DIGITAL TRANSFORMS PHYSICAL

Q4'23 AND FY'23 FINANCIAL RESULTS

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November 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.

Q4'23 AND FY'23 HIGHLIGHTS

JIM HEPPELMANN, CEO

SOLID TOP-LINE RESULTS

ARR

$ in millions	Q4'23	Q4'22	YoY Change	Q4'23 Guidance
ARR as reported	$1,979	$1,572	26%	
Constant currency ARR	$1,941	$1,572	23%	$1,935 - $1,950
Organic ARR as reported[1]	$1,807	$1,572	15%	
Constant currency organic ARR[1]	$1,770	$1,572	13%	

Broad-based strength across product groups and geographic regions, combined with low churn

- Q4'23 net new constant currency ARR of $73 million
  - In-quarter starts were $8 million lower than modeled
  - Deferred ARR that is contractually committed to start in future periods was $8 million higher than modeled
- Solid outlook at the start of FY'24, based on strong pipeline and deferred ARR balance
  - At the start of FY'24, deferred ARR with contractually committed start dates over the next 12 months was approximately $20M higher than at the start of FY'23
- FY'24 constant currency ARR guidance of 11% to 14% growth, up from the 10% to 14% range discussed last quarter

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

SOLID BOTTOM-LINE RESULTS

CASH FLOW

Cash flow growth driven by ARR growth and operating efficiency[1] expansion

$ in millions	Q4'23	Q4'22	YoY Change	Q4'23 Guidance
Operating cash flow	$50	$38	29%	~$44
Free cash flow	$44	$29	52%	~$42

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

- Exceeded our Q4'23 cash flow guidance and extended our track record of disciplined operational management
- FY'23 operating cash flow of $611M, up 40% and exceeded guidance of ~$605M
- FY'23 free cash flow of $587M, up 41% and exceeded guidance of ~$585M
- Expanded operating efficiency[1] by 620 bps to 38% in FY'23, helped by resource rebalancing completed in 2H'22
  - Outperformed initial target of ~450 bps of expansion
- 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] 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

SOLID ARR RESULTS ACROSS GEOGRAPHIC REGIONS

Q4'23 compared to Q4'22

Americas

25% growth; 12% organic

Constant currency:

25% growth; 12% organic

Europe

31% growth; 21% organic

Constant currency:

24% growth; 13% organic

APAC

16% growth; 10% organic

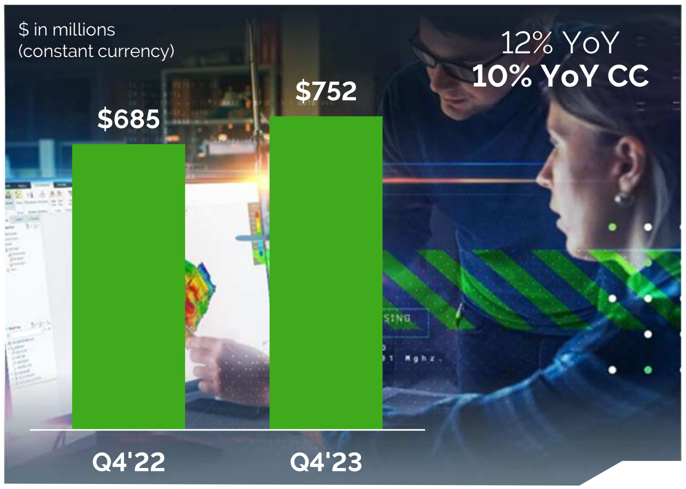
Constant currency:

18% growth; 12% organic

Inorganic growth due to the acquisition of ServiceMax

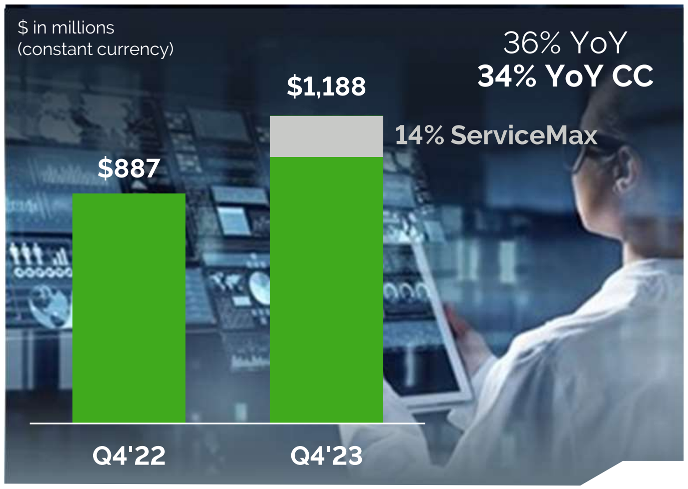
SOLID ARR RESULTS ACROSS PRODUCT GROUPS[1]

CAD: Product data authoring software



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

PLM: Product data management and process orchestration software



- 34% growth; 15% organic growth ex-ServiceMax
- ServiceMax delivered $170 million of ARR in Q4'23
- Double-digit organic growth in Europe, the Americas, and APAC
- Organic growth primarily driven by Windchill
- Strong organic % growth in ALM (Codebeamer)

