ptc

Q2'21

EARNINGS PRESENTATION

Investor Relations

April 28, 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.

Q2’21 HIGHLIGHTS

JIM HEPPELMANN – PRESIDENT & CEO

DELIVERING SHAREHOLDER VALUE

Pipeline — Market Demand

- **Solid Q2'21 bookings** growth in the mid - 30% driven by secular tailwinds. Organic bookings grew in the mid - 20%.
- 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.**

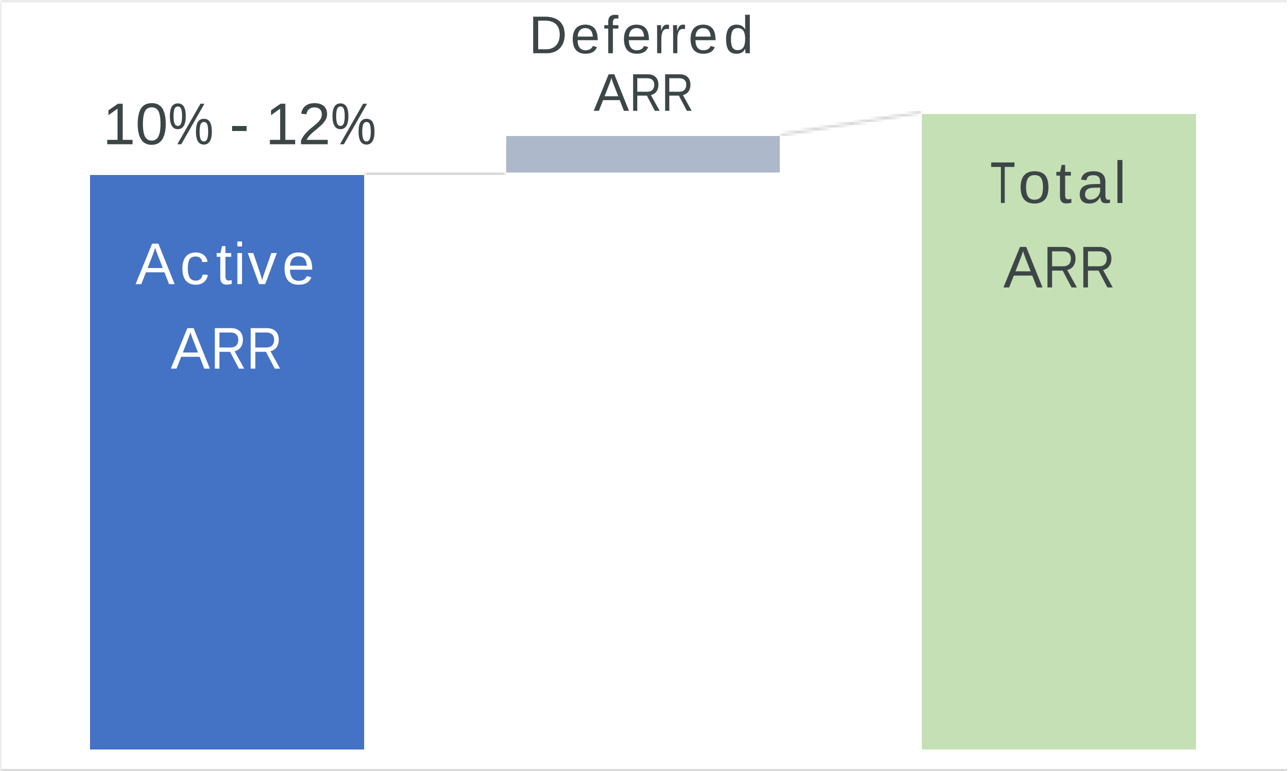
ARR — Top Line

- **ARR growth** of 18% (15% CC) YoY; organic ARR growth of 14% (11% CC) **in-line with mid-point** of guidance.
- Core businesses ARR growth continued to **outpace the market.**
- Growth businesses ARR growth **tracking to guidance.**
- **Strong ARR** growth in Americas and APAC with stable demand trends in Europe.
- **Revenue growth** of 28% (22% CC) YoY, including Arena. Organic growth of 26% (20% CC) YoY.
- **Healthy retention rates** despite ongoing pandemic.

FCF — Bottom Line

- **Strong operating and free cash flow** of $122M and $116M, respectively.
- **EPS growth** with GAAP EPS of $0.92 up 1,397% ; Non-GAAP EPS of $1.08 up 83% YoY**.**
- Strong **revenue growth** driving margin expansion.
- **Operating and free cash flow** in FY'21 continue to track to guidance.

UNDERSTANDING ACTIVE AND TOTAL ARR



Expected organic ARR growth of 10% to 12% on a constant currency basis and Arena contributes ~400 basis points of ARR growth.

All figures are in constant currency.

- Active ARR refers to the annualized run rate of the book of recurring contracts that are currently active and is aligned with cash generation on a TTM basis.
- We expect organic Active ARR growth of 10% to 12% for FY'21.
- Deferred ARR represents the incremental annualized exit value of customer contracts that are committed as of the end of the reporting period to start or increase in value in a future period.
- We were expecting ~$80 million in Deferred ARR as we exit fiscal 2021.
- We are now expecting more than $90 million in Deferred ARR for the full year, reflecting strong bookings in the first half of 2021.
- Total ARR growth, including Deferred ARR, was 12% on an organic basis due to strong bookings over the past 3 quarters.

