



2021 Investor Briefing

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June 3, 2021



Financial Discussion

Ken Stillwell | COO & CFO

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Financial Outlook



Massive Market Opportunity



Transition to Cloud Underway



High Growth, Recurring Model

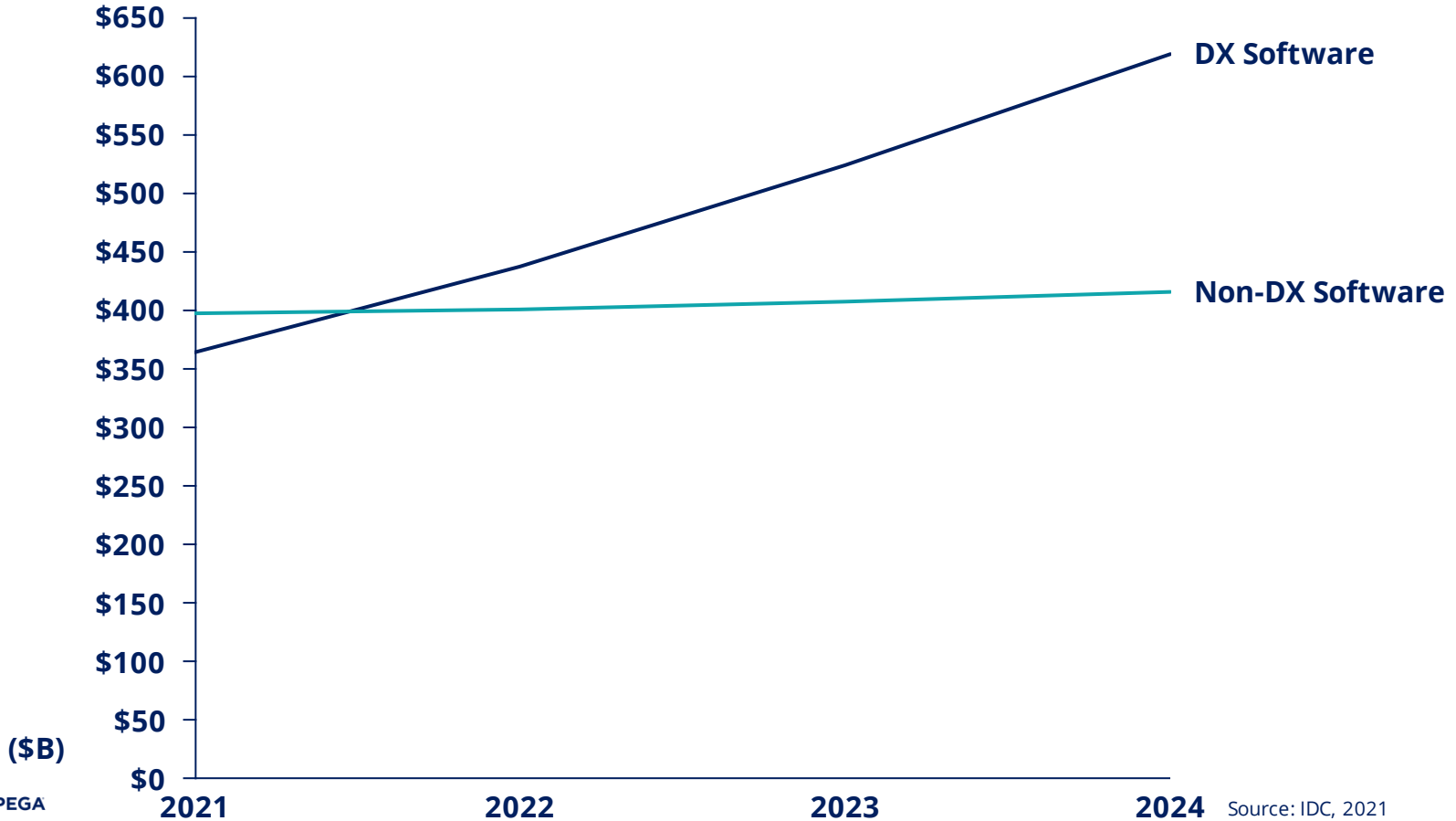


Margin Expansion Opportunities

Pursuing a Massive Market Opportunity in Platform & CRM



Digital Transformation (DX): Worldwide DX Software Spending vs Other



Transition to Cloud Well Underway While Underlying Growth is Increasing

From...

Perpetual

Less Predictable

Lower Growth
& Margins



To...