[1] Amounts shown and discussed on this slide are on a constant currency basis; Slide 18 shows constant currency and reported ARR

DURABLE AND CONSISTENT GROWTH

NEIL BARUA, CEO-ELECT

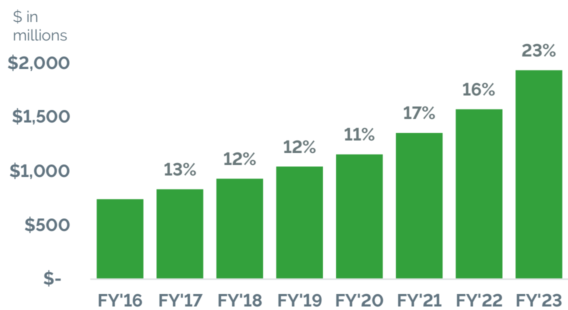
CEO SUCCESSION GOING WELL

- Moved from California to Boston
- Started world tour with Jim
- Met with customers, partners, employees, and investors

Great company with a strong foundation, and I'm excited about our future

SUSTAINABILITY OF PTC'S TOP-LINE GROWTH

PTC: Double-Digit ARR[1] Growth Every Year Since FY'17



Specific to PTC:

Layers of Cumulative Growth Drivers

- Accretive Growth in SLM with ServiceMax
- Accretive Growth in ALM with Codebeamer
- On-Premise to SaaS Strategy for Core CAD/PLM
- Accretive Growth in Pure-SaaS PLM with Arena
- Accretive Growth in Pure-SaaS CAD with Onshape
- Improving Commercial Discipline: Churn, Pricing, Discounting
- Conversion to Subscription Business Model Completed
- Accretive Growth in IoT Segment with ThingWorx
- Best in Class Core CAD/Creo and PLM/Windchill Products Taking Market Share

Mid-Teens % Mid-Term ARR Growth[2] Target

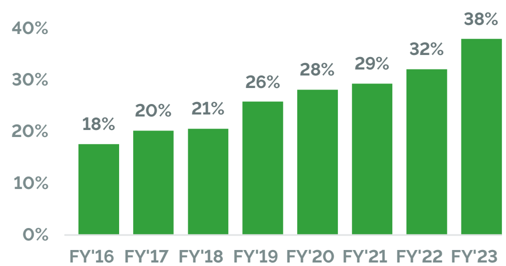
FY'12 FY'15 FY'18 FY'19 FY'20 FY'21 FY'22 FY'23 FY'24 . . .

Overall Market: **High-single-digit market growth trend** driven by global economic growth and digital transformation at industrial product companies

[1] On a constant currency basis, using our FY'23 Plan foreign exchange rates (rates as of September 30, 2022) for all periods
[2] ARR growth on an organic constant currency basis

SUSTAINABILITY OF PTC'S BOTTOM-LINE GROWTH

PTC: 20% Operating Efficiency[1] Expansion between FY'16 and FY'23



Specific to PTC:

Layers of Cumulative Margin Drivers

- Operational Rebalancing
- Aligning to SaaS Principles and Best Practices
- Improving Commercial Discipline
- Subscription Model with Non-GAAP Opex Growth at Roughly Half the Rate of ARR Growth
- Regular Portfolio Rebalancing
- Efficient R&D Offshoring Program
- Increasing Go To Market Productivity – e.g., efficient cross-selling across product portfolio
- Software Mix Increasing and Professional Services Mix Decreasing

FY'16 FY'17 FY'18 FY'19 FY'20 FY'21 FY'22 FY'23 FY'24 . . .

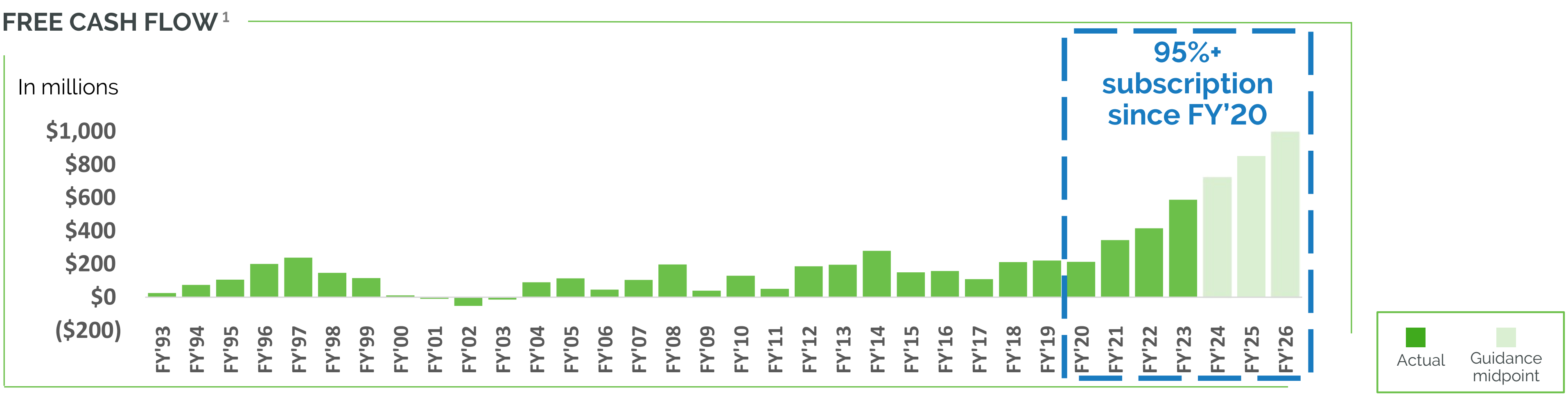
40%+ Mid-Term Operating Efficiency[1] Target

