



# Pegasystems Investor Presentation Q4 & FY 2022

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February 15, 2023



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# Pega Overview

#### OUR VISION

**To change the way the world builds software.**

#### OUR MISSION

**To deliver innovative software that crushes business complexity so our clients can solve problems today and transform for tomorrow.**

What we do

# PEGA CRUSHES BUSINESS COMPLEXITY

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.

# Leading Digital Transformation



**Founded:** 1983  
**HQ:** Cambridge, MA  
**Employees:** 6,000+

**16%**

ACV Growth  
Constant Currency\*

**28%**

2022 Pega Cloud  
Revenue Growth

**\$1.3B**

2022 Revenue

**81%**

2022 Subscription  
Revenue as % of Total

\*Foreign currency exchange rate changes were an approximate 3% headwind to ACV growth since December 31, 2021.

# And trusted by the world's leading brands

 10 of the top 10 healthcare payers

 7 of the top 10 insurance companies

 18 of the top 25 global banks

 9 of the top 10 telecommunications companies



# 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

- Rapidly growing enterprise software company, with a view towards a **\$50B+ digital transformation 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
- Transition to a **subscription business model** underway
- 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



REAL-TIME,  
OMNI-CHANNEL  
AI

Industry-leading technology

END-TO-END  
AUTOMATION &  
ROBOTICS



MICROJOURNEY-  
CENTRIC RAPID  
DELIVERY

Start fast and scale



SITUATIONAL  
LAYER CAKE™

PEGA DX ARCHITECTURE™

SOFTWARE THAT  
WRITES YOUR  
SOFTWARE

Future proof your investment

CLOUD  
CHOICE

# Crushing business complexity

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**

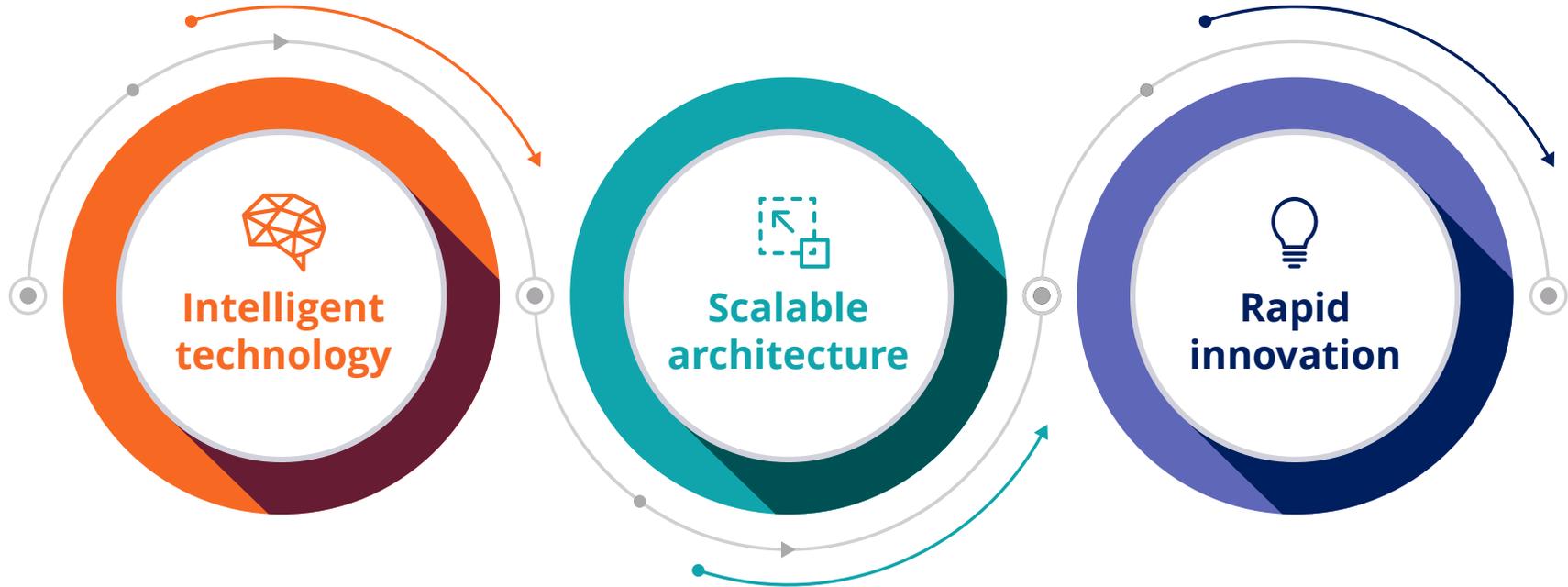
Intelligent  
automation

**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.

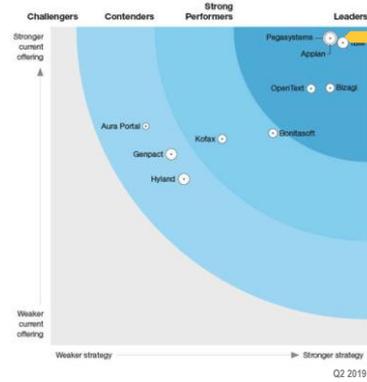


## Customer engagement



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



FORRESTER

## 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	OFFERING	VALUE PROPOSITION
 <p>Robert <b>Chief Customer Officer</b></p>	<p><b>1:1 Customer Engagement</b></p>	<p><b>Maximize top-line growth</b> with a centralized, real-time AI-powered customer decision hub that delivers next-best-actions at every customer interaction, across various channels.</p>
