



Pegasystems Investor Presentation Q1 2022

NASDAQ: PEGA

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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+

21%

ACV Growth
as reported*

21%

Q1 2022 Subscription
Y/Y Revenue Growth

\$376M

Q1 2022 Revenue

82%

Q1 2022 Subscription
Revenue as % of Total

*Foreign currency exchange rate changes were a 1% to 2% headwind to ACV growth since March 31, 2021.

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.

1:1 Customer Engagement Customer Service Intelligent Automation



Crushing business complexity

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

One-to-one
customer
engagement

Maximize customer lifetime value

489% ROI
< 6 months payback

Customer
service

Simplify service and reduce costs

298% ROI
< 6 months payback

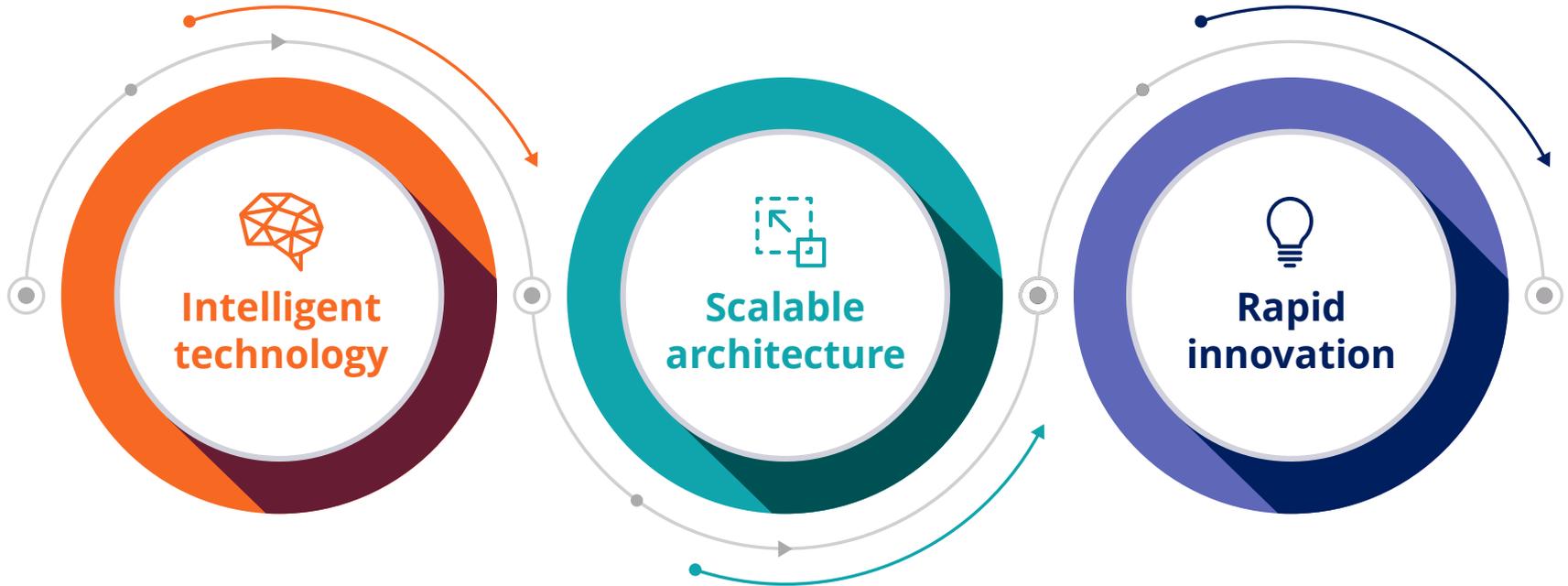
Intelligent
automation

Boost efficiency

186% – 598% ROI
< 3 - 12 months payback

So how do we do it?

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



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



Robert
**Chief Customer
Officer**



Teresa
**SVP, Customer
Service**



Chen
**SVP,
Operations**

OFFERING

**1:1 Customer
Engagement**

**Customer
Service**

**Intelligent
Automation**

VALUE PROPOSITION

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.

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.

