



Pegasystems Investor Presentation Q4 2024

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February 12, 2025



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. These statements 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 2024 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, 2024 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 disclaim 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 12, 2025.

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. Management uses these measures to assess the performance of the company's operations and establish operational goals and incentives. They are not a substitute for financial measures prepared under U.S. GAAP. Constant currency measures are calculated by applying the December 31, 2023 foreign exchange rates to all periods shown. Reconciliations of GAAP and non-GAAP measures are in the Company's press release announcing its Q4 2024 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

What we do

UNLOCK BUSINESS-TRANSFORMING OUTCOMES

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

Customer Service

AUTOMATE & SAVE TIME

Resolve issues faster | Find new ways to cut costs | Increase revenue & retention

Workflow Automation

MAXIMIZE VALUE

Streamline experiences | Automate workflows at scale | Build critical apps fast

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.

Personalize
Engagement

Automate
Customer Service

Streamline
Operations

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: Waltham, MA
Employees: 5,000+

2024

11%

ACV Growth
(in constant currency)⁽¹⁾

21%

Pega Cloud ACV Growth
(in constant currency)⁽¹⁾

\$338M

YTD Free Cash Flow ⁽²⁾

(1) Constant currency change since December 31, 2023.

(2) 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.

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

- Growing enterprise software company, with a view towards a **\$90B+ 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
- Managing the business with a **Rule of 40** mindset



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

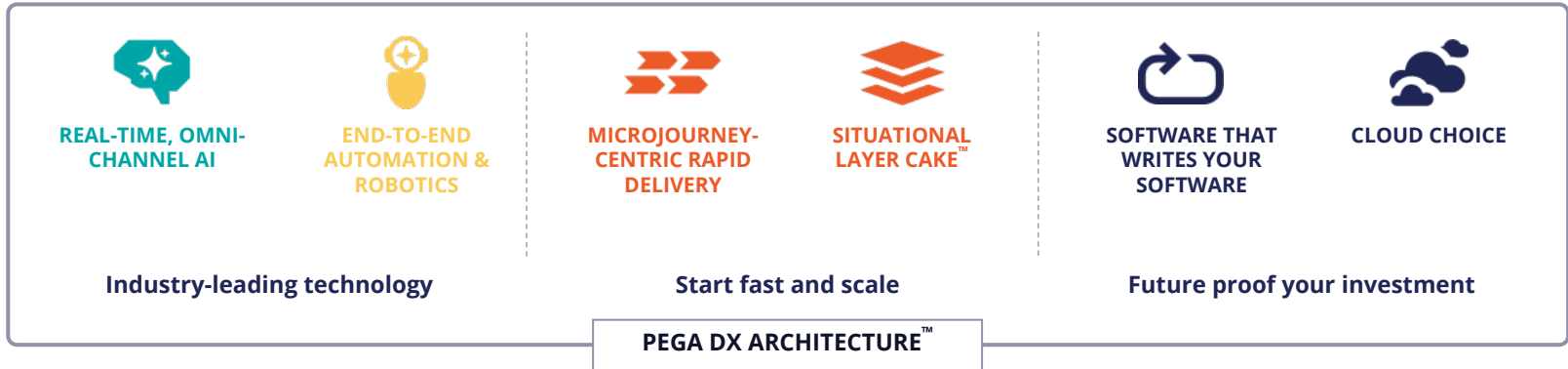
Making customer and employee-facing processes more efficient through *end-to-end automation & robotics*



