

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

	Three Months Ended		
	March 30, 2019	March 30, 2019	March 31, 2018
	ASC 606	ASC 605	ASC 605
Revenue:			
Subscription license	\$ 51,540		
Subscription support & cloud services	83,228		
Total Subscription	134,768	\$ 162,070	\$ 112,931
Perpetual support	104,417	103,564	126,683
Total recurring revenue	239,185	265,634	239,614
Perpetual license	10,336	11,267	22,839
Total software revenue	249,521	276,901	262,453
Professional services	40,930	38,598	45,430
Total revenue ⁽¹⁾	290,451	315,499	307,883
Cost of revenue:			
Cost of software revenue ^{(2) (3)}	45,749	45,222	46,189
Cost of professional services revenue ^{(2) (3)}	34,155	32,745	37,519
Total cost of revenue	79,904	77,967	83,708
Gross margin	210,547	237,532	224,175
Operating expenses:			
Sales and marketing ^{(2) (3)}	103,722	109,421	98,390
Research and development ^{(2) (4)}	61,402	61,402	62,197
General and administrative ^{(2) (3)}	35,371	35,371	33,369
Amortization of acquired intangible assets	5,930	5,930	7,895
Restructuring and other charges, net	26,980	26,980	114
Total operating expenses	233,405	239,104	201,965
Operating income (loss)	(22,858)	(1,572)	22,210
Other expense, net ⁽³⁾	(10,562)	(10,318)	(10,664)
Income (loss) before income taxes	(33,420)	(11,890)	11,546
Provision for income taxes	10,093	140	3,624
Net income (loss)	\$ (43,513)	\$ (12,030)	\$ 7,922
Earnings (loss) per share:			
Basic	\$ (0.37)	\$ (0.10)	\$ 0.07
Weighted average shares outstanding	118,461	118,461	116,241
Diluted	\$ (0.37)	\$ (0.10)	\$ 0.07
Weighted average shares outstanding	118,461	118,461	117,905

(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 March 31, 2018.

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

	Six Months Ended		
	March 30, 2019	March 30, 2019	March 31, 2018
	ASC 606	ASC 605	ASC 605
Revenue:			
Subscription license	\$ 115,057		
Subscription support & cloud services	160,652		
Total Subscription	275,709	\$ 310,483	\$ 212,939
Perpetual support	214,914	212,789	257,880
Total recurring revenue	490,623	523,272	470,819
Perpetual license	52,141	53,017	56,824
Total software revenue	542,764	576,289	527,643
Professional services	82,376	77,967	86,884
Total revenue ⁽¹⁾	625,140	654,256	614,527
Cost of revenue:			
Cost of software revenue ^{(2) (3)}	89,509	88,199	92,805
Cost of professional services revenue ^{(2) (3)}	67,747	64,964	73,938
Total cost of revenue	157,256	153,163	166,743
Gross margin	467,884	501,093	447,784
Operating expenses:			
Sales and marketing ^{(2) (3)}	207,940	216,725	197,765
Research and development ^{(2) (4)}	122,184	122,184	126,169
General and administrative ^{(2) (3)}	73,235	73,235	68,389
Amortization of acquired intangible assets	11,866	11,866	15,716
Restructuring and other charges, net	45,473	45,473	219
Total operating expenses	460,698	469,483	408,258
Operating income	7,186	31,610	39,526
Other expense, net ⁽³⁾	(20,184)	(20,046)	(21,509)
Income (loss) before income taxes	(12,998)	11,564	18,017
Provision (benefit) for income taxes ⁽⁴⁾	9,530	4,346	(3,782)
Net income (loss)	\$ (22,528)	\$ 7,218	\$ 21,799
Earnings (loss) per share:			
Basic	\$ (0.19)	\$ 0.06	\$ 0.19
Weighted average shares outstanding	118,392	118,392	115,986
Diluted	\$ (0.19)	\$ 0.06	\$ 0.19
Weighted average shares outstanding	118,392	119,490	117,780

(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 \$0.3 million of non-service related net periodic pension income to other expense, net from cost of revenue and operating expenses for the six months ended March 31, 2018.

