



Q2'26 FINANCIAL RESULTS

Neil Barua
CEO

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CFO

May 6, 2026



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, 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

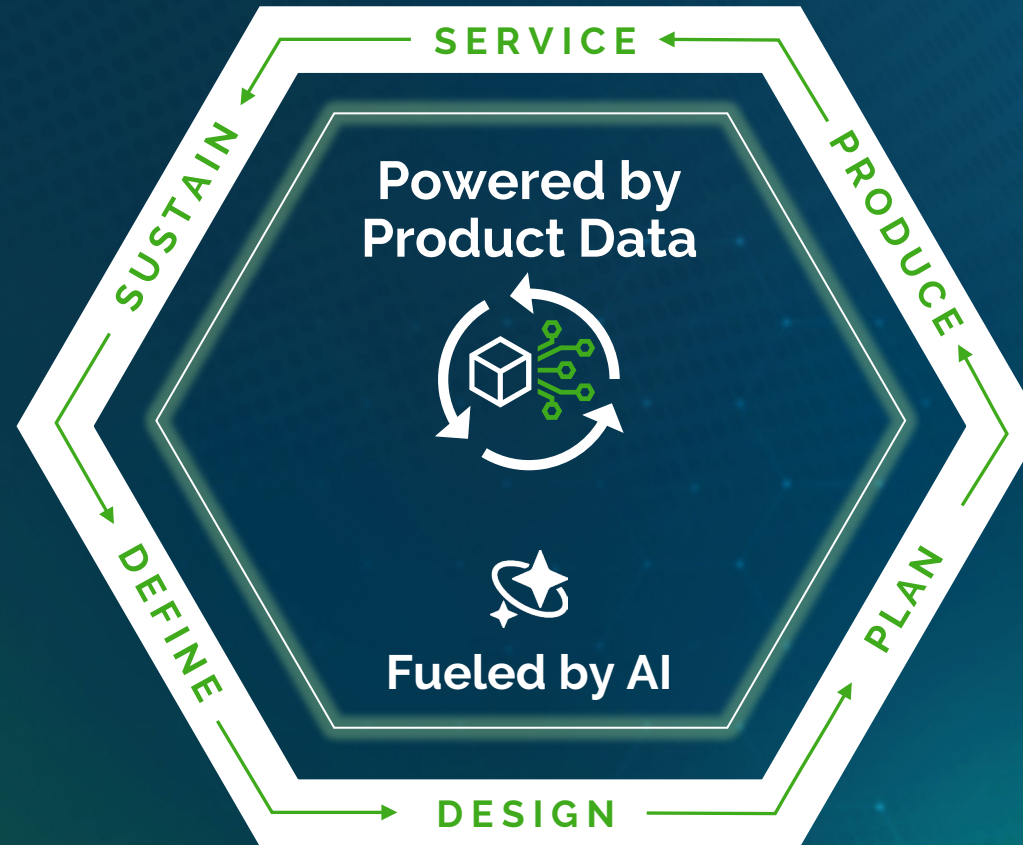
This presentation includes supplemental operating and non-GAAP financial measures, targets and estimates. The non-GAAP financial measures are not prepared in accordance with generally accepted accounting principles. The definitions of these items and reconciliations of non-GAAP financial measures to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



NEIL BARUA, CEO

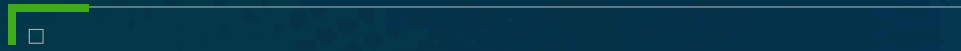
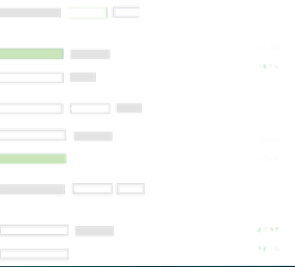


TRANSFORMING THE ENTERPRISE WITH THE INTELLIGENT PRODUCT LIFECYCLE

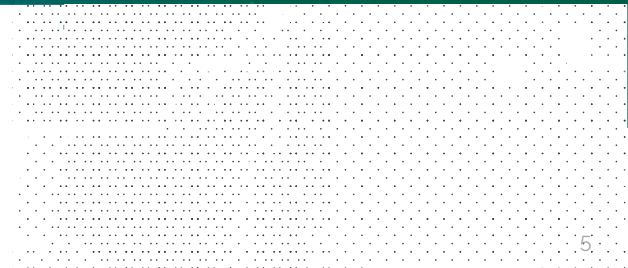


**Connected
through Openness**

**Accelerated
by SaaS**



JENNIFER DIRICO, CFO



SOLID ARR AND CASH FLOW RESULTS

ARR



\$ in millions	Q2'26	Q2'25	YoY Change	Q2'26 Guidance
As reported ARR excluding divested businesses ¹	\$2,365	\$2,136	11%	
Constant currency ARR excluding divested businesses (FY'26 Plan FX rates) ²	\$2,388	\$2,200	8.5%	8% to 8.5% growth

CASH FLOW



\$ in millions	Q2'26	Q2'25	YoY Change	Q2'26 Guidance
Operating cash flow	\$321	\$281	14%	\$315 to \$320
Free cash flow	\$318	\$279	14%	\$310 to \$315

¹ As reported ARR excluding divested businesses excludes Kepware and ThingWorx ARR from Q2'25 to facilitate period-to-period comparisons following the divestiture of those businesses in Q2'26.