...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 Workflow Automation



Unlock Business-Transforming Outcomes

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

One-to-one
customer
engagement

Maximize customer lifetime value

Customer
service

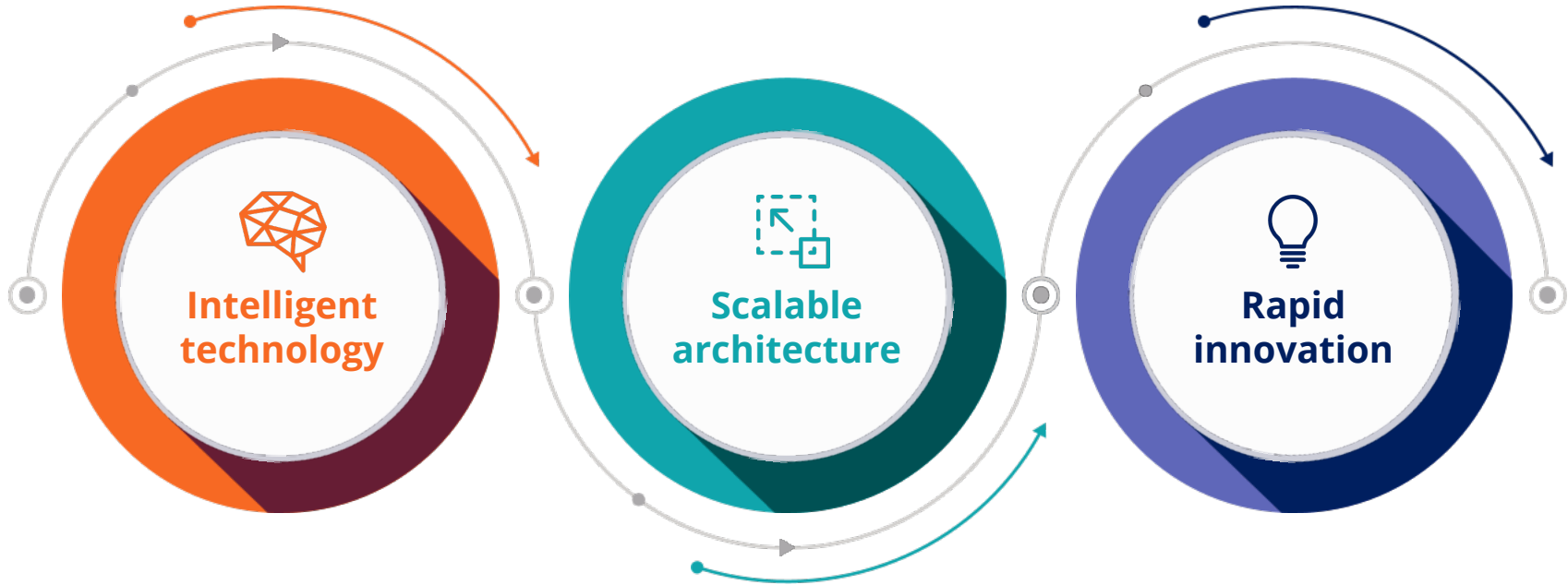
Simplify service and reduce costs

Intelligent
automation

Boost efficiency

So How Do We Do It?

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



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

Automate across systems and channels to streamline the total experience

Build layers of reuse and variation



With Pega's patented Situational Layer Cake

Manage variations and adapt instantly for continuous innovation

Personalize experiences and optimize workflows



With Pega's real-time AI

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

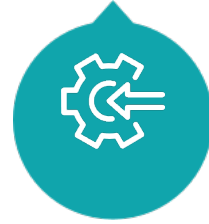
- The Forrester Wave:
Real-Time Interaction Management, Q1, 2024
- Gartner MQ:
CRM Customer Engagement Center, Q4, 2023
- The Forrester Wave:
Robotic Process Automation, Q1, 2023

Business Overview

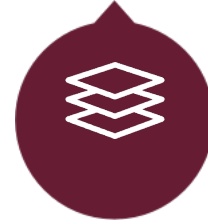
WHY PEGA WINS



**Differentiated
Architecture**



**Ease of
Integration**



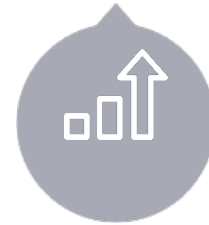
**Depth of Platform
Functionality**



**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**

**Workflow
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		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 <p>Read more https://www.pega.com/customers/cba-marketing</p>
Customer Service		Inquire into account info	<ul style="list-style-type: none">• Served over 40 million consumers• 100 processes automated• Dropped average handling time (AHT) by 3 minutes• 11-point increase in net promoter score (NPS) <p>Read more https://www.pega.com/insights/resources/anthem-now-elevance-health-creates-next-generation-service-desktop-pega</p>
Workflow Automation		Streamline processes & reduce costs	<ul style="list-style-type: none">• Implemented Pega in over 80 countries• 85,000 global users are using 22 Pega applications• Consolidated legacy workflows and business process management across Siemens <p>Read more https://www.pega.com/customers/siemens</p>

