ptc

Q4'25 AND FY'25 FINANCIAL RESULTS

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CEO
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CFO

November 5, 2025

FORWARD LOOKING STATEMENTS

This presentation includes forward looking statements regarding PTC's future financial performance, strategic outlook and expectations, anticipated future operations, expected effects of strategic investments and initiatives, expected divestiture of the Kepware and ThingWorx business and the effects of such divestiture, and share repurchase expectations. 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.

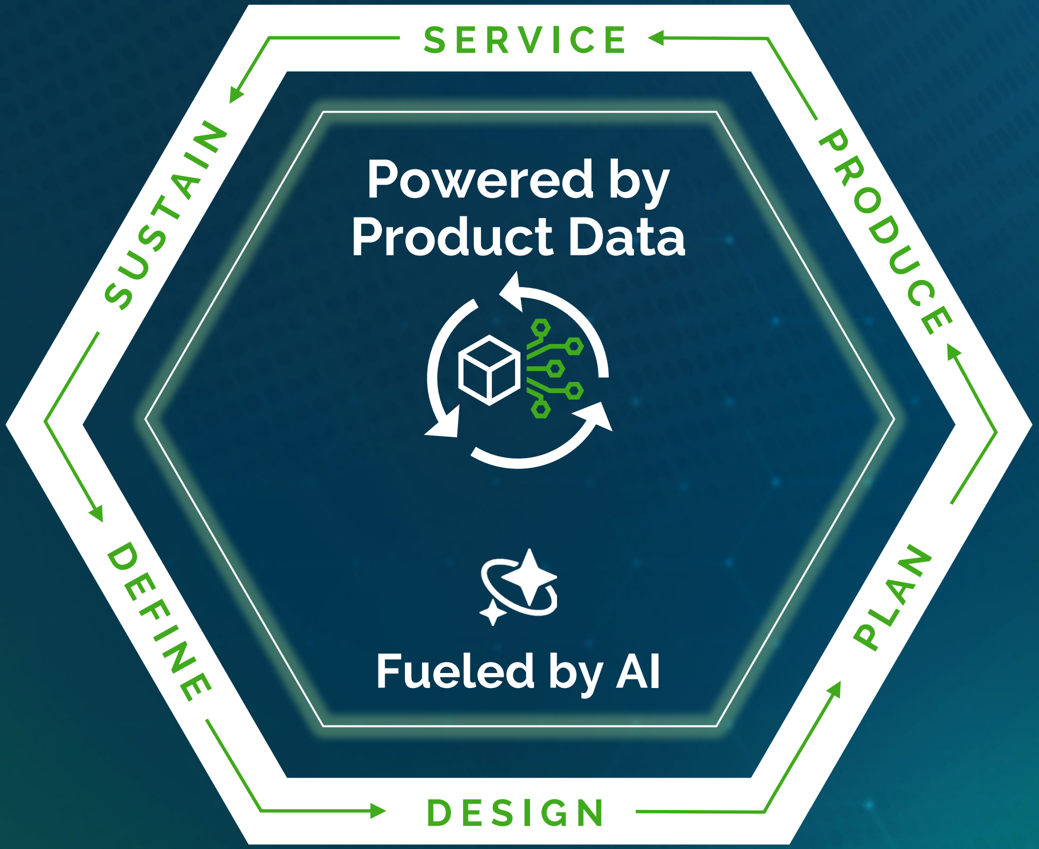
IMPORTANT INFORMATION ABOUT OPERATING AND NON-GAAP FINANCIAL MEASURES

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.

NEIL BARUA, CEO

TRANSFORMING THE ENTERPRISE WITH THE INTELLIGENT PRODUCT LIFECYCLE

Connected through Openness



Accelerated by SaaS

KRISTIAN TALVITIE, CFO

KEPWARE AND THINGWORX TRANSACTION OVERVIEW

Divestiture reinforces focus on PTC's Intelligent Product Lifecycle

- **Transaction perimeter:**
  - **Kepware industrial connectivity and ThingWorx Internet of Things (IoT) businesses**
- **Expected proceeds:**
  - **Up to $725 million** total cash consideration to PTC
  - **$565 million** minimum up-front cash consideration
  - **Approximately $365 million** of net proceeds after working capital and indebtedness adjustments, divestiture-related costs, and cash taxes
- **Expected use of net proceeds:**
  - Will follow overall capital allocation strategy of returning excess cash post any potential tuck-in acquisitions

Estimated Net Transaction Proceeds

Maximum purchase price	**$725 million**
Potential future earn-out	($125 million)
Maximum up-front proceeds	**$600 million**
Assumes no earn-out pre-close	($35 million)
Minimum up-front proceeds	**$565 million**
Estimated working capital and indebtedness adjustments	(~$40 million)
Estimated transaction proceeds	**~$525 million**
Estimated divestiture-related costs	(~$35 million)
Estimated cash taxes assuming 25% rate	(~$125 million)
Estimated net transaction proceeds:	**~$365 million**

Expected close: First half of calendar 2026

KEY FINANCIAL HIGHLIGHTS

Simplified portfolio driving higher growth

ARR

FY'25

- **Approximately $160 million of ARR** and approximately $200 million of revenue attributable to Kepware and ThingWorx

FY'26

- PTC FY'26 constant currency **ARR growth rate guidance increases by 50 basis points** when excluding Kepware and ThingWorx

CASH FLOW

FY'25

- **$70 million of estimated free cash flow** attributable to Kepware and ThingWorx

FY'26

- **One-time transaction-related costs are expected; Beyond these costs, no material impact to PTC FY'26 free cash flow is expected**

FY'26 FREE CASH FLOW MODEL[1] ASSUMING TRANSACTION CLOSE ON APRIL 1, 2026

Bridging from FY'26 free cash flow guidance[2]

PTC FY'26 free cash flow guidance without divestiture	**~$1,000 million**	
Estimated FCF impact related to absence of Kepware and ThingWorx in 2H'26, **largely offset** by estimated net proceeds from Transition Services Agreement[3]	~$0	
Estimated one-time divestiture-related costs related to the Kepware and ThingWorx transaction	(~$35 million)	Pay ~$160 million of one-time transaction-related costs using transaction proceeds
Estimated one-time cash taxes related to the Kepware and ThingWorx transaction	(~$125 million)	
PTC FY'26 free cash flow model with divestiture	**~$840 million**	

We will update our FY'26 cash flow guidance in conjunction with the closing of the Kepware and ThingWorx transaction

[1] Refer to the non-GAAP to GAAP reconciliation tables on slides 32-35.
[2] The transaction proceeds will be recognized as investing cash flow and the one-time transaction-related costs will be recognized as operating cash flow and free cash flow.
[3] Less than ~$50 million net headwind expected in FY'27.

