

PTC INC.

FORM 8-K (Current report filing)

Filed 03/30/17 for the Period Ending 03/24/17

Address	140 KENDRICK STREET NEEDHAM, MA 02494
Telephone	7813705000
CIK	0000857005
Symbol	PTC
SIC Code	7372 - Prepackaged Software
Industry	Software
Sector	Technology
Fiscal Year	09/30

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 8-K

CURRENT REPORT PURSUANT
TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of report (Date of earliest event reported)

March 24, 2017

PTC Inc.

(Exact Name of Registrant as Specified in Its Charter)

Massachusetts

(State or Other Jurisdiction of Incorporation)

0-18059

(Commission File Number)

04-2866152

(IRS Employer Identification No.)

140 Kendrick Street
Needham, Massachusetts

(Address of Principal Executive Offices)

02494-2714

(Zip Code)

(781) 370-5000

(Registrant's Telephone Number, Including Area Code)

(Former Name or Former Address, if Changed Since Last Report)

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 (*see* General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Section 1 – Registrant’s Business and Operations

Item 1.01 Entry into a Material Definitive Agreement.

On March 24, 2017, PTC Inc. entered into Amendment No. 5 (the “Amendment”) to the Credit Agreement dated as of November 4, 2015 by and among PTC Inc., JP Morgan Chase Bank, N.A., as Administrative Agent, and the lenders party thereto (the “Credit Agreement”). The Amendment reduces the revolving loan commitment under the Credit Agreement to \$600 million from \$900 million, reduces the foreign currency borrowing sublimit to \$350 million from \$500 million, and increases the permitted total leverage ratio to 4.50 to 1.00 from 4.00 to 1.00. The amendment also amends the definition of Consolidated EBITDA used within our financial covenant ratios, including the total leverage ratio, to accommodate our business model transition, and makes certain other administrative changes to the Credit Agreement. Giving effect to the Amendment, we could have borrowed \$230 million under the Credit Agreement as of the beginning of our second quarter that ends April 1, 2017. The financial ratios under the Credit Agreement are calculated as of the end of each fiscal quarter; accordingly, the amount that we can borrow under the Credit Agreement may change from quarter to quarter depending on our financial results for the quarter and amounts borrowed or repaid during the quarter.

This amendment is expected to provide us with additional liquidity during our subscription transition, including if our subscription transition accelerates, that we expect will enable us to resume repurchases of our common stock in the second half of our fiscal year ending September 30, 2017. The reduction in the loan commitment reduces the commitment fees we are required to pay by \$900,000 a year for unused capacity we were unlikely to be able to use due to our subscription transition. We repaid net \$20 million under the credit facility this quarter.

The above description of the Amendment is qualified in its entirety by reference to the full text of the Amendment, a copy of which is filed as Exhibit 10 hereto.

Forward Looking Statements

Statements in this Current Report on Form 8-K that are not historic facts, including statements about the expected effect of the Amendment on our liquidity during our subscription transition and our resumption of repurchases of our common stock, 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; 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; and 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. 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 Report on Form 10-Q.

Section 9 – Financial Statements and Exhibits

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

10 Amendment No. 5 dated March 24, 2017 to Credit Agreement dated as of November 4, 2015 by and among PTC Inc., JP Morgan Chase Bank, N.A., as Administrative Agent, and the lenders party thereto.

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.

PTC Inc.

Date: March 30, 2017

By: /s/Andrew Miller
Andrew Miller
Chief Financial Officer

AMENDMENT NO. 5

Dated as of March 24, 2017

to

AMENDED AND RESTATED CREDIT AGREEMENT

Dated as of November 4, 2015

THIS AMENDMENT NO. 5 (this “Amendment”) is made as of March 24, 2017 by and among PTC Inc., a Massachusetts corporation (the “Parent”), PTC (IFSC) Limited, an entity organized under the laws of the Republic of Ireland (the “Irish Borrower” and, together with the Parent, the “Borrowers”), the Lenders listed on the signature pages hereof and JPMorgan Chase Bank, N.A., as administrative agent for the Lenders (in such capacity, the “Administrative Agent”), under that certain Amended and Restated Credit Agreement, dated as of November 4, 2015, by and among the Parent, the Foreign Subsidiary Borrowers from time to time party thereto, the Lenders from time to time party thereto and the Administrative Agent (as further amended, restated, supplemented or otherwise modified from time to time, the “Credit Agreement”). Capitalized terms used herein and not otherwise defined herein shall have the respective meanings given to them in the Credit Agreement.