Financial Details

Financial Outlook



Massive Market Opportunity



Subscription Journey



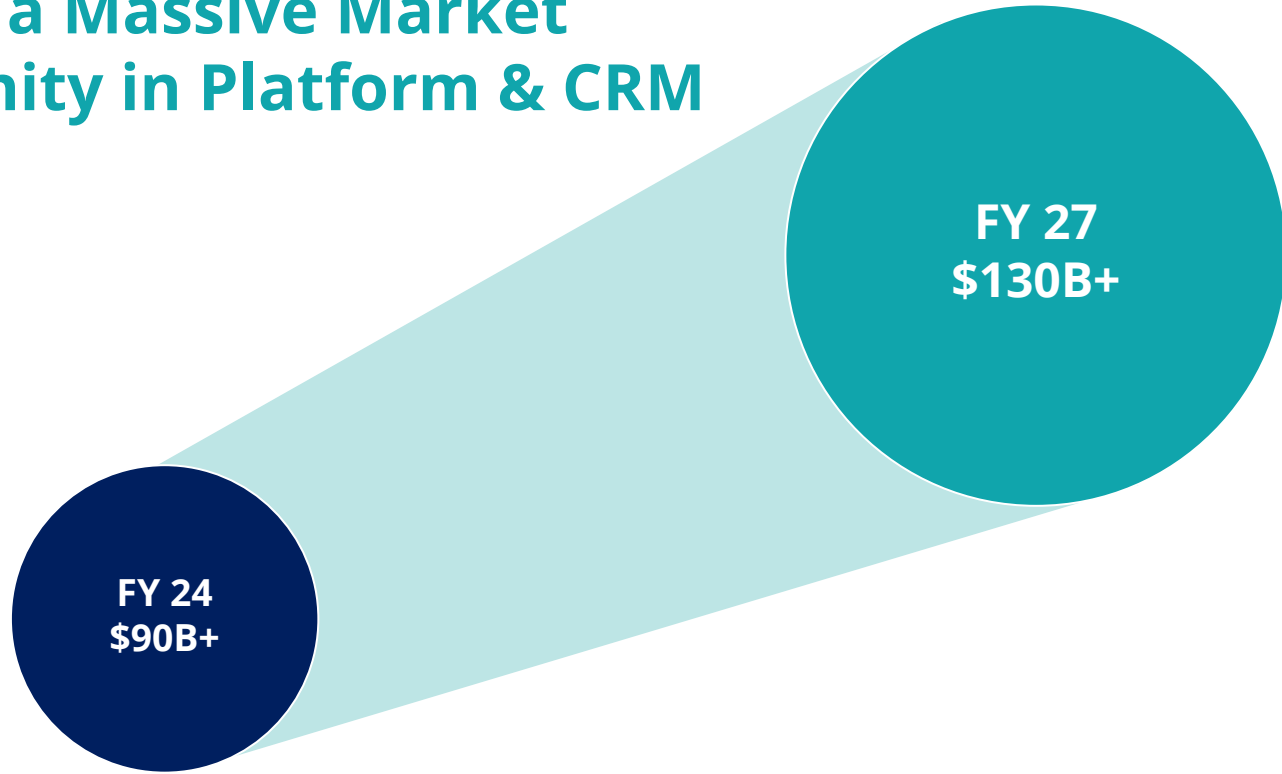
Recurring Model



Margin Expansion Opportunities



Pursuing a Massive Market Opportunity in Platform & CRM



Source: IDC Worldwide ICT Spending Guide (Feb. 2024)

Subscription Journey

From...

Perpetual ▶

Less Predictable ▶

Lagging Growth & Margins ▶

To...

