# Pegasystems Investor Presentation Q1 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+

**15%**
ACV Growth
Constant Currency*

**24%**
Pega Cloud
ACV Growth
Constant Currency*

**$325M**
Q1 23 Revenue

**84%**
Q1 23 Subscription
Revenue as % of Total

*ACV Growth is measured year over year (March 31, 2023 versus March 31, 2022). Foreign currency exchange rate changes were an approximate 2% to 3% headwind to ACV growth since March 31, 2022.

# 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.

# Pega Infinity™

## 1:1 Customer Engagement

## Customer Service

## Intelligent Automation

MAKE DECISIONS

PEGA

GET WORK DONE

- REAL-TIME, OMNI-CHANNEL AI
- END-TO-END AUTOMATION & ROBOTICS

**Industry-leading technology**

- MICROJOURNEY-CENTRIC RAPID DELIVERY
- SITUATIONAL LAYER CAKE™

**Start fast and scale**

- SOFTWARE THAT WRITES YOUR SOFTWARE
- CLOUD CHOICE

**Future proof your investment**

PEGA DX ARCHITECTURE™

# Crushing business complexity

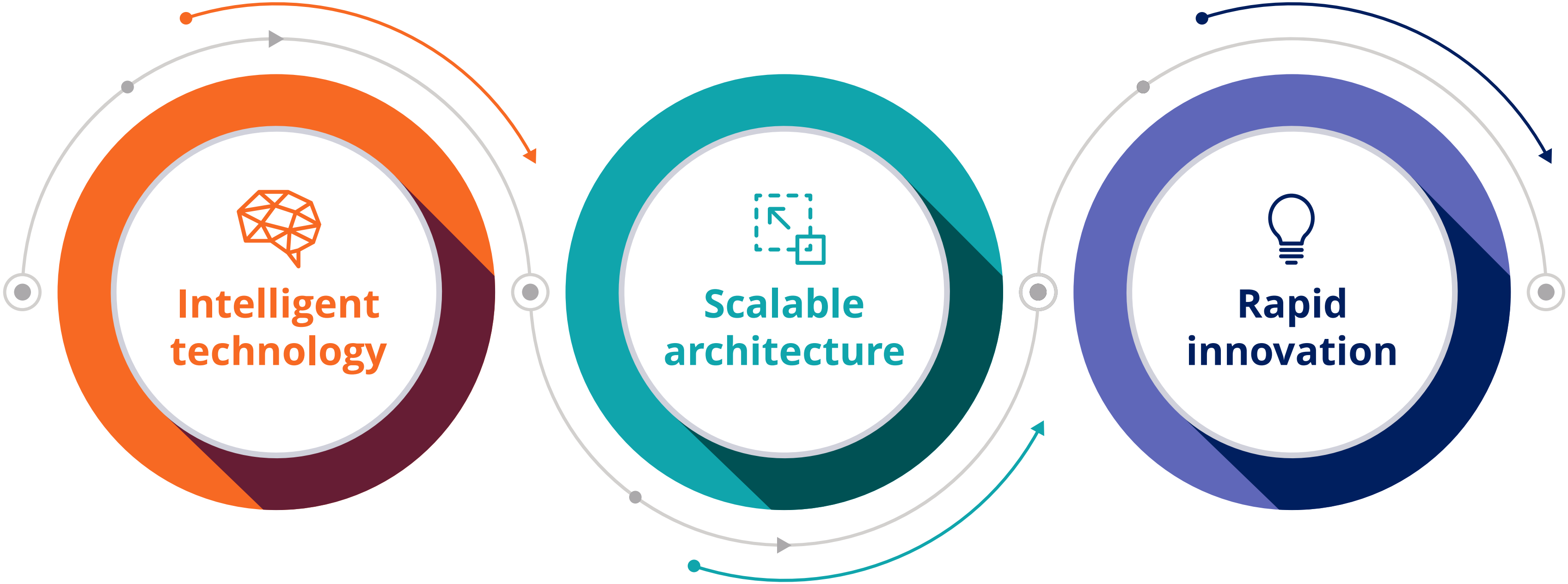
Solving the problems no one else can. Delivering value, fast.

| | | |
|---|---|---|
| One-to-one customer engagement | Maximize customer lifetime value | 489% ROI<br>< 6 months payback |
| Customer service | Simplify service and reduce costs | 298% ROI<br>< 6 months payback |
| Intelligent automation | Boost efficiency | 186% – 598% ROI<br>< 3 - 12 months payback |

