Pegasystems Investor Presentation Q3 2020

10/28/20

PEGA

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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 Q3 2020 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, 2019 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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Pega Overview

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®

Leading Digital Transformation

Customer Engagement

Pega Customer Decision Hub™
Pega Customer Service™
Pega Sales Automation™

PEGA
Founded: 1983
HQ: Cambridge, MA
Over 5,700 staff

Intelligent Automation

Pega Robotic Automation™
Pega Platform™

$995M
Trailing 12 Months Revenue

75%
Subscription Revenue as % of Total

21%
ACV Growth

55%
Pega Cloud Revenue Growth

Source: Company filings

Trailing 12 months revenue ending September 30, 2020. Subscription revenue as a % of total YTD revenue ending 9/30/20. ACV growth is 9/30/20 versus 9/30/19. Pega Cloud Revenue Growth YTD ending 9/20/20 versus 9/30/19.

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.

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 <u>both</u>
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

MICROJOURNEY-CENTRIC RAPID DELIVERY

SITUATIONAL LAYER CAKE™

SOFTWARE THAT WRITES YOUR SOFTWARE™

CLOUD CHOICE

Industry-leading technology

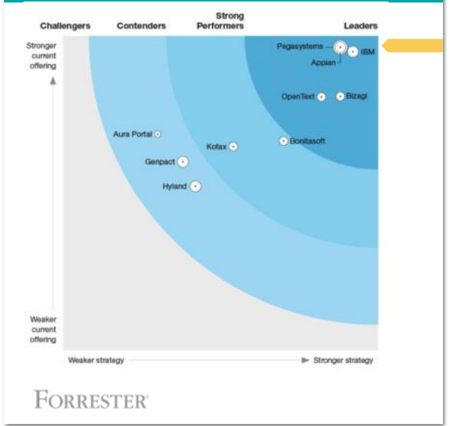
Start fast and scale

Future proof your investment

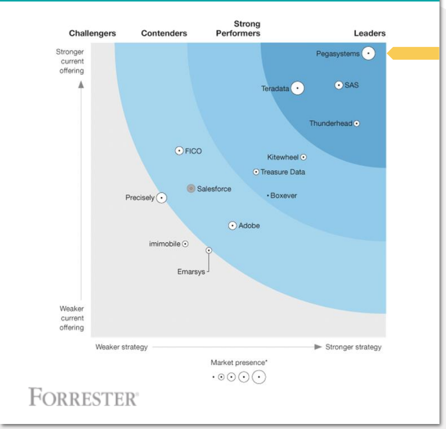
PEGA DX ARCHITECTURE™

Intelligent automation

Digital process automation



Real-time decisions & AI



Customer engagement

Unified architecture for digital transformation

"The highest reference customer rating for customer usability. The best ability to build, maintain, and change complex cases. The highest overall product satisfaction ratings."

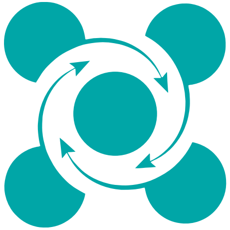
Gartner

Business Overview

Why Pega Wins

Differentiated Architecture

Ease of Integration

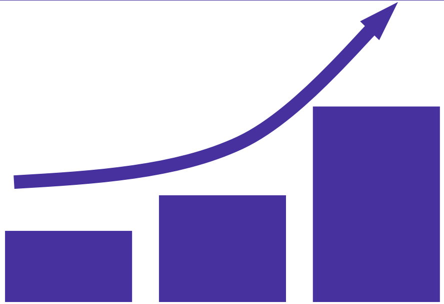


Depth of Platform Functionality

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 **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 **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 **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	CommonwealthBank https://www.pega.com/customers/cba-marketing	Retain customers	• 50 million next best action conversations delivered across 18 channels • +12 lead in NPS over the competition
Customer Service	AMERICAN EXPRESS https://www.pega.com/customers/american-express	Inquire into account info	• Tripled customer satisfaction • Increased cardmember spend by 10% • Lowered card attrition 4x
Intelligent Automation	SIEMENS https://www.pega.com/customers/siemens	Streamline processes & reduce costs	• Reduced process cycle time by 60% • 65% decrease in customer onboarding time • 80% of common business processes standardized

