

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

	Three Months Ended		Twelve Months Ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Revenue:				
Recurring revenue	\$ 350,097	\$ 282,584	\$ 1,281,949	\$ 1,017,398
Perpetual license	8,680	9,347	32,668	70,702
Professional services	32,204	43,073	143,798	167,531
Total revenue ⁽¹⁾	<u>390,981</u>	<u>335,004</u>	<u>1,458,415</u>	<u>1,255,631</u>
Cost of revenue ⁽²⁾	<u>84,615</u>	<u>85,417</u>	<u>334,271</u>	<u>325,378</u>
Gross margin	<u>306,366</u>	<u>249,587</u>	<u>1,124,144</u>	<u>930,253</u>
Operating expenses:				
Sales and marketing ⁽²⁾	115,815	101,307	435,451	417,449
Research and development ⁽²⁾	69,884	64,113	256,575	246,888
General and administrative ⁽²⁾	45,931	25,911	159,826	127,919
Amortization of acquired intangible assets	7,346	6,055	28,713	23,841
Restructuring and other charges, net	378	5,650	32,716	51,114
Total operating expenses	<u>239,354</u>	<u>203,036</u>	<u>913,281</u>	<u>867,211</u>
Operating income	67,012	46,551	210,863	63,042
Other expense, net	<u>(11,631)</u>	<u>(12,767)</u>	<u>(76,157)</u>	<u>(42,742)</u>
Income before income taxes	55,381	33,784	134,706	20,300
Provision for income taxes	1,975	23,958	4,011	47,760
Net income (loss)	<u>\$ 53,406</u>	<u>\$ 9,826</u>	<u>\$ 130,695</u>	<u>\$ (27,460)</u>
Earnings (loss) per share:				
Basic	\$ 0.46	\$ 0.09	\$ 1.13	\$ (0.23)
Weighted average shares outstanding	116,069	115,025	115,663	117,724
Diluted	\$ 0.46	\$ 0.08	\$ 1.12	\$ (0.23)
Weighted average shares outstanding	117,097	115,897	116,267	117,724

(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		Twelve Months Ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
License revenue ⁽¹⁾	\$ 140,507	\$ 94,283	\$ 509,792	\$ 324,400
Support and cloud services revenue	218,270	197,648	804,825	763,700
Professional services revenue	32,204	43,073	143,798	167,531
Total revenue	<u>\$ 390,981</u>	<u>\$ 335,004</u>	<u>\$ 1,458,415</u>	<u>\$ 1,255,631</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		Twelve Months Ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Cost of revenue	\$ 4,761	\$ 3,152	\$ 13,969	\$ 11,939
Sales and marketing	13,346	6,912	37,351	32,026
Research and development	9,725	7,168	27,005	22,019
General and administrative	13,712	(2,440)	36,824	20,416
Total stock-based compensation	<u>\$ 41,544</u>	<u>\$ 14,792</u>	<u>\$ 115,149</u>	<u>\$ 86,400</u>

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

	Three Months Ended		Twelve Months Ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
GAAP revenue	\$ 390,981	\$ 335,004	\$ 1,458,415	\$ 1,255,631
Fair value adjustment of acquired deferred revenue	-	192	-	787
Non-GAAP revenue	<u>\$ 390,981</u>	<u>\$ 335,196</u>	<u>\$ 1,458,415</u>	<u>\$ 1,256,418</u>
GAAP gross margin	\$ 306,366	\$ 249,587	\$ 1,124,144	\$ 930,253
Fair value adjustment of acquired deferred revenue	-	192	-	787
Fair value adjustment to deferred services cost	-	(88)	-	(308)
Stock-based compensation	4,761	3,152	13,969	11,939
Amortization of acquired intangible assets included in cost of revenue	6,856	6,874	27,391	27,306
Non-GAAP gross margin	<u>\$ 317,983</u>	<u>\$ 259,717</u>	<u>\$ 1,165,504</u>	<u>\$ 969,977</u>
GAAP operating income	\$ 67,012	\$ 46,551	\$ 210,863	\$ 63,042
Fair value adjustment of acquired deferred revenue	-	192	-	787
Fair value adjustment to deferred services cost	-	(88)	-	(308)
Stock-based compensation	41,544	14,792	115,149	86,400
Amortization of acquired intangible assets included in cost of revenue	6,856	6,874	27,391	27,306
Amortization of acquired intangible assets	7,346	6,055	28,713	23,841
Acquisition-related and other transactional charges included in general and administrative costs	552	1,895	8,616	3,110
Restructuring and other charges, net	378	5,650	32,716	51,114
Non-GAAP operating income ⁽¹⁾	<u>\$ 123,688</u>	<u>\$ 81,921</u>	<u>\$ 423,448</u>	<u>\$ 255,292</u>
GAAP net income (loss)	\$ 53,406	\$ 9,826	\$ 130,695	\$ (27,460)
Fair value adjustment of acquired deferred revenue	-	192	-	787
Fair value adjustment to deferred services cost	-	(88)	-	(308)
Stock-based compensation	41,544	14,792	115,149	86,400
Amortization of acquired intangible assets included in cost of revenue	6,856	6,874	27,391	27,306
Amortization of acquired intangible assets	7,346	6,055	28,713	23,841
Acquisition-related and other transactional charges included in general and administrative costs	552	1,895	8,616	3,110
Restructuring and other charges, net	378	5,650	32,716	51,114
Non-operating charges ⁽²⁾	-	-	18,451	-
Income tax adjustments ⁽³⁾	(18,295)	29,317	(63,283)	29,719
Non-GAAP net income	<u>\$ 91,787</u>	<u>\$ 74,513</u>	<u>\$ 298,448</u>	<u>\$ 194,509</u>
GAAP diluted earnings (loss) per share	\$ 0.46	\$ 0.08	\$ 1.12	\$ (0.23)
Fair value adjustment of acquired deferred revenue	-	-	-	0.01
Stock-based compensation	0.35	0.13	0.99	0.73
Amortization of acquired intangibles	0.12	0.11	0.48	0.43
Acquisition-related and other transactional charges	-	0.02	0.07	0.03
Restructuring and other charges, net	-	0.05	0.28	0.43
Non-operating charges	-	-	0.16	-
Income tax adjustments	(0.16)	0.25	(0.54)	0.25
Non-GAAP diluted earnings per share	<u>\$ 0.78</u>	<u>\$ 0.64</u>	<u>\$ 2.57</u>	<u>\$ 1.64</u>
GAAP diluted weighted average shares outstanding	117,097	115,897	116,267	117,724
Dilutive effect of stock-based compensation plans	-	-	-	990
Non-GAAP diluted weighted average shares outstanding	<u>117,097</u>	<u>115,897</u>	<u>116,267</u>	<u>118,714</u>

