



## Pegasystems First Quarter 2019 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. The words expects, anticipates, intends, plans, believes, will, could, should, estimates, may, targets, strategies, intends to, projects, forecasts, guidance, likely, and usually or variations of such words and other similar expressions identify forward-looking statements, which speak only as of the date the statement was made and are based on current expectations and assumptions. Because such statements deal with future events, they are subject to various risks and uncertainties. Actual results for fiscal year 2019 and beyond could differ materially from the Company’s current expectations.

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 Q1 2019 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.

## 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 Q1 2019 earnings available on our investor relations website at <http://www.pega.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<sup>®</sup>

# 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



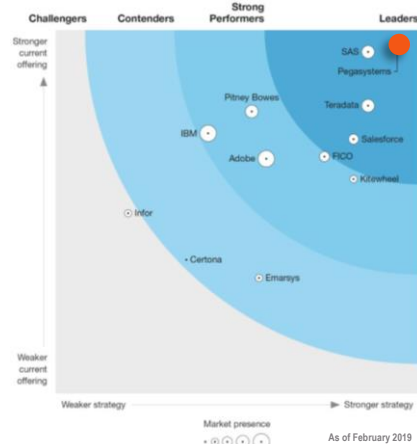
**Customer Engagement**

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



Every day, Pega powers...