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

Complementary to Other Major Players

FY 23
$80B+

FY 19
$50B+

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 Underway

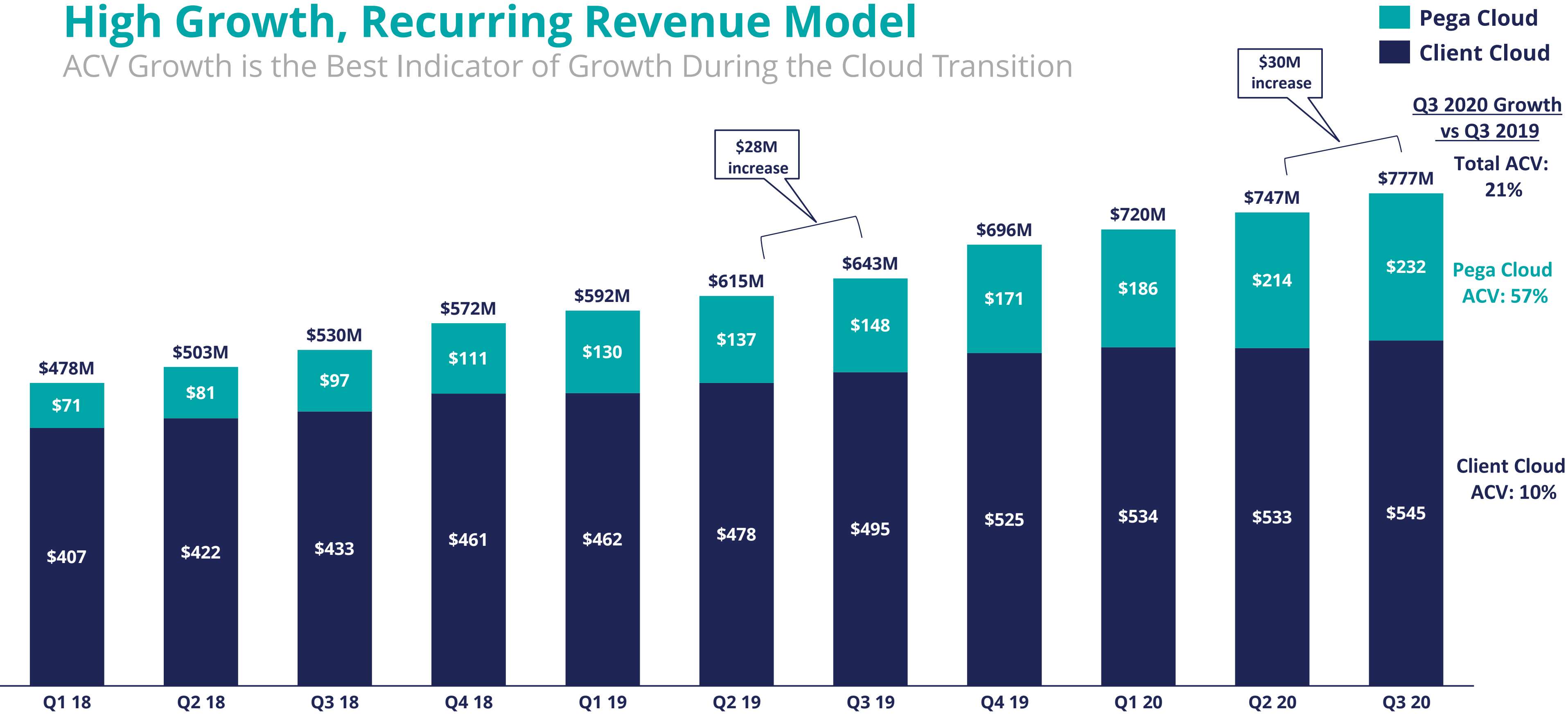
From...		To...
Perpetual	▶	Recurring
Less Predictable	▶	More Predictable
Lagging Growth & Margins	▶	Rule of 40