[1] 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

SUMMARY OF FY'24 GUIDANCE AND MID-TERM TARGETS

Subscription license model provides improved business durability and consistency over time

$ in millions	FY'24 Guidance	FY'24 Growth Guidance	FY'25 Targets	FY'26 Targets
ARR at constant currency	$2,190 - 2,250	11% - 14%	Mid-teens % growth	Mid-teens % growth
Operating cash flow	~$745	~22%	$850 - $900	~$1,025
Free cash flow[1]	~$725	~23%	$825 - $875	~$1,000



[1] Refer to the Non-GAAP reconciliation tables on slides 33 and 34

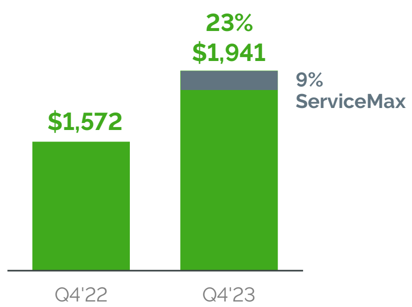
Q4'23 AND FY'23 FINANCIAL REVIEW

KRISTIAN TALVITIE, CFO

Q4’23 AND FY’23 RESULTS VS PRIOR YEAR

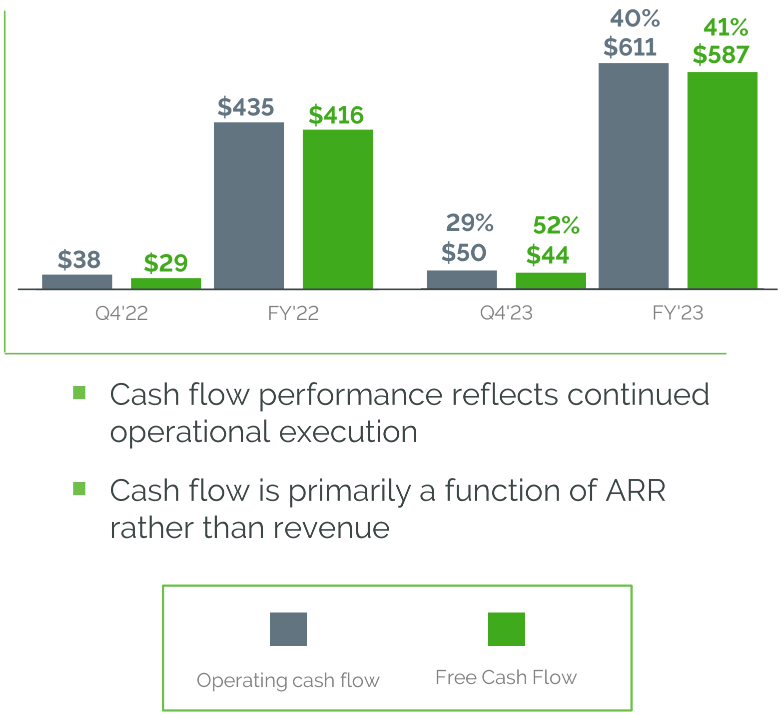
$ in millions

CONSTANT CURRENCY ARR



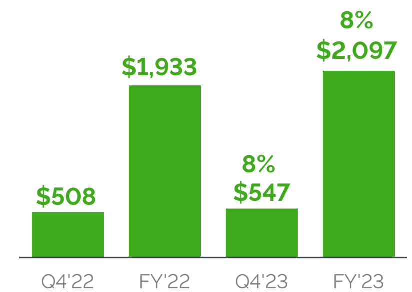
- ARR growth of 26% as reported and 23% constant currency
- Organic ARR growth of 15% as reported and 13% constant currency
- $170M ServiceMax ARR in Q4’23
- ARR as reported was $38M higher than constant currency ARR in Q4’23

CASH FLOW[1]



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

REVENUE



- Revenue growth of 8% in Q4 and FY’23; constant currency growth of 6% in Q4 and 12% in FY’23
- 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 tables on slides 33 and 34

