Safe Harbor Statement
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 represent our views 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 Q4 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, 2023 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 included 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 expressly disclaimer any obligation to publicly update or revise these forward-looking statements, whether as the result of new information, future events, or otherwise. Any forward-looking statements in this presentation represent our views as of February 14, 2024.

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 that these measures help investors understand our core operating results and prospects, which is consistent with how management measures and forecasts our performance without the effect of often one-time charges and other items outside our normal operations. They are not a substitute for financial measures prepared under U.S. GAAP. Constant currency measures are calculated by applying the Q4 2022 foreign exchange rates to all periods shown. Reconciliations of GAAP and non-GAAP measures are in the Company’s press release announcing its Q4 2023 results and 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 to unleash enterprise potential

OUR SOFTWARE
Enterprise AI decisioning and workflow automation platform

WHAT WE DO
Unlock business-transforming outcomes
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.

Scaleable 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.

Our Solutions are organized into 3 Engagement Strategies

<table>
<thead>
<tr>
<th>1:1 Customer Engagement</th>
<th>Customer Service</th>
<th>Intelligent Automation</th>
</tr>
</thead>
<tbody>
<tr>
<td>ADAPT WITH EASE</td>
<td>AUTOMATE &amp; SAVE TIME</td>
<td>MAXIMIZE VALUE</td>
</tr>
<tr>
<td>Adapt instantly</td>
<td>Resolve issues faster</td>
<td>Streamline experiences</td>
</tr>
<tr>
<td>Personalize for long term loyalty</td>
<td>Find new ways to cut costs</td>
<td>Automate workflows at scale</td>
</tr>
<tr>
<td>Engage with empathy</td>
<td>Increase revenue &amp; retention</td>
<td>Build critical apps fast</td>
</tr>
</tbody>
</table>

Why we’re different

<table>
<thead>
<tr>
<th>1:1 Customer Engagement</th>
<th>Customer Service</th>
<th>Intelligent Automation</th>
</tr>
</thead>
<tbody>
<tr>
<td>489% ROI &lt; 6 months</td>
<td>298% ROI &lt; 6 months</td>
<td>186% - 598% ROI &lt; 3-12 months</td>
</tr>
</tbody>
</table>
The world’s leading enterprise-scale organizations are using Pega to connect workflows and interactions across the customer lifecycle:

**Communications service providers**
- Customer engagement
- Order management
- Customer service
- Shared service
- Service assurance
- Network operations

**Financial services**
- Customer engagement
- Onboarding & KYC
- Lending
- Customer service
- Bank operations
- Payment exceptions
- Financial crime

**Government**
- Licensing
- Investigative case management
- Grants & financial management
- Acquisition & supply chain modernization
- Citizen service
- Enterprise modernization

**Healthcare**
- Consumer engagement
- Onboarding & enrollment
- Customer service
- Core operations
- Care management services

**Insurance**
- Customer engagement
- Sales
- Distribution
- Service excellence
- Underwriting
- Claims

**Manufacturing**
- Customer engagement
- Onboarding
- Captive lending
- Aftermarket services
- Enterprise operations
Driving Growth and Free Cash Flow

**Founded:** 1983  
**HQ:** Cambridge, MA  
**Employees:** 5,000+

2023

11%  
**ACV Growth**

21%  
**Pega Cloud ACV Growth**

$201M  
**Free Cash Flow** *(1)*

*(1)* For the Year Ended December 31, 2023. Starting in the third quarter of 2023, the Company calculated free cash flow as cash provided by operating activities less investments in property and equipment. To ensure comparability, previously disclosed amounts have been updated. For more information, refer to the reconciliation included later in this investor presentation.
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

Key Investment Highlights

• Growing enterprise software company, with a view towards a $89B+ 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
• 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.
Pega Infinity™

1:1 Customer Engagement
Customer Service
Intelligent Automation

MAKE DECISIONS
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™
Unlock Business-Transforming Outcomes
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

Intelligent technology

Scalable architecture

Rapid innovation
Pega’s Technology Difference

Architected differently to maximize revenue and efficiency at enterprise scale

**Put decisions and workflow at the center**
With Pega's Center-out business architecture

**Build layers of reuse and variation**
With Pega's patented Situational Layer Cake

**Personalize experiences and optimize workflows**
With Pega's real-time AI

- Automate across systems and channels to streamline the total experience
- Manage variations and adapt instantly for continuous innovation
- Drive empathetic, customer-relevant engagement and optimize processes

**Scale across enterprise needs**
With Pega’s enterprise-grade low-code platform, App Factory, and Process Fabric

From governed citizen development to the most mission-critical processes
Analysts recognize Pega as a leader for our enterprise AI decisioning and workflow automation platform.