2017 CLOUD TRANSITION TIMELINE 2022

TODAY

High Growth, Recurring Revenue Model

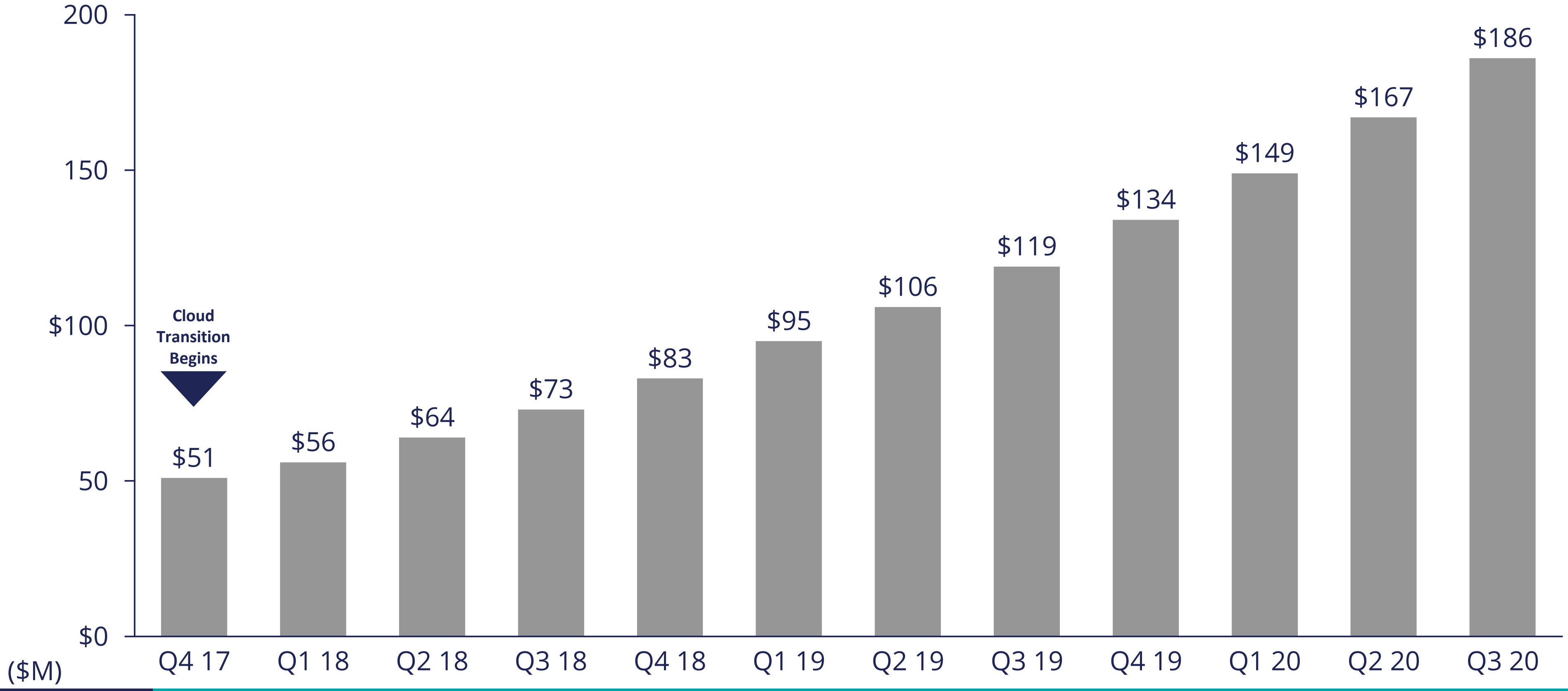
ACV Growth is the Best Indicator of Growth During the Cloud Transition



ACV represents the annualized value of our active contracts as of the measurement date. The contact's total value is divided by its duration in years to calculate ACV for term license and Pega Cloud contracts. Maintenance revenue for the quarter then ended is multiplied by four to calculate ACV for maintenance. 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 show reflect foreign currency exchange rates as of September 30, 2020.