SOLID ARR AND CASH FLOW RESULTS

ARR

$ in millions	Q4'25	Q4'24	YoY Change	Q4'25 Guidance
ARR as reported	$2,478	$2,255	10%	
Constant currency ARR **at FY'25 Plan FX rates**[1]	$2,446	$2,255	8.5%	8% to 9% growth

CASH FLOW: Driven by ARR increase and operating efficiency %[2] expansion

$ in millions	Q4'25	Q4'24	YoY Change	Q4'25 Guidance
Operating cash flow	$104	$98	6%	$93 to $98
Free cash flow	$100	$94	7%	$90 to $95

$ in millions	FY'25[3]	FY'24	YoY Change	FY'25 Guidance
Operating cash flow	$868	$750	16%	~$860
Free cash flow	$857	$736	16%	~$850

- FY'25 operating efficiency %[2] of 45% improved by 310 basis points compared to 42% in FY'24

[1] On a constant currency basis, using our FY'25 Plan foreign exchange rates (rates as of September 30, 2024) for all periods.
[2] Operating Efficiency % = Cash generation less non-GAAP cost of revenue and non-GAAP operating expenses, divided by cash generation; Cash generation = ARR + Perpetual revenue + Professional services revenue.
[3] FY'25 cash flow absorbed approximately $20 million of outflows related to our go-to-market realignment.

FY’26 ARR GUIDANCE AND REPORTING

For comparative purposes, we provide ARR guidance and report ARR on a constant currency basis

- To help investors understand and assess our business performance excluding FX volatility, we provide constant currency ARR guidance and report constant currency ARR
- **For FY’26, we set our constant currency ARR guidance** and will report constant currency ARR results for all periods **using FX rates as of September 30, 2025 (our FY’26 Plan FX rates)**
- **Historical constant currency ARR amounts by Product Group recast using FX rates as of September 30, 2025** can be found in the Financial Data Tables for Q4’25 on our IR website

$ in millions

Previous: using FX rates as of September 30, 2024 (FY'25 Plan FX rates)	Q1'24	Q2'24	Q3'24	Q4'24	Q1'25	Q2'25	Q3'25	Q4'25
Constant Currency ARR by Product Group								
CAD (product data authoring)	$ 806	$ 829	$ 846	$ 868	$ 881	$ 897	$ 915	$ 943
PLM (product data management and process orchestration)	1,254	1,291	1,325	1,387	1,395	1,429	1,458	1,503
Ending ARR	**$ 2,059**	**$ 2,119**	**$ 2,170**	**$ 2,255**	**$ 2,277**	**$ 2,326**	**$ 2,372**	**$ 2,446**

Recast: using rates as of September 30, 2025 (FY'26 Plan FX rates)	Q1'24	Q2'24	Q3'24	Q4'24	Q1'25	Q2'25	Q3'25	Q4'25
Constant Currency ARR by Product Group								
CAD (product data authoring)	$ 818	$ 841	$ 858	$ 881	$ 895	$ 911	$ 928	$ 956
PLM (product data management and process orchestration)	1,269	1,306	1,341	1,404	1,412	1,447	1,476	1,522
Ending ARR	**$ 2,087**	**$ 2,147**	**$ 2,199**	**$ 2,285**	**$ 2,307**	**$ 2,358**	**$ 2,404**	**$ 2,478**

FY'26 AND Q1'26 GUIDANCE

$ in millions except per share amounts % rounded to the nearest half	FY'25 Actual	FY'26 Guidance	FY'26 YoY Growth Guidance	Q1'26 Guidance
Constant currency ARR, **excluding Kepware and ThingWorx, at FY'26 Plan FX rates**[1]	$2,319	7.5% to 9.5% growth	7.5% to 9.5%	8.5% to 9% growth
Constant currency ARR, **including Kepware and ThingWorx, at FY'26 Plan FX rates**[1]	$2,478	7% to 9% growth	7% to 9%	8% to 8.5% growth
Operating cash flow	$868[3]	~$1,030	~19%	$270 to $275
Free cash flow[2]	$857[3]	~$1,000[4]	~17%	$265 to $270
Revenue	$2,739	$2,650 to $2,915	(3%) to 6%	$600 to $660
Earnings per share	$6.14	$4.37 to $6.87	(29%) to 12%	$0.73 to $1.31
Non-GAAP earnings per share[2]	$8.00	$6.49 to $8.95	(19%) to 12%	$1.26 to $1.82

Guidance for cash flow, revenue, and EPS includes Kepware and ThingWorx for the full year

We will update our FY'26 cash flow, revenue, and EPS guidance in conjunction with the closing of the Kepware and ThingWorx transaction

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

[1] On a constant currency basis, using our FY'26 Plan foreign exchange rates (rates as of September 30, 2025) for all periods.
[2] Refer to the non-GAAP to GAAP reconciliation tables on slides 32-35.
[3] FY'25 cash flow absorbed approximately $20 million of outflows related to go-to-market realignment.
[4] FY'26 free cash flow guidance includes approximately $20 million of one-time capital expenditures related to moving a major R&D center to a new office.

FY'26 ILLUSTRATIVE CONSTANT CURRENCY ARR MODEL

What does PTC need to deliver to achieve our constant currency ARR guidance?

