



Pegasystems Third Quarter 2018 Investor Deck



Safe Harbor Statement

Certain statements contained in this presentation may be construed as “forward-looking statements” as defined in the Private Securities Litigation Reform Act of 1995. These forward-looking statements are based on current expectations, estimates, forecasts, and projections about the industry and markets in which we operate, and management’s beliefs and assumptions. In addition, other written or oral statements that constitute forward-looking statements may be made by us or on our behalf. Words such as “expect,” “anticipate,” “intend,” “plan,” “believe,” “could,” “estimate,” “may,” “target,” “strategy,” “is intended to,” “project,” “guidance,” “likely,” “usually,” or variations of such words and similar expressions are intended to identify such forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties, and assumptions that are difficult to predict.

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 Q3 2018 earnings 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, 2017 and other recent filings with the SEC. Investors are cautioned not to place undue reliance on such forward-looking statements and there are no assurances that the results contained in such statements will be achieved. Although subsequent events may cause our view to change, except as required by applicable law, we do not undertake and specifically disclaim any obligation to publicly update or revise these forward-looking statements whether as the result of new information, future events, or otherwise.

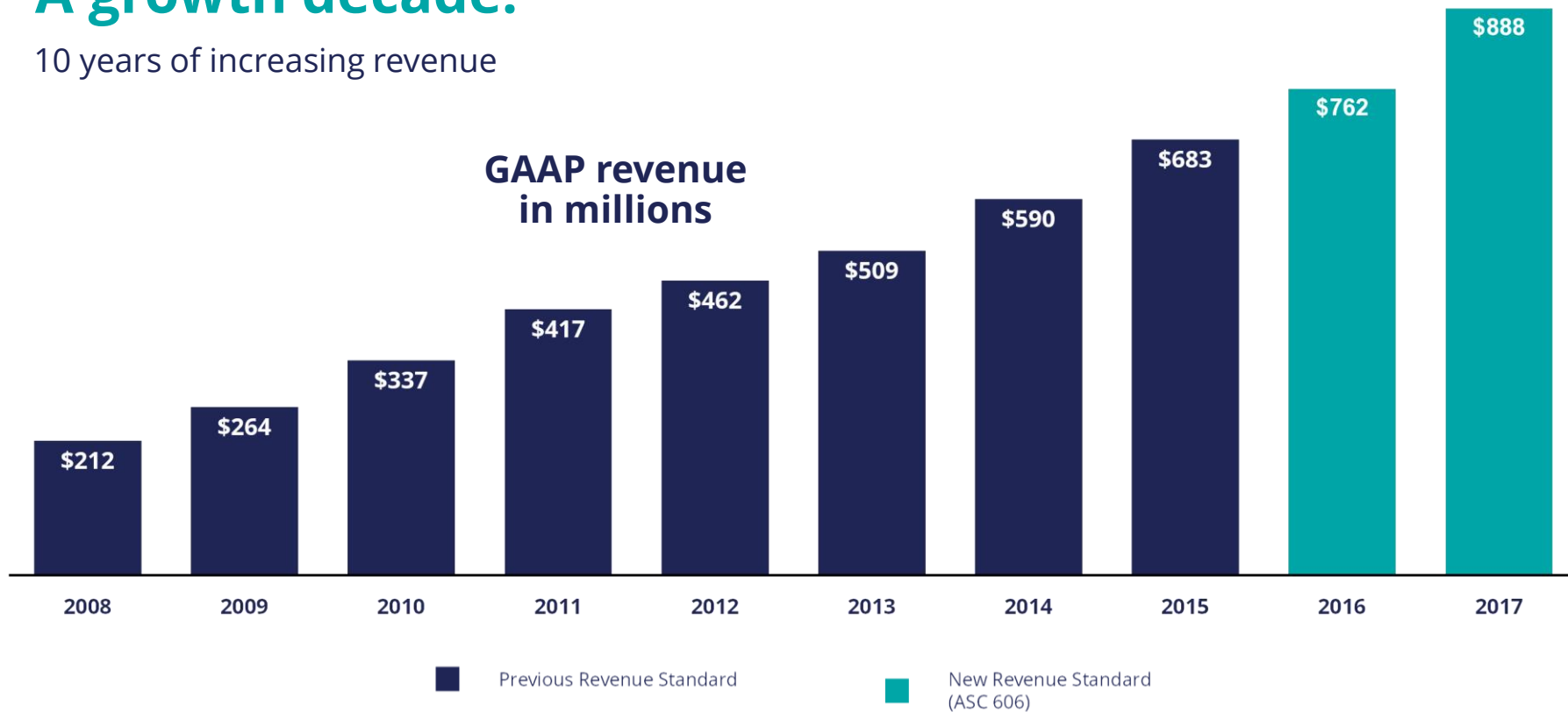
Non-GAAP Financial Measures

This presentation includes non-GAAP financial measures. Our non-GAAP financial measures are not meant to be considered in isolation or as a substitute for comparable GAAP measures, and should be read only in conjunction with our consolidated financial statements prepared in accordance with GAAP. For a