



Pegasystems Investor Presentation Q2 2023

NASDAQ: PEGA

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July 26, 2023

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Certain statements in this presentation may be “forward-looking statements” as defined in the Private Securities Litigation Reform Act of 1995. Words such as expects, anticipates, intends, plans, believes, will, could, should, estimates, may, targets, strategies, intends to, projects, forecasts, guidance, likely, and usually or variations of such words and other similar expressions identify forward-looking statements, which speak only as of the date the statement was made and are based on current expectations and assumptions.

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 Q2 2023 results 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.

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Non-GAAP Financial Measures

Our non-GAAP financial measures should only be read in conjunction with our consolidated financial statements prepared in accordance with GAAP. We believe these measures help investors understand our core operating results without the effect of often one-time charges and other items outside normal operations. They are not a substitute for financial measures prepared under U.S. GAAP. Reconciliations of our non-GAAP and GAAP measures are at the end of this presentation.

Additional Notes

This presentation may contain industry market data, industry forecasts, and other statistical information. Such information was obtained from publicly available information, industry publications, and other third-party sources, and the Company makes no representations as to the accuracy of such information. The Company has not independently verified any such information. Certain information in this presentation is based upon management forecasts and reflects prevailing conditions and management's views as of the date of this presentation, all of which are subject to change.

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: 5,000+

Q2 2023

13%

ACV
Growth ⁽¹⁾

21%

Pega Cloud ACV
Growth ⁽¹⁾

\$298M

Revenue

80%

Subscription Revenue
as % of Total

(1) Since June 30, 2022.

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 **\$78B+ 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**

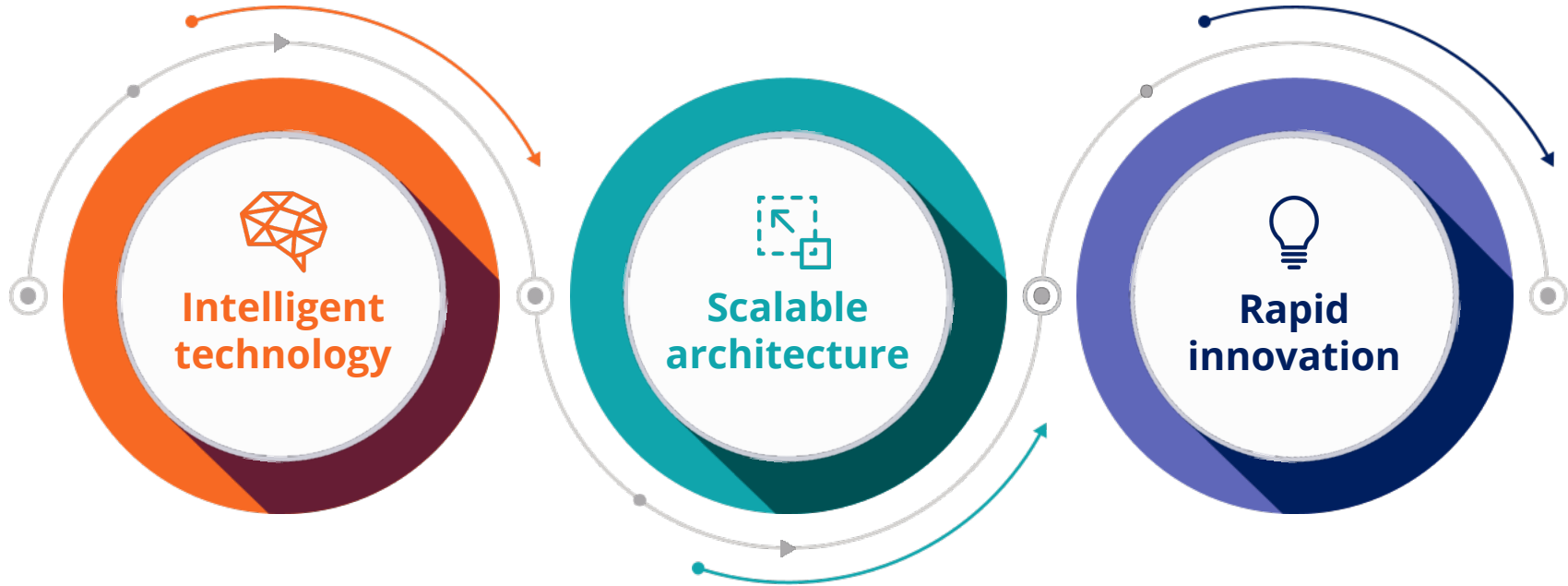
Intelligent
automation

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.



