ptc

DIGITAL TRANSFORMS PHYSICAL

Q1'23 FINANCIAL RESULTS

Investor Relations

February 1, 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.

Q1'23 HIGHLIGHTS

JIM HEPPELMANN – PRESIDENT & CEO

STRONG Q1'23 FINANCIAL RESULTS

Top Line

ARR at the end of Q1'23

- $1.66 billion as reported, up 11% YoY; $1.65 billion organic (excluding Codebeamer) up 10% YoY
- $1.60 billion constant currency, up 15% YoY, exceeded guidance
- $1.59 billion organic constant currency, up 14% YoY
- Broad-based strength across all product groups and geographic regions

Bottom Line

Cash Flow in Q1'23

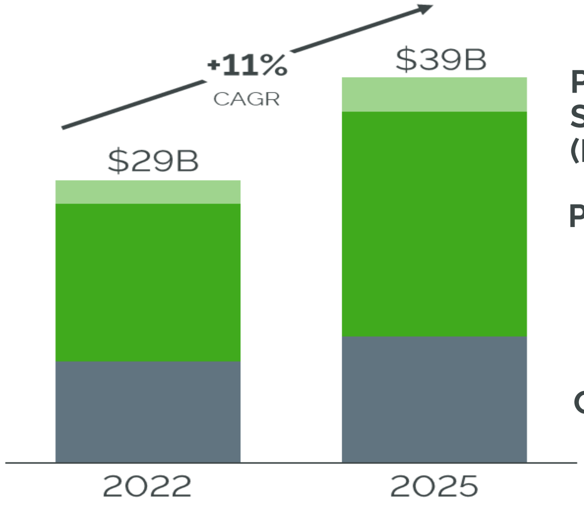
- $181 million cash from operations, up 31% YoY
- $172 million free cash flow, up 28% YoY
- Exceeded cash flow guidance in Q1'23
- Operational changes continue to generate the positive results we expect

SERVICEMAX
a ptc technology

Compelling Acquisition

- Closed on January 3, 2023
- Strategic Fit With Revenue and Cost Synergies
- Expected to be Accretive to PTC Growth Rate
- Expected to be Accretive to Cash Flow in FY'23

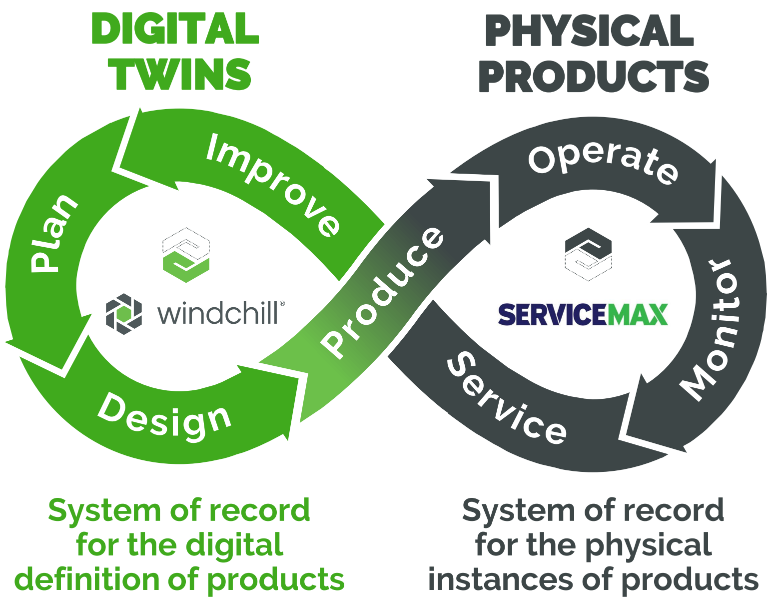
Increases Total Addressable Market[1]



