



Pegasystems Fourth Quarter 2018 Investor Deck



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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,” “will,” “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 Q4 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, 2018 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.

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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 Q4 2018 earnings available on our investor relations website at <http://www.pegasystems.com/about/investors>.



OUR MISSION

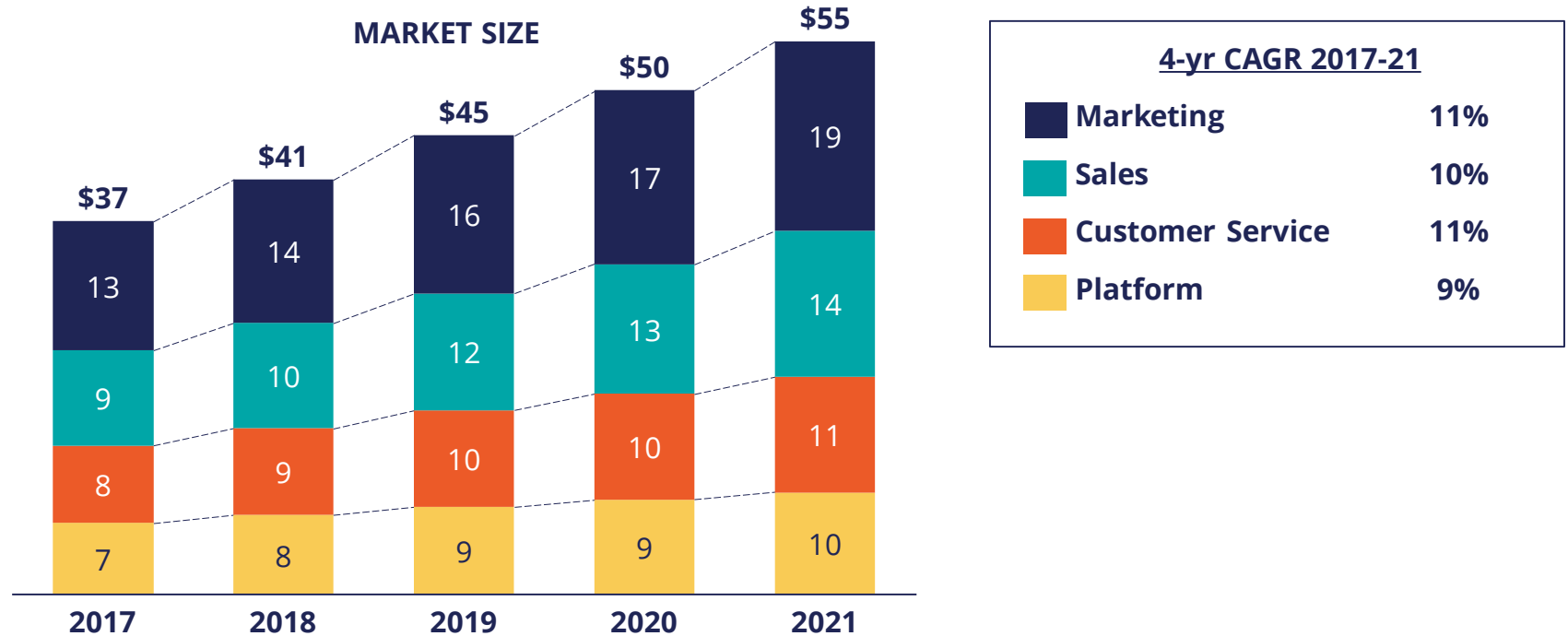
Change the way the world builds software
to create unprecedented business outcomes in
customer engagement and **operational excellence**

Digital Transformation

Build for Change®

Large and Growing Market Opportunity for Pega

(in billions)



Source: IDC, 2017

Pega Infinity™

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 DX ARCHITECTURE™

The ONLY unified architecture for digital transformation

Gartner



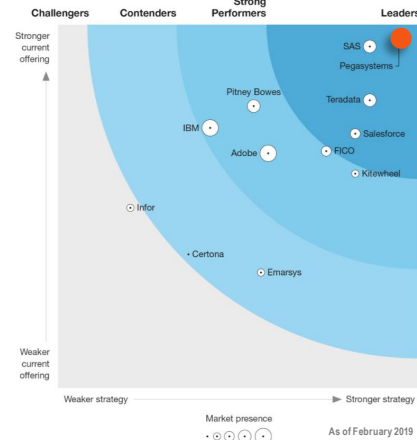
Customer Engagement

FORRESTER®



Digital Process Automation

FORRESTER®



Real-Time Decisions & AI

Gartner



End-to-End Work Management

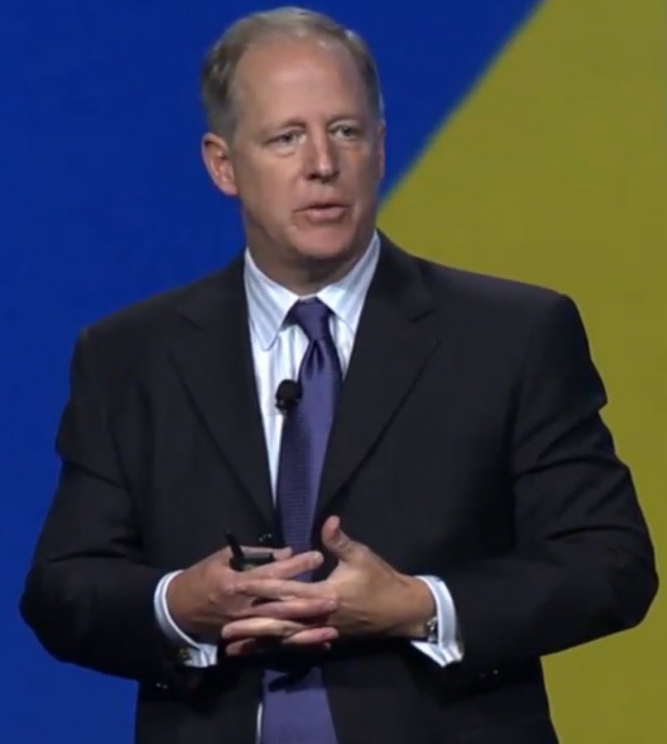
“The highest reference customer rating for customer usability.
The best ability to build, maintain, and change complex cases.
The Pega Platform™ offers one of the most comprehensive sets of features in the market.”

