



Q1 '21 EARNINGS PRESENTATION

Investor Relations

January 27, 2021

FORWARD LOOKING STATEMENTS



This presentation includes forward looking statements regarding PTC's future financial performance, strategic outlook and expectations, anticipated future operations, and products and markets. Because such statements deal with future events, actual results may differ materially from those projected in the forward-looking statements. Information concerning 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 and targets. Except where otherwise noted, all prior period financial results and future period financial expectations and targets are non-GAAP financial measures. 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.

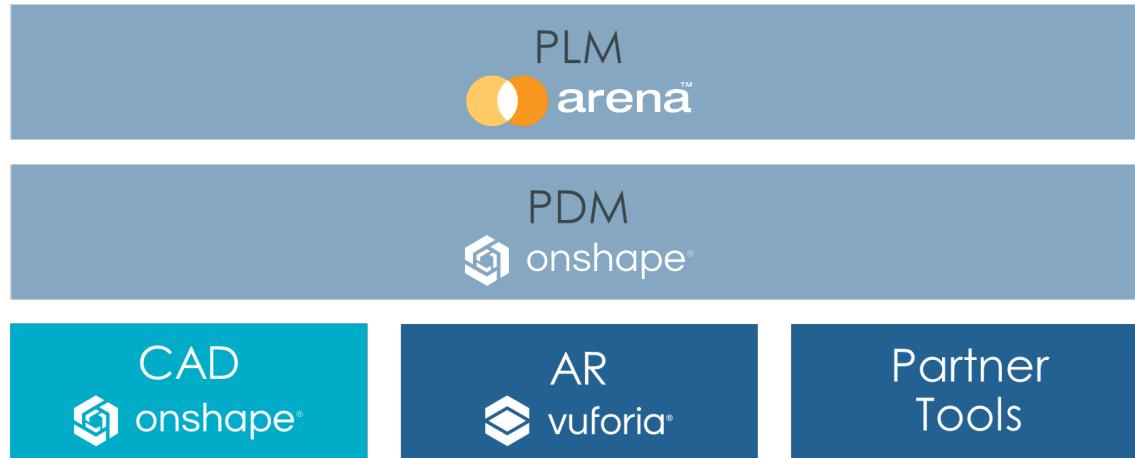
Q1 '21 HIGHLIGHTS

JIM HEPPELMANN – PRESIDENT & CEO

ARENA SOLUTIONS ACQUISITION COMPLETED



- Market leader in pure-SaaS CAD and PLM
- SaaS business unit led by Mike DiTullio
 - Includes Arena, Onshape, and Vuforia teams
 - Represents ~20% of bookings and ARR of ~\$100M
- Jamie Pappas elevated to Global Head of Sales to backfill DiTullio



DELIVERING SHAREHOLDER VALUE



Market Demand

- **Strong Q1'21 bookings** growth (>30%) driven by secular tailwinds.
- Industrial **Digital Transformation** catalyzed by pandemic-driven operational challenges.
- Customers creating **frictionless supply chains**, **connecting** products and factories, bringing **digital to the frontline**, enhancing **employees with AI**, and **freeing workers** from desktops.
- **SaaS leader** with solutions aligned to tomorrow's **workforce**, work **methods**, and **workplace**.



Top Line

- **ARR growth** of 16% (12% CC) **at the high-end** of guidance.
- Core businesses ARR growth continues to **outpace the market**.
- Growth businesses ARR growth **tracking to guidance**.
- **Strong ARR** growth in Americas and APAC with **Europe demand trends inflecting**.
- **Revenue growth** of 20% (17% CC) **well above guidance** driven by strong large-deal activity.
- **Healthy retention rates** despite ongoing pandemic.



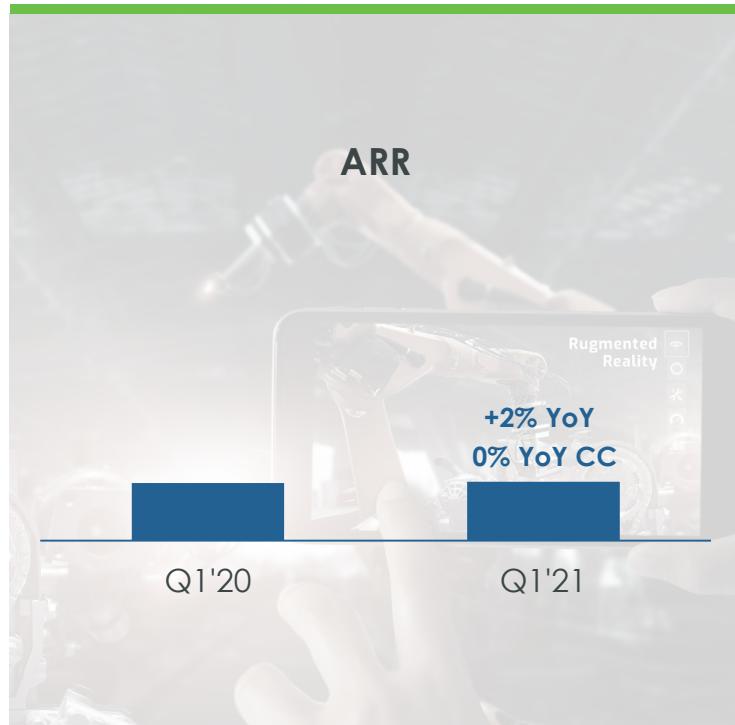
Bottom Line

- **Strong operating and free cash flow** of \$114M and \$111m, respectively.
- GAAP EPS of \$0.20; Non-GAAP EPS of \$0.97 **up 70% YoY**.
- Strong **revenue growth** and operating **expense discipline** driving margin expansion.
- Continue to expect **record operating and free cash flow** in FY'21.