Recurring

More Predictable

Rule of 40

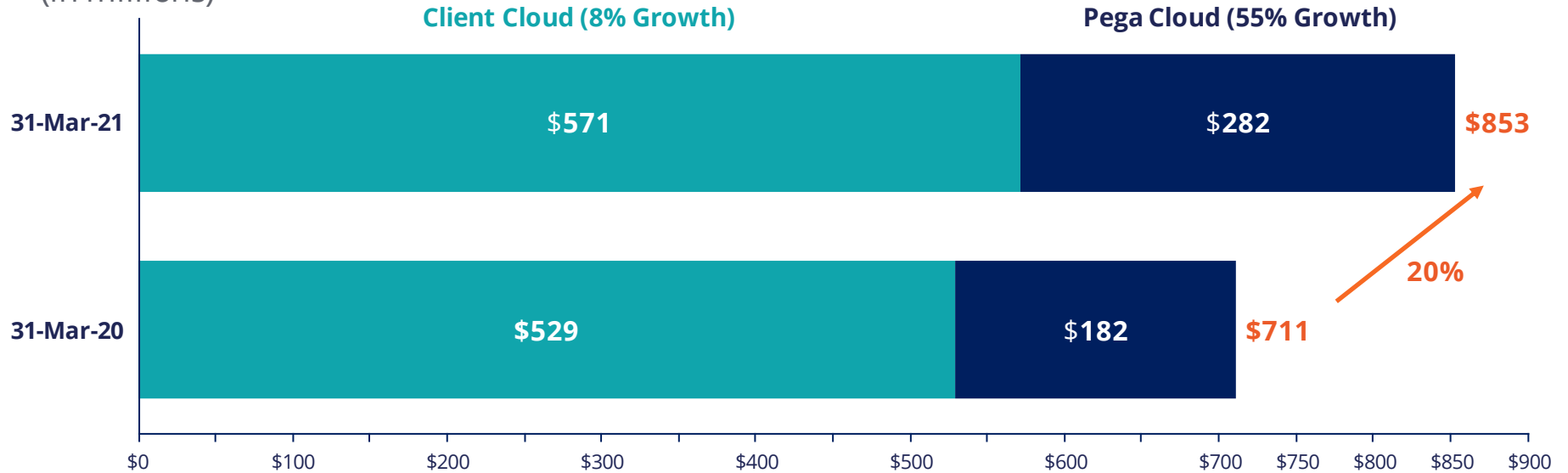


Transition to Cloud Underway: Key Growth Metrics

- 
1. Annual Contract Value (ACV) Growth
 2. Pega Cloud Bookings as a Percentage of New Business
 3. Remaining Performance Obligation (RPO) – also known as Backlog

Transition to Cloud Underway: Focus on Total ACV Growth as Leading Indicator

(in millions)

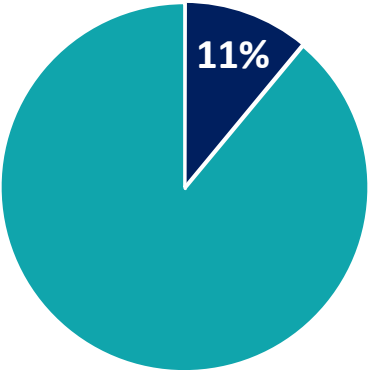


ACV, as reported, represents the annualized value of our active contracts as of the measurement date. The contract's total value is divided by its duration in years to calculate ACV for term license and Pega Cloud contracts. Maintenance revenue for the quarter then ended is multiplied by four to calculate ACV for maintenance. Client Cloud ACV is composed of maintenance ACV and term license ACV. ACV is a performance measure that we believe provides useful information to our management and investors, particularly during our Cloud Transition. Reported amounts have not been adjusted for changes in foreign exchange rates. Foreign currency exchange rate changes contributed about 3% to total ACV growth in 2021.

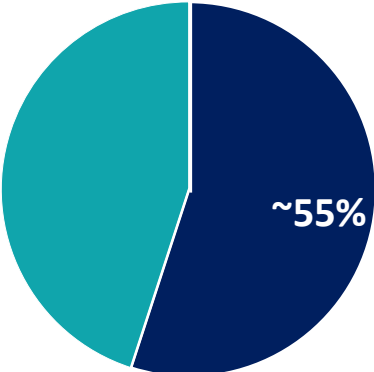
Transition to Cloud Underway: Growing Pega Cloud as a Percentage of New Business