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	<ul style="list-style-type: none">• 50 million next best action conversations delivered across 18 channels• +12 lead in NPS over the competition Read more https://www.pega.com/customers/cba-marketing
Customer Service	 AMERICAN EXPRESS	Inquire into account info	<ul style="list-style-type: none">• Tripled customer satisfaction• Increased cardmember spend by 10%• Lowered card attrition 4x Read more https://www.pega.com/customers/american-express
Intelligent Automation	SIEMENS	Streamline processes & reduce costs	<ul style="list-style-type: none">• Reduced process cycle time by 60%• 65% decrease in customer onboarding time• 80% of common business processes standardized Read more https://www.pega.com/customers/siemens

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



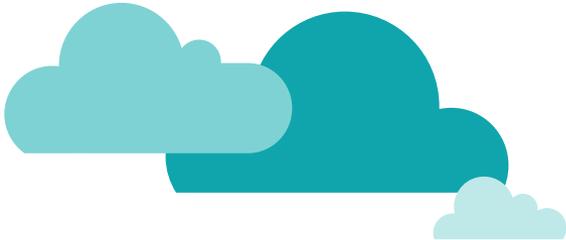
Transition to Subscription Well Underway

From...

Perpetual

Less Predictable

Lagging Growth & Margins



To...

Recurring

More Predictable

Rule of 40

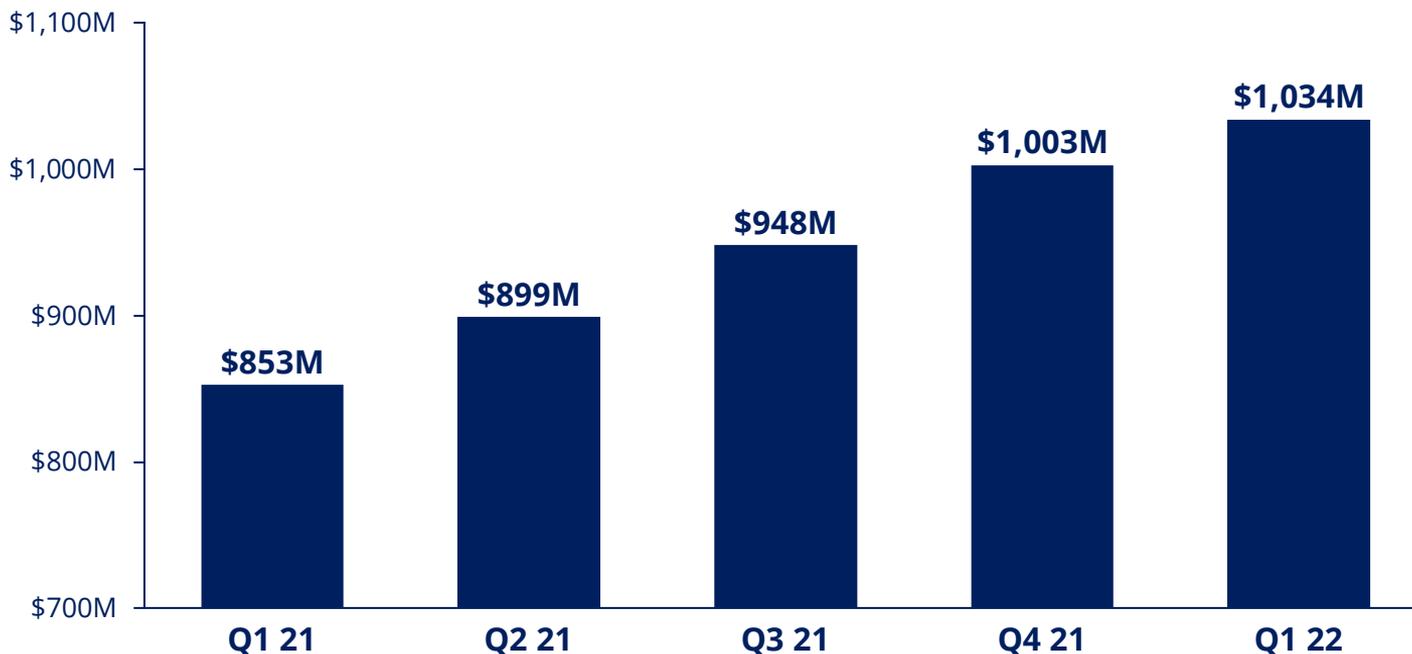


High Growth, Recurring Subscription Model

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

Q1 2022 Growth vs Q1 2021

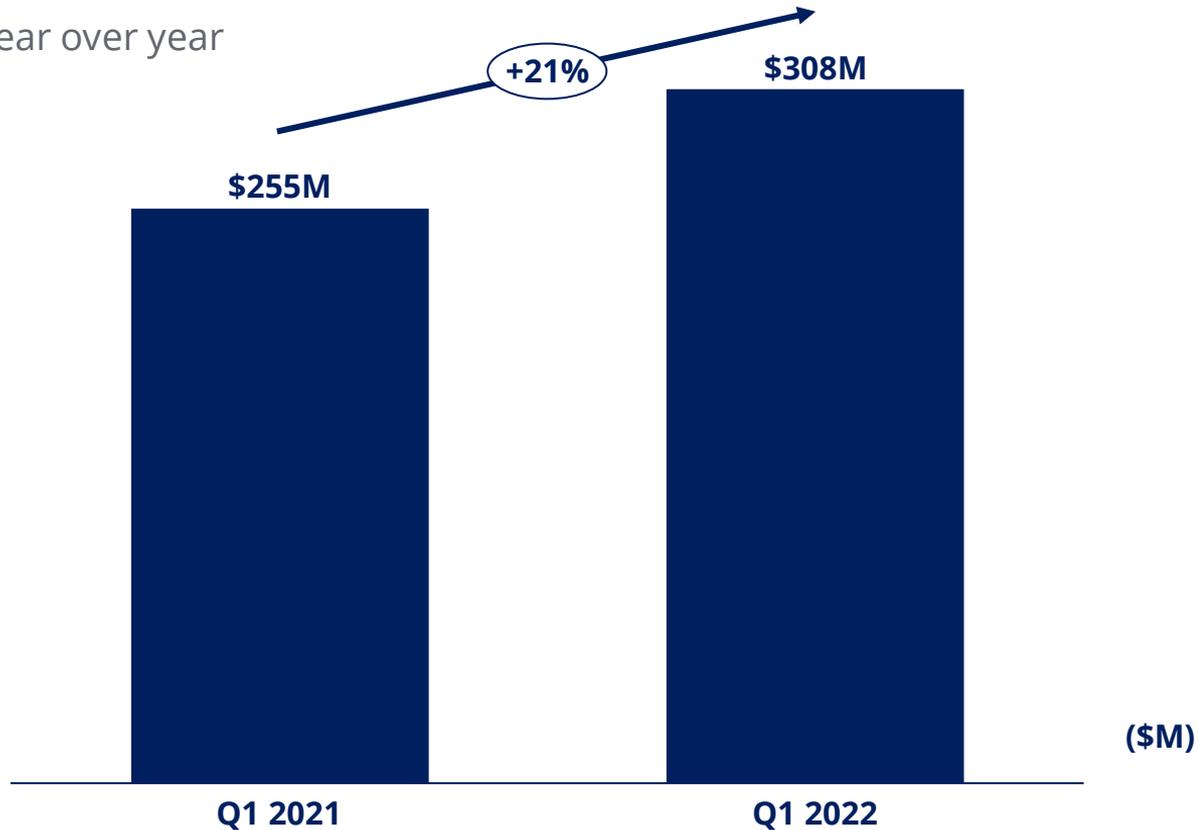
Total ACV: 21%



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 for subscription license and Pega Cloud contracts. Maintenance revenue for the quarter then ended is multiplied by four to calculate ACV for maintenance. ACV is a performance measure that we believe provides useful information to our management and investors, particularly during our subscription transition. Foreign currency exchange rate changes were a 1% to 2% headwind to ACV growth since March 31, 2021. **(\$M)**