DIGITAL TRANSFORMATION OF THE INDUSTRIAL WORLD

PHYSICAL

DIGITAL

DIGITAL **TRANSFORMS** PHYSICAL

CAD

Digital **Defines** Physical

Digital **Unleashes** Physical

Digital **Enlightens** Physical

Digital **Validates** Physical

Digital **Manufactures** Physical

PLM

Digital **Catalogs** Physical

Digital **Manages** Physical

Digital **Configures** Physical

Digital **Synchronizes** Physical

Digital **Relates** Physical

IIoT

Digital **Connects** Physical

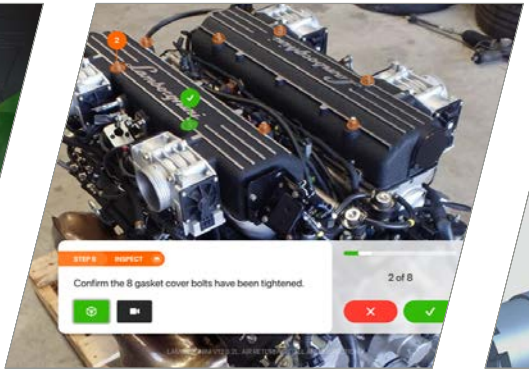
Digital **Translates** Physical

Digital **Visualizes** Physical

Digital **Predicts** Physical

Digital **Optimizes** Physical

AR



Digital **Recognizes** Physical

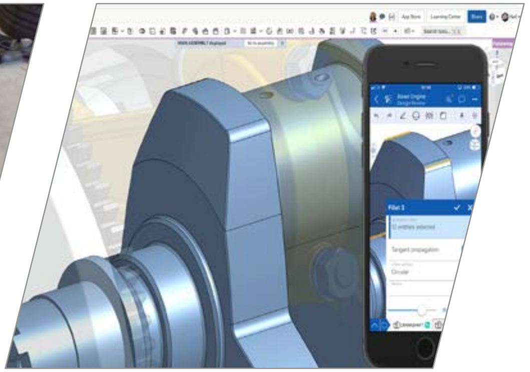
Digital **Captures** Physical

Digital **Supports** Physical

Digital **Guides** Physical

Digital **Virtualizes** Physical

SaaS



Digital **Economizes** Physical

Digital **Untethers** Physical

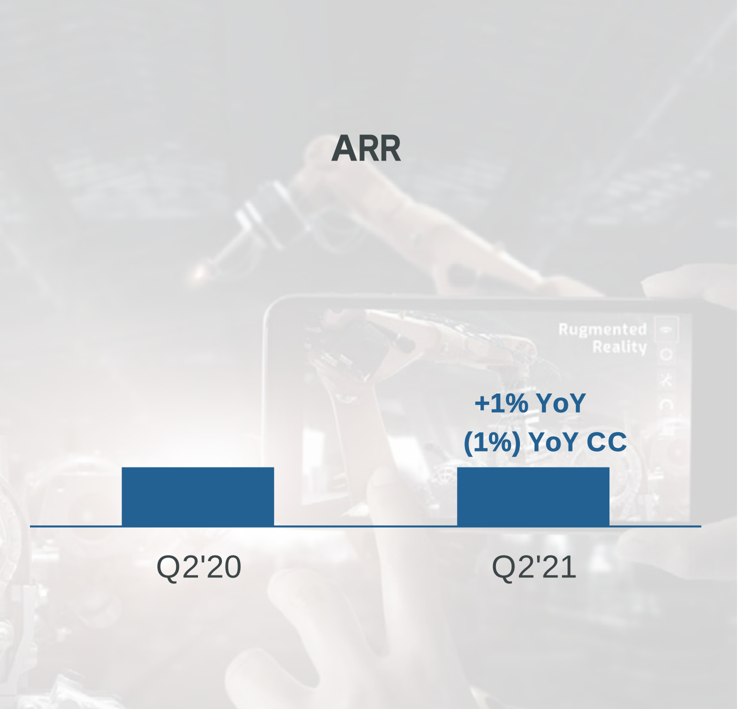
Digital **Democratizes** Physical

Digital **Harmonizes** Physical

Digital **Accelerates** Physical

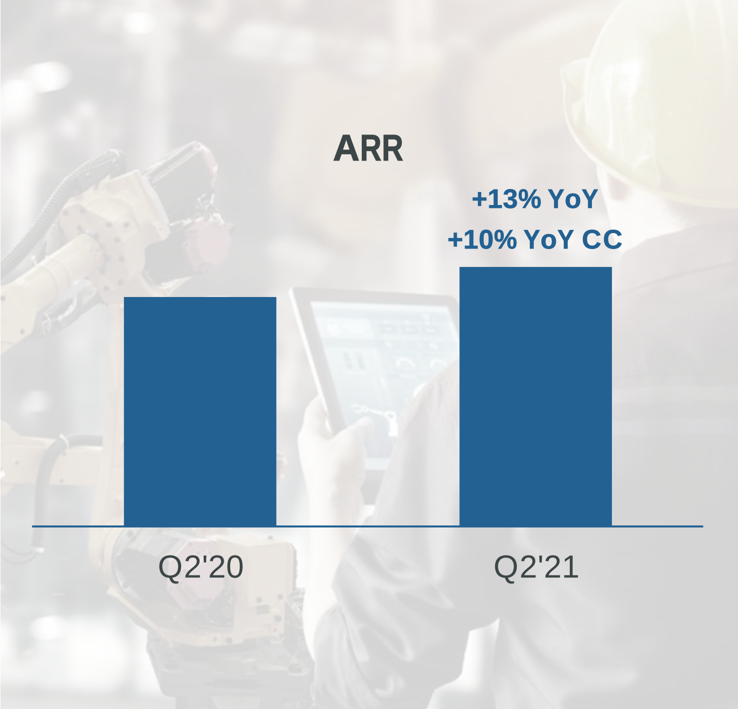
PRODUCT GROUP ARR PERFORMANCE

Focused Solutions Group



- Q2'21 ARR declined 1% YoY (CC).
- Macro conditions continue to weigh on commercial airlines; seeing early signs of recovery in retail driven by a few large deals.
- Continue to expect FY'21 ARR growth in the low-single digits as end markets improve.

Core Product Group



- Q2'21 ARR growth of 10% YoY (CC) in line with expectations.
- Solid CAD performance in the high single-digits (CC).
- Strong PLM ARR growth in mid-teens (CC).

Growth Product Group

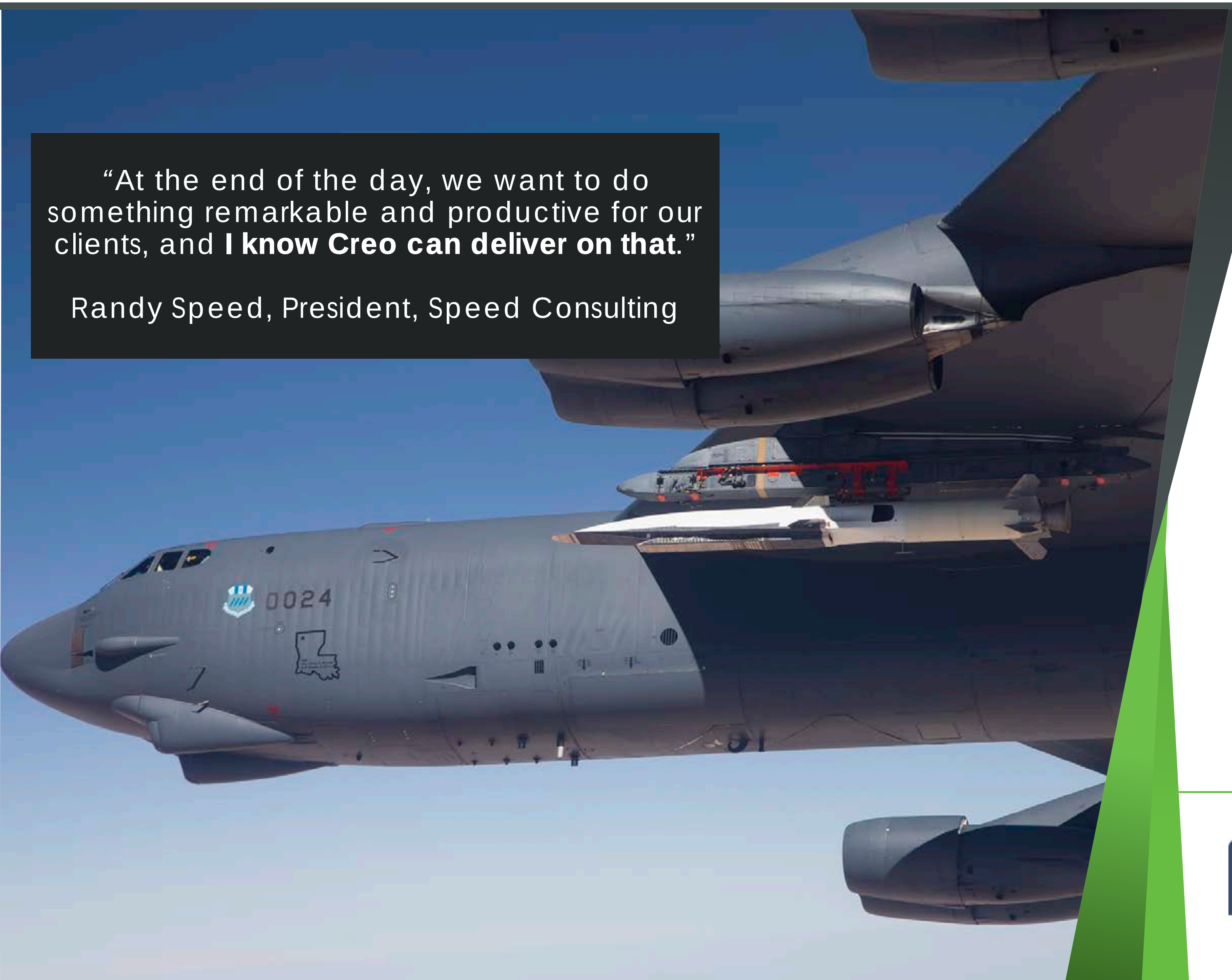
- Q2'21 ARR growth of 61% YoY (CC) including Arena Solutions.
- Organic ARR growth of 27% YoY (CC) tracking to guidance.
- Augmented Reality (AR) ARR growth in-line with market growth.
- Arena ARR growth of 16% YoY.

CAD HIGHLIGHTS

- Continued momentum with ARR growth in the high-single digits (CC), continuing to outpace market.
- Solid performance across all geos.
- Creo 8.0 announced today.
- New logo growth reflects competitive displacements and enables cross selling to other PTC products.

