

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

	Three Months Ended		
	December 29, 2018	December 29, 2018	December 30, 2017
	ASC 606	ASC 605	ASC 605
Revenue:			
Subscription license	\$ 63,517		
Subscription support & cloud services	77,424		
Total Subscription	140,941	\$ 148,413	\$ 100,008
Perpetual support	110,497	109,225	131,197
Total recurring revenue	251,438	257,638	231,205
Perpetual license	41,805	41,750	33,985
Total software revenue	293,243	299,388	265,190
Professional services	41,446	39,369	41,454
Total revenue ⁽¹⁾	334,689	338,757	306,644
Cost of revenue:			
Cost of software revenue ^{(2) (3)}	43,760	42,977	46,616
Cost of professional services revenue ^{(2) (3)}	33,592	32,219	36,419
Total cost of revenue	77,352	75,196	83,035
Gross margin	257,337	263,561	223,609
Operating expenses:			
Sales and marketing ^{(2) (3)}	104,218	107,304	99,375
Research and development ^{(2) (4)}	60,782	60,782	63,972
General and administrative ^{(2) (3)}	37,864	37,864	35,020
Amortization of acquired intangible assets	5,936	5,936	7,821
Restructuring and headquarters charges, net	18,493	18,493	105
Total operating expenses	227,293	230,379	206,293
Operating income	30,044	33,182	17,316
Other expense, net ⁽³⁾	(9,621)	(9,728)	(10,845)
Income before income taxes	20,423	23,454	6,471
Benefit for income taxes ⁽⁴⁾	(562)	4,206	(7,406)
Net income	\$ 20,985	\$ 19,248	\$ 13,877
Earnings per share:			
Basic	\$ 0.18	\$ 0.16	\$ 0.12
Weighted average shares outstanding	118,323	118,323	115,731
Diluted	\$ 0.18	\$ 0.16	\$ 0.12
Weighted average shares outstanding	119,638	119,638	117,656

(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.

(3) In the first quarter of fiscal 2019, we adopted Accounting Standards Update (ASU) 2017-07 - *Improving the presentation of net periodic pension cost and net periodic postretirement benefit cost*. In accordance with this guidance, we reclassified \$0.2 million of non-service related net periodic pension income to other expense, net from cost of revenue and operating expenses for the three months ended December 30, 2017.

(4) In Q1'18 our effective tax rate includes a benefit of \$7 million 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)

Revenue by license, support and services is as follows:

	Three Months Ended		
	December 29, 2018	December 29, 2018	December 30, 2017
	ASC 606	ASC 605	ASC 605
License revenue ⁽¹⁾	\$ 105,322	\$ 173,905	\$ 119,518
Support and cloud services revenue	187,921	125,483	145,672
Professional services revenue	41,446	39,369	41,454
Total revenue	<u>\$ 334,689</u>	<u>\$ 338,757</u>	<u>\$ 306,644</u>

(1) Under ASC 605, all subscription revenue is classified as license revenue.

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

	Three Months Ended		
	December 29, 2018	December 29, 2018	December 30, 2017
	ASC 606	ASC 605	ASC 605
Cost of software revenue	\$ 1,297	\$ 1,297	\$ 1,221
Cost of professional services revenue	1,814	1,814	1,706
Sales and marketing	9,722	9,722	4,879
Research and development	4,900	4,900	2,960
General and administrative	11,674	11,674	7,565
Total stock-based compensation	<u>\$ 29,407</u>	<u>\$ 29,407</u>	<u>\$ 18,331</u>

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

	Three Months Ended		
	December 29, 2018	December 29, 2018	December 30, 2017
	ASC 606	ASC 605	ASC 605
GAAP revenue	\$ 334,689	\$ 338,757	\$ 306,644
Fair value adjustment of acquired deferred subscription revenue	66	66	117
Fair value adjustment of acquired deferred services revenue	207	207	246
Non-GAAP revenue	<u>\$ 334,962</u>	<u>\$ 339,030</u>	<u>\$ 307,007</u>
GAAP gross margin	\$ 257,337	\$ 263,561	\$ 223,609
Fair value adjustment of acquired deferred revenue	273	273	363
Fair value adjustment to deferred services cost	(85)	(85)	(104)
Stock-based compensation	3,111	3,111	2,927
Amortization of acquired intangible assets included in cost of revenue	6,717	6,717	6,675
Non-GAAP gross margin	<u>\$ 267,353</u>	<u>\$ 273,577</u>	<u>\$ 233,470</u>
GAAP operating income	\$ 30,044	\$ 33,182	\$ 17,316
Fair value adjustment of acquired deferred revenue	273	273	363
Fair value adjustment to deferred services cost	(85)	(85)	(104)
Stock-based compensation	29,407	29,407	18,331
Amortization of acquired intangible assets included in cost of revenue	6,717	6,717	6,675
Amortization of acquired intangible assets	5,936	5,936	7,821
Acquisition-related and other transactional charges included in general and administrative costs	419	419	7
Restructuring charges, net	16,586	16,586	105
Headquarters relocation charges	1,907	1,907	-
Non-GAAP operating income ⁽¹⁾	<u>\$ 91,204</u>	<u>\$ 94,342</u>	<u>\$ 50,514</u>
GAAP net income	\$ 20,985	\$ 19,248	\$ 13,877
Fair value adjustment of acquired deferred revenue	273	273	363
Fair value adjustment to deferred services cost	(85)	(85)	(104)
Stock-based compensation	29,407	29,407	18,331
Amortization of acquired intangible assets included in cost of revenue	6,717	6,717	6,675
Amortization of acquired intangible assets	5,936	5,936	7,821
Acquisition-related and other transactional charges included in general and administrative costs	419	419	7
Restructuring charges, net	16,586	16,586	105
Headquarters relocation charges	1,907	1,907	-
Income tax adjustments ⁽²⁾	(14,855)	(12,141)	(11,000)
Non-GAAP net income	<u>\$ 67,290</u>	<u>\$ 68,267</u>	<u>\$ 36,075</u>
GAAP diluted earnings per share	\$ 0.18	\$ 0.16	\$ 0.12
Fair value adjustment of acquired deferred revenue	-	-	-
Stock-based compensation	0.25	0.25	0.16
Amortization of acquired intangibles	0.11	0.11	0.12
Acquisition-related and other transactional charges	-	-	-
Restructuring charges, net	0.14	0.14	-
Headquarters relocation charges	0.02	0.02	-
Income tax adjustments	(0.12)	(0.10)	(0.09)
Non-GAAP diluted earnings per share	<u>\$ 0.56</u>	<u>\$ 0.57</u>	<u>\$ 0.31</u>

