ASC 606 ADOPTION

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SAFE HARBOR STATEMENT

This presentation includes forward looking statements regarding PTC's future financial performance and future operations, and the expected effects of the adjustment to retained earnings and the capitalization and amortization of commission expenses on future periods and offsets to those effects. 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 PTC's Annual Report on Form 10-K, Forms 10-Q and other filings with the U.S. Securities and Exchange Commission.

KEY HIGHLIGHTS

What's not changing?

- PTC's business model
  - We will continue to sell 1, 2, and 3-year subscriptions
- Operating cash flow and free cash flow
  - We will continue to bill customers annually for subscriptions
- Bookings disclosures
  - Total new license bookings (PEB) and ACV disclosures will continue
- SaaS/Cloud-based revenue
  - SaaS and Hybrid Cloud products will be recognized ratably

What's changing?

- On-premise subscriptions are "unbundled" into license revenue, which will be recognized upfront, and ratable support revenue; we will subtotal these to subscription revenue, and we will separately disclose support revenue from perpetual customers
- Deferred and unbilled deferred revenue, based on ASC 605
  - We recorded a one-time adjustment to retained earnings of $366M as of 10/1/18
- 605 commission adjustment of approximately $70M capitalized and amortized over 5 years; post-606 commission deferrals
- Recurring nature of subscription revenue from ratable over subscription term to annual recurring
  - Multi-year subscription contracts are now generally structured to enable annual revenue recognition
- While we will have annual recurring subscription revenue, we expect subscription revenue to fluctuate throughout the year, based on the timing of start dates for new and renewal bookings, which vary significantly quarter to quarter

OVERVIEW AND BASIC PRINCIPLES

- ASC 606 became effective for PTC on 10/1/18 (FY19)
- Reporting under the “modified retrospective” method; no prior restatement
- Results will be reported under both ASC 605 and ASC 606 for FY’19
- Key changes to revenue recognition are in steps 4 and 5 below

Revenue Recognition – 5 Steps

1. Identify the contract with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to performance obligations
5. Recognize revenue when (or as) the entity satisfies a performance obligation

REVENUE AND COMMISSION IMPACT

	605 Revenue and Expense Treatment	606 Revenue and Expense Treatment
On-premises subscription revenue with no significant cloud features	Ratable over term	Two performance obligations: (1) License; 55% upfront (2) Support; 45% ratable over term
Subscription revenue with significant cloud features – but not Hybrid (Initially, Creo and Windchill)	Ratable over term	Three performance obligations: (1) License, 50% upfront; (2&3) Cloud and Support; 50% ratable
SaaS, Hybrid (Vuforia Studio), and Hosting revenue	Ratable over performance period	No change[1]
Support revenue	Ratable over performance period	No change[1]
Perpetual license revenue	Upfront recognition	No change[1]
Professional services revenue	As delivered over performance period	Higher services revenue and costs on certain contracts for which revenue was deferred under 605
Commissions	Expensed in period incurred	Amortized over 5 years

[1] We expect immaterial changes to revenue, by line of business, based on ASC 606 rules, which require re-allocation of transaction price, based on the stand-alone selling prices of performance obligations.

REVENUE RECOGNITION EXAMPLE

- 3 year on-premise subscription with no significant cloud features[1]
- $400K booking ($200K ACV)

	Year 1		Year 1 Total	Year 2		Year 2 Total	Year 3		Year 3 Total	Contract Life Total
	Upfront	Ratable		Upfront	Ratable		Upfront	Ratable		
ASC 605		$200K	$200K		$200K	$200K		$200K	$200K	**$600K**
ASC 606	$110K	$90K	$200K	$110K	$90K	$200K	$110K	$90K	$200K	**$600K**