Subscription Revenue*

Grew 21 percent year over year

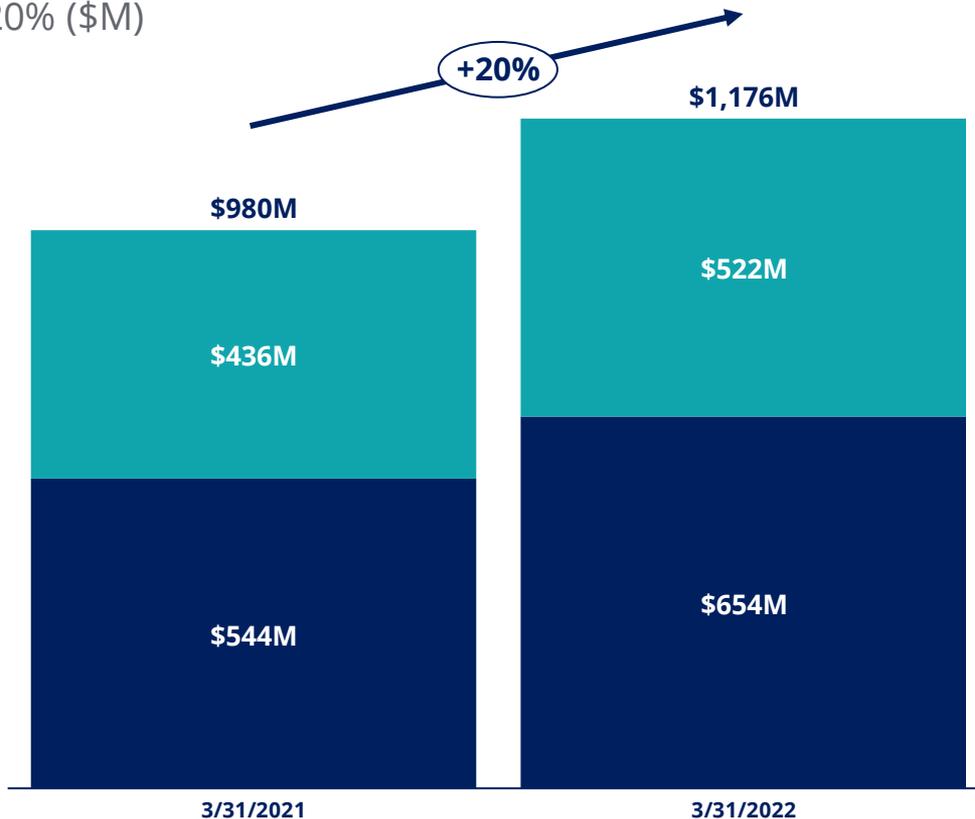


*Subscription revenue equals subscription services revenue (Pega Cloud revenue plus maintenance revenue) plus subscription license revenue, which represents revenue from the sale of term licenses.

Remaining Performance Obligation (RPO) / Backlog is Growing

Total RPO/Backlog Up 20% (\$M)

 >1 Year
 ≤1 Year



What Does this All Mean?