detailed explanation of the adjustments made to comparable GAAP measures, the reasons why management uses these measures, the usefulness of these measures, and the material limitations on the usefulness of these measures, see the disclosures included with the Company’s press release announcing its Q3 2018 earnings available on our investor relations website at <http://www.pega.com/about/investors>.

Not just a growth year. A growth decade.

10 years of increasing revenue

GAAP revenue
in millions



Pega Infinity™ Product Suite...

Revolutionary software that unifies Customer Engagement and Digital Process Automation

Pega **Marketing**™

Pega **Customer Service**™

Pega **Sales Automation**™

Pega **Customer Decision Hub**™

CUSTOMER ENGAGEMENT



DIGITAL PROCESS AUTOMATION

Pega **Robotic Automation**™

Pega **Platform**™

- Case Management
- No-code App Dev
- Mobile



REALTIME, OMNI-CHANNEL AI

Industry-leading technology



END-TO-END AUTOMATION & ROBOTICS



JOURNEY-CENTRIC RAPID DELIVERY

Start fast and scale



SITUATIONAL LAYER CAKE



SOFTWARE THAT WRITES YOUR SOFTWARE™

Future proof your investment



CLOUD CHOICE

PEGA DIFFERENTIATORS

Best-in-Class Software Solutions

Gartner



CUSTOMER ENGAGEMENT

FORRESTER®



DIGITAL PROCESS AUTOMATION

FORRESTER®



REAL-TIME DECISIONS & AI

Gartner



END-TO-END WORK MANAGEMENT

"The highest reference customer rating for customer usability.
The best ability to build, maintain, and change complex cases.
The highest overall product satisfaction ratings."

Gartner



Every day, Pega powers...

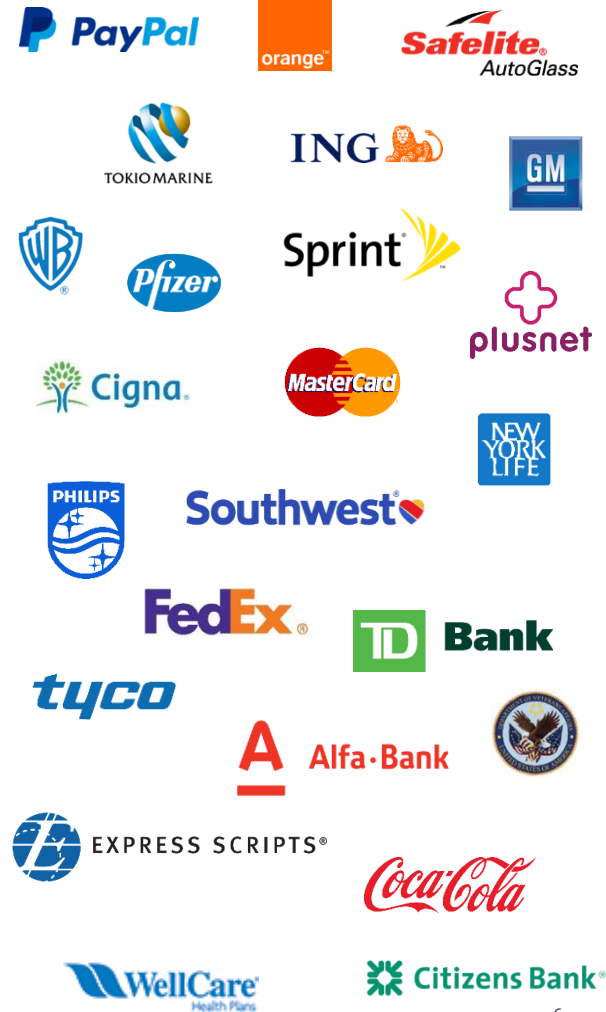
MILLIONS
of automated processes

BILLIONS
of customer interactions

TRILLIONS
of dollars of business

If you've driven a car, used your credit card, called a company for service, opened an account, applied for a loan, accepted an offer, flown on an airplane, paid a bill, submitted a claim, or countless other things you do in your day...