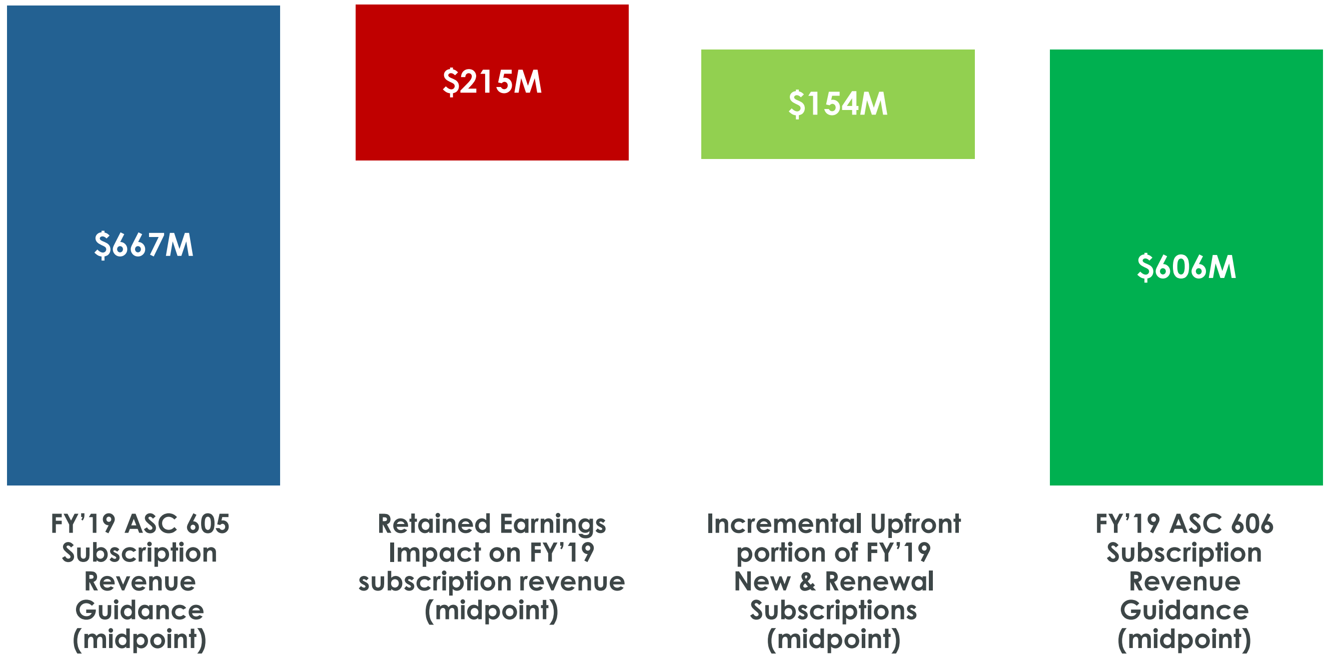
Under ASC 606, new subscription revenue (license + support), will be ratable on an annual basis, but variable quarterly

[1] Multi-year contracts are now generally structured such that the license portion of the subscription ($110K) is recognized annually as opposed to a total of $330K being recognized upfront, thus reducing annual revenue volatility.

ASC 606 REVENUE ADJUSTMENTS

- Open subscription contracts as of 10/1/18 assessed to determine the amount of billed and unbilled deferred revenue to be reflected on the balance sheet
- The difference between the amount of billed and unbilled deferred revenue, calculated under ASC 606 and ASC 605, is recorded as an adjustment to Retained Earnings on 10/1/18, lowering future reported revenue, due to revenue being recognized on an accelerated basis under ASC 606 vs. ASC 605.
- We recorded a retained earnings adjustment of $366M, which will negatively impact annual subscription revenue as follows: **FY'19**: ~$215M; **FY'20:** ~$100M; **FY'21:** ~$40M; **FY'22:** ~$11M
- Note that the FY'19 impact of the ASC 606 revenue adjustment is expected to be mitigated by upfront recognition of new and renewal subscription revenue. Thus, we expect a material impact to reported revenue in FY'19, but, for FY'20 and beyond, we do not expect revenue reported under ASC 606 to be lower than revenue reported under ASC 605 revenue, by reason of the accounting change.