▶ Recurring

▶ More Predictable

▶ Rule of 40 Driven

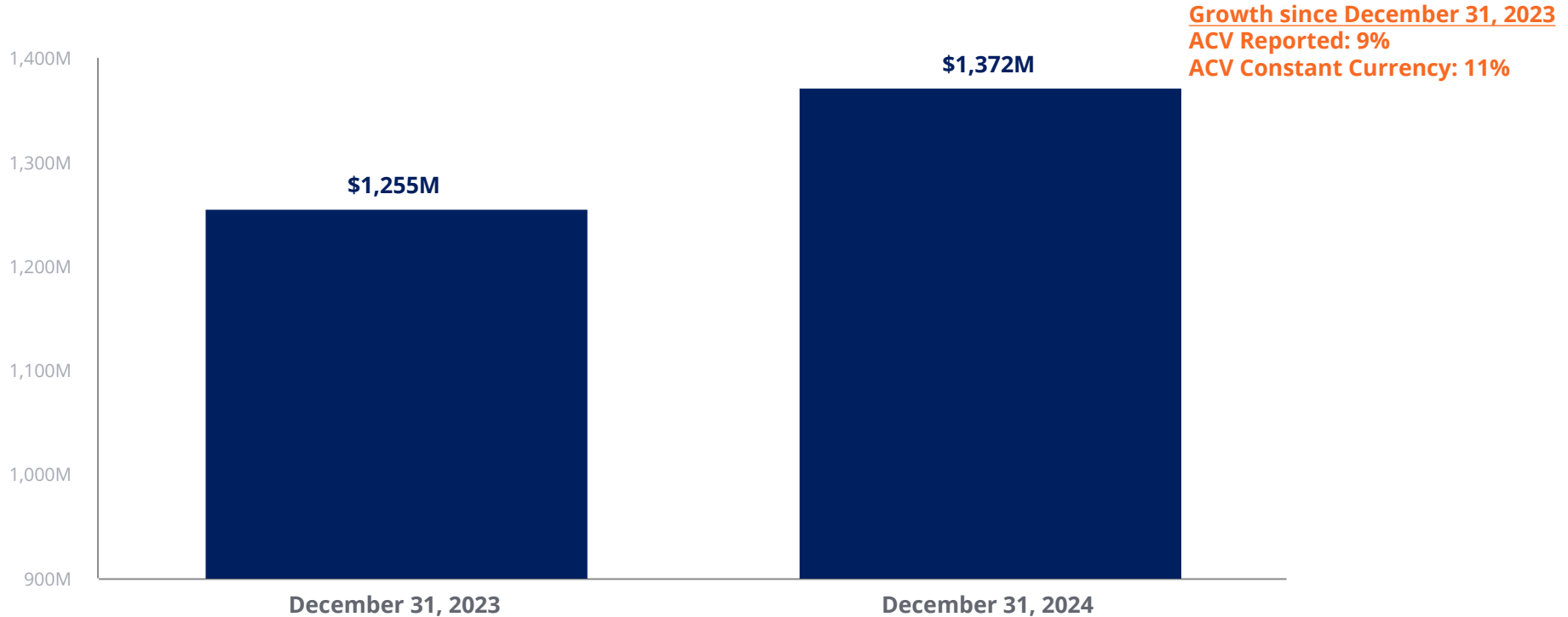
SUBSCRIPTION
TRANSITION
TIMELINE

2017

2023

Recurring Subscription Model

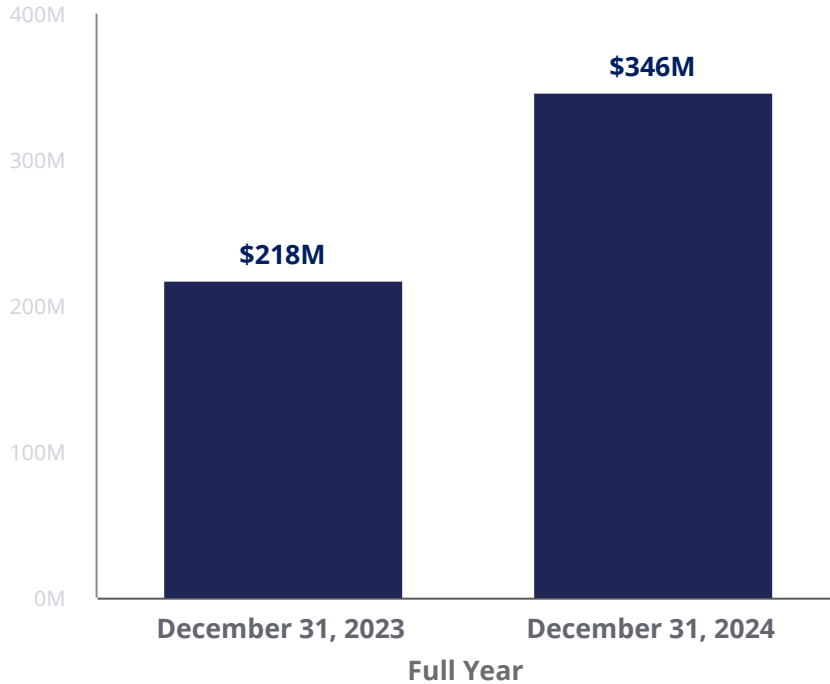
Annual Contract Value (ACV)



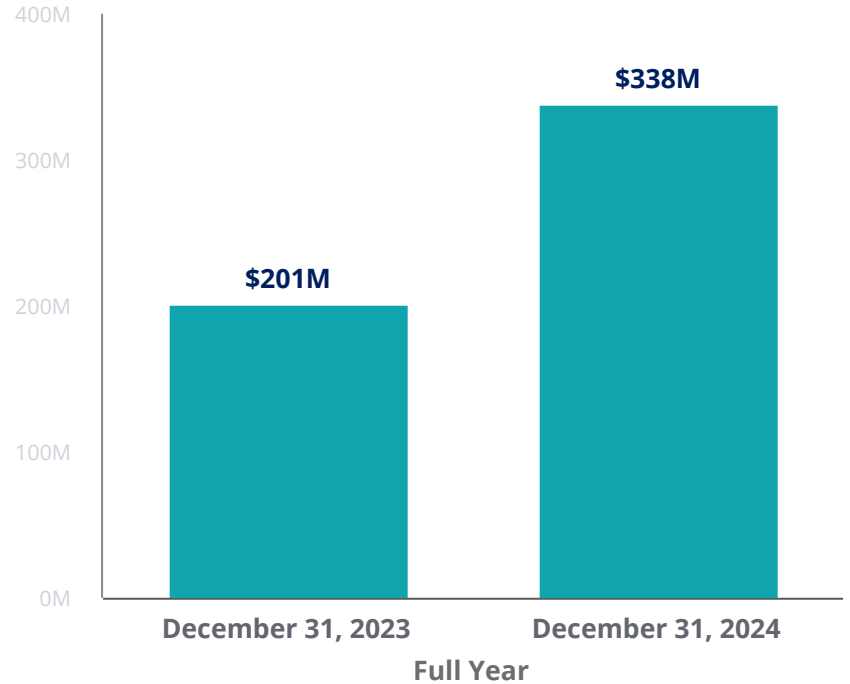
Annual Contract Value ("ACV") represents the annualized value of our active contracts as of the measurement date. The contract's total value is divided by its duration in years to calculate ACV. ACV is a performance measure that we believe provides useful information to our management and investors.

Cash Flow Growth

Operating Cash Flow



Free Cash Flow



Note: For additional information refer to explanatory notes on slide [35](#)

2025 Guidance

As of February 12, 2025, we are providing the following guidance:

Year Ended December 31, 2025	
Annual contract value growth	12%

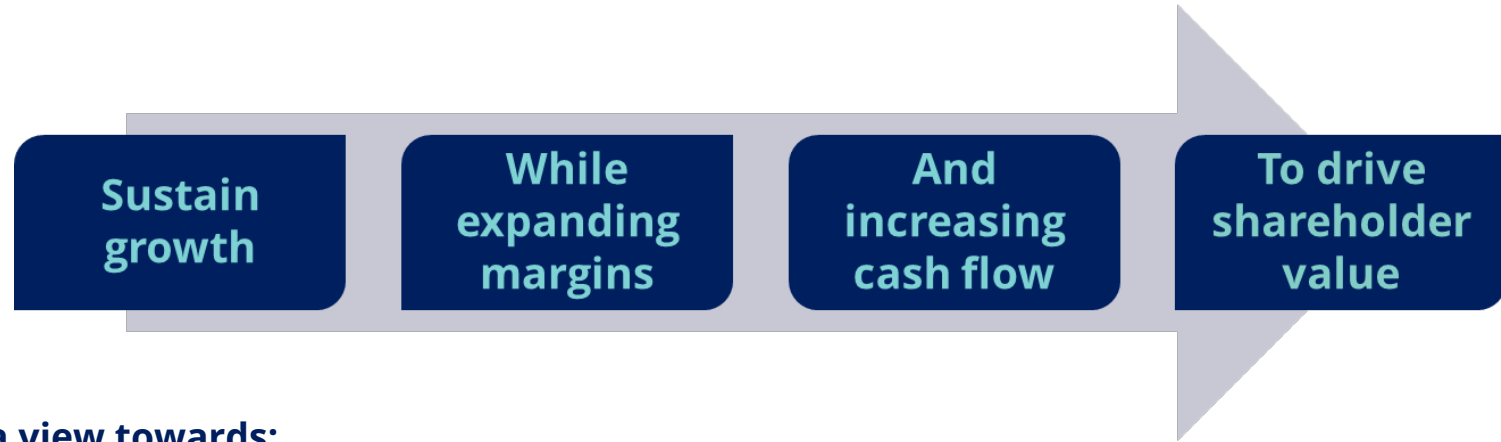
	Year Ended December 31, 2025	
	GAAP	Non-GAAP
Revenue	\$1.6 Billion	\$1.6 Billion
Diluted earnings per share	\$1.60	\$3.10

Year Ended December 31, 2025	
Cash provided by operating activities	\$455 Million
Free cash flow	\$440 Million

Note: See a reconciliation of our GAAP to Non-GAAP guidance on slide [36](#)

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 Pega Cloud
- Balancing growth & margin
- Rule of 40 driven



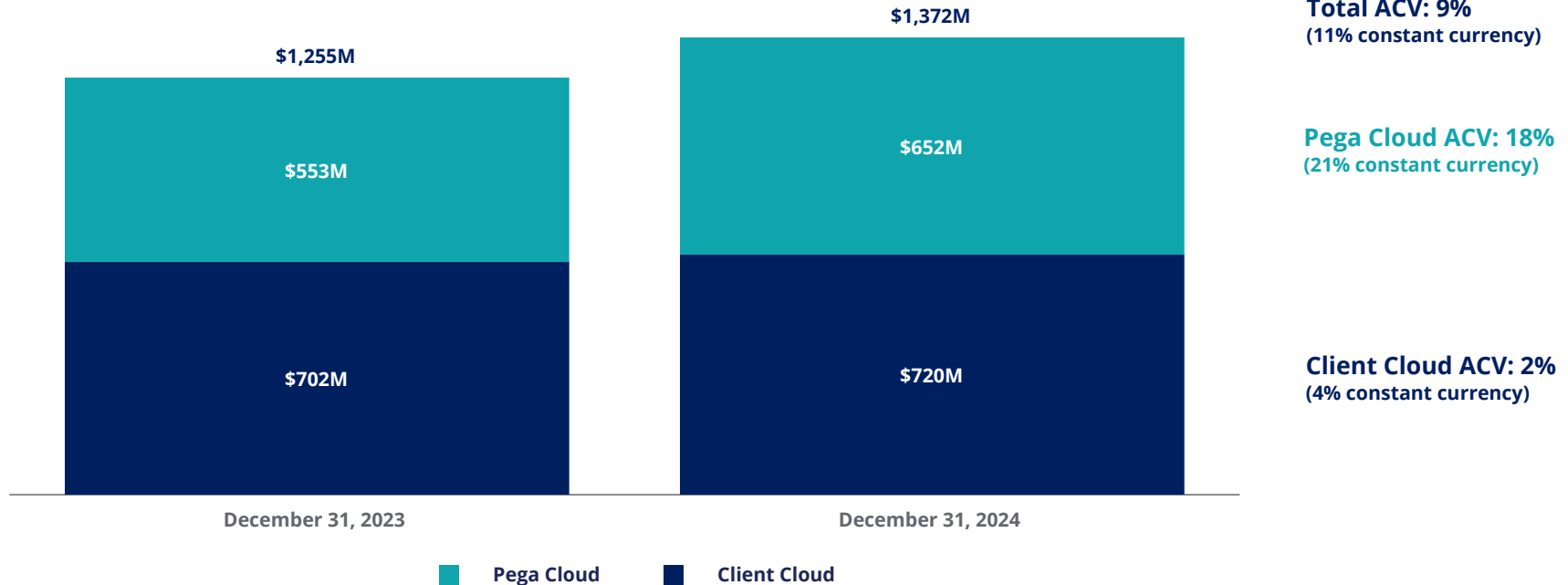
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Reported ACV

Pega Cloud ACV Up 18% as Reported (21% Constant Currency)