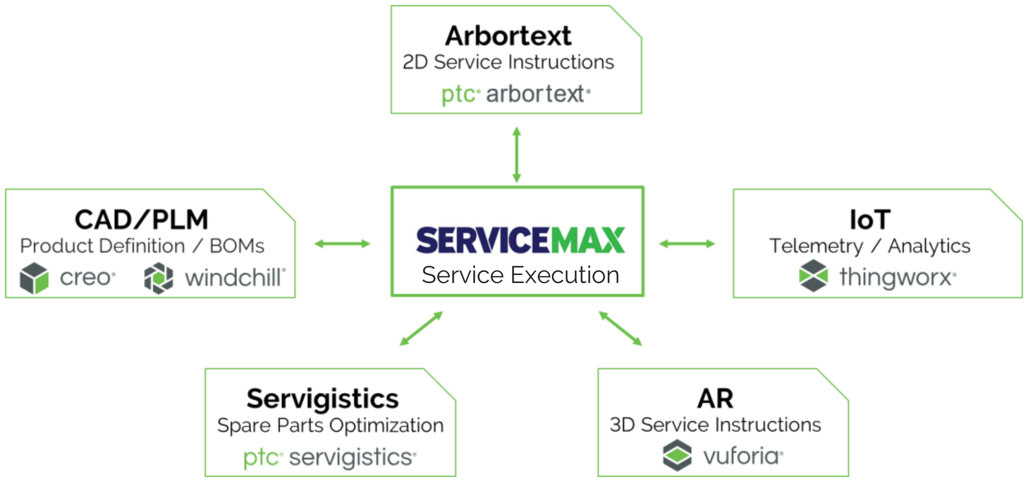
2022-25 CAGR	
Product-centric Field Service Management (FSM)	+13%
PLM	+12%
CAD	+8%

[1] Source: Company data, industry analyst data, and estimates

Closed-Loop Product Lifecycle Management



Core to Broader "ServiceMax" SLM Offering



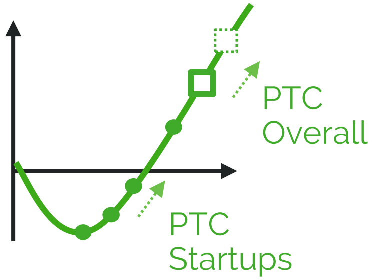
DRIVING OPERATING EFFICIENCY[1]

Continued disciplined cost management, with non-GAAP operating expenses growing more slowly than top line

SaaS realignment late FY'21 drove operating efficiency in FY'22

- Organization alignment to SaaS principles and best practices
  - Change in Customer Success model reduced inefficiency while improving customer service
  - Combined R&D, Cloud Operations, and Tech Support to adopt common SaaS DevOps practice
- Increased SaaS investment while reducing headcount
- FY'22 operating efficiency[1] expanded ~300 bps YoY

Resource rebalancing in FY'22 driving operating efficiency in FY'23 and beyond



- Resource rebalancing increased SaaS investment while closing ~500 open positions
- "J-curve" businesses improve profitability with scale
  - Arena and ThingWorx profitable now
  - Onshape and Vuforia burn rates decrease with scale
- FY'23 operating efficiency[1] expected to expand ~450 bps YoY

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

MACRO IMPACT TO ARR RESULTS IN Q1'23

Top Line

ARR

- Incremental bookings softness, driven by macroeconomic environment as opposed to competitive factors
  - Consistent across geos, segments, and channels
- Strong renewal results, with churn rate improving YoY in Q1'23
- Combined impact to year over year ARR growth:
  - In Q1'23, growth slowed by ~50 basis points to ~15.5%, compared to ~16% growth in Q4'22
  - We exceeded the high-end of our Q1'23 ARR guidance range (growth of 14% to 15%) by $3 million
- With a resilient business model, market-leading portfolio, prudent financial management, and track record of strong execution, we continue to be well-positioned to deliver on our financial targets

RESILIENCE OF OUR BUSINESS

	Original Guidance		New Guidance	
	Constant Currency ARR Growth Guidance Range	Free Cash Flow Guidance	Constant Currency ARR Growth Guidance Range	Free Cash Flow Guidance
FY'23 Guidance Range	14%	~$560 million	25%	~$575 million[1]
	12%	~$560 million	23%	~$575 million[1]
	10%	~$560 million	22%	~$575 million[1]

Constant Currency ARR guidance range narrowed and **Cash Flow guidance raised**, reflecting:

- the ServiceMax acquisition
- our performance in Q1'23
- our forecast for FY'23

1100 bps of inorganic ARR growth

~$5M net positive impact

SERVICEMAX Contribution

[1]New guidance for operating cash flow of ~$595 million; Guidance assumes more spending if we are at the high end of the ARR range and less spending if we are at the low end of the ARR range; See slide 19 for additional information about our cash flow guidance

STRONG Q1’23 ARR RESULTS ACROSS GEOGRAPHIC REGIONS

Americas

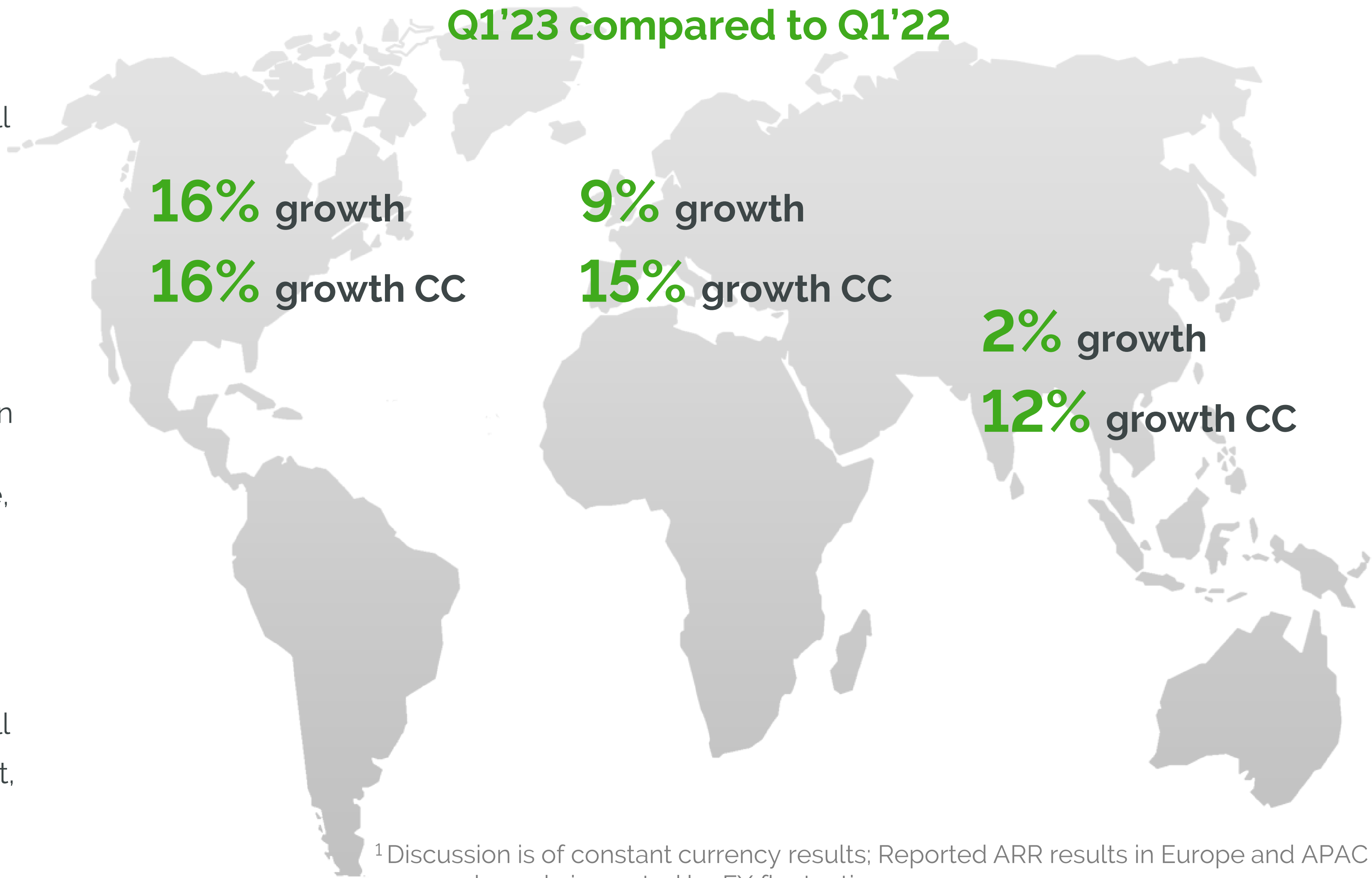
- Double-digit growth in both CAD and PLM, led by Creo and Windchill
- Strong % growth in IoT, Arena, Windchill, and Onshape