- **Real-Time Interaction Management**
  - Forrester

- **CRM Customer Engagement Center**
  - Gartner

- **Robotic Process Automation**
  - Forrester

- **Core CRM Solutions**
  - Forrester
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
- 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?

<table>
<thead>
<tr>
<th>CLIENT</th>
<th>ILLUSTRATIVE USE CASE</th>
<th>IMPACT AND RESULT</th>
</tr>
</thead>
<tbody>
<tr>
<td>1:1 Customer Engagement</td>
<td>Retain customers</td>
<td>• 50 million next best action conversations delivered across 18 channels</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• +12 lead in NPS over the competition</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Read more</td>
</tr>
<tr>
<td>Customer Service</td>
<td>Reduce costs &amp; improve service</td>
<td>• Served over 40 million consumers</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• 100 processes automated</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Dropped average handling time (AHT) by 3 minutes</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• 11-point increase in net promoter score (NPS)</td>
</tr>
<tr>
<td>Intelligent Automation</td>
<td>Streamline processes &amp; reduce costs</td>
<td>• Implemented Pega in over 80 countries</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• 85,000 global users are using 22 Pega applications</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Consolidated legacy workflows and business process management across Siemens</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Read more</td>
</tr>
</tbody>
</table>
Financial Details
Financial Outlook

- Massive Market Opportunity
- Subscription Journey
- Recurring Model
- Margin Expansion Opportunities
Pursuing a Massive Market Opportunity in Platform & CRM

FY 24
$89B+

FY 26
$119B+

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
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, the Company revised its ACV methodology for maintenance and all contracts less than 12 months as its overall client renewal rate exceeds 90%. The impact of the change was $3 million or 0.3% of Total ACV or less for all quarters in 2022. Previously disclosed ACV amounts have been updated to allow for comparability.
Cash Flow Growth

Note: Starting in the third quarter of 2023, the Company calculated free cash flow as cash provided by operating activities less investments in property and equipment. To ensure comparability, previously disclosed amounts have been updated. For additional information refer to explanatory notes on slide 39.
Backlog
Total Backlog Up 8% as Reported (7% Constant Currency)

(1) Growth from December 31, 2022 to December 31, 2023
## 2024 Guidance

As of February 14, 2024, we are providing the following guidance:

### Year Ended December 31, 2024

<table>
<thead>
<tr>
<th>Metric</th>
<th>GAAP</th>
<th>Non-GAAP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual contract value growth</td>
<td>11%</td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>$1.5 Billion</td>
<td>$1.5 Billion</td>
</tr>
<tr>
<td>Diluted earnings per share</td>
<td>$1.18</td>
<td>$2.75</td>
</tr>
<tr>
<td>Cash provided by operating activities</td>
<td>$365 Million</td>
<td></td>
</tr>
<tr>
<td>Free cash flow</td>
<td>$350 Million</td>
<td></td>
</tr>
</tbody>
</table>
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 driven

Sustain growth  While expanding margins  And increasing cash flow  To drive shareholder value
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, the Company revised its ACV methodology for maintenance and all contracts less than 12 months as its overall client renewal rate exceeds 90%. The impact of the change was $3 million or 0.3% of Total ACV or less for all quarters in 2022. Previously disclosed ACV amounts have been updated to allow for comparability.
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, the Company revised its ACV methodology for maintenance and all contracts less than 12 months as its overall client renewal rate exceeds 90%. The impact of the change was $3 million or 0.3% of Total ACV or less for all quarters in 2022. Previously disclosed ACV amounts have been updated to allow for comparability.
Pega Cloud Gross Margin

At or above a 75% gross margin, Pega Cloud generates higher gross profit dollars than Client Cloud in a timeless illustrative model.

75% = Gross Profit Dollars Breakeven Between Pega Cloud and Client Cloud
# Net Income and EPS Guidance Reconciliation *(A) (1 of 2)*

