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

	Three Months Ended December 30, 2017	Three Months Ended December 31, 2016
Revenue:		
Subscription	$ 100,008	$ 54,362
Support	131,197	151,478
Total recurring revenue	231,205	205,840
Perpetual license	33,985	34,379
Total subscription, support and license revenue	265,190	240,219
Professional services	41,454	46,108
Total revenue	306,644	286,327
Cost of revenue:		
Cost of license and subscription revenue (1) (2)	24,376	20,130
Cost of support revenue (1) (2)	22,200	22,817
Total cost of software revenue	46,576	42,947
Cost of professional services revenue (1)	36,382	39,168
Total cost of revenue	82,958	82,115
Gross margin	223,686	204,212
Operating expenses:		
Sales and marketing (1)	99,315	90,690
Research and development (1)	63,969	57,914
General and administrative (1)	35,004	36,695
Amortization of acquired intangible assets	7,821	8,067
Restructuring charges, net	105	6,285
Total operating expenses	206,214	199,651
Operating income	17,472	4,561
Other expense, net	(11,001)	(11,064)
Income (loss) before income taxes	6,471	(6,503)
Provision (benefit) for income taxes (3)	(7,406)	2,638
Net income (loss)	$ 13,877	$ (9,141)
Earnings (loss) per share:		
Basic	$ 0.12	$ (0.08)
Weighted average shares outstanding	115,731	115,290
Diluted	$ 0.12	$ (0.08)
Weighted average shares outstanding	117,656	115,290

(1) The amounts in the tables above include stock-based compensation as follows:

	Three Months Ended December 30, 2017	Three Months Ended December 31, 2016
Cost of license and subscription revenue	$ 413	$ 293
Cost of support	808	1,144
Cost of professional services revenue	1,706	1,457
Sales and marketing	4,879	3,621
Research and development	2,960	2,997
General and administrative	7,565	8,476
Total stock-based compensation	$ 18,331	$ 17,988

(2) In the third quarter of 2017, PTC began reporting cost of support revenue separate from cost of license and subscription revenue. Costs for previous periods have also been separately reported to conform to the current period presentation.

(3) In Q1'18 our effective tax rate was lower than the 24.5% statutory federal income tax rate due, in large part, to our corporate structure in which our foreign taxes are at an effective tax rate lower than the U.S. Additionally, our rate includes a benefit of $7.0M relating to the enactment of the Tax Cuts and Jobs Act.

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

	Three Months Ended	
	December 30, 2017	December 31, 2016
GAAP revenue	$ 306,644	$ 286,327
Fair value adjustment of acquired deferred subscription revenue	117	646
Fair value adjustment of acquired deferred services revenue	246	268
Non-GAAP revenue	$ 307,007	$ 287,241
GAAP gross margin	$ 223,686	$ 204,212
Fair value adjustment of acquired deferred revenue	363	914
Fair value adjustment to deferred services cost	(104)	(113)
Stock-based compensation	2,927	2,894
Amortization of acquired intangible assets included in cost of revenue	6,675	6,388
Non-GAAP gross margin	$ 233,547	$ 214,295
GAAP operating income	$ 17,472	$ 4,561
Fair value adjustment of acquired deferred revenue	363	914
Fair value adjustment to deferred services cost	(104)	(113)
Stock-based compensation	18,331	17,988
Amortization of acquired intangible assets included in cost of revenue	6,675	6,388
Amortization of acquired intangible assets	7,821	8,067
Acquisition-related charges included in general and administrative costs	7	169
Restructuring charges, net	105	6,285
Non-GAAP operating income (1)	$ 50,670	$ 44,259
GAAP net income (loss)	$ 13,877	$ (9,141)
Fair value adjustment of acquired deferred revenue	363	914
Fair value adjustment to deferred services cost	(104)	(113)
Stock-based compensation	18,331	17,988
Amortization of acquired intangible assets included in cost of revenue	6,675	6,388
Amortization of acquired intangible assets	7,821	8,067
Acquisition-related charges included in general and administrative costs	7	169
Restructuring charges, net	105	6,285
Income tax adjustments (2)	(11,000)	148
Non-GAAP net income	$ 36,075	$ 30,705
GAAP diluted earnings (loss) per share	$ 0.12	$ (0.08)
Fair value adjustment of acquired deferred revenue	-	0.01
Stock-based compensation	0.16	0.15
Amortization of acquired intangibles	0.12	0.12
Acquisition-related charges	-	-
Restructuring charges, net	-	0.05
Income tax adjustments	(0.09)	-
Non-GAAP diluted earnings per share	$ 0.31	$ 0.26
GAAP diluted weighted average shares outstanding	117,656	115,290
Dilutive effect of stock-based compensation plans	-	1,735
Non-GAAP diluted weighted average shares outstanding	117,656	117,025

