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2020 Investor Briefing

August 25, 2020

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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 it 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 2020 financial results available on our investor relations website at http://www.pega.com/about/investors.

Agenda

1. **Welcome**
   Ken Stillwell | CFO
   Peter Welburn | VP, Investor Relations
2. **Pega Solution Overview**
   Peter Welburn | VP, Investor Relations
3. **Process Fabric**
   Don Schuerman | CTO & VP, Product Strategy and Marketing
4. **Financial Discussion**
   Ken Stillwell | CFO
5. **Q&A**
   Ken Stillwell | CFO

Ken Stillwell | CFO

Financial Discussion

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Financial Outlook

Massive Market Opportunity

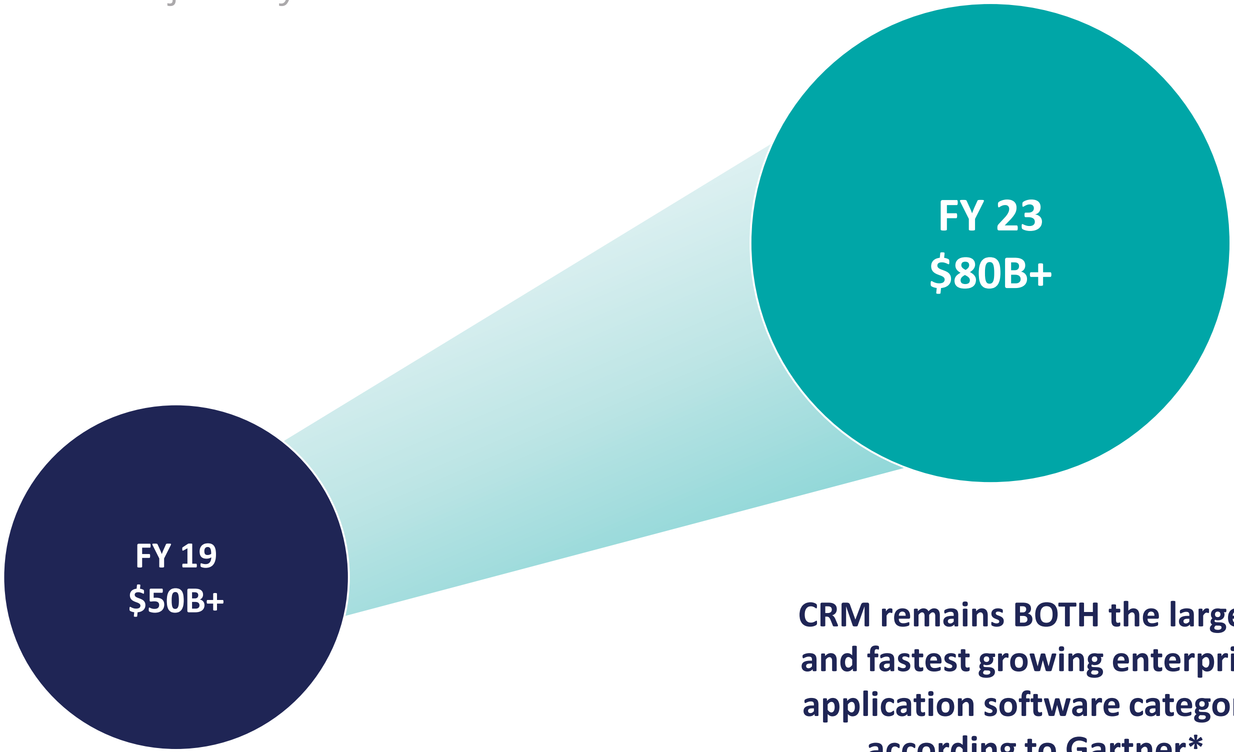
Transition to Cloud Underway

High Growth, Recurring Model

Margin Expansion Opportunities

Pursuing a Massive Market Opportunity in Platform & CRM

Complementary to Other Major Players



CRM remains BOTH the largest and fastest growing enterprise application software category, according to Gartner*

Source: IDC Worldwide ICT Spending Guide: Industry and Company Size (2019 H1 forecast release) January 2020
*Gartner: https://www.gartner.com/en/newsroom/press-releases/2019-06-17-gartner-says-worldwide-customer-experience-and-relati

Transition to Cloud Well Underway

From...

- Perpetual
- Less Predictable
- Lagging Growth & Margins

To...

