



# Pegasystems Investor Presentation Q2 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+

**19%**

ACV Growth  
constant currency\*

**30%**

1H 2022 Pega Cloud Growth  
Y/Y Revenue Growth

**\$651M**

1H 2022 Revenue

**80%**

1H 2022 Subscription  
Revenue as % of Total

\*Foreign currency exchange rate changes were a 4% to 5% headwind to ACV growth since June 30, 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



REAL-TIME,  
OMNI-CHANNEL  
AI

Industry-leading technology



END-TO-END  
AUTOMATION &  
ROBOTICS



MICROJOURNEY-  
CENTRIC RAPID  
DELIVERY

Start fast and scale



SITUATIONAL  
LAYER CAKE™

PEGA DX ARCHITECTURE™



SOFTWARE THAT  
WRITES YOUR  
SOFTWARE

Future proof your investment



CLOUD  
CHOICE

# 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**

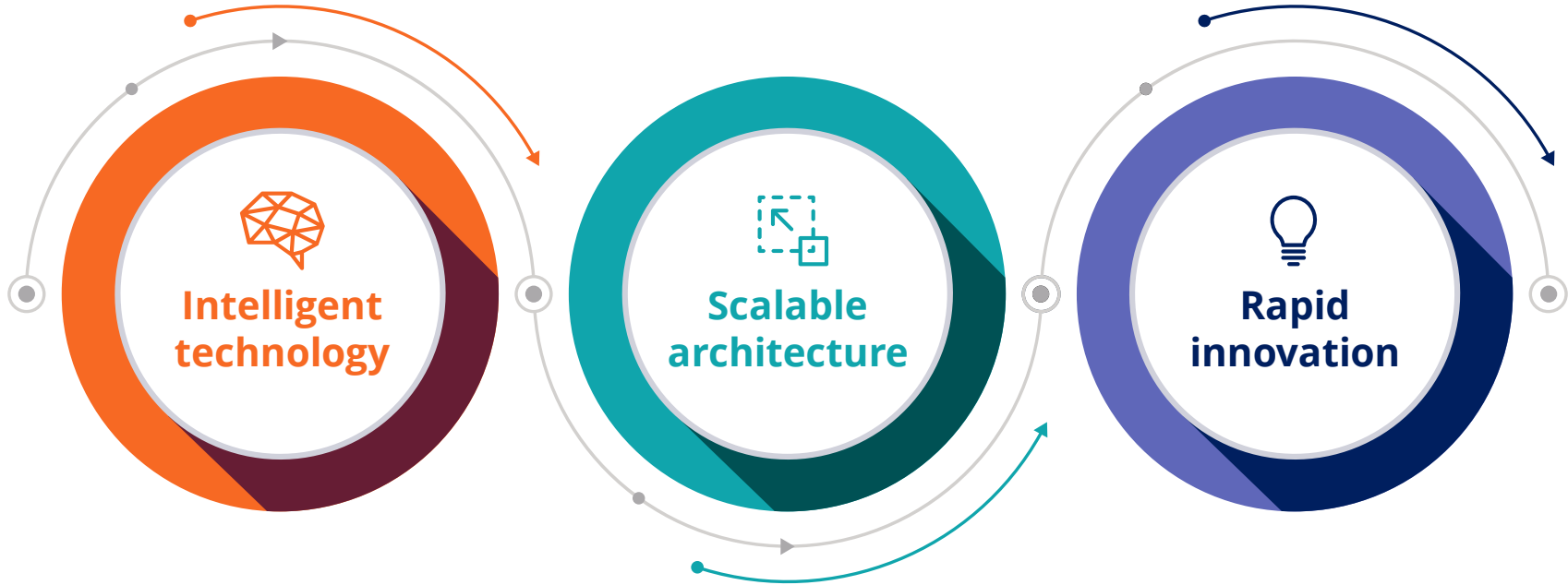
Intelligent  
automation

**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.

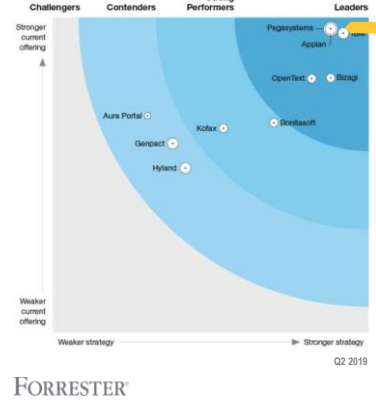




## Customer engagement



## Digital process automation



# Together, we're redefining the technology industry

## Unified, market-leading technology

*Changing the way organizations work and engage*

## Real-time decisions & AI



## End-to-end work management



We've built the

**#1 real-time interaction management**

**#1 digital decisioning**

**#1 digital process automation**

**#1 intelligent business process management**

# 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 <b>Chief Customer Officer</b>	<b>1:1 Customer Engagement</b>	<b>Maximize top-line growth</b> with a centralized, real-time AI-powered customer decision hub that delivers next-best-actions at every customer interaction, across various channels.
 