



DIGITAL TRANSFORMS PHYSICAL

Q3'23 FINANCIAL RESULTS

Jim Heppelmann
Chief Executive Officer

Kristian Talvitie
Chief Financial Officer

July 26, 2023



FORWARD LOOKING STATEMENTS

This presentation includes forward looking statements regarding PTC's future financial performance, strategic outlook and expectations, anticipated future operations, and expected effects of strategic investments and initiatives. Because such statements deal with future events, actual results may differ materially from those projected in the forward-looking statements. Information about factors that could cause actual results to differ materially from those in the forward-looking statements can be found in the appendix to this presentation and in PTC's Annual Report on Form 10-K, Forms 10-Q and other filings with the U.S. Securities and Exchange Commission.

IMPORTANT INFORMATION ABOUT OPERATING AND NON-GAAP FINANCIAL MEASURES

This presentation includes supplemental operating and non-GAAP financial measures, targets and estimates. The non-GAAP financial measures are not prepared in accordance with generally accepted accounting principles. The definitions of these items and reconciliations of non-GAAP financial measures to comparable GAAP measures are included in the appendix to this presentation.



Q3'23 HIGHLIGHTS

JIM HEPPELMANN, CEO

SOLID Q3'23 TOP LINE RESULTS

ARR



\$ in millions	Q3'23	Q3'22	YoY Change	Q3'23 Guidance
ARR as reported	\$1,929	\$1,544	25%	
ARR at constant currency	\$1,868	\$1,496	25%	\$1,845 - \$1,855
Organic ARR as reported ¹	\$1,762	\$1,544	14%	
Organic ARR at constant currency ¹	\$1,703	\$1,496	14%	

Broad-based strength across all product groups and geographic regions

- Exceeded the high-end of our Q3'23 constant currency ARR guidance range
 - Net new constant currency ARR in Q3'23 of \$54 million exceeded our implied guidance range of \$31 million to \$41 million
 - Solid pipeline and outlook
- Raised our FY'23 constant currency ARR guidance midpoint, based on our YTD results and expectations for Q4'23

¹Organic results exclude ServiceMax (acquired in Q2'23)

SOLID Q3'23 BOTTOM LINE RESULTS

CASH FLOW



Cash flow growth driven by ARR growth and operating efficiency¹ expansion

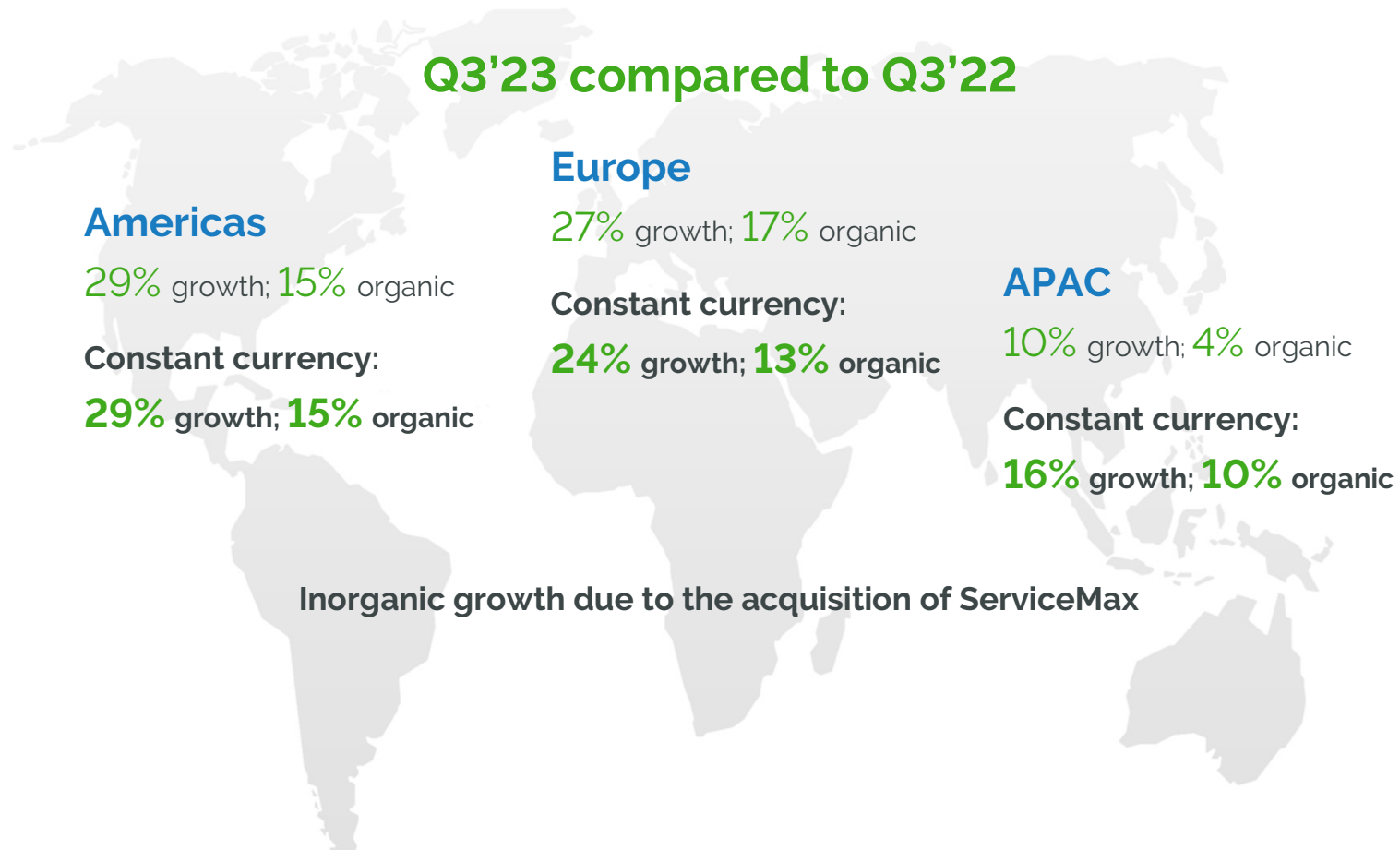
\$ in millions	Q3'23	Q3'22	YoY Change	Q3'23 Guidance
Cash from operations	\$169	\$117	45%	~\$160
Free cash flow	\$164	\$112	46%	~\$155