 <p>Teresa <b>SVP, Customer Service</b></p>	<p><b>Customer Service</b></p>	<p><b>Reduce cost and streamline service</b> experiences for customers and employees with a state-of-the-art customer service application and out-of-the-box, industry-specific microjourneys.</p>
 <p>Chen <b>SVP, Operations</b></p>	<p><b>Intelligent Automation</b></p>	<p><b>Make customer and employee-facing processes more efficient</b> through intelligent automation powered by end-to-end robotics and case management.</p>

# How Do Our Clients Drive Value Using Pega?

	<b>CLIENT</b>	<b>ILLUSTRATIVE USE CASE</b>	<b>IMPACT AND RESULT</b>
<b>1:1 Customer Engagement</b>	 Commonwealth Bank	<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</a>   <a href="https://www.pega.com/customers/cba-marketing">https://www.pega.com/customers/cba-marketing</a></p>
<b>Customer Service</b>	 Anthem	<b>Inquire into account info</b>	<ul style="list-style-type: none"><li>• Tripled customer satisfaction</li><li>• Increased cardmember spend by 10%</li><li>• Lowered card attrition 4x</li></ul> <p><a href="https://www.pega.com/insights/resources/anthem-now-elevance-health-creates-next-generation-service-desktop-pega">Read more</a>   <a href="https://www.pega.com/insights/resources/anthem-now-elevance-health-creates-next-generation-service-desktop-pega">https://www.pega.com/insights/resources/anthem-now-elevance-health-creates-next-generation-service-desktop-pega</a></p>
<b>Intelligent Automation</b>	 SIEMENS	<b>Streamline processes &amp; reduce costs</b>	<ul style="list-style-type: none"><li>• 11-point increase in NPS</li><li>• 3-minute drop in average handling time (AHT)</li><li>• 100 processes automated</li></ul> <p><a href="https://www.pega.com/insights/resources/anthem-now-elevance-health-creates-next-generation-service-desktop-pega">Read more</a>   <a href="https://www.pega.com/insights/resources/anthem-now-elevance-health-creates-next-generation-service-desktop-pega">https://www.pega.com/insights/resources/anthem-now-elevance-health-creates-next-generation-service-desktop-pega</a></p>

# Financial Details

# Financial Highlights



**Massive Market Opportunity**



**Transition to Cloud Underway**



**High Growth, Recurring Revenue Model**



**Scale to Drive Margin Expansion**

# Pursuing a Massive Market Opportunity in Platform & CRM



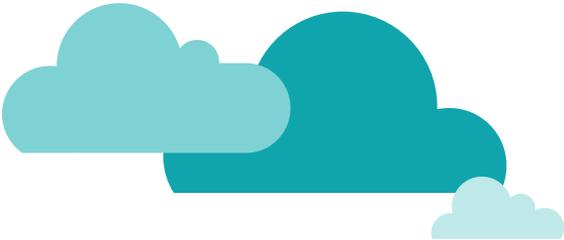
# Transition to Subscription Well Underway

From...

