



Pegasystems Investor Presentation Q4 & FY 2022

NASDAQ: PEGA

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February 15, 2023



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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 Q4 2022 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, 2022 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 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+

16%

ACV Growth
Constant Currency*

28%

2022 Pega Cloud
Revenue Growth

\$1.3B

2022 Revenue

81%

2022 Subscription
Revenue as % of Total

*Foreign currency exchange rate changes were an approximate 3% headwind to ACV growth since December 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.pegasystems.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

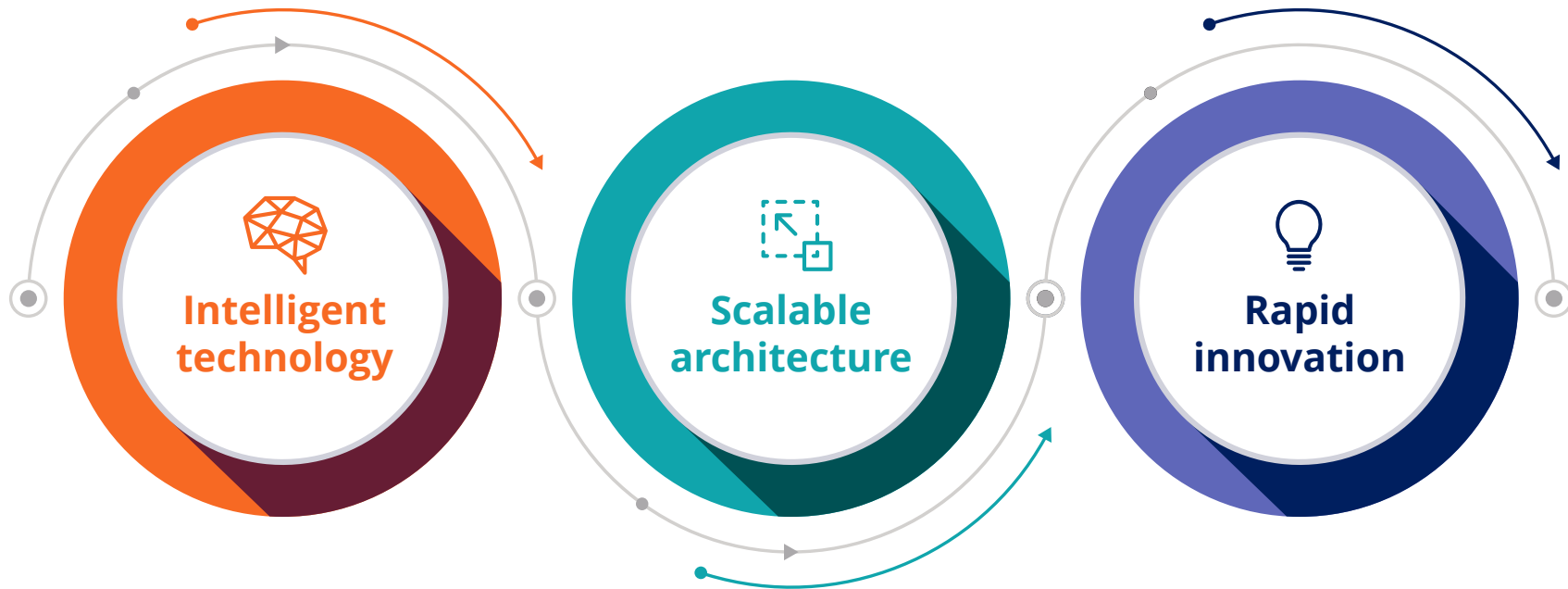
Intelligent
automation

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.



The chart is a 2x2 matrix with 'Completeness of Vision' on the horizontal axis and 'Ability to Execute' on the vertical axis. The horizontal axis is divided into 'Incomplete' and 'Complete' (As of May 2020). The vertical axis is divided into 'Low' and 'High'. The quadrants are labeled: 'Challenges' (top-left), 'Leaders' (top-right), 'Vision by Intent' (bottom-left), and 'Innovation' (bottom-right). Data points are plotted as follows:

- Challenges (Top-Left):** SAP, Oracle, SAP, Microsoft, Salesforce, Tableau, ServiceNow, Workday.
- Leaders (Top-Right):** Salesforce.
- Vision by Intent (Bottom-Left):** Zoho, Kustomer, SAP, Oracle, SAP, Microsoft, Salesforce, Tableau, ServiceNow, Workday.
- Innovation (Bottom-Right):** SAP, Oracle, SAP, Microsoft, Salesforce, Tableau, ServiceNow, Workday.