WHEREAS, the Parent has requested that the Lenders and the Administrative Agent agree to make certain amendments to the Credit Agreement; and

WHEREAS, the Borrowers, the requisite Lenders and the Administrative Agent have so agreed on the terms and conditions set forth herein;

NOW, THEREFORE, in consideration of the premises set forth above, the terms and conditions contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Borrowers, the Lenders party hereto and the Administrative Agent hereby agree to enter into this Amendment.

1. Amendments to the Credit Agreement. Subject to the satisfaction of the conditions precedent set forth in Section 2 below, the Credit Agreement is hereby amended as follows:

(a) Section 1.01 of the Credit Agreement is hereby amended to add the following new term and related definition in the appropriate alphabetical order:

“Amendment No. 5 Effective Date” means March 24, 2017.

(b) The definition of “Aggregate Commitment” set forth in Section 1.01 of the Credit Agreement is hereby amended to restate the last sentence thereof to read as follows: “As of the Amendment No. 5 Effective Date, the Aggregate Commitment is \$600,000,000”.

(c) The definition of “Commitment” set forth in Section 1.01 of the Credit Agreement is hereby amended to (i) replace the reference to “Amendment No. 2 Effective Date” set forth in the penultimate sentence thereof with “Amendment No. 5 Effective Date” and (ii) amend and restate the last sentence thereof to read as follows: “The aggregate amount of the Lenders’ Commitments as of

the Amendment No. 5 Effective Date is \$600,000,000.”

(d) Clause (A) of the proviso to clause (a)(vi) of the definition of “Consolidated EBITDA” set forth in Section 1.01 of the Credit Agreement is hereby amended and restated, with effect from (and including) December 31, 2016, to read as follows: “for purposes of determining Consolidated EBITDA for any period that includes the fiscal quarters ended April 2, 2016, July 2, 2016 and/or September 30, 2016, the aggregate amount added to Consolidated EBITDA in respect of such fiscal quarters pursuant to this clause (a)(vi) shall not exceed \$4,579,000, \$2,815,000 and \$31,732,000, respectively,”.

(e) The definition of “Consolidated EBITDA” set forth in Section 1.01 of the Credit Agreement is hereby further amended:

(i) to delete the following parenthetical appearing therein: “(to the extent such increase occurs during the eight (8) consecutive full fiscal quarters following the Effective Date)”;

(ii) to amend and restate clause (B) of the proviso in clause (a)(xi) thereof to read as follows:

“(B) the first, second and third fiscal quarters of each fiscal year of the Parent shall be deemed to end on January 2, April 2 and July 2, respectively, of such fiscal year for purposes of determining any such net increase in the amount of consolidated deferred revenue for such fiscal quarters pursuant to this clause (xi)”

(iii) to amend and restate the phrase “to the extent included in Consolidated Net Earnings for such period, non-recurring gains not incurred in the ordinary course of business” to read as follows: “to the extent included in Consolidated Net Earnings for such period, (1) non-recurring gains not incurred in the ordinary course of business and (2) the net decrease, if any, in the amount of consolidated deferred revenue during such period, as reflected on the balance sheets of the Companies required to be delivered pursuant to Section 5.03(a) or 5.03(b); provided, that, (A) in the case of any Acquisition or any other acquisition of all or substantially all the Equity Interests in, or all or substantially all the assets of (or the assets constituting a business unit, division, product line or line of business of), any Person permitted hereunder consummated during such period, any such decrease attributable to the Persons or assets subject thereto shall be determined only from and after the consummation thereof and (B) the first, second and third fiscal quarters of each fiscal year of the Parent shall be deemed to end on January 2, April 2 and July 2, respectively, of such fiscal year for purposes of determining any such net decrease in the amount of consolidated deferred revenue for such fiscal quarters pursuant to this clause (2)”.

(f) The term “Covenant Modification Trigger Event” and its related definition set forth in Section 1.01 of the Credit Agreement are hereby deleted in their entirety.