Perpetual

Less Predictable

Lagging Growth & Margins



To...

Recurring

More Predictable

Rule of 40

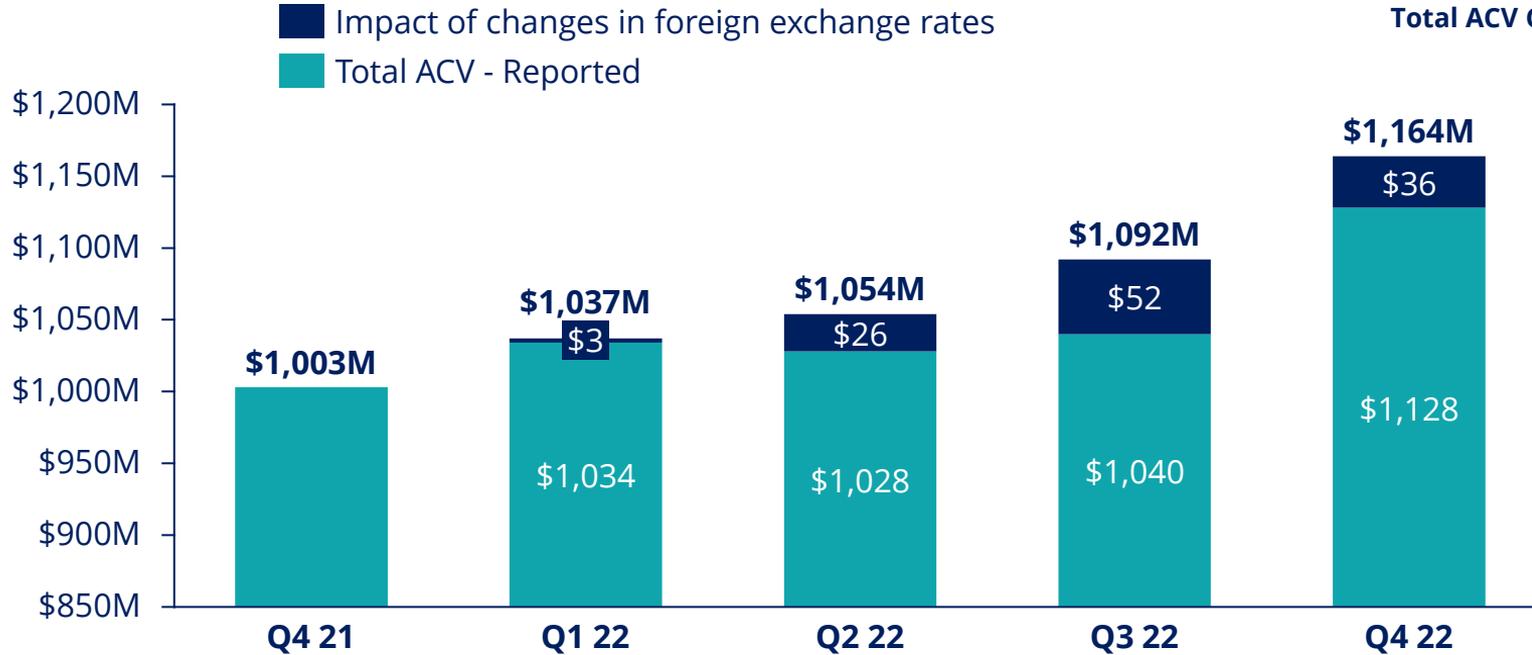


# High Growth, Recurring Subscription Model

ACV Growth is the Best Indicator of Growth During the Subscription Transition

**Q4 2022 Growth  
vs Q4 2021**

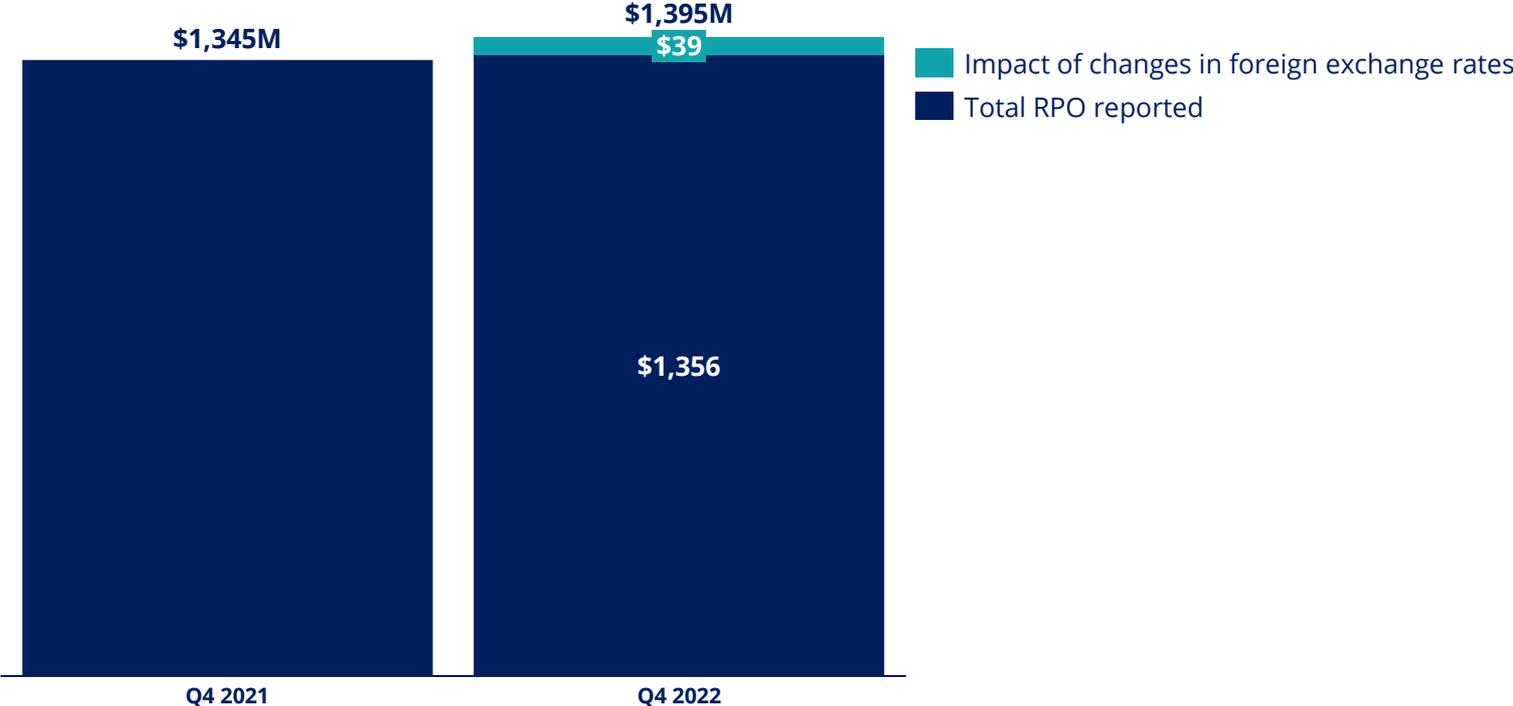
**Total ACV Reported: 13%  
Total ACV Constant Currency: 16%**



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 for subscription license and Pega Cloud contracts. Maintenance revenue for the quarter then ended is multiplied by four to calculate ACV for maintenance. ACV is a performance measure that we believe provides useful information to our management and investors, particularly during our subscription transition. Constant currency measures are calculated by applying foreign exchange rates for the earliest period shown to all periods. The above constant currency measures reflect foreign exchange rates applicable as of Q4 2021.

# Remaining Performance Obligation (RPO) / Backlog is Growing

Total RPO/Backlog Up 1% as Reported (4% Constant Currency)



Note: Constant currency measures are calculated by applying foreign exchange rates for the earliest period shown to all periods. The above constant currency measures reflect foreign exchange results applicable as of Q4 2021.