*(in millions)*

<table>
<thead>
<tr>
<th>Description</th>
<th>2024</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Income - GAAP</strong></td>
<td></td>
</tr>
<tr>
<td>Stock-based compensation</td>
<td>$107</td>
</tr>
<tr>
<td>Legal fees</td>
<td>143</td>
</tr>
<tr>
<td>Amortization of intangible assets</td>
<td>15</td>
</tr>
<tr>
<td>Interest on convertible senior notes</td>
<td>3</td>
</tr>
<tr>
<td>Incomes taxes</td>
<td>3</td>
</tr>
<tr>
<td><strong>Net Income taxes</strong></td>
<td>(32)</td>
</tr>
<tr>
<td><strong>Net Income - Non-GAAP</strong></td>
<td>$239</td>
</tr>
<tr>
<td><strong>Diluted earnings per share - GAAP</strong></td>
<td>$1.18</td>
</tr>
<tr>
<td>Non-GAAP adjustments</td>
<td>1.57</td>
</tr>
<tr>
<td><strong>Diluted earnings per share - non-GAAP</strong></td>
<td>$2.75</td>
</tr>
<tr>
<td><strong>Diluted weighted-average number of common shares outstanding - GAAP</strong></td>
<td></td>
</tr>
<tr>
<td>Non-GAAP adjustments</td>
<td>90.7</td>
</tr>
<tr>
<td><strong>Diluted weighted-average number of common shares outstanding - non-GAAP</strong></td>
<td></td>
</tr>
<tr>
<td>Non-GAAP adjustments</td>
<td>(3.7)</td>
</tr>
<tr>
<td><strong>Diluted weighted-average number of common shares outstanding - non-GAAP</strong></td>
<td>87.0</td>
</tr>
</tbody>
</table>

*(A) See explanatory notes on slide 37*
Net Income and EPS Guidance Reconciliation (2 of 2)

Our non-GAAP financial measures reflect the following adjustments:

• **Stock-based compensation:** We have excluded stock-based compensation from our non-GAAP operating expenses and profitability measures. Although stock-based compensation is a key incentive offered to our employees, and we believe such compensation contributed to our revenues recognized during the periods presented and is expected to contribute to our future revenues, we continue to evaluate our business performance, excluding stock-based compensation.

• **Legal fees:** 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 types of events giving rise to them are not representative of our core business operations and ongoing operational performance.

• **Amortization of intangible assets:** We have excluded the amortization of intangible assets from our non-GAAP operating expenses and profitability measures. Amortization of intangible assets fluctuates in amount and frequency and is significantly affected by the timing and size of acquisitions. Investors should note that intangible assets contributed to our revenues recognized during the periods presented and are expected to contribute to future revenues. Amortization of intangible assets is likely to recur in future periods. We believe excluding these amounts provides a useful comparison of our operational performance in different periods.

• **Interest on convertible senior notes:** In February 2020, we issued convertible senior notes, due March 1, 2025, in a private placement. We believe that excluding the amortization of issuance costs provides a useful comparison of our operational performance in different periods.

• **Income taxes:** Our GAAP effective income tax rate is subject to significant fluctuations due to several factors, including our stock-based compensation plans, research and development tax credits, gains and losses on our capped call transactions, and the valuation allowance on our deferred tax assets in the U.S. and U.K. We determine our non-GAAP income tax rate using applicable rates in taxing jurisdictions and assessing certain factors, including historical and forecasted earnings by jurisdiction, discrete items, and ability to realize tax assets. We believe it is beneficial for our management to review our non-GAAP results consistent with our annual plan’s effective income tax rate as established at the beginning of each year, given tax rate volatility.

• **Diluted weighted-average number of common shares outstanding:**

  Capped call transactions: In periods of GAAP income, the shares that would be issued if the Company’s Convertible Senior Notes were fully converted to common shares are included in the diluted weighted-average shares outstanding. The capped call transactions are expected to reduce common stock dilution and/or offset any potential cash payments the Company must make, other than for principal and interest, upon conversion of the convertible senior notes, with such reduction and/or offset subject to a cap of $196.44. We believe that including the expected impact of the capped call transactions in our non-GAAP financial measures provides a useful comparison of our operational performance in different periods.
# Gross Margin and % of Revenue Reconciliation

## Trailing 12 Months

<table>
<thead>
<tr>
<th></th>
<th>Twelve Months Ended</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>December 31, 2023</td>
<td>December 31, 2022</td>
<td></td>
</tr>
<tr>
<td><strong>Gross Margin - GAAP</strong></td>
<td>74 %</td>
<td>72 %</td>
<td></td>
</tr>
<tr>
<td>Stock-Based Compensation</td>
<td>2 %</td>
<td>2 %</td>
<td></td>
</tr>
<tr>
<td><strong>Gross Margin - Non-GAAP</strong></td>
<td>76 %</td>
<td>74 %</td>
<td></td>
</tr>
<tr>
<td><strong>Pega Cloud Gross Margin - GAAP</strong></td>
<td>74 %</td>
<td>70 %</td>
<td></td>
</tr>
<tr>
<td>Stock-Based Compensation</td>
<td>1 %</td>
<td>— %</td>
<td></td>
</tr>
<tr>
<td><strong>Pega Cloud Gross Margin - Non-GAAP</strong></td>
<td>75 %</td>
<td>70 %</td>
<td></td>
</tr>
<tr>
<td><strong>Sales and Marketing as % of Revenue - GAAP</strong></td>
<td>39 %</td>
<td>47 %</td>
<td></td>
</tr>
<tr>
<td>Stock-Based Compensation</td>
<td>(4) %</td>
<td>(4) %</td>
<td></td>
</tr>
<tr>
<td><strong>Sales and Marketing as % of Revenue - Non-GAAP</strong></td>
<td>35 %</td>
<td>43 %</td>
<td></td>
</tr>
<tr>
<td><strong>Research and Development as % of Revenue - GAAP</strong></td>
<td>21 %</td>
<td>22 %</td>
<td></td>
</tr>
<tr>
<td>Stock-Based Compensation</td>
<td>(3) %</td>
<td>(2) %</td>
<td></td>
</tr>
<tr>
<td><strong>Research and Development as % of Revenue - Non-GAAP</strong></td>
<td>18 %</td>
<td>20 %</td>
<td></td>
</tr>
</tbody>
</table>

