



# Pegasystems Investor Presentation Q1 2024

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April 24, 2024



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Certain statements in this presentation may be “forward-looking statements” as defined in the Private Securities Litigation Reform Act of 1995. Words such as expects, anticipates, intends, plans, believes, will, could, should, estimates, may, targets, strategies, intends to, projects, forecasts, guidance, likely, and usually or variations of such words and other similar expressions identify forward-looking statements. These statements represent our views only as of the date the statement was made and are based on current expectations and assumptions.

Factors that could cause the Company's results to differ materially from those expressed in forward-looking statements are contained in the Company's press release announcing its Q1 2024 results and in the Company's filings with the Securities and Exchange Commission, including its Annual Report on Form 10-K for the year ended December 31, 2023 and other recent filings with the SEC.

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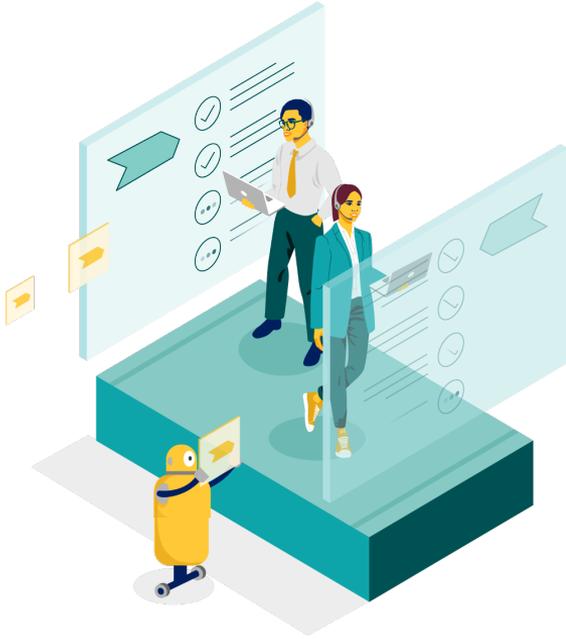
## Non-GAAP Financial Measures

Our non-GAAP financial measures should only be read in conjunction with our consolidated financial statements prepared in accordance with GAAP. We believe that these measures help investors understand our core operating results and prospects, which is consistent with how management measures and forecasts our performance without the effect of often one-time charges and other items outside our normal operations. They are not a substitute for financial measures prepared under U.S. GAAP. Constant currency measures are calculated by applying the Q1 2023 foreign exchange rates to all periods shown. Reconciliations of GAAP and non-GAAP measures are in the Company's press release announcing its Q1 2024 results and at the end of this presentation.

## Additional Notes

This presentation may contain industry market data, industry forecasts, and other statistical information. Such information was obtained from publicly available information, industry publications, and other third-party sources, and the Company makes no representations as to the accuracy of such information. The Company has not independently verified any such information. Certain information in this presentation is based upon management forecasts and reflects prevailing conditions and management's views as of the date of this presentation, all of which are subject to change.

# Pega Overview



## OUR VISION

**To change the way the world builds software to unleash enterprise potential**

## OUR SOFTWARE

**Enterprise AI decisioning and workflow automation platform**

## WHAT WE DO

**Unlock business-transforming outcomes**

What we do

# UNLOCK BUSINESS-TRANSFORMING OUTCOMES

How we do it

with a powerful **LOW-CODE PLATFORM FOR WORKFLOW AUTOMATION AND AI-POWERED DECISIONING**

Our Solutions are organized into 3 Engagement Strategies

## 1:1 Customer Engagement

### ADAPT WITH EASE

Adapt instantly | Personalize for long term loyalty | Engage with empathy

186% - 598% ROI < 3-12 months

## Customer Service

### AUTOMATE & SAVE TIME

Resolve issues faster | Find new ways to cut costs | Increase revenue & retention

298% ROI < 6 months

## Intelligent Automation

### MAXIMIZE VALUE

Streamline experiences | Automate workflows at scale | Build critical apps fast

489% ROI < 6 months

Why we're different

### Intelligent technology

Our **Pega Infinity™** portfolio of software, all built on our **open, cloud-native platform**, with **AI** embedded everywhere, drives smarter, more intuitive workflows, and customer and employee experiences.

### Scalable architecture

Our patented **Situational Layer Cake®** transcends channels and internal data silos and manages variations for maximum reuse and enterprise scale.

### Rapid Innovation

**Pega Express™** design-thinking best practices are built right into our **low-code platform**, so you can design and deploy mission-critical workflows and experiences quickly and collaboratively

### Client-centricity

Our clients have a lot at stake, and we don't let them down. Ever. Together with our **world-class partners** and **highly skilled Client Success teams**, we keep our promises every step of your journey.