亞洲光學 ASIA OPTICAL
RICHEMONT
BAE SYSTEMS
廣達電腦 Quanta Computer
DELTA
HITACHI Inspire the Next
LOCKHEED MARTIN
Rolls-Royce
ENVISION

SPEED CONSULTING



"At the end of the day, we want to do something remarkable and productive for our clients, and **I know Creo can deliver on that**."

Randy Speed, President, Speed Consulting

Challenge

Speed needed to quickly design a hypersonic missile to help a leader in aerospace win a contract bidding competition.

Solution

- Using Creo, Speed got the design guidance and the instant feedback they needed to produce a winning design for their aerospace customer.
- Creo's integrated conceptual design, detailed design and simulation capabilities helped them meet tight delivery timelines and project specifications.
- With Creo, the seamless connections through the design process and into simulation enabled the delivery of structural, thermal and vibration analyses in record time.

Texas-based Speed Consulting uses simulation-driven design to create highly specialized solutions for aerospace customers.

PLM HIGHLIGHTS

- Mid-teens ARR growth (CC) and as reported continues to outpace market growth and solid across all geos, especially APAC.
- Competitive displacements and new customer wins in the quarter.
- Top verticals include Medical Device, Industrials and FA&D.

Panasonic | BAE SYSTEMS | BAYER
Kimberly-Clark | amazon | FLOWSERVE
Johnson Controls | Starkey | LivaNova Health innovation that matters
LOCKHEED MARTIN

KIMBERLY CLARK

Digital Thread Competitive Displacement

windchill®

The Challenge

- Reduce cost of goods produced by eliminating inefficient processes in disparate systems.

The Solution

- Windchill as the digital backbone of product development data.
- Processes simplified and digitalized using PLM.
- Windchill integration with SAP ERP to reduce manual processes and inefficiencies.

Kimberly-Clark

Kimberly-Clark is a $17B global corporation well known for its consumer paper product essentials.

IOT HIGHLIGHTS

- 20% ARR growth (CC), with strength in all geos.
- Bookings grew ~50% YoY.
- New logos growing at rapid rate.
- Strong performance across all geos.
- Strong pipeline generation continuing from Q1’21.
- Continuing to see modest improvement in churn.

STRAMA-MPS

Smart Connected Products

thingworx

“What we were able to do was to use the technology we had already developed to scale dynamic capabilities and **empower our team** to reach an entirely new audience.”

Florian Straßl, Software Engineer, STRAMA-MPS

Challenge

Amidst its IoT deployment, Strama MPS responded to an urgent community request to redirect priorities and make protective medical masks.

Solution

- The team pivoted from making special-purpose industrial machinery to producing delicate medical masks at scale.
- ThingWorx rapidly identified and fixed anomalies causing a lagging production line.
- They were able to turn around the entire process within approximately one month.

STRAMAMPS

Strama-MPS is a German-based solution provider of custom machine and plant engineering, known for excellent service on remote machines.

AR HIGHLIGHTS

- ARR growth across all geos, with strong performance in the Americas, along with Europe and APAC.
- Strong growth in the channel.
- Significant expansions at enterprise customers across industries.
- Pipeline generation experiencing strong growth.
- Increasing inclusion of Vuforia Engine in PTC portfolio deals.

ROCKWELL AUTOMATION

Augmented Reality for Service

vuforia® chalk™

Challenge

To prevent a production shutdown and costly delays, Rockwell Automation needed to install a new machine onsite with one of their customers. But with a travel ban in place, they could not send a full team of product experts onsite to complete the installation.

Solution

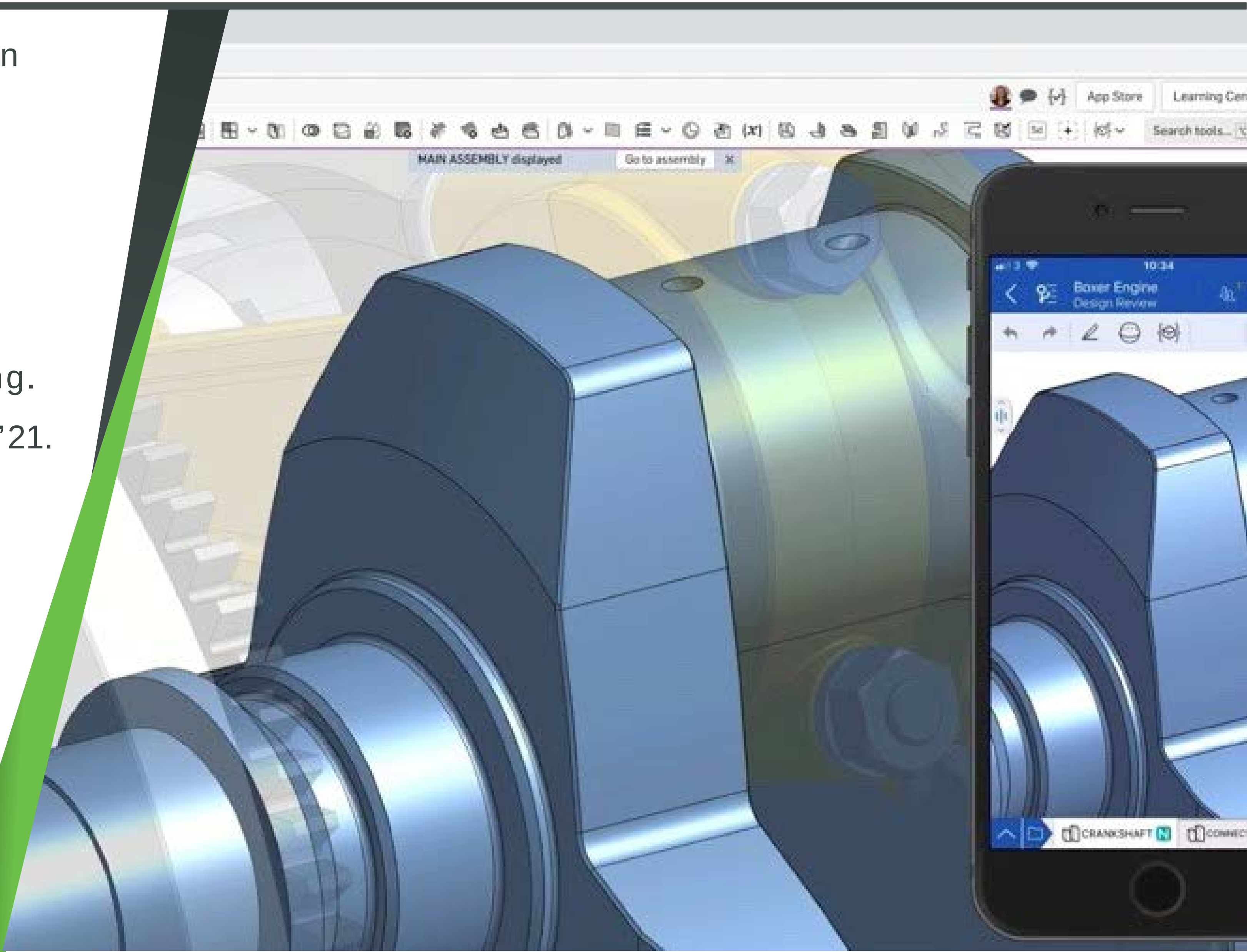
Rockwell Automation leveraged Vuforia Chalk to enable remote experts to see an over-the-shoulder view of the equipment installation and provide digital instructions to onsite engineers.

- Rockwell met 2-day downtime SLA without putting a team onsite
- Rockwell executed the scheduled event with little training on new equipment being used
- End-customer maintained production levels with no revenue loss

Rockwell Automation employs 23,000 “problem solvers” and serves customers in more than 100 countries. Within their Services team, 3,400 engineers and project managers have an average of 13 years of experience.

