



Pegasystems Investor Presentation Q1 2024

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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 Q1 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, 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 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 April 24, 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 Q1 2023 foreign exchange rates to all periods shown. Reconciliations of GAAP and non-GAAP measures are in the Company's press release announcing its Q1 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

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.

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: Cambridge, MA
Employees: 5,000+

Q1 2024

9%
ACV
Growth

16%
Pega Cloud ACV
Growth

\$180M
Free Cash Flow ⁽¹⁾

(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.

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 **\$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

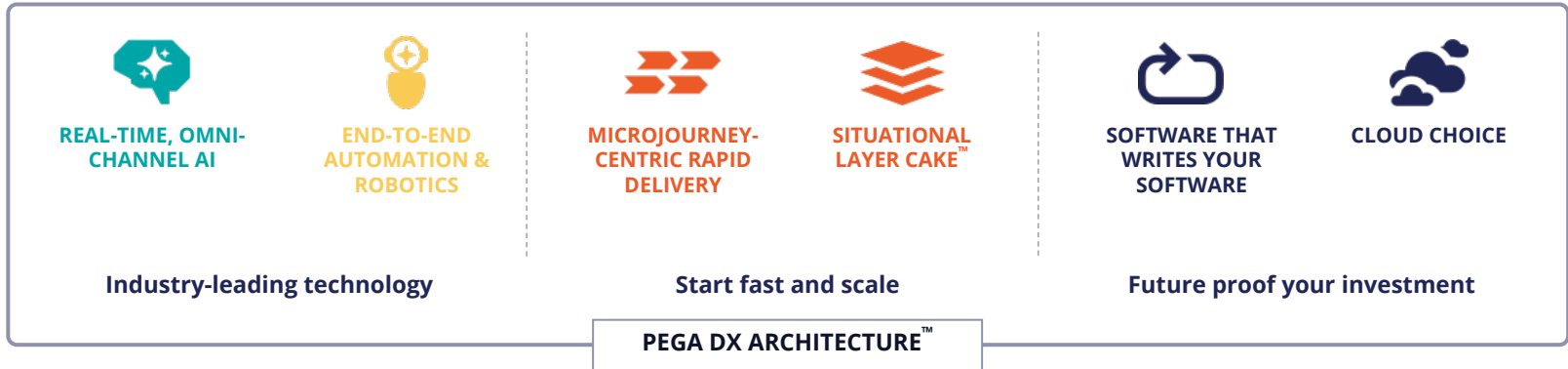
Making customer and employee-facing processes more efficient through *end-to-end automation & robotics*



...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.