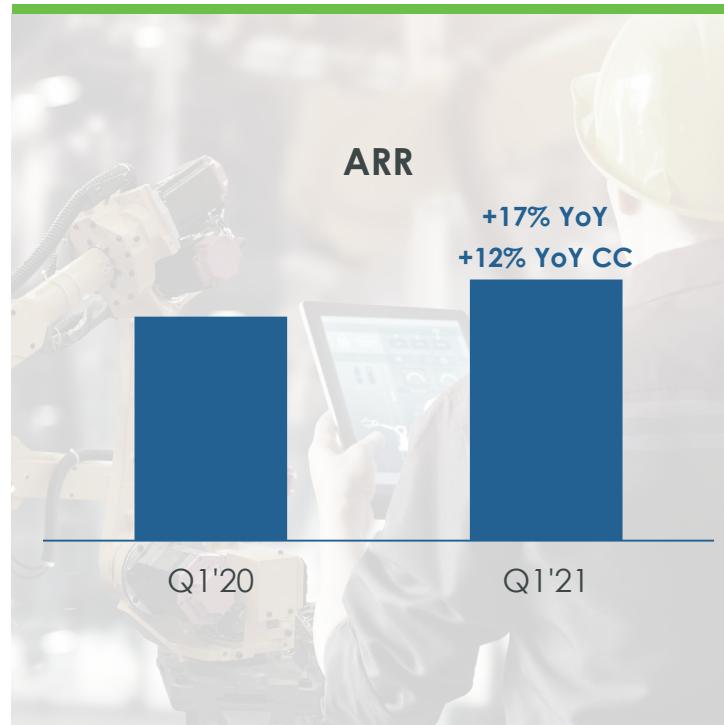
PRODUCT GROUP ARR PERFORMANCE



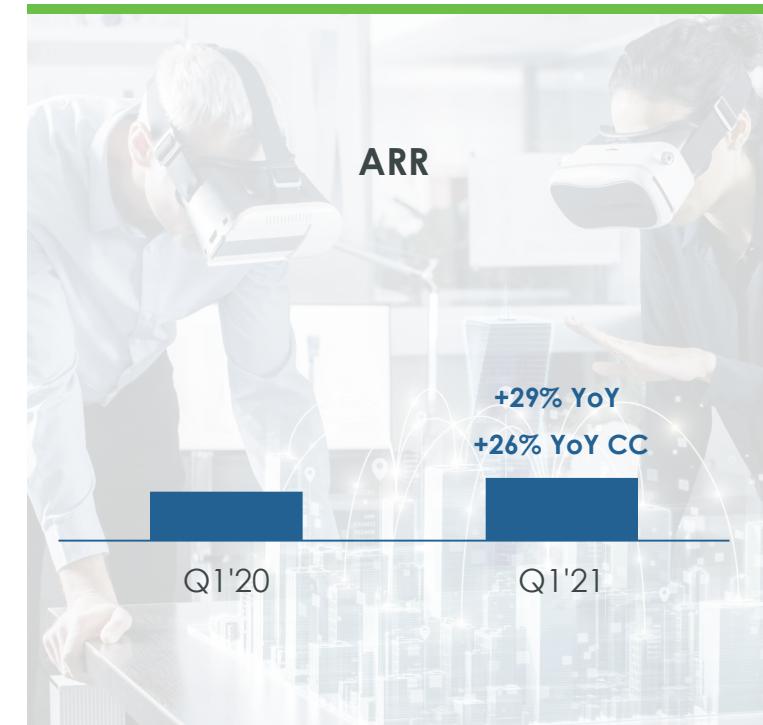
Focused Solutions Group



Core Product Group



Growth Product Group



- Q1'21 ARR flat YoY (CC).
- Macro conditions continue to weigh on commercial airlines; seeing early signs of recovery in retail.
- Continue to expect FY'21 ARR growth in the low-single digits as end markets improve.

- Q1'21 ARR growth of 12% YoY (CC) at the high-end of guidance.
- Solid CAD performance in the high single-digits (CC).
- Strong PLM ARR growth in mid-teens (CC).

- Q1'21 ARR growth of 26% YoY (CC) in line with guidance.
- Augmented Reality (AR) ARR growth continues to outpace market growth.
- Onshape ARR growth benefitting from strong demand trends.
- Following strong Q4'20 bookings, IoT delivers another solid quarter.

CAD HIGHLIGHTS



- Momentum continues with ARR growth in the high-single digits (CC).
- Strong bookings performance across all geos, including competitive wins.
- Creo Ansys Simulation launched, building on strength of Creo Simulation Live (CSL).
- Named the leader in ISG's report for Manufacturing Virtualization Solutions.

AMERGINT



EUROPRO
REAL ESTATE INC

HONOR

HITACHI
Inspire the Next

MITSUBISHI
ELECTRIC

NORTHROP
GRUMMAN

PACCAR Inc



SDEC





The Challenge

Re-evaluate software needs to address new growth and increased competition.

The Solution

- Selected Creo and Ansys-powered CSL as the designated CAD technology for product development.
- Enhanced toolsets to allow for quicker innovation and product release cycles.
- Initiated a Global Center of Excellence that is predicated on the users being experts in Creo.

Shark | NINJA

SharkNinja is a leader in the housewares industry and creator of the familiar household brands with more than 1,000 employees and \$342 million in revenue.

PLM HIGHLIGHTS



- Mid-teens ARR growth (CC) continues to outpace market growth.
- ARR exceeded expectations across geos, with strong bookings performance in Europe and Asia.
- Broad-based strength across verticals led by Automotive, Electronic and High-Tech, A&D, and Med Device.
- Competitive wins contributing to strong performance.
- Ranked as the #1 overall leader in ABI Research's PLM Competitive Ranking report.





The Challenge

Create the commercial conditions for sustainable and meaningful growth.

The Solution

- Expanding the Windchill footprint to Airbus's best-sellers products (Single Aisle).
- IIoT instances across the group with new users in manufacturing.
- AR for engineering, maintenance and training purposes.