PTC excluding Kepware and ThingWorx Using FX rates as of September 30, 2025 $ in millions	Actual FY'25	What you need to believe FY'26
Beginning ARR	$ 2,123	$ 2,319
Ending ARR	**2,319**	**2,514**
Annual net ARR growth	**$ 196**	**$ 195**

PTC including Kepware and ThingWorx Using FX rates as of September 30, 2025 $ in millions	Actual FY'25	What you need to believe FY'26
Beginning ARR	$ 2,285	$ 2,478
Ending ARR	**2,478**	**2,673**
Annual net ARR growth	**$ 194**	**$ 195**

- Using FX rates as of September 30, 2025 for all periods
- We expect churn to remain low
- To hit the midpoint of our guidance range for PTC excluding Kepware and ThingWorx of 7.5% to 9.5% YoY growth, we need $195 million of net ARR growth in FY'26
- To hit the midpoint of our guidance range for PTC including Kepware and ThingWorx for the full year of 7% to 9% YoY growth, we need $195 million of net ARR growth in FY'26

Q1’26 ILLUSTRATIVE CONSTANT CURRENCY ARR MODEL

What does PTC need to deliver to achieve our constant currency ARR guidance?

PTC excluding Kepware and ThingWorx Using FX rates as of September 30, 2025 $ in millions	Actual Q1'25	Actual Q2'25	Actual Q3'25	Actual Q4'25	What you need to believe Q1'26
Beginning ARR	$ 2,123	$ 2,148	$ 2,200	$ 2,244	$ 2,319
Ending ARR	**2,148**	**2,200**	**2,244**	**2,319**	**2,334 to 2,344**
Sequential net ARR growth	**$ 25**	**$ 52**	**$ 44**	**$ 75**	**$ 15 to 25**

PTC including Kepware and ThingWorx Using FX rates as of September 30, 2025 $ in millions	Actual Q1'25	Actual Q2'25	Actual Q3'25	Actual Q4'25	What you need to believe Q1'26
Beginning ARR	$ 2,285	$ 2,307	$ 2,358	$ 2,404	$ 2,478
Ending ARR	**2,307**	**2,358**	**2,404**	**2,478**	**2,493 to 2,503**
Sequential net ARR growth	**$ 22**	**$ 51**	**$ 46**	**$ 74**	**$ 15 to 25**

- Using FX rates as of September 30, 2025 for all periods
- We expect churn to remain low
- To hit our guidance range for PTC excluding Kepware and ThingWorx of 8.5% to 9% YoY growth, we need $15 million to $25 million of sequential net ARR growth in Q1’26
- To hit our guidance range for PTC including Kepware and ThingWorx of 8% to 8.5% YoY growth, we need $15 million to $25 million of sequential net ARR growth in Q1’26

Q&A

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THANK YOU

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APPENDIX

APPENDIX: FY'26 GUIDANCE INCLUDES THE FOLLOWING ASSUMPTIONS

- We provide ARR guidance on a constant currency basis, using our **FY'26 Plan foreign exchange rates (rates as of September 30, 2025)** for all periods.
- We expect churn to remain low.
- For cash flow, due to largely similar invoicing seasonality and timing of expenses, and consistent with the past 5 years, we expect the majority of our collections to occur in the first half of our fiscal year and for fiscal Q4 to be our lowest cash flow generation quarter.
- Compared to FY'25, given our FY'25 ARR guidance range, FY'26 GAAP operating expenses are expected to increase approximately 4% and FY'26 non-GAAP operating expenses are expected to increase approximately 4%, primarily due to investments to drive future growth.
- Capital expenditures are expected to be approximately $30 million, with approximately $20 million of one-time capital expenditures in FY'26 related to moving a major R&D center to a new office.
- Cash interest payments are expected to be approximately $50 million to $70 million.
- Cash tax payments are expected to be approximately $130 million to $150 million.
- GAAP and non-GAAP tax rates are expected to be approximately 20% to 25%.
- GAAP P&L results are expected to include the items below, totaling approximately $310 million to $340 million, as well as their related tax effects:
  - approximately $230 million to $260 million of stock-based compensation expense, and
  - approximately $80 million of intangible asset amortization expense.
- We intend to repurchase between $150 million and $250 million of our common stock per quarter in FY'26. In Q1'26, we intend to repurchase approximately $200 million of our common stock.
- We expect a decrease in our Q1'26 fully diluted share count to approximately 120 million shares, compared to 121 million shares in Q1'25.

APPENDIX: WINDCHILL PLM COMPETITIVE DISPLACEMENT AND SERVICEMAX EXPANSION AT A MED TECH COMPANY

Goal

- This customer is a global leader in the medical technology industry, with multi-billion-dollar equipment and services revenue streams.
- They are focused on driving innovation, ensuring better patient outcomes, and lowering operational costs, by prioritizing their product data foundation.

Solution and Impact

- A comprehensive technical response to a competitive evaluation, combined with strong executive engagement, positioned PTC as the strategic partner aligned with the customer's long-term business objectives.
- This customer now considers PTC a Top 3 partner and is consolidating fragmented engineering and service tools into a unified product data foundation. Built on PTC solutions, they are standardizing on Windchill PLM and significantly expanding ServiceMax across global operations.

windchill® servicemax®

APPENDIX: EXPANSION AND COMPETITIVE DISPLACEMENT AT AN INDUSTRIAL/AUTOMOTIVE COMPANY

Goal

- This global leader in technology and services is an industrial conglomerate and tier-1 automotive supplier. They are focused on optimizing their engineering IT landscape to accelerate innovation and time to market.