Growth since December 31, 2023



Total ACV: 9%
(11% constant currency)

Pega Cloud ACV: 18%
(21% constant currency)

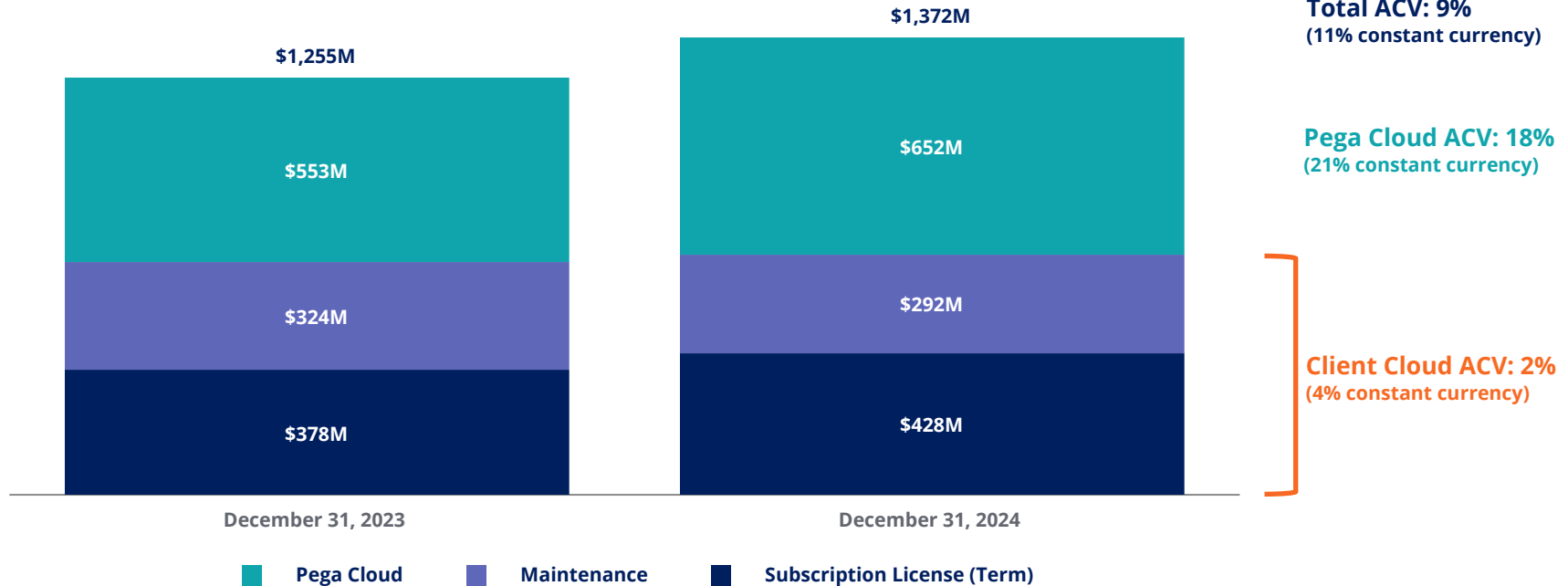
Client Cloud ACV: 2%
(4% constant currency)

Annual Contract 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.