- Recurring
- More Predictable
- Rule of 40

2017 — CLOUD TRANSITION TIMELINE — 2022

TODAY

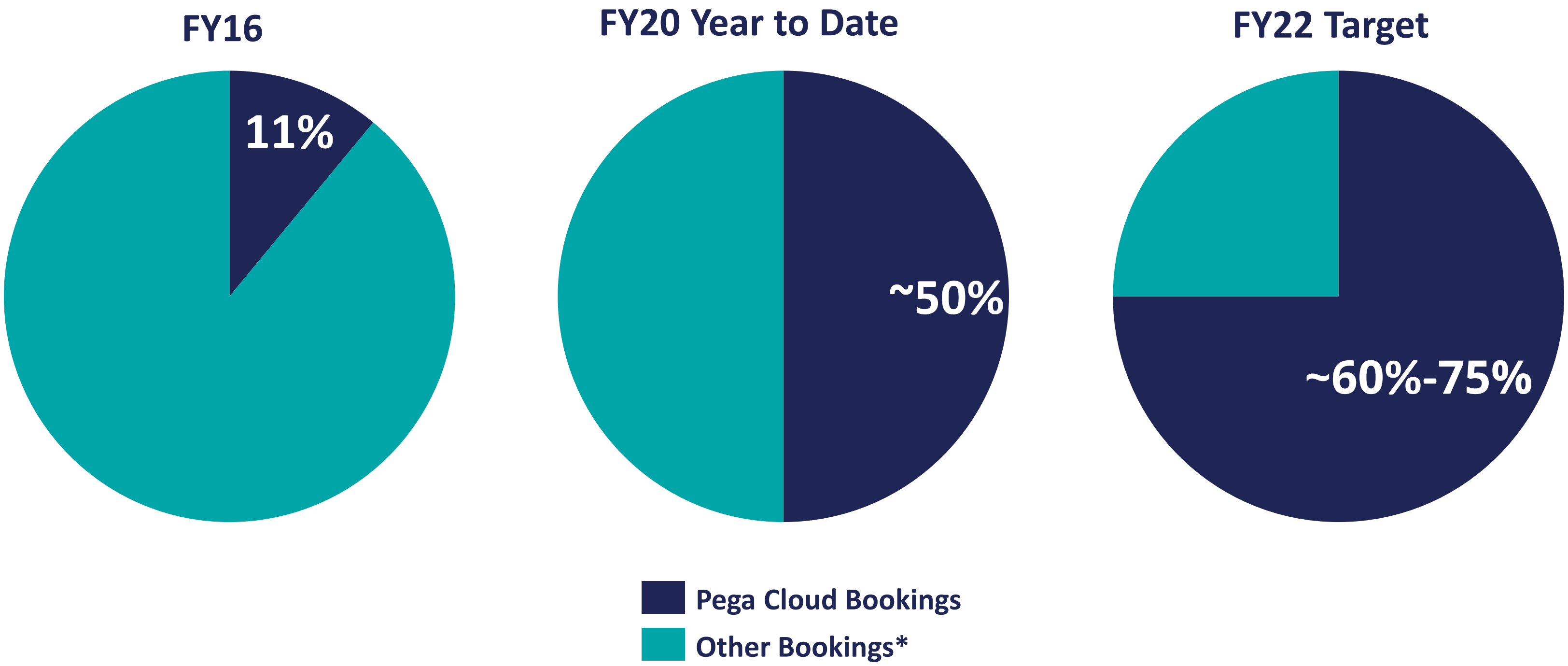
Transition to Cloud Underway:
Key Growth Metrics

Transition Metrics

- Pega Cloud Bookings as a Percentage of Total New License Bookings*
- Annual Contract Value (ACV) Growth
- Remaining Performance Obligation (RPO) – also known as Backlog

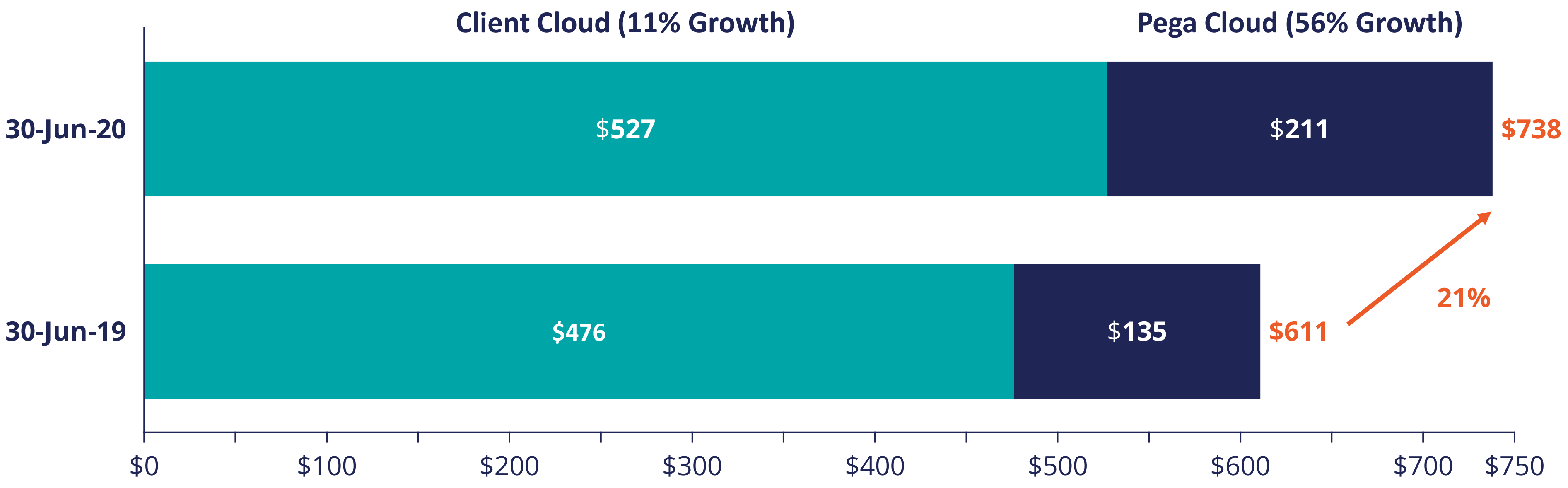
*Total new license bookings equals the sum of perpetual, term, and Pega Cloud license bookings.

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



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

Transition to Cloud Underway:
Focus on Total ACV Growth as Leading Indicator
(in millions)



ACV represents the annualized value of our active contracts as of the measurement date. ACV for term license and Pega Cloud contracts is calculated by dividing the contract's total value by the duration of the contract in years. ACV for maintenance is calculated as maintenance revenue for the quarter then ended multiplied by four. Client Cloud ACV is composed of maintenance ACV and ACV from term license contracts. We believe the presentation of ACV on a constant currency basis enhances the understanding of our results, as it provides visibility into the impact of changes in foreign currency exchange rates, which are outside of our control. All periods shown reflect foreign currency exchange rates as of June 30, 2020.