Fastest Growing Revenue Stream is Pega Cloud

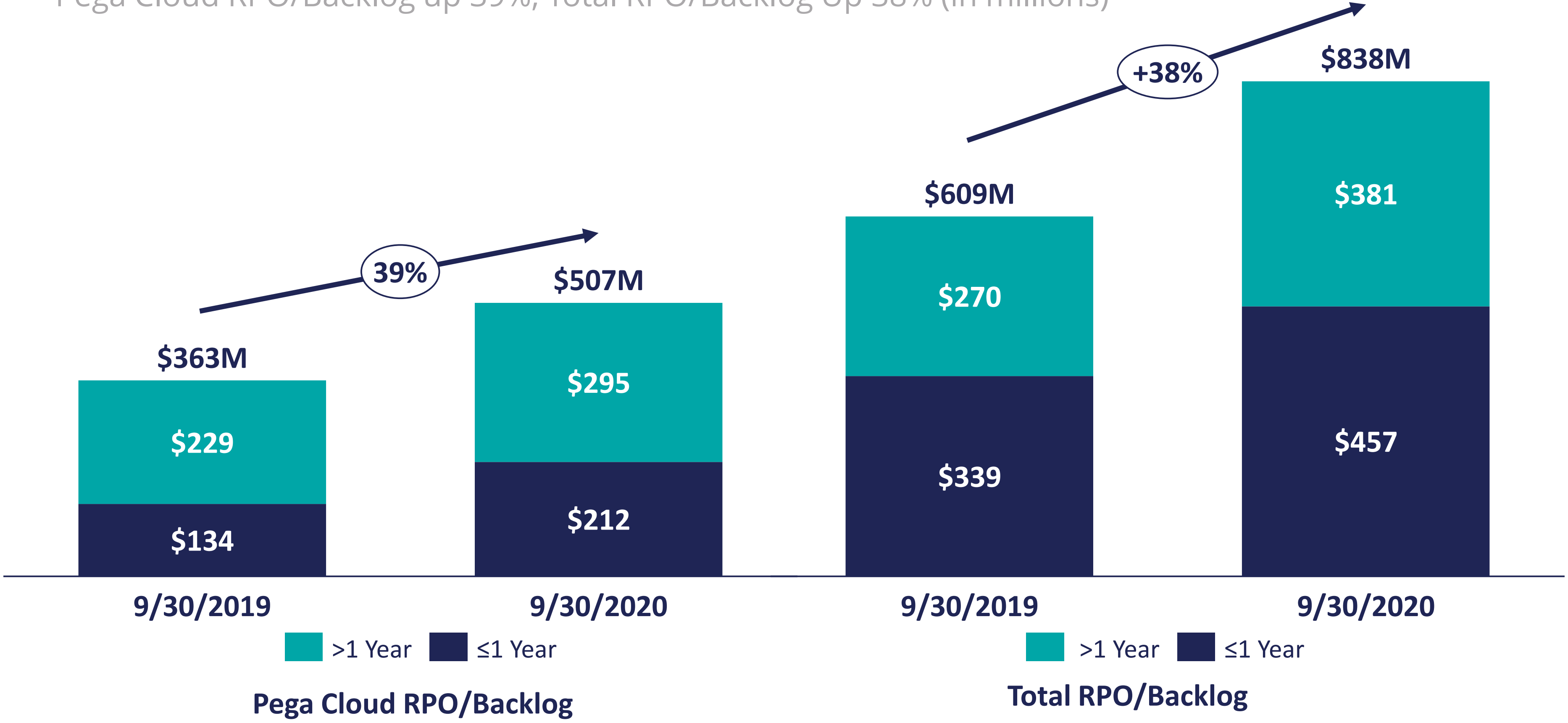
Trailing 12 Months Pega GAAP Cloud Revenue Increased by 125% since Q4 2018



Source: Company filings

Remaining Performance Obligation (RPO) / Backlog is Growing

Pega Cloud RPO/Backlog up 39%, Total RPO/Backlog Up 38% (in millions)



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®

Build for Change®