(4) Our 2018 year-to-date 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		
	March 30, 2019	March 30, 2019	March 31, 2018
	ASC 606	ASC 605	ASC 605
License revenue ⁽¹⁾	\$ 61,876	\$ 156,131	\$ 120,505
Support and cloud services revenue	187,645	120,770	141,948
Professional services revenue	40,930	38,598	45,430
Total revenue	<u>\$ 290,451</u>	<u>\$ 315,499</u>	<u>\$ 307,883</u>

	Six Months Ended		
	March 30, 2019	March 30, 2019	March 31, 2018
	ASC 606	ASC 605	ASC 605
License revenue ⁽¹⁾	\$ 167,198	\$ 330,036	\$ 240,023
Support and cloud services revenue	375,566	246,253	287,620
Professional services revenue	82,376	77,967	86,884
Total revenue	<u>\$ 625,140</u>	<u>\$ 654,256</u>	<u>\$ 614,527</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		
	March 30, 2019	March 30, 2019	March 31, 2018
	ASC 606	ASC 605	ASC 605
Cost of software revenue	\$ 1,206	\$ 1,206	\$ 1,098
Cost of professional services revenue	1,906	1,906	1,669
Sales and marketing	9,522	9,522	5,038
Research and development	5,190	5,190	3,383
General and administrative	9,143	9,143	5,838
Total stock-based compensation	<u>\$ 26,967</u>	<u>\$ 26,967</u>	<u>\$ 17,026</u>

	Six Months Ended		
	March 30, 2019	March 30, 2019	March 31, 2018
	ASC 606	ASC 605	ASC 605
Cost of software revenue	\$ 2,503	\$ 2,503	\$ 2,319
Cost of professional services revenue	3,720	3,720	3,375
Sales and marketing	19,244	19,244	9,917
Research and development	10,090	10,090	6,343
General and administrative	20,817	20,817	13,403
Total stock-based compensation	<u>\$ 56,374</u>	<u>\$ 56,374</u>	<u>\$ 35,357</u>

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

	Three Months Ended		
	March 30, 2019	March 30, 2019	March 31, 2018
	ASC 606	ASC 605	ASC 605
GAAP revenue	\$ 290,451	\$ 315,499	\$ 307,883
Fair value adjustment of acquired deferred subscription revenue	-	-	75
Fair value adjustment of acquired deferred services revenue	198	198	233
Non-GAAP revenue	<u>\$ 290,649</u>	<u>\$ 315,697</u>	<u>\$ 308,191</u>
GAAP gross margin	\$ 210,547	\$ 237,532	\$ 224,175
Fair value adjustment of acquired deferred revenue	198	198	308
Fair value adjustment to deferred services cost	(77)	(77)	(96)
Stock-based compensation	3,112	3,112	2,767
Amortization of acquired intangible assets included in cost of revenue	6,842	6,842	6,556
Non-GAAP gross margin	<u>\$ 220,622</u>	<u>\$ 247,607</u>	<u>\$ 233,710</u>
GAAP operating income (loss)	\$ (22,858)	\$ (1,572)	\$ 22,210
Fair value adjustment of acquired deferred revenue	198	198	308
Fair value adjustment to deferred services cost	(77)	(77)	(96)
Stock-based compensation	26,967	26,967	17,026
Amortization of acquired intangible assets included in cost of revenue	6,842	6,842	6,556
Amortization of acquired intangible assets	5,930	5,930	7,895
Acquisition-related and other transactional charges included in general and administrative costs	372	372	133
Restructuring and other charges, net	26,980	26,980	114
Non-GAAP operating income ⁽¹⁾	<u>\$ 44,354</u>	<u>\$ 65,640</u>	<u>\$ 54,146</u>
GAAP net income (loss)	\$ (43,513)	\$ (12,030)	\$ 7,922
Fair value adjustment of acquired deferred revenue	198	198	308
Fair value adjustment to deferred services cost	(77)	(77)	(96)
Stock-based compensation	26,967	26,967	17,026
Amortization of acquired intangible assets included in cost of revenue	6,842	6,842	6,556
Amortization of acquired intangible assets	5,930	5,930	7,895
Acquisition-related and other transactional charges included in general and administrative costs	372	372	133
Restructuring and other charges, net	26,980	26,980	114
Income tax adjustments ⁽²⁾	2,138	(10,399)	(80)
Non-GAAP net income	<u>\$ 25,837</u>	<u>\$ 44,783</u>	<u>\$ 39,778</u>
GAAP diluted earnings (loss) per share	\$ (0.37)	\$ (0.10)	\$ 0.07
Fair value adjustment of acquired deferred revenue	-	-	-
Stock-based compensation	0.23	0.23	0.14
Amortization of acquired intangibles	0.11	0.11	0.12
Acquisition-related and other transactional charges	-	-	-
Restructuring and other charges, net	0.23	0.23	-
Income tax adjustments	0.02	(0.09)	-
Non-GAAP diluted earnings per share	<u>\$ 0.22</u>	<u>\$ 0.38</u>	<u>\$ 0.34</u>
GAAP diluted weighted average shares outstanding	118,461	118,461	117,905
Dilutive effect of stock-based compensation plans	881	881	-
Non-GAAP diluted weighted average shares outstanding	<u>119,342</u>	<u>119,342</u>	<u>117,905</u>