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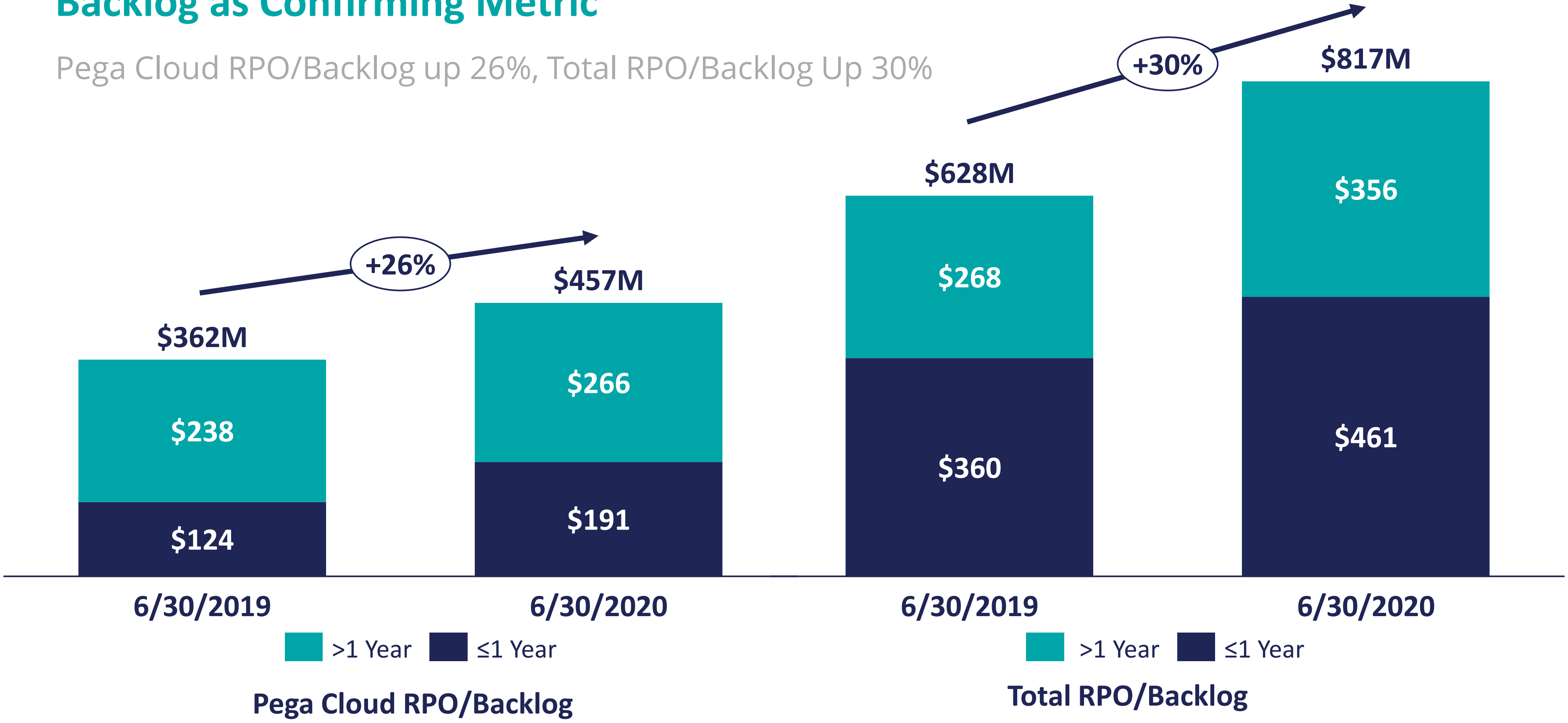
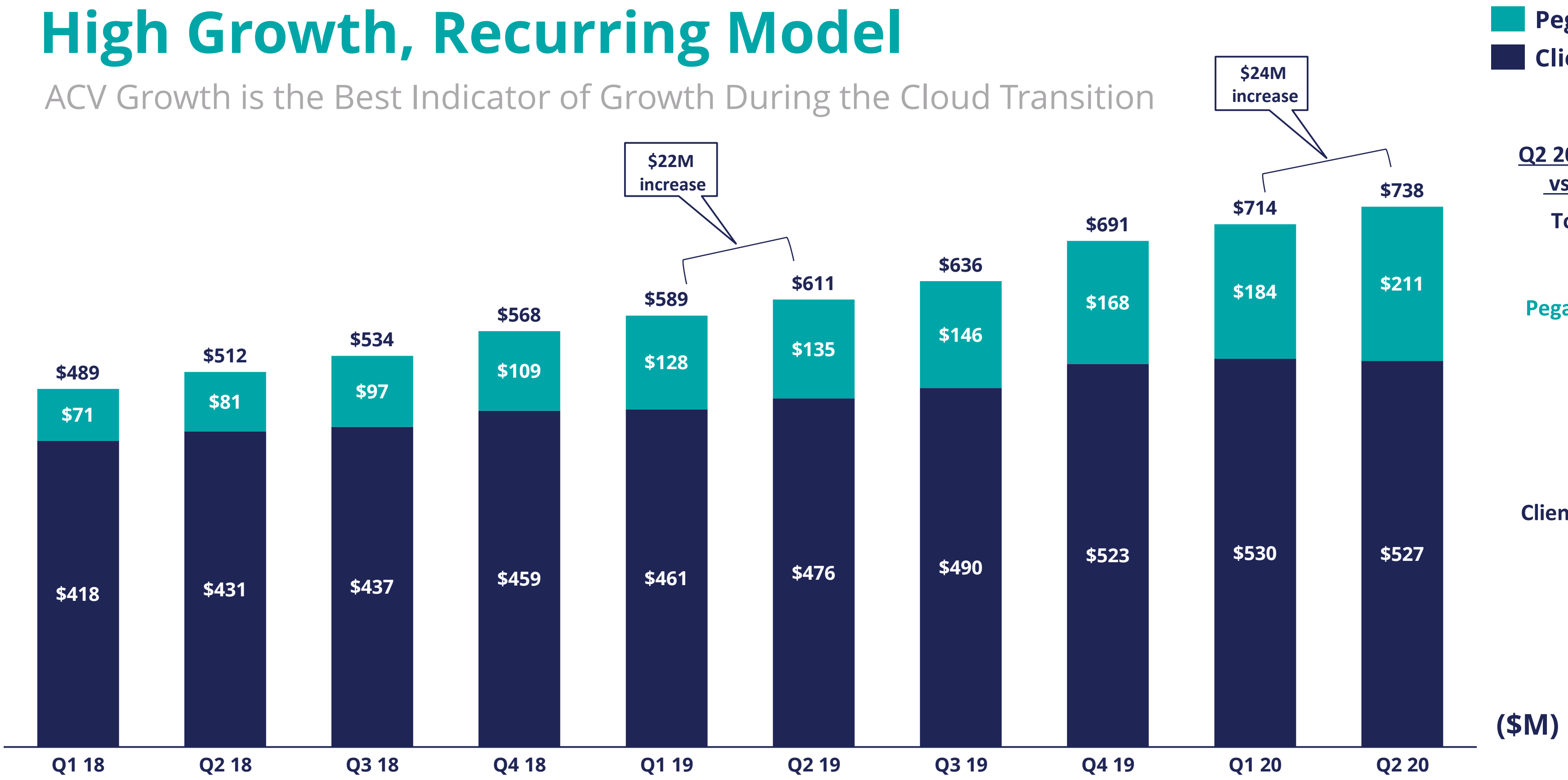
Transition to Cloud Underway:
Backlog as Confirming Metric