ONSHAPE HIGHLIGHTS

- ARR growth of >40% YoY with bookings on track to grow more than 100% for FY’21.
- Healthy mix of new logo and expansion activity.
- Cross-sell opportunities with PTC portfolio increasing.
- Strong Education sign-ups and usage continues with enterprise renewals starting.
- Strong pipeline coverage heading in Q3’21.

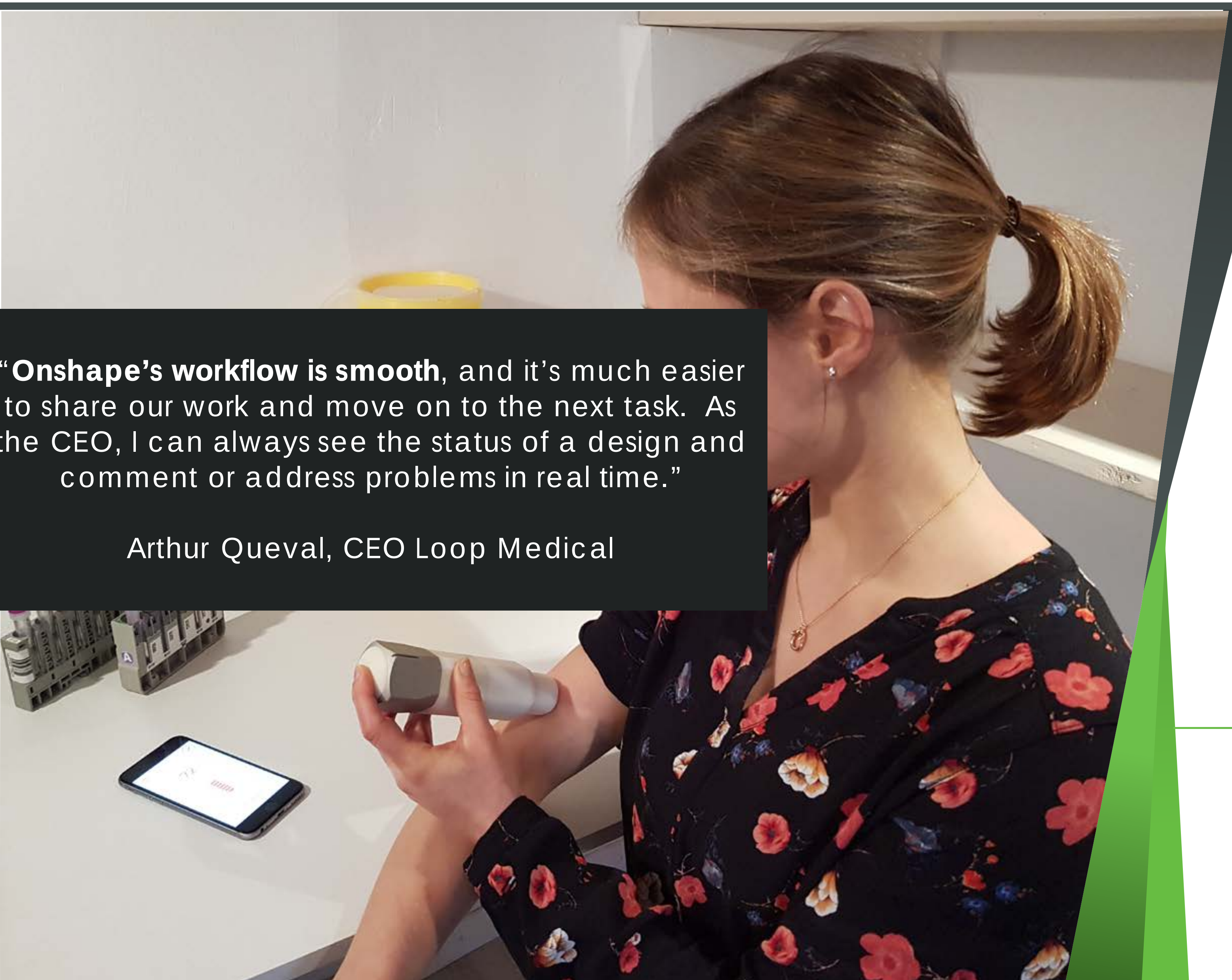


LOOP MEDICAL

CAD SaaS Collaboration

onshape®

ptc



"**Onshape's workflow is smooth**, and it's much easier to share our work and move on to the next task. As the CEO, I can always see the status of a design and comment or address problems in real time."

Arthur Queval, CEO Loop Medical

Challenge

To launch the development of a new medical device, Loop Medical was searching for a CAD and data management platform that would run on a Mac without additional virtualization software.

Solution

The desire to design smoothly on a Mac was the original goal, but an even greater benefit emerged as distributed teams in Switzerland, Germany and France were able to collaborate securely in real-time and accelerate the design process.

loop medical

Based in Switzerland, Loop Medical is developing technology to simplify the collection of blood needed for routine lab testing and in the process make the collection safe and more economical.

ARENA HIGHLIGHTS

- ARR YoY growth in mid-teens.
- Continue to see medical devices and high-tech manufacturing as top verticals.
- Renewal rates remained high with declining churn.
- Strong upselling and increasing penetration into current customers.
- PTC integration going well and roadmap for cross-sell programs, expand geographically and move up market is on track.

LEONARDO DRS | ENPHASE | nextracker
align | Mobius Imaging | INVITAE
UBIQUITI NETWORKS | Insulet Corporation | TOPCON

REFLEXION

Exceed Highest Life Sciences Quality Standards
Arena

Challenge

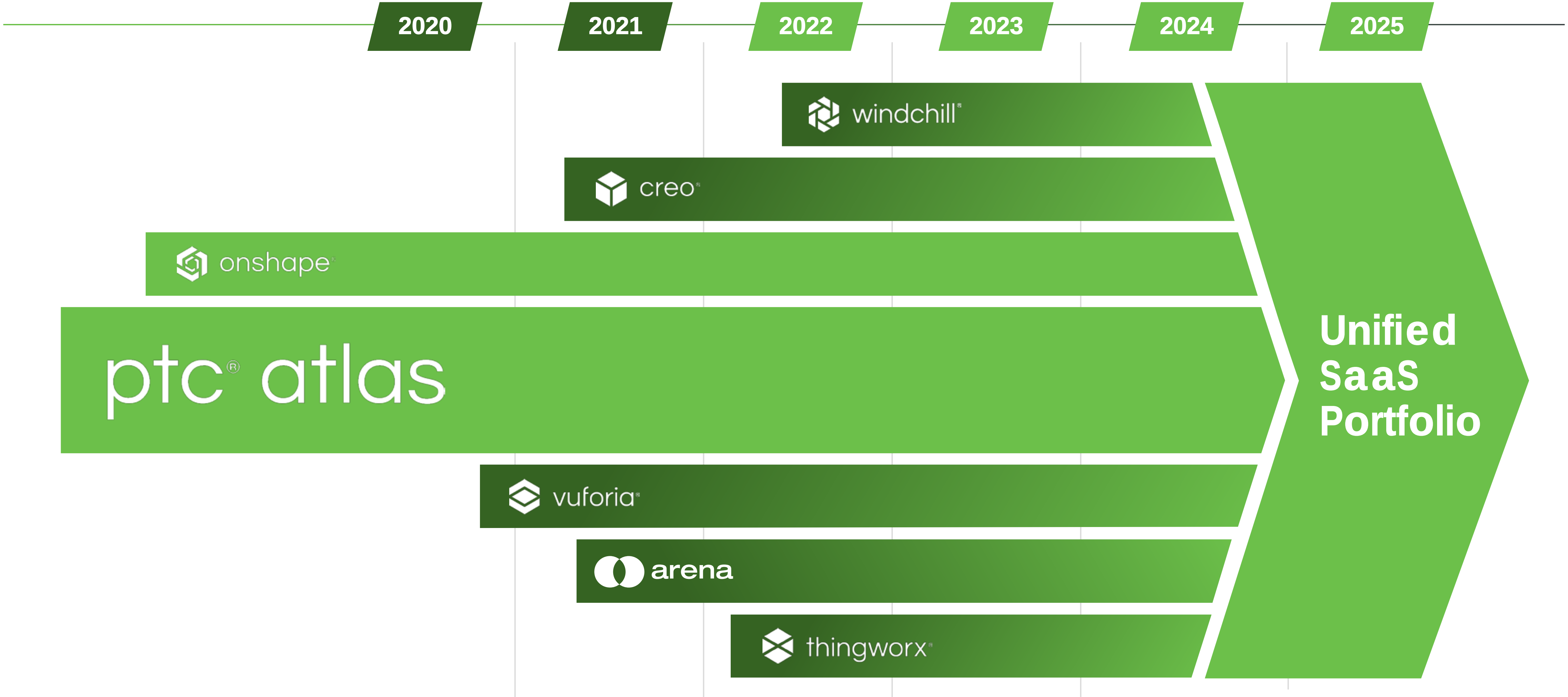
Adopt one product and quality platform to scale with team and product on path to medical device compliance and commercialization.