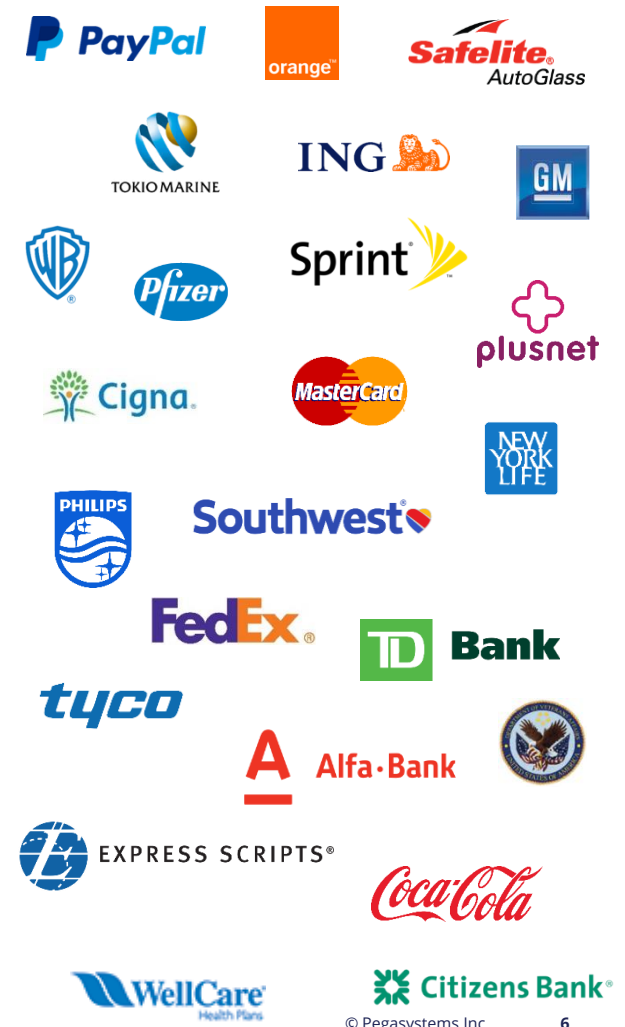
**MILLIONS**  
of automated processes

**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...

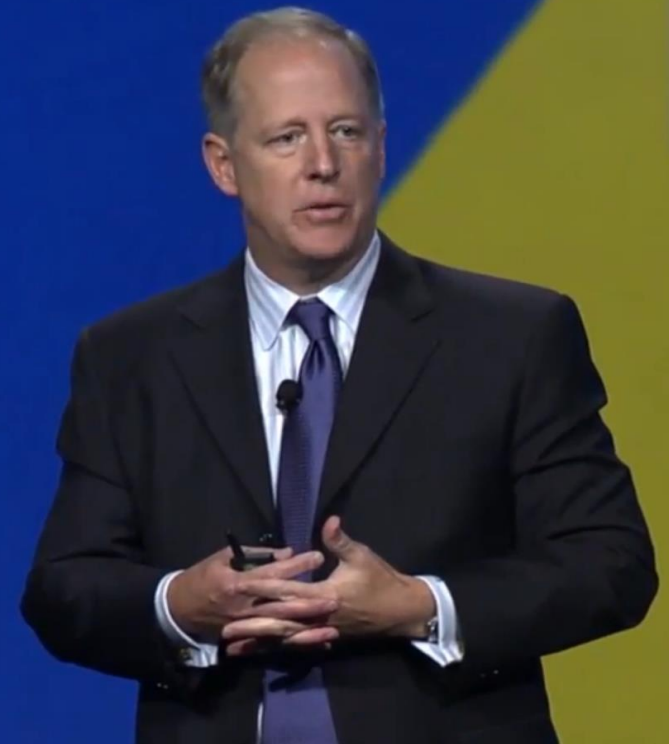
...you've interacted with Pega.



# 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



# Q1 2019 Key Financial Goals and Accomplishments

## Key Goals

## Key Accomplishments

### Accelerate Growth

- Total Annual Contract Value (ACV) grew 20% year over year in Q1 2019
- Cloud revenue increased an impressive 78% from Q1 2018
- Pega Cloud RPO/backlog grew by \$172M, an amazing 96% year over year

### Move to Recurring

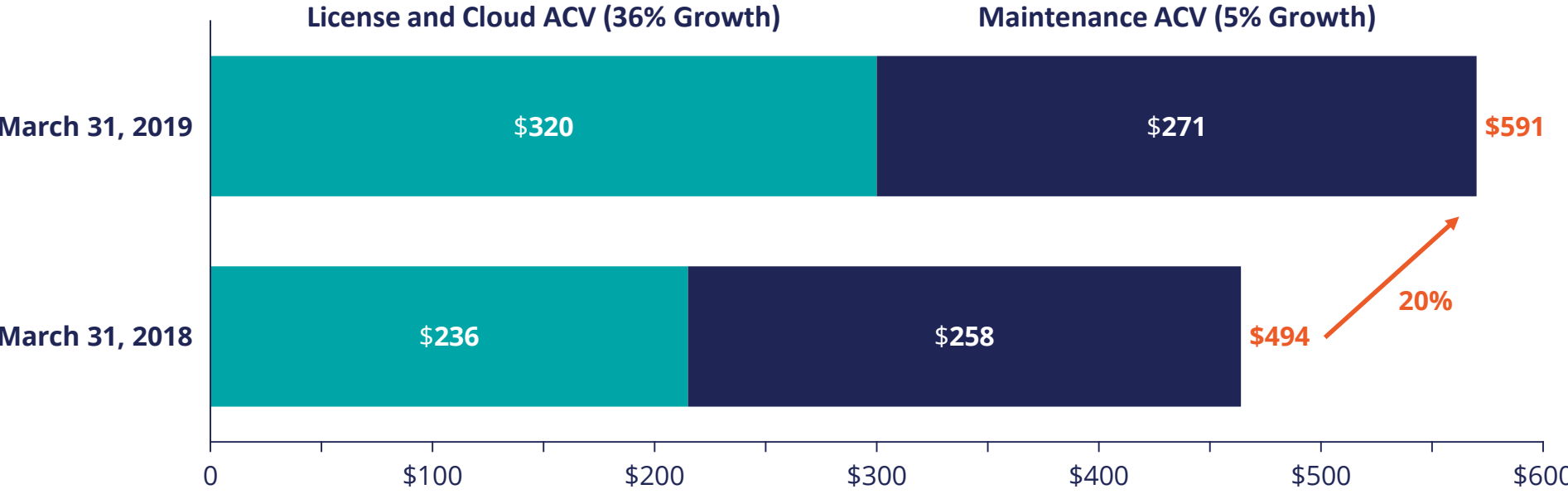
- Approximately 90% of new client commitments are recurring

### Deliver on Cloud Choice

- Accelerated the move to Pega Cloud
- Pega Cloud 70% of new client commitments
- Cloud Choice™ now relevant for every customer

# Total ACV Grows by \$100 million

(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.