² On a constant currency basis, using our FY'26 Plan foreign exchange rates (rates as of September 30, 2025) for all periods. Constant currency ARR excluding divested businesses excludes Kepware and ThingWorx ARR from Q2'25.

FY'26 AND Q3'26 GUIDANCE

\$ in millions except per share amounts % rounded to the nearest half	Previous FY'26 Guidance	FY'26 Guidance ³	FY'26 YoY Growth Guidance	Q3'26 Guidance ⁵
Constant currency ARR excluding divested businesses (FY'26 Plan FX rates) ¹	7.5% to 9.5% growth	7.5% to 9.5% growth	7.5% to 9.5%	8% to 9% growth
Operating cash flow	~\$880	~\$880	~1% ⁴	\$255 to \$260
Free cash flow ²	~\$850	~\$850	~(1)% ⁴	\$240 to \$245
Revenue	\$2,540 to \$2,805	\$2,580 to \$2,820	(6)% to 3% ⁴	\$580 to \$640
Earnings per share	\$6.94 to \$9.66	\$7.21 to \$9.70	19% to 60% ⁴	\$0.68 to \$1.25
Non-GAAP earnings per share ²	\$6.36 to \$8.84	\$6.65 to \$8.90	(16)% to 12% ⁴	\$1.24 to \$1.78

- FY'26 cash flow, revenue, and EPS includes Kepware and ThingWorx only until the divestiture on March 13, 2026
- Over the mid-term, we expect non-GAAP operating expenses to grow at roughly half the rate of ARR

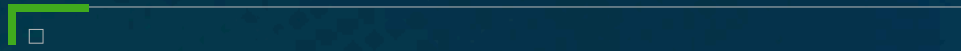
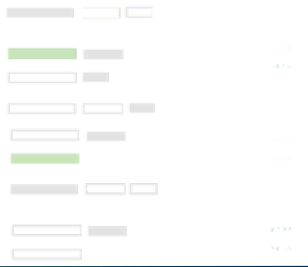
¹ Excludes Kepware and ThingWorx ARR from Q2'25 given the divestiture of those businesses in Q2'26. On a constant currency basis, using our FY'26 Plan foreign exchange rates (rates as of September 30, 2025) for all periods.

² Refer to the non-GAAP to GAAP reconciliation tables on slide 28.

³ FY'26 cash flow guidance includes approximately \$40 million of divestiture-related costs and approximately \$110 million of divestiture-related cash taxes, partially offset by approximately \$70 million of divestiture-related net free cash flow contribution, all of which are not expected to recur in future years. In addition, FY'26 free cash flow guidance includes approximately \$20 million of capital expenditures, which are not expected to recur in future years, related to moving a major R&D center to a new office. FY'26 GAAP EPS guidance includes a \$463 million gain on the sale of our Kepware and ThingWorx businesses, partially offset by approximately \$140 million of divestiture-related expenses and taxes.

⁴ FY'26 includes Kepware and ThingWorx only until the divestiture on March 13, 2026; FY'25 includes Kepware and ThingWorx.

⁵ Q3'26 cash flow guidance includes approximately \$5 million of divestiture-related costs and approximately \$5 million of divestiture-related cash taxes, offset by approximately \$10 million of divestiture-related net free cash flow contribution, all of which are not expected to recur in future years. In addition, Q3'26 free cash flow guidance includes approximately \$10 million of capital expenditures, which are not expected to recur in future years, related to moving a major R&D center to a new office