■ Pega Cloud Bookings ■ Other Bookings*

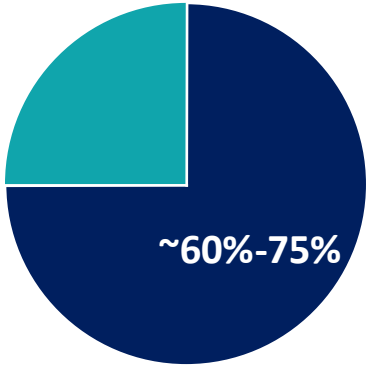
FY16



FY21 Year to Date



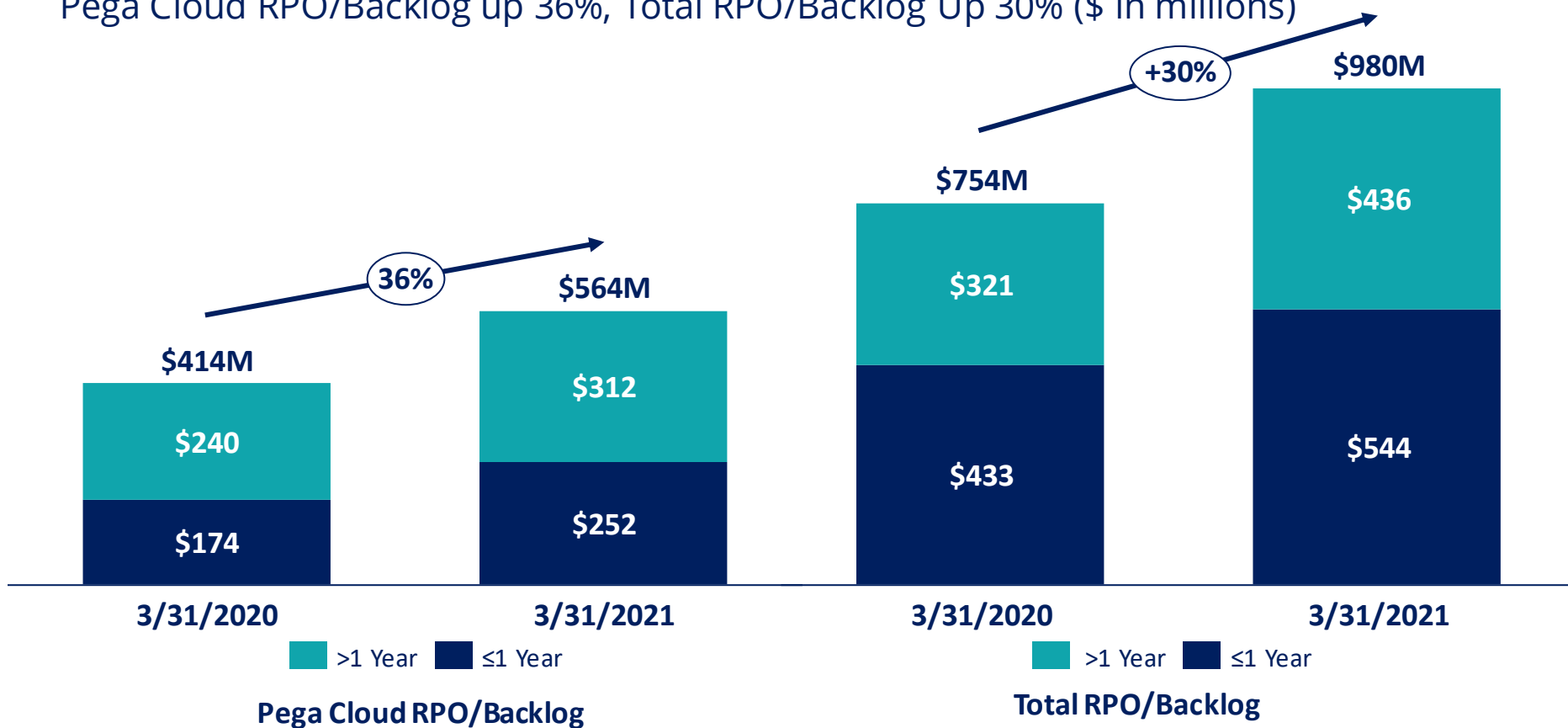
FY23 Target



*Other bookings equals the sum of perpetual and term new license bookings.

Remaining Performance Obligation (RPO) /Backlog is Growing

Pega Cloud RPO/Backlog up 36%, Total RPO/Backlog Up 30% (\$ in millions)