Airbus is a global leader in aeronautics, space and related services. In 2019, it generated revenues of €70 billion and employed a workforce of around 134,000.



The Challenge

- Implement an end-to-end digital thread (product development through quality assurance) for FDA compliance.
- Replace paper-based system.

The Solution

- Global process alignment across 6 global locations leveraging Windchill Quality Management and PLM Expansion.
- Windchill Cloud Delivery.



Terumo BCT, with nearly \$1 billion in revenue, is a global leader in blood component, therapeutic apheresis and cell therapy technologies.

IOT HIGHLIGHTS

- High-teens ARR growth (CC) driven by solid performance in Americas and Europe.
- Solid bookings in Q1'21 with new logo acquisition showing signs of improvement.
- Broad-based demand across verticals with notable expansions in process manufacturing.
- Strong pipeline generation from successful execution of GTM programs.
- Churn improved in Q1'21 vs Q4'20.

 **AIRBUS**

 **Ashtead group**

 **CATL**

 **PEPSICO**

 **PHILIPS**

 **TomoTherapy**

 **TERUMO**

 **MAHLE**





The Challenge

Accelerate production and improve the bottom line to address razor thin margins and steep competition.

The Solution

- Digitize production lines by connecting machinery to capture key performance data and display it in a unified view.
- Understand and improve throughput with increased visibility into asset health, OEE, and unplanned downtime. Managers can make faster, more informed decisions around efficiency.



Griffin's Foods Limited, a Philippines-owned biscuit, snack-food and confectionery manufacturer, operates in New Zealand.

AR HIGHLIGHTS



- ARR growth again well above market growth rate driven by strong bookings growth.
- Over 50% of New ACV from expansions, including 3 deals >\$500K – a record.
- Gaining further traction outside of U.S. with Europe and APAC delivering strong growth.
- Strong quarter for Vuforia Studio and Chalk fueled by six-figure deals in Automotive and A&D.



salvagnini

SONY





The Challenge

Leverage state-of-the-art technologies to pave the way for digital transformation in the wood processing industry and expand its competitive advantage.

The Solution

- Replace a DIY approach with best-in-class technologies: ThingWorx IIoT platform, Rockwell Automation for MES, PTC Cloud Services on Microsoft Azure and Vuforia Chalk.
- Introduce OPER8: their OEM IIoT solution to deliver double-digit OEE.
- Improve workforce productivity and reduce travel costs with Vuforia Chalk.



Privately owned since its inception in 1983, BID Group is one of the largest integrated suppliers in the wood processing industry.



The Challenge

Train teams to service a motorcycle being launched in a COVID-19 world where travel and social distancing challenges exist.

The Solution

- Leveraged Vuforia Studio to change their live group training plans with virtual training within a month.
- Built a dynamic sales training experience for over 3,000 remote participants.
- Increase engagement and training effectiveness with interactive AR experiences.



Royal Enfield is the oldest motorcycle brand in the world still in production, employing 3,500 worldwide and generating more than \$1B in revenue.

ONSHAPE HIGHLIGHTS



- ARR growth acceleration driven by strong bookings growth >150% YoY.
- Healthy mix of new logo and expansion activity across broad range of verticals.
- Reached one million education users - nine months ahead of schedule.
- Strong pipeline coverage heading in Q2'21 with growing number of six-figure deals.