Pega Cloud RPO/Backlog up 26%, Total RPO/Backlog Up 30%



High Growth, Recurring Model

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



Q2 2020 Growth vs Q2 2019

Total ACV: 21%

Pega Cloud ACV: 56%

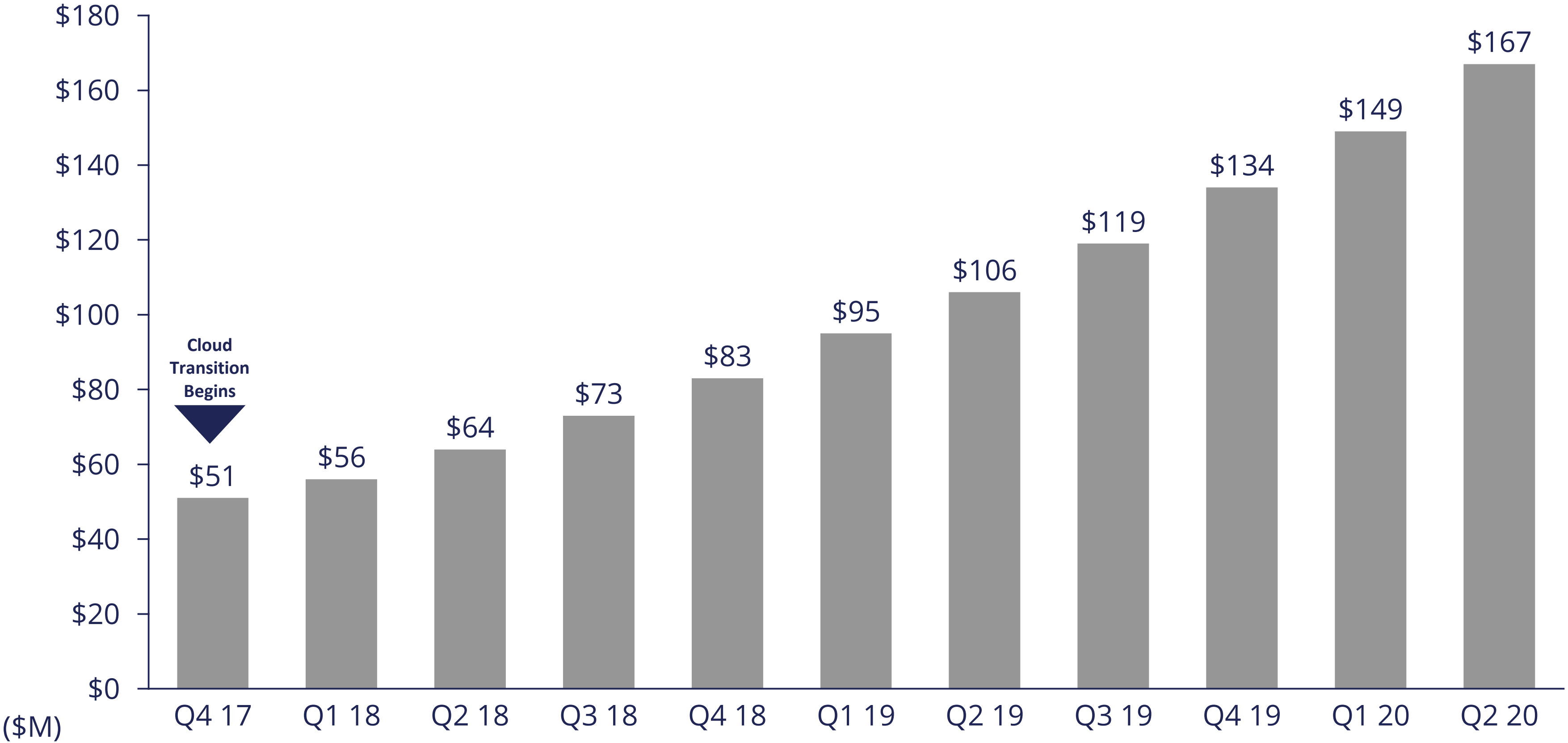
Client Cloud ACV: 11%

ACV represents the annualized value of our active contracts as of the measurement date. ACV for term license and Pega Cloud contracts is calculated by dividing the contract's total value by the duration of the contract in years. ACV for maintenance is calculated as maintenance revenue for the quarter then ended multiplied by four. Client Cloud ACV is composed of maintenance ACV and ACV from term license contracts. We believe the presentation of ACV on a constant currency basis enhances the understanding of our results, as it provides visibility into the impact of changes in foreign currency exchange rates, which are outside of our control. All periods shown reflect foreign currency exchange rates as of June 30, 2020.