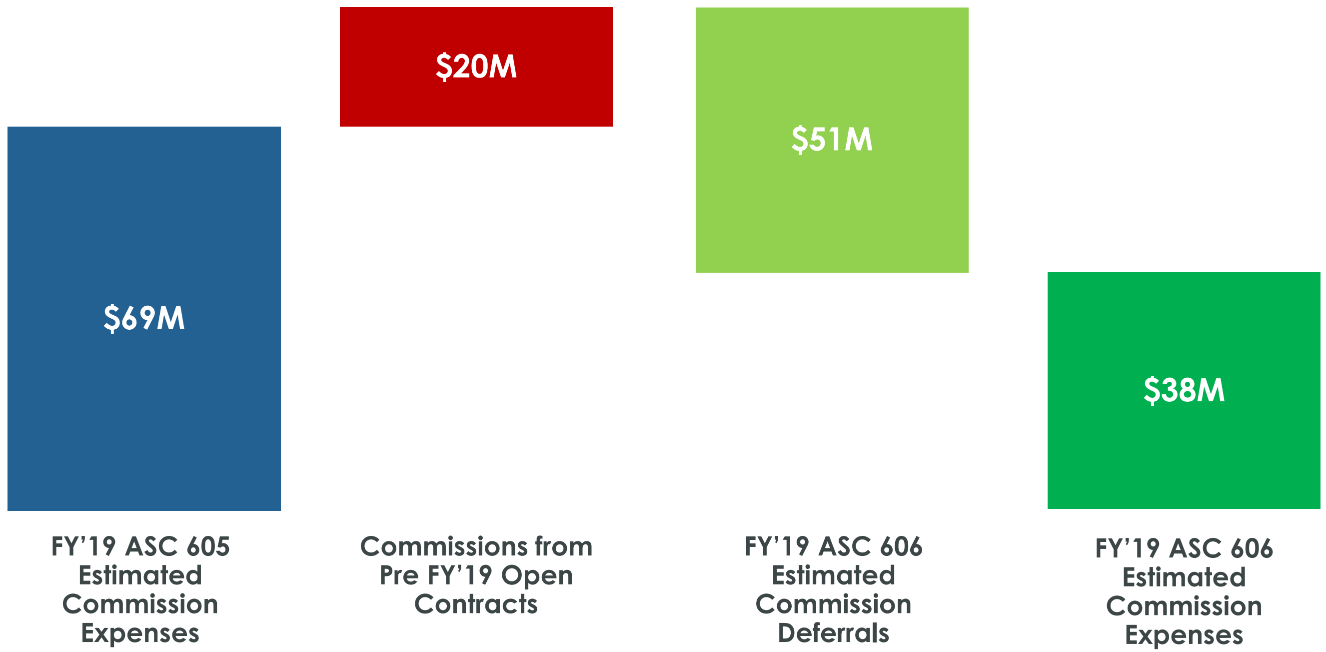
FY'19 Subscription Revenue Bridge - ASC 605 vs. ASC 606



ASC 606 COMMISSION ADJUSTMENTS

- A substantial portion of total commissions paid on subscription contracts as of 10/1/18 are capitalized on the balance sheet and amortized to expense over 5 years
- As of 10/1/18, we capitalized commissions of $70M with future expense amortization as follows: **FY'19**: ~$20M; **FY'20**: ~$19M; **FY'21**: ~$16M; **FY'22 to FY'23**: ~$15M
- Note (below) that the impact of the amortized commission expense will be offset by lower ongoing commission expense under ASC 606 treatment, due to the spreading of commission expense over 5 years,

FY'19 Commission Expense Bridge - ASC 605 vs. ASC 606



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