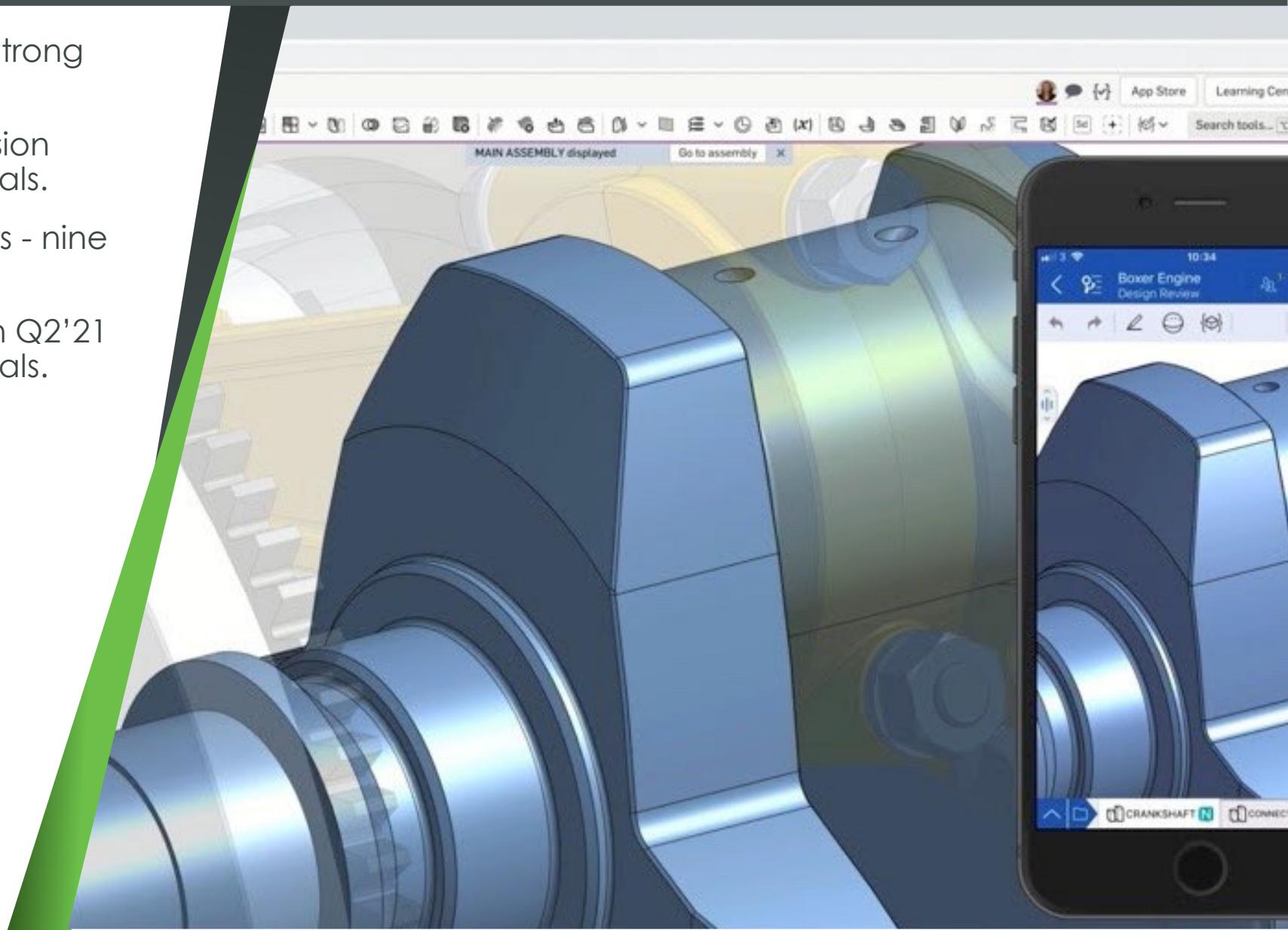
Cartier



KALYPSO
A ROCKWELL AUTOMATION COMPANY



RAMDEVS MOTORS





The Challenge

Maintain continuity of K12 curriculum and ensure equal access for diverse student population during the pandemic.

The Solution

- Onshape's SaaS platform allows students to continue working collaboratively on engineering design projects from home.
- Educators can easily view student work, answer questions, and provide feedback in real time.
- All students can engage in their design projects regardless of their socioeconomic status.

Charlottesville City Schools support innovative K12 STEM education, with a project-based learning program designed to empower students to step into the workforce confident in their 21st century skills.



The Challenge

Streamline communication among its mechanical designers, supply chain managers, manufacturing and quality assurance teams by eliminating the delays associated with exchanging CAD screenshots via email.

The Solution

Onshape's cloud SaaS product development platform allows the core teams and external partners to work together on product designs and share real-time CAD data. One single source of truth eliminates version control issues and reduces the risk of manufacturing errors.



Stirling Ultracold designs and manufactures ultra low-temperature (ULT) freezers that are essential for storing and transporting the COVID-19 vaccines.

REGIONAL ARR PERFORMANCE



- Second consecutive quarter of double-digit ARR growth in the Americas reflecting broad-based strength across product groups, partially offset by FSG performance, which has exposure to several verticals acutely impacted by COVID-19.
- APAC delivered the second quarter in a row of mid-teen ARR growth (CC) driven primarily by strong Core product performance.
- Europe ARR (CC) growth of 8% faced tough Q1'20 comparison (mid-teens CC growth), but delivered very strong bookings performance with large Core product wins, and expansions in Automotive and A&D.

+12% growth
+13% growth CC

+17% growth
+8% growth CC

+22% growth
+16% growth CC

STRATEGIC ALLIANCE HIGHLIGHTS



PTC products on Microsoft Azure

- Third consecutive quarter of beating plan.
- Exceeded expectations across all geos.
- Balanced demand across SCO, SCP and AR.
- Broad vertical distribution across Automotive, A&D, Industrial, and Medical Device.



HAEMONETICS®



Rockwell Automation

Key technology partner and global reseller

- >20 expansion deals with transactions in 27 countries.
- ~60% of Q1'21 deals with greenfield customers for PTC.
- ~80% of Q1'21 deals in process industries.
- Adding sales capacity to support alliance growth.



Johnson & Johnson



GE Healthcare



- Solid quarter with >20% bookings growth YoY.
- Healthy expansion activity accounting for ~50% of Q1'21 bookings.
- Launched Creo Ansys Simulation.
- Targeting high-single digit % of total CAD bookings in FY'21.



brother

Shark NINJA

Newell Rubbermaid

STRATEGIC ALLIANCE: MICROSOFT



The Challenge

Colruyt Group needed an IoT platform to build a full digital transformation to optimize their shops (cold chain), food production, energy production, logistic tracking.

The Solution

- Microsoft received RFP from Colruyt for “smart assets”. Microsoft pulled PTC into the opportunity.
- PTC and Microsoft teams aligned closely together, in a competitive situation that included DIY, SAP, and others. PTC & Microsoft won the deal in a multi-phase hybrid cloud IIoT project.