Margin Expansion Opportunities: Revenue Growth

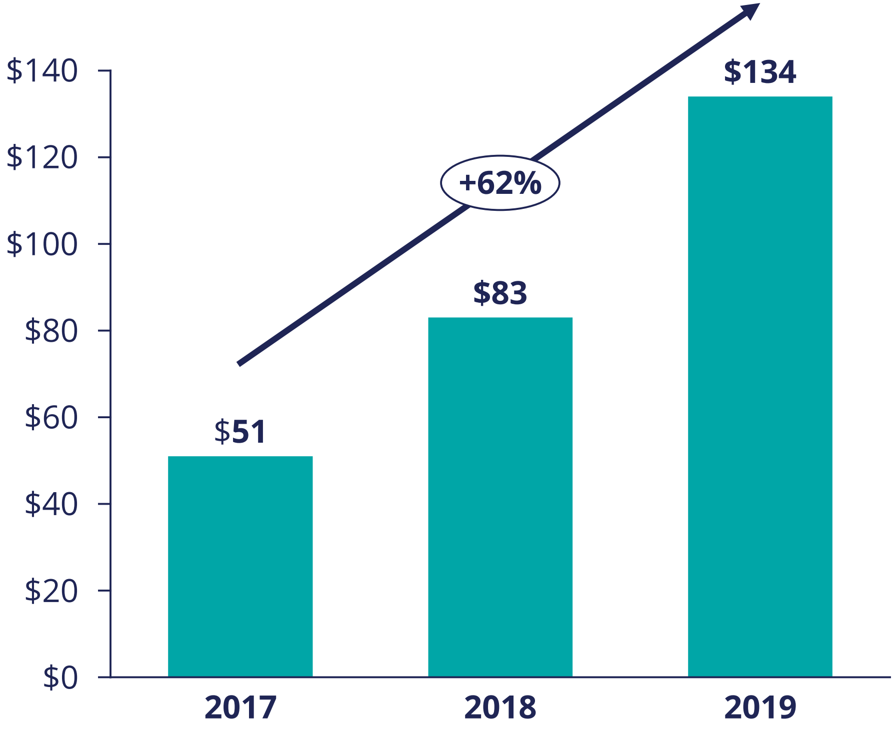
Fastest Growing Revenue Stream is Pega Cloud

Trailing 12 Months Pega GAAP Cloud Revenue Increased by 100%+ since Q4 2018

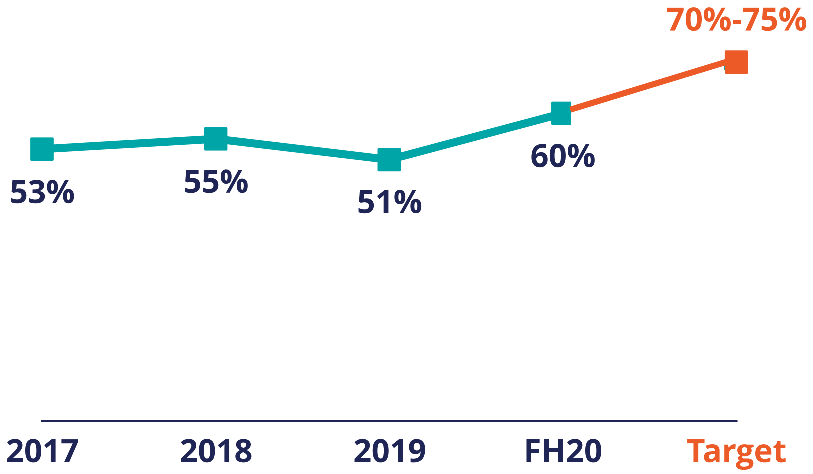


Margin Expansion Opportunities: Cloud Margin

Pega Cloud Revenues Growing at 62% Presenting an Opportunity to Expand Cloud Margins



Two-Year Pega Cloud Revenue % Change



Pega Cloud Gross Margins

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Illustrative Model:
Revenue Growth During a Cloud Transition

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Illustrative Model:
Pega's Revenue Growth During Its Cloud Transition vs Model

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Financial Outlook & Model

What does this mean?

- Shorter-term:
  - Continued complicated & awkward optics until 2022
  - Focus on Total ACV growth as leading indicator
  - Pega Cloud backlog growth as a confirming metric
- Longer-term:
  - Increasingly predictable revenue and cash flows

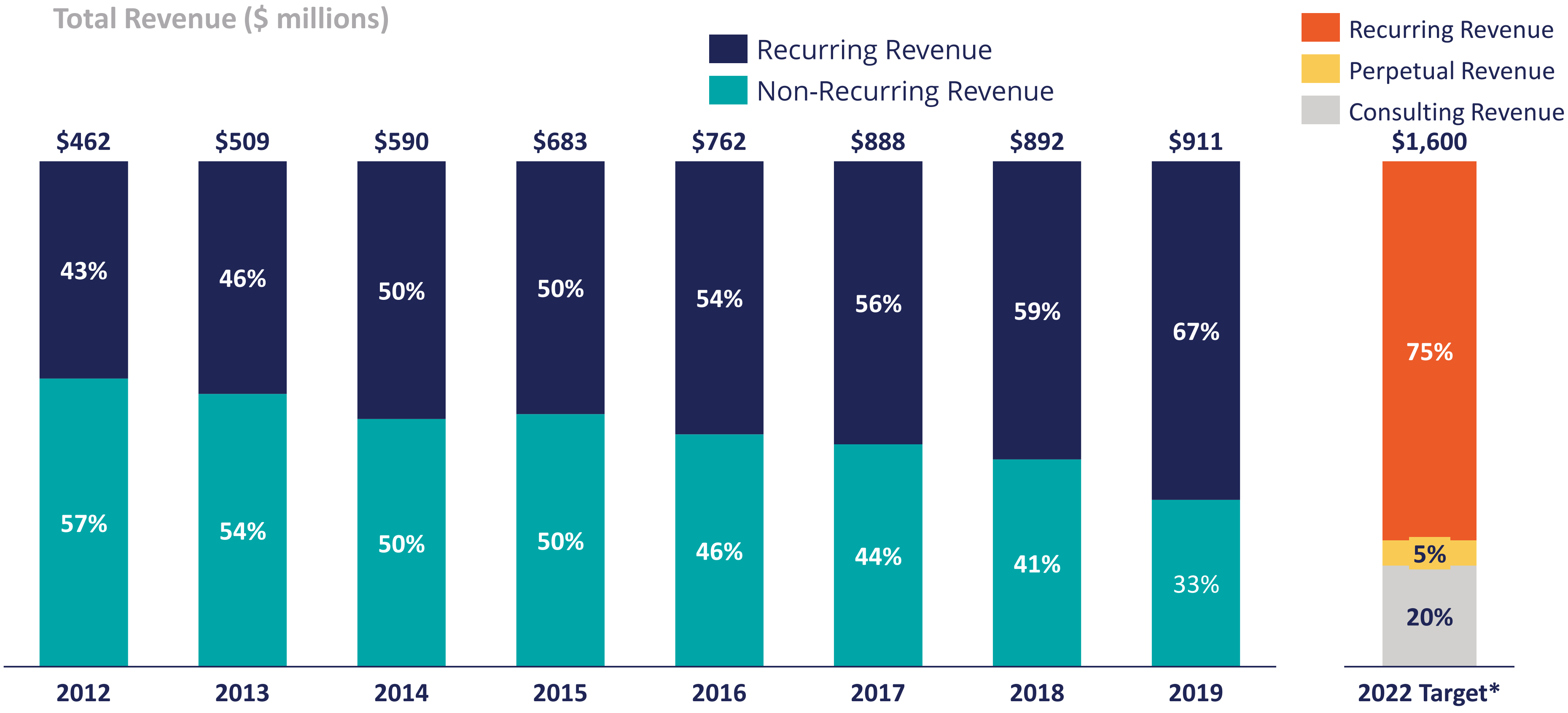
What Does This All Mean?
Key Growth Metrics: Longer-Term