20% ACV Growth

ACV is the Best Indicator of Growth During the Cloud Transition

Pega Cloud
Client Cloud

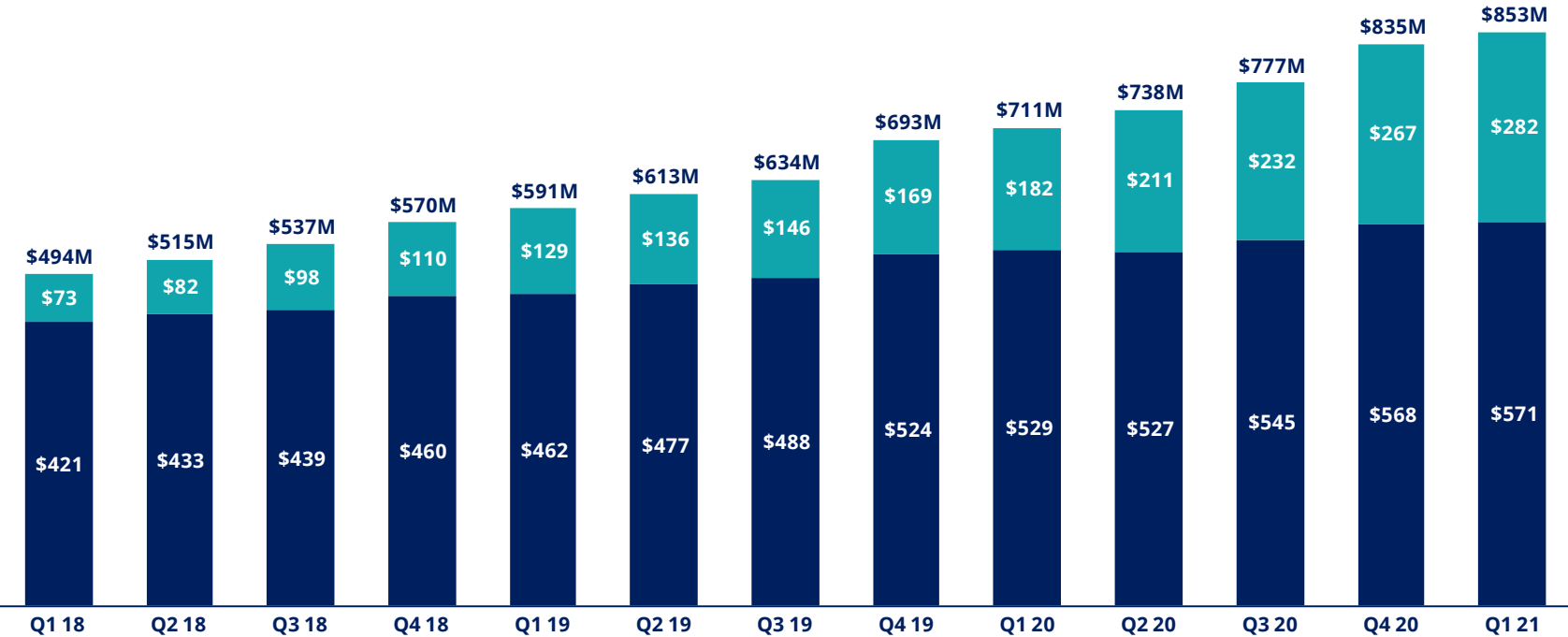
Q1 2021
Growth
vs Q1 2020

Total
ACV: 20%

Pega Cloud
ACV: 55%