BALANCE SHEET AND SHARE REPURCHASES

Balance sheet as of September 30, 2023

- Cash and cash equivalents of $288 million
- Gross debt of $2.322 billion with an aggregate interest rate of 5.7%; paid down $43 million of debt in Q4'23
  - $1.0 billion of senior notes with an aggregate interest rate of 3.8%
  - $500 million term loan with a variable interest rate of 7.2%
  - $202 million drawn on $1.25 billion revolving credit facility with a variable interest rate of 7.2%
  - $620 million deferred acquisition payment made in October 2023 related to ServiceMax
    - In Q1'24, we will incur a total of $30 million of imputed interest, which reflects a fixed interest rate of 6.4%
- Gross debt increased in October 2023, due to drawing EUR 85 million on our revolving credit facility related to the Pure Systems acquisition

Debt/EBITDA ratio and gross debt expectations

- Debt/EBITDA ratio at the end of Q4'23 was 3.0x
- Debt/EBITDA ratio expected to be below 3x at Q1'24 and throughout the rest of FY'24
- Gross debt expected to be approximately $1.7 billion at the end of FY'24; expect to use substantially all of our FY'24 free cash flow to pay down debt in FY'24

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
- We expect to prioritize paying down our debt in FY'24
- Fully diluted share count expected to increase by approximately 1 million in FY'24

A LOOK BACK AT RESULTS VERSUS INITIAL FY'23 GUIDANCE

Solid FY'23 results, despite the macroeconomic environment

$ in millions	FY'23 Initial Growth Guidance (Organic)	FY'23 Initial Guidance (Organic)	FY'23 Actual Growth (with ServiceMax)	FY'23 Actual Results (with ServiceMax)
Constant currency ARR (FY'23 Plan FX rates)[1]	10% - 14%	$1,730 - $1,790	+23%	$1,941
Operating cash flow	~33%	~$580	+40%	$611
Free cash flow[2]	~35%	~$560	+41%	$587
Revenue	(1)% - 3%	$1,910 - $1,990	+8%	$2,097

We Delivered:

Organic constant currency ARR growth of 13% ($1,770 million excluding ServiceMax). . . → compared to initial guidance of 10% to 14%

Free cash flow growth of 41% . . . → compared to initial guidance of ~35%

[1] On a constant currency basis, using our FY'23 Plan foreign exchange rates (rates as of September 30, 2022) for all periods
[2] Refer to the Non-GAAP reconciliation tables on slides 33 and 34

FY'24 GUIDANCE AND MID-TERM TARGETS

KRISTIAN TALVITIE, CFO

FX DYNAMICS: IMPACT TO ARR

ARR as reported includes significant impacts due to foreign exchange rate fluctuations

Using FY'23 Plan FX rates as of Sept 30, 2022	FY'22				FY'23			
In millions	Quarter Ended				Quarter Ended			
Constant Currency ARR by Product Group	**31-Dec**	**31-Mar**	**30-Jun**	**30-Sep**	**31-Dec**	**31-Mar**	**30-Jun**	**30-Sep**
CAD (product data authoring)	$ 632	$ 648	$ 665	$ 685	$ 696	$ 714	$ 735	$ 752
PLM (product data management and process orchestration)	757	792	831	887	907	1,100	1,133	1,188
Ending ARR	**$ 1,389**	**$ 1,440**	**$ 1,496**	**$ 1,572**	**$ 1,603**	**$ 1,814**	**$ 1,868**	**$ 1,941**

As Reported	FY'22				FY'23			
In millions	Quarter Ended				Quarter Ended			
ARR by Product Group	**31-Dec**	**31-Mar**	**30-Jun**	**30-Sep**	**31-Dec**	**31-Mar**	**30-Jun**	**30-Sep**
CAD (product data authoring)	$ 690	$ 698	$ 691	$ 685	$ 727	$ 748	$ 764	$ 769
PLM (product data management and process orchestration)	806	834	854	887	936	1,134	1,165	1,209
Ending ARR	**$ 1,496**	**$ 1,532**	**$ 1,544**	**$ 1,572**	**$ 1,663**	**$ 1,882**	**$ 1,929**	**$ 1,979**
Impact of FX fluctuations embedded in ARR as reported	**$ 107**	**$ 93**	**$ 49**	**$ -**	**$ 60**	**$ 68**	**$ 61**	**$ 38**

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

For comparative purposes in FY'23, we reported constant currency ARR results using our FY'23 Plan FX rates for all periods

RECAST CONSTANT CURRENCY ARR HISTORY FOR COMPARABILITY IN FY'24

RECAST - Using FY'24 Plan FX rates as of Sept 30, 2023

In millions	FY'22				FY'23			
	Quarter Ended				Quarter Ended			
Constant Currency ARR by Product Group	**31-Dec**	**31-Mar**	**30-Jun**	**30-Sep**	**31-Dec**	**31-Mar**	**30-Jun**	**30-Sep**
CAD (product data authoring)	$ 645	$ 664	$ 680	$ 701	$ 712	$ 730	$ 752	$ 769
PLM (product data management and process orchestration)	770	806	847	904	924	1,119	1,153	1,209
Ending ARR	**$ 1,416**	**$ 1,470**	**$ 1,527**	**$ 1,605**	**$ 1,636**	**$ 1,850**	**$ 1,904**	**$ 1,979**