- ACV Growth
- Free Cash Flow (FCF) Margin*

Rule of 40

* Free Cash Flow Margin (FCF) = Cash Flow from Operations Less Investments in Property, Plant, and Equipment Divided by Total Revenue

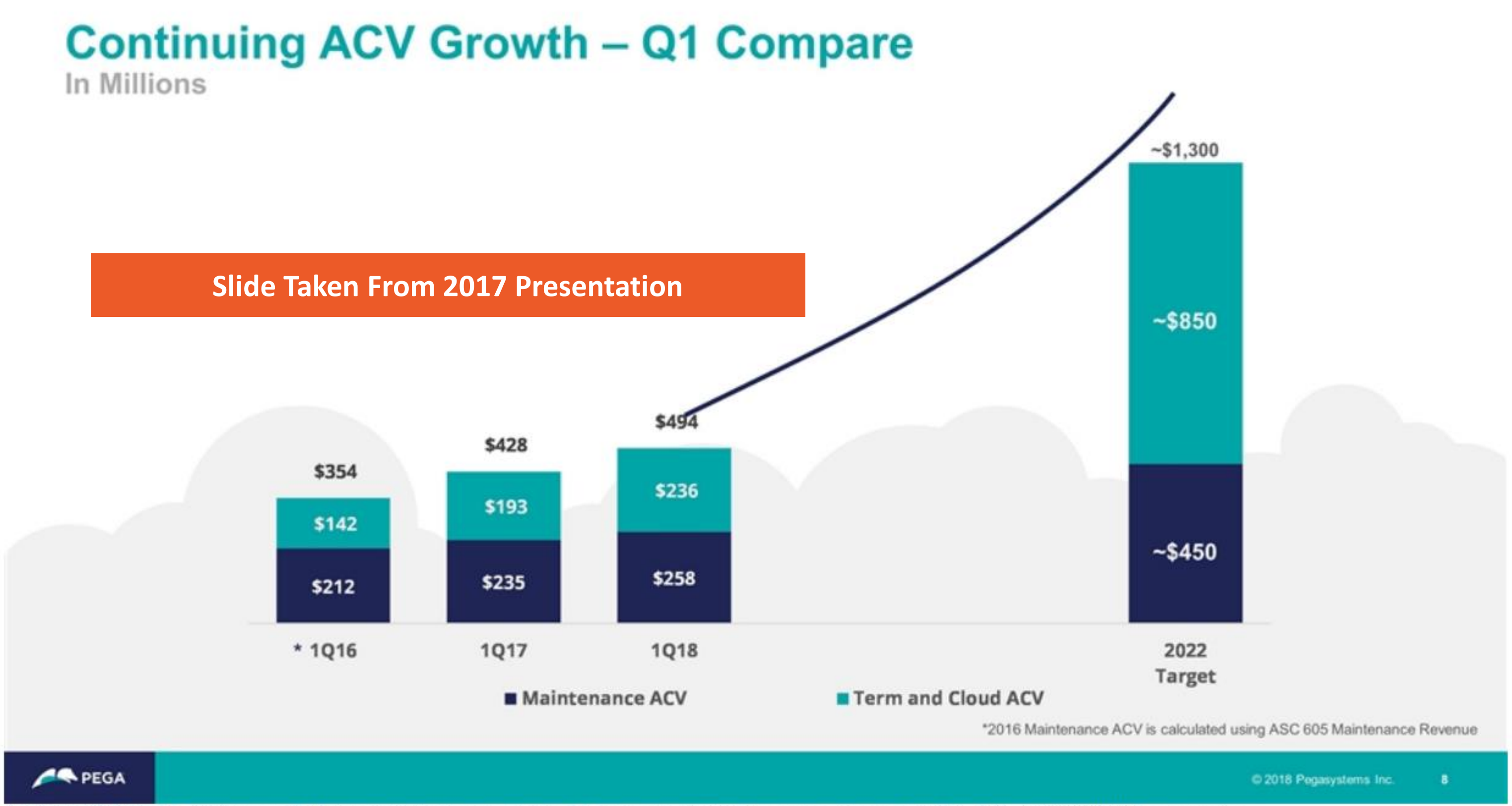
Longer-Term: Increasingly Predictable Revenue & Cash Flows



* For illustration purposes only and does not constitute guidance.