Solution

- Control product design and quality actions in Arena from day one—no paper processes.
- Designate Arena as the system of record for product and quality, with every employee being a user.
- Integrate with company ERP for seamless digital share into purchasing processes.

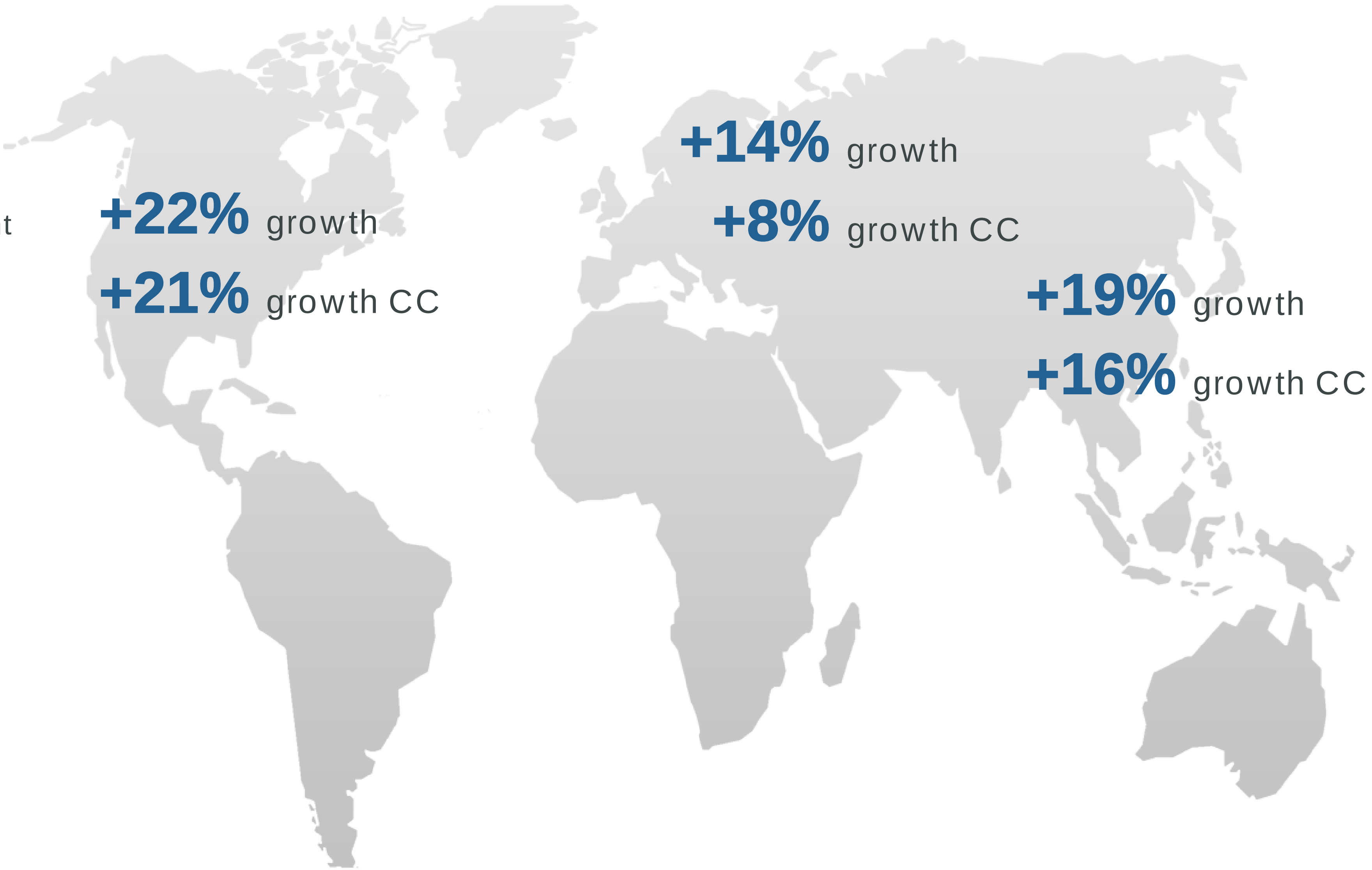
RefleXion is taking on cancer by creating a machine that combines bio-targeting with radiation for first-ever systemic reach for radiotherapy for patients with ANY stage cancer.

PTC SAAS VISION



REGIONAL ARR PERFORMANCE

- Americas ARR (CC) growth driven by Arena, AR and solid Core performance.
- Europe ARR (CC) growth consistent with prior several quarters, with strength in AR and high-teens growth in IoT.
- APAC (CC) delivered the third quarter in a row of mid-teens ARR growth with strong performance across all segments.



STRATEGIC ALLIANCE HIGHLIGHTS

Microsoft

PTC products on Microsoft Azure

- Bookings grew >30% YoY.
- Deal count increased >40% YoY.
- Strong YoY performance in AR.
- Added alliance field resources in APAC and Americas to drive growth.

Rockwell Automation

Key technology partner and global reseller

- One of the stronger quarters to date in alliance. Strong YoY ARR growth.
- Strong performance in Americas, specifically LATAM, and APAC.
- >30% of deals were net new logos.
- Top verticals include Manufacturing, Distribution & services, and Process Manufacturing.

Ansys

Ansys technologies embedded in Creo

- Sequential double digit ARR growth combined with low churn.
- Ansys partnership accelerating customer upgrades.
- Robust Customer Success program launched ensuring customers maximize value of investment, leading to further expansion.
- PTC awarded Ansys 2020 “Growth Partner of the Year” award in April 2021.

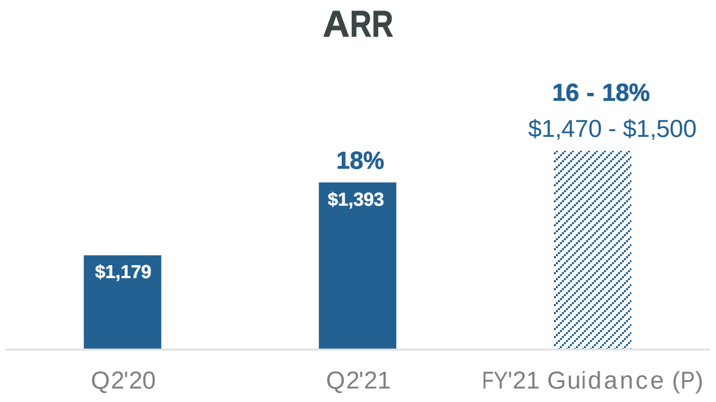
SUMMARY

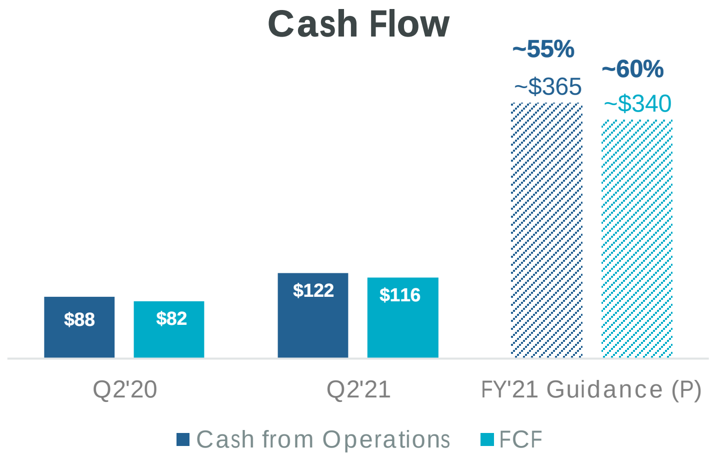
- **Strong execution** in the quarter with **18% (15% CC) ARR** growth, driven by Core and Growth businesses as well as Arena.
- **Bookings growth across all geos**, consistent with improving PMI numbers and despite continued macroeconomic uncertainty.
- Core businesses continue to **outpace market growth.**
- Growth business **on track with market growth.**
- Arena's first quarter with PTC **extremely strong.**
- Remain on target to deliver **double-digit organic ARR growth YoY.**