Gartner

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

2018 Key Financial Goals and Accomplishments

Key Goals

Key Accomplishments

Accelerate Growth

- New client commitments grew by more than 30% year over year
- License and cloud ACV grew 40% year over year
- Total Annual Contract Value (ACV) grew 23% year over year

Move to Recurring

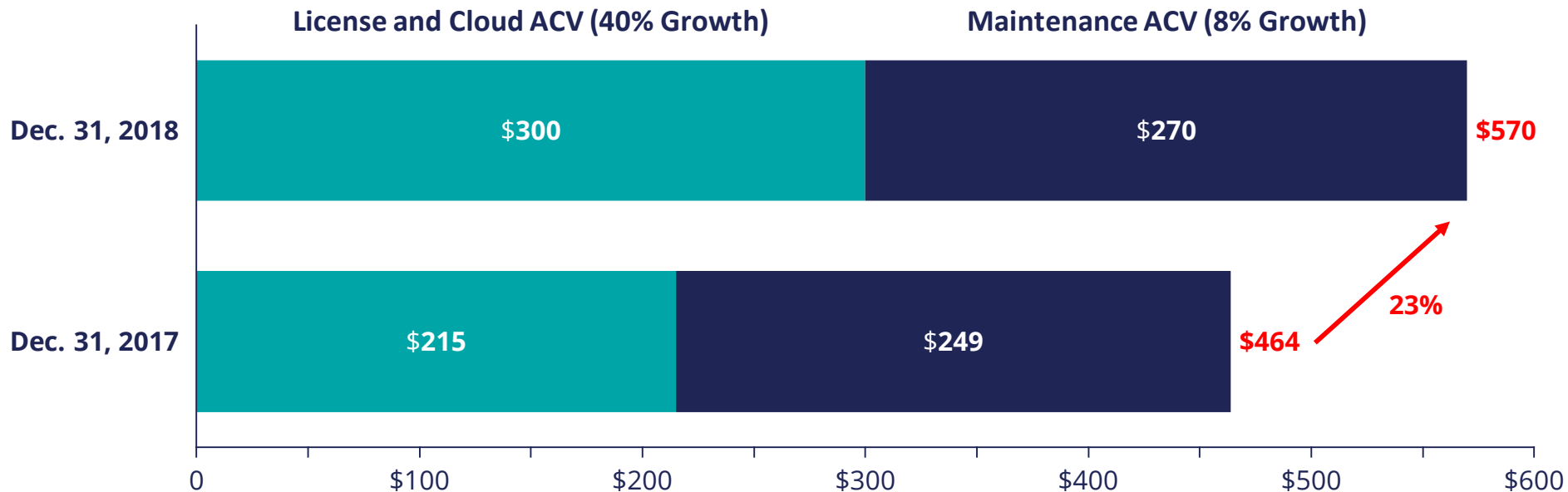
- Approximately 90% of new client commitments recurring

Deliver on Cloud Choice

- Accelerated the move to Pega Cloud
- Pega Cloud half of new client commitments
- Cloud Choice™ now relevant for every customer

Total ACV by Year

(in millions)



Total 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 by Quarter

Total ACV has increased by 61% since Q1 16



Historical Results

(in millions)

	2016					2017					2018				
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total
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	\$ 50.2	\$ 178.3
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	24.7	82.6
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	67.4	263.9
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	142.3	524.8
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	53.0	109.9
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	61.1	257.0
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	\$ 256.4	\$ 891.7
Remaining Performance Obligations											\$ 476.7	\$ 522.3	\$ 631.0		
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)	\$ 37.3	\$ 104.4
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	4.0	11.9
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)	\$ 33.3	\$ 92.5

Highlighted periods are based upon ASC 605.

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

Historical Results

(in millions)

	2016				2017				2018			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
License 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	\$ 300.3
Maintenance ACV	211.9	220.6	220.2	228.6	234.9	237.7	247.2	249.5	258.1	263.6	264.1	269.7
Total ACV	\$ 353.7	\$ 372.3	\$ 383.6	\$ 407.6	\$ 427.9	\$ 429.3	\$ 447.4	\$ 464.6	\$ 494.1	\$ 514.5	\$ 536.8	\$ 570.0
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	\$ 33.2
Perpetual Revenue	\$ 14.0	\$ 51.8	\$ 39.9	\$ 41.8	\$ 37.9	\$ 31.3	\$ 12.6	\$ 51.1	\$ 23.1	\$ 13.5	\$ 20.3	\$ 53.0
Conversion Factor	3.5	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	\$ 15.1
<u>Change in Total 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	48.3
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	136.8

Highlighted periods are based upon ASC 605.

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

- Change in License 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.

Key Financial Goals for 2019

- Accelerating growth leveraging Cloud Choice for our clients
- Streamlined selling to increase the velocity of our system
- Progress towards “Rule of 40”



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