1:1 Customer Engagement Customer Service Intelligent Automation



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

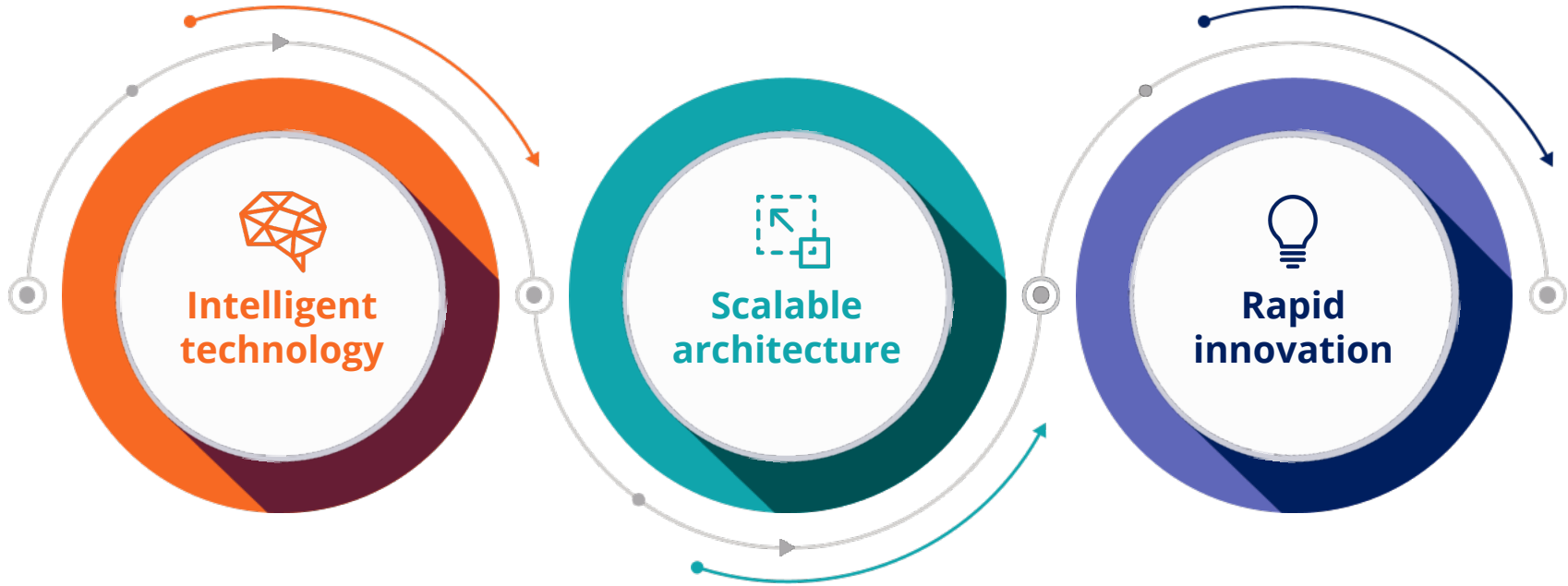
Intelligent
automation

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



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



Real-Time Interaction Management

Forrester



CRM Customer Engagement Center

Gartner



Robotic Process Automation

Forrester



Core CRM Solutions

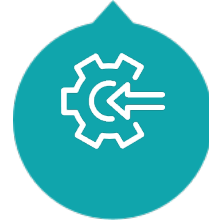
Forrester

Business Overview

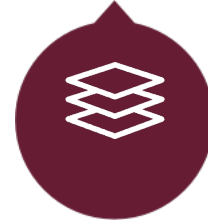
WHY PEGA WINS



**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		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>
Intelligent 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



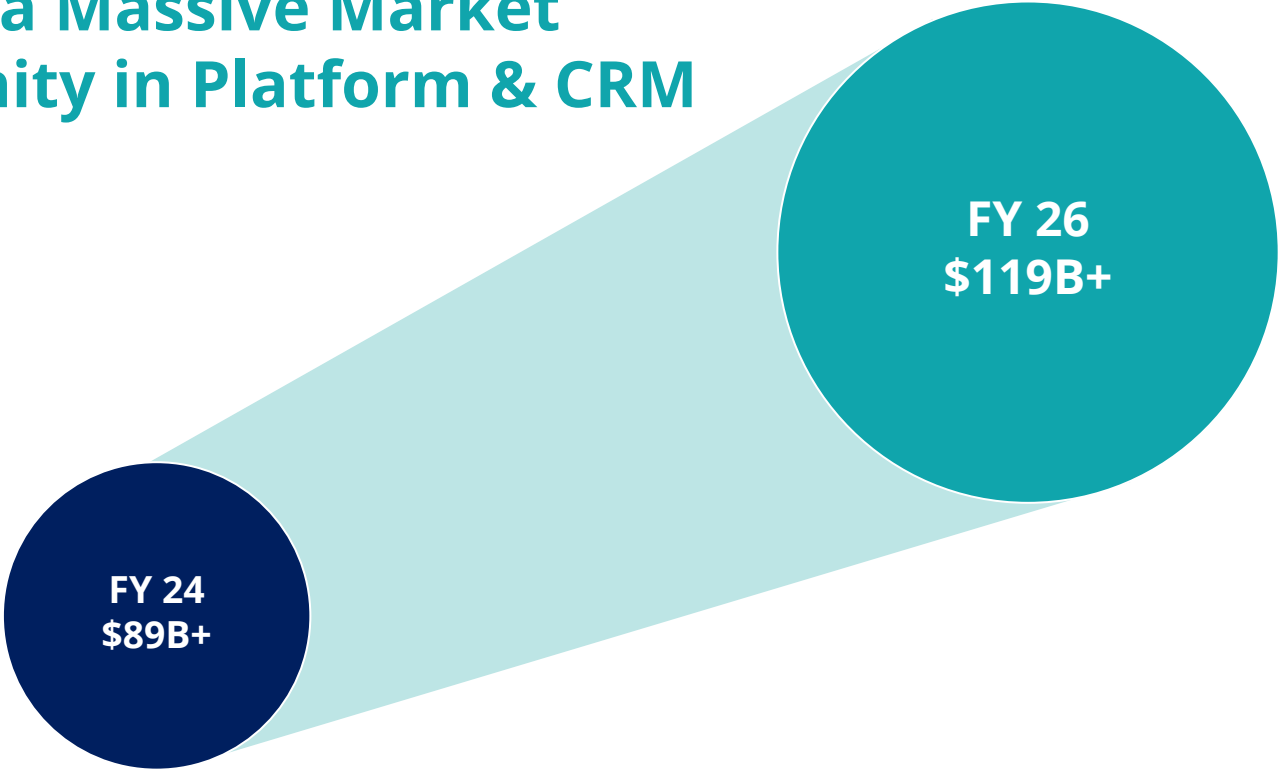
Recurring Model



Margin Expansion Opportunities



Pursuing a Massive Market Opportunity in Platform & CRM



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

Subscription Journey

From...