Personalize  
**Engagement**

Automate  
**Customer Service**

Streamline  
**Operations**

**The world's leading enterprise-scale organizations**  
are using Pega to connect workflows and interactions across the customer lifecycle:

### Communications service providers

Customer engagement  
Order management  
Customer service  
Shared service  
Service assurance  
Network operations



### Financial services

Customer engagement  
Onboarding & KYC  
Lending  
Customer service  
Bank operations  
Payment exceptions  
Financial crime



### Government

Licensing  
Investigative case  
management  
Grants & financial  
management  
Acquisition & supply chain  
modernization  
Citizen service  
Enterprise modernization



### Healthcare

Consumer engagement  
Onboarding & enrollment  
Customer service  
Core operations  
Care management services



### Insurance

Customer engagement  
Sales  
Distribution  
Service excellence  
Underwriting  
Claims



### Manufacturing

Customer engagement  
Onboarding  
Captive lending  
Aftermarket services  
Enterprise operations



# Driving Growth and Free Cash Flow



**Founded:** 1983  
**HQ:** Cambridge, MA  
**Employees:** 5,000+

## Q1 2024

**9%**  
ACV  
Growth

**16%**  
Pega Cloud ACV  
Growth

**\$180M**  
Free Cash Flow <sup>(1)</sup>

*(1) Our non-GAAP free cash flow is defined as cash provided by operating activities less investment in property and equipment. Investment in property and equipment fluctuates in amount and frequency and is significantly affected by the timing and size of investments in our facilities. We provide information on free cash flow to enable investors to assess our ability to generate cash without incurring additional external financings. This information is not a substitute for financial measures prepared under U.S. GAAP.*

# Corporate Social Responsibility at Pega

## E

### ENVIRONMENTAL

We are committed to reducing the environmental impact of our operations on air, land, and water



## S

### SOCIAL

We strive to be a responsible corporate citizen and active contributor in communities where our employees, partners, and clients' work



## G

### GOVERNANCE

We believe that corporate governance is important to ensure that Pega is managed for the long-term benefit of all our stakeholders



<https://www.pega.com/corporate-social-responsibility>

# Key Investment Highlights

- Growing enterprise software company, with a view towards a **\$89B+ market opportunity**
- **Large enterprise client base** in key verticals: financial services, insurance, telecommunications, health care, manufacturing, and public sector
- A proven **technology leader** in customer engagement and intelligent automation
- **Mission critical** to our clients
- Strong business driving to **Rule of 40** effectiveness



# Solution Overview

# What are the Business Problems We Solve?

Pega drives better business outcomes by...



## ***Making Decisions***

Delivering 1:1 customer engagement powered by *real-time, omni-channel AI*



## ***Getting work done***

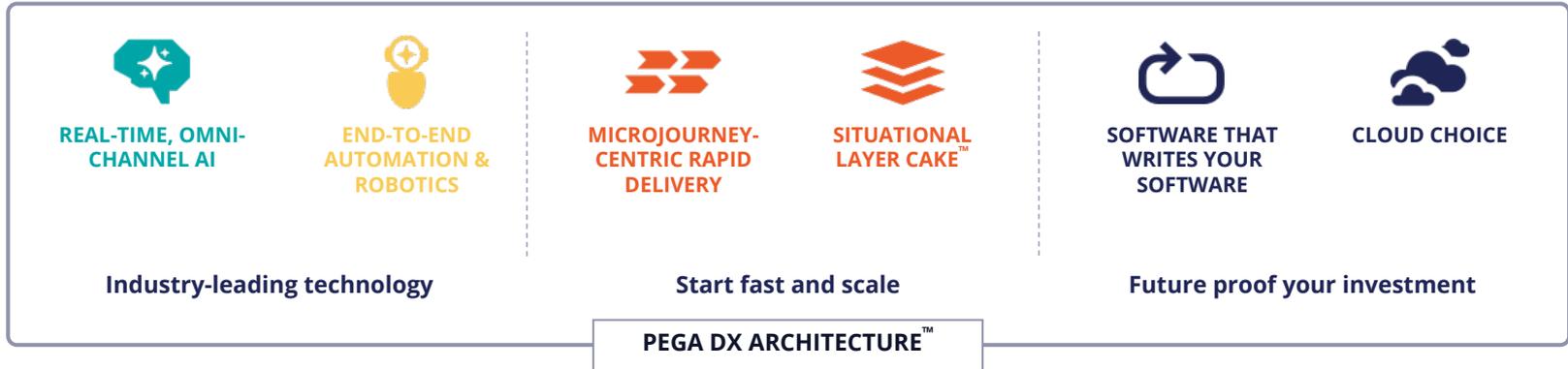
Making customer and employee-facing processes more efficient through *end-to-end automation & robotics*



...and very often we do both

For example, in the context of **Customer Service** or **KYC/CLM**, when customer interactions involve processing work to resolve a request.

## 1:1 Customer Engagement Customer Service Intelligent Automation



# Unlock Business-Transforming Outcomes

Solving the problems no one else can. Delivering value, fast.