Operational changes and solid execution continue to generate the positive results we expect

- Exceeded our Q3'23 cash flow guidance and extended our track record of disciplined operational management
- On track to expand operating efficiency¹ by at least 450 bps in FY'23, helped by resource rebalancing completed in 2H'22 and FX fluctuations in FY'23
- Raised our FY'23 cash flow guidance, based on our YTD results and expectations for Q4'23
- Over the mid-term, we expect free cash flow to grow faster than ARR, with non-GAAP operating expenses expected to grow at roughly half the rate of ARR

¹ARR + Perpetual License sales + Professional Services (collectively, inflows), less estimated cash costs to operate the business; divided by inflows

SOLID Q3'23 ARR RESULTS ACROSS GEOGRAPHIC REGIONS



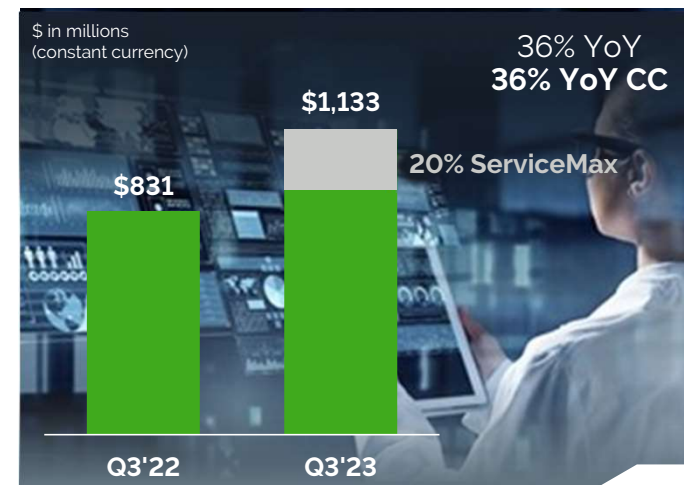
SOLID Q3'23 ARR RESULTS ACROSS PRODUCT GROUPS¹

CAD: Product data authoring software



- Double-digit growth in the Americas and APAC; high single-digit growth in Europe
- Growth primarily driven by Creo
- Strong % growth in Onshape