The non-GAAP measures reflect the following adjustment:

- Stock-based compensation: We have excluded stock-based compensation from our non-GAAP operating expenses and profitability measures. Although stock-based compensation is a key incentive offered to our employees, and we believe such compensation contributed to our revenues recognized during the periods presented and is expected to contribute to our future revenues, we continue to evaluate our business performance, excluding stock-based compensation.
Operating and Free Cash Flow Reconciliation (1)

<table>
<thead>
<tr>
<th>Guidance</th>
<th>2024</th>
<th>Margin (2)</th>
<th>2023</th>
<th>Margin (2)</th>
<th>2022</th>
<th>Margin (2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash provided by operating activities</td>
<td>$365,000</td>
<td>24 %</td>
<td>$217,785</td>
<td>15 %</td>
<td>$22,336</td>
<td>2 %</td>
</tr>
<tr>
<td>Investment in property and equipment</td>
<td>(15,000)</td>
<td></td>
<td>(16,781)</td>
<td></td>
<td>(35,379)</td>
<td></td>
</tr>
<tr>
<td>Free cash flow</td>
<td>$350,000</td>
<td>23 %</td>
<td>$201,004</td>
<td>14 %</td>
<td>$13,043</td>
<td>1 %</td>
</tr>
<tr>
<td>Supplemental information (3)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restructuring</td>
<td>$7,000</td>
<td></td>
<td>$29,401</td>
<td></td>
<td>—</td>
<td></td>
</tr>
<tr>
<td>Legal fees</td>
<td>15,000</td>
<td></td>
<td>14,645</td>
<td></td>
<td>41,789</td>
<td></td>
</tr>
<tr>
<td>Interest on convertible senior notes</td>
<td>5,000</td>
<td></td>
<td>4,134</td>
<td></td>
<td>4,500</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>—</td>
<td></td>
<td>601</td>
<td></td>
<td>6,805</td>
<td></td>
</tr>
<tr>
<td>Income taxes</td>
<td>26,000</td>
<td></td>
<td>11,664</td>
<td></td>
<td>7,645</td>
<td></td>
</tr>
<tr>
<td>Effect of supplemental information to Rule of 40 achievement (4)</td>
<td>$53,000</td>
<td>4 %</td>
<td>$60,445</td>
<td>4 %</td>
<td>$60,739</td>
<td>5 %</td>
</tr>
</tbody>
</table>

(1) Our non-GAAP free cash flow is defined as cash provided by operating activities less 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 provide information on free cash flow to enable investors to assess our ability to generate cash without incurring additional external financings. This information is not a substitute for financial measures prepared under U.S. GAAP. Starting in the third quarter of 2023, the Company calculated free cash flow as cash provided by operating activities less investments in property and equipment. To ensure comparability, previously disclosed amounts have been updated.

(2) Operating and free cash flow margin are calculated by comparing the respective cash flow to total revenue.

(3) The supplemental information discloses items that affect our cash flows and are considered by management not to be representative of our core business operations and ongoing operational performance.

- Restructuring: Restructuring fluctuates in amount and frequency and is significantly affected by the timing and size of our restructuring activities.
- Legal fees: Legal and related fees arising from proceedings outside the ordinary course of business.
- Interest on convertible senior notes: In February 2020, we issued convertible senior notes, due March 1, 2025, in a private placement. The Notes accrue interest at an annual rate of 0.75%, payable semi-annually in arrears on March 1 and September 1.
- Other: Fees related to capital advisory services, canceled in-person sales and marketing events, and incremental costs incurred integrating acquisitions.
- Income taxes: Direct income taxes paid net of refunds received.

(4) Rule of 40: A performance metric calculated by adding the annual contract value ("ACV") growth rate and the free cash flow margin. We also provide a table of supplemental information of other items that affect our cash flows and Rule of 40 achievement.