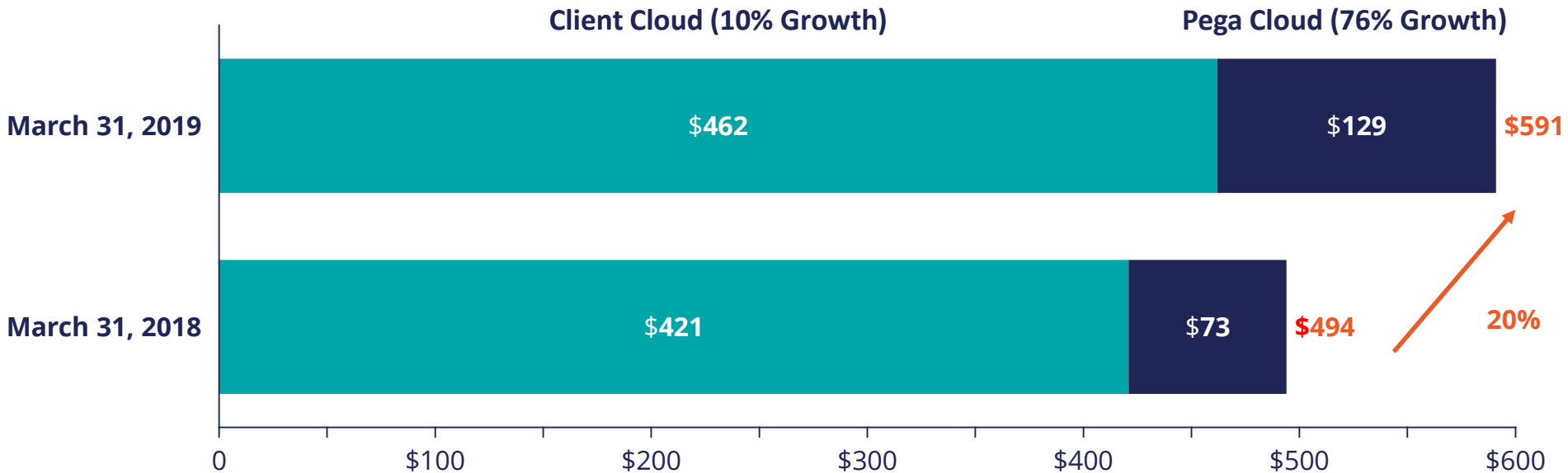
# Total ACV by Quarter

ACV has increased about \$100M or 20% YoY



# Growing Adoption of Cloud – Pega Cloud and Client Cloud

(in millions)



ACV, as of a given date, is the sum of the following two components:

- Client Cloud: the sum of (1) the annual value of each term license contract in effect on such date, which is equal to its total value divided by the total number of years and (2) maintenance revenue reported for the quarter ended on such date, multiplied by four. We do not provide hosting for Client Cloud arrangements
- Pega Cloud: the total of the annual value of each cloud contract in effect on such date, which is equal to its total value divided by the total number of years.

# Historical Results

(in millions)