Europe[1]

- Double-digit growth in PLM led by Windchill; high single digit growth in CAD led by Creo
- Strong % growth in Arena, Onshape, Arbortext, Servigistics, and Augmented Reality

APAC[1]

- Double-digit growth in both CAD and PLM, led by Creo and Windchill
- Strong % growth in Arena, Arbortext, and Servigistics

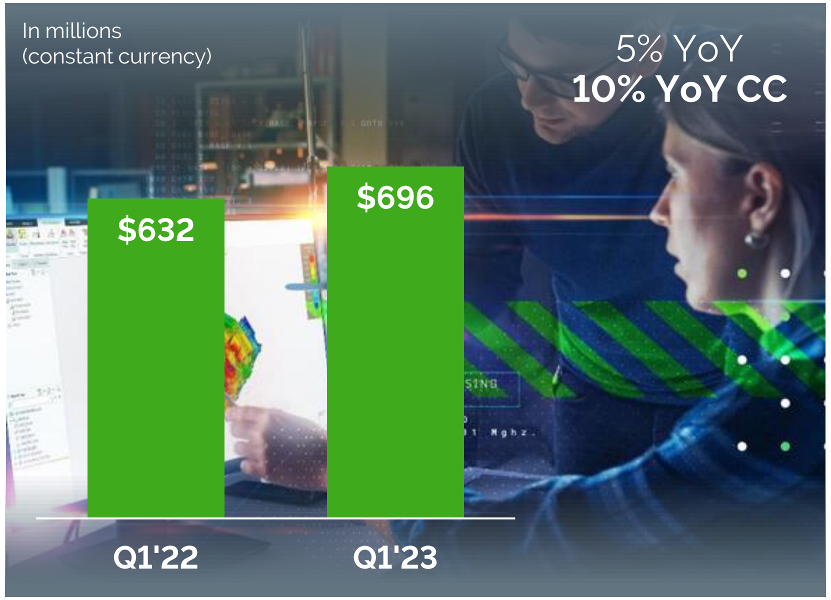


[1] Discussion is of constant currency results; Reported ARR results in Europe and APAC were adversely impacted by FX fluctuations

STRONG Q1'23 ARR RESULTS ACROSS PRODUCT GROUPS[1]

CAD

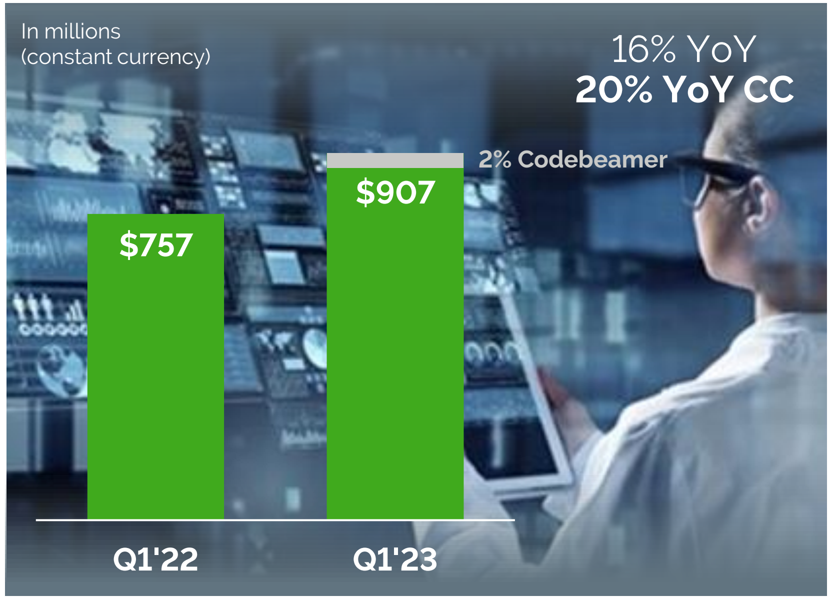
Product data authoring



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

PLM

Product data management and process orchestration



- 18% organic constant currency ARR growth
- Strong growth across all 3 geographic regions
- ~Half of the growth was driven by Windchill
- Strong % growth across ALM, Arena, Windchill, IoT, and Retail PLM