# 2023 Guidance<sup>(1)</sup>

As of Feb. 15, 2023, we are providing the following guidance:

Year Ended December 31, 2023	
Annual contract value growth	11%-13%

Year Ended December 31, 2023		
	<u>GAAP</u>	<u>Non-GAAP</u> <sup>(1)</sup>
Revenue	\$1.4B	\$1.4B
Diluted earnings per share	\$0.02	\$1.50

Year Ended December 31, 2023	
Cash provided by operating activities	\$139M
Free cash flow <sup>(2)</sup>	\$150M

(1) A reconciliation of our GAAP and non-GAAP guidance is contained in the financial schedules in our Q4 2022 earnings release.

(2) Free cash flow is calculated as cash provided by operating activities adjusted for the net impact of (a) investment in property and equipment, (b) interest expense, and (c) other items outside the ordinary course of business.” A reconciliation of free cash flow is contained in the financial schedules in our Q4 2022 earnings release.

# What Does this All Mean?

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



## With a view towards:

- Capitalizing on high-growth markets
- Continuing our technology leadership
- Increasing sales capacity
- Driving ACV growth
- Leveraging Cloud Choice differentiation
- Balancing growth & margin
- “Rule of 40”



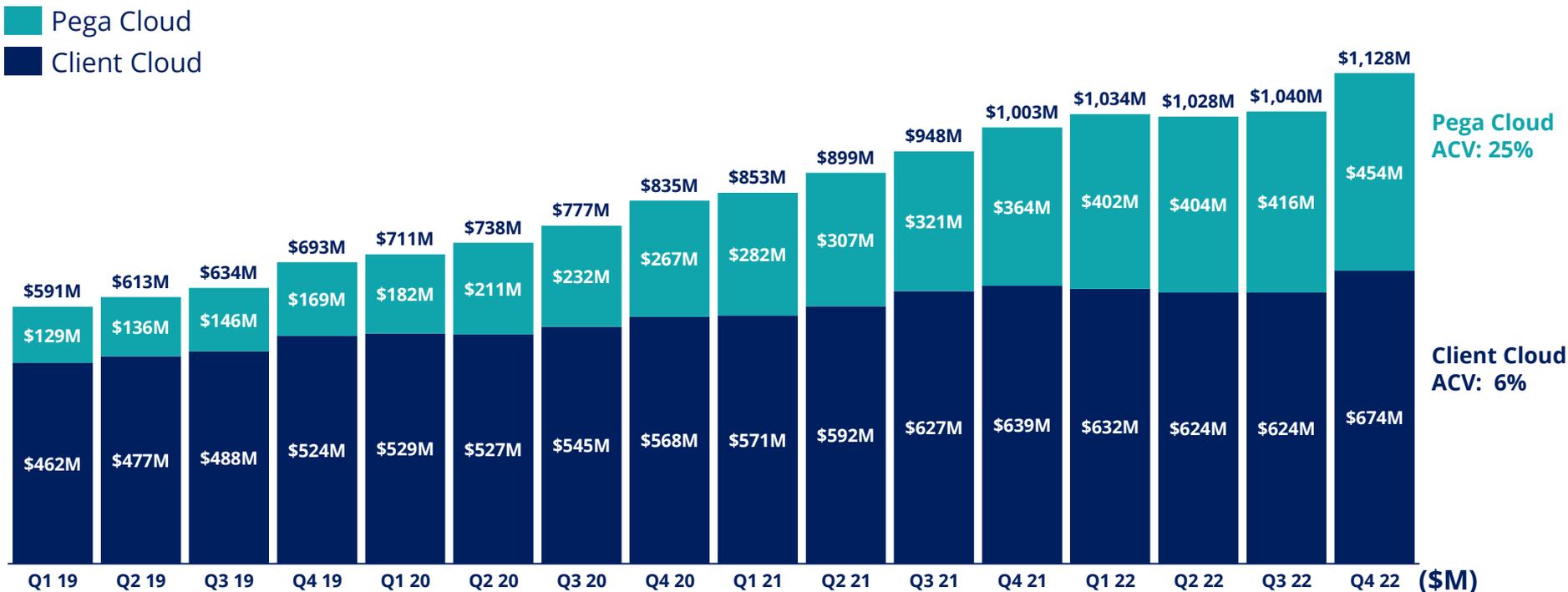
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vs Q4 2021