Key 3-year benefits. Forrester Total Economic Impact™ studies 2020. https://www.pega.com/forrester-tei

# So how do we do it?

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



### Customer engagement


### Digital process automation


### Real-time decisions & AI


### End-to-end work management


# Together, we're redefining the technology industry

## Unified, market-leading technology

*Changing the way organizations work and engage*

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 |
|---|---|---|---|
|  | Robert<br>**Chief Customer Officer** | **1:1 Customer Engagement** | **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<br>**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<br>**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?

| | CLIENT | ILLUSTRATIVE USE CASE | IMPACT AND RESULT |
|---|---|---|---|
| **1:1 Customer Engagement** | Commonwealth Bank | **Retain customers** | • 50 million next best action conversations delivered across 18 channels<br>• +12 lead in NPS over the competition<br>**Read more** \| https://www.pega.com/customers/cba-marketing |
| **Customer Service** | Anthem | **Inquire into account info** | • Tripled customer satisfaction<br>• Increased cardmember spend by 10%<br>• Lowered card attrition 4x<br>**Read more** \| https://www.pega.com/insights/resources/anthem-now-elevance-health-creates-next-generation-service-desktop-pega |
| **Intelligent Automation** | SIEMENS | **Streamline processes & reduce costs** | • 11-point increase in NPS<br>• 3-minute drop in average handling time (AHT)<br>• 100 processes automated<br>**Read more** \| https://www.pega.com/insights/resources/anthem-now-elevance-health-creates-next-generation-service-desktop-pega |