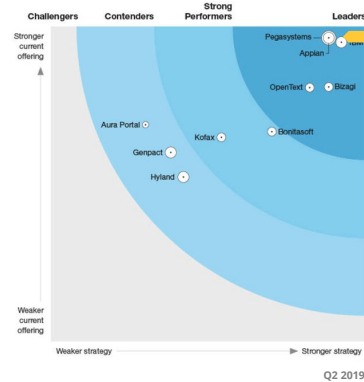
Customer engagement

Figure 1. Magic Quadrant for the CRM Customer Engagement Center



Gartner.

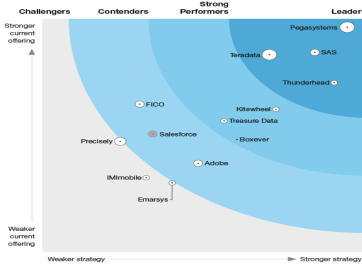
Digital process automation



FORRESTER

Real-time decisions & AI

THE FORRESTER WAVE™
Real-Time Interaction Management
Q4 2020



*A gray bubble indicates a nonparticipating vendor.

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FORRESTER*

Q4 2020

End-to-end work management



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

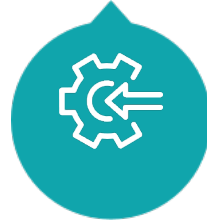
#1 intelligent business process management

Business Overview

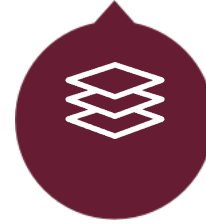
WHY PEGA WINS



**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



Robert
Chief Customer
Officer

OFFERING

**1:1 Customer
Engagement**

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.



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 Outlook



Massive Market Opportunity



Subscription Journey



High Growth, Recurring Model



Margin Expansion Opportunities

Pursuing a Massive Market Opportunity in Platform & CRM



Source: IDC Worldwide ICT Spending Guide (Feb. 2023)

Subscription Journey

From...

Perpetual

Less Predictable

Lagging Growth & Margins

To...

▶ **Recurring**

▶ **More Predictable**

▶ **Rule of 40 Driven**

**SUBSCRIPTION
TRANSITION
TIMELINE**

2017

2023

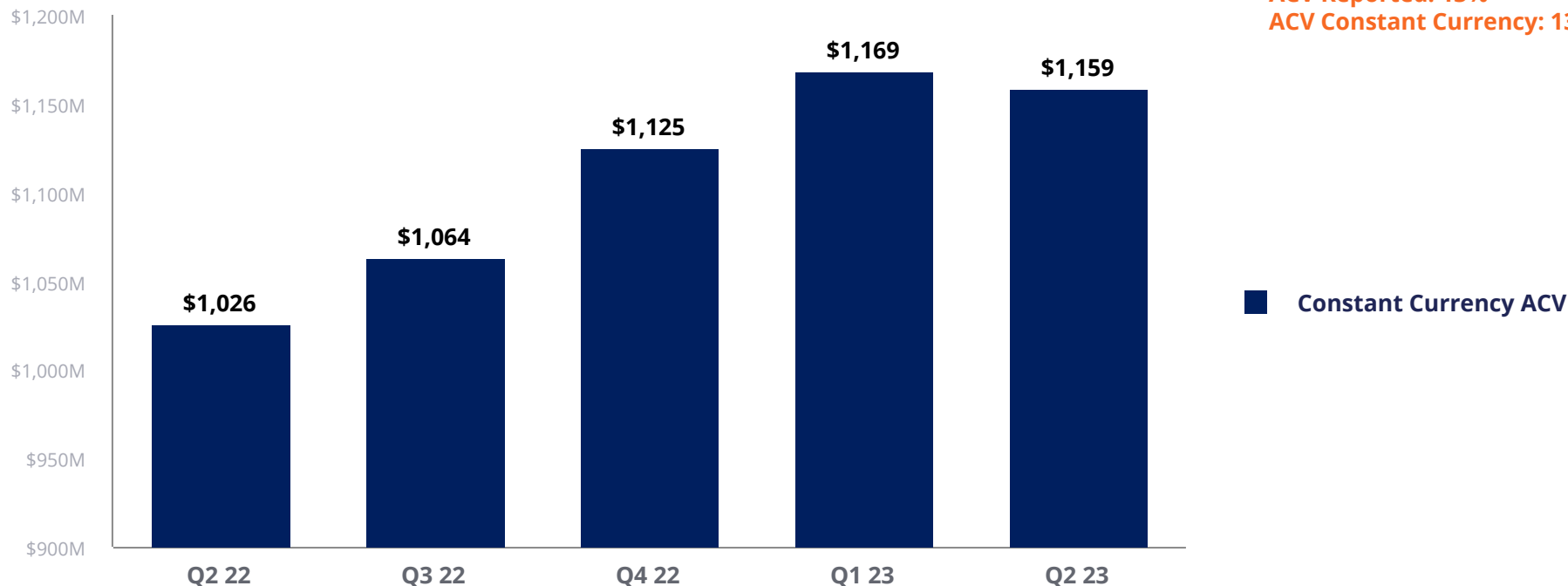
High Growth, Recurring Subscription Model