Teresa <b>SVP, Customer Service</b>	<b>Customer Service</b>	<b>Reduce cost and streamline service</b> experiences for customers and employees with a state-of-the-art customer service application and out-of-the-box, industry-specific microjourneys.
 Chen <b>SVP, Operations</b>	<b>Intelligent Automation</b>	<b>Make customer and employee-facing processes more efficient</b> 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	<b>Retain customers</b>	<ul style="list-style-type: none"><li>• 50 million next best action conversations delivered across 18 channels</li><li>• +12 lead in NPS over the competition</li></ul> <a href="https://www.pegacom/customers/cba-marketing">Read more   https://www.pegacom/customers/cba-marketing</a>
Customer Service	 AMERICAN EXPRESS	<b>Inquire into account info</b>	<ul style="list-style-type: none"><li>• Tripled customer satisfaction</li><li>• Increased cardmember spend by 10%</li><li>• Lowered card attrition 4x</li></ul> <a href="https://www.pegacom/customers/american-express">Read more   https://www.pegacom/customers/american-express</a>
Intelligent Automation	<b>SIEMENS</b>	<b>Streamline processes &amp; reduce costs</b>	<ul style="list-style-type: none"><li>• Reduced process cycle time by 60%</li><li>• 65% decrease in customer onboarding time</li><li>• 80% of common business processes standardized</li></ul> <a href="https://www.pegacom/customers/siemens">Read more   https://www.pegacom/customers/siemens</a>

# 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



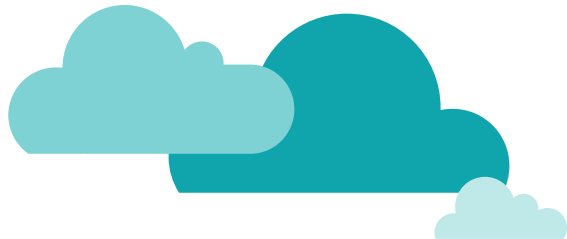
# Transition to Subscription Well Underway

From...

Perpetual

Less Predictable

Lagging Growth  
& Margins



To...