Perpetual ▶

Less Predictable ▶

Lagging Growth & Margins ▶

To...

▶ Recurring

▶ More Predictable

▶ Rule of 40 Driven

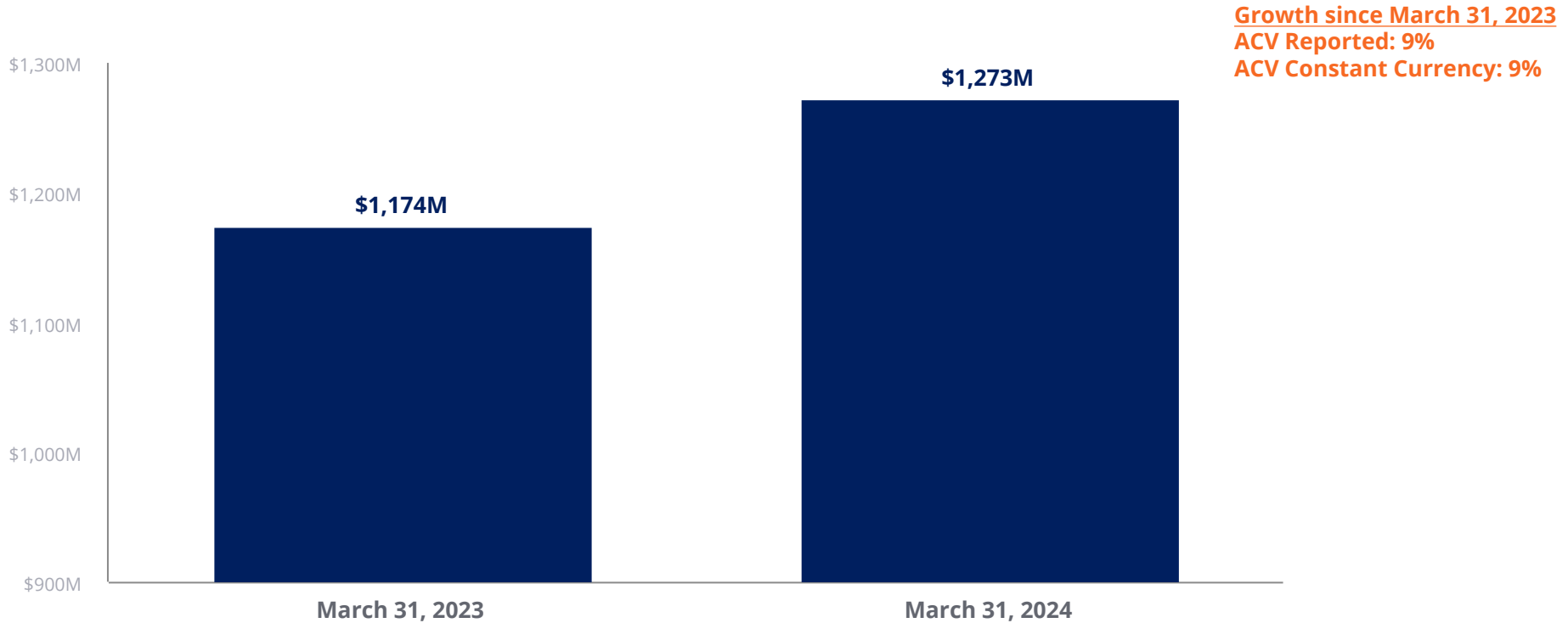
SUBSCRIPTION
TRANSITION
TIMELINE

2017

2023

Recurring Subscription Model

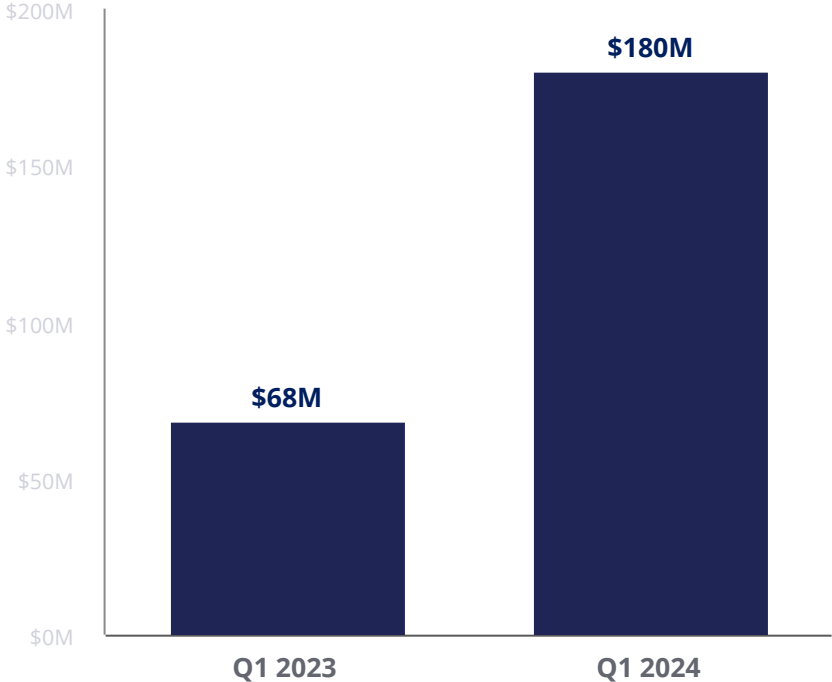
Annual Contract Value (ACV)