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

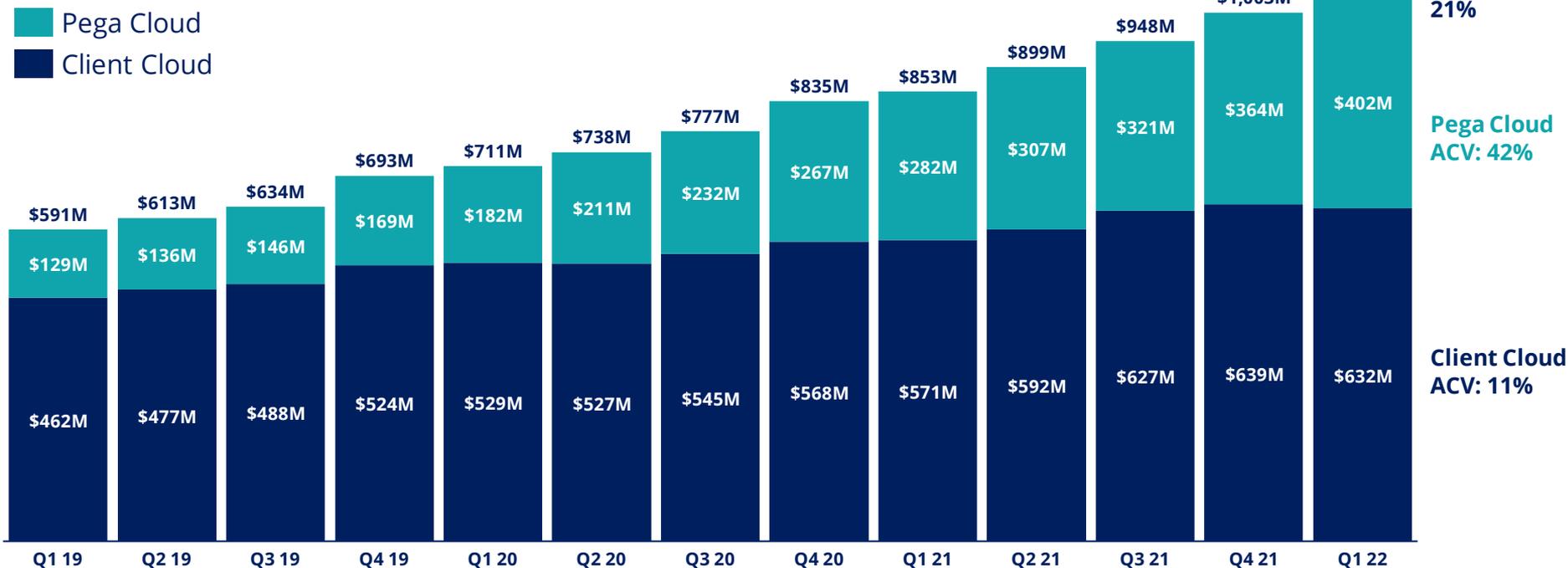


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High Growth, Recurring Revenue Model