Note: Revenue for years 2012-2015 under previous ASC 605. All other period under ASC 606.

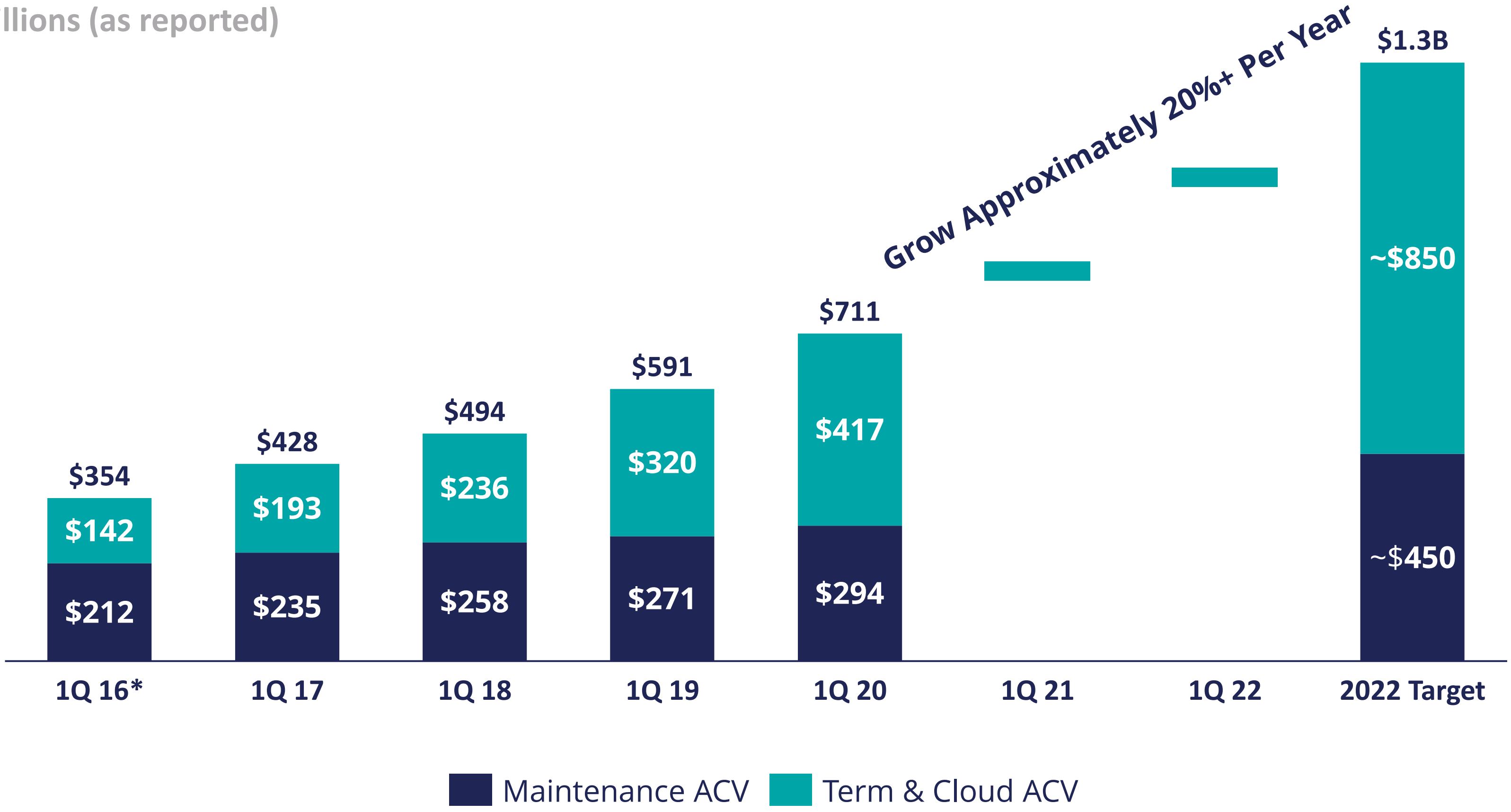
2017 Investor Day Presentation – $1.3B ACV Target in 2022



Continuing ACV Growth – Q1 Compare In Millions *2016 Maintenance ACV is calculated using ASC 605 Maintenance Revenue ~$1,300 ~$850 ~$450 * © 2018 Pegasystems Inc.

Continuing ACV Growth: Progress Against $1.3B ACV Target in 2022

In millions (as reported)