Recurring

More Predictable

Rule of 40



2017

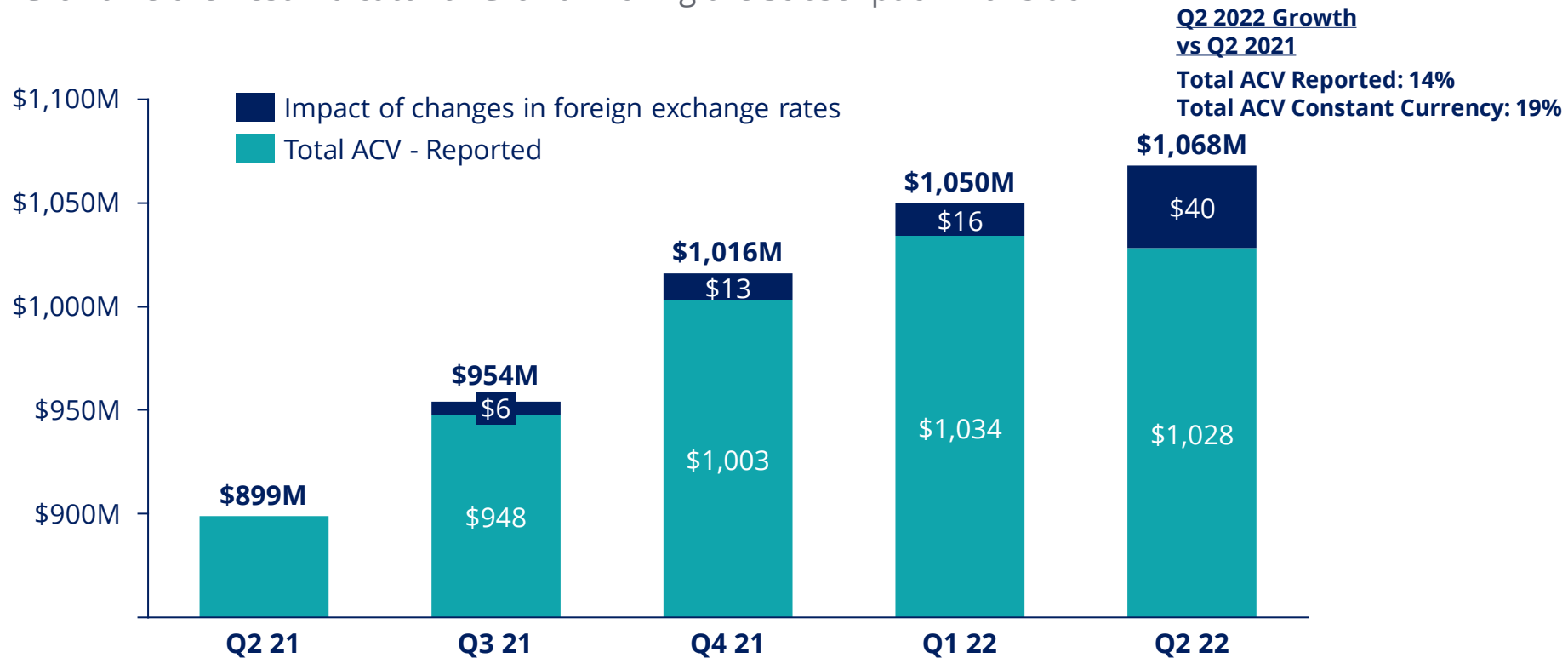
SUBSCRIPTION TRANSITION TIMELINE

2023

TODAY

# High Growth, Recurring Subscription Model

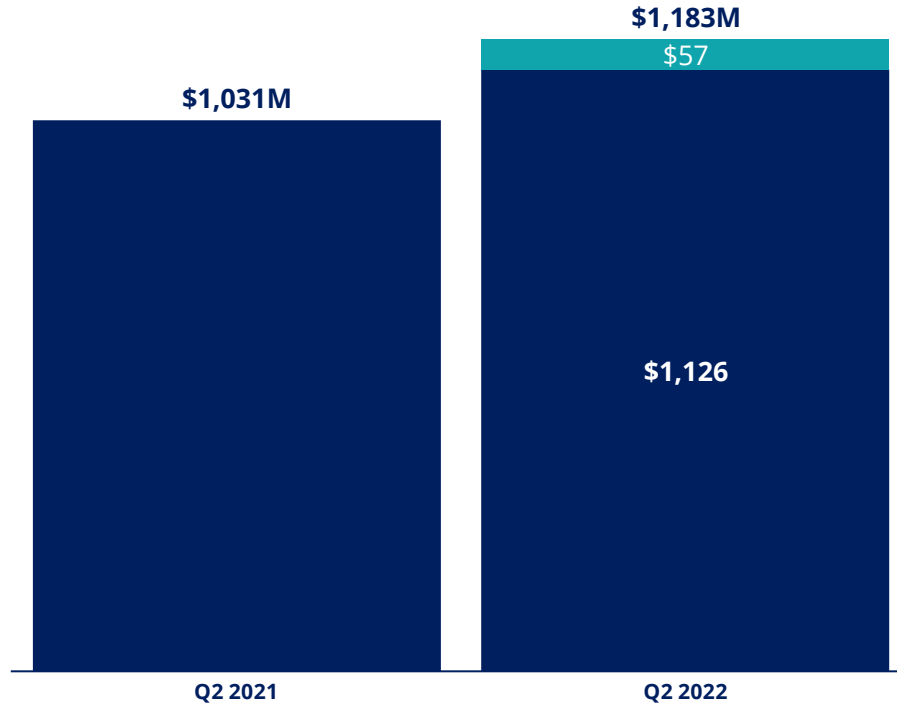
ACV Growth is the Best Indicator of Growth During the Subscription Transition



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. Constant currency measures are calculated by applying foreign exchange rates for the earliest period shown to all periods. The above constant currency measures reflect foreign exchange rates applicable as of Q2 2021.

# Remaining Performance Obligation (RPO) / Backlog is Growing

Total RPO/Backlog Up 9% as Reported (15% Constant Currency)



Note: Constant currency measures are calculated by applying foreign exchange rates for the earliest period shown to all periods. The above constant currency measures reflect foreign exchange results applicable as of Q2 2021.