One-to-one  
customer  
engagement

Maximize customer lifetime value

489% ROI  
< 6 months payback

Customer  
service

Simplify service and reduce costs

298% ROI  
< 6 months payback

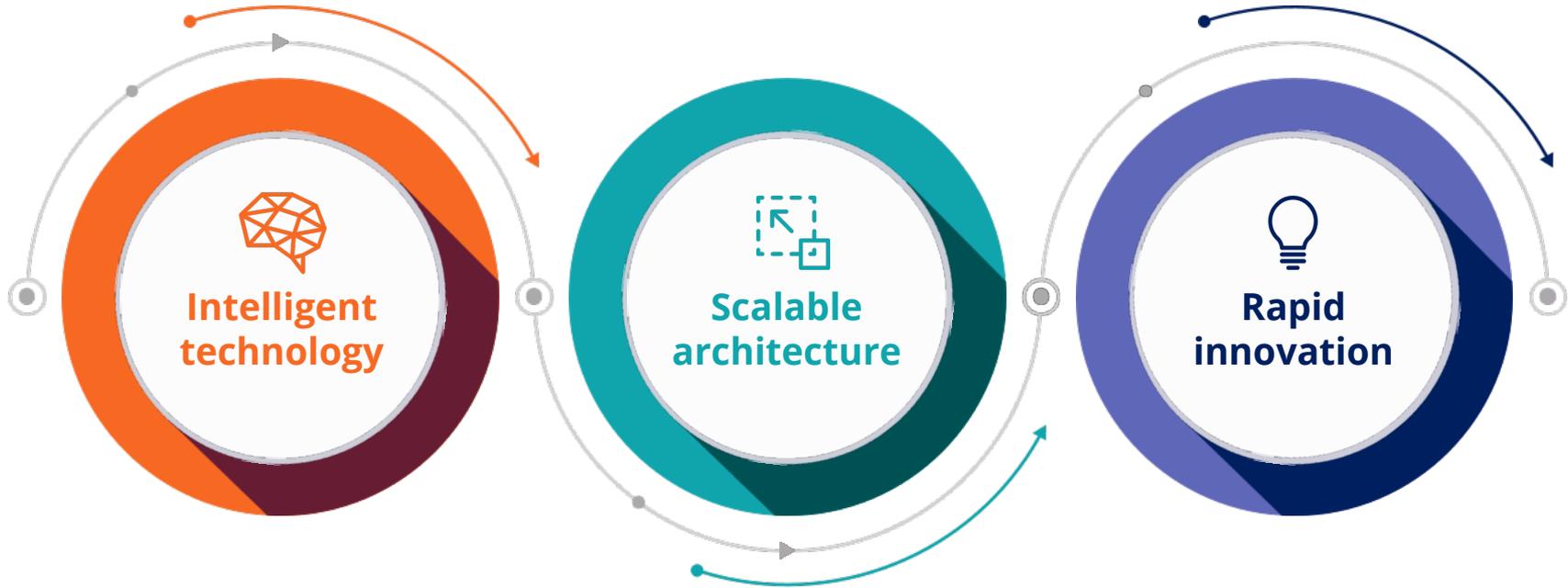
Intelligent  
automation

Boost efficiency

186% – 598% ROI  
< 3 - 12 months payback

# So How Do We Do It?

Our software can handle quick fixes, lasting transformation, and everything in between



# Pega's Technology Difference

Architected differently to maximize revenue and efficiency at enterprise scale

## Put decisions and workflow at the center



With Pega's Center-out business architecture

Automate across systems and channels to streamline the total experience

## Build layers of reuse and variation



With Pega's patented Situational Layer Cake

Manage variations and adapt instantly for continuous innovation

## Personalize experiences and optimize workflows



With Pega's real-time AI

Drive empathetic, customer-relevant engagement and optimize processes



## Scale across enterprise needs

With Pega's enterprise-grade low-code platform, App Factory, and Process Fabric



From governed citizen development to the most mission-critical processes

# Analysts recognize Pega as a leader

for our enterprise AI  
decisioning and workflow  
automation platform



## Real-Time Interaction Management

Forrester



## CRM Customer Engagement Center

Gartner



## Robotic Process Automation

Forrester



## Core CRM Solutions

Forrester

## Customer engagement

Figure 1: Magic Quadrant for the CRM Customer Engagement Center



Gartner.

## Digital process automation



FORRESTER

# Together, we're redefining the technology industry

## Unified, market-leading technology

*Changing the way organizations work and engage*

## Real-time decisions & AI

THE FORRESTER WAVE™  
Real-Time Interaction Management  
Q4 2020



\*A gray bubble indicates a nonparticipating vendor.

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FORRESTER

Q4 2020

## End-to-end work management



Gartner.

We've built the

#1 real-time interaction management

#1 digital decisioning

#1 digital process automation

#1 intelligent business process management

# Business Overview

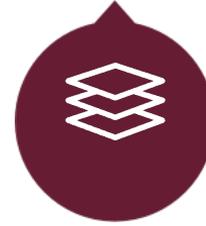
# WHY PEGA WINS



**Differentiated  
Architecture**



**Ease of  
Integration**



**Depth of Platform  
Functionality**



**Strong  
Team**



**Deep Vertical  
Expertise**



**Robust  
ROI**

# Selling High-Value Use Cases to Some of the World's Largest Companies

## BUYER



Robert  
Chief Customer  
Officer

## OFFERING

**1:1 Customer  
Engagement**

## VALUE PROPOSITION

**Maximize top-line growth** with a centralized, real-time AI-powered customer decision hub that delivers next-best-actions at every customer interaction, across various channels.



Teresa  
SVP, Customer  
Service

**Customer  
Service**

**Reduce cost and streamline service** experiences for customers and employees with a state-of-the-art customer service application and out-of-the-box, industry-specific microjourneys.



Chen  
SVP,  
Operations

**Intelligent  
Automation**

**Make customer and employee-facing processes more efficient** through intelligent automation powered by end-to-end robotics and case management.