...you've interacted with Pega.



Future-proof your business ...one journey at time

"We've transformed from a cost-driven transactional service model to one that leverages each human interaction as an opportunity to deepen the customer relationship."

Jim Bush
EVP, World Service, American Express

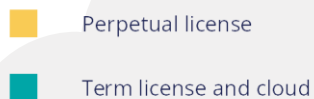
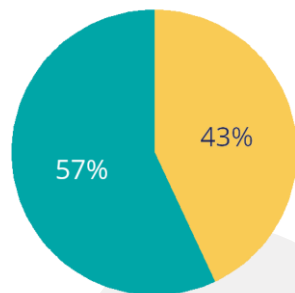


- Customer satisfaction increased by 300%
- 10% increase in cardmember spend
- 4X lower member attrition
- Service costs decreased / service margins expanded

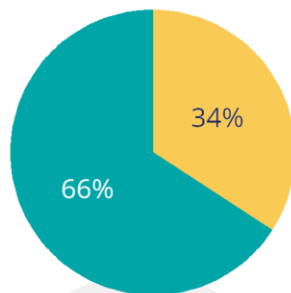
Financial Details

Growing term and cloud revenue

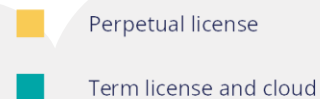
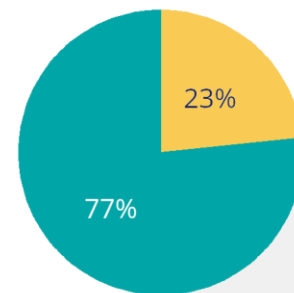
2016