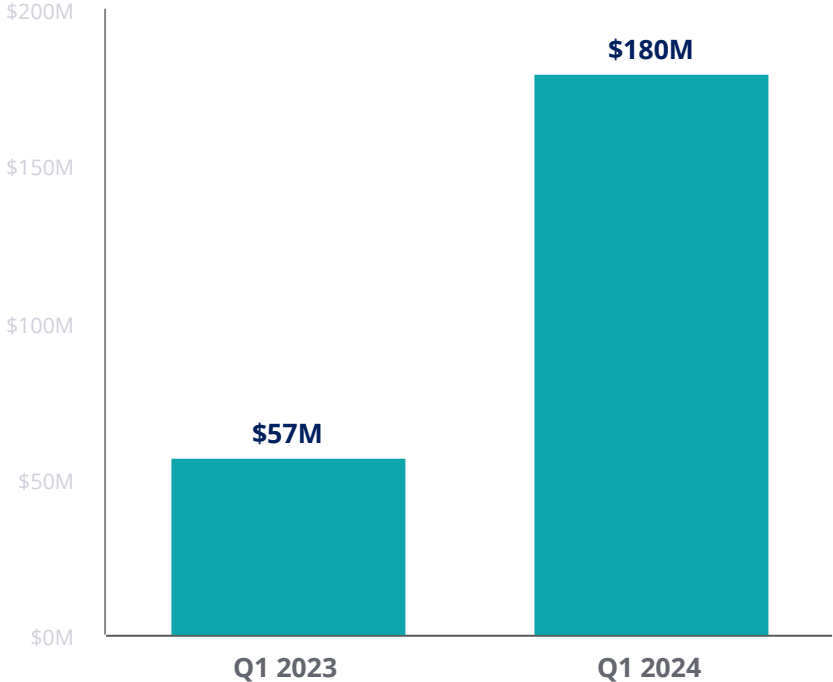
ACV represents the annualized value of our active contracts as of the measurement date. The contract's total value is divided by its duration in years to calculate ACV. ACV is a performance measure that we believe provides useful information to our management and investors.