# How Do Our Clients Drive Value Using Pega?

	<u>CLIENT</u>	<u>ILLUSTRATIVE USE CASE</u>	<u>IMPACT AND RESULT</u>
<b>1:1 Customer Engagement</b>		<b>Retain customers</b>	<ul style="list-style-type: none"><li>• 50 million next best action conversations delivered across 18 channels</li><li>• +12 lead in NPS over the competition</li></ul> <p><a href="https://www.pega.com/customers/cba-marketing">Read more   https://www.pega.com/customers/cba-marketing</a></p>
<b>Customer Service</b>		<b>Inquire into account info</b>	<ul style="list-style-type: none"><li>• Served over 40 million consumers</li><li>• 100 processes automated</li><li>• Dropped average handling time (AHT) by 3 minutes</li><li>• 11-point increase in net promoter score (NPS)</li></ul> <p><a href="https://www.pega.com/insights/resources/anthem-now-elevance-health-creates-next-generation-service-desktop-pega">Read more   https://www.pega.com/insights/resources/anthem-now-elevance-health-creates-next-generation-service-desktop-pega</a></p>
<b>Intelligent Automation</b>		<b>Streamline processes &amp; reduce costs</b>	<ul style="list-style-type: none"><li>• Implemented Pega in over 80 countries</li><li>• 85,000 global users are using 22 Pega applications</li><li>• Consolidated legacy workflows and business process management across Siemens</li></ul> <p><a href="https://www.pega.com/customers/siemens">Read more   https://www.pega.com/customers/siemens</a></p>

# Financial Details

# Financial Outlook



**Massive Market Opportunity**



**Subscription Journey**



**Recurring Model**



**Margin Expansion Opportunities**



# Pursuing a Massive Market Opportunity in Platform & CRM



Source: IDC Worldwide ICT Spending Guide (Feb. 2023)

# Subscription Journey

## From...

Perpetual ▶

Less Predictable ▶

Lagging Growth & Margins ▶

## To...

▶ Recurring

▶ More Predictable

▶ Rule of 40 Driven

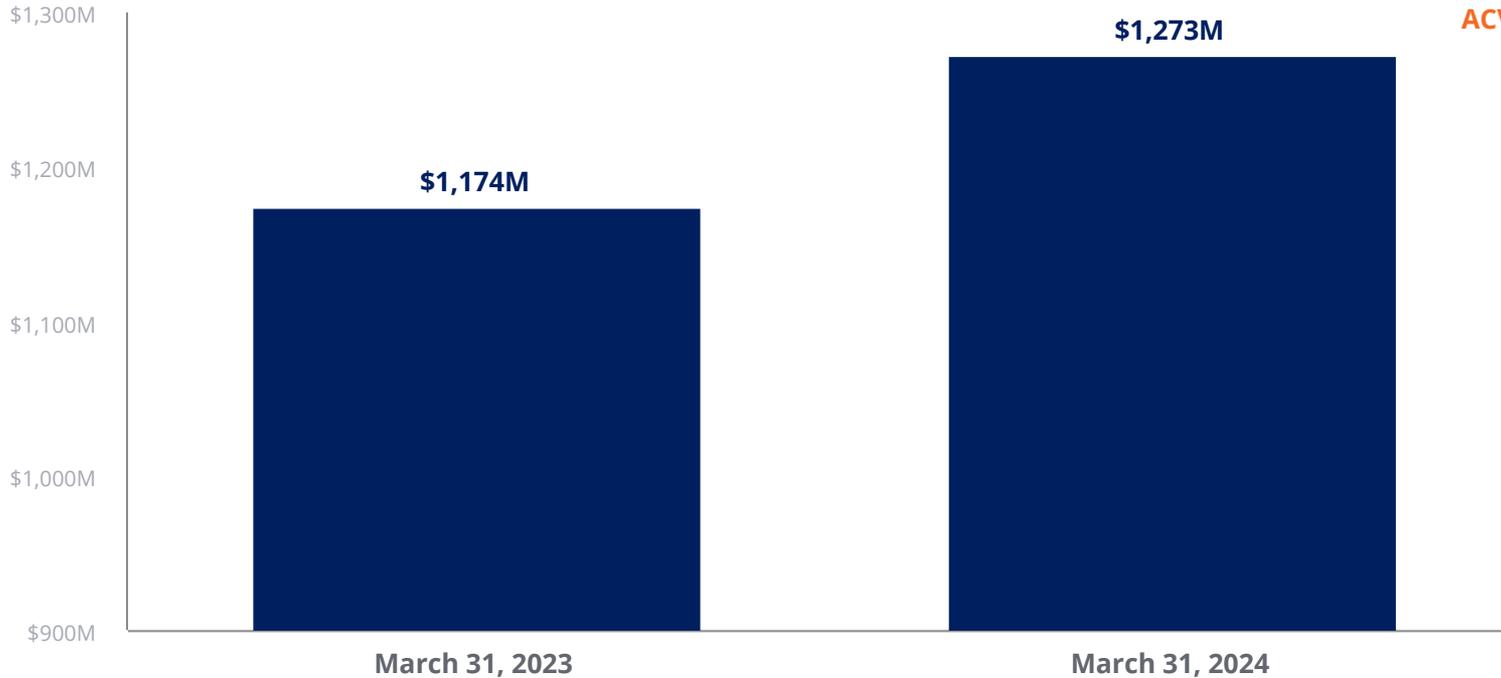
SUBSCRIPTION  
TRANSITION  
TIMELINE

2017

2023

# Recurring Subscription Model

Annual Contract Value (ACV)