2017

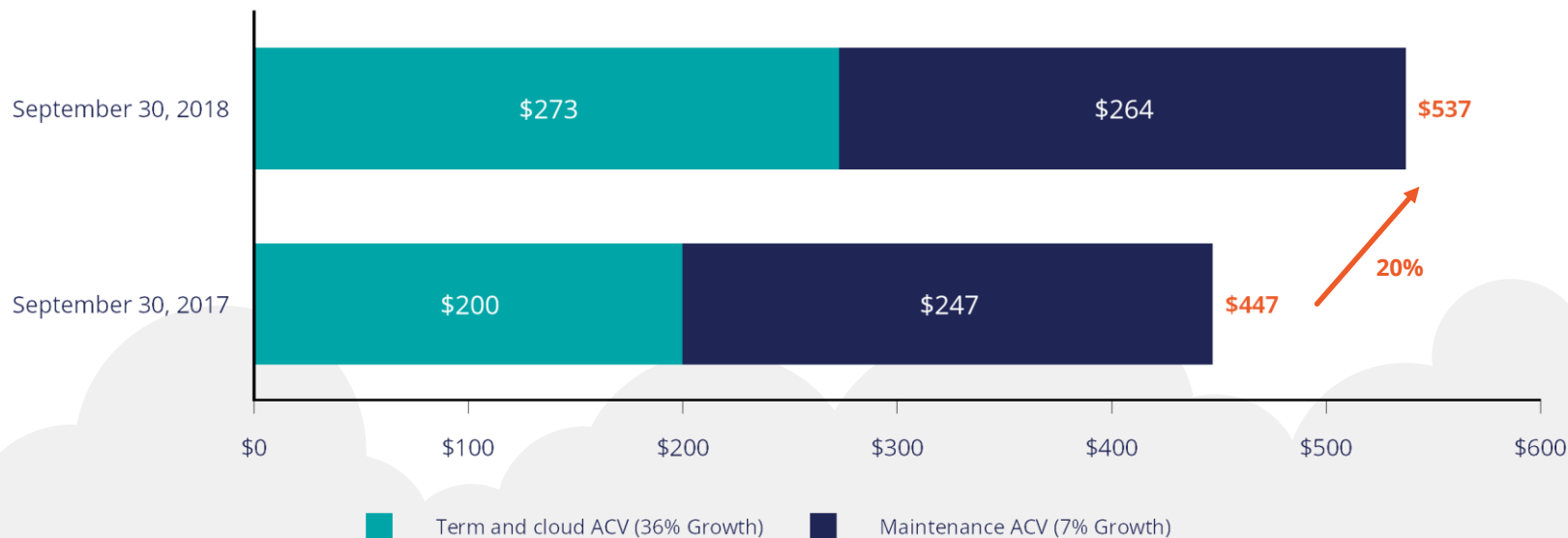


YTD 2018



Annual Contract Value

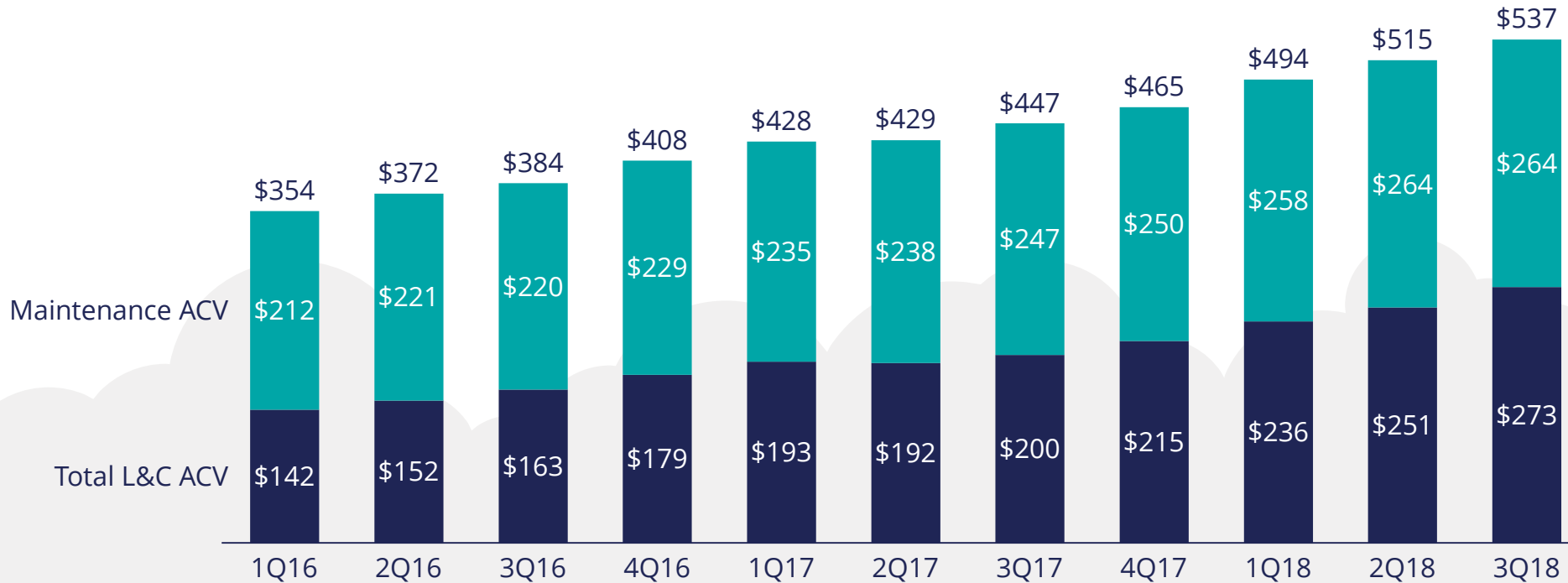
(in millions)



ACV, as of a given date, is the sum of the following two components: 1. The sum of the annual value of each term and cloud contract in effect on such date, with the annual value of a term or cloud contract being equal to the total value of the contract divided by the total number of years of the contract. 2. Maintenance revenue reported for the quarter end on such date, multiplied by four.