PREVIOUS - Using FY'23 Plan FX rates as of Sept 30, 2022

In millions	FY'22				FY'23			
	Quarter Ended				Quarter Ended			
Constant Currency ARR by Product Group	**31-Dec**	**31-Mar**	**30-Jun**	**30-Sep**	**31-Dec**	**31-Mar**	**30-Jun**	**30-Sep**
CAD (product data authoring)	$ 632	$ 648	$ 665	- $ 685	$ 696	$ 714	$ 735	$ 752
PLM (product data management and process orchestration)	757	792	831	887	907	1,100	1,133	1,188
Ending ARR	$ 1,389	$ 1,440	$ 1,496	$ 1,572	$ 1,603	$ 1,814	$ 1,868	$ 1,941

For comparative purposes in FY'24, we will report constant currency ARR results using our FY'24 Plan FX rates for all periods

- Please see the Financial Data Tables published on our investor relations website for all recast periods
- Recast constant currency amounts should be used when forecasting PTC's FY'24 constant currency ARR results

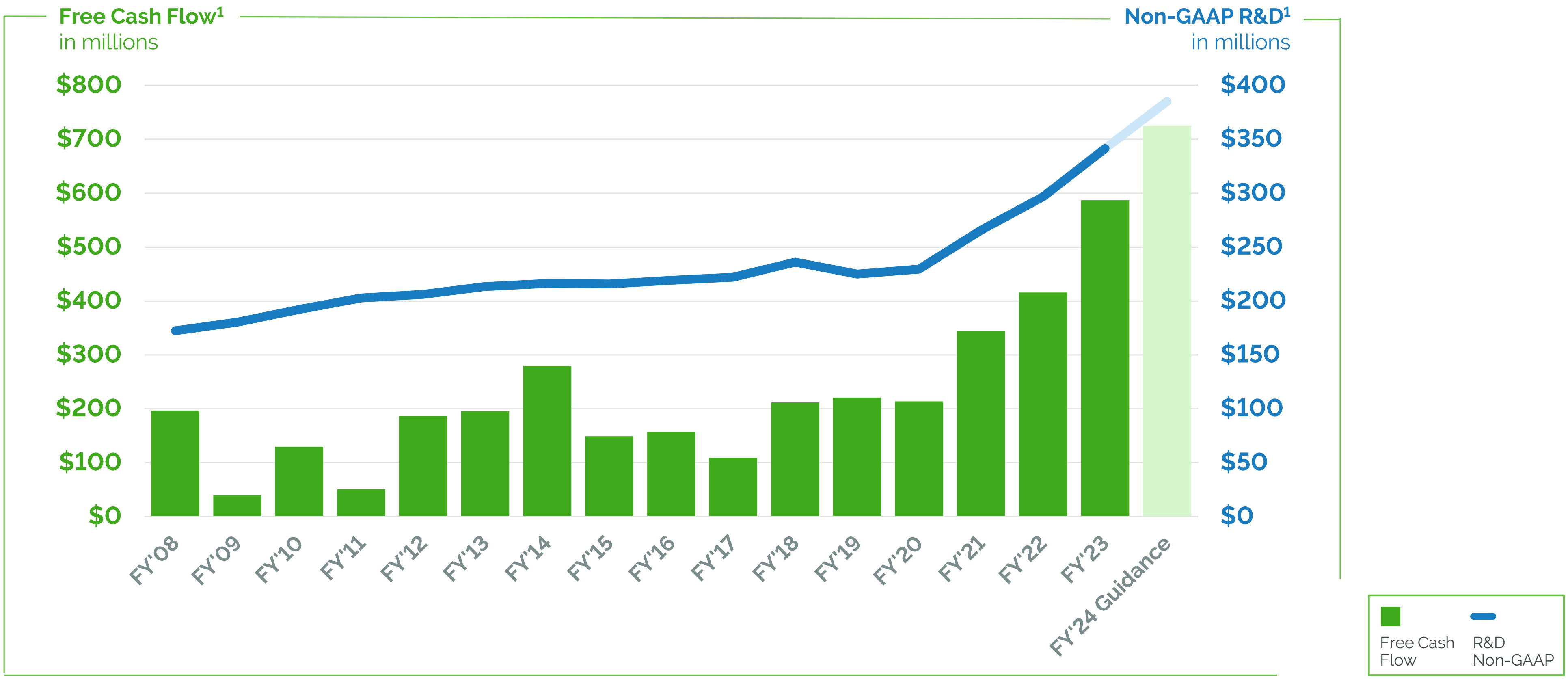
FY'24 AND Q1'24 GUIDANCE

$ in millions	FY'23 Actual Results	FY'24 Guidance	FY'24 YoY Growth Guidance	Q1'24 Guidance
Constant currency ARR (FY'24 Plan FX rates)[1]	$1,979	$2,190 - $2,250	11% - 14%	$1,995 - $2,010
Operating cash flow	$611	~$745	~22%	~$185
Free cash flow[2]	$587	~$725	~23%	~$180
Revenue	$2,097	$2,270 - $2,360	8% - 13%	$520 - $550
Earnings per share	$2.06	$2.42 - $3.32	18% - 61%	$0.26 - $0.49
Non-GAAP earnings per share[2]	$4.34	$4.50 - $5.20	4% - 20%	$0.80 - $1.00