Q&A





THANK YOU

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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.
- We expect the majority of our cash generation to occur in the first half of our fiscal year, primarily due to the timing of cash inflows and outflows.
- Related to free cash flow, we expect three divestiture-related items in FY'26 that are not expected to recur in future years:
 - Approximately \$40 million of divestiture-related costs (\$10 million in Q1'26, \$5 million in Q2'26, approximately \$5 million expected in Q3'26 and approximately \$20 million expected in Q4'26)
 - Approximately \$110 million of divestiture-related cash taxes (approximately \$5 million expected in Q3'26 and approximately \$105 million expected in Q4'26).
 - Approximately \$70 million of divestiture-related net free cash flow contribution due to the timing and structure of the divestiture (\$30 million in Q1'26, \$30 million in Q2'26, and approximately \$10 million expected in Q3'26).
- Capital expenditures are expected to be approximately \$30 million, with approximately \$10 million per quarter in both Q3'26 and Q4'26 that is not expected to recur in future years, related to moving a major R&D center to a new office.
- FY'26 GAAP operating expenses are expected to increase approximately 3%, primarily due to the divestiture-related expenses. Apart from the divestiture-related expenses, GAAP and non-GAAP operating expenses are expected to be relatively flat, as investments to drive future growth are offset by net proceeds from the divestiture-related Transition Services Agreement and lower operating expenses due to divested costs.
- Cash interest payments are expected to be approximately \$50 million to \$70 million.
- Cash tax payments are expected to be approximately \$240 million to \$260 million, of which approximately \$110 million is related to the Kepware and ThingWorx divestiture and not expected to recur in future years.
- 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, netting to credits of approximately \$90 million to \$120 million, as well as their related tax effects:
 - approximately \$465 million of non-operating credits, primarily related to a gain on the sale of our Kepware and ThingWorx businesses, partially offset by
 - approximately \$230 million to \$260 million related to stockbased compensation,
 - approximately \$80 million related to amortization of acquired intangible assets, and
 - approximately \$35 million related to acquisition and transaction-related charges.
- On March 17, 2026, we entered into an accelerated share repurchase agreement, under which we used \$375 million of cash and received 1.9 million shares up front, representing 80% of the initial estimate of shares to be repurchased (based on the closing price of PTC common stock on March 16, 2026); the final calculation of shares repurchased will be based on the volume weighted average price between March 18, 2026 and the final settlement date.
- In total, we expect to repurchase approximately \$1.225 billion to \$1.325 billion of our shares in FY'26. In Q3'26, we intend to use approximately \$250 million of cash to repurchase common stock and expect a decrease in fully diluted shares to approximately 115 million to 116 million shares, compared to 120 million shares in Q3'25.

APPENDIX: 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	\$2,320 ¹
Ending ARR	2,320¹	2,515
Annual net ARR growth	\$ 196	\$ 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 of 7.5% to 9.5% YoY growth excluding Kepware and ThingWorx, we need \$195 million of net ARR growth in FY'26

¹For comparability purposes, historical constant currency ARR amounts excluding Kepware and ThingWorx reflect immaterial adjustments to previously reported amounts.

APPENDIX: Q3'26 ILLUSTRATIVE CONSTANT CURRENCY ARR MODEL

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

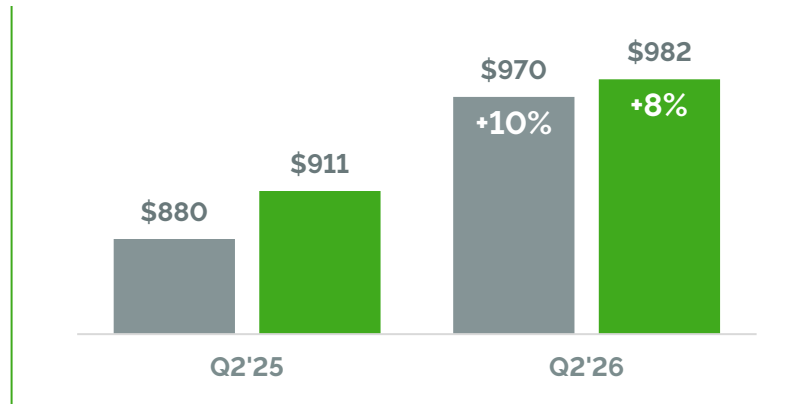
PTC excluding Kepware and ThingWorx Using FX rates as of September 30, 2025 \$ in millions	Actual Q1'25	Actual Q2'25	Actual Q3'25	Actual Q4'25	Actual Q1'26	Actual Q2'26	What you need to believe Q3'26
Beginning ARR	\$2,123	\$2,148	\$2,200	\$2,245 ¹	\$2,320 ¹	\$2,342 ¹	\$2,388
Ending ARR	2,148	2,200	2,245¹	2,320¹	2,342¹	2,388	2,428 to 2,443
Sequential net ARR growth	\$ 25	\$ 52	\$ 44	\$ 75	\$ 22	\$ 46	\$ 40 to 55

- Using FX rates as of September 30, 2025 for all periods
- We expect churn to remain low
- To hit our guidance range of 8% to 9% YoY growth excluding Kepware and ThingWorx, we need \$40 million to \$55 million of sequential net ARR growth in Q3'26