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

	Three Months Ended		Twelve Months Ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
GAAP operating margin	17.1%	13.9%	14.5%	5.0%
Fair value adjustment of acquired deferred revenue	0.0%	0.1%	0.0%	0.1%
Fair value adjustment to deferred services cost	0.0%	0.0%	0.0%	0.0%
Stock-based compensation	10.6%	4.4%	7.9%	6.9%
Amortization of acquired intangibles	3.6%	3.9%	3.8%	4.1%
Acquisition-related and other transactional charges	0.1%	0.6%	0.6%	0.2%
Restructuring and other charges, net	0.1%	1.7%	2.2%	4.1%
Non-GAAP operating margin	<u>31.6%</u>	<u>24.4%</u>	<u>29.0%</u>	<u>20.3%</u>

(2) We recognized \$15 million of expense in the second quarter of 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.

(3) 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)

	September 30, 2020	September 30, 2019
ASSETS		
Cash and cash equivalents	\$ 275,458	\$ 269,579
Marketable securities	59,099	57,435
Accounts receivable, net	415,221	372,743
Property and equipment, net	101,499	105,531
Goodwill and acquired intangible assets, net	1,863,356	1,408,128
Lease assets, net ⁽¹⁾	149,933	-
Other assets	516,772	451,172
Total assets	<u>\$ 3,381,338</u>	<u>\$ 2,664,588</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deferred revenue	\$ 426,465	\$ 396,632
Debt, net of deferred issuance costs	1,005,314	669,134
Lease obligations ⁽¹⁾	215,023	-
Other liabilities	296,288	396,824
Stockholders' equity	1,438,248	1,201,998
Total liabilities and stockholders' equity	<u>\$ 3,381,338</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		Twelve Months Ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Cash flows from operating activities:				
Net income (loss)	\$ 53,406	\$ 9,826	\$ 130,695	\$ (27,460)
Stock-based compensation	41,544	14,792	115,149	86,400
Depreciation and amortization	20,140	19,190	80,817	77,824
Amortization of right-of-use lease assets	9,220	-	38,687	-
Accounts receivable	(87,027)	(58,808)	(32,365)	29,446
Accounts payable and accruals	14	23,420	5,147	4,102
Deferred revenue	13,689	20,550	17,046	45,875
Income taxes	(6,812)	14,717	(51,257)	1,940
Other	(10,200)	11,529	(70,111)	67,018
Net cash provided by operating activities	33,974	55,216	233,808	285,145
Capital expenditures	(4,784)	(4,832)	(20,196)	(64,411)
Acquisition of businesses, net of cash acquired ⁽¹⁾	(14,958)	-	(483,478)	(86,737)
Purchase of intangible assets	-	-	(11,050)	-
Borrowings (payments) on debt, net	(120,000)	(30,000)	344,875	25,000
Net proceeds associated with issuance of common stock	9,402	8,817	18,382	12,975
Repurchases of common stock	-	(24,999)	-	(114,994)
Payments of withholding taxes in connection with vesting of stock-based awards	(508)	(175)	(33,740)	(44,366)
Purchase of investment	-	-	-	(7,500)
Debt issuance costs	(24)	-	(17,107)	-
Debt early redemption premium	-	-	(15,000)	-
Other financing & investing activities	(9,224)	2,388	(11,248)	7,049
Foreign exchange impact on cash	4,152	(4,708)	25	(2,565)
Net change in cash, cash equivalents, and restricted cash	(101,970)	1,707	5,271	9,596
Cash, cash equivalents, and restricted cash, beginning of period	377,930	268,982	270,689	261,093
Cash, cash equivalents, and restricted cash, end of period	<u>\$ 275,960</u>	<u>\$ 270,689</u>	<u>\$ 275,960</u>	<u>\$ 270,689</u>
	Three Months Ended		Twelve Months Ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Cash provided by operating activities	33,974	55,216	233,808	285,145
Capital expenditures	(4,784)	(4,832)	(20,196)	(64,411)
Free cash flow ⁽²⁾	<u>29,190</u>	<u>50,384</u>	<u>213,612</u>	<u>220,734</u>

(1) In 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. In addition, we made a \$15M acquisition in the fourth quarter of 2020.

(2) Free cash flow includes \$7.2 million and \$42.0 million of restructuring and other related payments in the three and twelve months ended September 30, 2020, respectively, compared with \$3.3 million and \$24.7 million in the three and twelve months ended September 30, 2019. Free cash flow includes \$0.8 million and \$9.6 million of acquisition-related payments for the three and twelve months ended September 30, 2020, respectively.