



PTC ANNOUNCES FISCAL FOURTH QUARTER AND FISCAL 2020 RESULTS

BOSTON, MA, October 28, 2020 - PTC (NASDAQ: PTC) today reported financial results for its fiscal fourth quarter and fiscal year ended September 30, 2020.

"Continued solid execution by our global team overcame challenges related to the ongoing pandemic, leading to strong bookings in our fourth quarter. The pandemic has helped customers recognize the value PTC can unlock through our digital transformation solutions – from enabling global team collaboration across the product development process, to remote asset management, to remote support and front-line worker training, to the growing importance of SaaS-based technologies," said James Heppelmann, President and CEO, PTC.

"We believe that our fourth quarter performance and robust pipeline points to a promising start to our fiscal 2021, despite ongoing macro uncertainty. While consensus around the timing and shape of a broader economic recovery remains uncertain, it is clear that PTC is very well positioned to continue to drive new innovations across our product portfolio, enable significant customer value in the new normal, and deliver strong sustainable growth," concluded Heppelmann.

Fourth quarter and fiscal year 2020 highlights¹

Key operating and financial highlights are set forth below. For additional details, please refer to the prepared remarks and financial data tables that have been posted to the Investor Relations section of our website at investor.ptc.com.

- **ARR** was \$1.27 billion. Year-over-year growth of 14%, or 11% in constant currency, reflects solid performance in our Core and Growth businesses, in our global channel, and, as expected, contribution from our Rockwell Automation Strategic Alliance.
- **Revenue** was \$391 million in Q4'20 and \$1,458 million in FY'20. Q4'20 growth of 17% compared to Q4'19, and FY'20 growth of 16% compared to FY'19, was driven by strength across our Core and Growth businesses, as well as the impact of ASC 606 and related business policy changes.
- **Cash flow** from operations was \$34 million in Q4'20, compared to \$55 million in Q4'19, partly reflecting the impact of interest payments in Q4'20. For FY'20, cash flow from operations was \$234 million, compared to \$285 million in FY'19. Free cash flow was \$29 million in Q4'20, compared to \$50 million in Q4'19. For FY'20, free cash flow was \$214 million, compared to \$221 million in FY'19, and guidance of approximately \$210 million.
- **Operating margin** was 17% in Q4'20 compared to 14% in Q4'19; non-GAAP operating margin was 32% in Q4'20, compared to 24% in Q4'19. Operating margin was 14% in FY'20, compared to 5% in FY'19; non-GAAP operating margin was 29% in FY'20, compared to 20% in FY'19.
- **Total cash, cash equivalents, and marketable securities** as of the end of Q4'20 was \$335 million; total gross borrowings as of the end of Q4'20 was \$1.0 billion.

¹ We include operating and non-GAAP financial measures in our operational highlights. The definitions of these items and reconciliations of Non-GAAP financial measures to comparable GAAP measures are included below and in the reconciliation tables at the end of this press release.



Fiscal 2021 Outlook

“PTC’s solid financial performance throughout this challenging economic environment reflects the value our customers see in our solutions coupled with the benefits of our subscription transition, which is now officially in the rear-view mirror. Looking forward, we remain committed to delivering attractive FY’21 ARR with significant operating and free cash flow growth.” said Kristian Talvitie, EVP and CFO, PTC.

Fiscal 2021 Guidance

Our fiscal 2021 financial outlook includes the following assumptions:

- Macroeconomic conditions related to the COVID-19 crisis remain stable near-term with conditions improving in the second-half of FY’21.
- Churn improves approximately 100 bps at the midpoint of guidance.
- ARR growth includes a ~2% headwind from lower backlog for FY’21 exiting FY’20, resulting primarily from COVID-19-related bookings pressure in FY’20.
- ARR YoY growth rates, on a constant currency basis, are expected to be approximately linear each quarter throughout FY’21.
- Revenue growth decelerates in FY’21 reflecting the impact of ASC 606 and related business policy changes that benefited revenue in FY’20.
- FY’21 operating expense growth of approximately 10% YoY, reflecting headcount additions, higher variable compensation, travel, and marketing expenses.
- GAAP tax rate is expected to be 20%, Non-GAAP tax rate is expected to be ~19%.
- Operating cash flow and free cash flow tailwinds of approximately \$60 million, reflecting lower restructuring, interest-related, and acquisition-related cash expenditures.

<i>In millions except per share amounts</i>	FY’21 Guidance	YoY
ARR	\$1,385 - \$1,420	9% - 12%
Cash from Operations	~\$365	~55%
Free cash flow ⁽¹⁾	~\$340	~60%
Revenue	\$1,550 - \$1,600	6% - 10%
GAAP Operating Margin	13% - 14%	~flat
Non-GAAP Operating Margin ⁽²⁾	28% - 29%	~flat
GAAP EPS	\$1.03 - \$1.23	(9)% - 9%
Non-GAAP EPS ⁽²⁾	\$2.65 - \$2.85	3% - 11%

(1) Cash from operations and free cash flow include ~\$15 million of restructuring payments, and 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 tax effects and discrete tax items (which are not known or reflected).