Total ACV (Term License, Cloud & Maintenance)

ACV has increased by \$153M or 40% since Q3 16



Historical Results

(in millions)

	2016					2017					2018			
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	YTD
Term license	\$ 54.3	\$ 18.9	\$ 28.9	\$ 30.4	\$ 152.2	\$ 89.1	\$ 19.9	\$ 40.6	\$ 56.8	\$ 206.4	\$ 64.7	\$ 31.3	\$ 32.1	\$ 128.1
Cloud	8.5	11.3	10.9	10.8	40.6	10.4	12.5	13.3	14.9	51.1	15.6	20.2	22.2	58.0
Maintenance	53.0	55.2	55.0	57.2	218.6	58.7	59.4	61.8	62.4	242.3	64.5	65.9	66.0	196.4
Subscription⁽¹⁾	115.8	85.4	94.8	98.4	411.4	158.2	91.8	115.7	134.1	499.8	144.8	117.4	120.3	382.5
Perpetual license	14.0	51.8	39.9	41.8	145.1	37.9	31.3	12.6	51.1	132.9	23.1	13.5	20.3	56.9
Consulting	49.0	51.9	48.1	59.5	205.7	60.2	63.5	62.6	69.4	255.7	67.3	65.9	62.7	195.9
Total revenue	\$ 178.8	\$ 189.1	\$ 182.8	\$ 199.7	\$ 762.2	\$ 256.3	\$ 186.6	\$ 190.9	\$ 254.6	\$ 888.4	\$ 235.2	\$ 196.8	\$ 203.3	\$ 635.3
Remaining Performance Obligations												\$ 476.7	\$ 522.3	
Operating cash flow	\$ 10.0	\$ 1.6	\$ 9.0	\$ 19.3	\$ 39.9	\$ 32.4	\$ 53.4	\$ 28.1	\$ 44.3	\$ 158.2	\$ 55.7	\$ 19.7	\$ (8.3)	\$ 67.1
Investment in property and equipment	4.3	7.2	3.8	3.8	19.1	2.4	2.6	4.1	4.6	13.7	2.1	4.4	1.4	7.9
Free Cash Flow	\$ 5.7	\$ (5.6)	\$ 5.2	\$ 15.5	\$ 20.8	\$ 30.0	\$ 50.8	\$ 24.0	\$ 39.7	\$ 144.5	\$ 53.6	\$ 15.3	\$ (9.7)	\$ 59.2

Highlighted periods are based upon ASC 605.

⁽¹⁾ Subscription revenue reflects client arrangements (term license, cloud, and maintenance) which may be subject to renewal.

Historical Results

(in millions)

	2016				2017				2018		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Term and Cloud ACV	\$ 141.8	\$ 151.7	\$ 163.4	\$ 179.0	\$ 193.0	\$ 191.6	\$ 200.2	\$ 215.1	\$ 236.0	\$ 250.9	\$ 272.7
Maintenance ACV	211.9	220.6	220.2	228.6	234.9	237.7	247.2	249.5	258.1	263.6	264.1
Total ACV	\$ 353.7	\$ 372.3	\$ 383.6	\$ 407.6	\$ 427.9	\$ 429.3	\$ 447.4	\$ 464.6	\$ 494.1	\$ 514.5	\$ 536.8
Increase in Total ACV	\$ 7.0	\$ 18.6	\$ 11.3	\$ 24.0	\$ 20.3	\$ 1.4	\$ 18.1	\$ 17.2	\$ 29.5	\$ 20.4	\$ 22.3
Perpetual Revenue	\$ 14.0	\$ 51.8	\$ 39.9	\$ 41.8	\$ 37.9	\$ 31.3	\$ 12.6	\$ 51.1	\$ 23.1	\$ 13.5	\$ 20.3
Conversion Factor	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5
Perpetual Equivalent ACV	\$ 4.0	\$ 14.8	\$ 11.4	\$ 11.9	\$ 10.8	\$ 8.9	\$ 3.6	\$ 14.6	\$ 6.6	\$ 3.9	\$ 5.8
<u>Change in ACV adjusted for perpetual equivalents</u>											
Increase in Current Quarter	11.0	33.4	22.7	35.9	31.1	10.3	21.7	31.8	36.1	24.3	28.1
Increase in Current Year	11.0	44.4	67.1	103.0	31.1	41.4	63.1	94.9	36.1	60.4	88.5

Highlighted periods are based upon ASC 605.

Change in ACV adjusted for perpetual equivalents, is the sum of the following two components:

- Change in Term and Cloud ACV: For a given quarter, the increase in ACV as of the end of such quarter as compared to ACV as of the end of the immediately preceding quarter.
- Perpetual ACV Equivalent: Quarterly perpetual revenue divided by a conversion factor of 3.5, which approximates the value of an equivalent term arrangement.



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