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

	Three Months Ended		
	March 30, 2019	March 30, 2019	March 31, 2018
	ASC 606	ASC 605	ASC 605
GAAP operating margin	-7.9%	-0.5%	7.2%
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	9.3%	8.5%	5.5%
Amortization of acquired intangibles	4.4%	4.0%	4.7%
Acquisition-related and other transactional charges	0.1%	0.1%	0.0%
Restructuring and other charges, net	9.3%	8.6%	0.0%
Non-GAAP operating margin	<u>15.3%</u>	<u>20.8%</u>	<u>17.6%</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.

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

	Six Months Ended		
	March 30, 2019	March 30, 2019	March 31, 2018
	ASC 606	ASC 605	ASC 605
GAAP revenue	\$ 625,140	\$ 654,256	\$ 614,527
Fair value adjustment of acquired deferred subscription revenue	66	66	191
Fair value adjustment of acquired deferred services revenue	405	405	480
Non-GAAP revenue	<u>\$ 625,611</u>	<u>\$ 654,727</u>	<u>\$ 615,198</u>
GAAP gross margin	\$ 467,884	\$ 501,093	\$ 447,784
Fair value adjustment of acquired deferred revenue	471	471	671
Fair value adjustment to deferred services cost	(162)	(162)	(200)
Stock-based compensation	6,223	6,223	5,694
Amortization of acquired intangible assets included in cost of revenue	13,559	13,559	13,231
Non-GAAP gross margin	<u>\$ 487,975</u>	<u>\$ 521,184</u>	<u>\$ 467,180</u>
GAAP operating income	\$ 7,186	\$ 31,610	\$ 39,526
Fair value adjustment of acquired deferred revenue	471	471	671
Fair value adjustment to deferred services cost	(162)	(162)	(200)
Stock-based compensation	56,374	56,374	35,357
Amortization of acquired intangible assets included in cost of revenue	13,559	13,559	13,231
Amortization of acquired intangible assets	11,866	11,866	15,716
Acquisition-related and other transactional charges included in general and administrative costs	791	791	140
Restructuring and other charges, net	45,473	45,473	219
Non-GAAP operating income ⁽¹⁾	<u>\$ 135,558</u>	<u>\$ 159,982</u>	<u>\$ 104,660</u>
GAAP net income (loss)	\$ (22,528)	\$ 7,218	\$ 21,799
Fair value adjustment of acquired deferred revenue	471	471	671
Fair value adjustment to deferred services cost	(162)	(162)	(200)
Stock-based compensation	56,374	56,374	35,357
Amortization of acquired intangible assets included in cost of revenue	13,559	13,559	13,231
Amortization of acquired intangible assets	11,866	11,866	15,716
Acquisition-related and other transactional charges included in general and administrative costs	791	791	140
Restructuring and other charges, net	45,473	45,473	219
Income tax adjustments ⁽²⁾	(12,718)	(22,540)	(11,080)
Non-GAAP net income	<u>\$ 93,126</u>	<u>\$ 113,050</u>	<u>\$ 75,853</u>
GAAP diluted earnings (loss) per share	\$ (0.19)	\$ 0.06	\$ 0.19
Fair value adjustment of acquired deferred revenue	-	-	0.01
Stock-based compensation	0.47	0.47	0.30
Amortization of acquired intangibles	0.21	0.21	0.25
Acquisition-related and other transactional charges	0.01	0.01	-
Restructuring and other charges, net	0.38	0.38	-
Income tax adjustments	(0.11)	(0.19)	(0.09)
Non-GAAP diluted earnings per share	<u>\$ 0.78</u>	<u>\$ 0.95</u>	<u>\$ 0.64</u>
GAAP diluted weighted average shares outstanding	118,392	119,490	117,780
Dilutive effect of stock-based compensation plans	1,098	-	-
Non-GAAP diluted weighted average shares outstanding	<u>119,490</u>	<u>119,490</u>	<u>117,780</u>