[1] Amounts shown and discussed on this slide are on a constant currency basis; Slide 17 shows constant currency and reported ARR

windchill+™

- 10+ customers in or near production use
- Dozens of new logo and "lift and shift" opportunities in pipeline
- Part of bigger "Plus strategy" to be launched at LiveWorx

Example Customer

Leading European motor sports company with ambitious timeline to prepare for 2026 racing season created need for PLM. Efficient new power unit planned for 2025.

Solution and Impact

PTC's **Windchill+ SaaS PLM** offering was selected for development, testing, quality assurance, staging, and production environments, This enabled the racing team – which does not have a dedicated IT systems team – to minimize effort while achieving a short ramp up time.

- Windchill+ evaluation, preparation, and implementation took 5 months start to finish.
- Leveraging the "out-of-the-box" capability of Windchill+, delivered as a pre-configured secure service, enabled a streamlined implementation experience, including integration with a hybrid SaaS ERP system.
- As a SaaS system, Windchill+ enables reduction of IT overhead and improvement in global collaboration.

Energy Mission: Advancing our nation's security through the production, development and deployment of energy resources and technology while understanding and reducing their environmental impacts.

Lawrence Livermore National Laboratory

ENABLING NUCLEAR FUSION BREAKTHROUGH

Scientists at Lawrence Livermore National Laboratory's National Ignition Facility (NIF) have made history, producing a nuclear fusion reaction that generated more energy than it consumed

- PTC has been supporting the NIF engineering team as a collaborative partner for more than 20 years
- **Creo** CAD and **Windchill** PLM technology was used throughout the development of the NIF for modeling and design management
- With more than 3.5 million components and spanning the area of 3 football fields, the NIF "system of systems" machine represents an incredible feat of engineering, and is probably the largest assembly ever modeled in 3D CAD

This landmark achievement is a milestone for the future of zero-carbon clean energy

