

PTC Inc.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Three Months Ended	
	December 28, 2019	December 29, 2018
Cash flows from operating activities:		
Net income	\$ 35,455	\$ 20,985
Stock-based compensation	27,936	29,407
Depreciation and amortization	19,588	20,053
Accounts receivable	34,314	24,025
Accounts payable and accruals	(15,522)	(37,132)
Deferred revenue	(34,952)	(21,820)
Income taxes	(42,702)	(21,668)
Other	(16,605)	7,364
Net cash provided by operating activities	<u>7,512</u>	<u>21,214</u>
Capital expenditures	(4,707)	(30,332)
Acquisition of businesses, net of cash acquired ⁽¹⁾	(467,749)	(69,556)
Borrowings (payments) on debt, net	455,000	135,000
Costs associated with issuance of common stock	-	(4,640)
Payments of withholding taxes in connection with vesting of stock-based awards	(22,849)	(33,788)
Contingent consideration	-	(1,575)
Other financing & investing activities	(1,968)	(1,324)
Foreign exchange impact on cash	<u>1,991</u>	<u>2,041</u>
Net change in cash, cash equivalents, and restricted cash	(32,770)	17,040
Cash, cash equivalents, and restricted cash, beginning of period	270,689	261,093
Cash, cash equivalents, and restricted cash, end of period	<u>\$ 237,919</u>	<u>\$ 278,133</u>

	Three Months Ended	
	December 28, 2019	December 29, 2018
Cash provided by operating activities	7,512	21,214
Capital expenditures	(4,707)	(30,332)
Free cash flow	2,805	(9,118)
Restructuring payments ⁽²⁾	3,268	8,283
Acquisition-related payments	6,422	-
Adjusted free cash flow	<u>12,495</u>	<u>(835)</u>

(1) In the three months ended December 28, 2019, we acquired Onshape for \$468 million, net of cash acquired. In the three months ended December 29, 2018, we acquired Frustum for \$70 million, net of cash acquired.

(2) Restructuring payments include lease payments associated with exited facilities.

PTC Inc.
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except per share data)

	Three Months Ended	
	December 28, 2019	December 29, 2018
Revenue:		
Recurring revenue	\$ 305,368	\$ 251,438
Perpetual license	8,998	41,805
Professional services	41,744	41,446
Total revenue ⁽¹⁾	<u>356,110</u>	<u>334,689</u>
Cost of revenue	<u>87,405</u>	<u>77,352</u>
Gross margin	<u>268,705</u>	<u>257,337</u>
Operating expenses:		
Sales and marketing ⁽²⁾	107,604	104,218
Research and development ⁽²⁾	65,308	60,782
General and administrative ⁽²⁾	44,557	37,864
Amortization of acquired intangible assets	6,777	5,936
Restructuring and headquarters charges, net	14,034	18,493
Total operating expenses	<u>238,280</u>	<u>227,293</u>
Operating income	30,425	30,044
Other expense, net	(11,394)	(9,621)
Income before income taxes	<u>19,031</u>	<u>20,423</u>
Benefit for income taxes	(16,424)	(562)
Net income	<u>\$ 35,455</u>	<u>\$ 20,985</u>
Earnings per share:		
Basic	\$ 0.31	\$ 0.18
Weighted average shares outstanding	115,190	118,323
Diluted	\$ 0.31	\$ 0.18
Weighted average shares outstanding	115,691	119,638

(1) See supplemental financial data for revenue by license, support, and professional services.

(2) See supplemental financial data for additional information about stock-based compensation.

PTC Inc.
SUPPLEMENTAL FINANCIAL DATA FOR REVENUE AND STOCK-BASED COMPENSATION
(in thousands, except per share data)

Revenue by license, support and services is as follows:

	Three Months Ended	
	December 28, 2019	December 29, 2018
License revenue ⁽¹⁾	\$ 123,430	\$ 105,322
Support and cloud services revenue	190,936	187,921
Professional services revenue	41,744	41,446
Total revenue	\$ 356,110	\$ 334,689

(1) License revenue includes the portion of subscription revenue allocated to license.