(g) The definition of “Foreign Currency Sublimit” set forth in Section 1.01 of the Credit Agreement is hereby amended to replace the figure “\$500,000,000” set forth therein with “\$350,000,000”.

(h) Section 1.04 of the Credit Agreement is hereby amended to add the following new clause (iii) to the penultimate sentence thereof (and to make any related punctuation and grammatical

changes as a result thereof):

(iii) without giving effect to ASU No. 2014-09, Revenue From Contracts With Customers (Topic 606) (or any other accounting standards codification or financing accounting standard having a similar result or effect) in respect of revenue recognition

(i) Clause (a) of Section 5.07 of the Credit Agreement is hereby amended and restated to read as follows:

Total Leverage Ratio. The Parent shall not suffer or permit the Total Leverage Ratio to exceed 4.50 to 1.00 as of the last day of any fiscal quarter of the Parent.

(j) Clause (b) of Section 5.07 of the Credit Agreement is hereby amended to delete the phrase “, on and after the Covenant Modification Trigger Event,” set forth therein.

(k) Schedule 2.01 of the Credit Agreement is hereby amended and restated to read as set forth on Schedule 2.01 hereto.

(l) the form of the Compliance Certificate set forth on Exhibit E to the Credit Agreement is hereby amended to add the following new clause (6) thereto:

(6) If this Certificate is being delivered in respect of the first, second or third fiscal quarter of the Parent, set forth on Attachment II hereto is the net increase or net decrease, as applicable, of consolidated deferred revenue attributable to each additional date deemed to be included in such fiscal quarter pursuant to clause (a)(xi)(B) or (b)(2)(B) of the “Consolidated EBITDA” definition set forth in the Credit Agreement.

2. Conditions of Effectiveness. The effectiveness of this Amendment is subject to the conditions precedent that the Administrative Agent shall have received (i) counterparts to this Amendment duly executed by the Borrowers, the Required Lenders and the Administrative Agent, (ii) from the Parent, for the account of each Lender signatory hereto that delivers its executed signature page to this Amendment by no later than the date and time specified by the Administrative Agent, an amendment fee in an amount equal to \$10,000 and (iii) to the extent invoiced no less than one (1) Business Day prior to the date hereof, payment and/or reimbursement of the reasonable out-of-pocket fees and expenses of counsel for the Administrative Agent in connection with this Amendment and the other Loan Documents.

3. Representations and Warranties of the Borrowers. Each of the Borrowers hereby represents and warrants as follows:

(a) This Amendment and the Credit Agreement as modified hereby constitute valid and binding obligations of such Borrower, enforceable against such Borrower in accordance with their respective terms.

(b) As of the date hereof and immediately after giving effect to the terms of this Amendment, (i) no Default or Event of Default has occurred and is continuing and (ii) the representations and warranties of the Borrowers set forth in the Credit Agreement are true and correct in all material respects (or, in the case of any representation or warranty qualified by materiality or Material Adverse Effect, in all respects) on and as of the date hereof (or, if a representation or warranty is expressly stated to have been made as of a specific date, such representation or warranty shall be true and correct in all material respects (or, in the case of any representation or warranty qualified by materiality or Material Adverse Effect, in all respects) as of such specific date).

4. Reference to and Effect on the Credit Agreement.

(a) Upon the effectiveness hereof, each reference to the Credit Agreement in the Credit Agreement or any other Loan Document shall mean and be a reference to the Credit Agreement as amended hereby.

(b) The Credit Agreement and all other Loan Documents shall remain in full force and effect and are hereby ratified and confirmed.

(c) Except with respect to the subject matter hereof, the execution, delivery and effectiveness of this Amendment shall not operate as a waiver of any right, power or remedy of the Administrative Agent or the Lenders, nor constitute a waiver of any provision of the Credit Agreement or any other Loan Documents.

(d) This Amendment is a Loan Document.

5. Governing Law. This Amendment shall be construed in accordance with and governed by the law of the State of New York.

6. Headings. Section headings in this Amendment are included herein for convenience of reference only and shall not constitute a part of this Amendment for any other purpose.

7. Counterparts. This Amendment may be executed by one or more of the parties hereto on any number of separate counterparts, and all of said counterparts taken together shall be deemed to constitute one and the same instrument. Signatures delivered by facsimile or other electronic imaging shall have the same force and effect as manual signatures delivered in person.