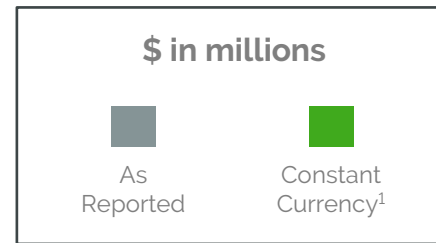
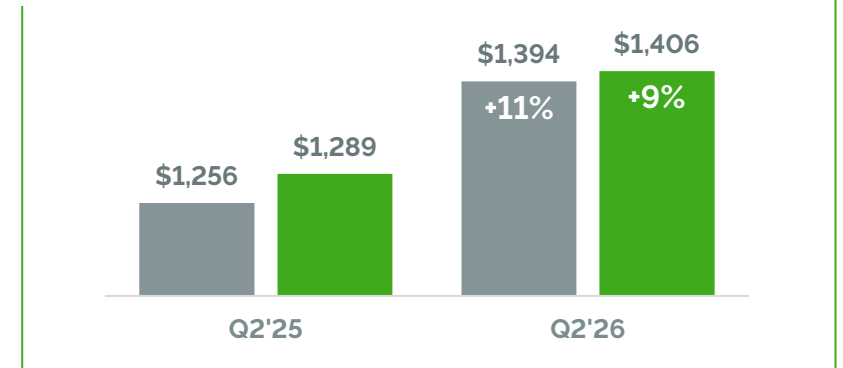
¹For comparability purposes, historical constant currency ARR amounts excluding Kepware and ThingWorx reflect immaterial adjustments to previously reported amounts.

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

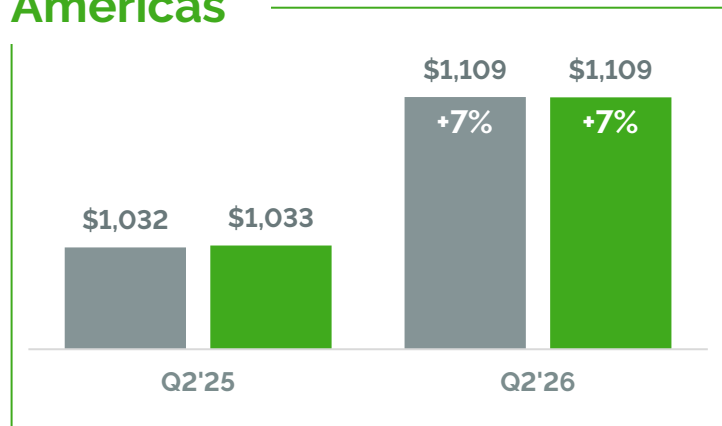
CAD: Product data authoring software



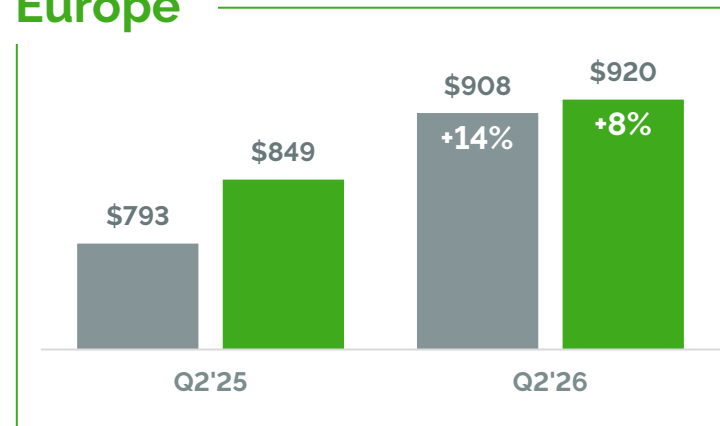
PLM: Product data management and process orchestration software



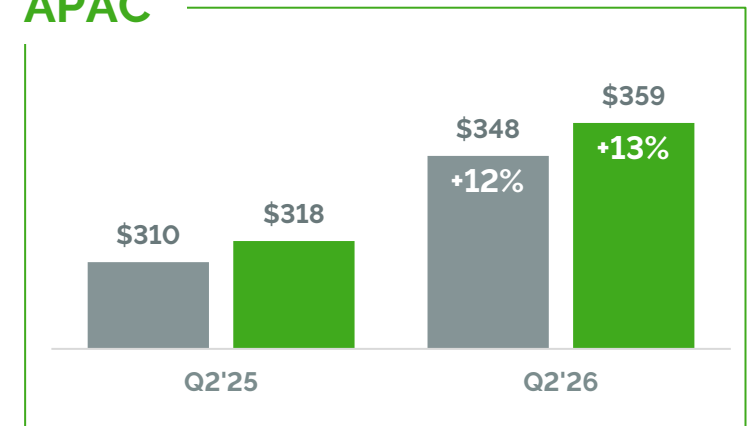
Americas



Europe



APAC



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

APPENDIX: BALANCE SHEET AND SHARE REPURCHASES

Balance sheet

\$ in millions	Q2'26	Q1'26	Change
Cash and cash equivalents	\$ 439	\$ 210	\$ 229
Senior notes with a fixed interest rate of 4.0% as of Q2'26	500	500	-
Term loan with a variable interest rate of 5.1% as of Q2'26	456	463	(6)
\$1,250 revolving credit facility with a variable interest rate of 5.0% as of Q2'26	244	238	6
Total debt with a weighted average interest rate of 4.6% as of Q2'26	\$ 1,200	\$ 1,200	\$ -
Unamortized debt issuance costs related to senior notes	(2)	(2)	0
Debt, net of deferred issuance costs	\$ 1,198	\$ 1,198	\$ 0