# 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”



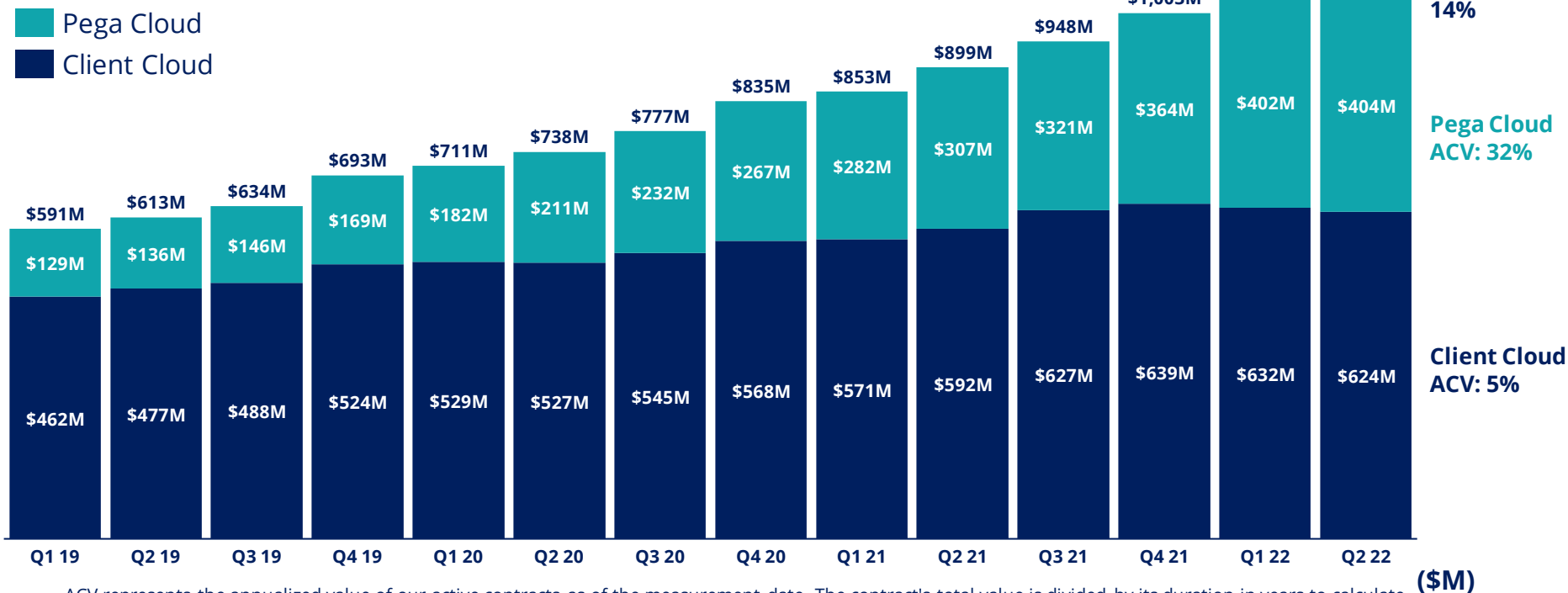


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# High Growth, Recurring Revenue Model