creo® | windchill®

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 in FY'25

MARGIN EXPANSION

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

Targeting material margin expansion

POSITIONED TO DRIVE STRONG GROWTH

Business model, market position, and execution support continued growth

Highly resilient model with SaaS tailwinds supports durable and efficient growth

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

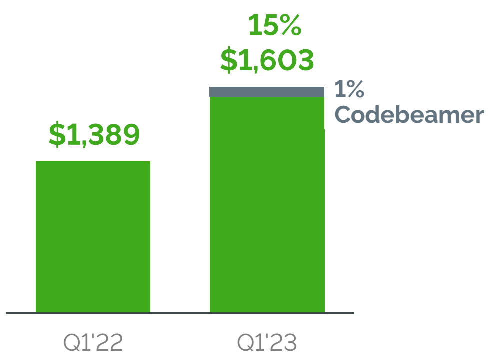
FINANCIAL REVIEW AND GUIDANCE

KRISTIAN TALVITIE – EVP & CFO

Q1'23 RESULTS VS PRIOR YEAR

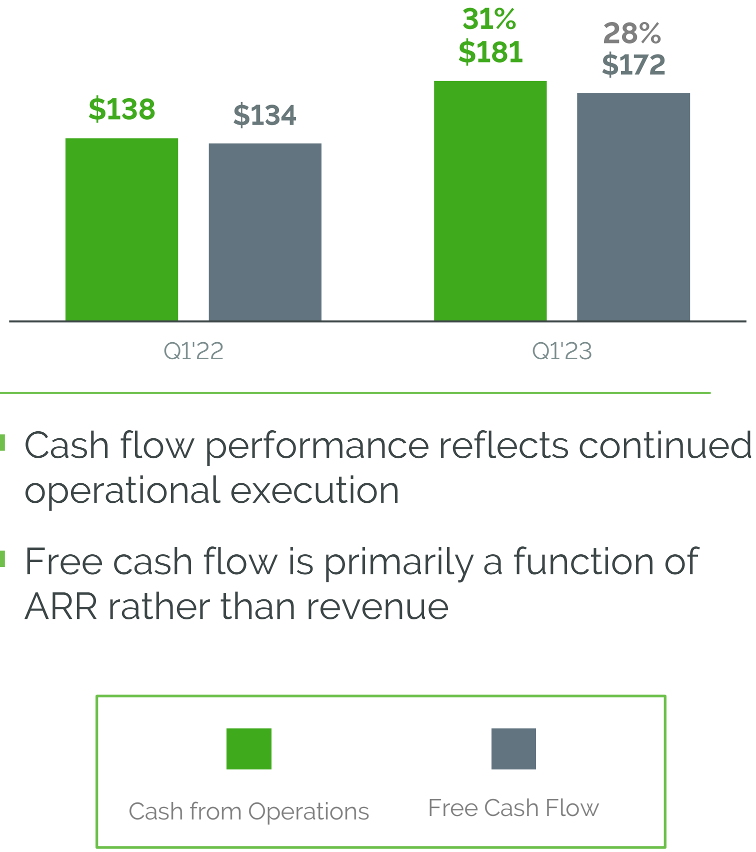
In millions

CONSTANT CURRENCY ARR



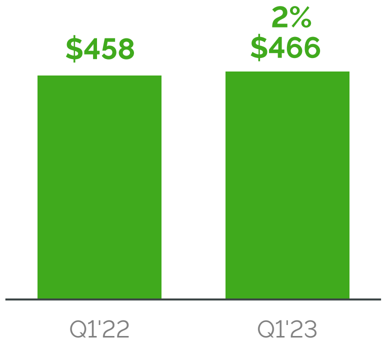
- ARR growth of 11%; organic ARR growth of 10%
- Constant currency ARR growth of 15%; organic constant currency ARR growth of 14%
- As reported ARR was $60M higher than constant currency ARR in Q1'23; However, FX was still a significant headwind YoY

CASH FLOW [1]



- Cash flow performance reflects continued operational execution
- Free cash flow is primarily a function of ARR rather than revenue

REVENUE



- Revenue growth of 2%; 9% 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

[1] Refer to the Non-GAAP Reconciliation Table on slide 26

BALANCE SHEET AND SHARE REPURCHASES

Balance sheet as of December 31, 2022

- Cash and cash equivalents of $388 million
- Gross borrowings of $1.359 billion with an aggregate interest rate of 4.3%
  - $1.0 billion of senior notes with an aggregate interest rate of 3.8%
  - $359 million drawn on $1.0 billion revolving credit facility with a variable interest rate of 5.7%
- Debt/EBITDA ratio less than 3x as of December 31, 2022

Debt update

- Gross borrowings of $1.950 billion expected at the end of Q2'23
  - $1.0 billion of senior notes
  - New $500 million term loan
  - Approximately $450 million expected to be drawn on new $1.25 billion revolving credit facility, which replaced previous $1.0 billion facility
- In addition, debt at the end of Q2'23 will include the deferred $650 million payment for the ServiceMax transaction, due in October 2023
- Debt/EBITDA ratio expected to be approximately 3.4x at the end of Q2'23, roughly 3x at the end of FY'23, and below 3x during FY'24
- Expected total cash interest payments of ~$85 million in FY'23, expected P&L interest expense of ~$125 million in 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
- Expected share count increase of ~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 Guidance Midpoint**	**30-Jun**	**30-Sep Guidance Midpoint**
CAD (product data authoring)	$ 632	$ 648	$ 665	$ 685	$ 696			
PLM (product data management and process orchestration)	757	792	831	887	907			
Ending ARR	$ 1,389	$ 1,440	$ 1,496	$ 1,572	$ 1,603	**$ 1,800**		**$ 1,935**

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 Midpoint[1]**	**30-Jun**	**30-Sep Midpoint[2]**
CAD (product data authoring)	$ 690	$ 698	$ 691	$ 685	$ 727			
PLM (product data management and process orchestration)	806	834	854	887	936			
Ending ARR	$ 1,496	$ 1,532	$ 1,544	$ 1,572	$ 1,663	**$ 1,862**		**$ 2,002**