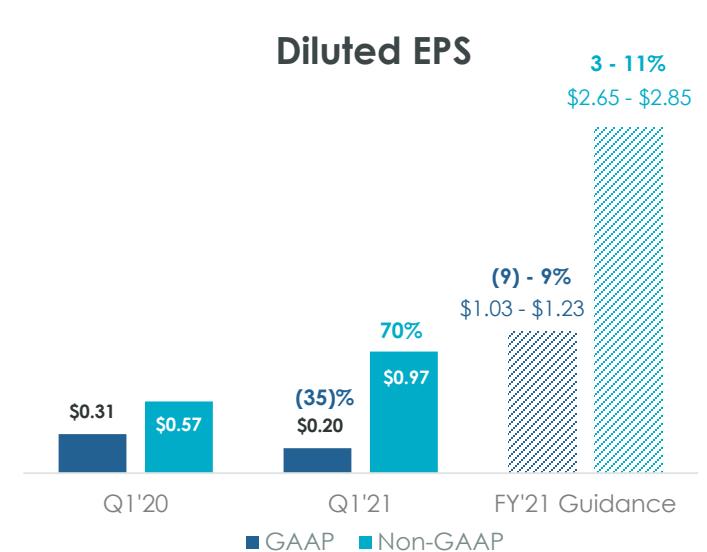
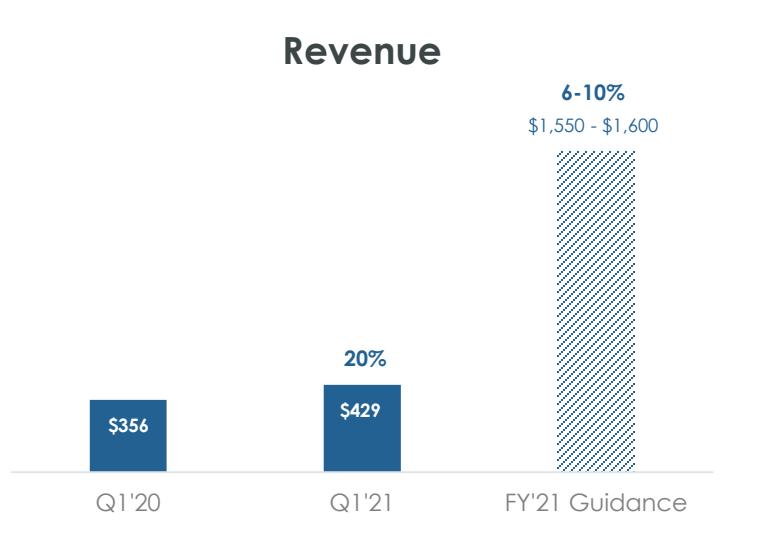
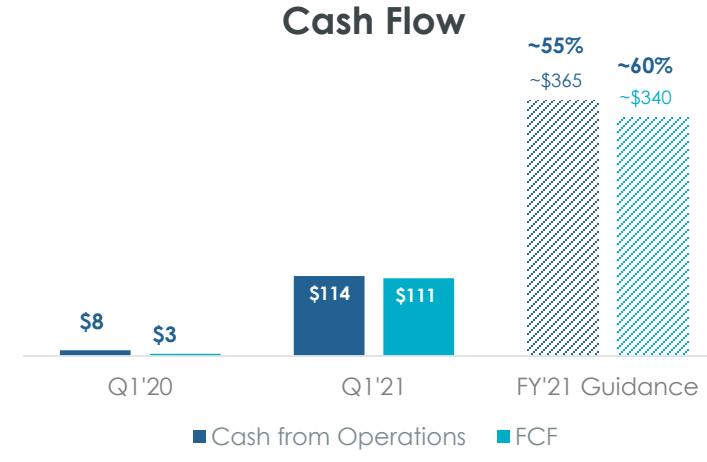
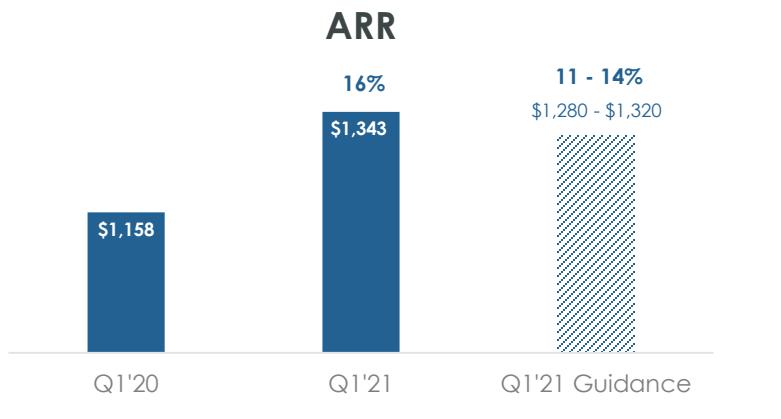
Colruyt Group is one of Belgium's largest retailers with revenue of €9 billion and approximately 30,000 employees.

- Great start to fiscal 2021 as customers continue to embark on **digital transformation initiatives**, leveraging more of the **full PTC product portfolio**.
- **Strong execution** in the quarter with **16% (12% CC) ARR** growth, driven by Core and Growth businesses, and in our global channel.
- **Europe continues to rebound**, despite continued macroeconomic uncertainty.
- **Strategic alliances growing** and maturing, with increasing collaboration.
- **Arena Solutions acquisition** expands PTC SaaS capabilities, positioning PTC as the **leader in CAD and PLM SaaS**.
- **Raising top-line guidance** to reflect Q1 performance, Arena and Fx.

FINANCIAL REVIEW

KRISTIAN TALVITIE – EVP AND CFO

Q1'21 RESULTS VS PRIOR GUIDANCE - DETAILS



- ARR growth of 16% (12% CC)
 - Strong Q4'20 and Q1'21 bookings resulted in New ACV above expectations.
 - Churn also better than expectations.
 - Fx accounted for ~400 bps of growth YoY, including ~200 bps since September 30, 2020.
- Strong operating and free cash flow
- Revenue growth of 20% (17% CC)
 - Revenue growth exceeded annual guidance range due to strong large-deal results with long contract durations.
 - Revenue growth rates can vary meaningfully due to up-front recognition of subscription license revenue under ASC 606.
- Q1'21 GAAP EPS YoY decline reflects the impact of a non-US tax exposure.
- Non-GAAP EPS growth reflects strong revenue growth and continued financial discipline.

ARR and Revenue dollars and growth rates as reported.