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

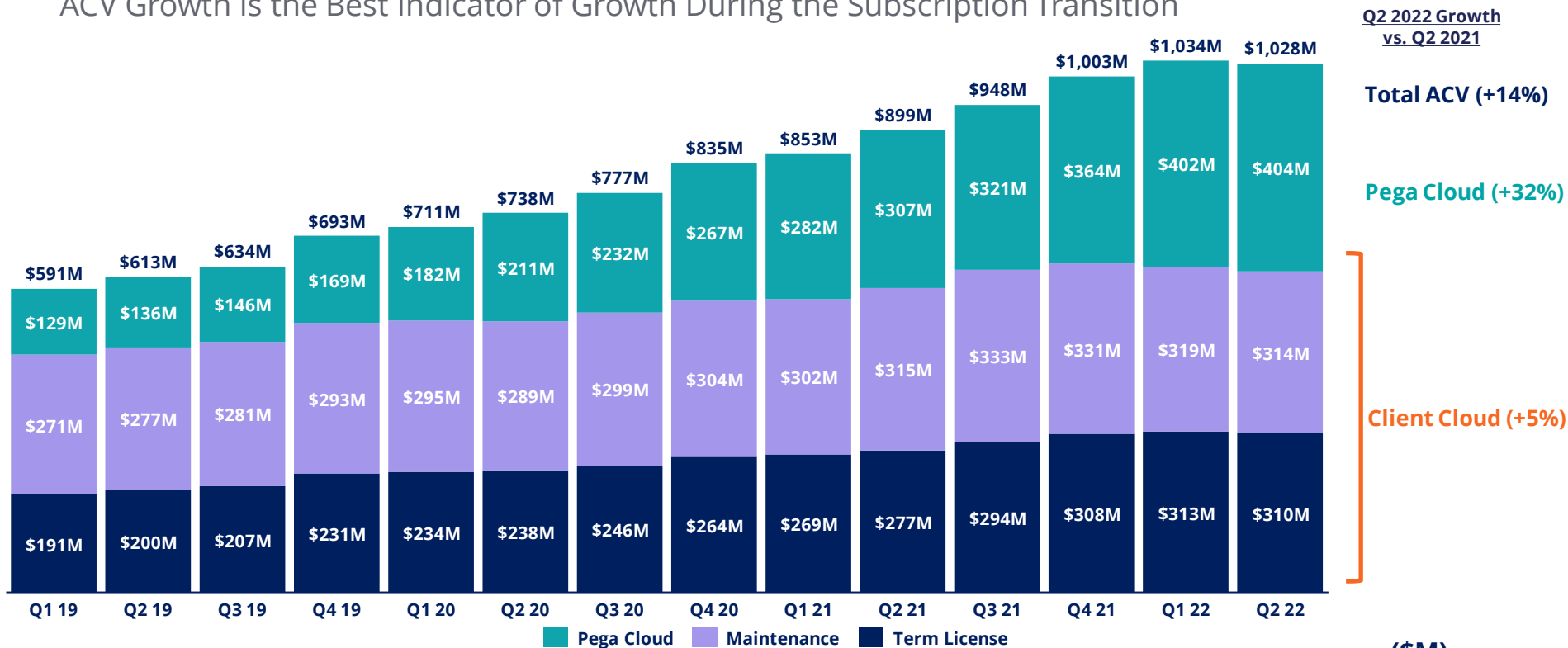
Q2 2022 Growth  
vs Q2 2021



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# Fastest Growing Revenue Stream is Pega Cloud

Trailing 12 Months Pega GAAP Pega Cloud Revenue

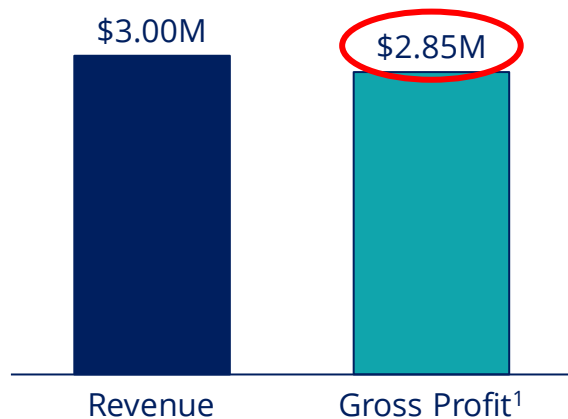


# Gross Profit Dollars: Client Cloud vs Pega Cloud

Client Cloud and Pega Cloud deals generate similar gross profit dollars in a timeless illustrative model

## Client Cloud

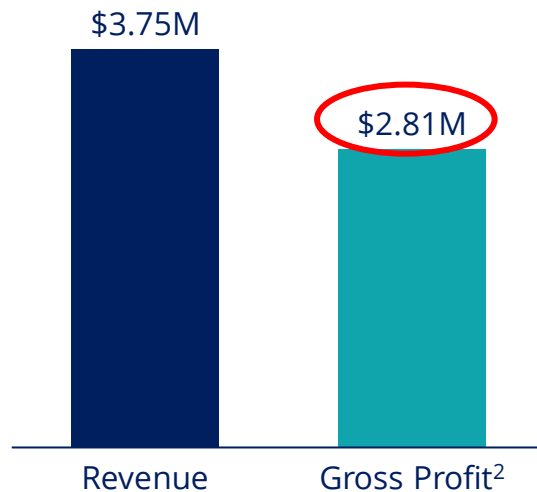
3-Year Deal; ACV = \$1M



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