 152	$ 183	$ 219	$ 260	$ 259	$ 59	$ 26	$ 30	$ 23	$ 138	$ 31	$ 35	$ 33	$ 40	$ 138

RECONCILIATION BETWEEN GAAP AND NON-GAAP FINANCIAL MEASURES

	FY'11	FY'12	FY'13	FY'14	FY'15	FY'16					FY'17				
Consolidated Statements of Operations - Reconciliation between GAAP and Non-GAAP	Yr Ended 30-Sep	Yr Ended 30-Sep	Yr Ended 30-Sep	Yr Ended 30-Sep	Yr Ended 30-Sep	Quarter Ended 2-Jan	2-Apr	2-Jul	30-Sep	Yr Ended 30-Sep	Quarter Ended 31-Dec	1-Apr	1-Jul	30-Sep	Yr Ended 30-Sep
(in millions, except per share amounts and %)															
GAAP basic net income (loss) per share	$ 0.73	$ (0.30)	$ 1.20	$ 1.36	$ 0.41	$ (0.21)	$ (0.05)	$ 0.03	$ (0.25)	$ (0.48)	$ (0.08)	$ (0.01)	$ (0.01)	$ 0.15	$ 0.05
Fair value adjustment of acquired deferred revenue	0.02	0.02	0.03	0.01	0.03	0.00	0.01	0.01	0.01	0.03	0.01	0.01	0.01	0.00	0.02
Stock-based compensation expense	0.39	0.43	0.41	0.43	0.44	0.20	0.13	0.12	0.12	0.58	0.16	0.19	0.14	0.18	0.66
Fair value adjustment to deferred services cost	-	-	-	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Acquisition-related costs	0.07	0.03	0.08	0.11	0.08	0.01	0.01	0.01	0.00	0.03	0.00	0.00	0.00	0.01	0.01
US pension plan termination-related costs	-	-	-	-	0.64	-	-	-	-	-	-	-	0.00	-	0.00
Pending legal settlement accrual	-	-	-	-	0.25	-	-	-	0.03	0.03	-	-	-	-	-
Restructuring and other charges (credits)	-	0.21	0.44	0.24	0.38	0.33	0.04	0.02	0.28	0.67	0.05	0.00	0.01	(0.00)	0.07
Amortization of acquired intangible assets	0.29	0.30	0.38	0.43	0.48	0.12	0.13	0.13	0.13	0.50	0.13	0.12	0.13	0.13	0.51
Non-operating gains (losses)	0.04	0.01	(0.05)	-	-	0.02	-	-	-	0.02	-	0.01	-	-	0.01
Income tax adjustments	(0.24)	0.83	(0.65)	(0.37)	(0.45)	0.04	(0.05)	(0.05)	(0.12)	(0.17)	0.00	(0.02)	(0.00)	(0.13)	(0.15)
Non-GAAP basic net income (loss) per share	$ 1.29	$ 1.54	$ 1.83	$ 2.20	$ 2.26	$ 0.51	$ 0.23	$ 0.26	$ 0.20	$ 1.20	$ 0.27	$ 0.30	$ 0.28	$ 0.34	$ 1.19
GAAP diluted net income (loss) per share	$ 0.71	$ (0.30)	$ 1.19	$ 1.34	$ 0.41	$ (0.21)	$ (0.05)	$ 0.03	$ (0.25)	$ (0.48)	$ (0.08)	$ (0.01)	$ (0.01)	$ 0.15	$ 0.05
Fair value adjustment of acquired deferred revenue	0.02	0.02	0.03	0.01	0.03	0.00	0.01	0.01	0.01	0.03	0.01	0.01	0.01	0.00	0.02
Stock-based compensation expense	0.38	0.43	0.40	0.42	0.43	0.20	0.13	0.12	0.12	0.57	0.15	0.18	0.14	0.18	0.65
Fair value adjustment to deferred services cost	-	-	-	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Acquisition-related costs	0.06	0.03	0.08	0.11	0.08	0.01	0.01	0.01	0.00	0.03	0.00	0.00	0.00	0.01	0.01
US pension plan termination-related costs	-	-	-	-	0.63	-	-	-	-	-	-	-	0.00	-	0.00
Pending legal settlement accrual	-	-	-	-	0.24	-	-	-	0.03	0.03	-	-	-	-	-
Restructuring and other charges (credits)	-	0.21	0.43	0.24	0.37	0.33	0.04	0.02	0.27	0.66	0.05	0.00	0.01	(0.00)	0.07
Amortization of acquired intangible assets	0.28	0.30	0.37	0.42	0.48	0.12	0.13	0.13	0.12	0.50	0.12	0.12	0.12	0.13	0.50
Non-operating gains (losses)	0.04	0.01	(0.05)	-	-	0.02	-	-	-	0.02	-	0.01	-	-	0.01
Income tax adjustments	(0.23)	0.83	(0.64)	(0.36)	(0.44)	0.04	(0.05)	(0.05)	(0.11)	(0.17)	0.00	(0.02)	(0.00)	(0.12)	(0.15)
Non-GAAP diluted net income (loss) per share	$ 1.26	$ 1.51	$ 1.81	$ 2.17	$ 2.23	$ 0.51	$ 0.23	$ 0.26	$ 0.20	$ 1.19	$ 0.26	$ 0.30	$ 0.28	$ 0.34	$ 1.17

FY18 GAAP AND NON-GAAP GUIDANCE

Fiscal 2018 Business Outlook

For the first quarter and fiscal year ending September 30, 2018, the company expects:

In millions except per share amounts

Operating Measures[1]	Q1'18 Low	Q1'18 High	FY'18 Low	FY'18 High
Subscription ACV	$ 28	$ 31	$ 178	$ 185
License and Subscription Bookings	$ 82	$ 92	$ 446	$ 464
Subscription % of Bookings	68%	68%	80%	80%

(1) An explanation of the metrics included in this table is provided below.

Financial Measures	Q1'18 Low	Q1'18 High	FY'18 Low	FY'18 High
Subscription Revenue	$ 98	$ 100	$ 440	$ 450
Support Revenue	132	132	525	525
Perpetual License Revenue	27	30	90	95
Total Software Revenue	257	262	1,055	1,070
Professional Services Revenue	40	40	170	170
Total Revenue	$297	$ 302	$ 1,225	$ 1,240
Operating Expense (GAAP)	$ 199	$ 202	$ 814	$ 824
Operating Expense (Non-GAAP)	176	180	723	733
Operating Margin (GAAP)	5%	7%	7%	7%
Operating Margin (Non-GAAP)	16%	17%	17%	18%
Tax Rate (GAAP)	25%	25%	25%	25%
Tax Rate (Non-GAAP)	11%	9%	11%	9%
Shares Outstanding (GAAP)	117	117	117	117
Shares Outstanding (Non-GAAP)	117	117	117	117
EPS (GAAP)	$ 0.03	$ 0.05	$ 0.24	$ 0.30
EPS (Non-GAAP)	$ 0.28	$ 0.32	$ 1.27	$ 1.37
Free Cash Flow			$ 190	$ 200

The first quarter and fiscal 2018 non-GAAP operating margin and non-GAAP EPS guidance exclude the estimated items outlined in the table below, as well as any tax effects and discrete tax items (which are not known nor reflected).

In millions	Q1'18	FY'18
Effect of acquisition accounting on fair value of acquired deferred revenue	$ -	$ 1
Stock-based compensation expense	17	70
Intangible asset amortization expense	15	58
Total Estimated Pre-Tax GAAP adjustments	$ 32	$ 129