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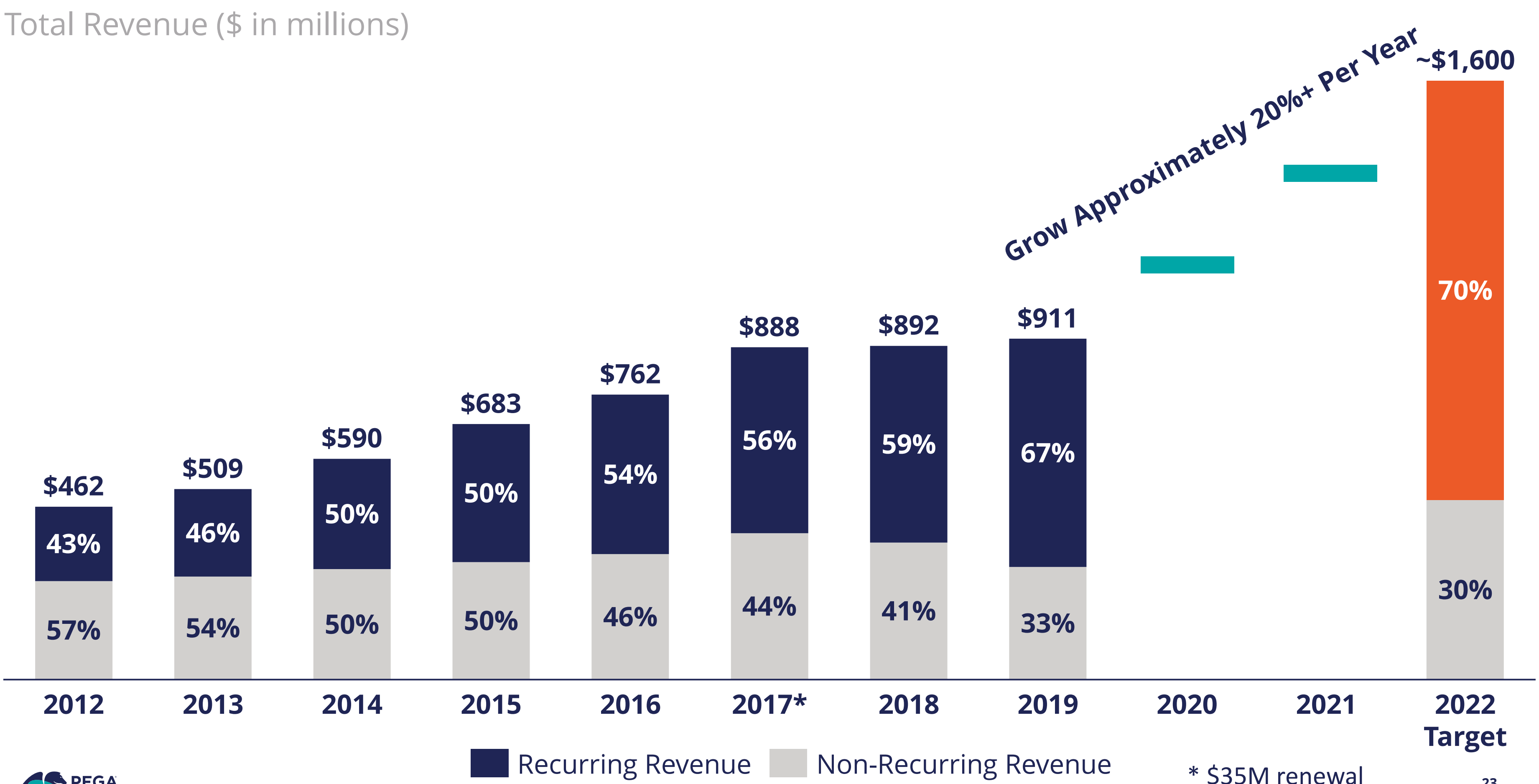
*2016 Maintenance ACV is calculated using ASC 605 Maintenance. All other periods using ASC 606.

2017 Investor Day Presentation: 2022 Revenue Target of $1.6B

Tracking with Market movement to recurring over the Next 5 Years Total Revenues (millions) *Includes $35M Renewal Recurring Revenue Non- Recurring Revenue ~1,600 Actual Estimate Revenue for years 2016- 2018 are under ASC 606, all other periods are under ASC 605 © 2018 Pegasystems Inc. 57% 54% 50% 50% 46% 44% 44% 30% 43% 46% 50% 50% 54% 56% 56% 70% 462 509 590 683 762 888 950 2012 2013 2014 2015 2016 2017* 2018 Guidance 2022 Target

Continuing Shift to Recurring: Approaching 2022 Mix Target



* $35M renewal

Note: Revenue for years 2012-2015 under previous ASC 605. All other period under ASC 606.

Increase Sales Productivity

A key focus of our go-to-market efforts is to increase sales productivity in FY20-21

1

Sales Effectiveness

What do we sell?
How do we sell?
Who do we sell with?
Where do we sell?

2

Delivery Excellence

Proactive engagement
Expert services
End-to-end R&D engagement
Build solutions

3

Partner Focused Go-to-Market

Partner-first mindset
Aligned incentives
Repeatable solutions

4

Robust Go-to- Market Motion

Digital marketing
Qualified leads
Robust ecosystem

Hiring & Developing Diverse Talent

2017 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%

Rule of 40": Trailing Twelve Month Non-GAAP Operating Margin excluding GAAP Depreciation expense plus Trailing Twelve Month Non-GAAP Revenue Growth with a goal for the Company to meet or exceed 40.

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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% Rule of 40": Trailing Twelve Month Non- GAAP Operating Margin excluding GAAP Depreciation expense plus Trailing Twelve Month Non- GAAP Revenue Growth with a goal for the Company to meet or exceed 40. © 2018 Pegasystems Inc.

Path to "Rule of 40"

Still Tracking to "Rule of 40"

	2017	2022 Target	2022-23 Update
Revenue Growth	16%	~15-17%	~20%-25%
GAAP Operating Margin	10%		
Non-GAAP Operating Margin	18%	~23-25%	~15%
Cloud Revenue Growth	~25%	~35%	~40%-50%
Cloud Margin	~50%	~70%	~70-75%

Rule of 40": Trailing Twelve Month Non-GAAP Operating Margin excluding GAAP Depreciation expense plus Trailing Twelve Month Non-GAAP Revenue Growth with a goal for the Company to meet or exceed 40.

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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% Rule of 40": Trailing Twelve Month Non- GAAP Operating Margin excluding GAAP Depreciation expense plus Trailing Twelve Month Non- GAAP Revenue Growth with a goal for the Company to meet or exceed 40. © 2018 Pegasystems Inc.

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”

Ken Stillwell | CFO

Q&A

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Appendix

Transition to Cloud Underway

Annual contract value (“ACV”) is a leading indicator of future billings and cash flows

How is ACV Calculated?

- **For term arrangements:**

$$ACV = \frac{\text{License Contract Value}}{\text{Length of License}}$$

Example: An $8 million term license with a length of four years would translate to ACV of $2 million.

- **For cloud arrangements:**

$$ACV = \frac{\text{Cloud Contract Value}}{\text{Length of Cloud Contract}}$$

Example: An $8 million cloud with a length of four years would translate to ACV of $2 million.

- **For maintenance arrangements:**

ACV = Current Quarter Maintenance x 4

Example: A maintenance contract with GAAP revenue of $250K in a quarter would translate to ACV of $1 million.

- Total ACV, as of a given date, is the sum of all term license, cloud, and maintenance ACV as calculated above.