Cash Flow Growth

Operating Cash Flow



Free Cash Flow

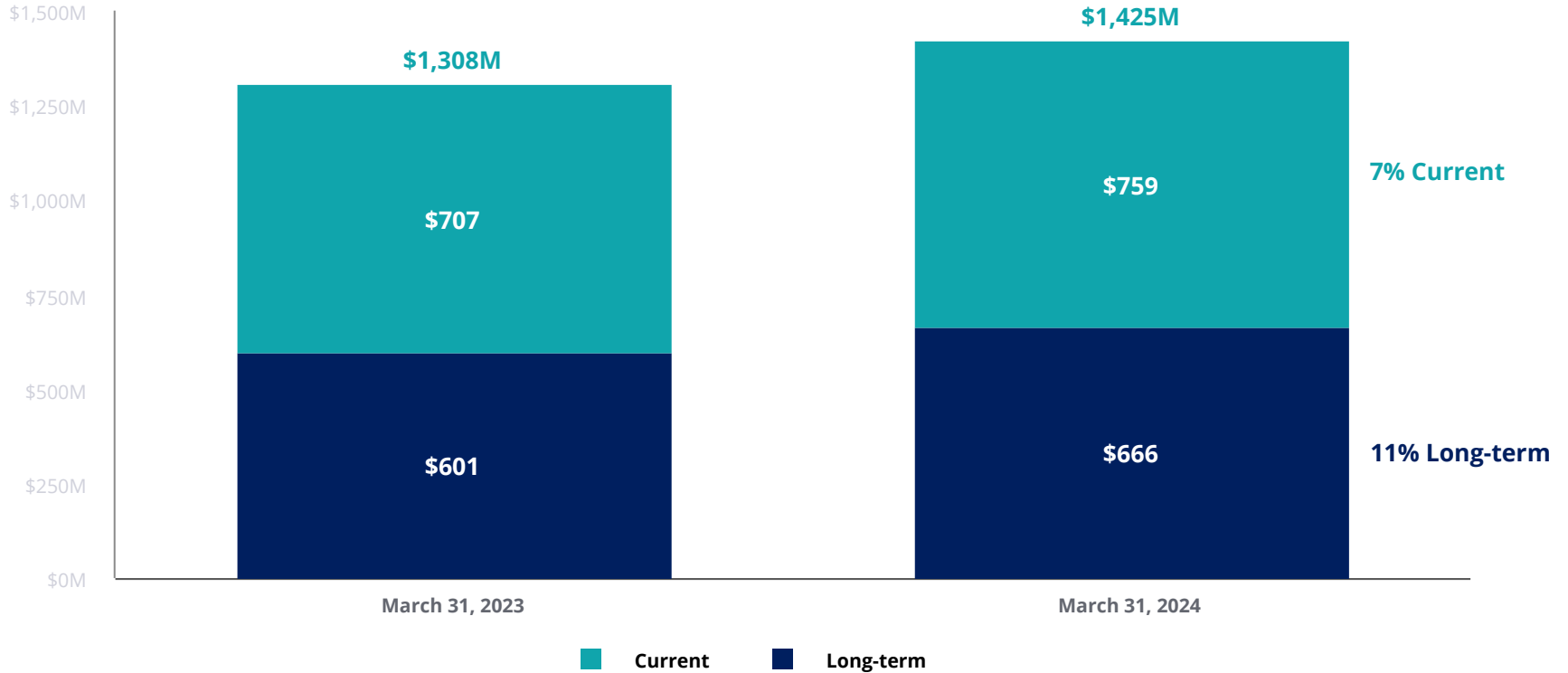


Note: For additional information refer to explanatory notes on slide [35](#)

Backlog

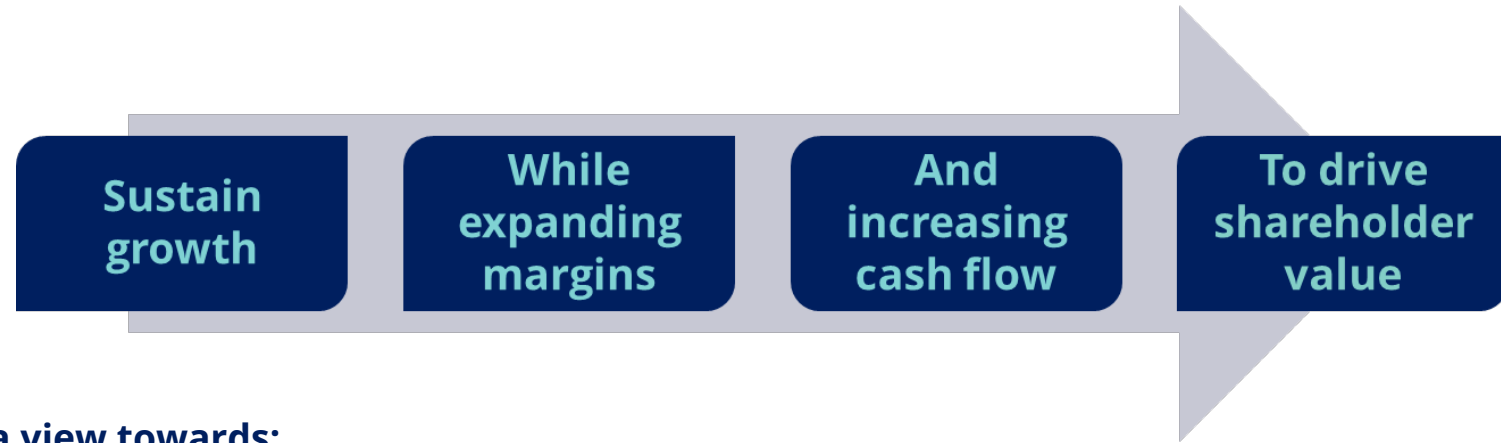
Total Backlog Up 9% as Reported (9% Constant Currency)