The amounts in the income statement include stock-based compensation as follows:

	Three Months Ended	
	December 28, 2019	December 29, 2018
Cost of revenue	\$ 3,043	\$ 3,111
Sales and marketing	7,452	9,722
Research and development	6,932	4,900
General and administrative	10,509	11,674
Total stock-based compensation	\$ 27,936	\$ 29,407

PTC Inc.
NON-GAAP FINANCIAL MEASURES AND RECONCILIATIONS (UNAUDITED)
(in thousands, except per share data)

	Three Months Ended	
	December 28, 2019	December 29, 2018
GAAP revenue	\$ 356,110	\$ 334,689
Fair value adjustment of acquired deferred subscription revenue	-	66
Fair value adjustment of acquired deferred services revenue	-	207
Non-GAAP revenue	<u>\$ 356,110</u>	<u>\$ 334,962</u>
GAAP gross margin	\$ 268,705	\$ 257,337
Fair value adjustment of acquired deferred revenue	-	273
Fair value adjustment to deferred services cost	-	(85)
Stock-based compensation	3,043	3,111
Amortization of acquired intangible assets included in cost of revenue	6,799	6,717
Non-GAAP gross margin	<u>\$ 278,547</u>	<u>\$ 267,353</u>
GAAP operating income	\$ 30,425	\$ 30,044
Fair value adjustment of acquired deferred revenue	-	273
Fair value adjustment to deferred services cost	-	(85)
Stock-based compensation	27,936	29,407
Amortization of acquired intangible assets included in cost of revenue	6,799	6,717
Amortization of acquired intangible assets	6,777	5,936
Acquisition-related and other transactional charges included in general and administrative costs	7,129	419
Restructuring charges, net	14,034	16,586
Headquarters relocation charges	-	1,907
Non-GAAP operating income ⁽¹⁾	<u>\$ 93,100</u>	<u>\$ 91,204</u>
GAAP net income	\$ 35,455	\$ 20,985
Fair value adjustment of acquired deferred revenue	-	273
Fair value adjustment to deferred services cost	-	(85)
Stock-based compensation	27,936	29,407
Amortization of acquired intangible assets included in cost of revenue	6,799	6,717
Amortization of acquired intangible assets	6,777	5,936
Acquisition-related and other transactional charges included in general and administrative costs	7,129	419
Restructuring charges, net	14,034	16,586
Headquarters relocation charges	-	1,907
Income tax adjustments ⁽²⁾	(31,966)	(14,855)
Non-GAAP net income	<u>\$ 66,164</u>	<u>\$ 67,290</u>
GAAP diluted earnings per share	\$ 0.31	\$ 0.18
Fair value adjustment of acquired deferred revenue	-	-
Stock-based compensation	0.24	0.25
Amortization of acquired intangibles	0.12	0.11
Acquisition-related and other transactional charges	0.06	-
Restructuring charges, net	0.12	0.14
Headquarters relocation charges	-	0.02
Income tax adjustments	(0.28)	(0.12)
Non-GAAP diluted earnings per share	<u>\$ 0.57</u>	<u>\$ 0.56</u>

(1) Operating margin impact of non-GAAP adjustments:

	Three Months Ended	
	December 28, 2019	December 29, 2018
GAAP operating margin	8.5%	9.0%
Fair value adjustment of acquired deferred revenue	0.0%	0.1%
Fair value adjustment to deferred services cost	0.0%	0.0%
Stock-based compensation	7.8%	8.8%
Amortization of acquired intangibles	3.8%	3.8%
Acquisition-related and other transactional charges	2.0%	0.1%
Restructuring charges, net	3.9%	5.0%
Headquarters relocation charges	0.0%	0.6%
Non-GAAP operating margin	<u>26.1%</u>	<u>27.2%</u>

(2) We have recorded a full valuation allowance against our U.S. net deferred tax assets. As we are profitable on a non-GAAP basis, the 2020 and 2019 non-GAAP tax provisions are being calculated assuming there is no valuation allowance. Income tax adjustments reflect the tax effects of non-GAAP adjustments which are calculated by applying the applicable tax rate by jurisdiction to the non-GAAP adjustments listed above.

PTC Inc.
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands)

	<u>December 28, 2019</u>	<u>September 30, 2019</u>
ASSETS		
Cash and cash equivalents	\$ 237,017	\$ 269,579
Marketable securities	57,480	57,435
Accounts receivable, net	344,412	372,743
Property and equipment, net	105,171	105,531
Goodwill and acquired intangible assets, net	1,872,059	1,408,128
Lease assets, net ⁽¹⁾	165,484	-
Other assets	498,204	451,172
 Total assets	 \$ 3,279,827	 \$ 2,664,588
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deferred revenue	\$ 368,089	\$ 396,632
Debt, net of deferred issuance costs	1,124,345	669,134
Lease obligations ⁽¹⁾	225,263	-
Other liabilities	314,313	396,824
Stockholders' equity	1,247,817	1,201,998
 Total liabilities and stockholders' equity	 \$ 3,279,827	 \$ 2,664,588

(1) In the first quarter of 2020, we adopted Accounting Standards Update 2016-02, Leases (Topic 842).