



Pegasystems Second 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 Q2 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 Q2 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[®]

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



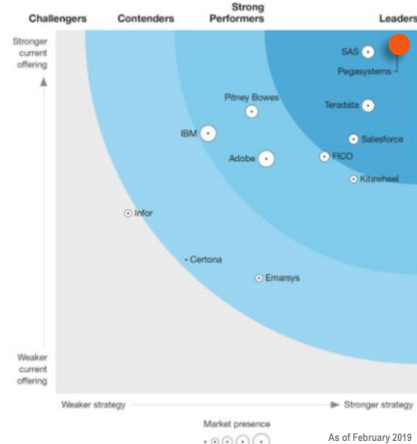
Customer Engagement

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...

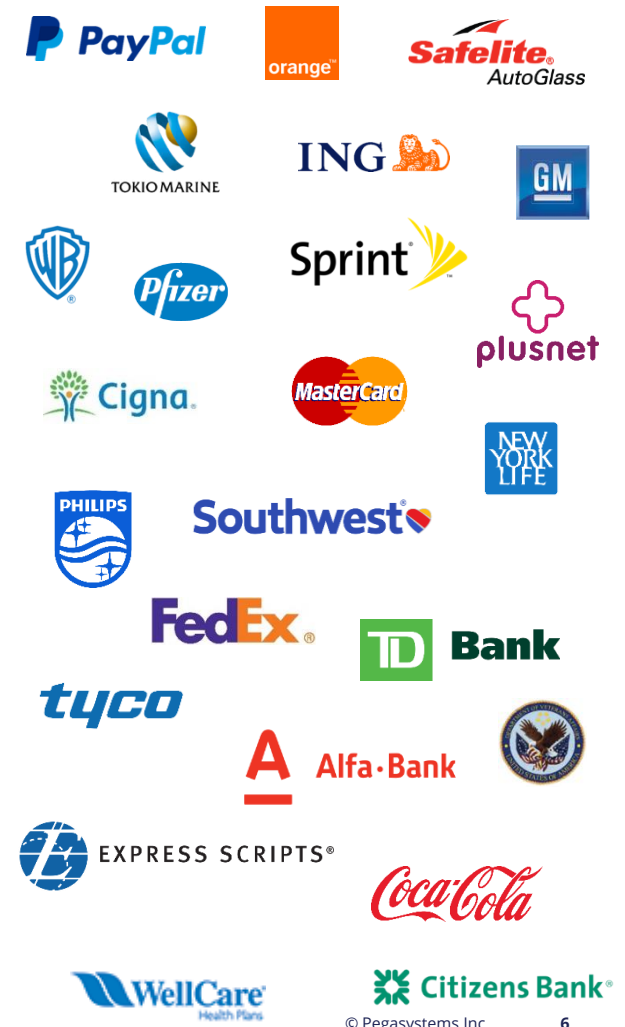
MILLIONS
of automated processes

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...

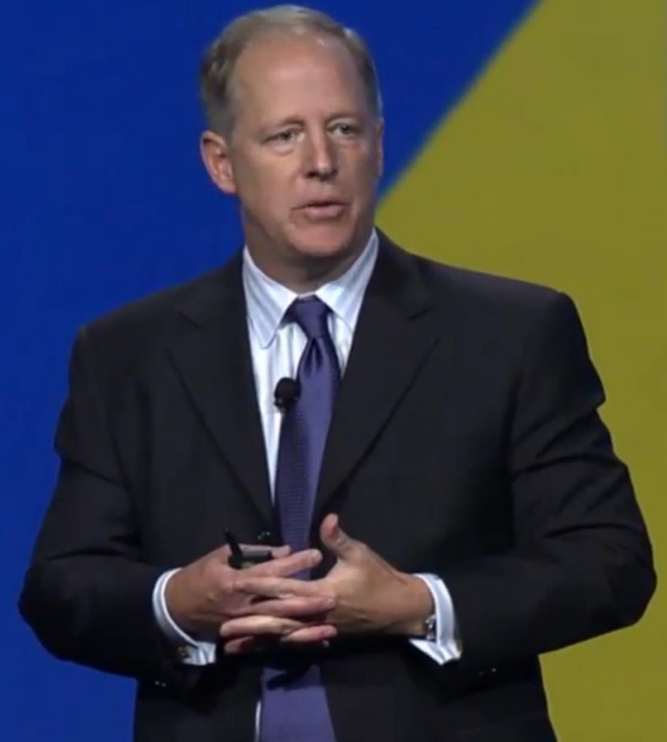
...you've interacted with Pega.



