

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

	Three Months Ended		Nine Months Ended	
	June 27, 2020	June 29, 2019	June 27, 2020	June 29, 2019
Revenue:				
Recurring revenue	\$ 310,621	\$ 244,192	\$ 931,852	\$ 734,815
Perpetual license	6,773	9,213	23,988	61,354
Professional services	34,327	42,081	111,594	124,457
Total revenue ⁽¹⁾	<u>351,721</u>	<u>295,486</u>	<u>1,067,434</u>	<u>920,626</u>
Cost of revenue ⁽²⁾	<u>79,224</u>	<u>82,705</u>	<u>249,656</u>	<u>239,961</u>
Gross margin	<u>272,497</u>	<u>212,781</u>	<u>817,778</u>	<u>680,665</u>
Operating expenses:				
Sales and marketing ⁽²⁾	104,594	108,202	319,636	316,142
Research and development ⁽²⁾	61,429	60,590	186,691	182,774
General and administrative ⁽²⁾	35,709	28,773	113,895	102,008
Amortization of acquired intangible assets	7,302	5,920	21,367	17,786
Restructuring and other charges, net	62	(9)	32,338	45,464
Total operating expenses	<u>209,096</u>	<u>203,476</u>	<u>673,927</u>	<u>664,174</u>
Operating income	63,401	9,305	143,851	16,491
Other expense, net	<u>(18,885)</u>	<u>(9,790)</u>	<u>(64,526)</u>	<u>(29,974)</u>
Income (loss) before income taxes	44,516	(485)	79,325	(13,483)
Provision for income taxes	9,838	14,273	2,036	23,803
Net income (loss)	<u>\$ 34,678</u>	<u>\$ (14,758)</u>	<u>\$ 77,289</u>	<u>\$ (37,286)</u>
Earnings (loss) per share:				
Basic	\$ 0.30	\$ (0.13)	\$ 0.67	\$ (0.32)
Weighted average shares outstanding	115,759	116,133	115,521	117,636
Diluted	\$ 0.30	\$ (0.13)	\$ 0.67	\$ (0.32)
Weighted average shares outstanding	116,229	116,133	115,981	117,636

(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		Nine Months Ended	
	June 27, 2020	June 29, 2019	June 27, 2020	June 29, 2019
License revenue ⁽¹⁾	\$ 118,248	\$ 62,918	\$ 369,285	\$ 230,116
Support and cloud services revenue	199,146	190,487	586,555	566,053
Professional services revenue	34,327	42,081	111,594	124,457
Total revenue	<u>\$ 351,721</u>	<u>\$ 295,486</u>	<u>\$ 1,067,434</u>	<u>\$ 920,626</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		Nine Months Ended	
	June 27, 2020	June 29, 2019	June 27, 2020	June 29, 2019
Cost of revenue	\$ 3,165	\$ 2,564	\$ 9,208	\$ 8,787
Sales and marketing	9,407	5,870	24,005	25,114
Research and development	5,583	4,761	17,280	14,851
General and administrative	7,030	2,039	23,112	22,856
Total stock-based compensation	<u>\$ 25,185</u>	<u>\$ 15,234</u>	<u>\$ 73,605</u>	<u>\$ 71,608</u>