# 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


Source: IDC

# Transition to Subscription Well Underway

## From...

- Perpetual
- Less Predictable
- Lagging Growth & Margins

## To...

- Recurring
- More Predictable
- Rule of 40

2017 — SUBSCRIPTION TRANSITION TIMELINE — 2023

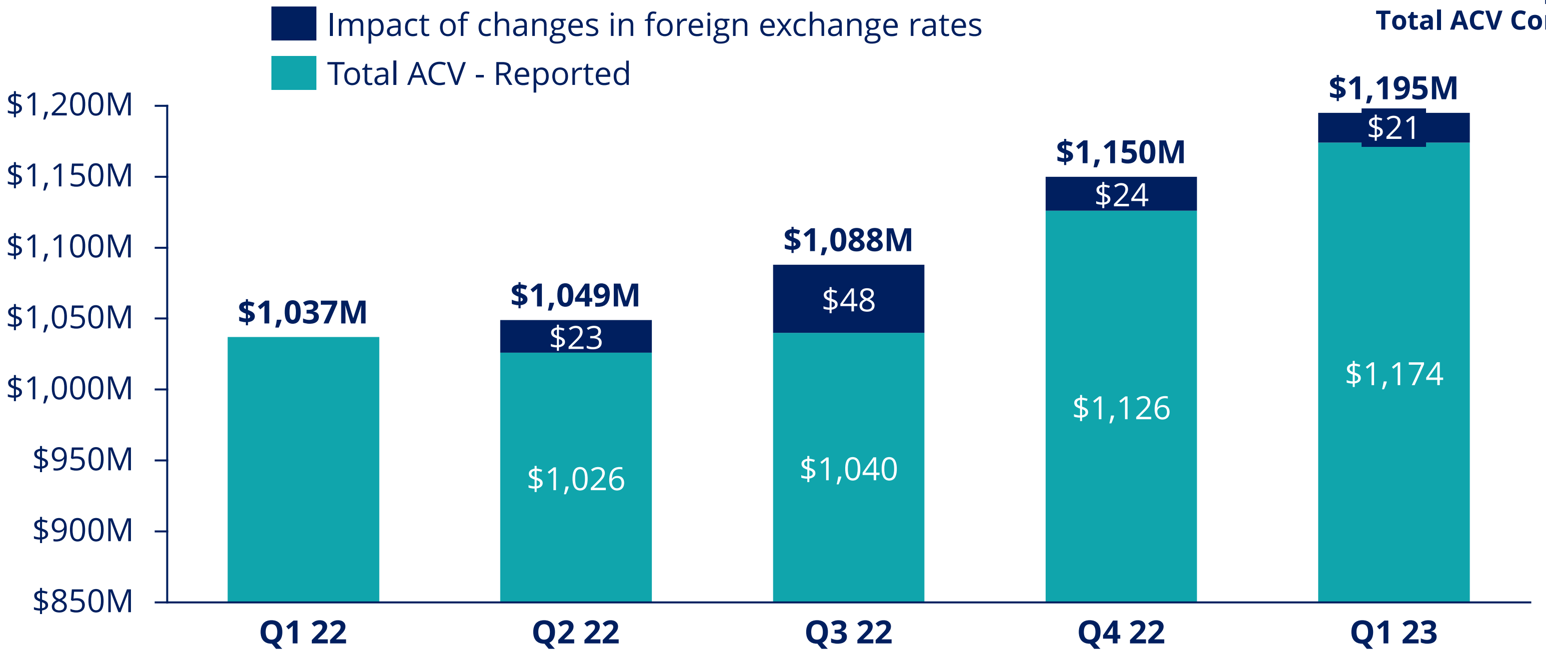
TODAY

# High Growth, Recurring Subscription Model

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

**Q1 2023 Growth vs Q1 2022**

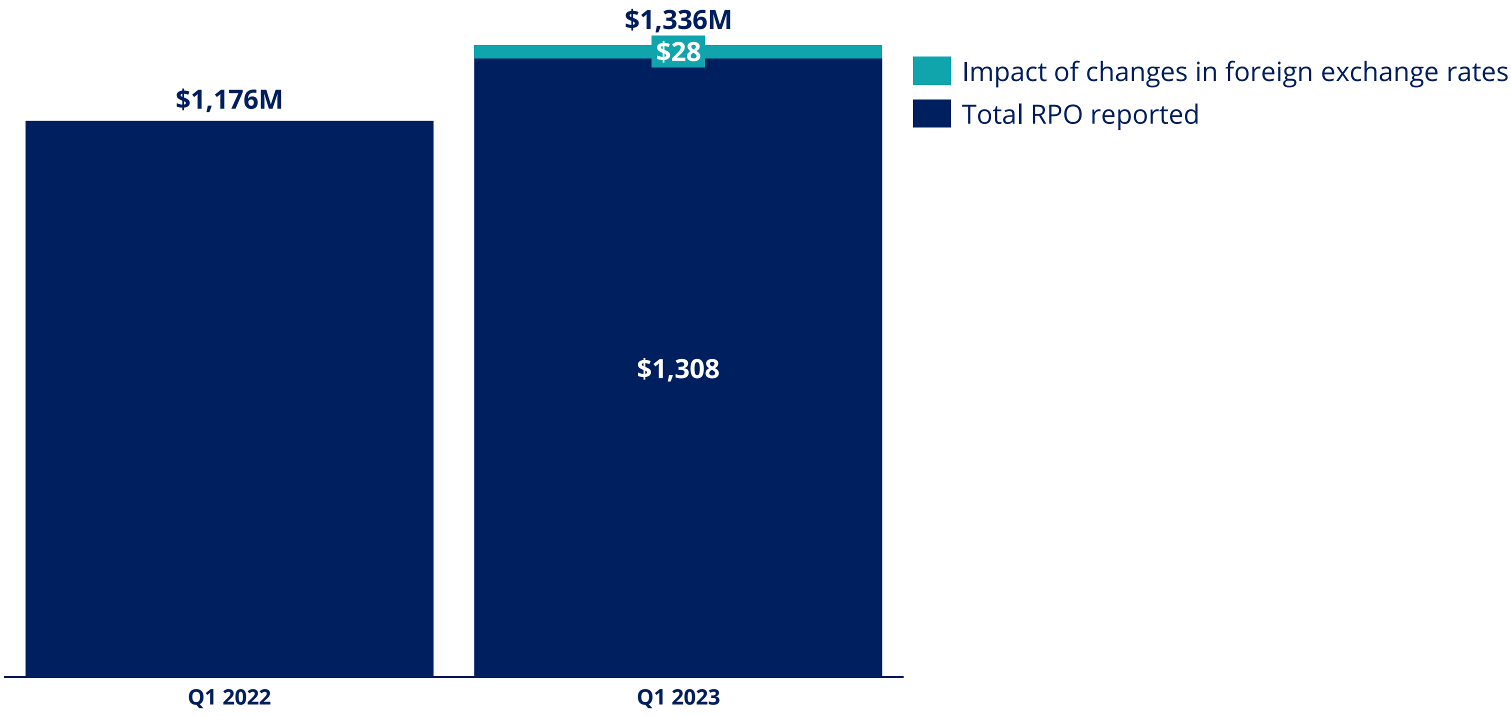
**Total ACV Reported: 13%**
**Total ACV Constant Currency: 15%**




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. In 2023, we changed our ACV calculation methodology for maintenance and all contracts less than 12 months to align with other contract types. Previously disclosed ACV amounts have been updated to allow for comparability.