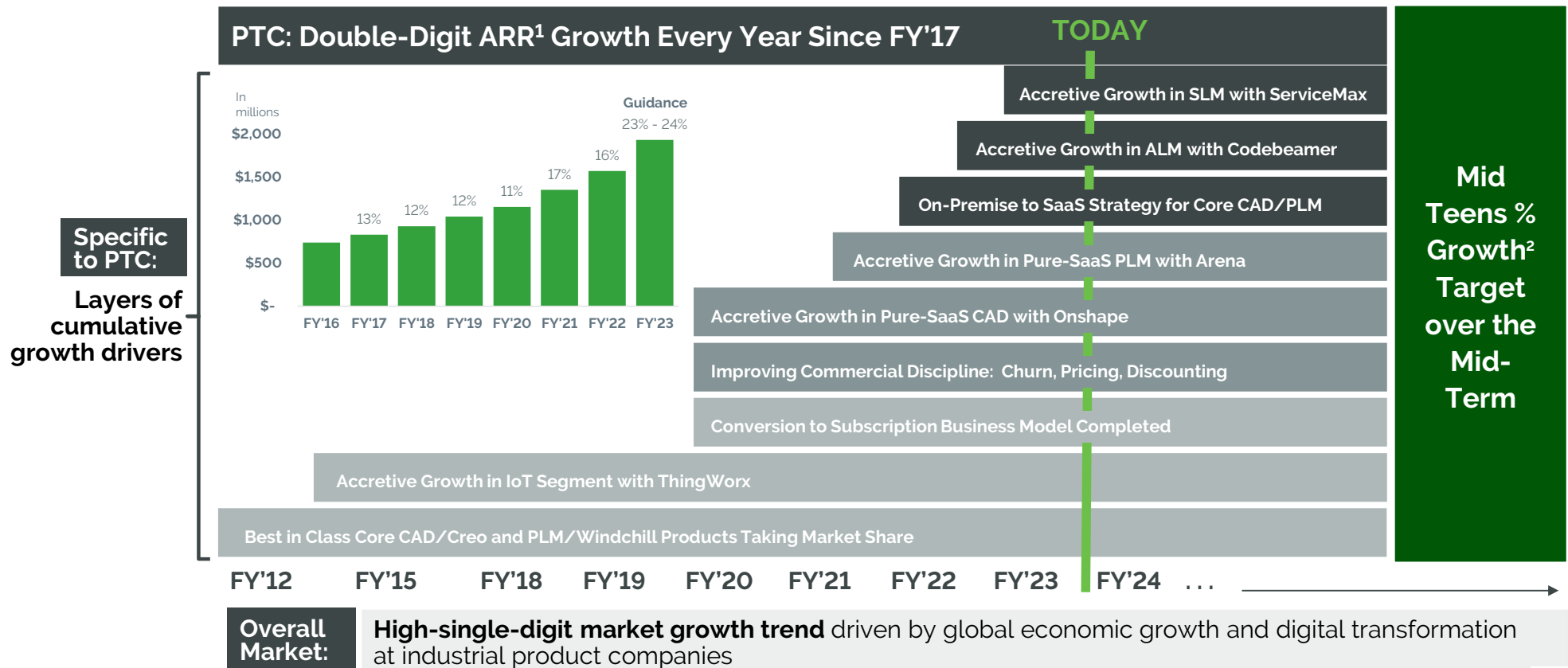
PLM: Product data management and process orchestration software



- 36% growth; 16% organic growth
- Double-digit organic growth in the Americas and Europe; high single-digit growth in Asia
- Organic growth primarily driven by Windchill
- Strong organic % growth in ALM and SLM

¹Amounts shown and discussed on this slide are on a constant currency basis; Slide 15 shows constant currency and reported ARR

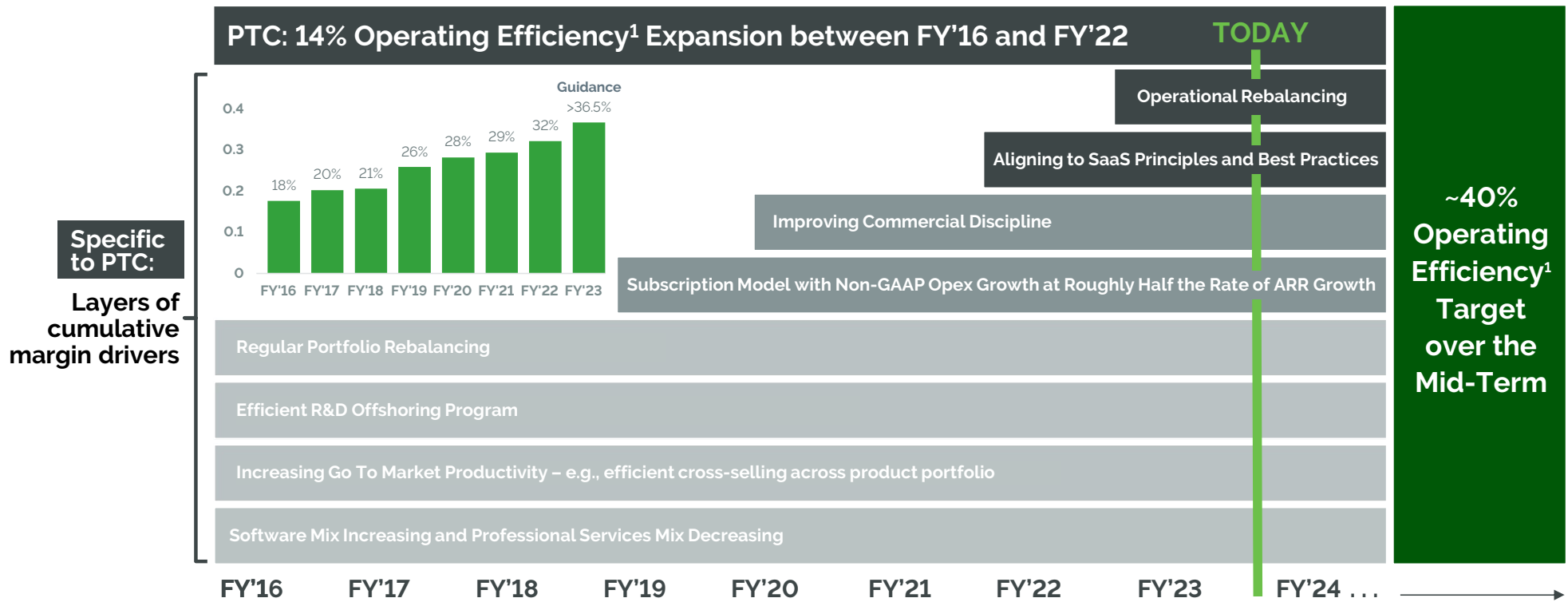
SUSTAINABILITY OF PTC'S CATEGORY-LEADING GROWTH