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

	Three Months Ended		Nine Months Ended	
	June 27, 2020	June 29, 2019	June 27, 2020	June 29, 2019
GAAP revenue	\$ 351,721	\$ 295,486	\$ 1,067,434	\$ 920,626
Fair value adjustment of acquired deferred revenue	-	124	-	595
Non-GAAP revenue	<u>\$ 351,721</u>	<u>\$ 295,610</u>	<u>\$ 1,067,434</u>	<u>\$ 921,221</u>
GAAP gross margin	\$ 272,497	\$ 212,781	\$ 817,778	\$ 680,665
Fair value adjustment of acquired deferred revenue	-	124	-	595
Fair value adjustment to deferred services cost	-	(58)	-	(220)
Stock-based compensation	3,165	2,564	9,208	8,787
Amortization of acquired intangible assets included in cost of revenue	6,857	6,873	20,535	20,432
Non-GAAP gross margin	<u>\$ 282,519</u>	<u>\$ 222,284</u>	<u>\$ 847,521</u>	<u>\$ 710,259</u>
GAAP operating income	\$ 63,401	\$ 9,305	\$ 143,851	\$ 16,491
Fair value adjustment of acquired deferred revenue	-	124	-	595
Fair value adjustment to deferred services cost	-	(58)	-	(220)
Stock-based compensation	25,185	15,234	73,605	71,608
Amortization of acquired intangible assets included in cost of revenue	6,857	6,873	20,535	20,432
Amortization of acquired intangible assets	7,302	5,920	21,367	17,786
Acquisition-related and other transactional charges included in general and administrative costs	674	424	8,064	1,215
Restructuring and other charges, net	62	(9)	32,338	45,464
Non-GAAP operating income ⁽¹⁾	<u>\$ 103,481</u>	<u>\$ 37,813</u>	<u>\$ 299,760</u>	<u>\$ 173,371</u>
GAAP net income (loss)	\$ 34,678	\$ (14,758)	\$ 77,289	\$ (37,286)
Fair value adjustment of acquired deferred revenue	-	124	-	595
Fair value adjustment to deferred services cost	-	(58)	-	(220)
Stock-based compensation	25,185	15,234	73,605	71,608
Amortization of acquired intangible assets included in cost of revenue	6,857	6,873	20,535	20,432
Amortization of acquired intangible assets	7,302	5,920	21,367	17,786
Acquisition-related and other transactional charges included in general and administrative costs	674	424	8,064	1,215
Restructuring and other charges, net	62	(9)	32,338	45,464
Non-operating charges ⁽²⁾	3,451	-	18,451	-
Income tax adjustments ⁽²⁾	(6,167)	13,121	(44,988)	403
Non-GAAP net income	<u>\$ 72,042</u>	<u>\$ 26,871</u>	<u>\$ 206,661</u>	<u>\$ 119,997</u>
GAAP diluted earnings (loss) per share	\$ 0.30	\$ (0.13)	\$ 0.67	\$ (0.32)
Fair value adjustment of acquired deferred revenue	-	-	-	0.01
Stock-based compensation	0.22	0.13	0.63	0.60
Amortization of acquired intangibles	0.12	0.11	0.36	0.32
Acquisition-related and other transactional charges	0.01	-	0.07	0.01
Restructuring and other charges, net	-	-	0.28	0.38
Non-operating charges	0.03	-	0.16	-
Income tax adjustments	(0.05)	0.11	(0.39)	-
Non-GAAP diluted earnings per share	<u>\$ 0.62</u>	<u>\$ 0.23</u>	<u>\$ 1.78</u>	<u>\$ 1.01</u>
GAAP diluted weighted average shares outstanding	116,229	116,133	115,981	117,636
Dilutive effect of stock-based compensation plans	-	886	-	1,028
Non-GAAP diluted weighted average shares outstanding	<u>116,229</u>	<u>117,019</u>	<u>115,981</u>	<u>118,664</u>

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

	Three Months Ended		Nine Months Ended	
	June 27, 2020	June 29, 2019	June 27, 2020	June 29, 2019
GAAP operating margin	18.0%	3.1%	13.5%	1.8%
Fair value adjustment of acquired deferred revenue	0.0%	0.0%	0.0%	0.1%
Fair value adjustment to deferred services cost	0.0%	0.0%	0.0%	0.0%
Stock-based compensation	7.2%	5.2%	6.9%	7.8%
Amortization of acquired intangibles	4.0%	4.3%	3.9%	4.2%
Acquisition-related and other transactional charges	0.2%	0.1%	0.8%	0.1%
Restructuring and other charges, net	0.0%	0.0%	3.0%	4.9%
Non-GAAP operating margin	<u>29.4%</u>	<u>12.8%</u>	<u>28.1%</u>	<u>18.8%</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.

(3) We recognized \$15 million of expense in the nine months ended June 27, 2020 related to penalties for the early redemption of the 6.000% Senior Notes due in 2024 and wrote off approximately \$3 million of related debt issuance costs in the third quarter of 2020.