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

Q2 2023 vs Q2 2022 Growth

ACV Reported: 13%

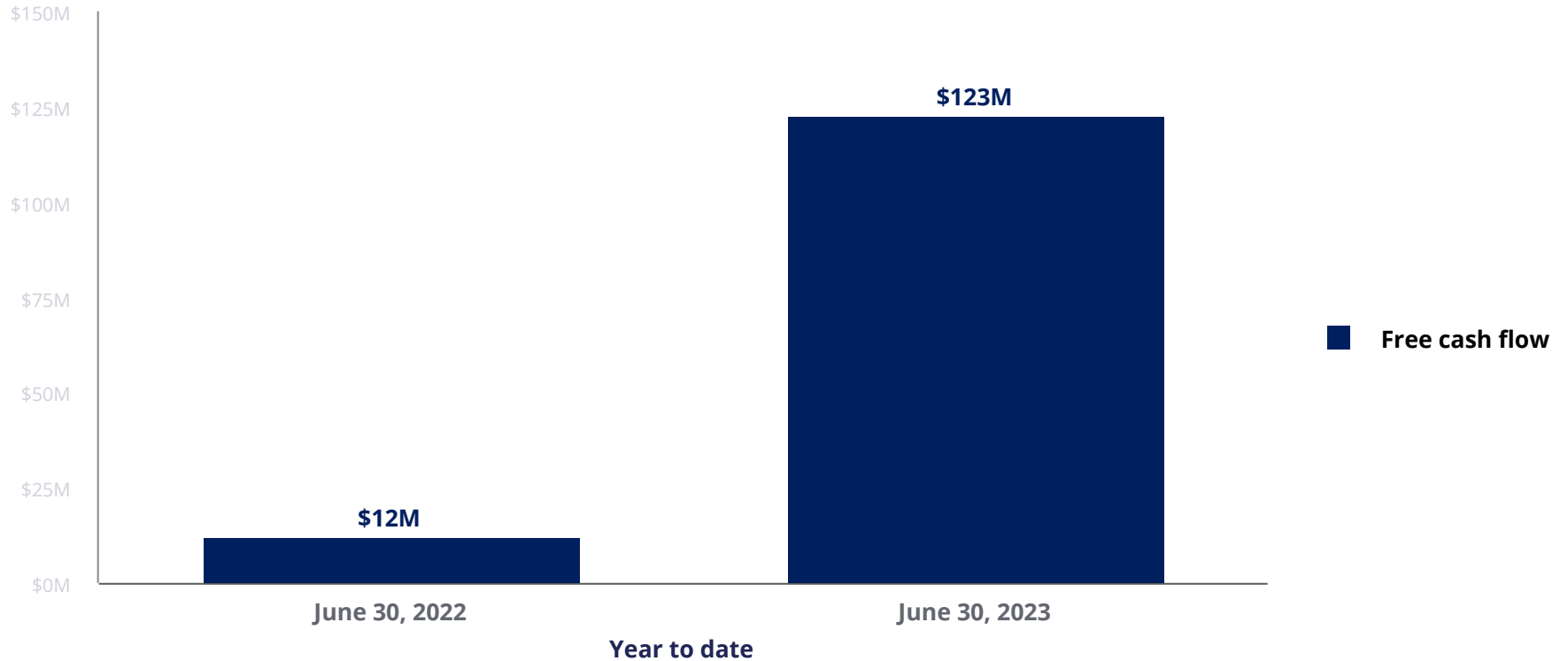
ACV Constant Currency: 13%



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. ACV is a performance measure that we believe provides useful information to our management and investors. In 2023, we changed our ACV calculation methodology for maintenance and all contracts less than 12 months to align with other contract types. Previously disclosed ACV amounts have been updated to allow for comparability.

