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

	Three Months Ended		Nine Months Ended	
	July 1, 2017	July 2, 2016	July 1, 2017	July 2, 2016
Revenue:				
Subscription	$ 74,859	$ 31,822	$ 195,001	$ 77,657
Support	140,428	161,881	433,624	494,262
Total recurring revenue	215,287	193,703	628,625	571,919
Perpetual license	32,348	44,648	94,099	132,100
Total subscription, support and license revenue	247,635	238,351	722,724	704,019
Professional services	43,658	50,301	134,936	148,277
Total revenue	291,293	288,652	857,660	852,296
Cost of revenue:				
Cost of license and subscription revenue (1) (2)	21,648	17,809	62,333	50,621
Cost of support revenue (1) (2)	23,635	21,055	69,028	63,670
Total cost of software revenue	45,283	38,864	131,361	114,291
Cost of professional services revenue (1)	36,985	43,606	114,852	128,518
Total cost of revenue	82,268	82,470	246,213	242,809
Gross margin	209,025	206,182	611,447	609,487
Operating expenses:				
Sales and marketing (1)	93,101	94,874	271,568	264,480
Research and development (1)	59,850	57,118	175,474	171,397
General and administrative (1)	35,294	35,485	108,789	107,968
Amortization of acquired intangible assets	7,973	8,294	23,986	25,040
Restructuring charges	1,551	2,815	8,300	44,541
Total operating expenses	197,769	198,586	588,117	613,426
Operating income (loss)	11,256	7,596	23,330	(3,939)
Other expense, net	(10,557)	(8,300)	(30,190)	(19,880)
Income (loss) before income taxes	699	(704)	(6,860)	(23,819)
Provision (benefit) for income taxes	1,650	(3,777)	4,336	2,173
Net income (loss)	$ (951)	$ 3,073	$ (11,196)	$ (25,992)
Earnings (loss) per share:				
Basic	$ (0.01)	$ 0.03	$ (0.10)	$ (0.23)
Weighted average shares outstanding	115,615	114,795	115,511	114,499
Diluted	$ (0.01)	$ 0.03	$ (0.10)	$ (0.23)
Weighted average shares outstanding	115,615	115,698	115,511	114,499

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

	Three Months Ended		Nine Months Ended	
	July 1, 2017	July 2, 2016	July 1, 2017	July 2, 2016
Cost of license and subscription revenue	$ 347	$ 195	$ 954	$ 552
Cost of support	1,139	963	3,638	3,611
Cost of professional services revenue	1,505	1,342	4,500	4,072
Sales and marketing	3,296	3,195	11,047	11,254
Research and development	2,805	2,531	9,753	7,578
General and administrative	7,482	5,570	26,247	24,754
Total stock-based compensation	$ 16,574	$ 13,796	$ 56,139	$ 51,821

(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.

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

	Three Months Ended		Nine Months Ended	
	July 1, 2017	July 2, 2016	July 1, 2017	July 2, 2016
GAAP revenue	$ 291,293	$ 288,652	$ 857,660	$ 852,296
Fair value adjustment of acquired deferred subscription revenue	373	746	1,430	1,711
Fair value adjustment of acquired deferred services revenue	258	277	788	873
Non-GAAP revenue	$ 291,924	$ 289,675	$ 859,878	$ 854,880
GAAP gross margin	$ 209,025	$ 206,182	$ 611,447	$ 609,487
Fair value adjustment of acquired deferred revenue	631	1,023	2,218	2,584
Fair value adjustment to deferred services cost	(108)	(121)	(329)	(378)
Stock-based compensation	2,991	2,500	9,092	8,235
Amortization of acquired intangible assets included in cost of revenue	6,517	6,383	19,294	18,235
Non-GAAP gross margin	$ 219,056	$ 215,967	$ 641,722	$ 638,163
GAAP operating income (loss)	$ 11,256	$ 7,596	$ 23,330	$ (3,939)
Fair value adjustment of acquired deferred revenue	631	1,023	2,218	2,584
Fair value adjustment to deferred services cost	(108)	(121)	(329)	(378)
Stock-based compensation	16,574	13,796	56,139	51,821
Amortization of acquired intangible assets included in cost of revenue	6,517	6,383	19,294	18,235
Amortization of acquired intangible assets	7,973	8,294	23,986	25,040
Acquisition-related charges included in general and administrative costs	264	937	987	3,215
US pension plan termination-related costs	285	-	285	-
Restructuring charges	1,551	2,815	8,300	44,541
Non-GAAP operating income (1)	$ 44,943	$ 40,723	$ 134,210	$ 141,119
GAAP net income (loss)	$ (951)	$ 3,073	$ (11,196)	$ (25,992)
Fair value adjustment of acquired deferred revenue	631	1,023	2,218	2,584
Fair value adjustment to deferred services cost	(108)	(121)	(329)	(378)
Stock-based compensation	16,574	13,796	56,139	51,821
Amortization of acquired intangible assets included in cost of revenue	6,517	6,383	19,294	18,235
Amortization of acquired intangible assets	7,973	8,294	23,986	25,040
Acquisition-related charges included in general and administrative costs	264	937	987	3,215
US pension plan termination-related costs	285	-	285	-
Restructuring charges	1,551	2,815	8,300	44,541
Non-operating credit facility refinancing costs	-	-	1,152	2,359
Income tax adjustments (2)	(171)	(6,202)	(2,810)	(6,481)
Non-GAAP net income	$ 32,565	$ 29,998	$ 98,026	$ 114,944
GAAP diluted earnings (loss) per share	$ (0.01)	$ 0.03	$ (0.10)	$ (0.23)
Fair value of acquired deferred revenue	0.01	0.01	0.02	0.02
Stock-based compensation	0.14	0.12	0.48	0.45
Amortization of acquired intangibles	0.12	0.13	0.37	0.38
Acquisition-related charges	-	0.01	0.01	0.03
Restructuring charges	0.01	0.02	0.07	0.39
Non-operating credit facility refinancing costs	-	-	0.01	0.02
Income tax adjustments	-	(0.05)	(0.02)	(0.06)
Non-GAAP diluted earnings per share	$ 0.28	$ 0.26	$ 0.84	$ 1.00
GAAP diluted weighted average shares outstanding	115,615	115,698	115,511	114,499
Dilutive effect of stock based compensation plans	1,962	-	1,812	807
Non-GAAP diluted weighted average shares outstanding	117,577	115,698	117,323	115,306