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

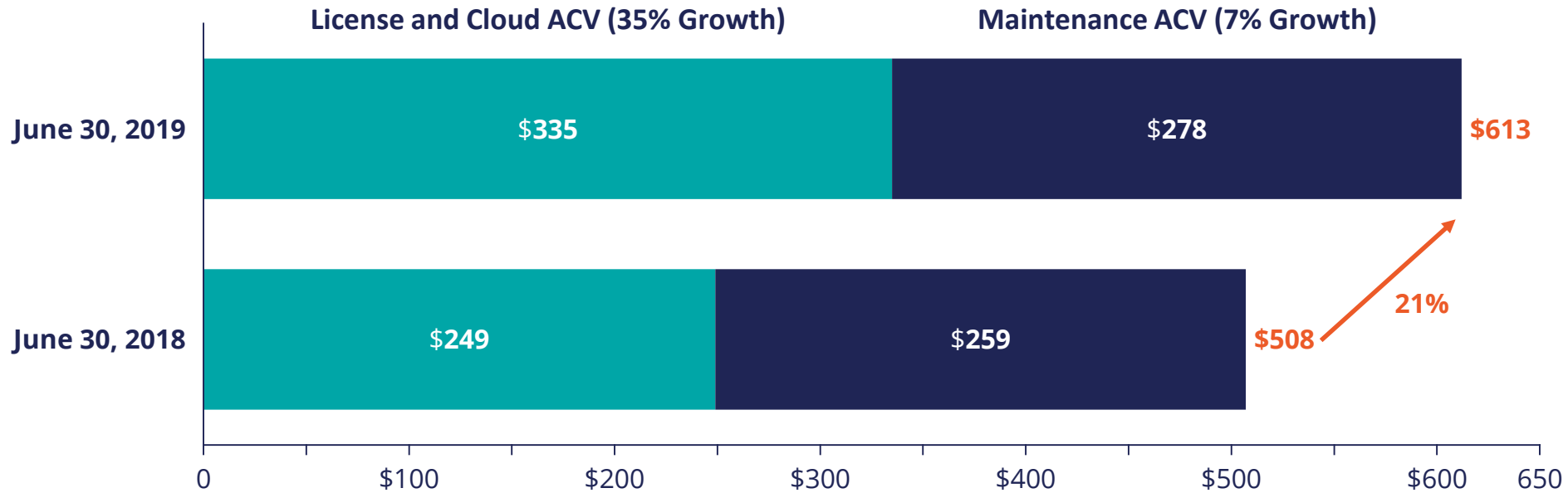


- Customer satisfaction increased by 300%
- 10% increase in cardmember spend
- 4X lower member attrition
- Service costs decreased / service margins expanded

Financial Details

Total ACV Grows by \$105 million in Constant Currency

(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.