Reported ACV

Pega Cloud, Maintenance, and Subscription License (Term) as Reported

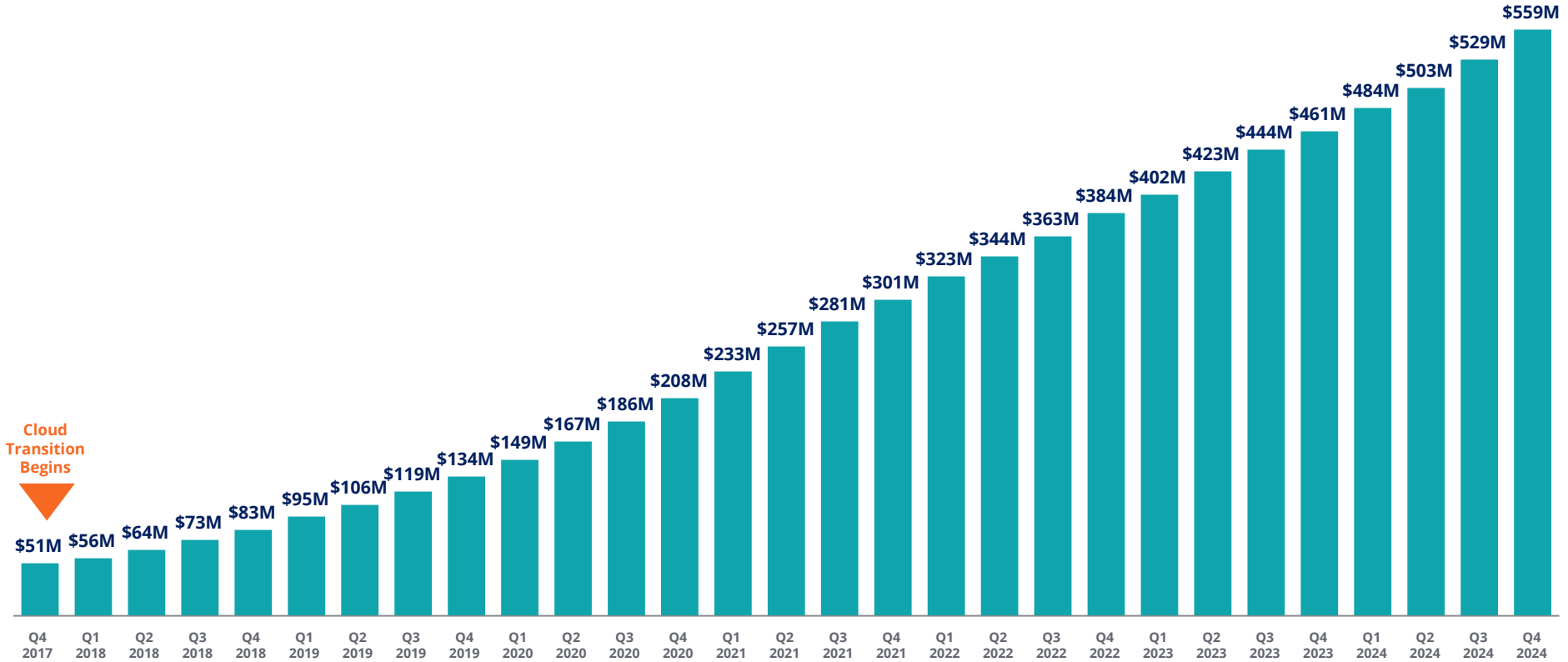
Growth since December 31, 2023



Annual Contract 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.