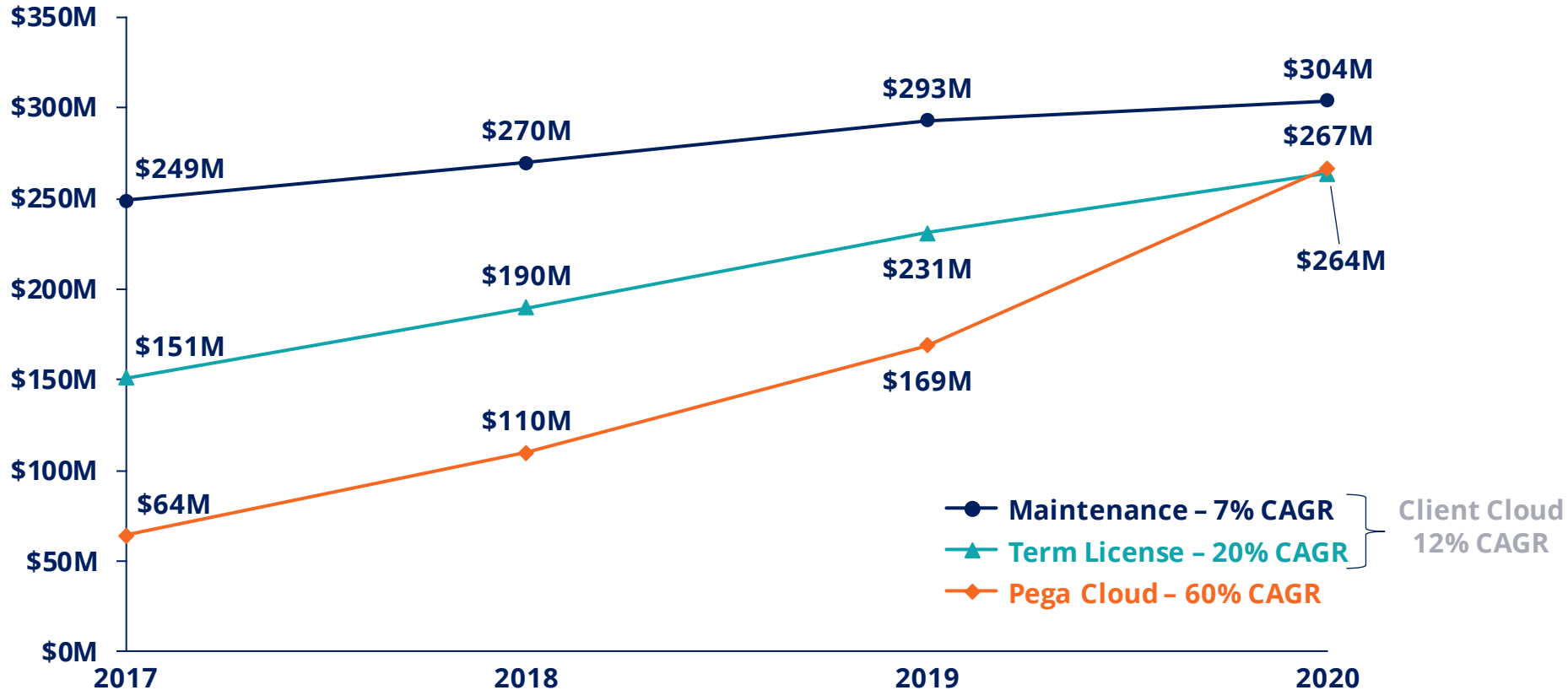
Client Cloud
ACV: 8%

(\$M)

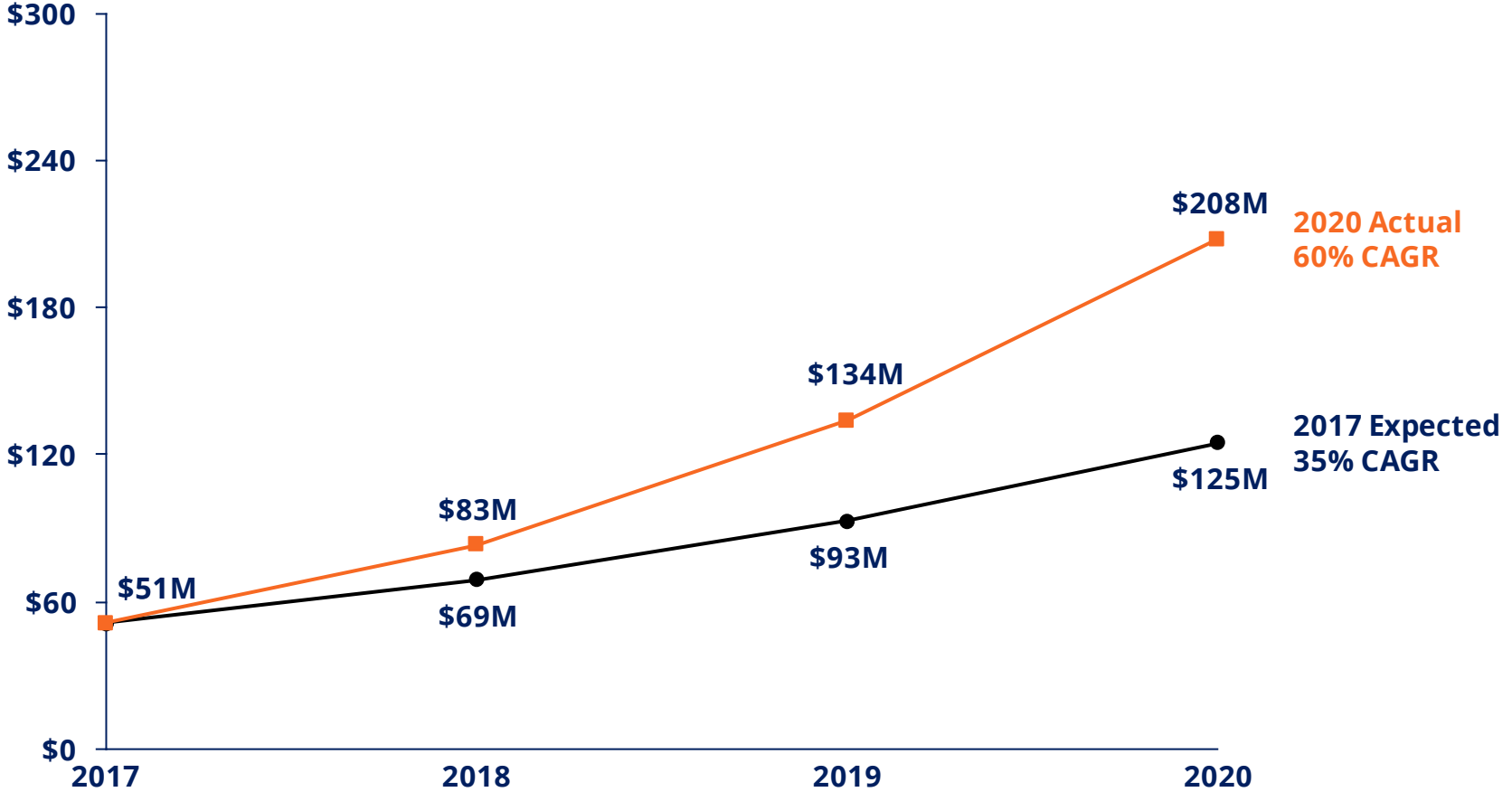


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Pega Cloud ACV Growth: Fastest Growing ACV Segment