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

	Six Months Ended		
	March 30, 2019	March 30, 2019	March 31, 2018
	ASC 606	ASC 605	ASC 605
GAAP operating margin	1.1%	4.8%	6.4%
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	9.0%	8.6%	5.8%
Amortization of acquired intangibles	4.1%	3.9%	4.7%
Acquisition-related and other transactional charges	0.1%	0.1%	0.0%
Restructuring and other charges, net	7.3%	7.0%	0.1%
Non-GAAP operating margin	<u>21.7%</u>	<u>24.4%</u>	<u>17.0%</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)

	March 30, 2019 <u>ASC 606⁽¹⁾</u>	March 30, 2019 <u>ASC 605</u>	September 30, 2018 <u>ASC 605</u>
ASSETS			
Cash and cash equivalents	\$ 294,299	\$ 294,299	\$ 259,946
Marketable securities	56,415	56,415	55,951
Accounts receivable, net	352,217	110,510	129,297
Property and equipment, net	106,837	106,837	80,613
Goodwill and acquired intangible assets, net	1,421,913	1,421,913	1,382,659
Other assets	484,138	490,722	420,556
Total assets	<u>\$ 2,715,819</u>	<u>\$ 2,480,696</u>	<u>\$ 2,329,022</u>
LIABILITIES AND STOCKHOLDERS' EQUITY			
Deferred revenue	\$ 391,807	\$ 553,709	\$ 499,442
Debt, net of deferred issuance costs	738,700	738,700	643,268
Other liabilities	337,604	275,359	311,723
Stockholders' equity	1,247,708	912,928	874,589
Total liabilities and stockholders' equity	<u>\$ 2,715,819</u>	<u>\$ 2,480,696</u>	<u>\$ 2,329,022</u>

(1) Our consolidated balance sheet as of March 30, 2019 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 second quarter of 2019.

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

	Three Months Ended		Six Months Ended	
	March 30, 2019	March 31, 2018	March 30, 2019	March 31, 2018
Cash flows from operating activities:				
Net income (loss)	\$ (43,513)	\$ 7,922	\$ (22,528)	\$ 21,799
Stock-based compensation	26,967	17,026	56,374	35,357
Depreciation and amortization	19,505	21,681	39,558	42,727
Accounts receivable	30,476	10,424	54,501	32,027
Accounts payable and accruals	9,264	13,927	(27,868)	(39,130)
Deferred revenue	58,767	36,972	36,947	59,027
Income taxes	5,991	138	(15,677)	(14,134)
Other ⁽¹⁾	33,673	2,993	41,037	(1,075)
Net cash provided by operating activities ⁽³⁾	<u>141,130</u>	<u>111,083</u>	<u>162,344</u>	<u>136,598</u>
Capital expenditures	(20,936)	(4,762)	(51,268)	(11,139)
Acquisition of businesses, net of cash acquired ⁽²⁾	103	(3,000)	(69,453)	(3,000)
Purchase of intangible asset	-	(500)	-	(3,000)
Borrowings (payments) on debt, net	(40,000)	(100,000)	95,000	(70,000)
Net proceeds associated with issuance of common stock	8,798	7,472	4,158	7,472
Repurchases of common stock	(64,994)	-	(64,994)	-
Payments of withholding taxes in connection with vesting of stock-based awards	(703)	(454)	(34,491)	(33,942)
Proceeds from (purchase of) investment	(7,500)	-	(7,500)	-
Contingent consideration	-	-	(1,575)	(3,176)
Purchases of marketable securities, net	(504)	(5,046)	(233)	(5,554)
Other financing & investing activities	1,709	-	114	-
Foreign exchange impact on cash	196	3,239	2,237	5,837
Net change in cash, cash equivalents, and restricted cash ⁽¹⁾	17,299	8,032	34,339	20,096
Cash, cash equivalents, and restricted cash, beginning of period	278,133	293,273	261,093	281,209
Cash, cash equivalents, and restricted cash, end of period	<u>\$ 295,432</u>	<u>\$ 301,305</u>	<u>\$ 295,432</u>	<u>\$ 301,305</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 \$0.1 million decrease and \$0.3 million increase related to the change in restricted cash from the change in other current assets for the three months and six months ended March 31, 2018, respectively.

(2) On December 29, 2018, we acquired Frustum for \$70 million, net of cash acquired.

(3) Our consolidated cash flows as of March 30, 2019 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 second quarter of 2019.