¹On a constant currency basis, using our FY'23 Plan foreign exchange rates (rates as of September 30, 2022) for all periods

²ARR growth on an organic constant currency basis

SUSTAINABILITY OF PTC'S MARGIN EXPANSION

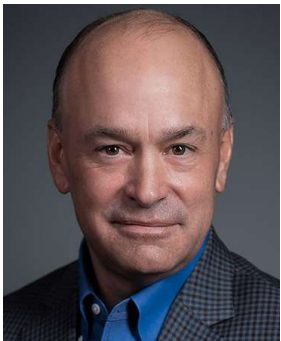


¹ARR + Perpetual License sales + Professional Services (collectively, inflows), less estimated cash costs to operate the business; divided by inflows

PTC SUCCESSION PLAN

Jim will retire as CEO in February 2024 and will be succeeded by Neil Barua

Jim Heppelmann



Jim has been appointed Chairman of the Board

Neil Barua



Appointed CEO-Elect and has joined the Board

Mike DiTullio



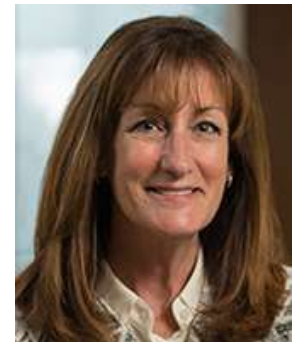
Mike DiTullio will continue in his role as President & COO

Kristian Talvitie



Kristian Talvitie will continue in his role as EVP & CFO

Janice Chaffin



Janice Chaffin has been appointed Lead Independent Director of the Board

No other leadership changes to the executive team.

NEIL BARUA INTRODUCTION



- PTC CEO-Elect and former President of PTC's Service Lifecycle Management business
- Proven track record in industrial software
- Extensive background in technology industry with successful history of growing profitable businesses
- Former CEO of ServiceMax
- Former Operating Partner at Silver Lake
- Former CEO of IPC Systems



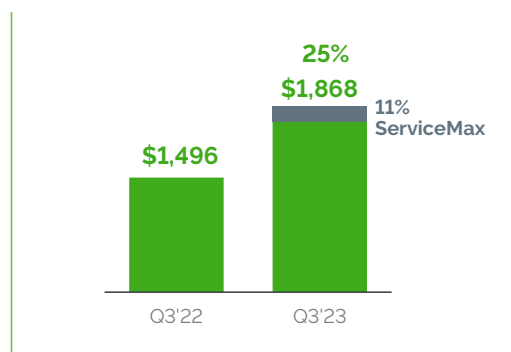
FINANCIAL REVIEW AND GUIDANCE

KRISTIAN TALVITIE, CFO

Q3'23 RESULTS VS PRIOR YEAR

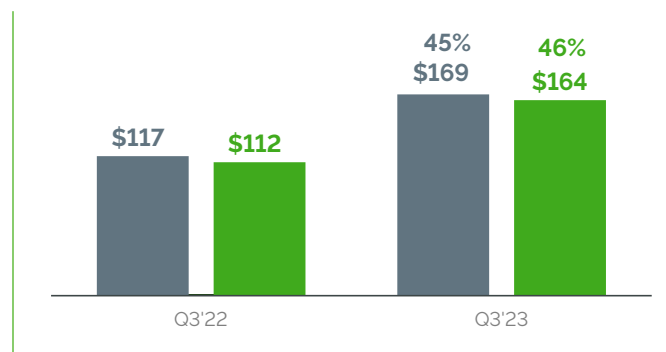
\$ in millions

CONSTANT CURRENCY ARR

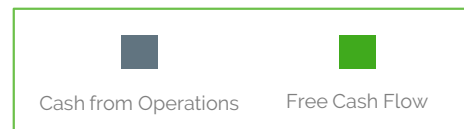


- ARR growth of 25%, as-reported and constant currency
- Organic ARR growth of 14%, as-reported and constant currency
- As reported ARR was \$61M higher than constant currency ARR in Q3'23; However, on a year over year basis. FX was neutral to growth