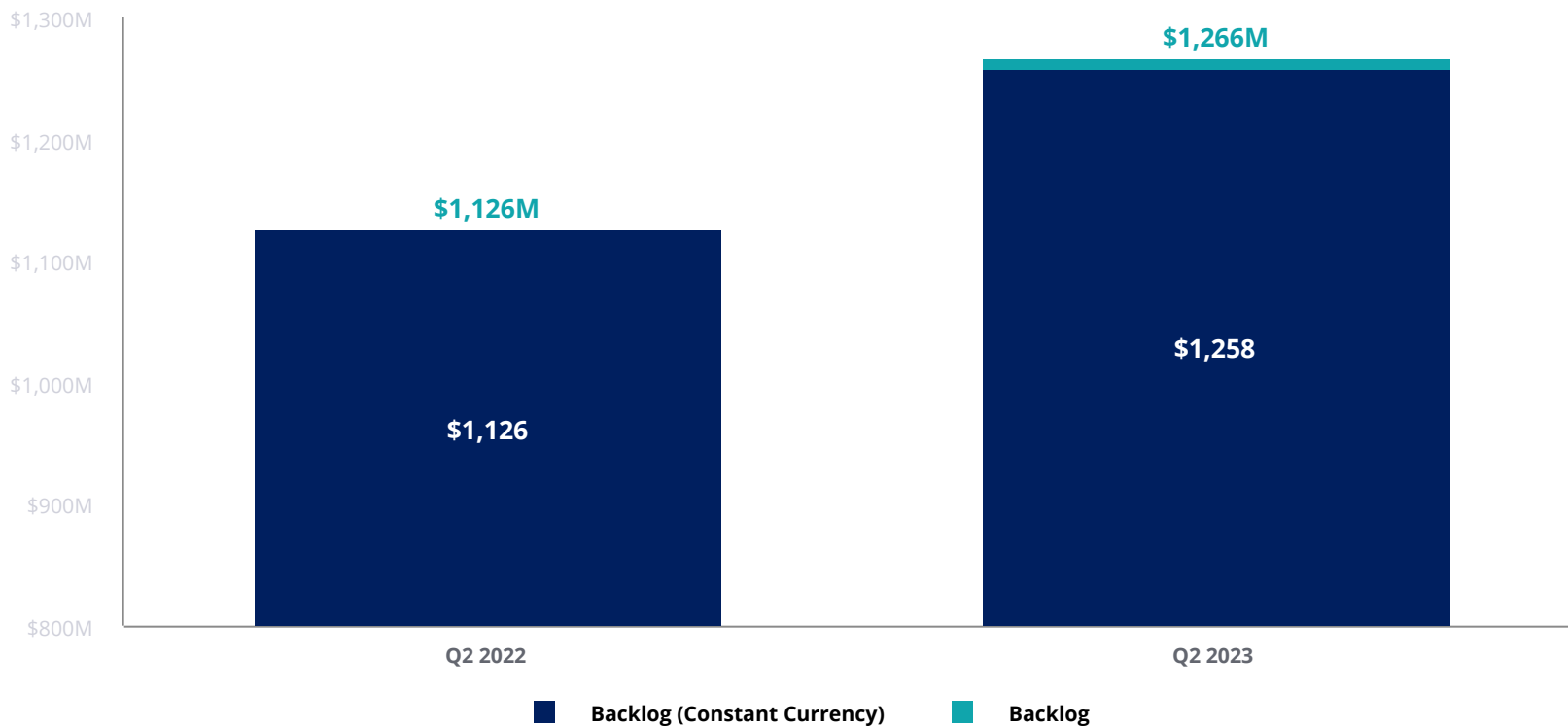
Improving Cash Flow

Record Cash Flow in First Half of 2023



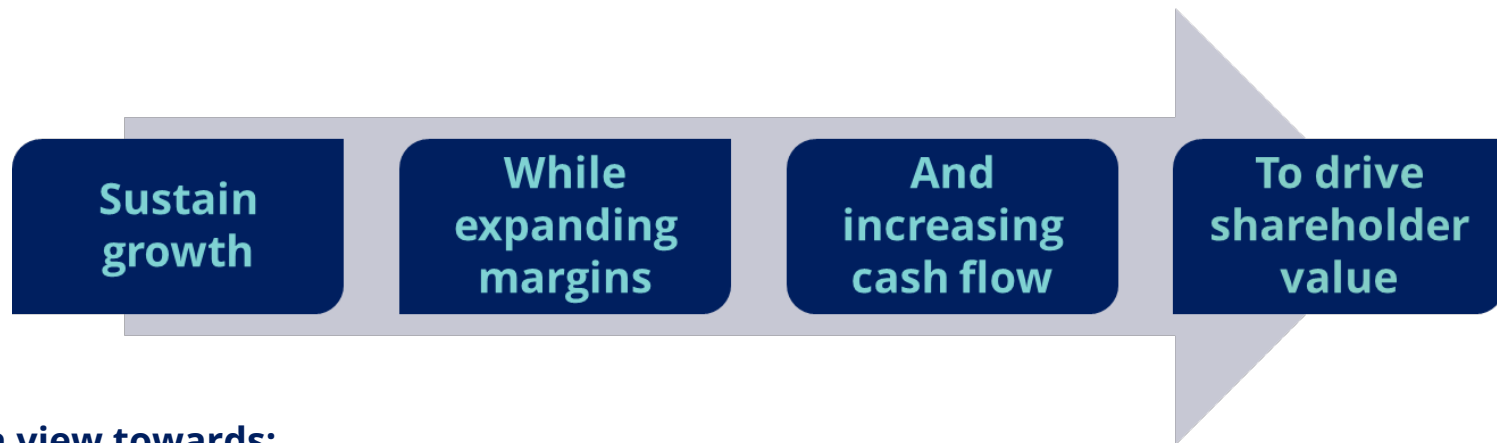
Backlog

Total Backlog Up 12% as Reported (12% Constant Currency)



What Does this All Mean?

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



With a view towards:

- Continuing our technology leadership
- Improving sales productivity
- Executing our target organization go-to-market strategy
- Driving ACV growth
- Leveraging Cloud Choice differentiation
- Balancing growth & margin
- “Rule of 40”