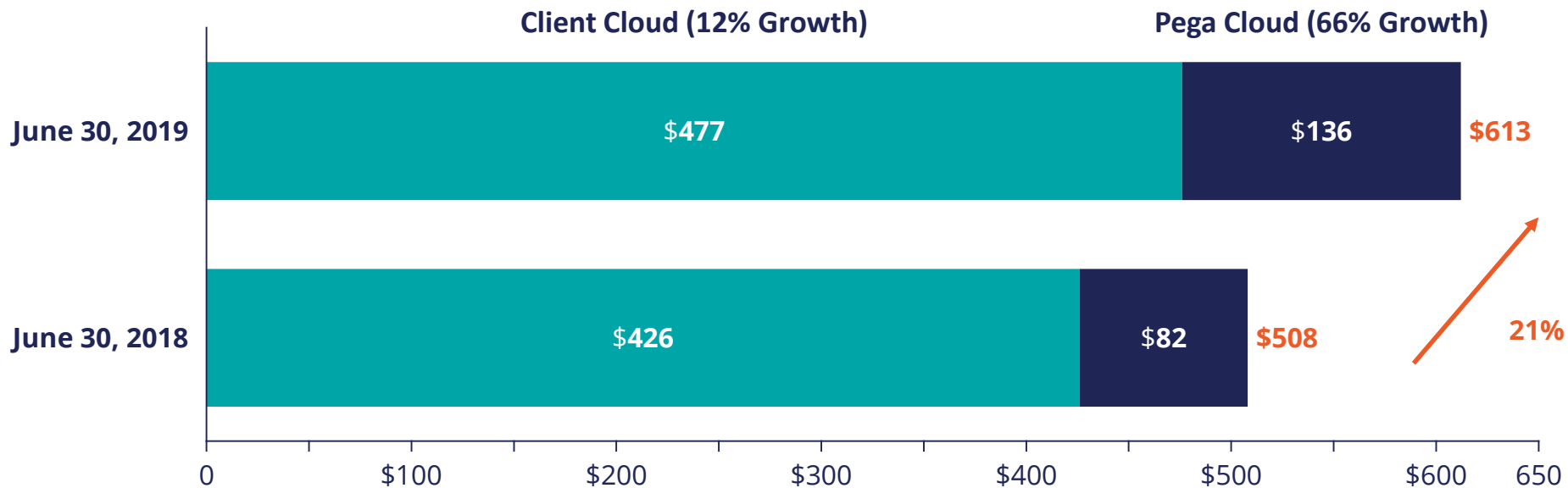
Total ACV by Quarter

ACV now exceeds \$600M



Growing Adoption of Cloud – Pega Cloud and Client Cloud ACV – Constant Currency

(in millions)

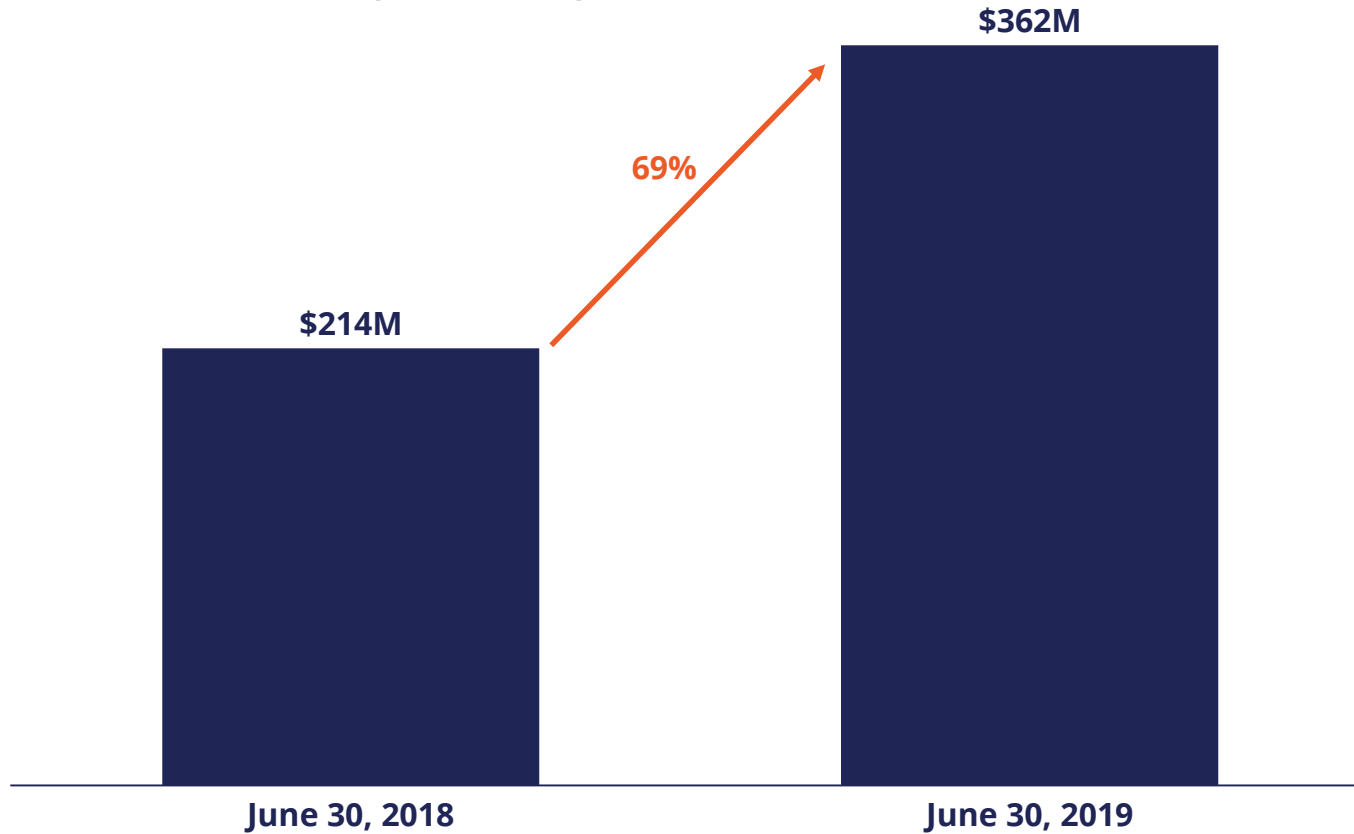


ACV, as of a given date, is the sum of the following two components:

- 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 license 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.