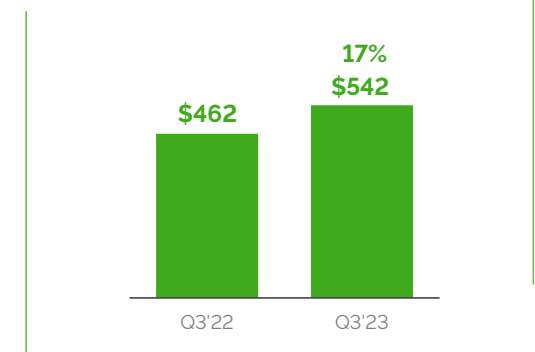
CASH FLOW¹



- Cash flow performance reflects continued operational execution
- Net timing benefit of ~\$5 million in Q3'23
- Cash flow is primarily a function of ARR rather than revenue



REVENUE



- Revenue growth of 17%; 21% constant currency
- While every \$1 of ARR becomes \$1 of revenue over the term of the contract, the timing of revenue recognition for on-premise subscription revenue under ASC 606 can vary significantly, impacting reported revenue and growth rates

¹Refer to the Non-GAAP Reconciliation Table on slide 25

BALANCE SHEET AND SHARE REPURCHASES

Balance sheet as of June 30, 2023

- Cash and cash equivalents of \$282 million
- Paid down \$180 million of debt in Q3'23
- Gross debt of \$2.365 billion with an aggregate interest rate of 5.6%
 - \$1.0 billion of senior notes with an aggregate interest rate of 3.8%
 - \$500 million term loan with a variable interest rate of 6.9%
 - \$245 million drawn on \$1.25 billion revolving credit facility with a variable interest rate of 6.9%
 - \$650 million payment due in October 2023 related to ServiceMax
 - \$620 million debt (currently on balance sheet as deferred acquisition payment)
 - \$30 million imputed interest

Debt/EBITDA ratio and gross debt expectations

- Debt/EBITDA ratio at the end of Q3'23 was 3.0x
- Debt/EBITDA ratio expected to be at or below 3x at the end of FY'23 and below 3x during FY'24
- Gross debt expected to be approximately \$2.3 billion at the end of FY'23

Share repurchase program

- Our long-term goal, assuming our Debt/EBITDA ratio is below 3x, is to return approximately 50% of our free cash flow to shareholders via share repurchases, while also taking into consideration the interest rate environment and strategic opportunities
- Given the current interest rate environment, we expect to prioritize paying down our debt in FY'23 and FY'24
- We expect our fully diluted share count to increase by approximately 1 million in FY'23

FX DYNAMICS: IMPACT TO ARR

In millions	FY'22				FY'23			
ARR by Product Group (Constant Currency)	Quarter Ended				Quarter Ended			
Using FX rates as of September 30, 2022	31-Dec	31-Mar	30-Jun	30-Sep	31-Dec	31-Mar	30-Jun	30-Sep Guidance Midpoint
CAD (product data authoring)	\$ 632	\$ 648	\$ 665	\$ 685	\$ 696	\$ 714	\$ 735	
PLM (product data management and process orchestration)	757	792	831	887	907	1,100	1,133	
Ending ARR	\$ 1,389	\$ 1,440	\$ 1,496	\$ 1,572	\$ 1,603	\$ 1,814	\$ 1,868	\$ 1,943

In millions	FY'22				FY'23			
ARR by Product Group (as Reported)	Quarter Ended				Quarter Ended			
	31-Dec	31-Mar	30-Jun	30-Sep	31-Dec	31-Mar	30-Jun	30-Sep Midpoint ¹
CAD (product data authoring)	\$ 690	\$ 698	\$ 691	\$ 685	\$ 727	\$ 748	\$ 764	
PLM (product data management and process orchestration)	806	834	854	887	936	1,134	1,165	
Ending ARR	\$ 1,496	\$ 1,532	\$ 1,544	\$ 1,572	\$ 1,663	\$ 1,882	\$ 1,929	\$ 2,006

For comparative purposes, in FY'23, we are reporting constant currency ARR using rates as of September 30, 2022 for all periods

¹ At end of Q3'23 FX rates, FY'23 ARR would be higher by approximately \$64 million, compared to our constant currency guidance