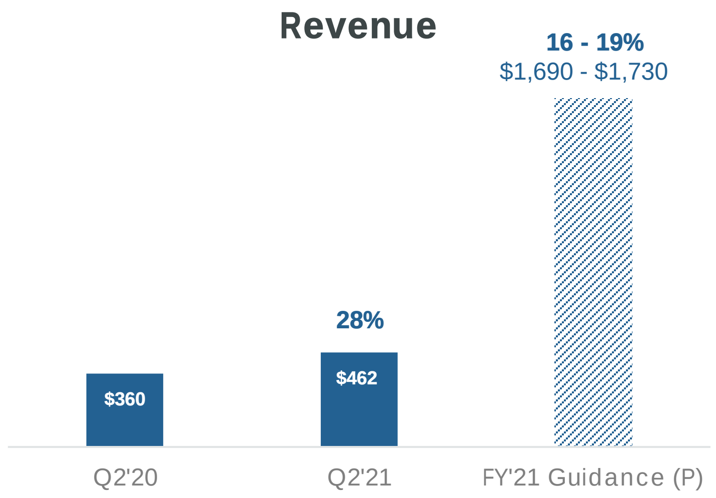
FINANCIAL REVIEW

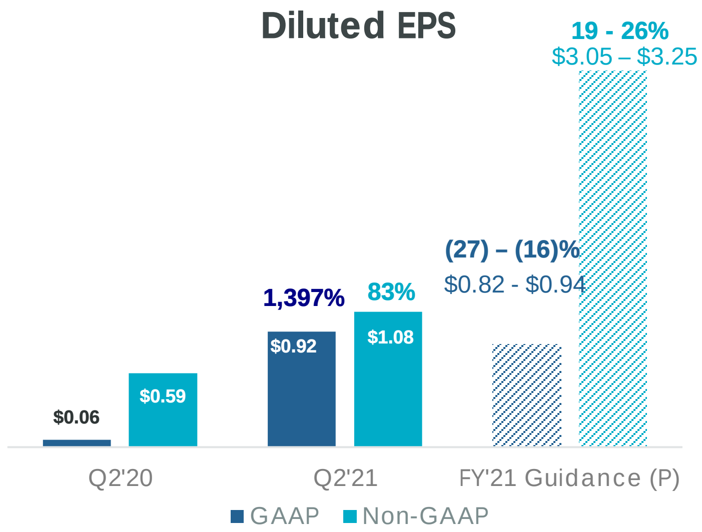
KRISTIAN TALVITIE – EVP AND CFO

Q2'21 RESULTS VS PRIOR GUIDANCE









- ARR growth of 18% (15% CC)
  - Organic ARR growth of 14% (11% CC)
  - Fx changes since December 31, 2020 negatively impacted Q2'21 ARR growth by ~200 bps.
- Strong operating and free cash flow
- Revenue growth of 28% (22% CC)
  - Revenue growth from solid execution, longer contract durations, and modest contribution from Arena.
  - Revenue growth rates can vary meaningfully due to up-front recognition of subscription license revenue under ASC 606.
- EPS and Non-GAAP EPS growth reflects strong revenue growth and financial discipline, while also investing for growth.

(P): Refers to FY'21 Guidance provided January 2021.
ARR and Revenue dollars and growth rates as reported.
Cash from operations and free cash flow for Q2'21 and Q2'20 include $4.5 million and $18.0 million of restructuring payments, respectively. Cash from operations and free cash flow for Q2'21 and Q2'20 include $8.2 million and $2.1 million of acquisition-related payments, respectively.

OTHER OPERATING PERFORMANCE HIGHLIGHTS

- Strong balance sheet as of March 31, 2021
  - Cash and cash equivalents totaled $326 million.
  - Gross borrowings of $1.5 billion.
    - $1.0 billion of senior notes with an aggregate interest rate of 3.8%.
    - $520 million of revolving credit with an interest rate of 1.7%
    - Repaid $80 million of debt in Q2.

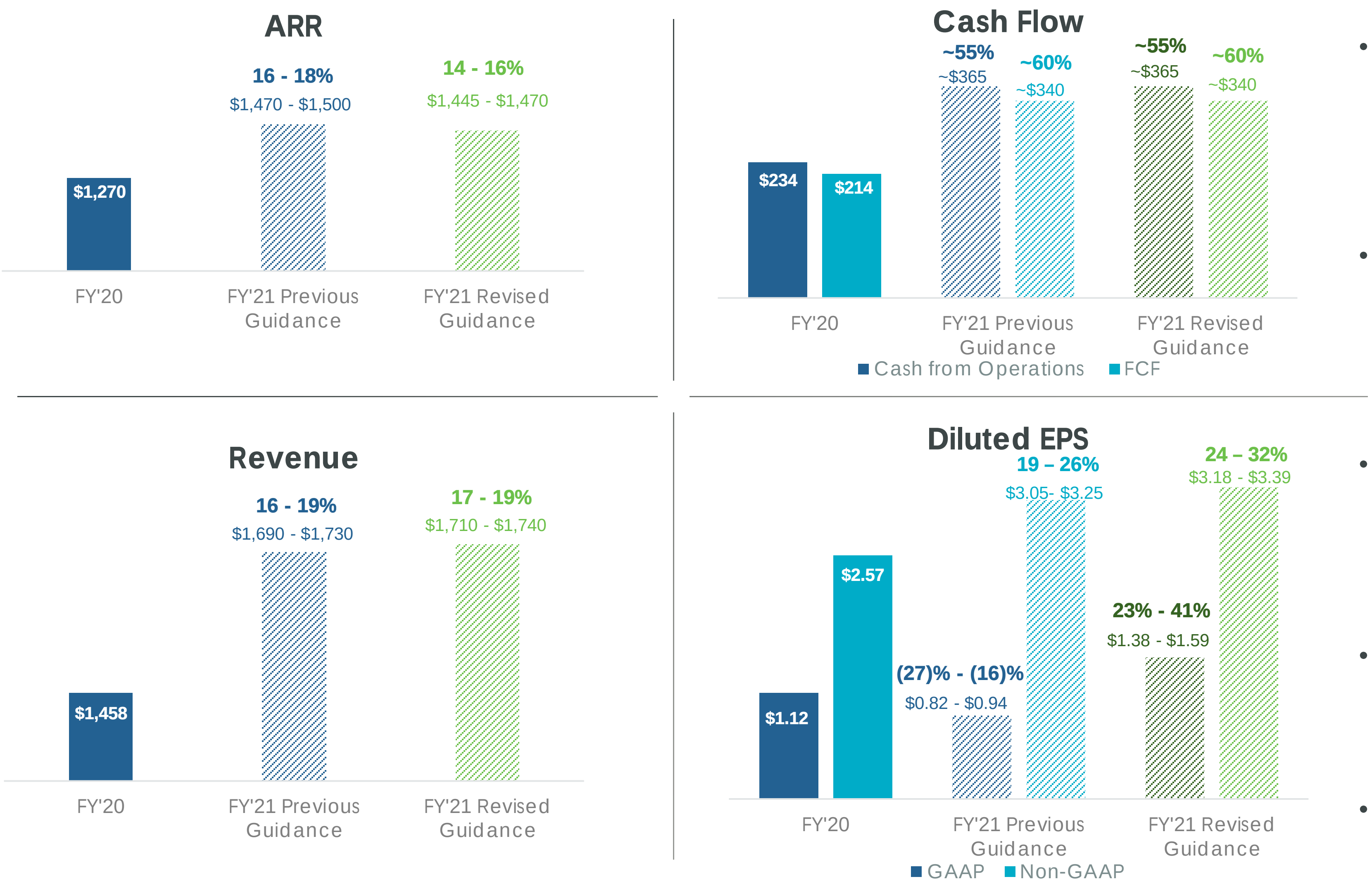
- Debt/EBITDA ratio less than 3x.