*Growth since
March 31, 2023*



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



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Reported ACV

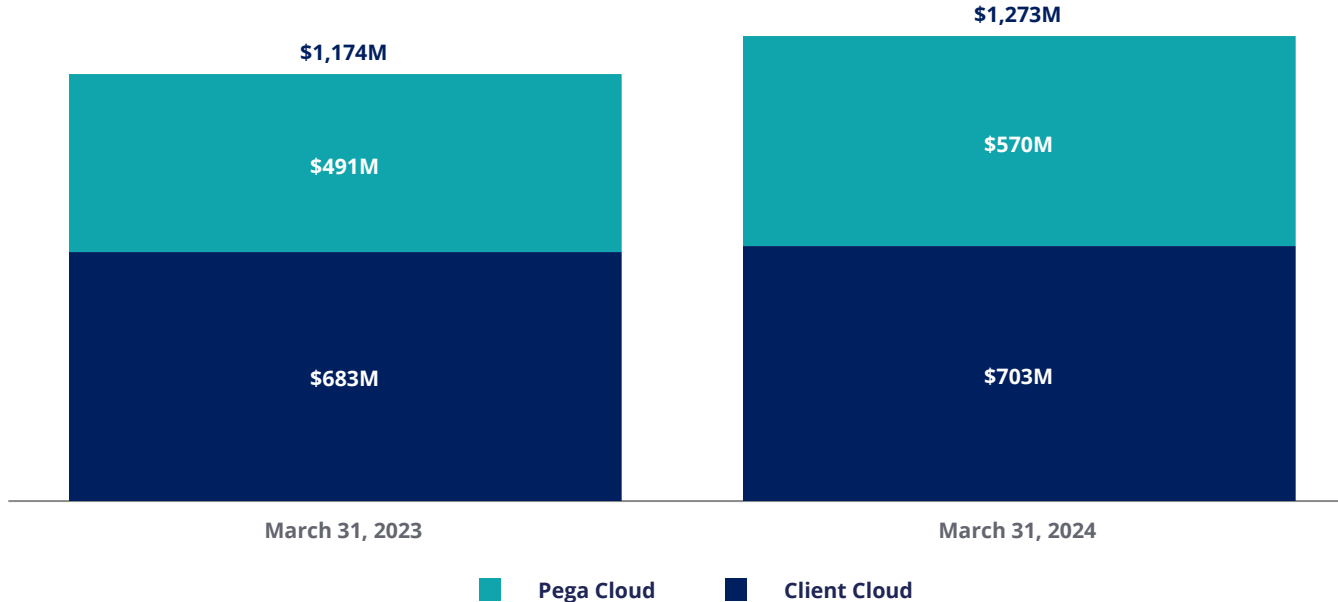
Pega Cloud and Client Cloud

Growth since Q1 2023

Total ACV: 9%

Pega Cloud ACV: 16%

Client Cloud ACV: 3%