Cash from Operations and FCF for Q1'20 and Q1'21 each include restructuring and acquisition-related payments of \$10M

OTHER OPERATING PERFORMANCE HIGHLIGHTS



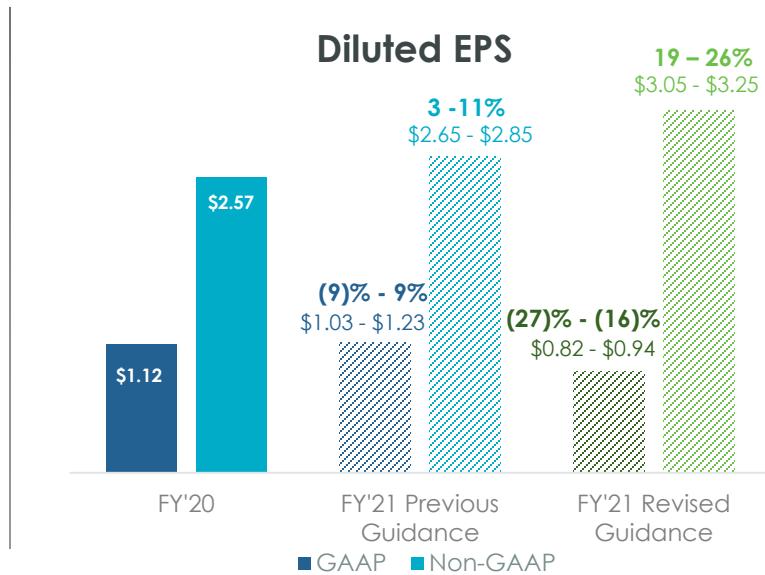
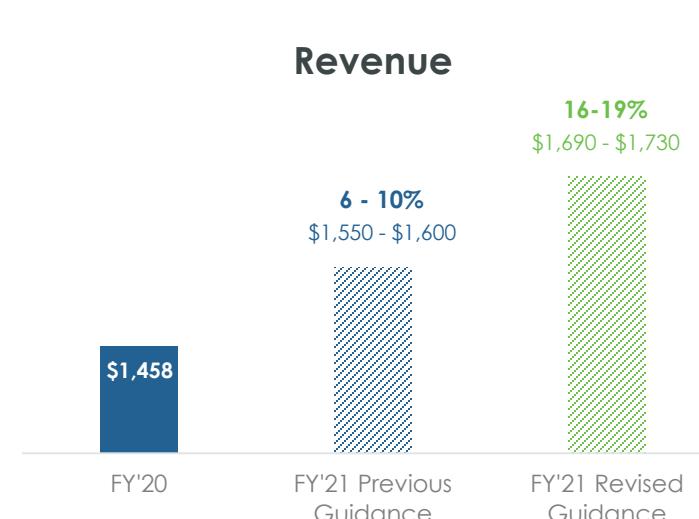
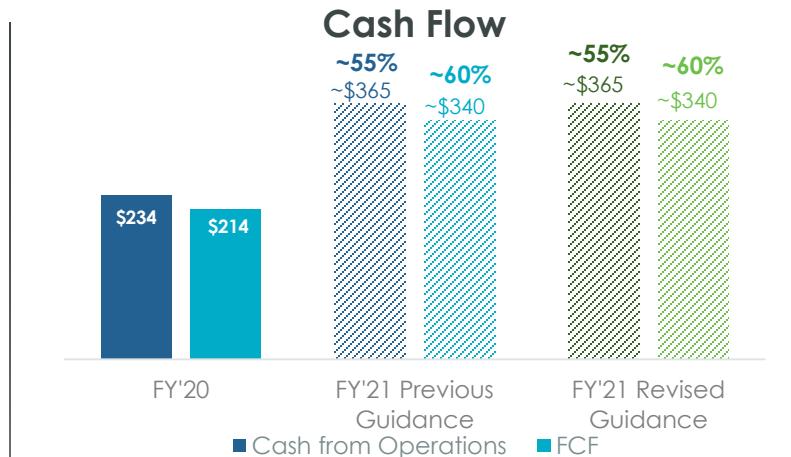
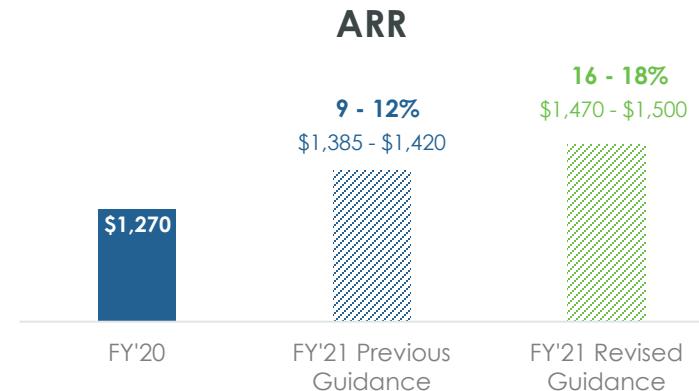
- Strong balance sheet as of December 31, 2020
 - Cash and cash equivalents totaled \$399 million.
 - Gross borrowings of \$1.0 billion of senior notes with an aggregate interest rate of 3.8%.
- Arena acquisition financed with \$600 million from revolving credit facility and cash on hand.
- Near-term use of cash focused on revolver debt repayment; targeting Debt/EBITDA of <3x.
- Medium term, we expect to continue de-levering and to resume share repurchases.

FY'21 GUIDANCE ASSUMPTIONS



- Macroeconomic conditions related to the COVID-19 crisis remain stable near-term with conditions improving in the second-half of FY'21.
- Organic ARR growth of 10% to 12% (CC), an increase of 100 bps at the low-end of guidance vs prior guidance.
- Arena Solutions contributes ~400 bps of ARR growth.
- Changes in foreign currency since 9/30/20 contribute ~200 bps of ARR growth.
- ARR growth includes a ~2% headwind from lower backlog for FY'21 exiting FY'20, resulting primarily from COVID-19-related bookings pressure in FY'20.
- ARR YoY growth rates (CC) are expected to be approximately linear, each quarter throughout FY'21.
- Churn improves ~100 bps YoY in FY'21.
- GAAP tax rate is expected to be 50%, including an approximately \$35 million tax reserve related to an ongoing tax matter in a non-US jurisdiction; Non-GAAP tax rate is expected to be ~19%.
- Operating cash flow and free cash flow benefit by ~\$15 million from Fx, but the Fx benefit is offset by an un-forecasted foreign tax assessment of ~\$15 million, related to the matter noted above.
- Our financial guidance does not include the impact of purchase accounting for Arena Solutions, which is expected to have a material effect on our financial statements.