- Evaluating the timing of re-instating share repurchases.

FY’21 REVISED GUIDANCE ASSUMPTIONS

- Macroeconomic conditions related to the COVID-19 crisis improve in the second-half of FY’21.
- Organic ARR growth of 10% to 12% on a constant currency basis and Arena contributes ~400 basis points of ARR growth.
- Changes in foreign currency versus prior guidance effectively eliminate the prior ~200 bps currency tailwind to ARR. Our current guidance assumes that currency effects in FY’21 are now relatively flat with FY20.
- FY’21 ARR growth is inclusive of a ~2% headwind from lower Deferred ARR exiting FY’20, primarily due to lower bookings in FY’20 reflecting the effect of the COVID pandemic.
- ARR YoY growth rates, on an organic constant currency basis, are expected to be approximately linear each quarter throughout FY’21.
- Organic churn improves ~100 bps YoY.
- GAAP tax rate is expected to be ~20%, including a benefit of $42 million related to the tax effects for Arena Solutions and an approximately $34 million tax reserve related to an ongoing tax matter in a non-US jurisdiction. Non-GAAP tax rate is expected to be ~19%.

FY'21 REVISED GUIDANCE



ARR and Revenue dollars and growth rates as reported.
Cash from operations and free cash flow include ~$16 million of restructuring payments, ~$14 million of acquisition-related payments, ~$14 million un-forecasted payment related to a non-U.S. tax dispute, and ~$8 million of incremental interest related to the Arena acquisition; free cash flow is net of capital expenditures of ~$25 million.

- Previous ARR guidance assumed:
  - 10% - 12% organic constant currency growth
  - 400 bps from Arena
  - 200 bps from Fx
- Current ARR guidance assumes:
  - 10% - 12% organic constant currency growth
  - 400 bps from Arena
  - No impact from Fx
- Revenue guidance up $15 M at midpoint
  - Revenue growth rates can vary meaningfully due to up-front recognition of subscription license revenue under ASC 606.
- GAAP Operating Margin guidance up from 15% - 16% to 15% - 17%. Non-GAAP Operating Margin guidance increases from 30% - 31% to 31% - 32%.
- EPS and Non-GAAP EPS growth reflects strong revenue growth and financial discipline, while also investing for growth.
- FCF guidance remains $340 M

FY’21 GUIDANCE SUMMARY TABLE

In millions except per share amounts	Previous Guidance	Revised Guidance	YoY
ARR	$1,470 - $1,500	$1,445 - $1,470	14% - 16%
Cash from Operations	~$365		~55%
Free Cash Flow [1]	~$340		~60%
Revenue [2]	$1,690 - $1,730	$1,710 - $1,740	17% - 19%
GAAP Operating Margin [2]	15% - 16%	15% - 17%	150 bps – 300 bps
Non-GAAP Operating Margin [2]	30% - 31%	31% - 32%	200 bps – 300 bps
GAAP EPS	$0.82 - $0.94	$1.38 - $1.59	23% - 41%
Non-GAAP EPS[2]	$3.05 - $3.25	$3.18 - $3.39	24% -32%

[1] Cash from operations and free cash flow include ~$16 million of restructuring payments, ~$14 million of acquisition-related payments, ~$14 million un-forecasted payment related to a non-U.S. tax dispute, and ~$8 million of incremental interest related to the Arena acquisition; free cash flow is net of capital expenditures of ~$25 million.

[2] The FY’21 non-GAAP guidance excludes the estimated items outlined in the table below, 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 ~$34 million related to a non-US tax exposure primarily related to foreign withholding taxes and a tax benefit of ~$42 million related to Arena Solutions.

In millions	FY’21
Acquisition-related charges	$14
Intangible asset amortization expense	$59
Stock-based compensation expense	$186
Restructuring charges	$1
Total estimated Pre-Tax GAAP adjustments	$260

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; and 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 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 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 expenses; restructuring and other charges, net; non-operating 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. In the first six months of FY’21, we incurred tax expense related to a reserve for a South Korean tax exposure established in the period which is excluded from our non-GAAP financial measures as it is related to prior periods and not included in management’s view of Q2’21 results for comparative purposes. In Q2’21, we incurred a tax benefit related to the release of a valuation allowance as a result of the Arena acquisition. As the non-GAAP tax provision is calculated assuming that there is no valuation allowance, this benefit has been excluded from our non-GAAP financial measures.

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 target a Debt/EBITDA ratio of 3x and will assess stock repurchases in that context. 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, rather than the actual exchange rates in effect during that period.

NON-GAAP FINANCIAL AND OPERATING MEASURES

Operating Measures

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 annualized value of our portfolio of active subscription software, cloud, SaaS, and support contracts as of the end of the reporting period. ARR includes orders placed under our Strategic Alliance Agreement with Rockwell Automation, including orders placed to satisfy contractual 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 customers.

Deferred ARR (DARR) - DARR represents the incremental annualized exit value of customer contracts that are committed as of the end of the reporting period to start or increase in value in a future period.

Total ARR (TARR) - TARR is the sum of ARR and DARR.

Because these measures represent the annualized value of customer contracts as of a point in time, they do not represent revenue for any particular period or remaining revenue that will be recognized in future periods.

Bookings - We define Bookings as the annualized value, based on the final month of the contract, of new renewable software contracts committed to in a period. For contracts with terms of less than one year that are not associated with an existing contract, the booking is equal to the total contract value.

Bookings can flow into ARR or TARR, depending on the start date of the contract, or in the case of ramp deals, the start dates of each subsequent tranche of the ramp.

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

	Three Months Ended		Six Months Ended	
	March 31, 2021	March 28, 2020	March 31, 2021	March 28, 2020
Revenue:				
Recurring revenue	$ 414,845	$ 315,862	$ 799,803	$ 621,230
Perpetual license	6,922	8,218	15,385	17,216
Professional services	40,018	35,523	75,648	77,267
Total revenue (1)	461,785	359,603	890,836	715,713
Cost of revenue (2)	89,448	83,027	176,278	170,432
Gross margin	372,337	276,576	714,558	545,281
Operating expenses:				
Sales and marketing (2)	129,178	107,438	253,903	215,042
Research and development (2)	72,545	59,954	143,380	125,262
General and administrative (2)	60,805	33,629	110,333	78,186
Amortization of acquired intangible assets	7,650	7,288	14,197	14,065
Restructuring and other charges, net	469	18,242	716	32,276
Total operating expenses	270,647	226,551	522,529	464,831
Operating income	101,690	50,025	192,029	80,450
Other expense, net	(15,333)	(34,247)	(28,265)	(45,641)
Income before income taxes	86,357	15,778	163,764	34,809
Provision (benefit) for income taxes	(22,905)	8,622	30,987	(7,802)
Net income	$ 109,262	$ 7,156	$ 132,777	$ 42,611
Earnings per share:				
Basic	$ 0.94	$ 0.06	$ 1.14	$ 0.37
Weighted average shares outstanding	116,777	115,606	116,587	115,401
Diluted	$ 0.92	$ 0.06	$ 1.13	$ 0.37
Weighted average shares outstanding	118,331	116,017	117,966	115,856

(1) See supplemental financial data for revenue by license, support, and professional services. FY'21 recurring revenue includes a $3.8 million adjustment related to the fair value of acquired deferred revenue.
(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		Six Months Ended	
	March 31, 2021	March 28, 2020	March 31, 2021	March 28, 2020
License revenue (1)	$ 198,011	$ 127,607	$ 375,186	$ 251,037
Support and cloud services revenue (2)	223,756	196,473	440,002	387,409
Professional services revenue	40,018	35,523	75,648	77,267
Total revenue (2)	$ 461,785	$ 359,603	$ 890,836	$ 715,713

(1) License revenue includes the portion of subscription revenue allocated to license.
(2) FY'21 support and cloud services revenue includes a $3.8 million adjustment related to the fair value of acquired deferred revenue.