FY'23 AND Q4'23 GUIDANCE

\$ in millions	FY'23 Previous Guidance	FY'23 Guidance	FY'23 YoY Growth Guidance	Q4'23 Guidance
ARR at Constant Currency ¹	\$1,925 - \$1,950	\$1,935 - \$1,950	23% - 24%	\$1,935 - \$1,950
Cash from Operations ²	~\$600	~\$605	~39%	~\$44
Free Cash Flow ²	~\$580	~\$585	~41%	~\$42
Revenue	\$2,080 - \$2,140	\$2,090 - \$2,120	8% - 10%	\$540 - \$570
Earnings per share ²		\$2.14 - \$2.45	(19%) - (7%)	\$0.47 - \$0.77
Non-GAAP earnings per share ²		\$4.07 - \$4.38	(11%) - (4%)	\$0.95 - \$1.25

- Based on our year to date performance and outlook for FY'23, we are:
 - Raising our full year Constant Currency ARR guidance midpoint
 - Raising our full year Cash Flow guidance
- We are narrowing our FY'23 Revenue guidance range
 - Primarily due to FX fluctuations in Q3'23, we are lowering our FY'23 Revenue guidance midpoint
- We are introducing quarterly Revenue and EPS guidance
 - We continue to consider ARR and Cash Flow as our primary measures of top and bottom line business performance

¹ On a constant currency basis, using our FY'23 Plan foreign exchange rates (rates as of September 30, 2022) for all periods

² Refer to the Non-GAAP reconciliation table on slide 25

FY'23 GUIDANCE PROGRESSION

Solid progression in an uncertain macroenvironment

\$ in millions	Q4'22 Earnings Call Guidance Midpoint	Q1'23 Earnings Call Guidance Midpoint	Q2'23 Earnings Call Guidance Midpoint	Q3'23 Earnings Call Guidance Midpoint
ARR at Constant Currency ¹	\$1,760	\$1,935	\$1,938	\$1,943
ARR at Constant Currency ¹ Growth	12%	23%	23%	24%
Organic ARR at Constant Currency ¹	\$1,760	\$1,760	\$1,768	\$1,773
Organic ARR at Constant Currency ¹ Growth	12%	12%	12%	13%
Cash from Operations ²	\$580	\$595	\$600	\$605
Cash from Operations ² Growth	33%	37%	38%	39%
Free Cash Flow ²	\$560	\$575	\$580	\$585
Free Cash Flow ² Growth	35%	38%	39%	41%

- Organic ARR Growth Guidance Midpoint raised to 13%, compared to initial FY'23 guidance of 10% to 14%
- Free Cash Flow Growth Guidance raised to ~41%, compared to initial guidance of ~35%

¹ On a constant currency basis, using our FY'23 Plan foreign exchange rates (rates as of September 30, 2022) for all periods

² Refer to the Non-GAAP reconciliation table on slide 25

ILLUSTRATIVE CONSTANT CURRENCY ARR MODEL

What does PTC need to deliver to achieve the midpoint of constant currency ARR guidance?

Using FX rates as of September 30, 2022	Actual Q1'22	Actual Q2'22	Actual Q3'22	Actual Q4'22	Actual Q1'23	Actual Q2'23	Actual Q3'23	What you need to believe Q4'23
\$ in millions								
Beginning ARR	\$ 1,353	\$ 1,389	\$ 1,440	\$ 1,496	\$ 1,572	\$ 1,603	\$ 1,814	\$ 1,868
Ending ARR	1,389	1,440	1,496	1,572	1,603	1,814	1,868	1,943
Sequential ARR growth	\$ 37	\$ 51	\$ 56	\$ 76	\$ 31	\$ 211	\$ 54	\$ 75
Acquisitions and exits ¹	-	5	(13)	-	-	(159)	-	-
Sequential organic ARR growth	\$ 37	\$ 56	\$ 43	\$ 76	\$ 31	\$ 52	\$ 54	\$ 75
Sequential organic ARR growth %	3%	4%	3%	5%	2%	3%	3%	4%

- Q4'23 Ending ARR modelled at the midpoint of our guidance range
- To hit the midpoint of guidance for Q4'23, we need \$75M of sequential organic ARR growth in Q4'23, \$1M less than we added QoQ in Q4'22

¹Russia exit in Q2'22, Codebeamer acquisition in Q3'22, and ServiceMax acquisition in Q2'23

WRAP UP

STRONG PORTFOLIO AND STRATEGY

Portfolio of products is unique and compelling

Strategy and evolving portfolio align well to customer demand

Ranked as technology leader across portfolio

STRONG EXECUTION

FY'23 forecasted to be our 7th consecutive year of double-digit constant currency ARR growth

Targeting mid-teens constant currency ARR growth over the mid-term

MARGIN EXPANSION

Hiring and investing in-line with macroeconomic environment and market opportunity

Targeting incremental margin expansion

PEER-LEADING ARR AND FCF GROWTH

Durable and efficient growth supported by highly resilient model with product leadership and SaaS tailwinds