A large yellow arrow points from the 'Leaders' quadrant towards the 'Challenges' quadrant.

Source: Gartner (June 2020).

Real-time decisions & AI



FORRESTER

FORRESTER®

[illegible]

Gartner

Together, we're redefining the technology industry

Unified, market-leading technology

Changing the way organizations work and engage

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 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	 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.pegacom/customers/cba-marketing
Customer Service	 Anthem	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.pegacom/insights/resources/anthem-now-elevance-health-creates-next-generation-service-desktop-pegacom
Intelligent Automation	 SIEMENS	Streamline processes & reduce costs	<ul style="list-style-type: none">• 11-point increase in NPS• 3-minute drop in average handling time (AHT)• 100 processes automated Read more https://www.pegacom/insights/resources/anthem-now-elevance-health-creates-next-generation-service-desktop-pegacom

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



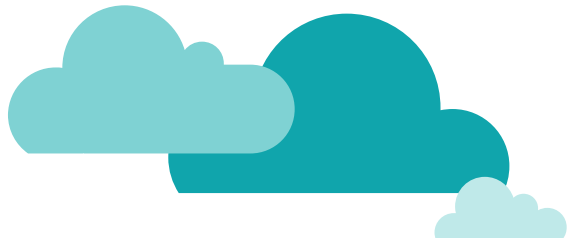
Transition to Subscription Well Underway

From...

Perpetual

Less Predictable

Lagging Growth
& Margins



To...

Recurring

More Predictable

Rule of 40



2017

SUBSCRIPTION TRANSITION TIMELINE

2023

TODAY

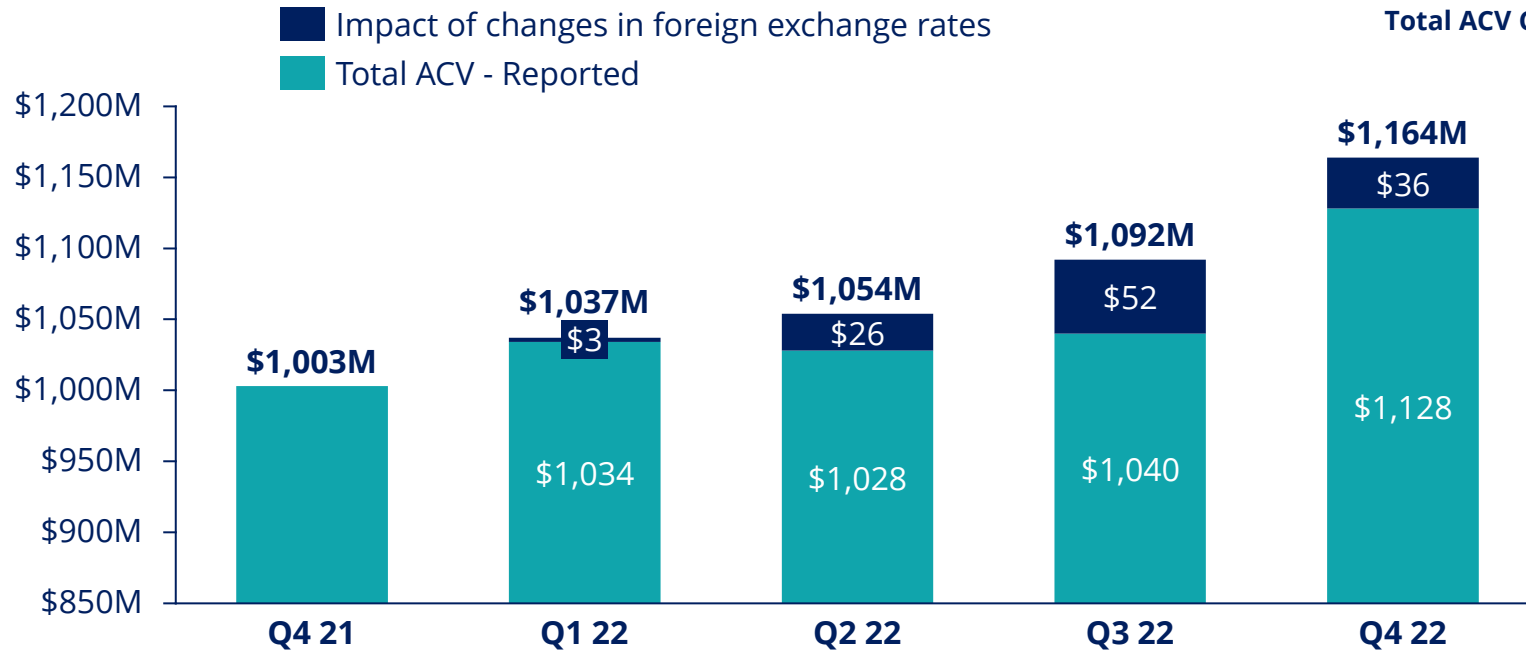
High Growth, Recurring Subscription Model