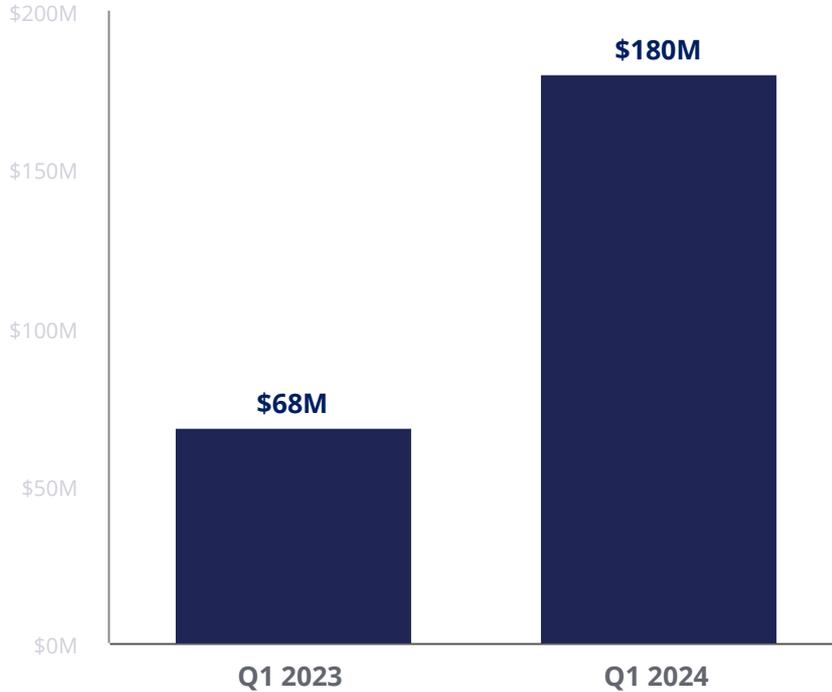


**Growth since March 31, 2023**  
**ACV Reported: 9%**  
**ACV Constant Currency: 9%**

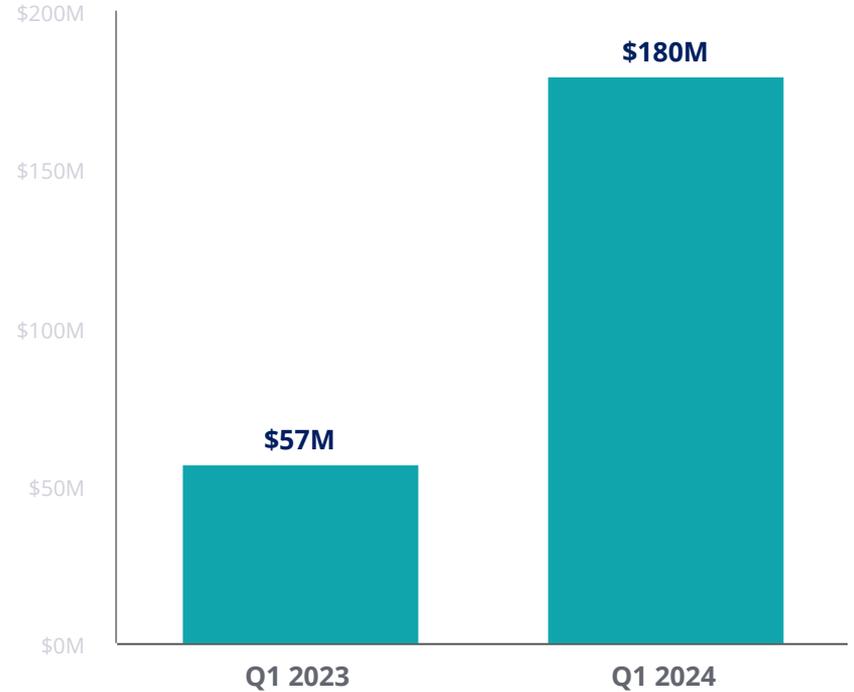
*ACV represents the annualized value of our active contracts as of the measurement date. The contract's total value is divided by its duration in years to calculate ACV. ACV is a performance measure that we believe provides useful information to our management and investors.*