- Debt/EBITDA ratio at the end of Q2'26 was 0.8x
- In Q2'26, we used ~\$625 million of cash for share repurchases: We entered into a \$375 million accelerated share repurchase ("ASR") agreement that will settle during Q3'26, and we also used ~\$250 million of cash to repurchase shares of PTC common stock on the open market

\$2 billion share repurchase authorization through FY'26

- 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
- On March 17, 2026, we entered into an ASR agreement, under which we used \$375 million of cash and received 1.9 million shares up front, representing 80% of the initial estimate of shares to be repurchased (based on the closing price of PTC common stock on March 16, 2026); the final calculation of shares repurchased will be based on the volume weighted average price between March 18, 2026 and the final settlement date
- In Q3'26, we intend to use approximately \$250 million of cash to repurchase common stock and expect a decrease in fully diluted shares to approximately 115 million to 116 million shares, compared to 120 million shares in Q3'25
- In total, we expect to repurchase approximately \$1.225 billion to \$1.325 billion of our shares in FY'26

APPENDIX: ILLUSTRATIVE OPERATING CASH FLOW DETAILS

Significant FY'26 items impacting the FY'26 operating cash flow baseline for modelling FY'27



(1): Estimated FY'26 divestiture-related costs, which are not expected to recur in FY'27

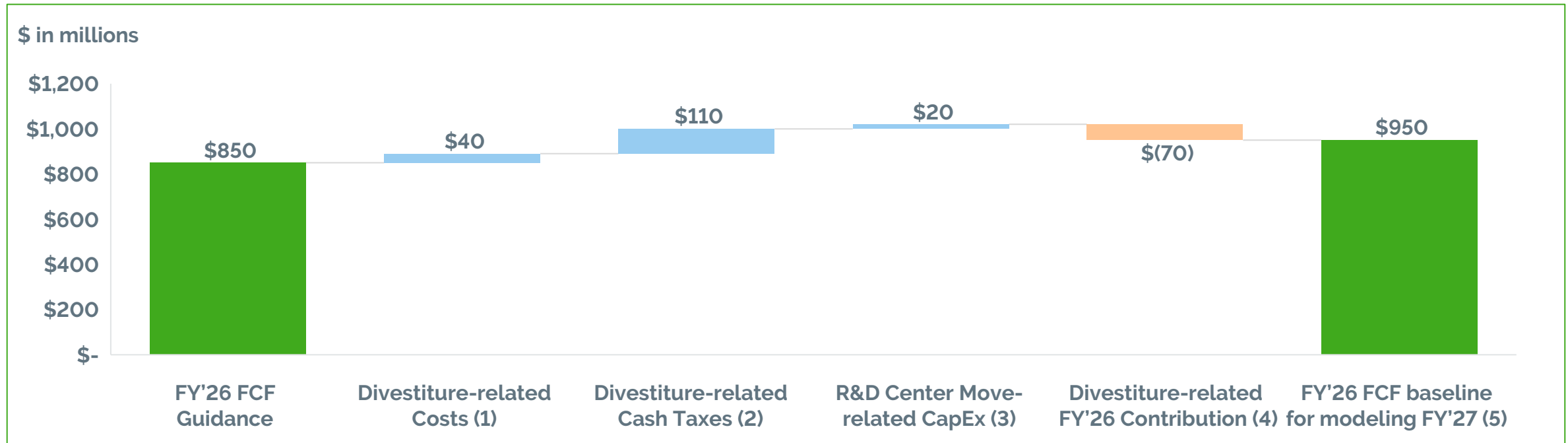
(2): Estimated FY'26 divestiture-related cash taxes, which are not expected to recur in FY'27

(3): Estimated FY'26 divestiture-related net free cash flow contribution due to the timing and structure, which is not expected to recur in FY'27

(4): The FY'26 operating cash flow baseline for modeling FY'27 is not operating cash flow guidance for FY'27

APPENDIX: ILLUSTRATIVE FREE CASH FLOW DETAILS¹

Significant FY'26 items impacting the FY'26 free cash flow baseline for modelling FY'27



(1): Estimated FY'26 divestiture-related costs, which are not expected to recur in FY'27

(2): Estimated FY'26 divestiture-related cash taxes, which are not expected to recur in FY'27

(3): Estimated FY'26 capital expenditures related to moving a major R&D center, which are not expected to recur in FY'27

(4): Estimated FY'26 divestiture-related net free cash flow contribution due to the timing and structure, which is not expected to recur in FY'27

(5): **The FY'26 free cash flow baseline for modeling FY'27 is not free cash flow guidance for FY'27**

¹ Refer to the non-GAAP to GAAP reconciliation tables on slide 28.