Solution and Impact

- This customer observed that friction in engineering had built up over time due to their usage of multiple siloed CAD, PLM, and ALM products.
- This customer made the decision to streamline their engineering environment and use PTC technology broadly so they can innovate faster. They are significantly expanding their use of Creo CAD, Windchill PLM, and Codebeamer ALM, driving cross-domain collaboration, and moving to SaaS with PTC over time.

creo® windchill® codebeamer®

APPENDIX: SIGNIFICANT ONSHAPE WIN AND COMPETITIVE DISPLACEMENT AT A MEDICAL TECHNOLOGY COMPANY

Goal

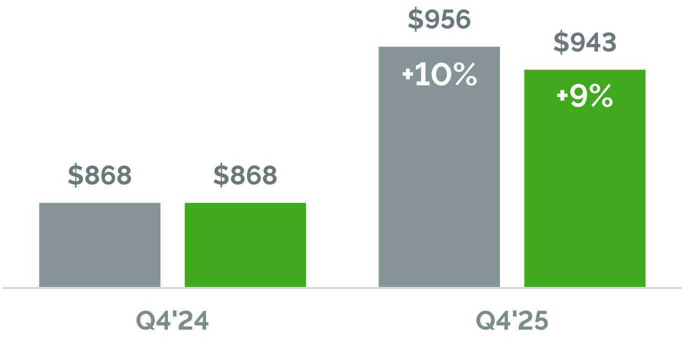
- This global engineering leader in biopharmaceutical and laboratory equipment is focused on driving speed, efficiency, and collaboration across their business by moving from multiple legacy CAD tools and standardizing on a modern, cloud-native CAD solution.

Solution and Impact

- This customer made the decision to rely on Onshape and displace 300 seats of multiple CAD products, illustrating Onshape's strong product-market fit for fast-growing and innovative mid-market companies.
- The difference-maker in winning this deal was Onshape's direct alignment with the customer's C-level priorities: digital transformation, faster NPI (New Product Introduction), and increased innovation.

APPENDIX: ARR BY PRODUCT GROUP AND GEOGRAPHIC REGION

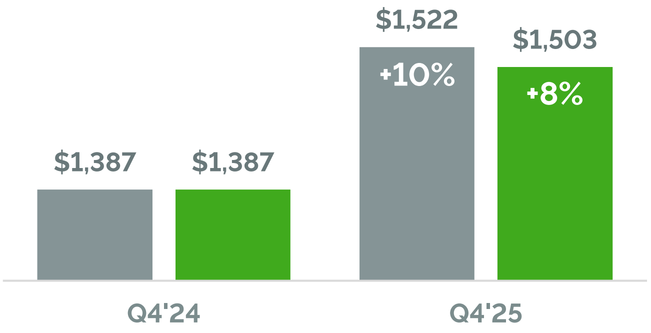
CAD: Product data authoring software



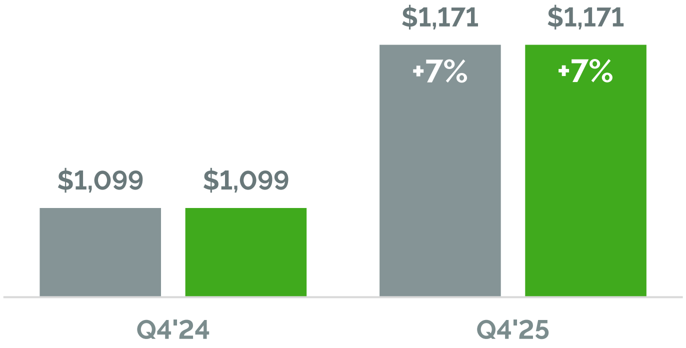
$ in millions

As Reported | Constant Currency[1]

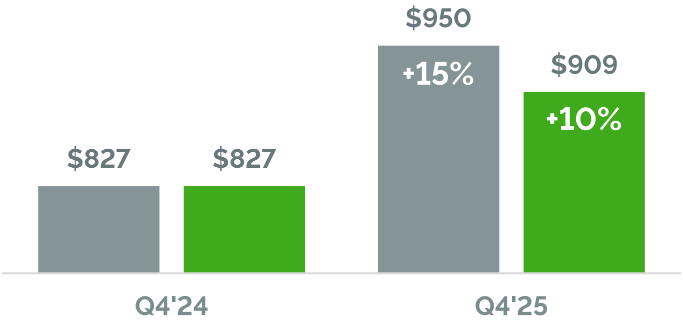
PLM: Product data management and process orchestration software



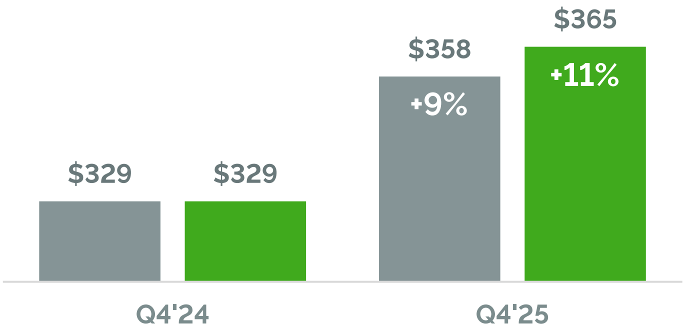
Americas



Europe



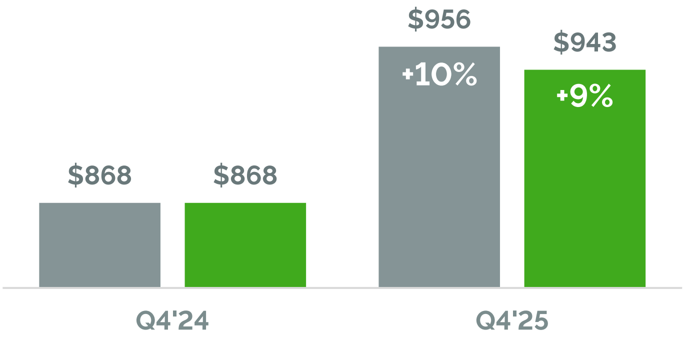
APAC

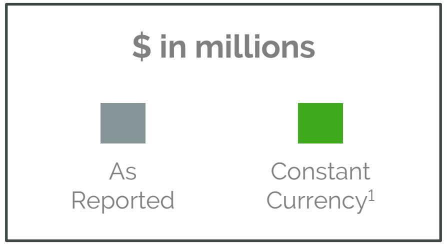


[1] On a constant currency basis, using our FY'25 Plan foreign exchange rates (rates as of September 30, 2024) for all periods.