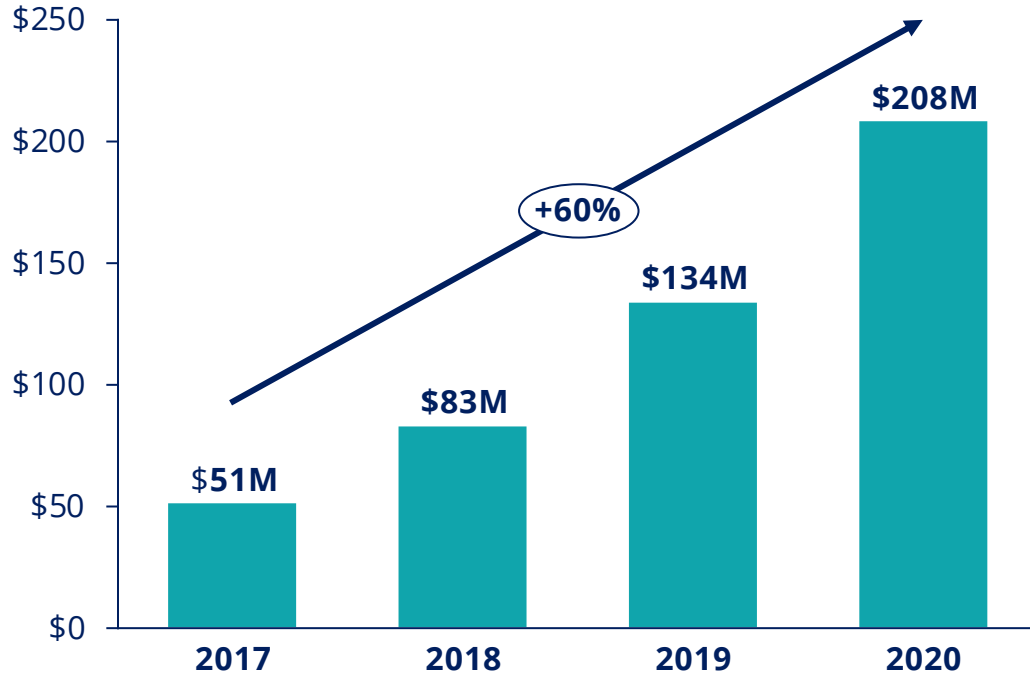


Pega Cloud Revenue Growth: 60% CAGR Exceeded Our Expectations

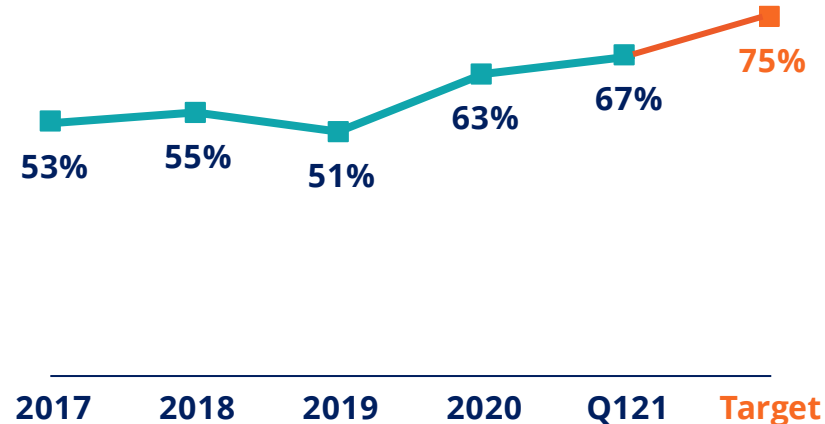


Margin Expansion Opportunities: Cloud Margin

Pega Cloud Margins Improve with Scale

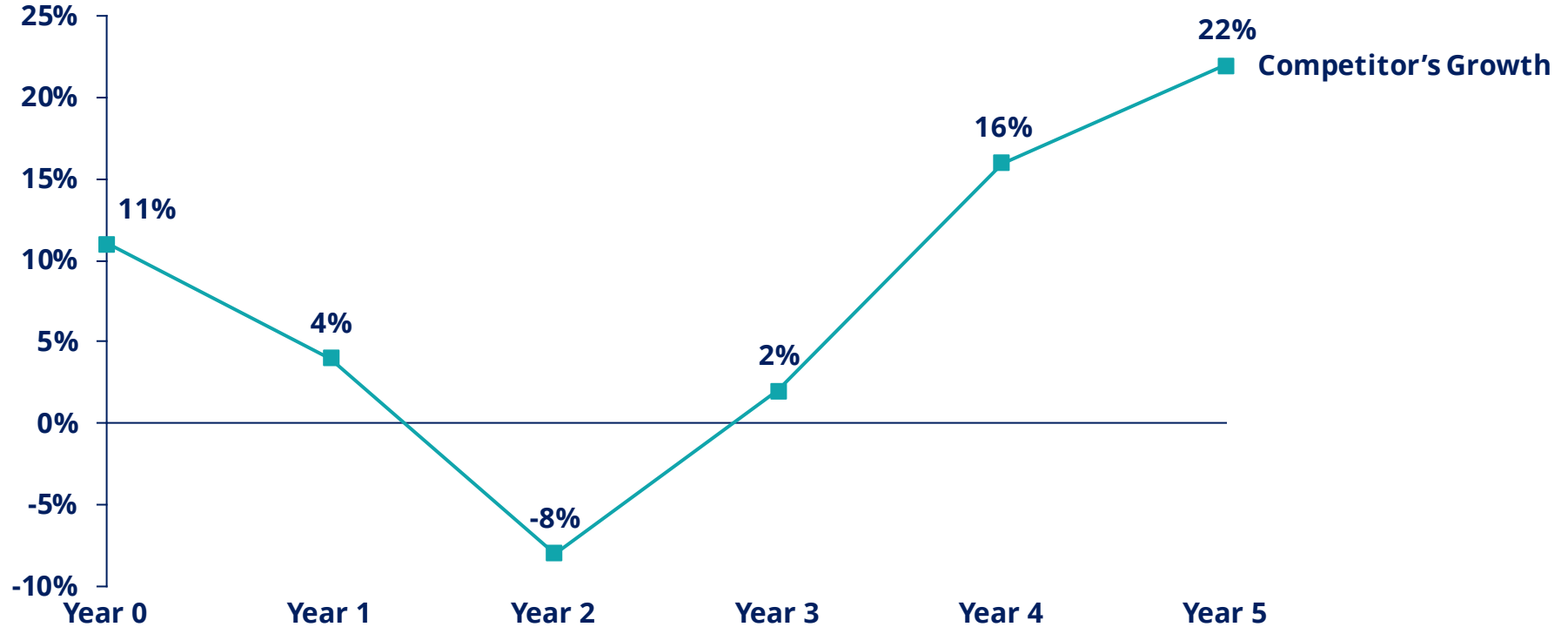