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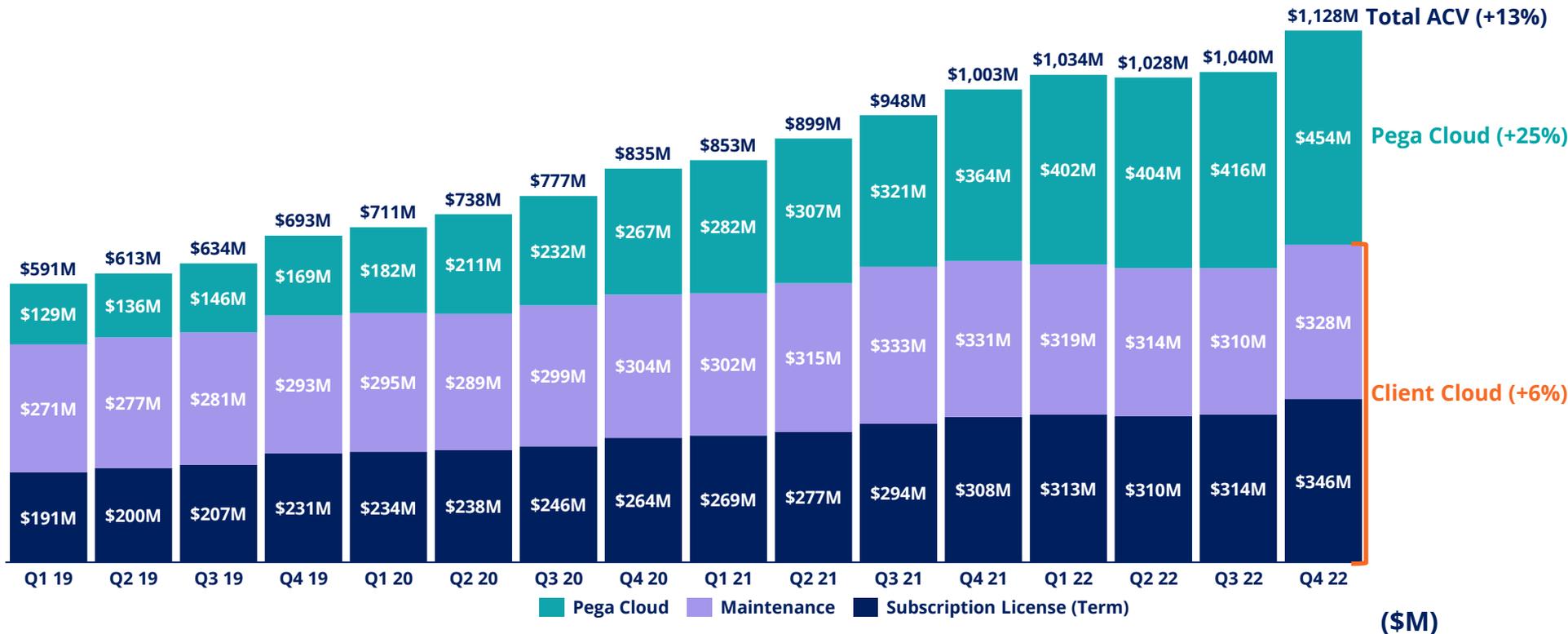