Pega Cloud Remaining Performance Obligation (RPO)/Backlog

Up 69 percent or \$148M from Q2 2018 to Q2 2019



Historical Results

(in millions)

	2017			2018				2019	
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Term and Cloud ACV	\$ 191.6	\$ 200.2	\$ 215.1	\$ 236.0	\$ 250.9	\$ 272.7	\$ 300.3	\$ 319.9	\$ 335.4
Maintenance ACV	237.7	247.2	249.5	258.1	263.6	264.1	269.7	270.8	277.3
Total ACV	\$ 429.3	\$ 447.4	\$ 464.6	\$ 494.1	\$ 514.5	\$ 536.8	\$ 570.0	\$ 590.7	\$ 612.7
Increase in Total ACV	\$ 1.4	\$ 18.1	\$ 17.2	\$ 29.5	\$ 20.4	\$ 22.3	\$ 33.2	\$ 20.7	\$ 22.0
Perpetual Revenue	\$ 31.3	\$ 12.6	\$ 51.1	\$ 23.1	\$ 13.5	\$ 20.3	\$ 53.0	\$ 15.0	\$ 19.3
Conversion Factor	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5
Perpetual Equivalent ACV	\$ 8.9	\$ 3.6	\$ 14.6	\$ 6.6	\$ 3.9	\$ 5.8	\$ 15.1	\$ 4.3	\$ 5.5
Change in ACV adjusted for perpetual equivalents ⁽¹⁾									
Increase in Current Quarter	\$ 10.3	\$ 21.7	\$ 31.8	\$ 36.1	\$ 24.3	\$ 28.1	\$ 48.3	\$ 25.0	\$ 27.5
Increase in Current Year	\$ 41.4	\$ 63.1	\$ 94.9	\$ 36.1	\$ 60.4	\$ 88.5	\$ 136.8	\$ 25.0	\$ 52.5

⁽¹⁾ 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.

Historical Results

(in millions)

	2017				2018					2019	
	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total	Q1	Q2
Cloud	\$ 12.5	\$ 13.3	\$ 14.9	\$ 51.1	\$ 15.6	\$ 20.2	\$ 22.2	\$ 24.7	\$ 82.6	\$ 27.8	\$ 31.7
Term license	19.9	40.6	56.8	206.4	64.7	31.3	32.1	50.2	178.3	48.3	25.0
Maintenance	59.4	61.8	62.4	242.3	64.5	65.9	66.0	67.4	263.9	67.7	69.3
Subscription ⁽¹⁾	91.8	115.7	134.1	499.8	144.8	117.4	120.3	142.3	524.8	143.8	126.0
Perpetual license	31.3	12.6	51.1	132.9	23.1	13.5	20.3	53.0	109.9	15.0	19.3
Consulting	63.5	62.6	69.4	255.7	67.3	65.9	62.7	61.1	257.0	53.8	60.3
Total revenue	\$ 186.6	\$ 190.9	\$ 254.6	\$ 888.4	\$ 235.2	\$ 196.8	\$ 203.3	\$ 256.4	\$ 891.7	\$ 212.6	\$ 205.6
Remaining Performance Obligations					\$ 459.3	\$ 476.7	\$ 522.3	\$ 631.0		\$ 632.6	\$ 628.3
Operating cash flow	\$ 53.4	\$ 28.1	\$ 44.3	\$ 158.2	\$ 55.7	\$ 19.7	\$ (8.3)	\$ 37.3	\$ 104.4	\$ 22.7	\$ (15.0)
Investment in property and equipment	2.6	4.1	4.6	13.7	2.1	4.4	1.4	4.0	11.9	2.8	2.1
Free Cash Flow	\$ 50.8	\$ 24.0	\$ 39.7	\$ 144.5	\$ 53.6	\$ 15.3	\$ (9.7)	\$ 33.3	\$ 92.5	\$ 19.9	\$ (17.1)

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



PEGA[®]

Build for Change[®]