Pega Cloud Revenue

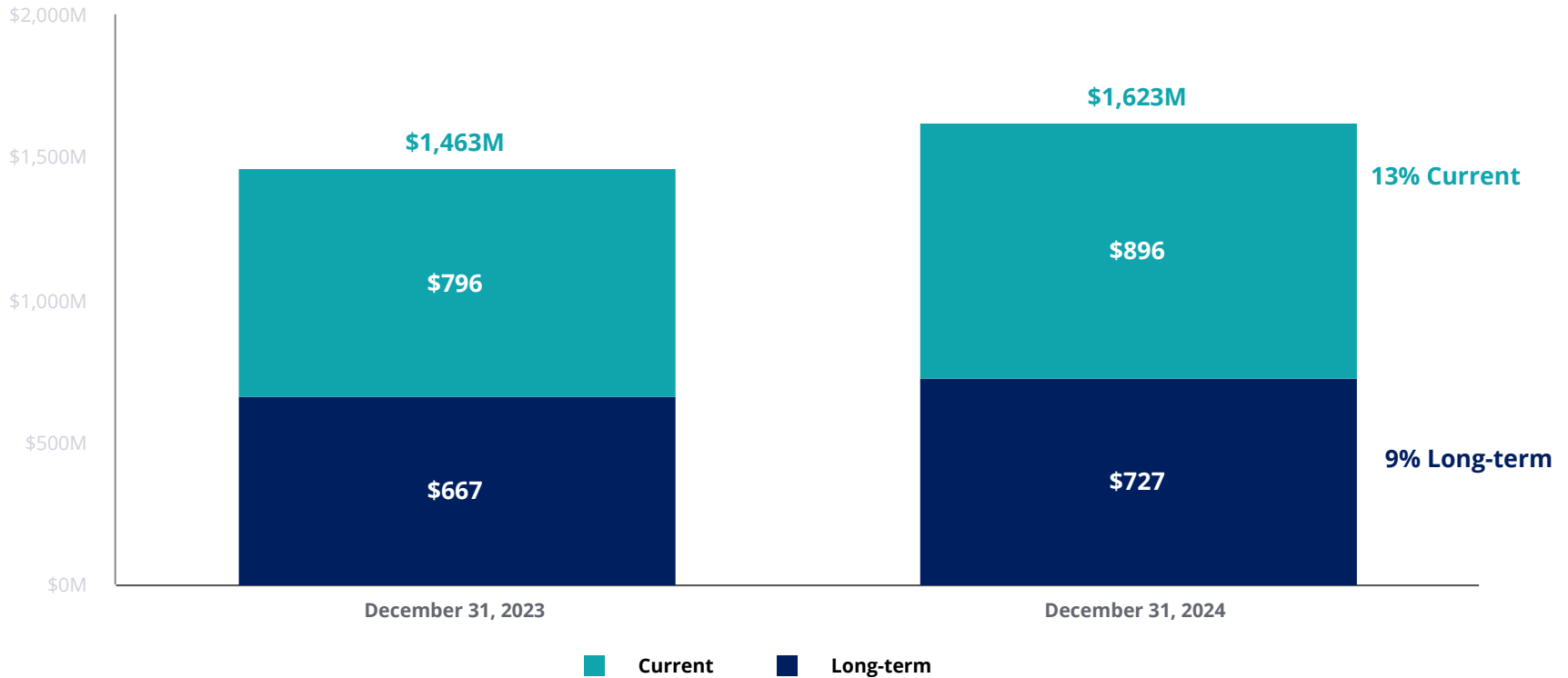
Trailing 12 Months



Reported Backlog

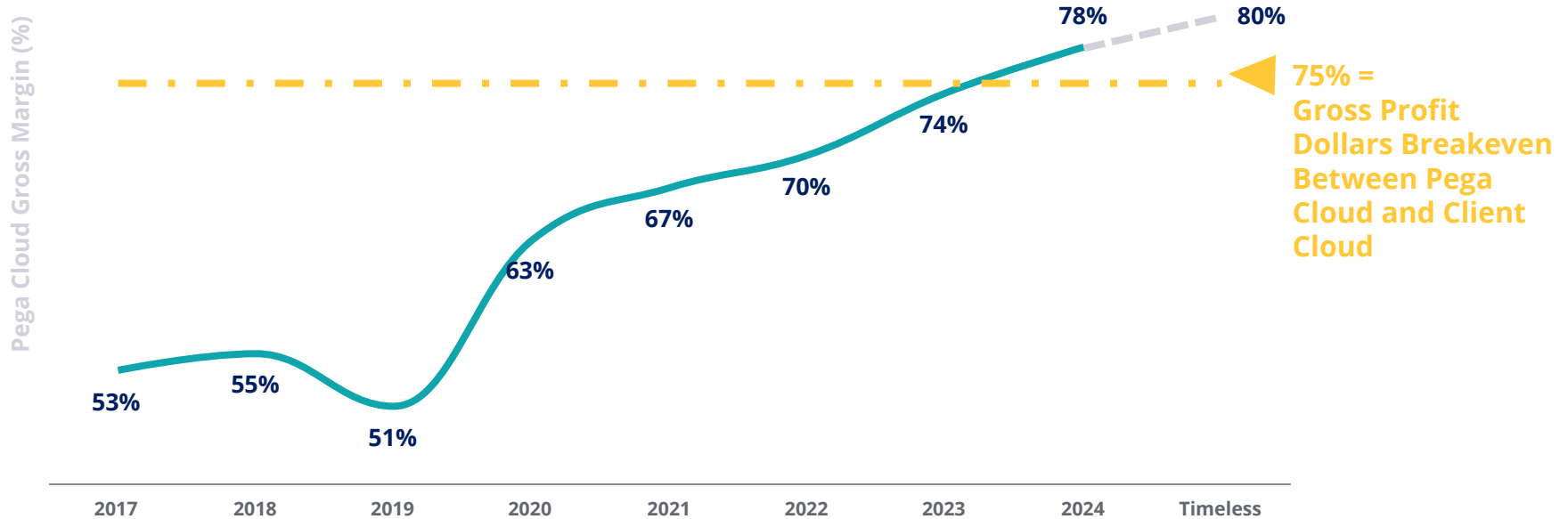
Total Backlog Up 11% as Reported (14% Constant Currency)

*Growth since
December 31, 2023*



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



Operating and Free Cash Flow Reconciliation

(dollars in thousands)

Cash provided by operating activities

Investment in property and equipment

Free cash flow ⁽¹⁾

	Year Ended December 31,		Change
	2024	2023	
	\$ 345,926	\$ 217,785	59 %
	(7,712)	(16,781)	
	\$ 338,214	\$ 201,004	68 %
	\$ 32,403	\$ —	
	16,197	14,645	
	5,252	29,401	
	3,810	4,134	
	—	601	
	82,317	11,664	
	\$ 139,979	\$ 60,445	

Supplemental information (2)

Litigation settlement, net of recoveries

Legal fees

Restructuring

Interest on convertible senior notes

Other

Income taxes

(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.

(2) 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.

- *Litigation settlement, net of recoveries:* Cost to settle litigation, net of insurance recoveries, arising from proceedings outside the ordinary course of business. See "Note 20. Commitments And Contingencies" in our Annual Report on Form 10-K for the year ended December 31, 2024 for additional information.
- *Legal fees:* Legal and related fees arising from proceedings outside the ordinary course of business.
- *Restructuring:* Restructuring fluctuates in amount and frequency and is significantly affected by the timing and size of our restructuring activities.
- *Interest on convertible senior notes:* In February 2020, we issued convertible senior notes, due March 1, 2025, in a private placement. The convertible senior 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 canceled in-person sales and marketing events.
- *Income taxes:* Direct income taxes paid net of refunds received.

Net Income and EPS Guidance Reconciliation

(in millions, except per share amounts)

	2025	
Net Income - GAAP	\$	149
Stock-based compensation		147
Legal fees		25
Incomes taxes		(32)
Net Income - Non-GAAP	\$	289
Diluted earnings per share - GAAP	\$	1.60
Non-GAAP adjustments		1.50
Diluted earnings per share - non-GAAP	\$	3.10
Diluted weighted-average number of common shares outstanding (GAAP and Non-GAAP)		93.1

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.
- **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, 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.

Free Cash Flow Guidance Reconciliation

(in millions)

Cash provided by operating activities
Investment in property and equipment
Free cash flow

	2025
	\$ 455
	(15)
	\$ 440

Supplemental information

Legal fees
Income taxes ⁽¹⁾

	\$ 25
	50
	\$ 75

(1) Evolving U.S. tax legislation may impact the amount of tax payments.