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 Q1'23 FX rates, Q2'23 ARR would be higher by approximately $62 million, compared to our constant currency guidance
[2] At end of Q1'23 FX rates, FY'22 ARR would be higher by approximately $67 million, compared to our constant currency guidance

FX DYNAMICS: ARR SENSITIVITY TO EUR/USD AND USD/YEN

In millions	End of Q1'23
ARR base	$1,603
Estimated impact of $0.10 change in EUR/USD rate	$39
Estimated impact of 10 Yen change in USD/JPY rate	$9

As of the end of Q1'23

- 50% of our ARR is transacted in USD
- 25% of our ARR is transacted in EUR
- 6% of our ARR is transacted in JPY
- Also, we transact in 10+ additional currencies

FY'23 AND Q2'23 GUIDANCE

In millions except percentages	FY'23 Previous Guidance[1]	FY'23 Guidance	FY'23 YoY Growth Guidance	Q2'23 Guidance
ARR at Constant Currency[2]	$1,905 - $1,965	$1,910 - $1,960	22% - 25%	$1,790 - $1,810
Cash from Operations	~$585	~$595	~37%	~$205
Free Cash Flow	~$565	~$575	~38%	~$200
Revenue	$2,050 - $2,130	$2,070 - $2,150	7% - 11%	

- **Constant Currency ARR guidance range narrowed** and **Cash Flow guidance raised for FY'23**, reflecting our performance in Q1'23 and forecast for FY'23
- In FY'23, we expect the quarterly distribution of full year Cash Flow results to follow a similar pattern as in FY'22 and FY'21
- FY'23 Revenue guidance raised, due to FX tailwinds

Reconciliation of Cash from Operations to Free Cash Flow

In millions	FY'23 Previous Guidance	FY'23 Guidance	Q2'23 Guidance
Cash from Operations	~$585	~$595	~$205
Capex	(~$20)	(~$20)	(~$5)
Free Cash Flow	~$565	~$575	~$200

[1] Previous guidance, including ServiceMax, from November 17, 2022 Investor Day presentation, slide 50
[2] On a constant currency basis, using our FY'23 Plan foreign exchange rates (rates as of September 30, 2022) for all periods

Q2'23 ILLUSTRATIVE CONSTANT CURRENCY ARR MODEL

What does PTC need to deliver to achieve the midpoint of Q2'23 constant currency ARR guidance?

Using FX rates as of September 30, 2022

In millions	Actual Q1'21	Actual Q2'21	Actual Q3'21	Actual Q4'21	Actual Q1'22	Actual Q2'22	Actual Q3'22	Actual Q4'22	Actual Q1'23	What you need to believe Q2'23
Beginning ARR	$ 1,156	$ 1,195	$ 1,272	$ 1,295	$ 1,353	$ 1,389	$ 1,440	$ 1,496	$ 1,572	$ 1,603
Sequential ARR growth	40	77	23	58	37	51	56	76	31	197
Sequential ARR growth %	*3%*	*6%*	*2%*	*4%*	*3%*	*4%*	*4%*	*5%*	*2%*	*12%*
Ending ARR	**$ 1,195**	**$ 1,272**	**$ 1,295**	**$ 1,353**	**$ 1,389**	**$ 1,440**	**$ 1,496**	**$ 1,572**	**$ 1,603**	**$ 1,800**
Sequential ARR growth	$ 40	$ 77	$ 23	$ 58	$ 37	$ 51	$ 56	$ 76	$ 31	$ 197
Acquisitions and exits[1]		(51)				5	(13)			(160)
Organic sequential ARR growth	**$ 40**	**$ 26**	**$ 23**	**$ 58**	**$ 37**	**$ 56**	**$ 43**	**$ 76**	**$ 31**	**$ 37**
Organic sequential ARR growth %	***3%***	***2%***	***2%***	***4%***	***3%***	***4%***	***3%***	***5%***	***2%***	***2%***