In FY'24, we expect approximately 55%+ of our free cash flow to be generated in the first half of the year; Q1 will reflect a $30 million imputed interest payment related to the $650 million deferred purchase payment for ServiceMax

[1] On a constant currency basis, using our FY'24 Plan foreign exchange rates (rates as of September 30, 2023) for all periods
[2] Refer to the Non-GAAP reconciliation tables on slides 33 and 34

INVESTING IN GROWTH WHILE DELIVERING SOLID FCF



[1] Refer to the Non-GAAP reconciliation tables on slides 33 and 34

FY'24 ILLUSTRATIVE CONSTANT CURRENCY ARR MODEL

What does PTC need to deliver to achieve the midpoint of FY'24 constant currency ARR guidance?

Using FX rates as of September 30, 2023 $ in millions	Actual FY'21	Actual FY'22	Actual FY'23	What you need to believe FY'24
Beginning ARR	$ 1,179	$ 1,379	$ 1,605	$ 1,979
Ending ARR	**1,379**	**1,605**	**1,979**	**2,220**
ARR growth	$ 199	$ 226	$ 374	$ 241
Acquisitions and exits[1]	(48)	(11)	(160)	-
Net ARR growth	**$ 151**	**$ 215**	**$ 214**	**$ 241**
Net ARR growth %	***13%***	***16%***	***13%***	***12%***

- FY'24 ending ARR modelled at the midpoint of our constant currency guidance range
- FY'24 churn expected to remain low
- To hit the midpoint of guidance for FY'24, we need $241M of net ARR growth
  - At the start of FY'24, deferred ARR with contractually committed start dates over the next 12 months was approximately $20M higher than at the start of FY'23
  - Strong Codebeamer momentum and first full year of ServiceMax with broad sales force enablement

[1] Arena acquisition in FY'21, Russia exit in FY'22, Codebeamer acquisition in FY'22, ServiceMax acquisition in FY'23

Q1’24 ILLUSTRATIVE CONSTANT CURRENCY ARR MODEL

What does PTC need to deliver to achieve the midpoint of Q1’24 constant currency ARR guidance?

Using FX rates as of September 30, 2023 $ in millions	Actual Q1'22	Actual Q2'22	Actual Q3'22	Actual Q4'22	Actual Q1'23	Actual Q2'23	Actual Q3'23	Actual Q4'23	What you need to believe Q1'24
Beginning ARR	$ 1,379	$ 1,416	$ 1,470	$ 1,527	$ 1,605	$ 1,636	$ 1,850	$ 1,904	$ 1,979
Ending ARR	**1,416**	**1,470**	**1,527**	**1,605**	**1,636**	**1,850**	**1,904**	**1,979**	**2,003**
Sequential ARR growth	$ 37	$ 54	$ 57	$ 77	$ 32	$ 213	$ 55	$ 74	$ 24
Acquisitions and exits[1]	-	3	(14)	-	-	(160)	-	-	-
Net ARR growth	**$ 37**	**$ 57**	**$ 44**	**$ 77**	**$ 32**	**$ 53**	**$ 55**	**$ 74**	**$ 24**
Net ARR growth %	***3%***	***4%***	***3%***	***5%***	***2%***	***3%***	***3%***	***4%***	***1%***

- Q1’24 ending ARR modelled at the midpoint of our guidance range
- Q1’24 churn expected to remain low
- To hit the midpoint of guidance for Q1’24, we need $24M of sequential net ARR growth
  - $8M less than we added QoQ in Q1’23
  - $13M less than we added QoQ in Q1’22

[1] Russia exit in Q2’22, Codebeamer acquisition in Q3’22, and ServiceMax acquisition in Q2’23

FY'24 ILLUSTRATIVE FREE CASH FLOW MODEL[1]

What does PTC need to deliver to achieve FY'24 free cash flow guidance?

$ in millions	FY'23 Actual		FY'24 Illustrative		Comments
Annual Run Rate (ARR)	**$ 1,979**	**$ 1,979**	**$ 2,220**	**$ 2,220**	For FY'24, using midpoint of constant currency ARR guidance range
Perpetual revenue	39	39	30	30	Primarily our Kepware business, which is moving to subcription over time
Professional services (PS) revenue	150	150	135	135	In accordance with plans to transition part of our PS business to DxP over time
Cash generation	**$ 2,168**	**$ 2,168**	**$ 2,385**	**$ 2,385**	
	GAAP	**Non-GAAP**	**GAAP**	**Non-GAAP**	
Cost of revenue	$ (441)	$ (384)	$ (454)	$ (398)	
Operating expenses	(1,198)	(954)	(1,238)	(1,011)	
Subtotal	$ (1,639)	$ (1,338)	$ (1,692)	$ (1,409)	
Cash contribution margin	$ 530	$ 830	$ 693	$ 976	
Operating efficiency %	**24.4%**	**38.3%**	**29.1%**	**40.9%**	Subscription license model with low churn, combined with operational discipline
Stock compensation expense	$ 206	$ -	$ 200	-	In accordance with guidance assumptions provided on slide 30
Depreciation expense	29	29	29	29	
Amortization expense	76	-	82	-	
Restructuring-related	(2)	(2)	(2)	(2)	
Acquisition and transaction-related	(1)	(20)	(1)	(2)	
Capital expenditures	(24)	(24)	(20)	(20)	In accordance with guidance assumptions provided on slide 30
Interest payments	(90)	(90)	(135)	(135)	In accordance with guidance assumptions provided on slide 30
Cash taxes	(65)	(65)	(82)	(82)	For FY'24, higher taxable income and impact of Internal Revenue Code Section 174
Other	(72)	(72)	(39)	(39)	For FY'23 and FY'24, working captal to support growth; For FY'23, also FX and pre-acquisition ServiceMax collections
Subtotal	$ 58	$ (243)	$ 32	$ (251)	
Free cash flow	**$ 587**	**$ 587**	**$ 725**	**$ 725**	