FY'21 REVISED GUIDANCE



ARR and Revenue dollars and growth rates as reported.

Cash from Operations and FCF for FY'21 and FY'20 include restructuring and acquisition-related payments of \$31M and \$52M, respectively.

Guidance does not include the effect of purchase accounting for Arena Solutions, which is expected to have a material effect on our financial statements.

FY'21 GUIDANCE SUMMARY TABLE



In millions except per share amounts	Previous Guidance	Revised Guidance	YoY Growth
ARR	\$1,385 - \$1,420	\$1,470 - \$1,500	16% - 18%
Cash from Operations	~\$365	~\$365	~55%
Free Cash Flow⁽¹⁾	~\$340	~\$340	~60%
Revenue⁽²⁾	\$1,550 - \$1,600	\$1,690 - \$1,730	16% - 19%
GAAP Operating Margin⁽²⁾	13% - 14%	15% - 16%	100 - 200 bps
Non-GAAP Operating Margin⁽³⁾	28% - 29%	30% - 31%	100 - 200 bps
GAAP EPS⁽²⁾	\$1.03 - \$1.23	\$0.82 - \$0.94	(27)% - (16)%
Non-GAAP EPS⁽³⁾	\$2.65 - \$2.85	\$3.05 - \$3.25	19% - 26%

(1) Cash from operations and free cash flow include ~\$15 million of restructuring payments, and \$16 million acquisition-related payments; free cash flow is net of capital expenditures of ~\$25 million.

(2) Guidance does not include the impact of Arena Solutions purchase accounting as the valuation of the acquired assets and liabilities has not been completed. The purchase accounting will include valuing acquired deferred revenue, deferred commissions, intangible assets and deferred taxes, among other assets and liabilities, and is expected to have a material impact on our financial statements.

(3) The FY'21 non-GAAP guidance excludes the estimated items outlined in the adjacent table, as well as any additional tax effects and discrete tax items (which are not known or reflected). Our FY'21 non-GAAP guidance also excludes tax expense of \$35 million related to a non-US tax exposure, primarily related to foreign withholding taxes. Our FY'21 non-GAAP guidance and the adjacent table do not reflect purchase accounting or related tax effects for Arena Solutions.

In millions	FY'21
Acquisition-related charges	\$15
Intangible asset amortization expense	\$53
Stock-based compensation expense	\$184
Total estimated Pre-Tax GAAP adjustments	\$252

APPENDIX

FORWARD-LOOKING STATEMENTS



Statements in this press release that are not historic facts, including statements about our future financial and growth expectations and targets, debt repayment 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 when or as we expect, or may deteriorate, due to, among other factors, the COVID-19 pandemic, which could cause customers to delay or reduce purchases of new software, reduce the number of subscriptions they carry, or delay payments to us, all of which would adversely affect ARR and our financial results, including cash flow; our businesses, including our SaaS businesses, may not expand and/or generate the revenue or ARR we expect if customers are slower to adopt our technologies than we expect or if they adopt competing technologies; we may be unable to generate sufficient operating cash flow to repay our outstanding debt when or as we expect or to return 50% of free cash flow to shareholders, and other uses of cash or our credit facility limits or other matters could preclude such repayment and/or repurchases; foreign exchange rates may differ materially from those we expect; orders associated with minimum purchase commitments under our Strategic Alliance Agreement with Rockwell Automation may not result in subscription contracts sold through to end-user customers, which could cause the ARR associated with those orders to churn in the future; our strategic initiatives and investments may not generate the revenue or ARR we expect; we may be unable to expand our partner ecosystem as we expect and our partners may not generate the revenue 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.

NON-GAAP FINANCIAL AND OPERATING 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 revenue, 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 costs, restructuring and other charges, 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 25 of our Annual Report on Form 10-K for the fiscal year ended September 30, 2020.

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. As a reminder, following the acquisition of Arena Solutions, we intend to first de-lever until we are below our Debt/EBITDA target of 3x, then assess stock repurchases. Free cash flow is net 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 Change Metric - We present CC information for ARR and revenue to provide a framework for assessing how our underlying business performed excluding the effects of foreign currency rate fluctuations. To present CC information, current 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, 2020, excluding the effect of any hedging, rather than the actual exchange rates in effect during that period.

NON-GAAP FINANCIAL AND OPERATING MEASURES



Operating Measure

ARR - To help investors understand and assess the performance of our business as an on-premise subscription company we provide an ARR (Annual Run Rate) operating measure. ARR represents the annual value of our portfolio of active renewable customer contracts as of the end of the reporting period, including subscription software, cloud, and support contracts. ARR includes orders placed under our Strategic Alliance Agreement with Rockwell Automation and includes orders placed to satisfy contractual quarterly minimum commitments.

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 new customers, existing customer renewals and expansions, and includes the impact of churn, which reflects gross churn, offset by the impact of any price increases. Because this measure represents the annual value of renewable customer contracts as of the end of a reporting period, ARR does not represent revenue for any particular period or remaining revenue that will be recognized in future periods.