# Cash Flow Growth

## Operating Cash Flow



## Free Cash Flow

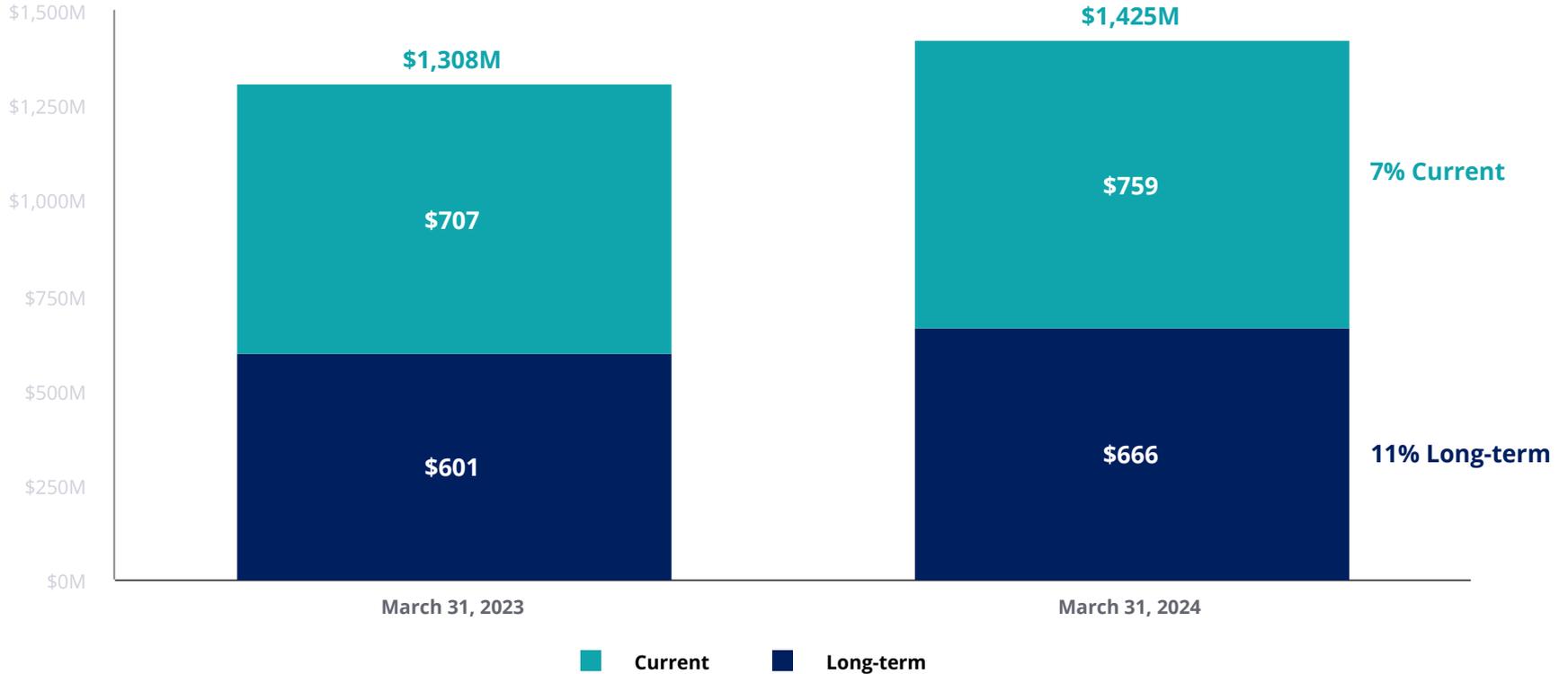


Note: For additional information refer to explanatory notes on slide [35](#)

# Backlog

Total Backlog Up 9% as Reported (9% Constant Currency)

*Growth since  
March 31, 2023*



# What Does this All Mean?

Strive to build a growing, recurring business to drive increased value



## With a view towards:

- Continuing our technology leadership
- Improving sales productivity
- Executing our target organization go-to-market strategy
- Driving ACV growth
- Leveraging Cloud Choice differentiation
- Balancing growth & margin
- Rule of 40 driven



**PEGA<sup>®</sup>**

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# Reported ACV

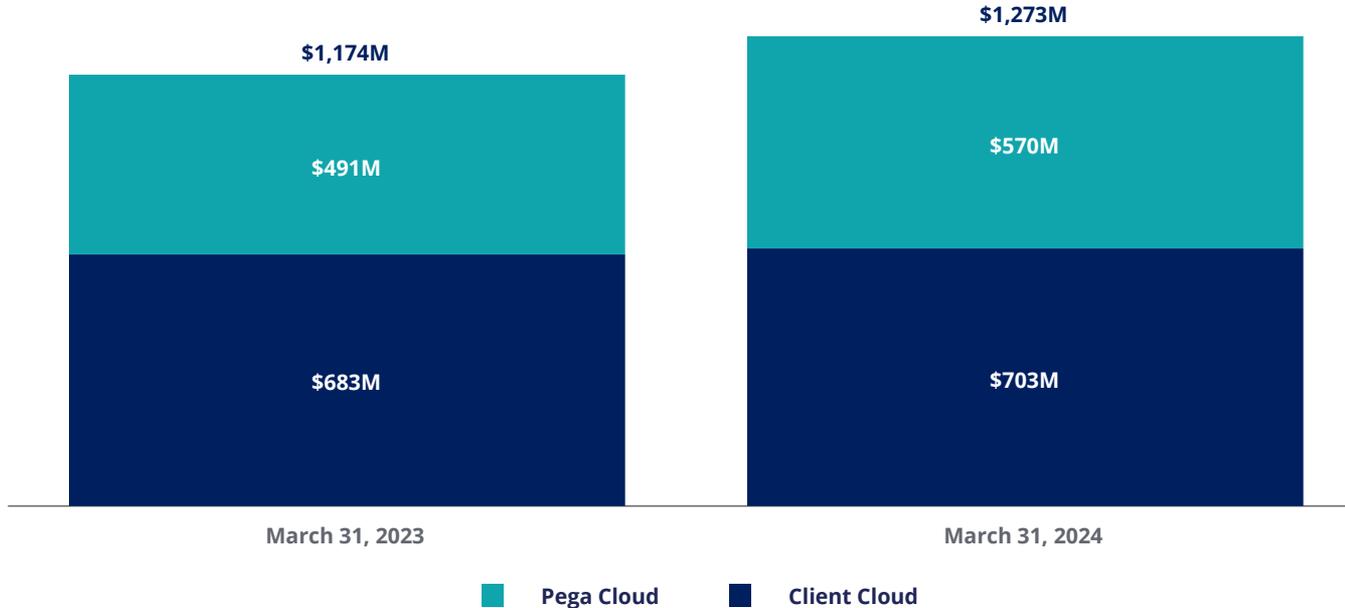
Pega Cloud and Client Cloud

Growth since Q1 2023

Total ACV: 9%

Pega Cloud ACV: 16%

Client Cloud ACV: 3%



ACV represents the annualized value of our active contracts as of the measurement date. The contract's total value is divided by its duration in years to calculate ACV. ACV is a performance measure that we believe provides useful information to our management and investors.