APPENDIX: FX IMPACT ON ARR

\$ in millions

Excluding Kepware and ThingWorx Using FX rates as of September 30, 2025 (FY'26 Plan FX rates)	Q1'25	Q2'25	Q3'25	Q4'25	Q1'26	Q2'26	Q3'26 Guidance Midpoint	FY'26 Guidance Midpoint
Ending ARR on a constant currency basis	\$ 2,148	\$2,200	\$2,245 ¹	\$2,320 ¹	\$2,342 ¹	\$ 2,388	\$ 2,436	\$ 2,515
Excluding Kepware and ThingWorx As reported	Q1'25	Q2'25	Q3'25	Q4'25	Q1'26	Q2'26 ²	Q3'26 Implied Guidance Midpoint ³	FY'26 Implied Guidance Midpoint ⁴
Ending ARR	\$2,052 ¹	\$2,136 ¹	\$2,256 ¹	\$2,320 ¹	\$2,336 ¹	\$ 2,365	\$ 2,412	\$ 2,490
Impact of FX fluctuations embedded in ARR as reported	\$ (96)	\$ (64)	\$ 11	\$ -	\$ (6)	\$ (23)	\$ (24)	\$ (25)

- We report constant currency ARR to help investors understand and assess our business performance excluding FX volatility

¹For comparability purposes, historical constant currency ARR amounts excluding Kepware and ThingWorx reflect immaterial adjustments to previously reported amounts.

²At end of Q2'26 FX rates, our Q2'26 as reported ARR was \$23 million lower than our constant currency results.

³At end of Q2'26 FX rates, our Q3'26 as reported ARR guidance midpoint would be lower by approximately \$24 million, compared to our constant currency guidance.

⁴At end of Q2'26 FX rates, our FY'26 as reported ARR guidance midpoint would be lower by approximately \$25 million, compared to our constant currency guidance.

APPENDIX: PLM EXPANSION AND STANDARDIZATION ON WINDCHILL AT A NAVAL ENGINEERING COMPANY



Goal

- This customer is an industry leading naval engineering company and a long-standing Windchill customer. They are focused on **accelerating time to market and improving productivity by establishing a strong product data foundation and streamlining key engineering and manufacturing processes.**

Solution and Impact

- Previously, this customer's product data was siloed across multiple disconnected applications, and high levels of manual data processing and rework were required. To accelerate their speed of innovation while also improving productivity, they are stepping up their focus on digital transformation across engineering and manufacturing.
- This customer decided to **modernize their operations and standardize on Windchill** as their trusted source of real-time product data. **They are expanding their usage of their Windchill PLM system to drive integrated Bill of Materials (BOM) management across both engineering and manufacturing.**