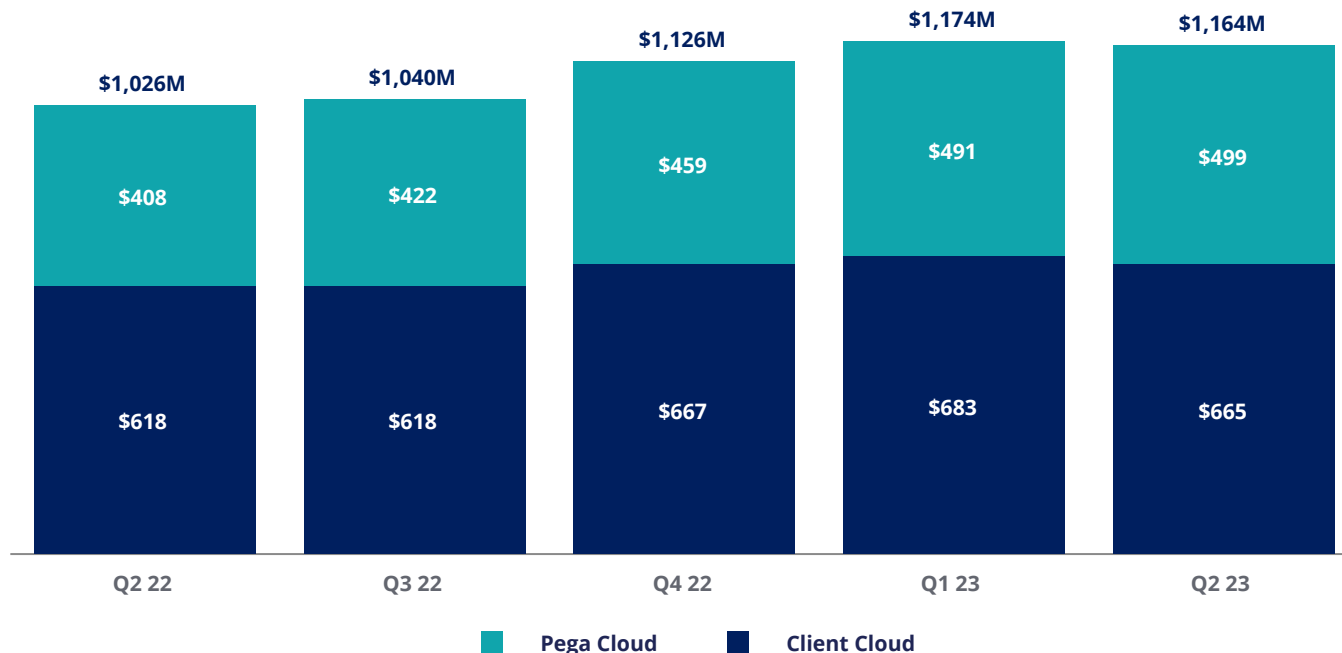


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High Growth, Recurring Subscription Model