# Reported ACV

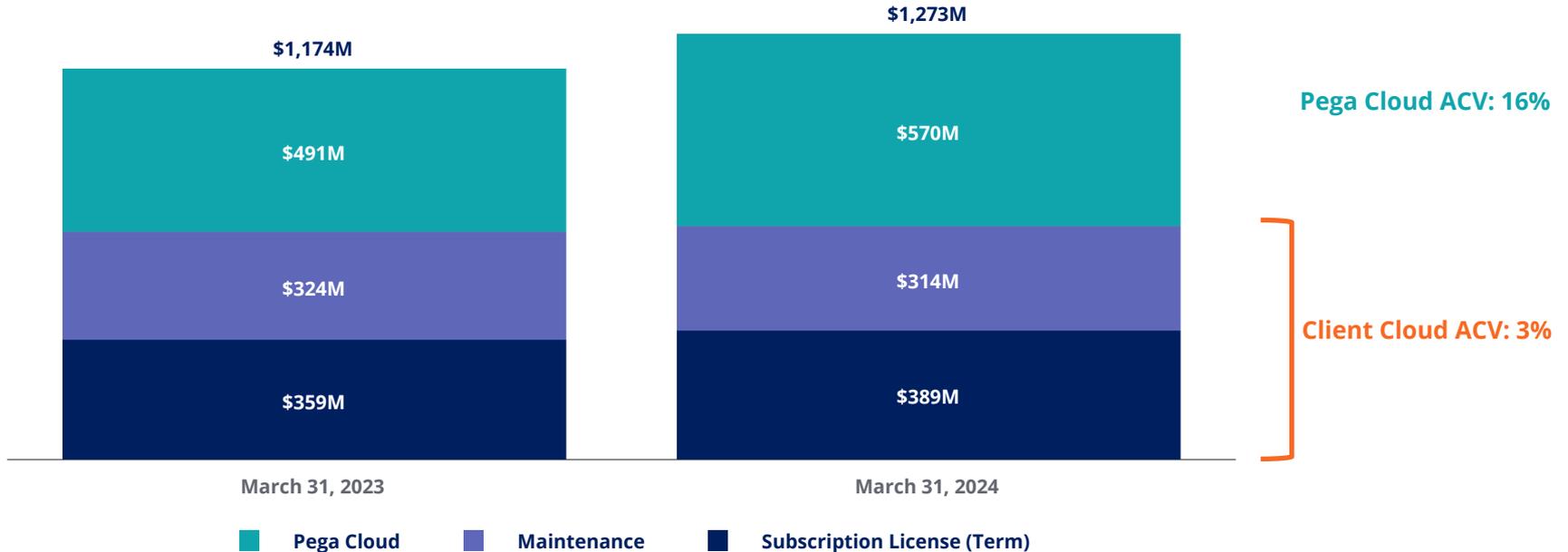
Pega Cloud, Maintenance, and Subscription License (Term)

Growth since Q1 2023

Total ACV: 9%

Pega Cloud ACV: 16%

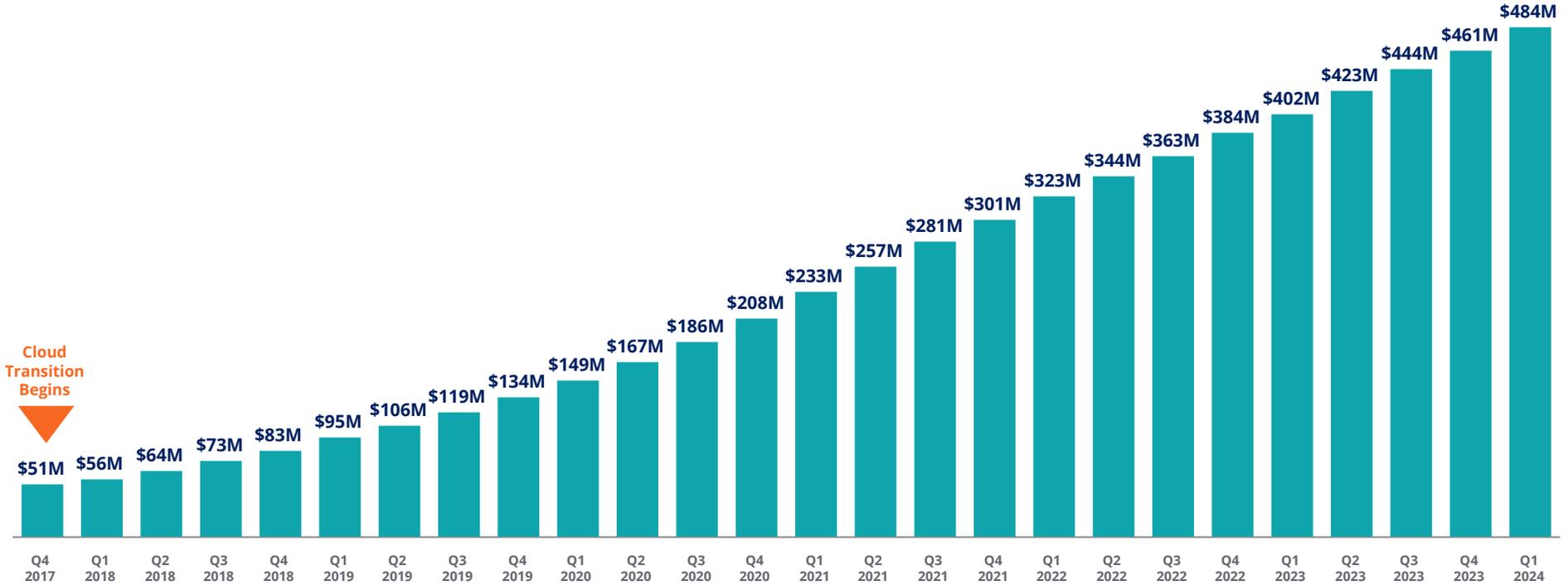
Client Cloud ACV: 3%



ACV represents the annualized value of our active contracts as of the measurement date. The contract's total value is divided by its duration in years to calculate ACV. ACV is a performance measure that we believe provides useful information to our management and investors.