Targeting peer-leading top line (ARR) and bottom line (FCF) growth



PTC has never been in a better position to create shareholder value

APPENDIX: FY'23 GUIDANCE ASSUMPTIONS

- We provide ARR guidance on a constant currency basis, using our FY'23 Plan foreign exchange rates (rates as of September 30, 2022) for all periods. Foreign exchange fluctuations during the first nine months of FY'23 had a favorable impact on our Q3'23 reported ARR, compared to our Q3'23 constant currency ARR. Using foreign exchange rates as of the end of Q3'23 and assuming the midpoint of our constant currency guidance ranges, FY'23 reported ARR guidance would be higher by approximately \$64 million, compared to FY'23 constant currency ARR guidance.
- For cash flow, due to invoicing seasonality, and consistent with the past 2 years, we expect Q4'23 to be our lowest cash flow generation quarter.
- Compared to FY'22, at the midpoint of FY'23 ARR guidance, FY'23 GAAP operating expenses are expected to increase approximately 7% to 8%, and FY'23 non-GAAP operating expenses are expected to increase approximately 10% to 11%, primarily due to the acquisition of ServiceMax, foreign exchange rate fluctuations, and incremental investments in 2H'23.
- FY'23 GAAP P&L results are expected to include the items below, totaling approximately \$300 million, as well as their related tax effects:
 - approximately \$200 million of stock-based compensation expense,
 - approximately \$76 million of intangible asset amortization expense,
 - approximately \$19 million of acquisition and transaction-related expense, and
 - approximately \$5 million of other non-operating expenses, primarily for financing charges associated with a debt commitment agreement related to the ServiceMax acquisition.
- Our FY'23 GAAP tax rate is expected to be approximately 20%, and our non-GAAP tax rate is expected to be approximately 21%.
- FY'23 capital expenditures are expected to be approximately \$20 million.
- Our long-term goal, assuming our Debt/EBITDA ratio is below 3x, is to return approximately 50% of our free cash flow to shareholders via share repurchases, while also taking into consideration the interest rate environment and strategic opportunities.
 - Given the current interest rate environment, we expect to prioritize paying down our debt in FY'23 and FY'24.
 - We expect gross debt of approximately \$2.3 billion at the end of FY'23.

FORWARD-LOOKING STATEMENTS

Statements in this press release that are not historic facts, including statements about our future financial and growth expectations, guidance, and targets, and potential stock repurchases, are forward-looking statements that involve risks and uncertainties that could cause actual results to differ materially from those projected. These risks include: the macroeconomic and/or global manufacturing climates may deteriorate due to, among other factors, supply chain disruptions, increasing interest rates and inflation, volatile foreign exchange rates and the relative strength of the U.S. dollar, tightening of credit standards and availability, the effects of the Russia/Ukraine conflict, including the effect on energy supplies to Europe, and growing tensions with China, any of which could cause customers to delay or reduce purchases of new software, reduce the number of subscriptions they carry, or delay payments to us, which would adversely affect ARR and/or our financial results, including cash flow; our businesses, including our ServiceMax and SaaS businesses, may not expand and/or generate the ARR and/or cash flow we expect if customers are slower to adopt those technologies than we expect or if they adopt competing technologies; our strategic initiatives and investments, including our accelerated investments in our transition to SaaS and the acquisition of ServiceMax, may not deliver the results when or as we expect; we may be unable to integrate the ServiceMax technology when or as we expect; we may be unable to generate sufficient operating cash flow to return 50% of free cash flow to shareholders via share repurchases, and other uses of cash or our credit facility limits could preclude such repurchases; and foreign exchange rates may differ materially from those we expect. In addition, our assumptions concerning our future GAAP and non-GAAP effective income tax rates are based on estimates and other factors that could change, including the geographic mix of our revenue, expenses, and profits. Other risks and uncertainties that could cause actual results to differ materially from those projected are detailed from time to time in reports we file with the Securities and Exchange Commission, including our most recent Annual Report on Form 10-K and Quarterly Reports on Form 10-Q.

OPERATING MEASURES

ARR: ARR (Annual Run Rate) represents the annualized value of our portfolio of active subscription software, cloud, SaaS, and support contracts as of the end of the reporting period. We calculate ARR as follows:

- We consider a contract to be active when the product or service contractual term commences (the “start date”) until the right to use the product or service ends (the “expiration date”). Even if the contract with the customer is executed before the start date, the contract will not count toward ARR until the customer right to receive the benefit of the products or services has commenced.
- For contracts that include annual values that increase over time as there are additional deliverables in subsequent periods, which we refer to as ramp contracts, we include in ARR only the annualized value of components of the contract that are considered active as of the date of the ARR calculation. We do not include the future committed increases in the contract value as of the date of the ARR calculation.
- As ARR includes only contracts that are active at the end of the reporting period, ARR does not reflect assumptions or estimates regarding future customer renewals or non-renewals.
- Active contracts are annualized by dividing the total active contract value by the contract duration in days (expiration date minus start date), then multiplying that by 365 days (or 366 days for leap years).