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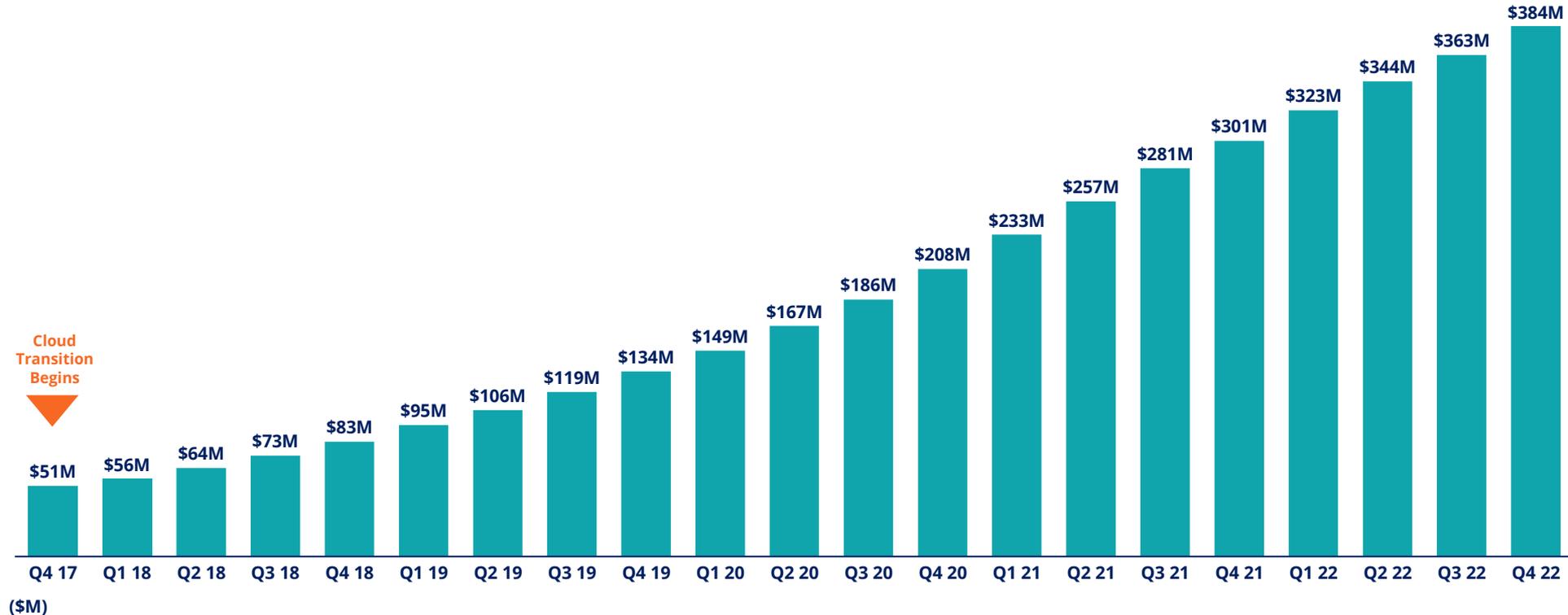
Q4 2022 Growth  
vs. Q4 2021



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# Fastest Growing Revenue Stream is Pega Cloud

Trailing 12 Months Pega GAAP Pega Cloud Revenue



# Gross Profit Dollars: Client Cloud vs Pega Cloud

Client Cloud and Pega Cloud deals generate similar gross profit dollars in a timeless illustrative model

## Client Cloud

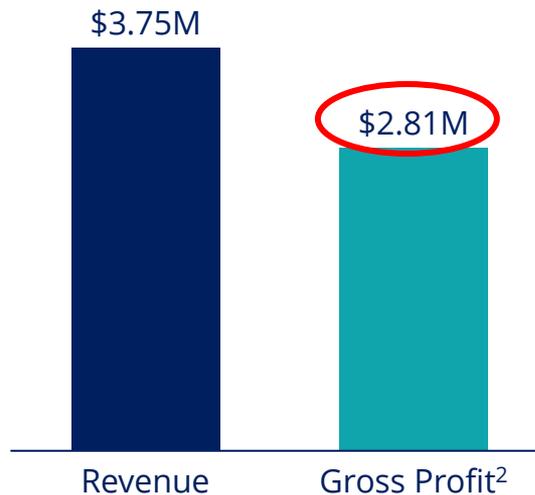
3-Year Deal; ACV = \$1M



1. In a timeless model, we assume an average license and maintenance gross margin of 95%

## Pega Cloud

3-Year Deal; ACV = \$1.25M



2. In a timeless model, we assume a 75% gross margin for Pega Cloud