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

	Three Months Ended		Nine Months Ended	
	July 1, 2017	July 2, 2016	July 1, 2017	July 2, 2016
GAAP operating margin	3.9%	2.6%	2.7%	-0.5%
Fair value of acquired deferred revenue	0.2%	0.4%	0.3%	0.3%
Fair value adjustment to deferred services cost	0.0%	0.0%	0.0%	0.0%
Stock-based compensation	5.7%	4.8%	6.5%	6.1%
Amortization of acquired intangibles	5.0%	5.1%	5.0%	5.1%
Acquisition-related charges	0.1%	0.3%	0.1%	0.4%
US pension plan termination-related costs	0.1%	0.0%	0.0%	0.0%
Restructuring charges	0.5%	1.0%	1.0%	5.2%
Non-GAAP operating margin	15.4%	14.1%	15.6%	16.5%

(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 2017 and 2016 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. For the three and nine months ended July 1, 2017 and July 2, 2016 our non-GAAP tax provision is based on our annual expected non-GAAP tax rate applied to our year-to-date non-GAAP earnings.

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

	July 1, 2017	September 30, 2016
ASSETS		
Cash and cash equivalents	$ 260,695	$ 277,935
Marketable securities	50,189	49,616
Accounts receivable, net	128,561	161,357
Property and equipment, net	63,443	67,113
Goodwill and acquired intangible assets, net	1,445,453	1,480,118
Other assets	343,420	309,590
Total assets	$ 2,291,761	$ 2,345,729
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deferred revenue	$ 465,316	$ 413,657
Debt, net of deferred issuance costs	712,191	751,601
Other liabilities	278,874	337,805
Stockholders' equity	835,380	842,666
Total liabilities and stockholders' equity	$ 2,291,761	$ 2,345,729

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

	Three Months Ended		Nine Months Ended	
	July 1, 2017	July 2, 2016	July 1, 2017	July 2, 2016
Cash flows from operating activities:				
Net income (loss)	$ (951)	$ 3,073	$ (11,196)	$ (25,992)
Stock-based compensation	16,574	13,796	56,139	51,821
Depreciation and amortization	21,504	21,817	64,187	64,721
Accounts receivable	19,540	(5,118)	34,913	58,499
Accounts payable and accruals	(7,338)	7,831	(47,924)	(9,861)
Deferred revenue	18,528	20,573	45,985	44,592
Income taxes	(3,152)	(8,644)	(17,832)	(17,470)
Excess tax benefits from stock-based awards	(258)	(38)	(397)	(94)
Other	9,208	6,167	(21,809)	3,380
Net cash provided by operating activities	73,655	59,457	102,066	169,596
Capital expenditures	(4,544)	(7,766)	(19,333)	(16,632)
Acquisitions of businesses, net of cash acquired (1)	(4,960)	-	(4,960)	(164,191)
Proceeds (payments) on debt, net	-	(60,000)	(40,000)	110,000
Proceeds from issuance of common stock	-	18	3,978	19
Payments of withholding taxes in connection with vesting of stock-based awards	(7,078)	(5,165)	(26,244)	(20,636)
Excess tax benefits from stock-based awards	258	38	397	94
Proceeds from sales of investments	-	-	15,218	-
Contingent consideration	(8,343)	(9,371)	(11,054)	(10,621)
Proceeds (purchases) of marketable securities, net	(2,013)	(44,605)	(733)	(44,605)
Repurchases of common stock	(34,994)	-	(34,994)	-
Other financing & investing activities	-	(5,709)	(184)	(6,759)
Foreign exchange impact on cash	5,398	(727)	(1,397)	4,944
Net change in cash and cash equivalents	17,379	(73,830)	(17,240)	21,209
Cash and cash equivalents, beginning of period	243,316	368,456	277,935	273,417
Cash and cash equivalents, end of period	$ 260,695	$ 294,626	$ 260,695	$ 294,626

(1) We acquired a company on April 5, 2017 for $5.0 million (net of cash acquired). We aquired Kepware, Inc. on January 11, 2016 for $99 million (net of cash acquired) and Vuforia on November 3, 2015 for $65 million (net of cash acquired).