	2016		2017					2018					2019
	Total	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total	Q1	
Term license	\$ 152.2	\$ 89.1	\$ 19.9	\$ 40.6	\$ 56.8	\$ 206.4	\$ 64.7	\$ 31.3	\$ 32.1	\$ 50.2	\$ 178.3	\$ 48.3	
Cloud	40.6	10.4	12.5	13.3	14.9	51.1	15.6	20.2	22.2	24.7	82.6	27.8	
Maintenance	218.6	58.7	59.4	61.8	62.4	242.3	64.5	65.9	66.0	67.4	263.9	67.7	
<b>Subscription<sup>(1)</sup></b>	<b>411.4</b>	<b>158.2</b>	<b>91.8</b>	<b>115.7</b>	<b>134.1</b>	<b>499.8</b>	<b>144.8</b>	<b>117.4</b>	<b>120.3</b>	<b>142.3</b>	<b>524.8</b>	<b>143.8</b>	
Perpetual license	145.1	37.9	31.3	12.6	51.1	132.9	23.1	13.5	20.3	53.0	109.9	15.0	
Consulting	205.7	60.2	63.5	62.6	69.4	255.7	67.3	65.9	62.7	61.1	257.0	53.8	
<b>Total revenue</b>	<b>\$ 762.2</b>	<b>\$ 256.3</b>	<b>\$ 186.6</b>	<b>\$ 190.9</b>	<b>\$ 254.6</b>	<b>\$ 888.4</b>	<b>\$ 235.2</b>	<b>\$ 196.8</b>	<b>\$ 203.3</b>	<b>\$ 256.4</b>	<b>\$ 891.7</b>	<b>\$ 212.6</b>	
<b>Remaining Performance Obligations</b>							<b>\$ 459.3</b>	<b>\$ 476.7</b>	<b>\$ 522.3</b>	<b>\$ 631.0</b>		<b>\$ 632.6</b>	
<b>Operating cash flow</b>	<b>\$ 39.9</b>	<b>\$ 32.4</b>	<b>\$ 53.4</b>	<b>\$ 28.1</b>	<b>\$ 44.3</b>	<b>\$ 158.2</b>	<b>\$ 55.7</b>	<b>\$ 19.7</b>	<b>\$ (8.3)</b>	<b>\$ 37.3</b>	<b>\$ 104.4</b>	<b>\$ 22.7</b>	
Investment in property and equipment	19.1	2.4	2.6	4.1	4.6	13.7	2.1	4.4	1.4	4.0	11.9	2.8	
<b>Free Cash Flow</b>	<b>\$ 20.8</b>	<b>\$ 30.0</b>	<b>\$ 50.8</b>	<b>\$ 24.0</b>	<b>\$ 39.7</b>	<b>\$ 144.5</b>	<b>\$ 53.6</b>	<b>\$ 15.3</b>	<b>\$ (9.7)</b>	<b>\$ 33.3</b>	<b>\$ 92.5</b>	<b>\$ 19.9</b>	

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

# Historical Results

(in millions)

	2016		2017				2018				2019
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	
Term and Cloud ACV	\$ 179.0	\$ 193.0	\$ 191.6	\$ 200.2	\$ 215.1	\$ 236.0	\$ 250.9	\$ 272.7	\$ 300.3	\$ 319.9	
Maintenance ACV	228.6	234.9	237.7	247.2	249.5	258.1	263.6	264.1	269.7	270.8	
<b>Total ACV</b>	<b>\$ 407.6</b>	<b>\$ 427.9</b>	<b>\$ 429.3</b>	<b>\$ 447.4</b>	<b>\$ 464.6</b>	<b>\$ 494.1</b>	<b>\$ 514.5</b>	<b>\$ 536.8</b>	<b>\$ 570.0</b>	<b>\$ 590.7</b>	
<b>Increase in Total ACV</b>	<b>\$ 24.0</b>	<b>\$ 20.3</b>	<b>\$ 1.4</b>	<b>\$ 18.1</b>	<b>\$ 17.2</b>	<b>\$ 29.5</b>	<b>\$ 20.4</b>	<b>\$ 22.3</b>	<b>\$ 33.2</b>	<b>\$ 20.7</b>	
Perpetual Revenue	\$ 41.8	\$ 37.9	\$ 31.3	\$ 12.6	\$ 51.1	\$ 23.1	\$ 13.5	\$ 20.3	\$ 53.0	\$ 15.0	
Conversion Factor	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	
<b>Perpetual Equivalent ACV</b>	<b>\$ 11.9</b>	<b>\$ 10.8</b>	<b>\$ 8.9</b>	<b>\$ 3.6</b>	<b>\$ 14.6</b>	<b>\$ 6.6</b>	<b>\$ 3.9</b>	<b>\$ 5.8</b>	<b>\$ 15.1</b>	<b>\$ 4.3</b>	
<u>Change in ACV adjusted for perpetual equivalents</u>											
Increase in Current Quarter	35.9	31.1	10.3	21.7	31.8	36.1	24.3	28.1	48.3	25.0	
Increase in Current Year	103.0	31.1	41.4	63.1	94.9	36.1	60.4	88.5	136.8	25.0	

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.



# PegaWorld2019

June 2-5 | MGM Grand, Las Vegas

Investor Day, Monday, June 3 from 11:30 to 2:00  
Email [pegainvestorrelations@pega.com](mailto:pegainvestorrelations@pega.com) to attend

[PegaWorld.com](https://PegaWorld.com)



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Build for Change<sup>®</sup>