- Q2'23 Ending ARR modelled at the midpoint of our guidance range
- To hit the midpoint of guidance for Q2'23, we need:
  - ServiceMax ARR of $160M
  - $37M of organic ARR growth on a sequential basis, $19M less than we added QoQ in Q2'22

[1] Arena acquisition in Q2'21, Russia exit in Q2'22, Codebeamer acquisition in Q3'22, and ServiceMax acquisition in Q2'23

WEATHERING A STORM

PTC has a strong track record of disciplined operational management

Our top line is resilient due to our subscription business model and customer stickiness

Our cost structure is lean due to our FY'22 organizational realignment and resource rebalancing

While expecting to be relatively resilient, **we are already slowing hiring and are prepared to further adjust as conditions warrant**

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 Q1'23 had a favorable impact on our Q1'23 reported ARR, compared to our Q1'23 constant currency ARR . Using foreign exchange rates as of the end of Q1'23 and assuming the midpoint of our constant currency guidance ranges:
  - Q2'23 reported ARR would be higher by approximately $62 million, compared to Q2'23 constant currency ARR
  - FY'23 reported ARR would be higher by approximately $67 million, compared to FY'23 constant currency ARR
- We expect FY'23 organic churn to be ~5.5%, in line with FY'22.
- For cash flow, due to invoicing seasonality, and consistent with the past 2 years, we expect the majority of our collections to occur in the first half of our fiscal year and for Q4'23 to be our lowest cash flow generation quarter.
- Our GAAP P&L expectations, including our GAAP tax rate, do not include the impact of ServiceMax purchase accounting as the valuation of the acquired assets and liabilities has not been completed. The purchase accounting will include valuing acquired assets and liabilities and is expected to have a material impact on our financial statements.
- Compared to FY'22, at the mid-point of FY'23 ARR guidance, FY'23 GAAP operating expenses, excluding the impact of ServiceMax purchase accounting, are expected to increase approximately 6% to 7%, and FY'23 non-GAAP operating expenses are expected to increase approximately 10% to 11%, primarily due to the acquisition of ServiceMax and foreign exchange rate fluctuations.
- FY'23 GAAP P&L results, excluding the impact of ServiceMax purchase accounting, are expected to include the items below, totaling $253 million to $268 million, as well as their related tax effects:
  - $180 million to $195 million of stock-based compensation expense, with the increase from our previous assumption of $165 million to $180 million primarily due to the acquisition of ServiceMax
  - $57 million of intangible asset amortization expense
  - $16 million of acquisition and transaction-related expense
- Our FY'23 GAAP tax rate, excluding the impact of ServiceMax purchase accounting, is expected to be approximately 22%. Our FY'23 non-GAAP tax rate is expected to be approximately 22%.
- 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.

FORWARD-LOOKING STATEMENTS

Statements in this press release that are not historic facts, including statements about our future financial and growth expectations and targets, the expected effect of the ServiceMax acquisition on our business and future results, 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 sooner or to a greater extent than we expect due to, among other factors, the effects of the COVID-19 pandemic, including supply chain disruptions, increasing interest rates and inflation, volatile foreign exchange rates and the relative strength of the U.S. dollar, and the effects of the Russia/Ukraine conflict, including the effect on energy supplies to Europe, 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 revenue, cash flow, or ARR 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, 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: We provide an ARR (Annual Run Rate) operating measure to help investors understand and assess the performance of our business as a SaaS and on-premises subscription company. ARR 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 believe ARR is a valuable operating metric to measure the health of a subscription business because it captures expected subscription and support cash generation from customers.

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.

Churn: We provide a churn measure to enable investors to understand and assess our customer contract retention. Churn represents the difference between the ARR amount for all subscription software, cloud, SaaS, and support contracts ended within a reporting period and the ARR for renewal contracts started within a reporting period as of the end of the reporting period.

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-related and other transactional 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" on page 30 of 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 RECONCILIATION

In millions	Q1'23	Q1'22
Cash from Operations	$180.9	$137.7
Capital expenditures	($9.2)	($3.4)
Free Cash Flow	$171.7	$134.4

ptc

DIGITAL TRANSFORMS PHYSICAL

THANK YOU

ptc.com