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

Q2 2023 vs Q2 2022 Growth



Total ACV: 13%

Pega Cloud ACV: 22%

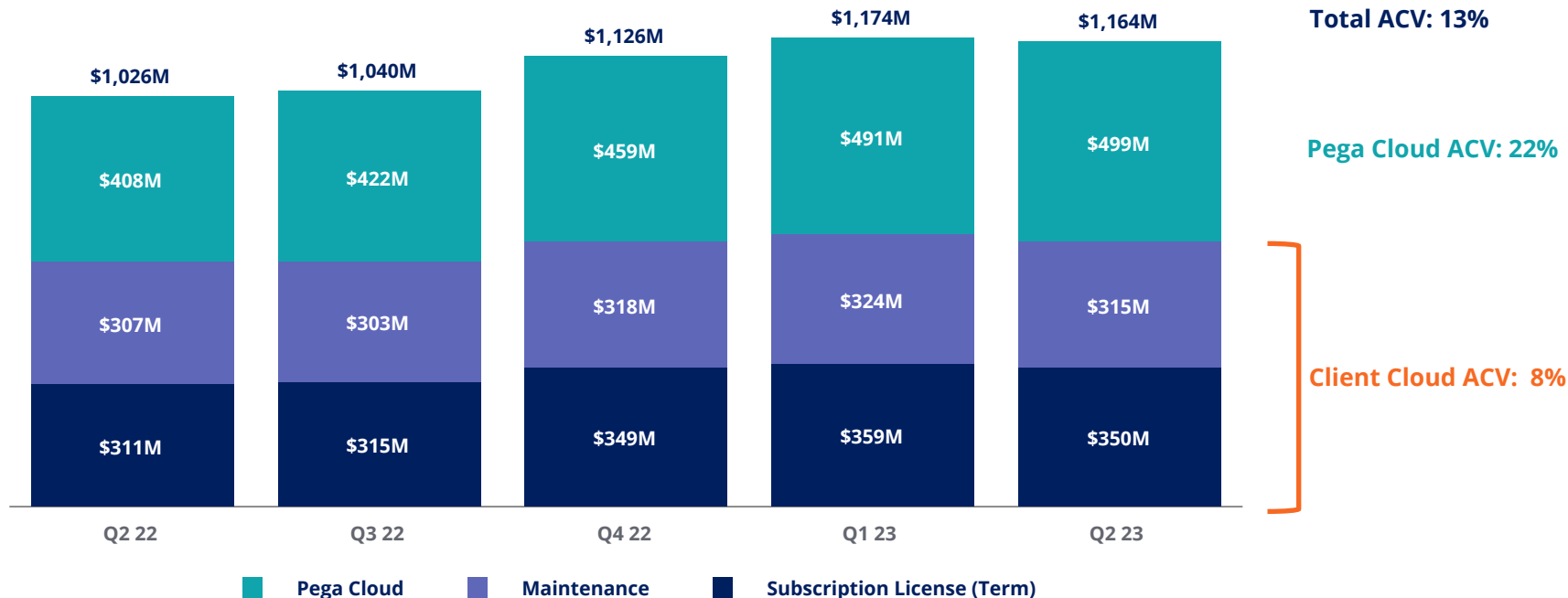
Client Cloud ACV: 8%

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. ACV is a performance measure that we believe provides useful information to our management and investors. In 2023, we changed our ACV calculation methodology for maintenance and all contracts less than 12 months to align with other contract types. Previously disclosed ACV amounts have been updated to allow for comparability.