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

Q4 2022 Growth
vs Q4 2021

Total ACV Reported: 13%

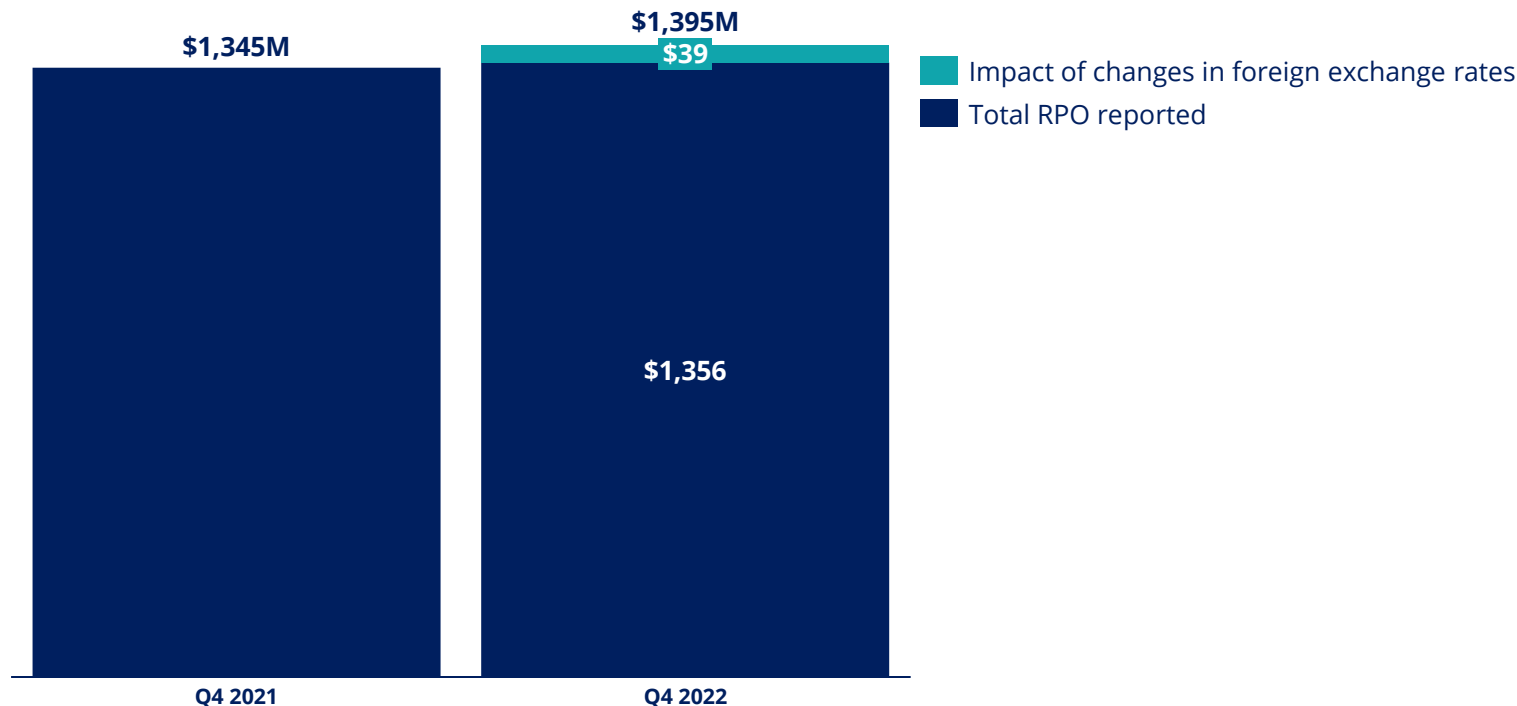
Total ACV Constant Currency: 16%



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 Q4 2021.