Three-Year Pega Cloud Revenue % Change

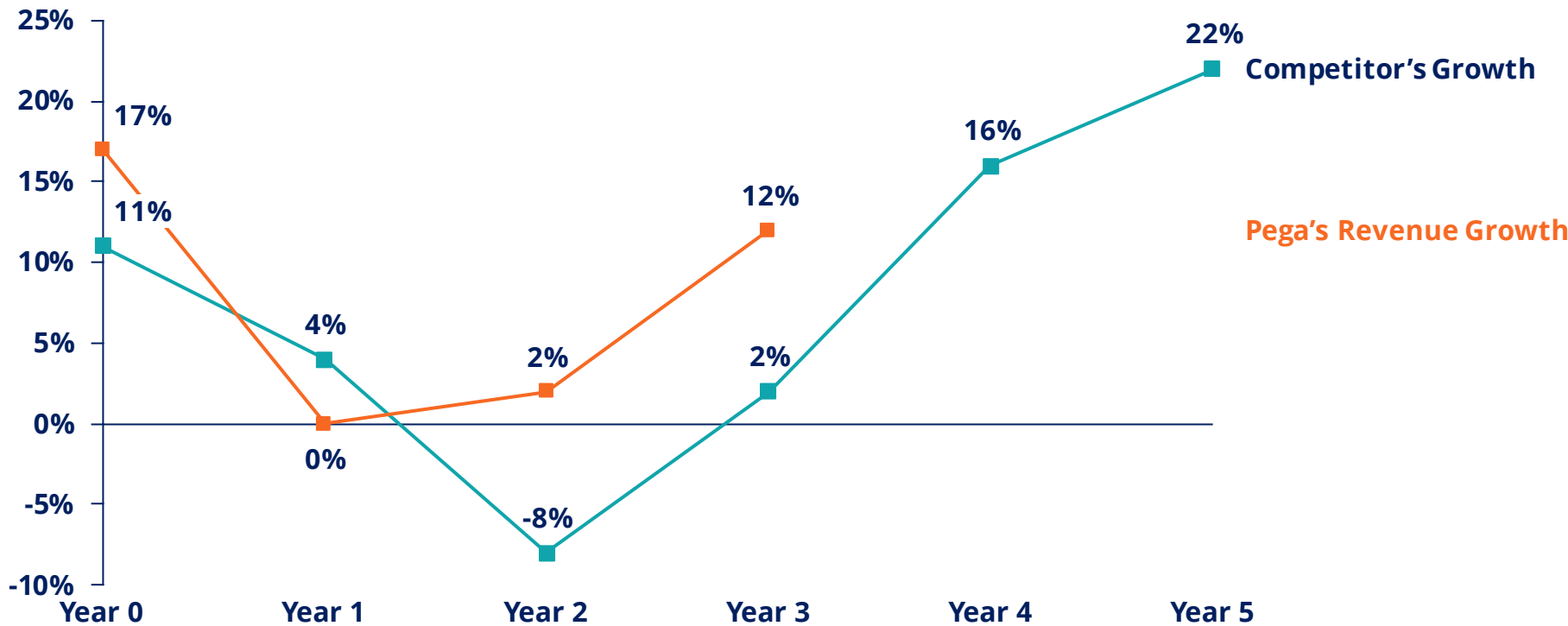


Pega Cloud Gross Margins

Example Competitor's Journey: Revenue Growth During a Cloud Transition



Example Competitor's Journey vs Pega: Pega's Growth During Its Cloud Transition vs Competitor