High Growth, Recurring Subscription Model

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

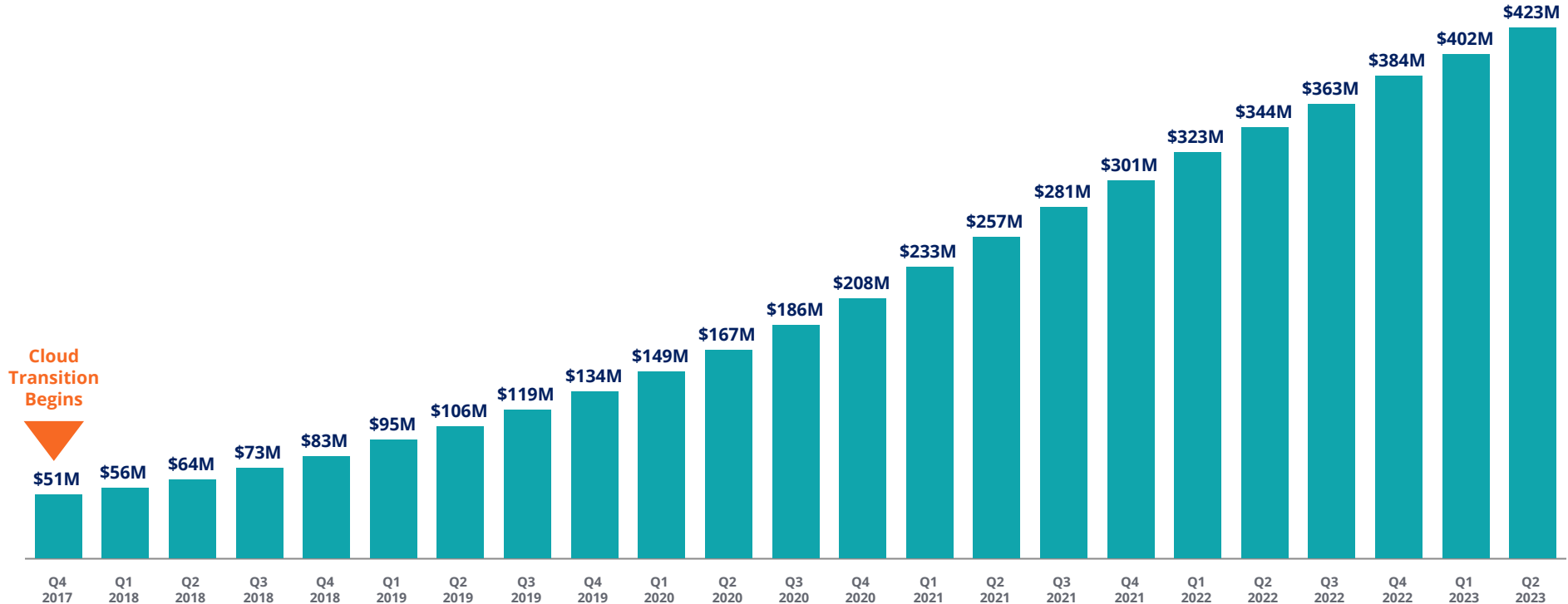
Q2 2023 vs Q2 2022 Growth



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. ACV is a performance measure that we believe provides useful information to our management and investors. In 2023, we changed our ACV calculation methodology for maintenance and all contracts less than 12 months to align with other contract types. Previously disclosed ACV amounts have been updated to allow for comparability.