<i>In millions</i>	FY’21
Intangible asset amortization expense	\$53
Stock-based compensation expense	\$175
Total Estimated Pre-Tax GAAP adjustments	\$228



PTC's Fiscal Fourth Quarter and Fiscal Year 2020 Results Conference Call, Prepared Remarks and Data Tables

Prepared remarks and financial data tables have been posted to the Investor Relations section of our website at ptc.com. The Company will host a conference call to discuss results at 5:00 pm ET on Wednesday, October 28, 2020.

To access the live webcast, we recommend you visit PTC's Investor Relations website at investor.ptc.com 15 minutes before the scheduled start time to download any necessary audio or plug-in software, and the accompanying Prepared Remarks document.

To participate in the live conference call, dial 866-987-6881 or 270-215-9571 and provide the conference ID: 6168834. The call will be recorded, and replay will be available via webcast on [PTC's Investor Relations website](#).



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	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	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	\$ 3,381,338	\$ 2,664,588
 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	\$ 3,381,338	\$ 2,664,588

(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)

	<u>Three Months Ended</u>		<u>Twelve Months Ended</u>	
	<u>September 30,</u> <u>2020</u>	<u>September 30,</u> <u>2019</u>	<u>September 30,</u> <u>2020</u>	<u>September 30,</u> <u>2019</u>
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	<u>33,974</u>	<u>55,216</u>	<u>233,808</u>	<u>285,145</u>
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>

	<u>Three Months Ended</u>		<u>Twelve Months Ended</u>	
	<u>September 30,</u> <u>2020</u>	<u>September 30,</u> <u>2019</u>	<u>September 30,</u> <u>2020</u>	<u>September 30,</u> <u>2019</u>
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.



Important Disclosures

Important Information About Our Non-GAAP Financial Measures

PTC provides non-GAAP supplemental financial information 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 operational 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 financial results and such items often recur. Management uses, and investors should consider, non-GAAP financial measures in conjunction with our GAAP results.

Non-GAAP revenue, 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: fair value of acquired deferred revenue, fair value adjustment to deferred services cost, stock-based compensation, amortization of acquired intangible assets, acquisition-related and other transactional charges included in general and administrative costs, restructuring and other charges, debt early redemption premium and write-off of issuance costs associated with the extinguished debt and income tax adjustments. We exclude the debt early redemption premium because, although paid in cash in May 2020, it was not modelled in our guidance for the year; excluding it enables investors to view our results in the context of our guidance. 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" of our Annual Report on Form 10-K for the fiscal year ended September 30, 2019.

Free Cash Flow - PTC also 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 goal of returning approximately 50% of our free cash flow to shareholders via stock repurchases. As a reminder, we suspended the share repurchase program for FY'20. Free cash flow is net cash provided by (used in) operating activities less capital expenditures. Free cash flow is not a measure of cash available for discretionary expenditures.

Constant Currency Metric - We present CC information for revenue, EPS, and ARR to provide a framework for assessing how our underlying business performed excluding the effects of foreign currency rate fluctuations. To present CC revenue, 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, 2019, excluding the effect of any hedging, rather than the actual exchange rates in effect during that period.

Operating Measure

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 annual value of our portfolio of active renewable customer contracts as of the end of the reporting period, including subscription software, cloud, and support contracts. ARR includes IoT and AR orders placed under our Strategic Alliance Agreement with Rockwell Automation and includes orders placed to satisfy contractual quarterly 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 new customers, existing customer renewals and expansions, and includes the impact of churn, which reflects



gross churn, offset by the impact of any pricing increases. Because this measure represents the annual value of renewable customer contracts as of the end of a reporting period, ARR does not represent revenue for any particular period or remaining revenue that will be recognized in future periods.

Forward-Looking Statements

Statements in this document that are not historic facts, including statements about our future financial and growth expectations and targets, are forward-looking statements that involve risks and uncertainties that could cause actual results to differ materially from those projected. These risks include: the COVID-19 pandemic impact on the global macroeconomic environment and our business could be more severe and prolonged than we expect; customers may delay or reduce purchases of new software, reduce the number of subscriptions they carry, or delay payments to us due to the COVID-19 pandemic, all of which would adversely affect ARR and our financial results, including cash flow; the macroeconomic and/or global manufacturing climates may deteriorate further and/or economic conditions might not improve in the second half of FY '21 as our current plans assume; our businesses, including our Internet of Things (IoT), Augmented Reality and Onshape businesses, may not expand and/or generate the revenue or ARR we expect if customers are slower to adopt those technologies than we expect or if they adopt competing technologies; 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 the future; our strategic initiatives and investments may not generate the revenue or ARR we expect. 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.

About PTC (NASDAQ: PTC)

PTC enables global manufacturers to realize double-digit impact with software solutions that enable them to accelerate product and service innovation, improve operational efficiency, and increase workforce productivity. In combination with an extensive partner network, PTC provides customers flexibility in how its technology can be deployed to drive digital transformation – on premises, in the cloud, or via its pure SaaS platform. At PTC, we don't just imagine a better world, we enable it.

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