# Remaining Performance Obligation (RPO) / Backlog is Growing

## Total RPO/Backlog Up 11% as Reported (14% 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 Q1 2022.

# What Does this All Mean?

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

**Sustain higher growth** → **Through transition to recurring** → **To drive shareholder value**

**With a view towards:**

- Capitalizing on high-growth markets
- Continuing our technology leadership
- Increasing sales capacity

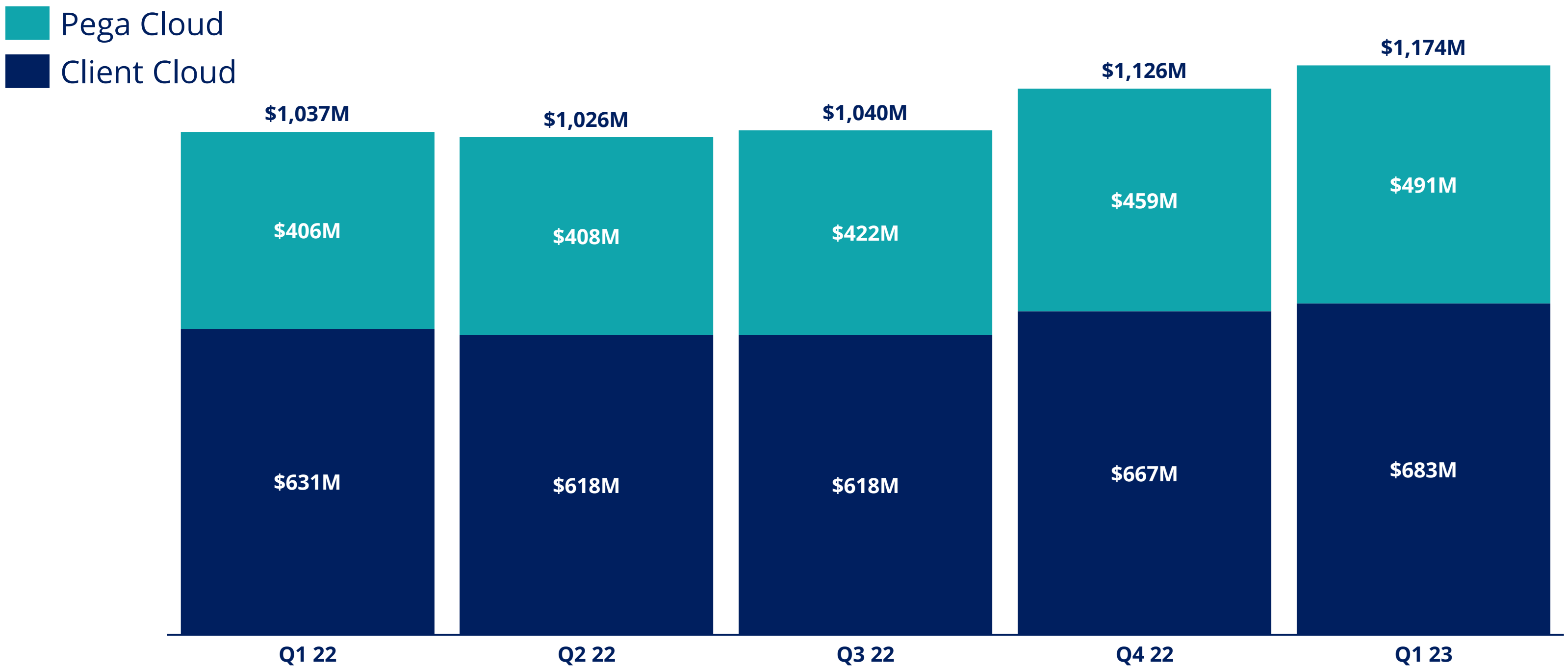
- Driving ACV growth
- Leveraging Cloud Choice differentiation

- Balancing growth & margin
- “Rule of 40”

PEGA®

# High Growth, Recurring Revenue Model

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




Q1 2023 Growth vs Q1 2022

**Total ACV: 13%**

**Pega Cloud ACV: 21%**

**Client Cloud ACV: 8%**

**($M)**

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# High Growth, Recurring Revenue Model