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

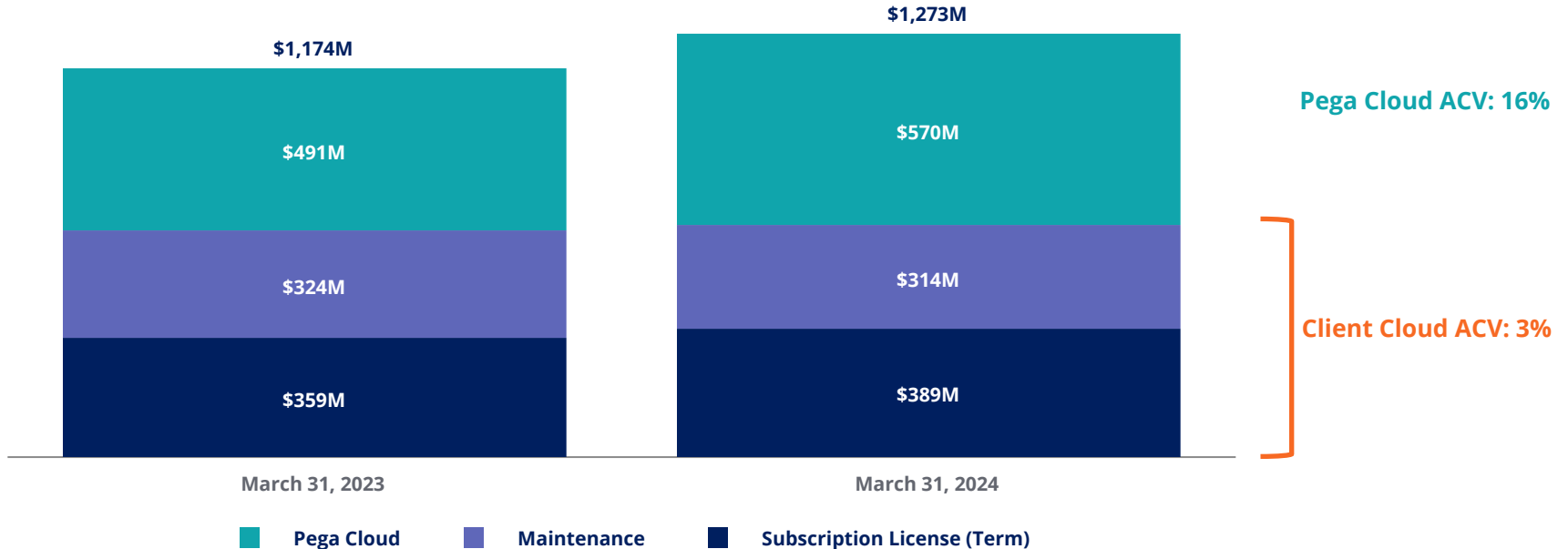
Pega Cloud, Maintenance, and Subscription License (Term)

Growth since Q1 2023

Total ACV: 9%

Pega Cloud ACV: 16%

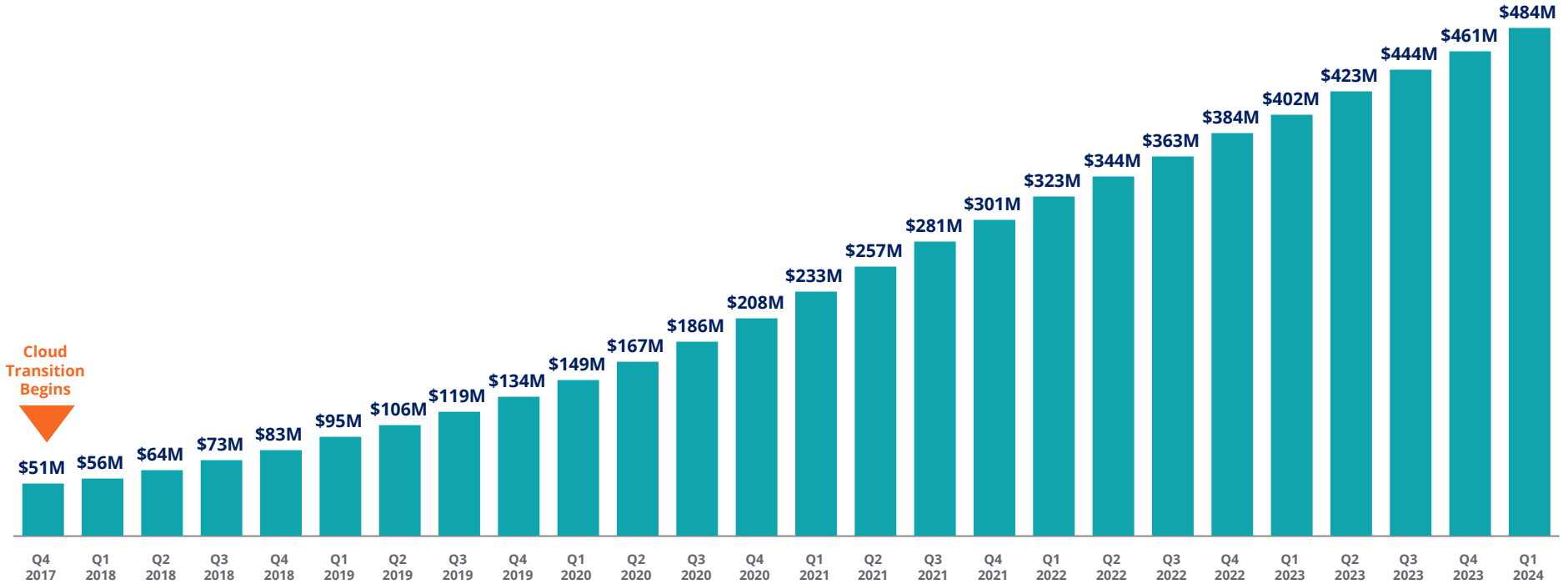
Client Cloud ACV: 3%



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.