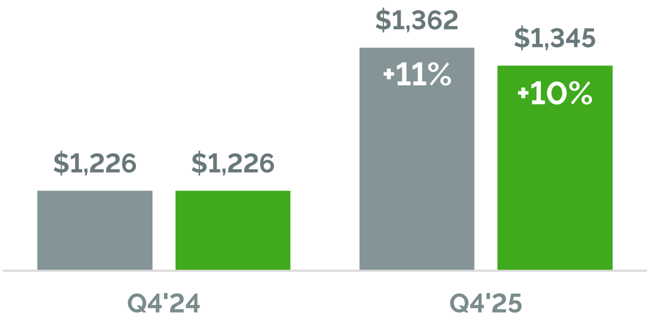
APPENDIX: ARR BY PRODUCT GROUP AND GEOGRAPHIC REGION EXCLUDING KEPWARE AND THINGWORX

CAD: Product data authoring software

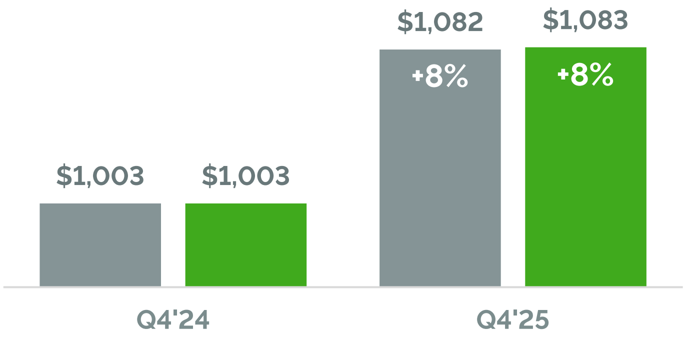




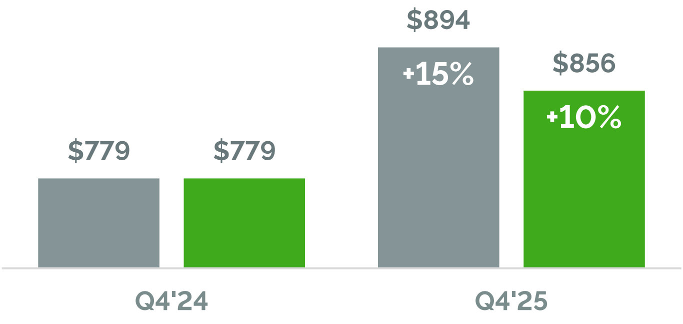
PLM: Product data management and process orchestration software



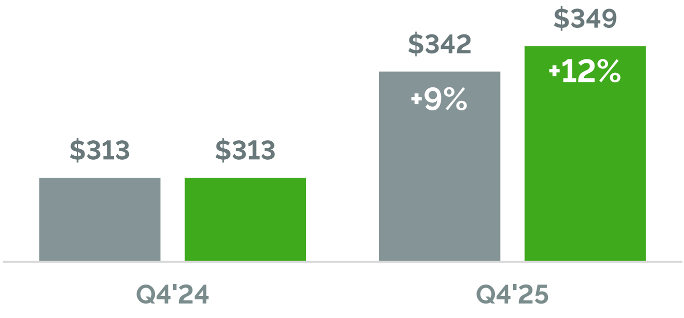
Americas



Europe



APAC



[1] On a constant currency basis, using our FY'25 Plan foreign exchange rates (rates as of September 30, 2024) for all periods.

APPENDIX: FY'26 ILLUSTRATIVE FREE CASH FLOW MODEL[1]

At our ARR guidance midpoint, what does PTC need to deliver to achieve our FY'26 FCF guidance?