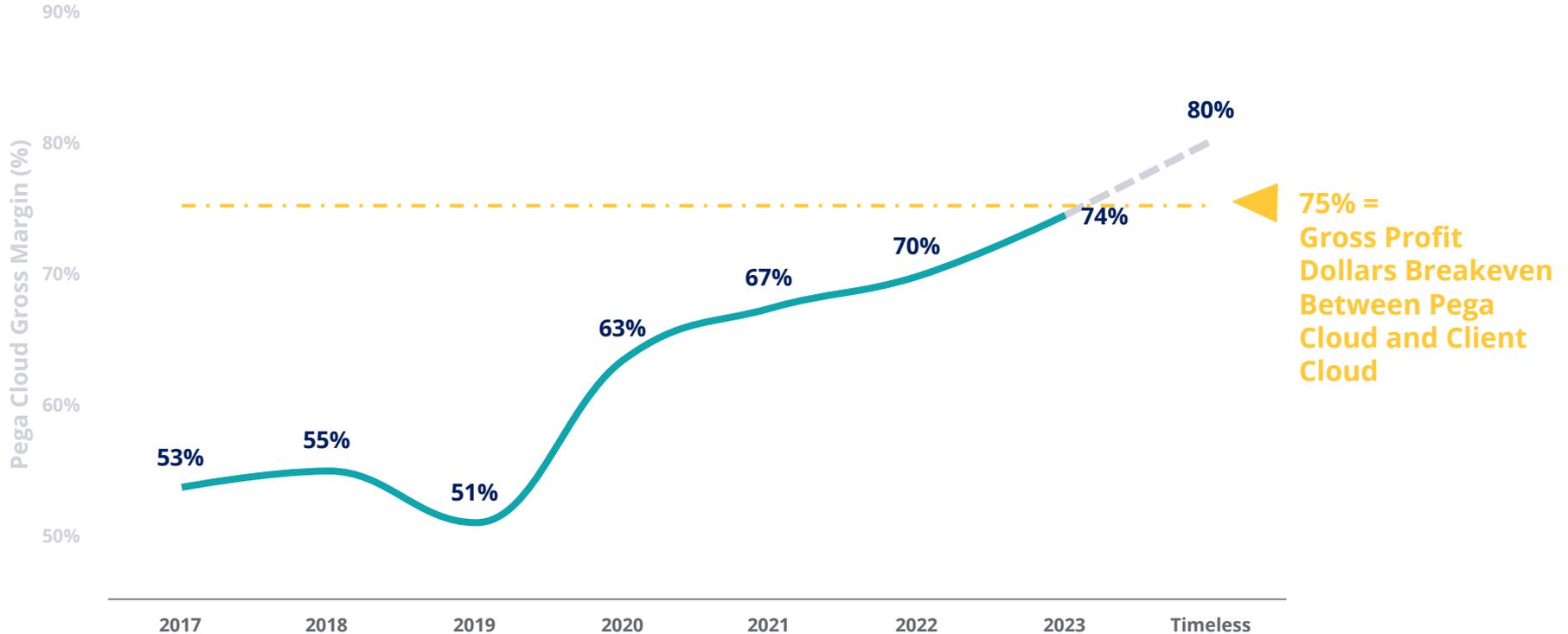
# Pega Cloud Revenue

Trailing 12 Months



# Pega Cloud Gross Margin

At or above a 75% gross margin, Pega Cloud generates higher gross profit dollars than Client Cloud in a timeless illustrative model



# Operating and Free Cash Flow Reconciliation

(in thousands, except percentages)

	Three Months Ended March 31,	
	2024	2023
Cash provided by operating activities	\$ 180,146	\$ 68,107
Investment in property and equipment	(604)	(11,487)
Free cash flow <sup>(1)</sup>	<u>\$ 179,542</u>	<u>\$ 56,620</u>
 <u>Supplemental information</u> <sup>(2)</sup>		
Restructuring	\$ 3,347	\$ 14,458
Legal fees	2,739	1,515
Interest on convertible senior notes	1,884	2,250
Income taxes	8,163	2,825
	<u>\$ 16,133</u>	<u>\$ 21,048</u>

(1) Our non-GAAP free cash flow is defined as cash provided by operating activities less investment in property and equipment. Investment in property and equipment fluctuates in amount and frequency and is significantly affected by the timing and size of investments in our facilities. We provide information on free cash flow to enable investors to assess our ability to generate cash without incurring additional external financings. This information is not a substitute for financial measures prepared under U.S. GAAP.

(2) The supplemental information discloses items that affect our cash flows and are considered by management not to be representative of our core business operations and ongoing operational performance.

- *Restructuring:* Restructuring fluctuates in amount and frequency and is significantly affected by the timing and size of our restructuring activities.
- *Legal fees:* Legal and related fees arising from proceedings outside the ordinary course of business.
- *Interest on convertible senior notes:* In February 2020, we issued convertible senior notes, due March 1, 2025, in a private placement. The Notes accrue interest at an annual rate of 0.75%, payable semi-annually in arrears on March 1 and September 1.
- *Income taxes:* Direct income taxes paid net of refunds received.