We believe ARR is a valuable operating measure to assess the health of a subscription business because it is aligned with the amount that we invoice the customer on an annual basis. We invoice customers annually for the current year of the contract. A customer with a one-year contract will typically be invoiced for the total value of the contract at the beginning of the contractual term, while a customer with a multi-year contract will be invoiced for each annual period at the beginning of each year of the contract.

OPERATING MEASURES CONTINUED

ARR increases by the annualized value of active contracts that commence in a reporting period and decreases by the annualized value of contracts that expire in the reporting period.

As ARR is not annualized recurring revenue, it is not calculated based on recognized or unearned revenue and is not affected by variability in the timing of revenue under ASC 606, particularly for on-premises license subscriptions where a substantial portion of the total value of the contract is recognized at a point in time upon the later of when the software is made available, or the subscription term commences.

ARR should be viewed independently of recognized and unearned revenue and is not intended to be combined with, or to replace, either of those items. Investors should consider our ARR operating measure only in conjunction with our GAAP financial results.

Organic Constant Currency ARR: We provide an organic constant currency ARR measure to help investors understand and assess the performance of our business without the distorting effect of ARR from acquisitions in the comparative period and the effect of foreign exchange rate fluctuations.

Because our ARR measures represent the annualized value of customer contracts as of a point in time, they do not represent revenue for any particular period or remaining revenue that will be recognized in future periods.

NON-GAAP FINANCIAL MEASURES

PTC provides supplemental non-GAAP financial measures to its financial results. We use these non-GAAP financial measures, and we believe that they assist our investors, to make period-to-period comparisons of our operating performance because they provide a view of our operating results without items that are not, in our view, indicative of our operating results. These non-GAAP financial measures should not be construed as an alternative to GAAP results as the items excluded from the non-GAAP financial measures often have a material impact on our operating results, certain of those items are recurring, and others often recur. Management uses, and investors should consider, our non-GAAP financial measures only in conjunction with our GAAP results.

Non-GAAP operating expense, non-GAAP operating margin, non-GAAP gross profit, non-GAAP gross margin, non-GAAP net income and non-GAAP EPS exclude the effect of the following items: stock-based compensation; amortization of acquired intangible assets; acquisition and transaction-related charges included in general and administrative expenses; restructuring and other charges, net; certain non-operating charges and credits; and income tax adjustments. Additional information about the items we exclude from our non-GAAP financial measures and the reasons we exclude them can be found in "Non-GAAP Financial Measures" in our Annual Report on Form 10-K for the fiscal year ended September 30, 2022.

Free Cash Flow: PTC provides information on free cash flow to enable investors to assess our ability to generate cash without incurring additional external financings and to evaluate our performance against our announced long-term goals and intent to return approximately 50% of our free cash flow to shareholders via stock repurchases. Free cash flow is cash provided by (used in) operations net of capital expenditures. Free cash flow is not a measure of cash available for discretionary expenditures.

Constant Currency (CC): We present CC information to provide a framework for assessing how our underlying business performed excluding the effects of foreign currency rate fluctuations. To present CC information, FY'23 and comparative prior period results for entities reporting in currencies other than United States dollars are converted into United States dollars using the foreign exchange rate as of September 30, 2022, rather than the actual exchange rates in effect during that period. All discussion of FY'23 and comparative prior period ARR results (including FY'22 baseline amounts) are reflected using the foreign exchange rates as of September 30, 2022.

NON-GAAP RECONCILIATIONS

ARR

In millions	FY'16	FY'17	FY'18	FY'19	FY'20	FY'21	FY'22
ARR (as reported)	807	914	1,010	1,111	1,264	1,468	1,572
ARR (constant currency)	739	832	930	1,043	1,156	1,353	1,572

Earnings per share

	FY'23 Guidance	Q4'23 Guidance
Diluted Earnings per share	\$2.14 - \$2.45	\$0.47 - \$0.77
Stock-based compensation expense	~ 1.67	~0.43
Intangible asset amortization expense	~0.64	~0.18
Acquisition and transaction-related expense	~0.16	~0.01
Other non-operating expenses	~0.04	~0.00
Income tax adjustments related to the reconciling items	~(0.58)	~(0.14)
Non-GAAP diluted earnings per share	\$4.07 - \$4.38	\$0.95 - \$1.25

Free cash flow

In millions	Q3'23 Actual	FY'23 Guidance	Q4'23 Guidance
Cash from Operations	\$169	~\$605	~\$44
Capital expenditures	(5)	(~20)	(~2)
Free Cash Flow	\$164	~\$585	~\$42



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THANK YOU

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