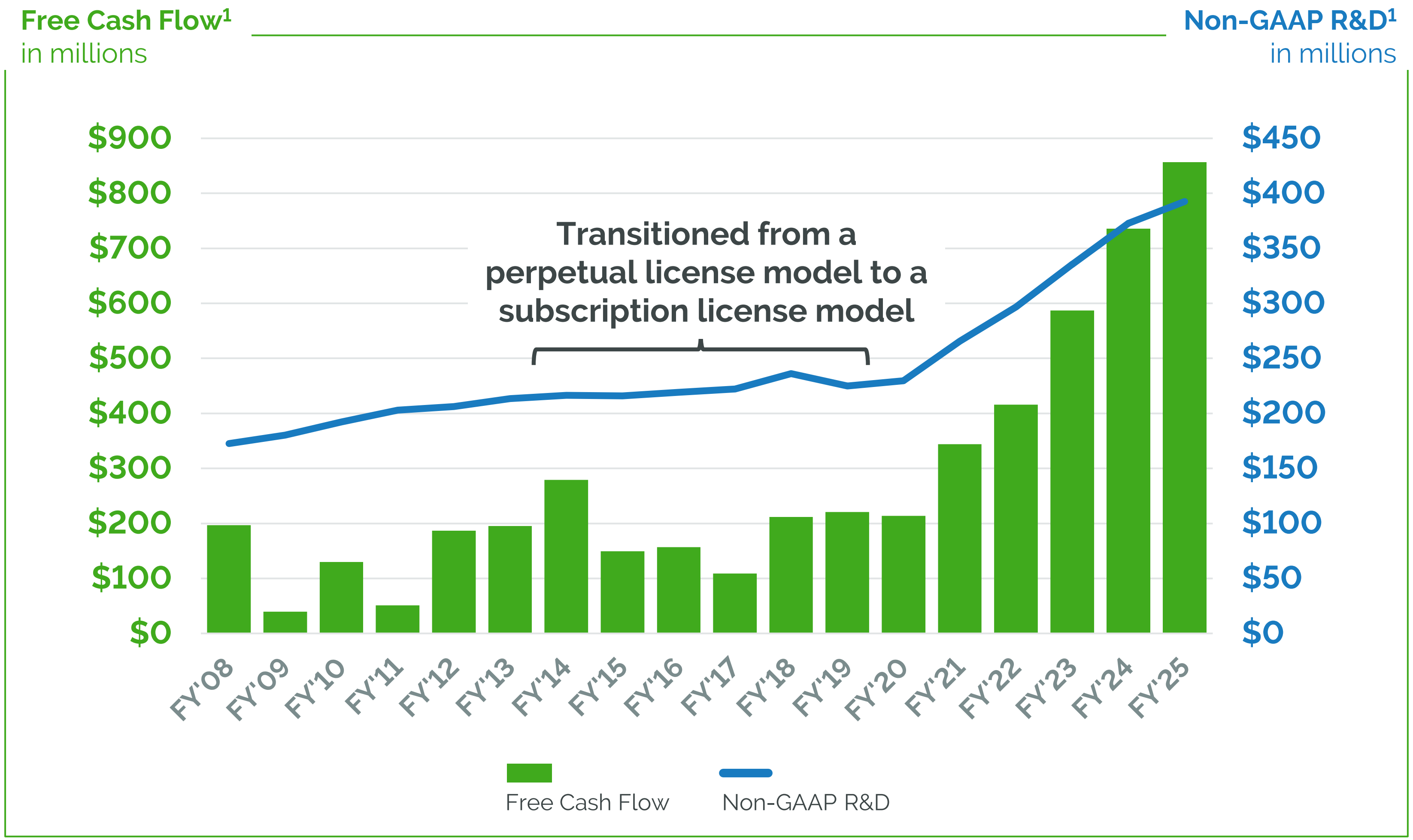
$ in millions	FY'25 Actual		FY'26 Illustrative		Comments
Annual Run Rate (ARR)	**$ 2,478**	**$ 2,478**	**$ 2,673**	**$ 2,673**	For FY'26: using 8% growth, the midpoint of our constant currency ARR guidance range
Perpetual license revenue	31	31	23	23	Primarily our Kepware business
Professional services revenue	107	107	108	108	We have completed the multi-year transition of a portion of our Professional Services business to DxP
Cash generation	**$ 2,616**	**$ 2,616**	**$ 2,804**	**$ 2,804**	
	GAAP	**Non-GAAP**	**GAAP**	**Non-GAAP**	
Cost of revenue	$ (445)	$ (389)	$ (482)	$ (425)	
Operating expenses	(1,312)	(1,048)	(1,358)	(1,090)	In accordance with guidance assumptions provided on slide 17
Subtotal	$ (1,757)	$ (1,437)	$ (1,840)	$ (1,515)	
Cash contribution margin	$ 859	$ 1,179	$ 964	$ 1,289	Continued operating leverage supported by subscription license business model with low churn and diciplined budgeting structure
Operating efficiency %	**32.8%**	**45.1%**	**34.4%**	**46.0%**	
Stock compensation expense	$ 216	$ -	$ 245	$ -	In accordance with guidance assumptions provided on slide 17
Depreciation expense	24	24	24	24	
Amortization expense	79	-	80	-	In accordance with guidance assumptions provided on slide 17
Restructuring-related	-	-	-	-	
Lease impairment-related	16	-	-	-	
Acquisition and transaction-related	8	(1)	-	-	
Capital expenditures	(11)	(11)	(30)	(30)	In accordance with guidance assumptions provided on slide 17
Cash interest payments	(78)	(78)	(60)	(60)	In accordance with guidance assumptions provided on slide 17
Cash tax payments	(122)	(122)	(140)	(140)	In accordance with guidance assumptions provided on slide 17
Other	(134)	(134)	(83)	(83)	Primarily FX (net impact) and working capital to support growth
Subtotal	$ (2)	$ (322)	$ 36	$ (289)	
Free cash flow	**$ 857**	**$ 857**	**$ 1,000**	**$ 1,000**	

FX fluctuations, interest rate fluctuations, tax law changes, and changes in the macroeconomic environment can impact free cash flow

[1] Our illustrative free cash flow model uses ARR because ARR is the best approximation of annual billings related to recurring contracts. Refer to the non-GAAP to GAAP reconciliation tables on slides 32-35 for a reconciliation of the non-GAAP elements to the GAAP elements.

APPENDIX: DELIVERING FCF AND REINVESTING IN GROWTH

Track record supported by subscription license model with low churn and disciplined capital allocation



4 Year (FY'21 to FY'25)
Compound Annual Growth Rate
(CAGR)

Constant currency ARR 15%

Free Cash Flow 26%[1]

Non-GAAP R&D 10%[1]

Non-GAAP SG&A 3%[1]

Non-GAAP Opex 5%[1]

[1] Refer to the non-GAAP to GAAP reconciliation tables on slides 32-35.

APPENDIX: BALANCE SHEET AND SHARE REPURCHASES

Balance sheet

$ in millions	Q4'25	Q3'25	QoQ Change	Q4'24	YoY Change
Cash and cash equivalents	**$ 184**	**$ 199**	**$ (15)**	**$ 266**	**$ (82)**
Senior notes with a fixed interest rate of 4.0% as of Q4'25	500	500	-	$ 1,000	$ (500)
Term loan with a variable interest rate of 5.5% as of Q4'25	469	475	(6)	491	(22)
$1,250 revolving credit facility with a variable interest rate of 5.7% as of Q4'25	231	261	(30)	262	(31)
Total debt with a weighted average interest rate of 4.9% as of Q4'25	**$ 1,200**	**$ 1,236**	**$ (36)**	**$ 1,753**	**$ (553)**
Unamortized debt issuance costs related to senior notes	(3)	(3)	0	(4)	1
Debt, net of deferred issuance costs	**$ 1,197**	**$ 1,233**	**$ (36)**	**$ 1,749**	**$ (551)**

- Debt/EBITDA ratio at the end of Q4'25 was 0.9x
- We generated free cash flow of $100 million in Q4'25 and $857 million in FY'25
  - In Q4'25, $36 million, net, was used to pay down PTC debt and $75 million was used to repurchase shares of PTC common stock
  - In FY'25, $553 million, net, was used to pay down PTC debt and $300 million was used to repurchase shares of PTC common stock

$2 billion share repurchase authorization through FY'27

- In FY'25, we repurchased $300 million of common stock, as we balanced debt paydown with returning capital to shareholders
- Given the consistency and predictability of free cash flow generation, we aim to maintain a low cash balance and expect to return excess cash to shareholders via share repurchases
- We intend to repurchase between $150 million and $250 million of common stock per quarter in FY'26. In Q1'26, we intend to repurchase approximately $200 million of common stock and expect a decrease in fully diluted shares to approximately 120 million shares, compared to 121 million shares in Q1'25.