Remaining Performance Obligation (RPO) / Backlog is Growing

Total RPO/Backlog Up 1% as Reported (4% 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 Q4 2021.

2023 Guidance⁽¹⁾

As of Feb. 15, 2023, we are providing the following guidance:

Year Ended December 31, 2023	
Annual contract value growth	11%-13%

Year Ended December 31, 2023		
	<u>GAAP</u>	<u>Non-GAAP</u> ⁽¹⁾
Revenue	\$1.4B	\$1.4B
Diluted earnings per share	\$0.02	\$1.50

Year Ended December 31, 2023	
Cash provided by operating activities	\$139M
Free cash flow ⁽²⁾	\$150M

(1) A reconciliation of our GAAP and non-GAAP guidance is contained in the financial schedules in our Q4 2022 earnings release.

(2) Free cash flow is calculated as cash provided by operating activities adjusted for the net impact of (a) investment in property and equipment, (b) interest expense, and (c) other items outside the ordinary course of business.” A reconciliation of free cash flow is contained in the financial schedules in our Q4 2022 earnings release.

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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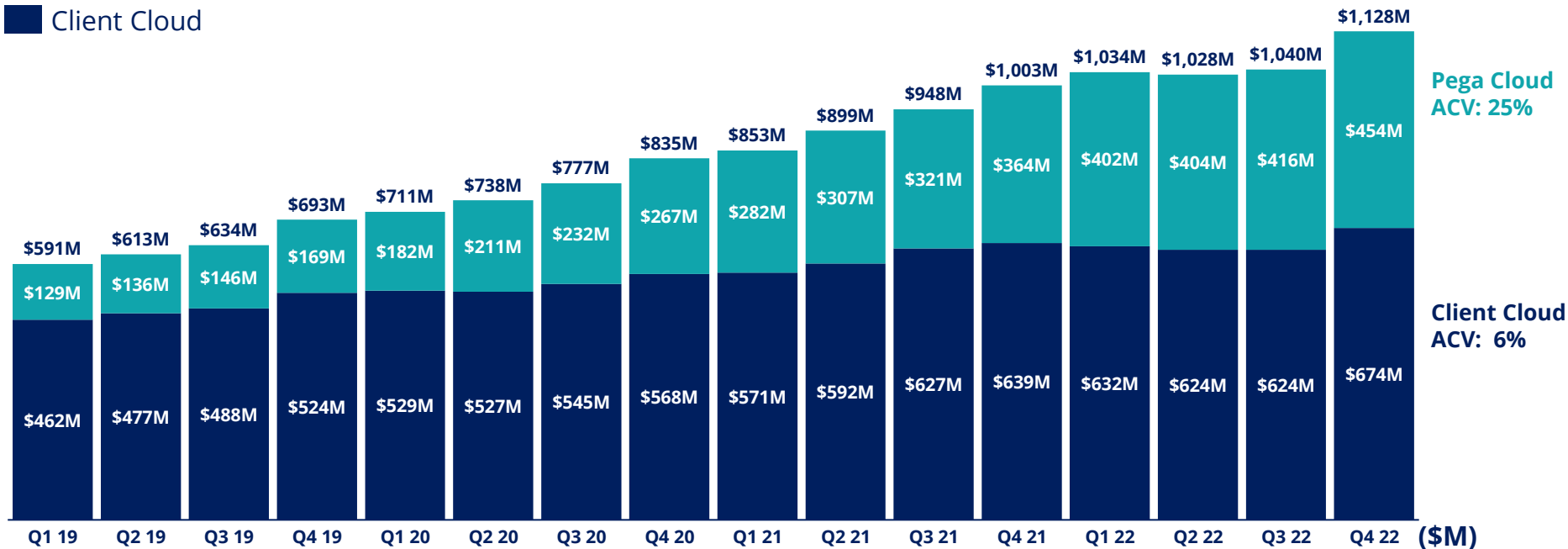
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Pega Cloud
Client Cloud