[1] Our model uses ARR because ARR is the best approximation of billings related to recurring contracts. Cash generation, cash contribution margin, operating efficiency %, and cash flow derived therefrom are estimates we use to calculate free cash flow. Refer to the GAAP to non-GAAP reconciliation tables on slides 34 and 35 for the reconciliation to the of GAAP elements used to the non-GAAP elements.

MID-TERM TARGETS

$ in millions	FY'25 Targets	FY'26 Targets
ARR at constant currency	Mid-teens % growth	Mid-teens % growth
Operating cash flow	$850 - $900	~$1,025
Free cash flow[1]	$825 - $875	~$1,000

External factors that could positively or negatively impact mid-term targets include

- Macroeconomic environment
- Foreign exchange rates
- Interest rates
- Impact of global tax law changes, such as Internal Revenue Code Section 174 and OECD Pillar 2, which have been factored into our mid-term free cash flow targets

[1] Refer to the Non-GAAP reconciliation tables on slides 33 and 34

OUR MID-TERM FREE CASH FLOW[1] TARGETS IN CONTEXT

Extending our track record of strong free cash flow growth; factoring in cash taxes and interest

FY'21 through FY'23 Actuals

- **40% 3-year Free Cash Flow CAGR**
- Driven by:
  - Solid ARR growth
  - Subscription license model, with non-GAAP opex growth at 46% of ARR growth
  - Absence of large restructuring payments in FY'23
  - Sustainable improvements related to internal processes and operational discipline

FY'24 through FY'26 Targets and Expectations

- **~20% 3-year Free Cash Flow CAGR**
- Driven by:
  - Solid ARR growth
  - Subscription license model, with non-GAAP opex growth at roughly 50% of ARR growth
  - Absence of large restructuring payments
  - Global tax law changes + depletion of deferred tax assets
    - Cash taxes increase ~$15M in FY'24, as deferred tax assets remain available
    - Cash taxes increase faster than cash contribution margin and operating income in both FY'25 and FY'26[2]
  - Interest payments increase in FY'24, then decrease in both FY'25 and FY'26

[1] Refer to the Non-GAAP reconciliation tables on slides 33 and 34
[2] Refer to the guidance assumptions on slide 28

DURABLE AND CONSISTENT GROWTH

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'24 forecasted to be our 8th consecutive year of double-digit constant currency ARR growth

Sustaining efficient growth with subscription license model, product leadership, and SaaS tailwinds

MARGIN EXPANSION

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

Targeting incremental margin expansion

SOLID ARR AND FCF GROWTH

Targeting mid-teens % constant currency ARR growth in the mid-term

Targeting ~20% FCF CAGR in the mid-term

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

APPENDIX: FY’24 GUIDANCE AND MID-TERM TARGETS INCLUDE THE FOLLOWING ASSUMPTIONS

- We provide ARR guidance on a constant currency basis, using our FY’24 Plan foreign exchange rates (rates as of September 30, 2023) for all periods.
- We expect churn to remain low.
- For cash flow, due to invoicing seasonality, and consistent with the past 3 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’23, at the midpoint of FY’24 ARR guidance, FY’24 GAAP operating expenses are expected to increase approximately 3% to 4%, and FY’24 non-GAAP operating expenses are expected to increase approximately 6% to 7%, primarily due to investments to drive future growth and the acquisition of ServiceMax.
- FY’24 GAAP P&L results are expected to include the items below, totaling approximately $282 million to $312 million, as well as their related tax effects:
  - approximately $200 million to $230 million of stock-based compensation expense,
  - approximately $82 million of intangible asset amortization expense. and
  - approximately $1 million of acquisition and transaction-related expense.
- Our FY’24 GAAP and non-GAAP tax rates are expected to be approximately 20%.
- Cash taxes are expected to increase approximately $15 million in FY’24, and approximately $60 million in both FY’25 and FY’26.
- Capital expenditures are expected to be approximately $20 million in FY’24, and approximately $25 million in both FY’25 and FY’26.
- Interest payments are expected to be approximately $135 million in FY’24.
- 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.
  - We expect to prioritize paying down our debt in FY’24.
  - We expect gross debt of approximately $1.7 billion at the end of FY’24.
  - We expect our fully diluted share count to increase by approximately 1 million in FY’24.