APPENDIX: COMPETITIVE DISPLACEMENT AND STANDARDIZATION ON CREO AT A DEFENSE COMPANY



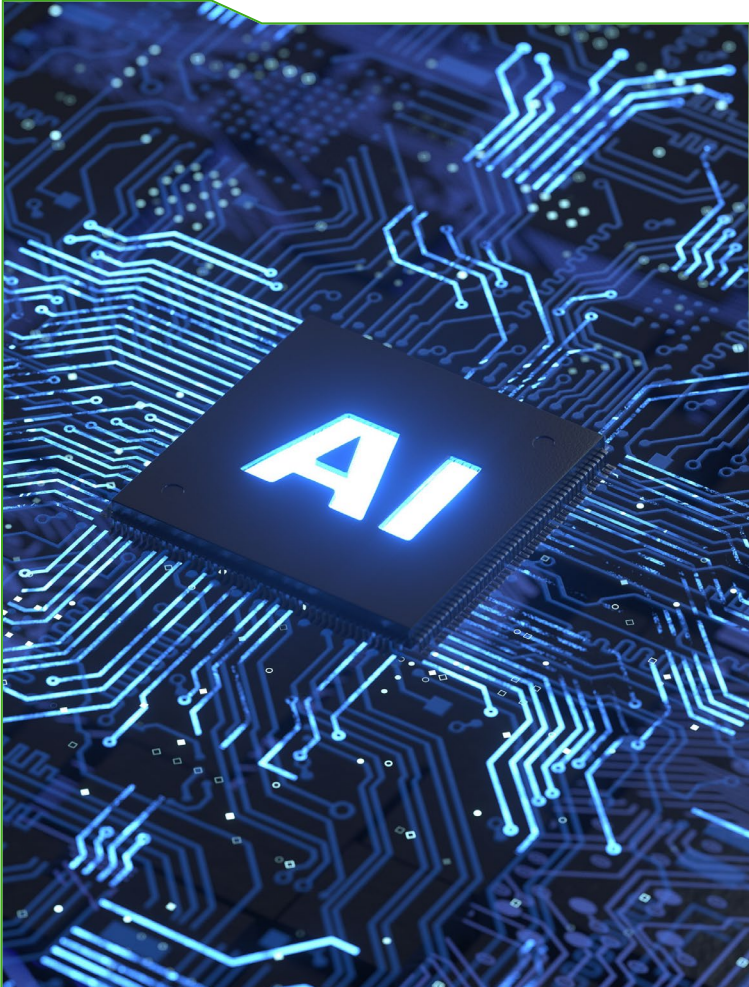
Goal

- This customer is a global leader in advanced defense systems and a long-standing Creo and Windchill customer. **To support their rapid growth and increasing backlog**, this customer is investing further to **ensure their digital engineering foundation is best-in-class**.

Solution and Impact

- This customer decided to significantly modernize how they operate. They are targeting advancements in both **time to market** and **engineering excellence**, with a **CEO-led mandate to streamline their CAD environment and standardize on one CAD platform across their enterprise**.
- Following a multi-year assessment, this customer decided to **standardize on Creo for CAD, displacing a competitive offering across multiple business divisions**.
- Because this customer is a well-established and sophisticated engineering organization, **strategic roadmap alignment and trust that PTC will execute on our roadmap commitments** were key factors in winning this deal. **The ability of Creo to automate the optimization of defense-grade engineering designs and to manage very large, highly detailed assemblies** were also major differentiators.

APPENDIX: COMPETITIVE DISPLACEMENT AND STANDARDIZATION ON CODEBEAMER AT AN AI LEADER



Goal

- This customer is a global leader in high performance computing and AI and a long-standing Creo and Windchill customer.
- This customer is focused on handling **software-driven complexity, when time to market and safety are paramount**, and was seeking the industry's best application lifecycle management (ALM) platform for this critical use case.

Solution and Impact

- This customer selected Codebeamer as the **best ALM platform for their needs, displacing their incumbent solution**.
- **Effective cross-selling** – leveraging this customer's confidence in PTC based on our strong existing relationship – was a key part of this deal.
- By using Codebeamer, this customer expects to **accelerate time to market while improving quality and predictability**. They value the differentiated capabilities of Codebeamer, including **superior stability and scalability**, as well as our Codebeamer roadmap.

APPENDIX: ENTERPRISE TRANSFORMATION SUPPORTED BY WINDCHILL AND CREO AT AN EDGE-TO-CORE AI LEADER



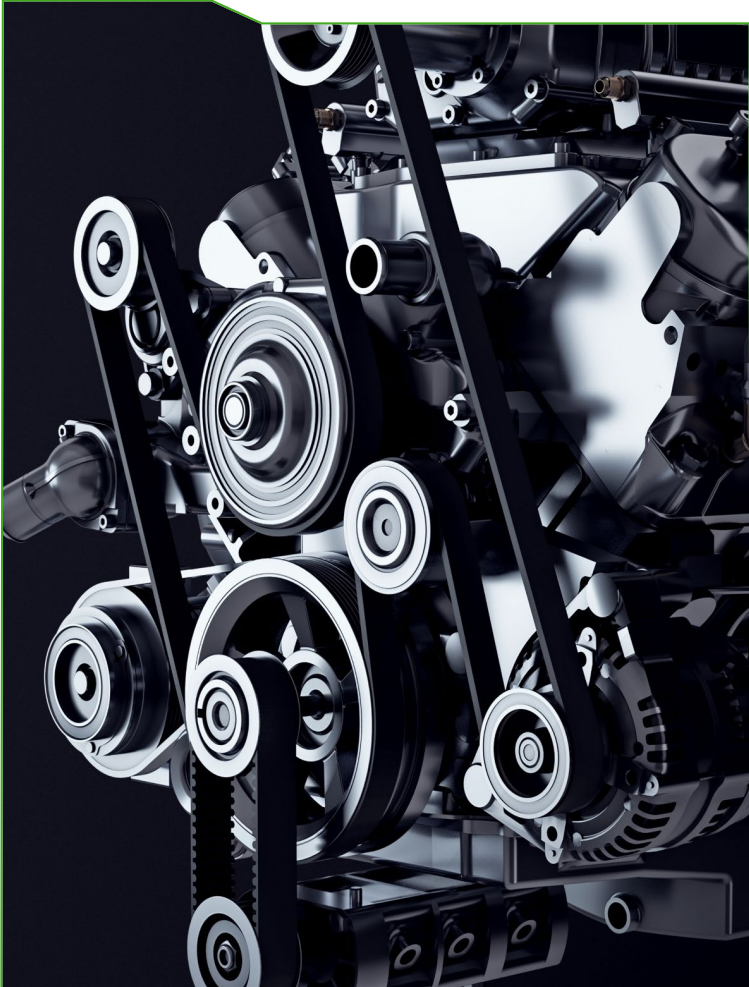
Goal

- This customer is a global leader in technology and hardware computing and a long-standing Creo and Windchill customer.
- This customer is executing an enterprise-wide transformation, focused on modernizing and streamlining their business process and systems. **They are moving from fragmented legacy processes and platforms to a unified system that can unlock the potential of AI** to enable accelerated innovation, productivity, and time to market.