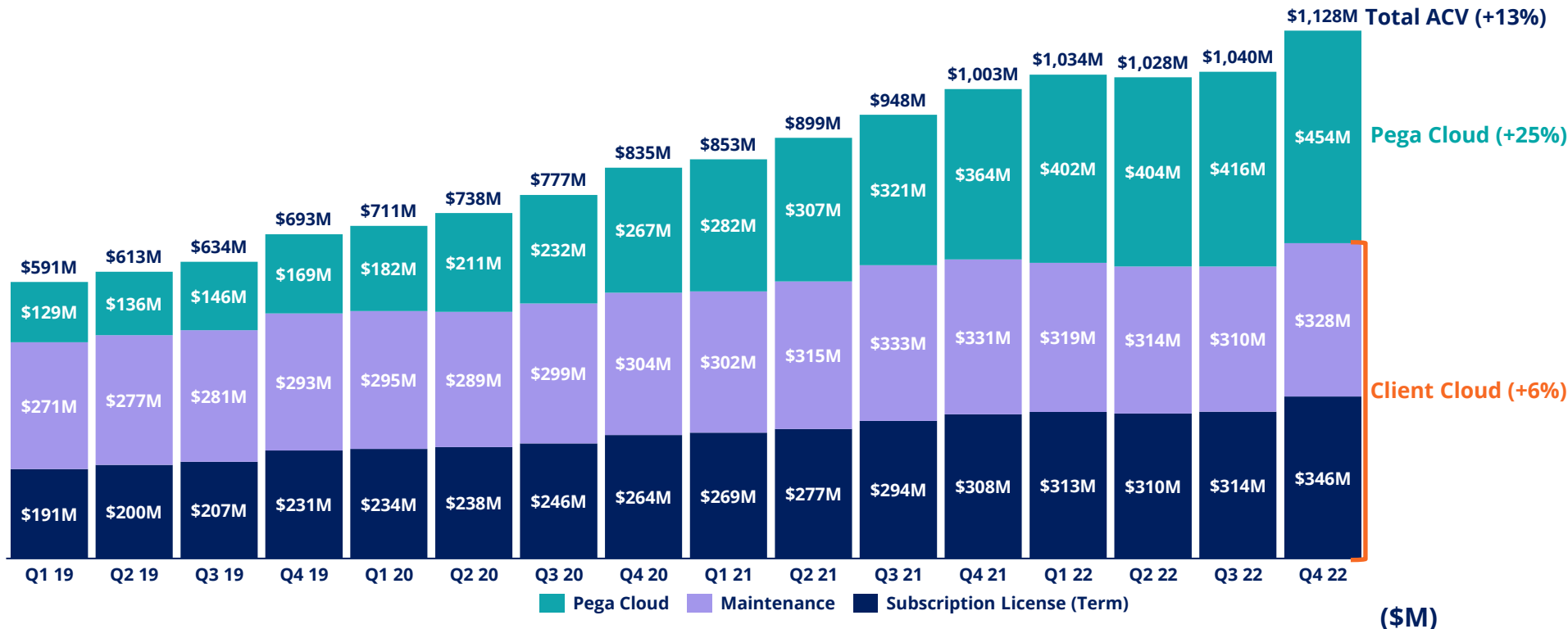


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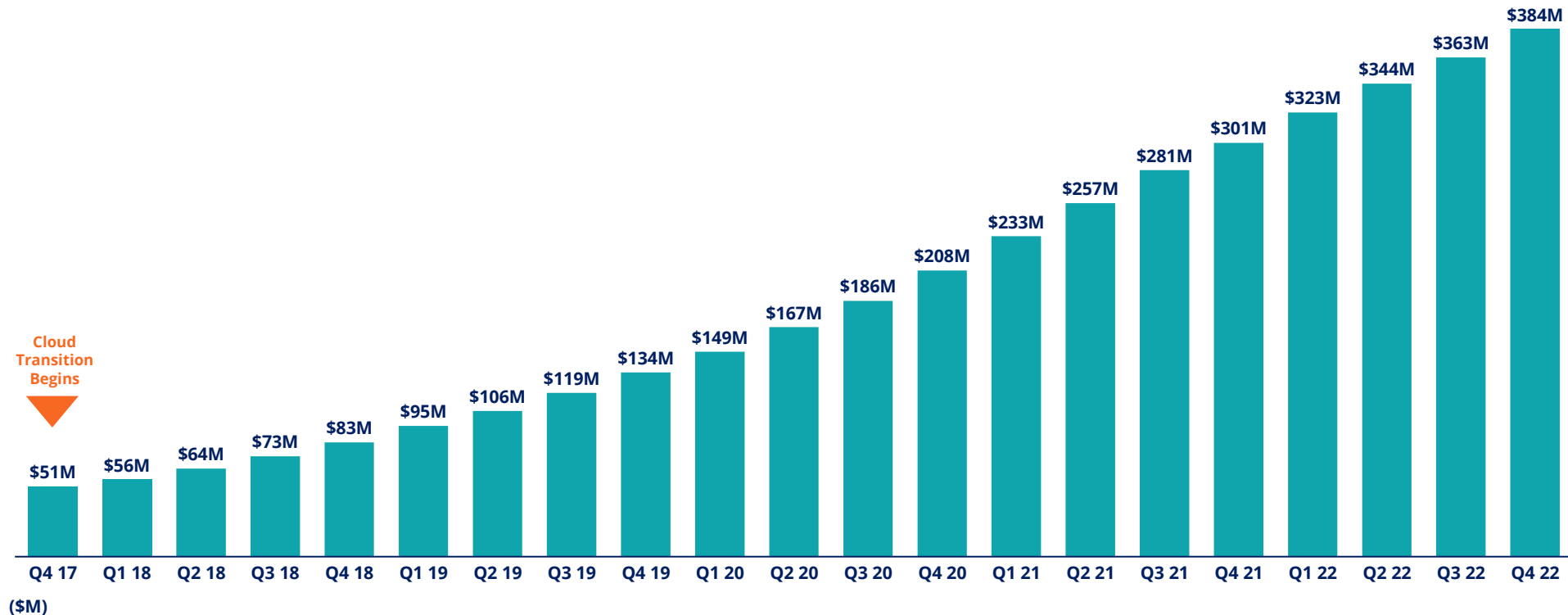
Q4 2022 Growth
vs. Q4 2021



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Fastest Growing Revenue Stream is Pega Cloud

Trailing 12 Months Pega GAAP Pega Cloud Revenue