Example Competitor's Journey: EV*/Rev Multiple Expansion During a Cloud Transition



Perpetual Go-to-Market

Cloud Go-to-Market

Financial Outlook & Model



What does this mean?

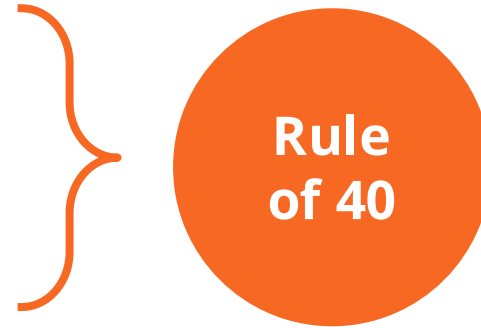
- Near-term:
 - Continued complicated & awkward revenue optics
 - Focus on Total ACV growth as leading indicator
 - Pega Cloud backlog growth as a confirming metric
- Longer-term:
 - Increasingly predictable revenue and cash flows

Revenue *and* Margin Growth

Key Growth Metrics: Longer-Term

ACV Growth

Free Cash Flow (FCF) Margin*



2018 Investor Day Presentation – “Rule of 40” Slide

Still Tracking to “Rule of 40”

	2017	2022 Target
Revenue Growth	16%	~15-17%
GAAP Operating Margin	10%	
Non-GAAP Operating Margin	18%	~23-25%
Cloud Revenue Growth	~25%	~35%
Cloud Margin	~50%	~70%

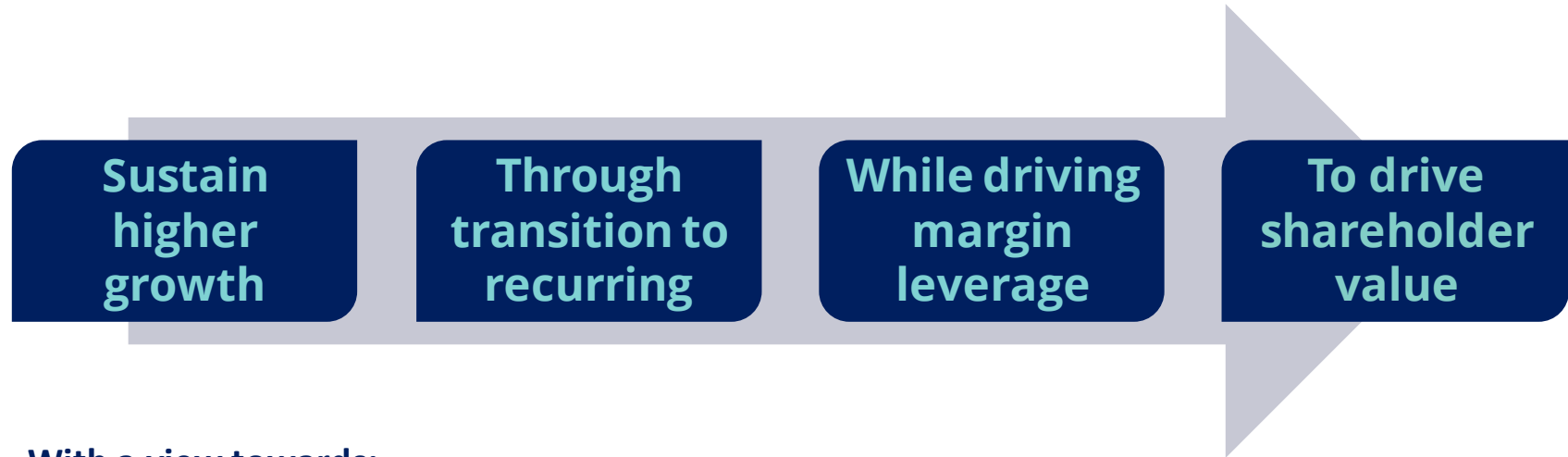
Path to “Rule of 40”

Still Tracking to “Rule of 40”

	2017	Old 2022 Target	2023 Update
Revenue Growth	16%	~15-17%	~21%-23%
GAAP Operating Margin	10%		
Free Cash Flow Margin	18%	~23-25%	~15%
Cloud Revenue Growth	~25%	~35%	~45%
Cloud Margin	~50%	~70%	~72%-75%

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