Solution and Impact

- **This customer selected Windchill as the backbone of their enterprise engineering transformation**, across their Digital Thread, Digital Twin, and AI-driven initiatives.
- **They are expanding their usage of Windchill and Creo significantly, and all engineering data and processes will be underpinned by Windchill.**

APPENDIX: COMPETITIVE DISPLACEMENT DRIVEN BY WINDCHILL AI AT AN AUTOMOTIVE COMPANY



Goal

- This customer is a supplier to the automotive industry and a global leader in powertrain technologies. **Their product complexity has increased** alongside the broader software-driven transformation in the automotive industry. They are focused on **modernizing their PLM environment and leveraging AI** to support their **enterprise-wide digital transformation initiatives to drive revenue growth and profitability.**

Solution and Impact

- The customer's strategic alignment with Windchill AI capabilities and roadmap was a decisive factor in this customer's decision to displace a competitive solution.
- By leveraging **Windchill+** and **Windchill AI**, this customer expects:
 - Higher revenue growth, supported by **faster time to market** and the ability to **produce more complex products while ensuring quality.**
 - Higher profitability through **improved product data discoverability and reuse across product families.**

APPENDIX: PLM EXPANSION AND STANDARDIZATION ON WINDCHILL AT AN INDUSTRIAL COMPANY



Goal

- This customer is global industrial company with a strong presence across agriculture, construction machinery, marine, and energy systems. They are a long-standing Creo and Windchill customer, and **they are stepping up their focus on further digital transformation to address core business challenges.**

Solution and Impact

- To accelerate time to market while improving productivity, this customer is focused on further modernizing their engineering and manufacturing environment.
- They decided to **standardize on Windchill** as their enterprise-wide source of trusted, real-time product data. **They are also expanding their usage of their Windchill PLM system to drive integrated Bill of Materials (BOM) management across their organization.**

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, and the anticipated benefits of the sale of the Kepware and ThingWorx businesses (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 import tariffs, threats of additional and reciprocal import tariffs, global trade and geopolitical tensions and uncertainty, including the recent military conflict in Iran, volatile foreign exchange rates, high interest rates or increases in interest rates, inflation, and tightening of credit standards and availability, 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 those capabilities are not made available when or as we expect, if customers are slower to adopt those solutions than we expect, or if customers 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 not generate the ARR and/or financial results or cash flow when or as we expect; the proceeds we receive under the Transition Services Agreement entered into in connection with the divestiture may be lower than expected and/or may not offset our expenses and/or the cash flow impact of the divestiture to the extent expected; the divestiture and/or performance of the Transition Services Agreement may disrupt our business to a greater extent than we expect; other uses of cash or our credit facility limits could limit or preclude the return of excess cash 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 estimates 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.

As ARR is not annualized recurring revenue, it is not calculated based on 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 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 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

We provide supplemental non-GAAP financial measures to our 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, 2025.

Free Cash Flow: We provide 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'26 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, 2025, rather than the actual exchange rates in effect during that period.

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES TO GAAP

Free Cash Flow

In millions	Q2'25	Q2'26	Q3'26 Guidance	FY'26 Guidance
Operating Cash Flow	\$281	\$321	\$255 to \$260	~\$880
Capital expenditures	(\$3)	(\$3)	~(\$15)	~(\$30)
Free cash flow	\$279	\$318	\$240 to \$245	~\$850

Diluted Earnings per Share: GAAP vs. Non-GAAP

In millions	Q2'26	Q3'26 Guidance	FY'26 Guidance
GAAP diluted earnings per share	\$4.98	\$0.68 to \$1.25	\$7.21 to \$9.70
Stock-based compensation	\$0.58	\$0.58 to \$0.49	\$2.22 to \$1.97
Amortization of acquired intangible assets	\$0.17	~\$0.17	~\$0.69
Acquisition and transaction-related charges	\$0.22	~\$0.00	~\$0.32
Non-operating credits, net	(\$3.92)	~\$0.00	~(\$3.98)
Income tax adjustments	\$0.66	(\$0.19) to (\$0.13)	\$0.19 to \$0.20
Non-GAAP diluted earnings per share	\$2.69	\$1.24 to \$1.78	\$6.65 to \$8.90