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

	Three Months Ended		Six Months Ended	
	March 31, 2021	March 28, 2020	March 31, 2021	March 28, 2020
Cost of revenue	$ 4,506	$ 3,000	$ 8,940	$ 6,043
Sales and marketing	13,305	7,146	28,304	14,598
Research and development	7,921	4,765	16,364	11,697
General and administrative	19,008	5,573	37,220	16,082
Total stock-based compensation	$ 44,740	$ 20,484	$ 90,828	$ 48,420

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

	Three Months Ended		Six Months Ended	
	March 31, 2021	March 28, 2020	March 31, 2021	March 28, 2020
GAAP gross margin	$ 372,337	$ 276,576	$ 714,558	$ 545,281
Stock-based compensation	4,506	3,000	8,940	6,043
Amortization of acquired intangible assets included in cost of revenue	7,117	6,879	13,384	13,678
Non-GAAP gross margin	$ 383,960	$ 286,455	$ 736,882	$ 565,002
GAAP operating income	$ 101,690	$ 50,025	$ 192,029	$ 80,450
Stock-based compensation	44,740	20,484	90,828	48,420
Amortization of acquired intangible assets	14,767	14,167	27,581	27,743
Acquisition-related and other transactional charges	10,310	261	14,226	7,390
Restructuring and other charges, net	469	18,242	716	32,276
Non-GAAP operating income (1)	$ 171,976	$ 103,179	$ 325,380	$ 196,279
GAAP net income	$ 109,262	$ 7,156	$ 132,777	$ 42,611
Stock-based compensation	44,740	20,484	90,828	48,420
Amortization of acquired intangible assets	14,767	14,167	27,581	27,743
Acquisition-related and other transactional charges	10,310	261	14,226	7,390
Restructuring and other charges, net	469	18,242	716	32,276
Non-operating charges (2)	-	15,000	-	15,000
Income tax adjustments (3)	(51,703)	(6,855)	(24,552)	(38,821)
Non-GAAP net income	$ 127,845	$ 68,455	$ 241,576	$ 134,619
GAAP diluted earnings per share	$ 0.92	$ 0.06	$ 1.13	$ 0.37
Stock-based compensation	0.38	0.18	0.77	0.42
Amortization of acquired intangibles	0.12	0.12	0.23	0.24
Acquisition-related and other transactional charges	0.09	-	0.12	0.06
Restructuring and other charges, net	-	0.16	0.01	0.28
Non-operating charges	-	0.13	-	0.13
Income tax adjustments	(0.44)	(0.06)	(0.21)	(0.34)
Non-GAAP diluted earnings per share	$ 1.08	$ 0.59	$ 2.05	$ 1.16

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

	Three Months Ended		Six Months Ended	
	March 31, 2021	March 28, 2020	March 31, 2021	March 28, 2020
GAAP operating margin	22.0%	13.9%	21.6%	11.2%
Stock-based compensation	9.7%	5.7%	10.2%	6.8%
Amortization of acquired intangibles	3.2%	3.9%	3.1%	3.9%
Acquisition-related and other transactional charges	2.2%	0.1%	1.6%	1.0%
Restructuring and other charges, net	0.1%	5.1%	0.1%	4.5%
Non-GAAP operating margin	37.2%	28.7%	36.5%	27.4%

(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.

(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 2021 and 2020 non-GAAP tax provisions are being calculated assuming there is no valuation allowance. In Q2'21 and Q1'20, our GAAP results included benefits of $42.3 million and $21.2 million, respectively, related to the release of a valuation allowance as a result of the Arena and Onshape acquisitions. As the non-GAAP tax provision is calculated assuming that there is no valuation allowance, these benefits have 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 non-GAAP results for the first six months of FY'21 exclude tax expense of $34.2 million related to a non-U.S. tax exposure, primarily related to foreign withholding taxes.

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

	March 31, 2021	September 30, 2020
ASSETS		
Cash and cash equivalents	$ 326,081	$ 275,458
Marketable securities	-	59,099
Accounts receivable, net	434,533	415,221
Property and equipment, net	97,260	101,499
Goodwill and acquired intangible assets, net	2,603,942	1,863,356
Lease assets, net	148,684	149,933
Other assets	570,721	518,172
Total assets	$ 4,181,221	$ 3,382,738
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deferred revenue	$ 492,421	$ 426,465
Debt, net of deferred issuance costs	1,508,389	1,005,314
Lease obligations	206,384	215,023
Other liabilities	323,494	297,688
Stockholders' equity	1,650,533	1,438,248
Total liabilities and stockholders' equity	$ 4,181,221	$ 3,382,738

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

	Three Months Ended		Six Months Ended	
	March 31, 2021	March 28, 2020	March 31, 2021	March 28, 2020
Cash flows from operating activities:				
Net income	$ 109,262	$ 7,156	$ 132,777	$ 42,611
Stock-based compensation	44,740	20,484	90,828	48,420
Depreciation and amortization	21,334	20,605	40,169	40,193
Amortization of right-of-use lease assets	9,565	10,386	18,956	19,143
Accounts receivable	(20,169)	(14,127)	(9,854)	20,187
Accounts payable and accruals	(4,025)	17,476	(896)	1,954
Deferred revenue	53,061	52,345	52,210	17,393
Income taxes	(49,481)	(1,113)	(4,944)	(43,815)
Other	(42,595)	(25,395)	(83,792)	(50,757)
Net cash provided by operating activities	121,692	87,817	235,454	95,329
Capital expenditures	(5,385)	(5,536)	(8,242)	(10,243)
Acquisition of businesses, net of cash acquired (1)	(717,198)	(771)	(717,198)	(468,520)
Borrowings (payments) on debt, net	520,000	520,000	502,000	975,000
Net proceeds associated with issuance of common stock	10,484	8,980	10,484	8,980
Payments of withholding taxes in connection with vesting of stock-based awards	(2,742)	(722)	(27,242)	(23,571)
Debt Issuance Costs	-	(15,261)	-	(16,266)
Net proceeds from (purchases of) marketable securities (2)	-	(87)	58,469	(180)
Other financing & investing activities	5,556	3,070	(3,632)	2,200
Foreign exchange impact on cash	(5,010)	(7,731)	543	(5,740)
Net change in cash, cash equivalents, and restricted cash	(72,603)	589,759	50,636	556,989
Cash, cash equivalents, and restricted cash, beginning of period	399,199	237,919	275,960	270,689
Cash, cash equivalents, and restricted cash, end of period	$ 326,596	$ 827,678	$ 326,596	$ 827,678

	Three Months Ended		Six Months Ended	
	March 31, 2021	March 28, 2020	March 31, 2021	March 28, 2020
Cash provided by operating activities	$ 121,692	$ 87,817	$ 235,454	$ 95,329
Capital expenditures	(5,385)	(5,536)	(8,242)	(10,243)
Free cash flow (3)	$ 116,307	$ 82,281	$ 227,212	$ 85,086

(1) In the second quarter of 2021, we acquired Arena for approximately $715 million, net of cash acquired. 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 $4.5 million and $11.7 million of restructuring payments in the three and six months ended March 31, 2021, respectively, compared with $18.0 million and $21.3 million in the three and six months ended March 28, 2020. Free cash flow includes $8.2 million and $11.1 million of acquisition-related payments for the three and six months ended March 31, 2021, respectively, compared with $2.1 million and $8.6 million in the three and six months ended March 28, 2020.