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

	June 27, 2020	September 30, 2019
ASSETS		
Cash and cash equivalents	\$ 377,428	\$ 269,579
Marketable securities	57,788	57,435
Accounts receivable, net	319,244	372,743
Property and equipment, net	101,617	105,531
Goodwill and acquired intangible assets, net	1,852,377	1,408,128
Lease assets, net ⁽¹⁾	151,044	-
Other assets	516,671	451,172
Total assets	<u>\$ 3,376,169</u>	<u>\$ 2,664,588</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deferred revenue	\$ 404,682	\$ 396,632
Debt, net of deferred issuance costs	1,124,702	669,134
Lease obligations ⁽¹⁾	216,079	-
Other liabilities	303,139	396,824
Stockholders' equity	1,327,567	1,201,998
Total liabilities and stockholders' equity	<u>\$ 3,376,169</u>	<u>\$ 2,664,588</u>

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

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

	Three Months Ended		Nine Months Ended	
	June 27, 2020	June 29, 2019	June 27, 2020	June 29, 2019
Cash flows from operating activities:				
Net income (loss)	\$ 34,678	\$ (14,758)	\$ 77,289	\$ (37,286)
Stock-based compensation	25,185	15,234	73,605	71,608
Depreciation and amortization	20,484	19,076	60,677	58,634
Amortization of right-of-use lease assets	10,324	-	29,467	-
Accounts receivable	34,475	33,753	54,662	88,254
Accounts payable and accruals	3,179	8,550	5,133	(19,318)
Deferred revenue	(14,036)	(11,622)	3,357	25,325
Income taxes	(630)	2,900	(44,445)	(12,777)
Other	(9,154)	14,452	(59,911)	55,489
Net cash provided by operating activities	104,505	67,585	199,834	229,929
Capital expenditures	(5,169)	(8,311)	(15,412)	(59,579)
Acquisition of businesses, net of cash acquired ⁽¹⁾	-	(17,284)	(468,520)	(86,737)
Purchase of intangible assets	(11,050)	-	(11,050)	-
Borrowings (payments) on debt, net	(510,125)	(40,000)	464,875	55,000
Net proceeds associated with issuance of common stock	-	-	8,980	4,158
Repurchases of common stock	-	(25,001)	-	(89,995)
Payments of withholding taxes in connection with vesting of stock-based awards	(9,661)	(9,700)	(33,232)	(44,191)
Purchase of investment	-	-	-	(7,500)
Debt issuance costs	(817)	-	(17,083)	-
Debt early redemption premium	(15,000)	-	(15,000)	-
Other financing & investing activities	(4,044)	6,355	(2,024)	4,661
Foreign exchange impact on cash	1,613	(94)	(4,127)	2,143
Net change in cash, cash equivalents, and restricted cash	(449,748)	(26,450)	107,241	7,889
Cash, cash equivalents, and restricted cash, beginning of period	827,678	295,432	270,689	261,093
Cash, cash equivalents, and restricted cash, end of period	<u>\$ 377,930</u>	<u>\$ 268,982</u>	<u>\$ 377,930</u>	<u>\$ 268,982</u>
	Three Months Ended		Nine Months Ended	
	June 27, 2020	June 29, 2019	June 27, 2020	June 29, 2019
Cash provided by operating activities	104,505	67,585	199,834	229,929
Capital expenditures	(5,169)	(8,311)	(15,412)	(59,579)
Free cash flow ⁽²⁾	<u>99,336</u>	<u>59,274</u>	<u>184,422</u>	<u>170,350</u>

(1) In the the first quarter of 2020 and the first quarter of 2019, we acquired Onshape for \$469 million, net of cash acquired and Frustum for \$70 million, net of cash acquired, respectively.

(2) Free cash flow includes \$13.4 million and \$34.7 million of restructuring and other related payments in the three and nine months ended June 27, 2020, respectively, compared with \$3.5 million and \$21.4 million in the three and nine months ended June 29, 2019. Free cash flow includes \$0.2 million and \$8.8 million of acquisition-related payments for the three and nine months ended June 27, 2020, respectively.