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

	Three Months Ended		
	December 29, 2018	December 29, 2018	December 30, 2017
	ASC 606	ASC 605	ASC 605
GAAP operating margin	9.0%	9.8%	5.7%
Fair value adjustment of acquired deferred revenue	0.1%	0.1%	0.1%
Fair value adjustment to deferred services cost	0.0%	0.0%	0.0%
Stock-based compensation	8.8%	8.7%	6.0%
Amortization of acquired intangibles	3.8%	3.7%	4.7%
Acquisition-related and other transactional charges	0.1%	0.1%	0.0%
Restructuring charges, net	5.0%	4.9%	0.0%
Headquarters relocation charges	0.6%	0.6%	0.0%
Non-GAAP operating margin	<u>27.2%</u>	<u>27.8%</u>	<u>16.5%</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 2019 and 2018 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 Inc.
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands)

	December 29, 2018 <u>ASC 606 ⁽¹⁾</u>	December 29, 2018 <u>ASC 605</u>	September 30, 2018 <u>ASC 605</u>
ASSETS			
Cash and cash equivalents	\$ 276,990	\$ 276,990	\$ 259,946
Marketable securities	55,652	55,652	55,951
Accounts receivable, net	385,672	138,989	129,297
Property and equipment, net	107,359	107,359	80,613
Goodwill and acquired intangible assets, net	1,435,985	1,435,985	1,382,659
Other assets	490,189	475,035	420,556
Total assets	<u>\$ 2,751,847</u>	<u>\$ 2,490,010</u>	<u>\$ 2,329,022</u>
LIABILITIES AND STOCKHOLDERS' EQUITY			
Deferred revenue	\$ 336,129	\$ 492,937	\$ 499,442
Debt, net of deferred issuance costs	778,484	778,484	643,268
Other liabilities	316,065	265,207	311,723
Stockholders' equity	1,321,169	953,382	874,589
Total liabilities and stockholders' equity	<u>\$ 2,751,847</u>	<u>\$ 2,490,010</u>	<u>\$ 2,329,022</u>

(1) The Company's consolidated balance sheet as of December 29, 2018 under ASC 606 is preliminary, pending final adjustments required as a result of our adoption of ASC 606 in the first quarter of 2019. We expect the adjustments to be finalized prior to the filing of our Form 10-Q for the first quarter of 2019.

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

	Three Months Ended	
	December 29, 2018	December 30, 2017
Cash flows from operating activities:		
Net income	\$ 20,985	\$ 13,877
Stock-based compensation	29,407	18,331
Depreciation and amortization	20,053	21,046
Accounts receivable	24,586	21,603
Accounts payable and accruals	(39,075)	(53,057)
Deferred revenue	(20,999)	22,055
Income taxes	(21,668)	(14,272)
Other ⁽¹⁾	7,925	(4,068)
Net cash provided by operating activities ⁽³⁾	<u>21,214</u>	<u>25,515</u>
Capital expenditures	(30,332)	(6,377)
Acquisition of businesses, net of cash acquired ⁽²⁾	(69,556)	-
Purchase of intangible asset	-	(2,500)
Borrowings (payments) on debt, net	135,000	30,000
Costs associated with issuance of common stock	(4,640)	-
Payments of withholding taxes in connection with vesting of stock-based awards	(33,788)	(33,488)
Contingent consideration	(1,575)	(3,176)
Other financing & investing activities	(1,324)	(508)
Foreign exchange impact on cash	2,041	2,598
Net change in cash, cash equivalents, and restricted cash ⁽¹⁾	17,040	12,064
Cash, cash equivalents, and restricted cash, beginning of period	261,093	281,209
Cash, cash equivalents, and restricted cash, end of period	<u>\$ 278,133</u>	<u>\$ 293,273</u>

(1) In the first quarter of fiscal 2019, we adopted Accounting Standards Update (ASU) 2016-18 - *Statement of Cash Flows (Topic 230)*. In accordance with this guidance, we excluded the \$0.4 million increase related to the change in restricted cash from the change in other current assets for the three months ended December 30, 2017.

(2) In the three months ended December 29, 2018, we acquired Frustum for \$70 million, net of cash acquired.

(3) The Company's consolidated cash flows as of December 29, 2018 under ASC 606 is preliminary, pending final balance sheet adjustments required as a result of our adoption of ASC 606 in the first quarter of 2019, which will impact components of operating cash flow, but not total cash from operating activities. We expect the adjustments to be finalized prior to the filing of our Form 10-Q for the first quarter of 2019.