[Signature Pages Follow]

IN WITNESS WHEREOF, this Amendment has been duly executed as of the day and year first above written.

PTC INC.,
as the Parent

By: /s/Stephen G. Bouchard

Name: Stephen G. Bouchard
Title: Treasurer

PTC (IFSC) LIMITED,
as the Irish Borrower

By: /s/Eamonn Clarke

Name: Eamonn Clarke
Title: Director

Signature Page to Amendment No. 5 to
Amended and Restated Credit Agreement
PTC Inc.

JPMORGAN CHASE BANK, N.A.,
individually as a Lender, as the Swingline Lender, as an Issuing Bank and as Administrative Agent

By : /s/Daglas P. Panchal
Name: Daglas P. Panchal
Title: Executive Director

Signature Page to Amendment No. 5 to
Amended and Restated Credit Agreement
PTC Inc.

By /s/David A. Wild

Name: David A. Wild

Title: Senior Vice President

Signature Page to Amendment No. 5 to
Amended and Restated Credit Agreement
PTC Inc.

Fifth Third Bank

By /s/Glen Mastey

Name: Glen Mastey

Title: Managing Director

For any Lender requiring a second signature line:

By _____

Name:

Title:

Signature Page to Amendment No. 5 to
Amended and Restated Credit Agreement
PTC Inc.

Name of Lender:

HSBC Bank USA, National Association

By /s/Elise M. Russo

Name: Elise M. Russo

Title: Senior Vice President

For any Lender requiring a second signature line:

By _____

Name:

Title:

Citizens Bank N.A.

By /s/Patricia F. Grieve

Name: Patricia F. Grieve

Title: Vice President

Name of Lender:

ROYAL BANK OF CANADA

By /s/Theodore Brown

Name: Theodore Brown

Title: Authorized Signatory

Name of Lender:

SANTANDER BANK, N.A.

By /s/Andres Barbosa

Name: Andres Barbosa

Title: Executive Director

Name of Lender:

TD BANK, N.A.

By /s/Alan Garson

Name: Alan Garson

Title: Senior Vice President

Name of Lender:

BARCLAYS BANK PLC

By /s/May Huang

Name: May Huang

Title: Assistant Vice President

Name of Lender:

SunTrust Bank

By /s/ Jason Crowley

Name: Jason Crowley

Title: Vice President

Name of Lender:

U.S. BANK NATIONAL ASSOCIATION

By /s/Brian Seipke

Name: BRIAN SEIPKE

Title: VICE PRESIDENT

Name of Lender: Wells Fargo Bank N.A.

By /s/Kieran Mahon

Name: Kieran Mahon

Title: Director

SILICON VALLEY BANK

By /s/Kristy Vlahos

Name: Kristy Vlahos

Title: Director

Name of Lender:

The Huntington National Bank

By /s/Jared Shaner

Name: Jared Shaner

Title: Vice President

Name of Lender:

PEOPLE'S UNITED BANK, NATIONAL ASSOCIATION, AS LENDER

By /s/Kathryn Williams

Name: Kathryn Williams

Title: Vice President

SCHEDULE 2.01

COMMITMENTS

LENDER	COMMITMENT
JPMORGAN CHASE BANK, N.A.	\$52,000,000
KEYBANK NATIONAL ASSOCIATION	\$52,000,000
FIFTH THIRD BANK	\$44,000,000
HSBC BANK USA, NATIONAL ASSOCIATION	\$44,000,000
CITIZENS BANK, N.A.	\$44,000,000
ROYAL BANK OF CANADA	\$44,000,000
SANTANDER BANK, N.A.	\$44,000,000
TD BANK, N.A.	\$44,000,000
BARCLAYS BANK PLC	\$36,000,000
SUNTRUST BANK	\$36,000,000
U.S. BANK NATIONAL ASSOCIATION	\$36,000,000
WELLS FARGO BANK, NATIONAL ASSOCIATION	\$30,000,000
SILICON VALLEY BANK	\$30,000,000
THE HUNTINGTON NATIONAL BANK	\$24,000,000
BANK OF AMERICA, N.A.	\$24,000,000
PEOPLE'S UNITED BANK	\$16,000,000
AGGREGATE COMMITMENTS	\$600,000,000