FORWARD-LOOKING STATEMENTS

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

OPERATING MEASURES

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

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

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

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 MEASURES 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 at a point in time upon the later of when the software is made available, or the subscription term commences.

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

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

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

Deferred ARR: Deferred ARR is ARR attributable to our portfolio of subscription software, cloud, SaaS and support contracts that are not active as of the end of the reporting period but are contractually committed to commence in a future period.

Because ARR is independent of recognized and unearned revenue, deferred ARR should not be viewed as a measurement of revenue which 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 and transaction-related charges included in general and administrative expenses; restructuring and other charges, net; certain non-operating charges and credits; and income tax adjustments. Additional information about the items we exclude from our non-GAAP financial measures and the reasons we exclude them can be found in "Non-GAAP Financial Measures" in our Annual Report on Form 10-K for the fiscal year ended September 30, 2022.

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

Constant Currency (CC): We present CC information to provide a framework for assessing how our underlying business performed excluding the effects of foreign currency rate fluctuations. To present CC information, FY'23 and comparative prior period results for entities reporting in currencies other than United States dollars are converted into United States dollars using the foreign exchange rate as of September 30, 2022, rather than the actual exchange rates in effect during that period. All discussion of FY'24 and comparative prior period ARR results (including FY'23 baseline amounts) are reflected using the foreign exchange rates as of September 30, 2023.

NON-GAAP RECONCILIATIONS

ARR: Reported vs. Constant Currency

In millions	FY'16	FY'17	FY'18	FY'19	FY'20	FY'21	FY'22	FY'23
ARR (as reported)	807	914	1,010	1,111	1,264	1,468	1,572	1,979
ARR (constant currency)	739	832	930	1,043	1,156	1,353	1,572	1,941

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
GAAP research and development expense	$182	$189	$202	$211	$215	$222	$226	$228
Stock-based compensation expense	(9)	(8)	(9)	(9)	(9)	(9)	(10)	(12)
Non-GAAP research and development expense	$173	$180	$192	$203	$206	$213	$216	$216

In millions	FY'16	FY'17	FY'18	FY'19	FY'20	FY'21	FY'22	FY'23
GAAP research and development expense	$229	$236	$250	$247	$257	$300	$339	$394
Stock-based compensation expense	(10)	(14)	(13)	(22)	(27)	(34)	(42)	(59)
Non-GAAP research and development expense	$219	$222	$236	$225	$230	$266	$297	$335

Earnings per share: GAAP vs. Non-GAAP

	FY'23 Guidance	FY'24 Guidance	Q1'24 Guidance
Diluted Earnings per share	$2.06	$2.42 - $3.32	$0.26 - $0.49
Stock-based compensation expense	1.73	1.66 - 1.91	0.46 - 0.50
Intangible asset amortization expense	0.63	~0.68	~0.17
Acquisition and transaction-related expense	0.16	~0.01	~0.01
Other non-operating expenses	0.04	~0.00	~0.00
Income tax adjustments related to the reconciling items	(0.28)	(0.52) – (0.47)	(0.14) – (0.13)
Non-GAAP diluted earnings per share	$4.34	$4.50 - $5.20	$0.80 - $1.00

NON-GAAP RECONCILIATIONS

Free Cash Flow

In millions	FY'93	FY'94	FY'95	FY'96	FY'97	FY'98	FY'99	FY'00	FY'01	FY'02	FY'03	FY'04	FY'05	FY'06	FY'07	FY'08
Net cash provided by (used in) operating activities	$49	$84	$119	$237	$196	$182	$151	$52	$51	($23)	$6	$101	$130	$65	$127	$222
Capital expenditures	(8)	(9)	(13)	(41)	(36)	(36)	(35)	(37)	(61)	(30)	(21)	(11)	(15)	(19)	(24)	(25)
Free cash flow	$41	$76	$106	$196	$160	$146	$116	$15	($10)	($52)	($14)	$90	$115	$46	$103	$197

In millions	FY'09	FY'10	FY'11	FY'12	FY'13	FY'14	FY'15	FY'16	FY'17	FY'18	FY'19	FY'20	FY'21	FY'22	FY'23
Net cash provided by (used in) operating activities	$70	$157	$79	$218	$225	$305	$180	$183	$135	$248	$285	$234	$369	$435	$611
Capital expenditures	(30)	(27)	(28)	(31)	(29)	(25)	(31)	(26)	(25)	(36)	(64)	(20)	(25)	(19)	(24)
Free cash flow	$40	$130	$51	$187	$195	$279	$149	$157	$110	$212	$221	$214	$344	$416	$587

In millions	Q4'22	Q4'23	Q1'24 Guidance	FY'24 Guidance	FY'25 Targets	FY'26 Targets
Net cash provided by (used in) operating activities	$38	$50	~$185	~$745	$850 - $900	~$1,025
Capital expenditures	(10)	(6)	(~5)	(~20)	(~25)	(~25)
Free cash flow	$29	$44	~$180	~$725	$825 - $875	~$1,000

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