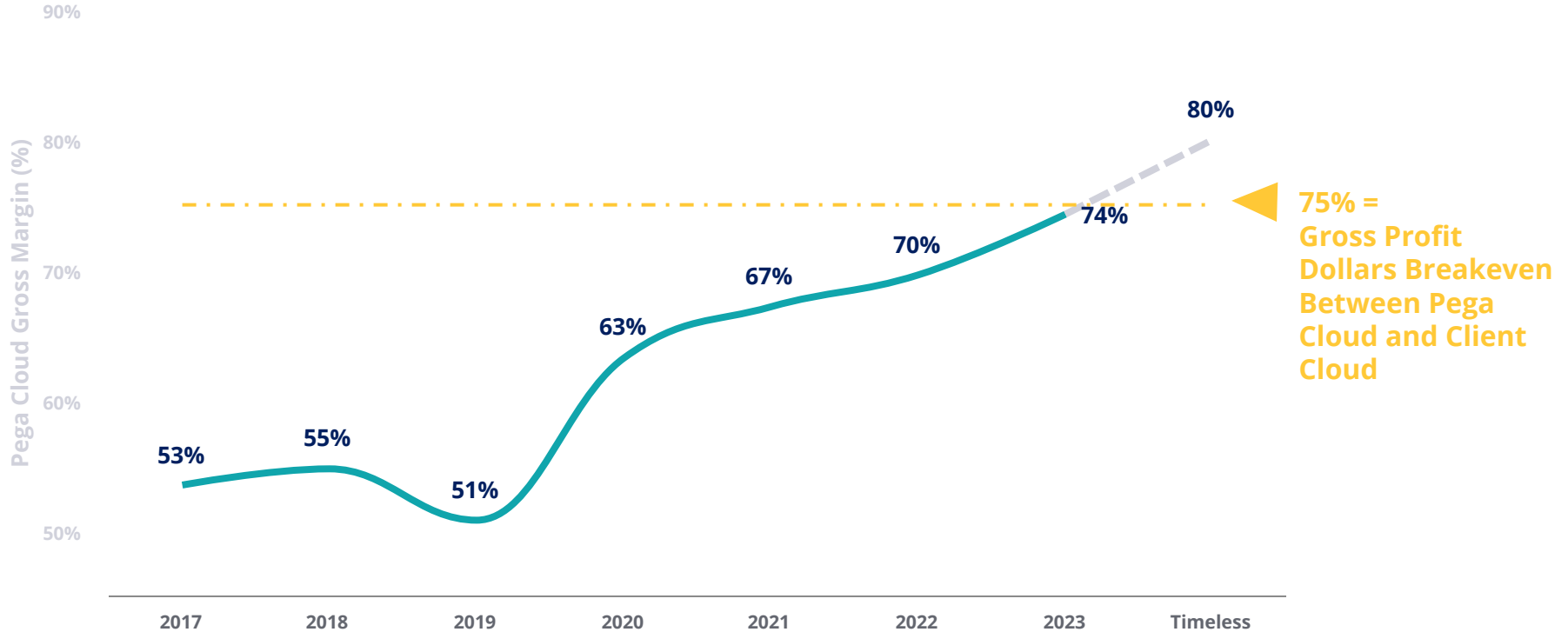
Pega Cloud Revenue

Trailing 12 Months



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

(in thousands, except percentages)

	Three Months Ended March 31,	
	2024	2023
Cash provided by operating activities	\$ 180,146	\$ 68,107
Investment in property and equipment	(604)	(11,487)
Free cash flow ⁽¹⁾	<u>\$ 179,542</u>	<u>\$ 56,620</u>
 <u>Supplemental information</u> ⁽²⁾		
Restructuring	\$ 3,347	\$ 14,458
Legal fees	2,739	1,515
Interest on convertible senior notes	1,884	2,250
Income taxes	8,163	2,825
	<u>\$ 16,133</u>	<u>\$ 21,048</u>

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(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.

- *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.
- *Income taxes:* Direct income taxes paid net of refunds received.