APPENDIX: ARR IMPACT OF THE KEPWARE AND THINGWORX TRANSACTION

PTC including Kepware and ThingWorx[1]

Using rates as of September 30, 2025 (FY'26 Plan FX rates) $ in millions	Q1'25	Q2'25	Q3'25	Q4'25
Constant Currency ARR by Product Group				
CAD (product data authoring)	$ 895	$ 911	$ 928	$ 956
PLM (product data management and process orchestration)	1,412	1,447	1,476	1,522
Ending ARR	**$ 2,307**	**$ 2,358**	**$ 2,404**	**$ 2,478**

Kepware and ThingWorx[1]

Using rates as of September 30, 2025 (FY'26 Plan FX rates) $ in millions	Q1'25	Q2'25	Q3'25	Q4'25
Constant Currency ARR (part of the PLM Product Group)	**$ 159**	**$ 158**	**$ 160**	**$ 160**

PTC excluding Kepware and ThingWorx[1]

Using rates as of September 30, 2025 (FY'26 Plan FX rates) $ in millions	Q1'25	Q2'25	Q3'25	Q4'25
Constant Currency ARR by Product Group				
CAD (product data authoring)	$ 895	$ 911	$ 928	$ 956
PLM (product data management and process orchestration)	1,253	1,289	1,316	1,362
Ending ARR	**$ 2,148**	**$ 2,200**	**$ 2,244**	**$ 2,319**

- **PTC including Kepware and ThingWorx**

  Q4'25 YoY growth of 8.5%

- **Kepware and ThingWorx**

  Q4'25 YoY growth of (1.3%)

- **PTC excluding Kepware and ThingWorx**

  Q4'25 YoY growth of 9.2%

[1] On a constant currency basis, using our FY'26 Plan foreign exchange rates (rates as of September 30, 2025) for all periods.

APPENDIX: FX IMPACT ON ARR USING FY'25 PLAN FX RATES

Using FX rates as of September 30, 2024 (FY'25 Plan FX rates) $ in millions	Q1'24	Q2'24	Q3'24	Q4'24	Q1'25	Q2'25	Q3'25	Q4'25
Constant Currency ARR by Product Group								
CAD (product data authoring)	$ 806	$ 829	$ 846	$ 868	$ 881	$ 897	$ 915	$ 943
PLM (product data management and process orchestration)	1,254	1,291	1,325	1,387	1,395	1,429	1,458	1,503
Ending ARR on a constant currency basis	**$ 2,059**	**$ 2,119**	**$ 2,170**	**$ 2,255**	**$ 2,277**	**$ 2,326**	**$ 2,372**	**$ 2,446**

As reported $ in millions	Q1'24	Q2'24	Q3'24	Q4'24	Q1'25	Q2'25	Q3'25	Q4'25
ARR by Product Group								
CAD (product data authoring)	$ 805	$ 814	$ 824	$ 868	$ 848	$ 880	$ 934	$ 956
PLM (product data management and process orchestration)	1,252	1,275	1,302	1,387	1,357	1,410	1,481	1,522
Ending ARR	**$ 2,057**	**$ 2,088**	**$ 2,126**	**$ 2,255**	**$ 2,205**	**$ 2,290**	**$ 2,416**	**$ 2,478**
Impact of FX fluctuations embedded in ARR as reported	**$ (2)**	**$ (31)**	**$ (44)**	**$ -**	**$ (71)**	**$ (36)**	**$ 43**	**$ 33**

To help investors understand and assess our business performance excluding FX volatility, we provide constant currency ARR guidance and report constant currency ARR

FORWARD-LOOKING STATEMENTS

Statements in this document that are not historic facts, including statements about our future operating, financial and growth expectations, potential stock repurchases, the expected timing of closing the sale of the Kepware and ThingWorx businesses (the “divestiture”), and the anticipated benefits of the divestiture, 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 not improve or may deteriorate due to, among other factors, the effects of recently imposed import tariffs, threats of additional and reciprocal import tariffs, global trade tensions and uncertainty, a prolonged U.S. federal government shutdown, volatile foreign exchange rates, high interest rates or increases in interest rates, inflation, tightening of credit standards and availability, geopolitical uncertainty, including the effects of the conflicts between Russia and Ukraine and in the Middle East, and tensions between the U.S. and China, any of which could cause customers to delay or reduce purchases of new software, adopt competing software solutions, reduce the number of subscriptions they carry, or delay payments to us, which would adversely affect our ARR (Annual Run Rate) and/or financial results and cash flow and growth; our investments in our software solutions, including the integration of artificial intelligence (AI) capabilities into our software solutions, may not drive expansion of those solutions and/or generate the ARR and/or cash flow we expect if customers are slower to adopt those solutions than we expect or if they adopt competing solutions; customers may not build the product data foundations essential for the AI-driven transformation of their business when or as we expect, which could adversely affect our ARR and/or financial results and cash flow and growth; our go-to-market realignment and related initiatives may disrupt our business to a greater extent than we expect or may not generate the ARR and/or financial results or cash flow when or as we expect; the divestiture may not be consummated when or as we expect if, among other factors, regulatory approvals under the Hart-Scott-Rodino Act and other applicable laws and regulations are not received when or as we expect, or if other closing conditions are not satisfied when or as we expect or are waived; the future thresholds upon which the additional contingent consideration of up to $125 million related to the divestiture would become payable may not be achieved; the anticipated benefits of the divestiture may not be realized when or as we expect; the divestiture may disrupt our business; other uses of cash or our credit facility limits could limit or preclude the return of excess cash and the net proceeds of the divestiture to shareholders by way of share repurchases, or could change the amount and timing of any share 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 changes to tax laws in the U.S. and other countries and 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 described from time to time in reports we file with the Securities and Exchange Commission, including our most recent Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, and other filings with the U.S. Securities and Exchange Commission.