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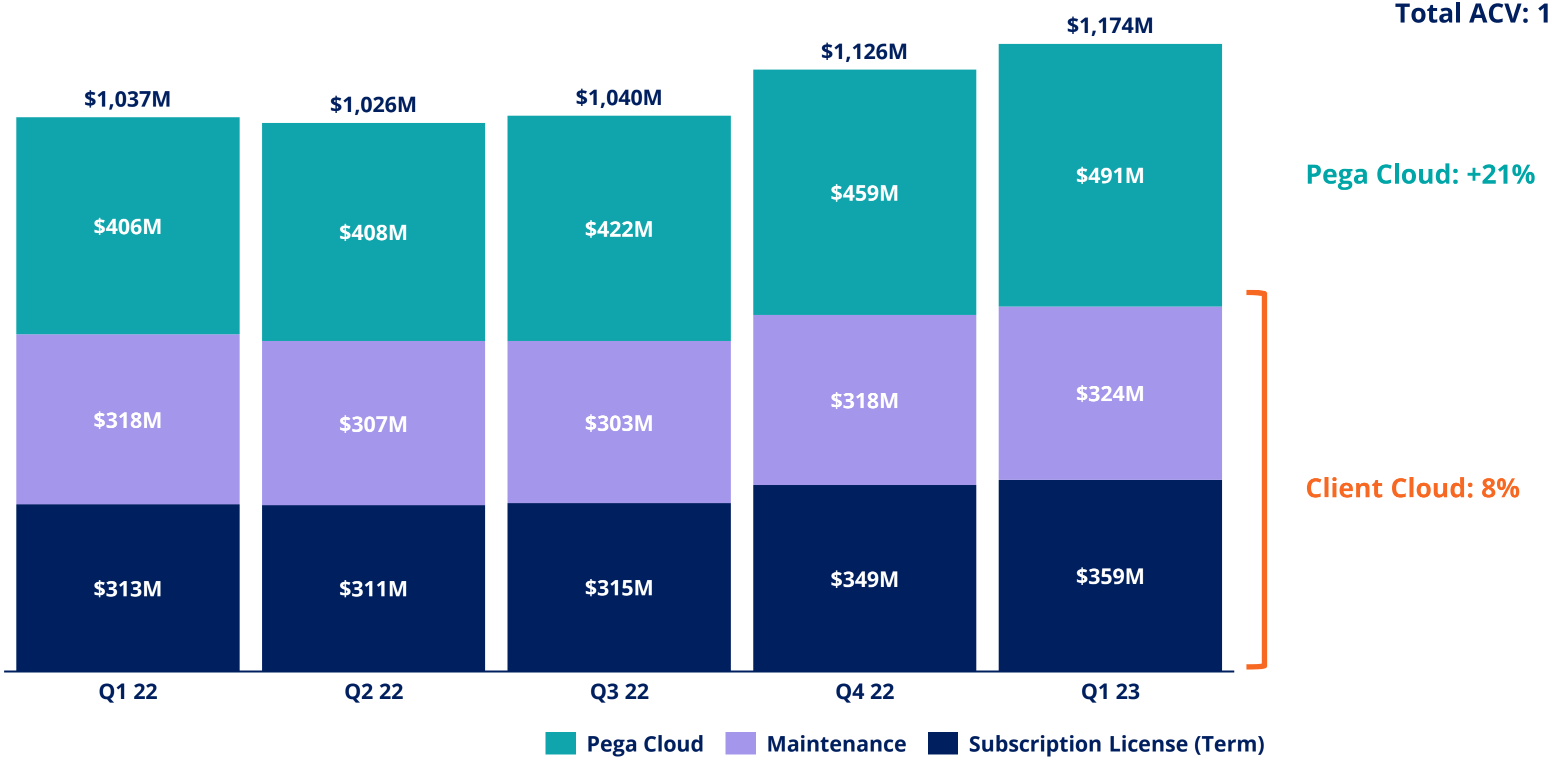