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

	Three Months Ended	
	December 31, 2020	December 28, 2019
Revenue:		
Recurring revenue	\$ 384,957	\$ 305,368
Perpetual license	8,463	8,998
Professional services	35,630	41,744
Total revenue ⁽¹⁾	<u>429,050</u>	<u>356,110</u>
Cost of revenue ⁽²⁾	86,830	87,405
Gross margin	342,220	268,705
Operating expenses:		
Sales and marketing ⁽²⁾	124,725	107,604
Research and development ⁽²⁾	70,835	65,308
General and administrative ⁽²⁾	49,528	44,557
Amortization of acquired intangible assets	6,547	6,777
Restructuring and other charges, net	247	14,034
Total operating expenses	<u>251,882</u>	<u>238,280</u>
Operating income	90,338	30,425
Other expense, net	<u>(12,931)</u>	<u>(11,394)</u>
Income before income taxes	77,407	19,031
Provision (benefit) for income taxes	53,892	(16,424)
Net income	<u><u>\$ 23,515</u></u>	<u><u>\$ 35,455</u></u>
Earnings per share:		
Basic	\$ 0.20	\$ 0.31
Weighted average shares outstanding	116,401	115,190
Diluted	\$ 0.20	\$ 0.31
Weighted average shares outstanding	117,605	115,691

(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 31, 2020	December 28, 2019
License revenue ⁽¹⁾	\$ 177,175	\$ 123,430
Support and cloud services revenue	216,245	190,936
Professional services revenue	35,630	41,744
Total revenue	<u>\$ 429,050</u>	<u>\$ 356,110</u>

(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 31, 2020	December 28, 2019
Cost of revenue	\$ 4,434	\$ 3,043
Sales and marketing	14,999	7,452
Research and development	8,443	6,932
General and administrative	18,212	10,509
Total stock-based compensation	<u>\$ 46,088</u>	<u>\$ 27,936</u>



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

	Three Months Ended	
	December 31, 2020	December 28, 2019
GAAP gross margin	\$ 342,220	\$ 268,705
Stock-based compensation	4,434	3,043
Amortization of acquired intangible assets included in cost of revenue	6,267	6,799
Non-GAAP gross margin	<u><u>\$ 352,921</u></u>	<u><u>\$ 278,547</u></u>
GAAP operating income	\$ 90,338	\$ 30,425
Stock-based compensation	46,088	27,936
Amortization of acquired intangible assets	12,814	13,576
Acquisition-related and other transactional charges	3,916	7,129
Restructuring and other charges, net	247	14,034
Non-GAAP operating income ⁽¹⁾	<u><u>\$ 153,403</u></u>	<u><u>\$ 93,100</u></u>
GAAP net income	\$ 23,515	\$ 35,455
Stock-based compensation	46,088	27,936
Amortization of acquired intangible assets	12,814	13,576
Acquisition-related and other transactional charges	3,916	7,129
Restructuring and other charges, net	247	14,034
Income tax adjustments ⁽²⁾	27,151	(31,966)
Non-GAAP net income	<u><u>\$ 113,731</u></u>	<u><u>\$ 66,164</u></u>
GAAP diluted earnings per share	\$ 0.20	\$ 0.31
Stock-based compensation	0.39	0.24
Amortization of acquired intangibles	0.11	0.12
Acquisition-related and other transactional charges	0.03	0.06
Restructuring and other charges, net	-	0.12
Income tax adjustments	0.23	(0.28)
Non-GAAP diluted earnings per share	<u><u>\$ 0.97</u></u>	<u><u>\$ 0.57</u></u>

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

	Three Months Ended	
	December 31, 2020	December 28, 2019
GAAP operating margin	21.1%	8.5%
Stock-based compensation	10.7%	7.8%
Amortization of acquired intangibles	3.0%	3.8%
Acquisition-related and other transactional charges	0.9%	2.0%
Restructuring and other charges, net	0.1%	3.9%
Non-GAAP operating margin	<u><u>35.8%</u></u>	<u><u>26.1%</u></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 2021 and 2020 non-GAAP tax provisions are being calculated assuming there is no valuation allowance. In Q1'20, our GAAP results included a benefit of \$21.0 million related to the release of a valuation allowance related to the Onshape acquisition. As the non-GAAP tax provision is calculated assuming that there is no valuation allowance, this benefit has been excluded. 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. Additionally, our Q1'21 non-GAAP results exclude tax expense of \$34.6 million related to a non-U.S. tax exposure, primarily related to foreign withholding taxes.



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

	Three Months Ended	
	December 31, 2020	December 28, 2019
Cash flows from operating activities:		
Net income	\$ 23,515	\$ 35,455
Stock-based compensation	46,088	27,936
Depreciation and amortization	18,835	19,588
Amortization of right-of-use lease assets	9,391	8,757
Accounts receivable	10,315	34,314
Accounts payable and accruals	3,129	(15,522)
Deferred revenue	(851)	(34,952)
Income taxes	44,537	(42,702)
Other	(41,197)	(25,362)
Net cash provided by operating activities	<u>113,762</u>	<u>7,512</u>
Capital expenditures	(2,857)	(4,707)
Acquisition of businesses, net of cash acquired ⁽¹⁾	-	(467,749)
Borrowings (payments) on debt, net	(18,000)	455,000
Payments of withholding taxes in connection with vesting of stock-based awards	(24,500)	(22,849)
Settlement of net investment hedges	(7,359)	(870)
Net proceeds from (purchases of) marketable securities ⁽²⁾	58,469	(93)
Other financing & investing activities	(1,829)	(1,005)
Foreign exchange impact on cash	5,553	1,991
Net change in cash, cash equivalents, and restricted cash	123,239	(32,770)
Cash, cash equivalents, and restricted cash, beginning of period	275,960	270,689
Cash, cash equivalents, and restricted cash, end of period	<u>\$ 399,199</u>	<u>\$ 237,919</u>
 Three Months Ended		
	December 31, 2020	December 28, 2019
Cash provided by operating activities	\$ 113,762	\$ 7,512
Capital expenditures	(2,857)	(4,707)
Free cash flow ⁽³⁾	<u>\$ 110,905</u>	<u>\$ 2,805</u>

(1) In the first quarter of 2020, we acquired Onshape for \$469 million, net of cash acquired.

(2) In the first quarter of 2021, we sold all of our available-for-sale securities.

(3) Free cash flow includes \$7.3 million of restructuring and other related payments in the three months ended December 31, 2020, compared with \$3.3 million in the three months ended December 28, 2019. Free cash flow includes \$2.9 million of acquisition-related payments in the three months ended December 31, 2020, compared with \$6.4 million in the three months ended December 28, 2019.