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

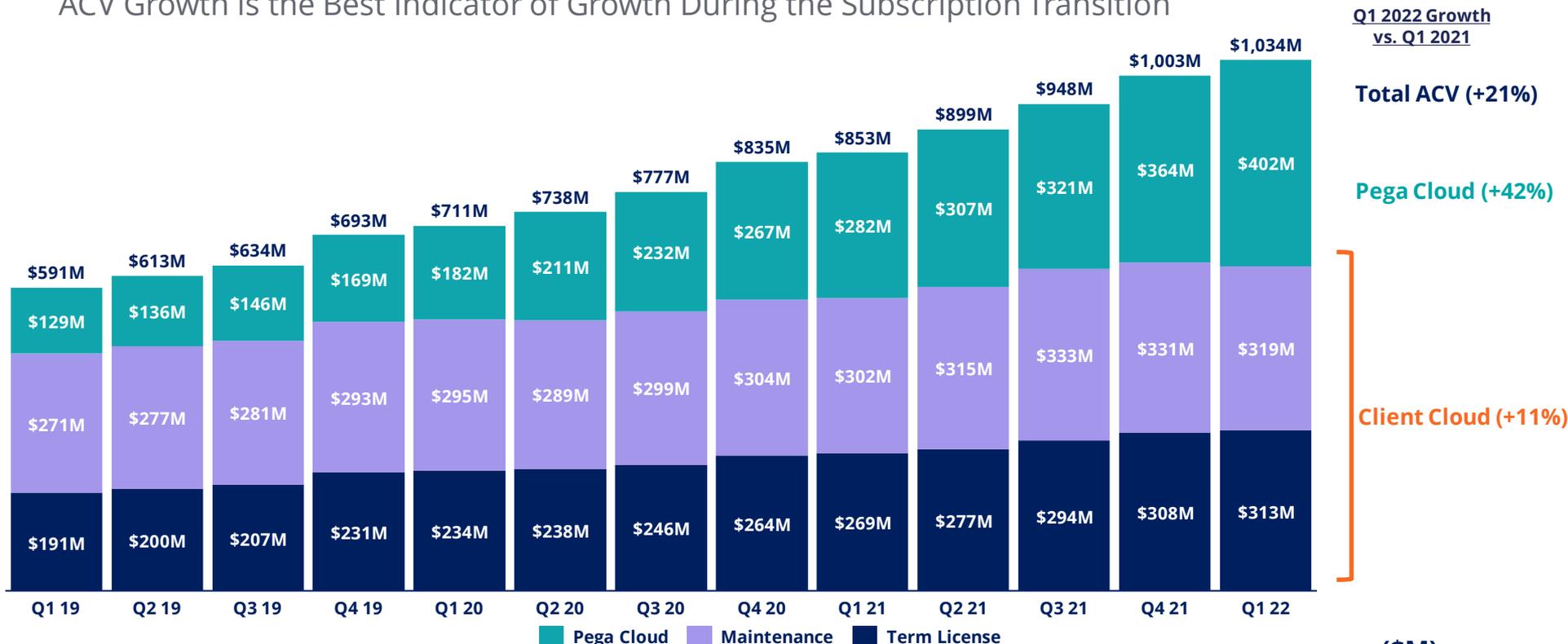
Q1 2022 Growth
vs Q1 2021



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High Growth, Recurring Revenue Model

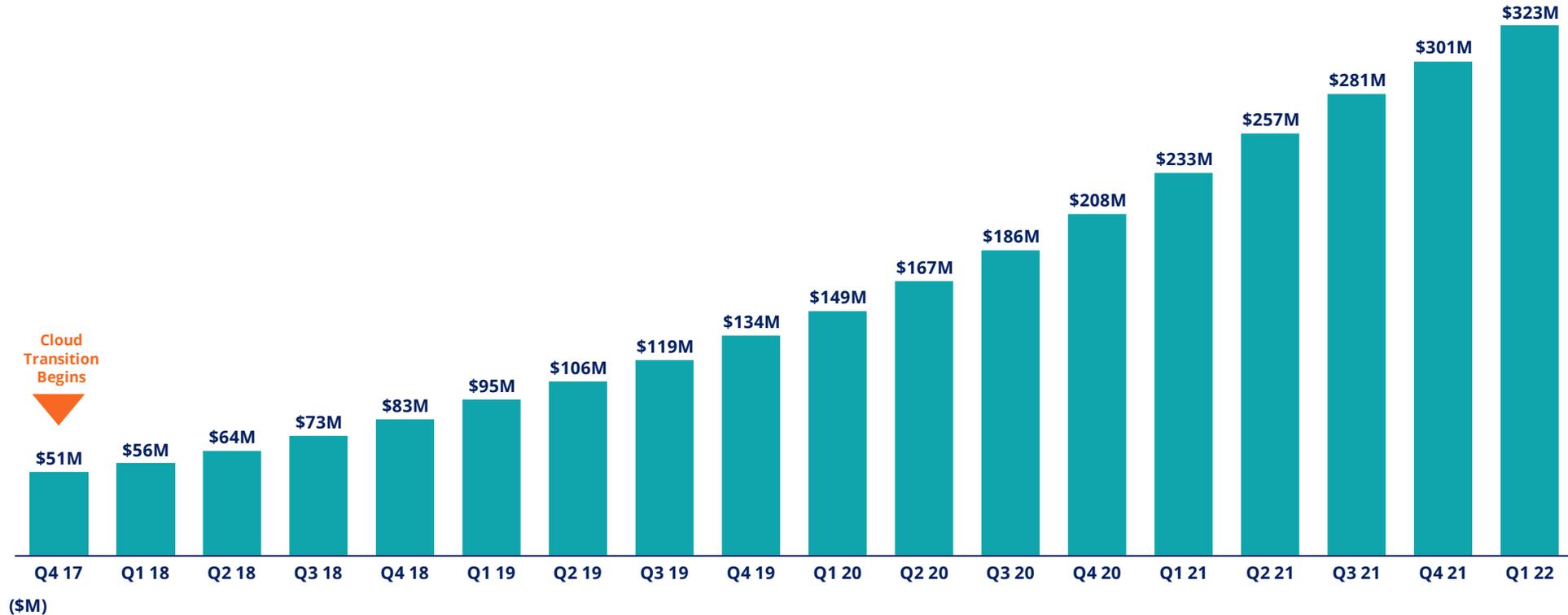
ACV Growth is the Best Indicator of Growth During the Subscription Transition



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Fastest Growing Revenue Stream is Pega Cloud