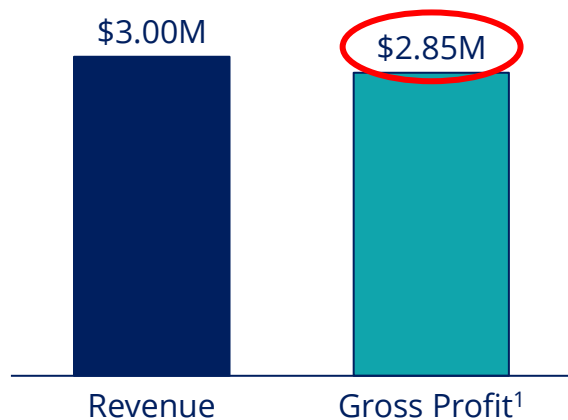


Gross Profit Dollars: Client Cloud vs Pega Cloud

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

Client Cloud

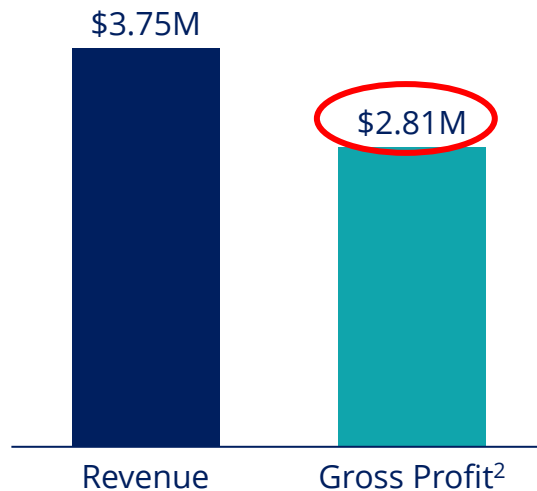
3-Year Deal; ACV = \$1M



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