OPERATING MEASURE

ARR: ARR (Annual Run Rate) represents the annualized value of our portfolio of active subscription software, SaaS, hosting, 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 change over time, 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 any 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 estima tes regarding future contract 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 generally 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.

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.

OPERATING MEASURE (CONTINUED)

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 as revenue 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.

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; impairment and other charges (credits), net; non-operating charges (credits), net shown in the reconciliation provided; 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, 2024 and today's press release.

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 excess cash 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'25 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, 2024, rather than the actual exchange rates in effect during that period. All discussion of FY'26 and comparative prior period ARR results (including FY'25 baseline amounts) are reflected using the foreign exchange rates as of September 30, 2025.

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES TO GAAP

Diluted Earnings per share: GAAP vs. Non-GAAP

	FY'24	FY'25	FY'26 Guidance[1]	Q1'26 Guidance[1]
GAAP diluted earnings per share	$3.12	$6.14	$4.37 to $6.87	$0.73 to $1.31
Stock-based compensation	1.85	1.79	2.18 to 1.93	0.54 to 0.46
Amortization of acquired intangibles	0.67	0.65	~0.67	~0.17
Acquisition and transaction-related charges	0.03	0.08	-	-
Impairment and other charges (credits), net	(0.01)	0.13	-	-
Non-operating charges (credits), net	0.02	(0.11)	-	-
Income tax adjustments	(0.59)	(0.68)	(0.73) to (0.52)	(0.18) to (0.12)
Non-GAAP diluted earnings per share	$5.08	$8.00	$6.49 to $8.95	$1.26 to $1.82

[1] Guidance for EPS includes Kepware and ThingWorx for the full year. We will update our FY'26 guidance in conjunction with the closing of the Kepware and ThingWorx transaction.

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES TO GAAP

Cost of Revenue: GAAP vs. Non-GAAP

	FY'25
GAAP cost of revenue	$445
License stock-based compensation expense	(0)
Support stock-based compensation expense	(16)
Professional services stock-based compensation expense	(6)
Software amortization of acquired intangible assets	(33)
Non-GAAP cost of revenue	$389

Operating Expense: GAAP vs. Non-GAAP

	FY'25
GAAP operating expense	$1,312
S&M stock-based compensation expense	(62)
R&D stock-based compensation expense	(65)
G&A stock-based compensation expense	(67)
Amortization of acquired intangible assets	(46)
Impairment and other charges (credits), net	(16)
Acquisition and transaction-related charges	(9)
Non-GAAP operating expense	$1,048

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES TO GAAP

R&D Expense: GAAP vs. Non-GAAP

In millions	FY'08	FY'09	FY'10	FY'11	FY'12	FY'13	FY'14	FY'15	FY'16
GAAP research and development expense	$182	$189	$202	$211	$215	$222	$226	$228	$229
Stock-based compensation expense	(9)	(8)	(9)	(9)	(9)	(9)	(10)	(12)	(10)
Non-GAAP research and development expense	$173	$180	$192	$203	$206	$213	$216	$216	$219

In millions	FY'17	FY'18	FY'19	FY'20	FY'21	FY'22	FY'23	FY'24	FY'25
GAAP research and development expense	$236	$250	$247	$257	$300	$339	$394	$433	$458
Stock-based compensation expense	(14)	(13)	(22)	(27)	(34)	(42)	(59)	(60)	(65)
Non-GAAP research and development expense	$222	$236	$225	$230	$266	$297	$335	$373	$393

FY'21 to FY'25 Compounded Annual Growth Rate

In millions	Research & Development Expense	Sales, Marketing, General, & Administrative Expense	Total Operating Expense
Total GAAP Expense	11%	2%	6%
Adjustment for stock-based compensation expense	-1%	-2%	0%
Adjustment for amortization of acquired intangible assets	-	-	0%
Adjustment for impairment and other charges (credits), net	-	-	0%
Adjustment for acquisition and transaction-related charges	-	3%	0%
Total Non-GAAP Expense	10%	3%	5%

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES TO GAAP

Free Cash Flow

In millions	FY'08	FY'09	FY'10	FY'11	FY'12	FY'13	FY'14	FY'15	FY'16	FY'17
Net cash provided by (used in) operating activities	$222	$70	$157	$79	$218	$225	$305	$180	$183	$135
Capital expenditures	(25)	(30)	(27)	(28)	(31)	(29)	(25)	(31)	(26)	(25)
Free cash flow	$197	$40	$130	$51	$187	$195	$279	$149	$157	$110

In millions	FY'18	FY'19	FY'20	FY'21	FY'22	FY'23	FY'24	FY'25	FY'26 Guidance[1]
Net cash provided by (used in) operating activities	$248	$285	$234	$369	$435	$611	$750	$868	~$1,030
Capital expenditures	(36)	(64)	(20)	(25)	(19)	(24)	(14)	(11)	~30
Free cash flow	$212	$221	$214	$344	$416	$587	$736	$857	~$1,000

In millions	Q4'24	Q4'25	Q1'26 Guidance[1]
Net cash provided by (used in) operating activities	$98	$104	$270 to $275
Capital expenditures	(5)	(4)	~5
Free cash flow	$94	$100	$265 to $270

[1] Guidance for cash flow includes Kepware and ThingWorx for the full year. We will update our FY'26 guidance in conjunction with the closing of the Kepware and ThingWorx transaction.