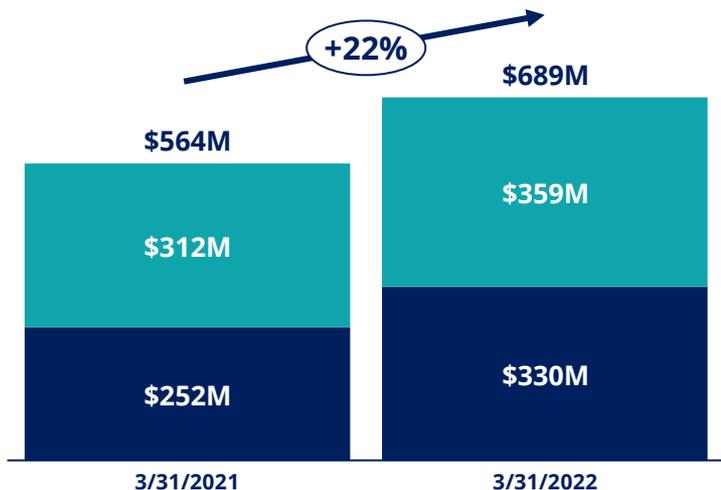
Trailing 12 Months Pega GAAP Pega Cloud Revenue



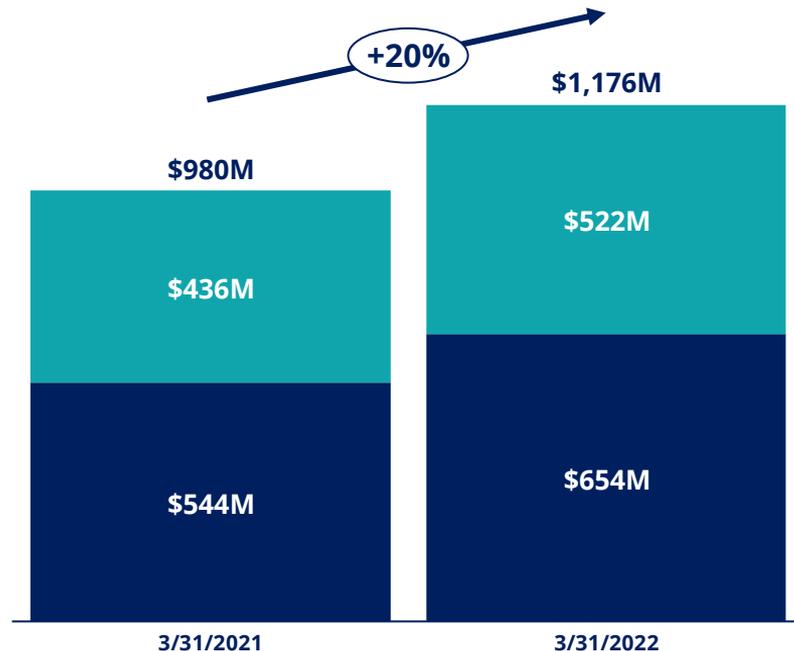
Remaining Performance Obligation (RPO) / Backlog is Growing

Pega Cloud RPO/Backlog up 22%,
Total RPO/Backlog Up 20% (\$ in millions)

 >1 Year
 ≤1 Year



Pega Cloud RPO/Backlog



Total RPO/Backlog

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

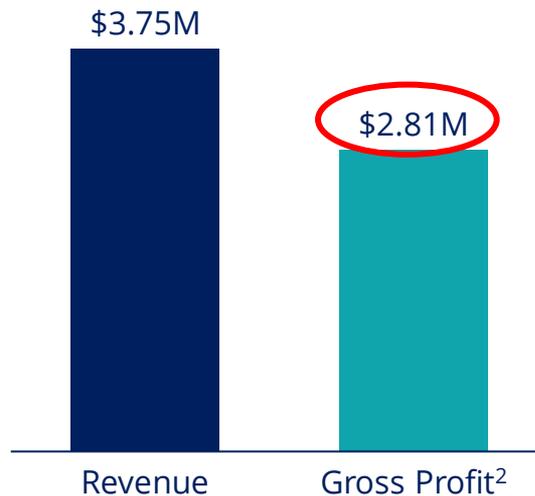
3-Year Deal; ACV = \$1M



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