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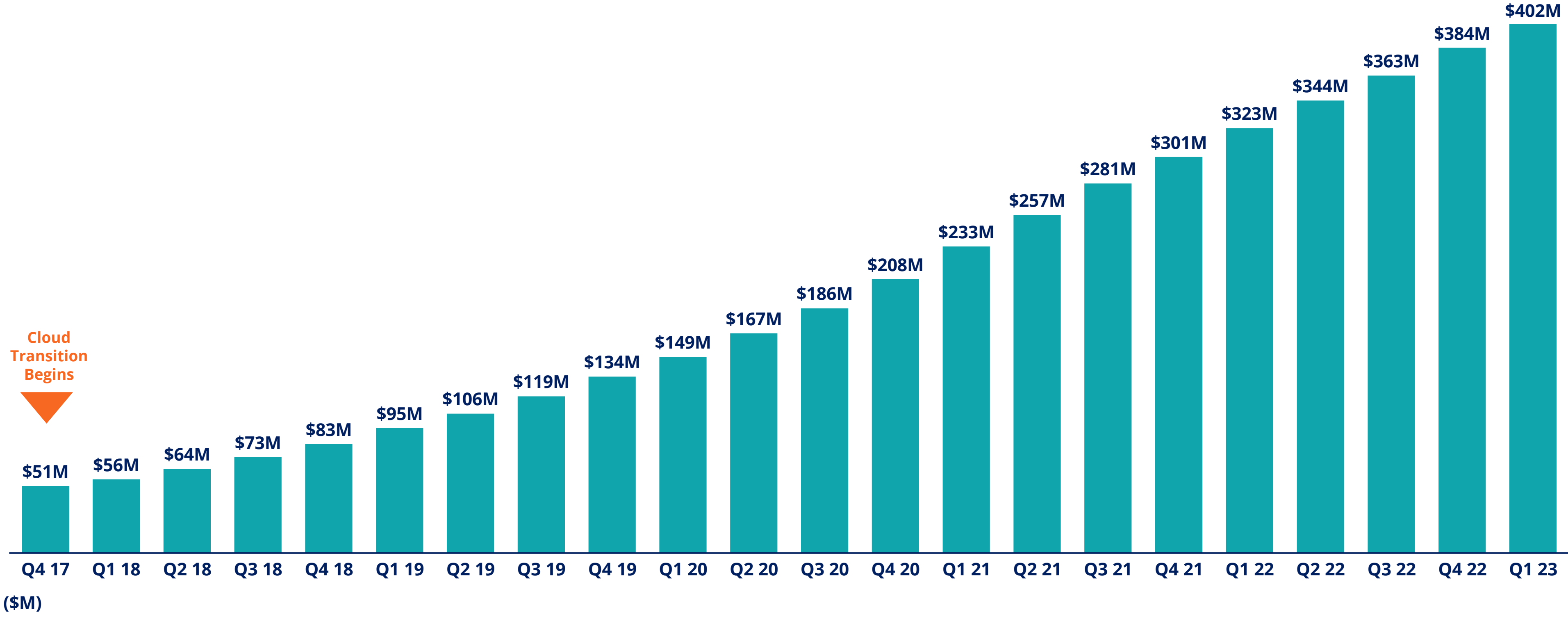
# Fastest Growing Revenue Stream is Pega Cloud

Trailing 12 Months Pega GAAP Pega Cloud Revenue

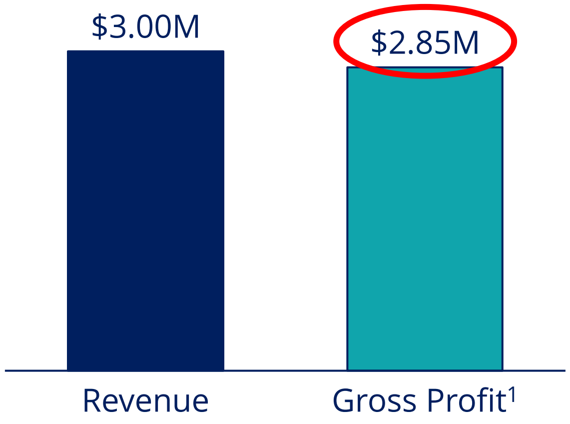


# Gross Profit Dollars: Client Cloud vs Pega Cloud

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

## Client Cloud

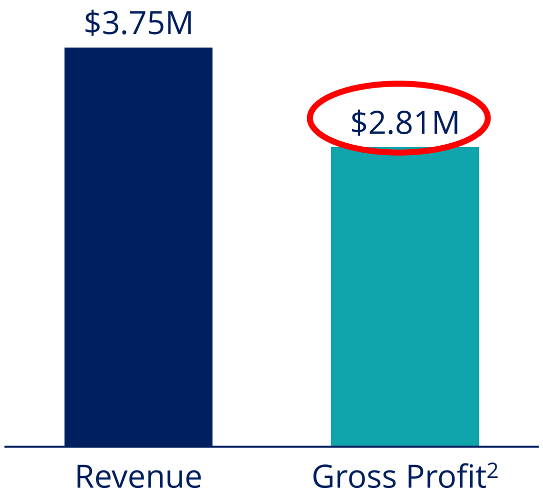
3-Year Deal; ACV = $1M




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