Fastest Growing Revenue Stream is Pega Cloud

Trailing 12 Months Pega Cloud Revenue

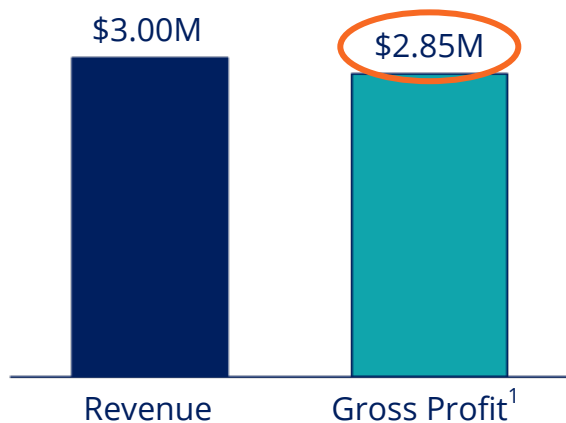


Gross Profit Dollars: Client Cloud vs Pega Cloud

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

Client Cloud

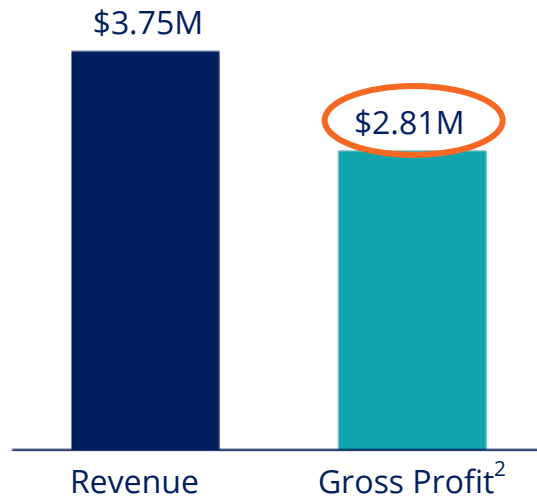
3-Year Deal; ACV = \$1M



(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

Free Cash Flow Reconciliation

(in thousands)

Cash provided by (used in) operating activities

Investment in property and equipment

Legal fees

Restructuring

Interest on convertible senior notes

Other

Free cash flow

Six Months Ended June 30,				
2023		2022		Change
\$	113,752	\$	(5,069)	*
	(13,933)		(11,863)	
	2,950		26,437	
	17,521		—	
	2,250		2,250	
	—		167	
\$	122,540	\$	11,922	928 %

* not meaningful

Our non-GAAP free cash flow measures reflect the following adjustments:

- Investment in property and equipment: Investment in property and equipment fluctuates in amount and frequency and is significantly affected by the timing and size of investments in our facilities. We believe excluding these amounts provides a useful comparison of our operational performance in different periods.
- Legal fees: Includes legal and related fees arising from proceedings outside the ordinary course of business. We believe excluding these amounts from our non-GAAP financial measures is useful to investors as the disputes giving rise to them are not representative of our core business operations and ongoing operational performance.
- Restructuring: We have excluded restructuring from our non-GAAP financial measures. Restructuring fluctuates in amount and frequency and is significantly affected by the timing and size of our restructuring activities. We believe excluding the impact from our non-GAAP financial measures is useful to investors as these amounts are not representative of our core business operations and ongoing operational performance.
- Interest on convertible senior notes: In February 2020, we issued convertible senior notes, due March 1, 2025, in a private placement. We believe excluding the interest payments provides a useful comparison of our operational performance in different periods.
- Other: We have excluded fees incurred due to the cancellation of in-person sales and marketing events, and incremental expenses incurred from the integration of acquisitions. We believe excluding these amounts from our non-GAAP financial measures is useful to investors as the types of events giving rise to them are not representative of our core business operations and ongoing operating performance.