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

	Three Months Ended	
	December 30, 2017	December 31, 2016
GAAP operating margin	5.7%	1.6%
Fair value of acquired deferred revenue	0.1%	0.3%
Fair value adjustment to deferred services cost	0.0%	0.0%
Stock-based compensation	6.0%	6.3%
Amortization of acquired intangibles	4.7%	5.0%
Acquisition-related charges	0.0%	0.1%
Restructuring charges, net	0.0%	2.2%
Non-GAAP operating margin	16.5%	15.4%

(2) We have recorded a full valuation allowance against our U.S. net deferred tax assets and a valuation allowance against net deferred tax assets in certain foreign jurisdictions. As we are profitable on a non-GAAP basis, the 2018 and 2017 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. We have recorded the impact of the Tax Cuts and Jobs Act in our Q1'18 GAAP earnings, resulting in a non-cash benefit of approximately $7 million. We have excluded this benefit from our non-GAAP results.

ptc

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

	December 30, 2017	September 30, 2017
ASSETS		
Cash and cash equivalents	$ 291,679	$ 280,003
Marketable securities	50,567	50,315
Accounts receivable, net	131,059	152,299
Property and equipment, net	61,219	63,600
Goodwill and acquired intangible assets, net	1,427,988	1,440,680
Other assets	343,430	373,487
Total assets	$ 2,305,942	$ 2,360,384
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deferred revenue	$ 431,494	$ 458,907
Debt, net of deferred issuance costs	742,622	712,406
Other liabilities	242,727	303,635
Stockholders' equity	889,099	885,436
Total liabilities and stockholders' equity	$ 2,305,942	$ 2,360,384

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

	Three Months Ended	
	December 30, 2017	December 31, 2016
Cash flows from operating activities:		
Net income (loss)	$ 13,877	$ (9,141)
Stock-based compensation	18,331	17,988
Depreciation and amortization	21,046	21,454
Accounts receivable	21,603	21,184
Accounts payable and accruals	(53,057)	(53,608)
Deferred revenue	22,055	(11,726)
Income taxes	(14,272)	(6,096)
Other	(4,456)	(27,931)
Net cash provided (used) by operating activities (1)	25,127	(47,876)
Capital expenditures	(6,377)	(7,100)
Purchase of intangible asset	(2,500)	-
Proceeds (payments) on debt, net	30,000	(20,000)
Payments of withholding taxes in connection with vesting of stock-based awards	(33,488)	(18,623)
Proceeds from investments	-	1,502
Contingent consideration	(3,176)	(2,711)
Purchases of marketable securities, net	(508)	-
Foreign exchange impact on cash	2,598	(9,760)
Net change in cash and cash equivalents	11,676	(104,568)
Cash and cash equivalents, beginning of period	280,003	277,935
Cash and cash equivalents, end of period	$ 291,679	$ 173,367

(1) Effective the beginning of fiscal 2018, in accordance with the adoption of ASU 2016-09, "Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting," excess tax benefits are now classified as an operating activity on the statement of cash flows rather than as a financing activity. The prior period excess tax benefits have been reclassified for comparability.